Office of the President
March 2019

UNIVERSITY OF CALIFORNIA

Reduction of Nonresident Freshman Enrollment at the University of California and Options for Replacing Revenues from Nonresident Students

EXECUTIVE SUMMARY

This report was developed in response to the following Supplemental Report Language of the 2018 Budget Act (item 6440-001-0001):

> ***Plan to Limit Nonresident Enrollment.*** *The University of California shall develop a plan starting in fall 2020 to gradually reduce the enrollment of nonresident freshman students to no more than 10 percent of the freshman class at every campus by 2029-30. The plan shall include options for replacing the revenues from nonresident students, including but not limited to increasing nonresident tuition for the remaining nonresidents and increasing General Fund support from the state. The options shall not include increasing tuition on resident students for this purpose. The university shall submit this plan to the Legislature by April 1, 2019. It is the intent of the Legislature that the plan would be implemented once approved, with any necessary changes, by the Legislature through the 2019-20 budget process.*

This report estimates the financial and educational consequences of reducing nonresident[1] enrollment to 10% of the freshman class at every University of California (UC) campus by 2029-30 based upon reasonable assumptions about enrollment growth and changes in student charges through 2029-30. Figures in this report should be considered estimates because actual enrollment levels and student charges through 2029-30 are not yet known.

Reducing nonresident undergraduate enrollment as described above and replacing those students with additional California residents would require an estimated $4.2 billion in State funds between 2020-21 and 2029-30 in order to provide campuses and students with the same resources for instruction and financial aid that they currently receive. This funding is in addition to what the State would be expected to provide to support the University's base budget and moderate levels of California resident enrollment growth. The estimated increased need for State funding consists of the following:

- $1.2 billion to cover the State's share of the cost of educating the additional California resident students who would fill the vacancies created by the reduction in nonresident students.
- $2.1 billion to replace the lost net Nonresident Supplemental Tuition (NRST) revenue (i.e., the estimated $3.3 billion in total lost NRST revenue minus the $1.2 billion in State enrollment funding referenced above) that UC campuses would have otherwise expected to receive. Campuses rely on NRST to meet pressing budget needs related to instruction, student services, academic advising, facilities maintenance, and other functions that benefit all students and are critical to student success.
- $443 million to ensure the adequacy of the University's institutional aid program for financially needy California residents. This additional support would be needed because replacing

[1] For purposes of this report, the term "nonresident" refers to University of California undergraduate students who are assessed Nonresident Supplemental Tuition (NRST). It excludes students who meet the University's residency requirements for in-state tuition as well as students who are exempt from NRST by State law or University policy – e.g., students who are exempt from NRST under Section 68130.5 of the California Education Code (AB 540).

nonresident undergraduates with California residents would result in no increase to the University's primary institutional financial aid program but would increase demand for institutional aid since California residents, unlike nonresident undergraduates, are eligible for need-based UC Grants.

- $509 million to fund the additional demand for Cal Grants created by California enrollment growth in addition to the levels already assumed without any reduction in nonresident enrollment.

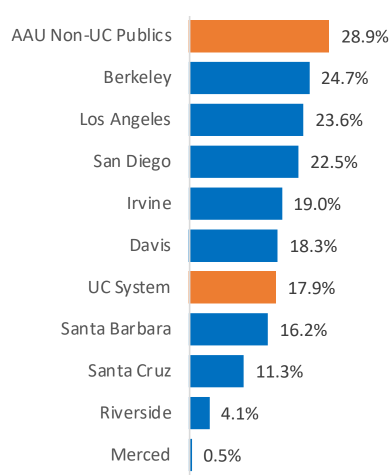
Absent a commitment from the State to backfill projected NRST revenue losses and support additional California resident undergraduates, reducing nonresident enrollment to 10% of the freshman class at every campus by 2029-30 would likely result in a steady decline in California resident enrollment, as the University would be unable to hire the faculty, teaching assistants, and student services providers needed to deliver a UC education at current scale without additional resources.

Even with the additional State investments described above, important benefits of a UC education would decline since California residents would have many fewer opportunities to live and learn alongside students from different regions, cultures, and backgrounds. A UC education would become considerably more parochial even as society and business demand greater understanding of, and engagement with, other cultures. The ability to understand and engage with peers from around the country and the world has become even more important in recent years due to unprecedented changes in communications, technology, and the workplace.

Background

The University of California enrolls a low percentage of nonresident undergraduate students compared to other Association of American University (AAU) public institutions, as shown in Figure 1. This is true for the University as a whole and for each of the University's nine undergraduate campuses.

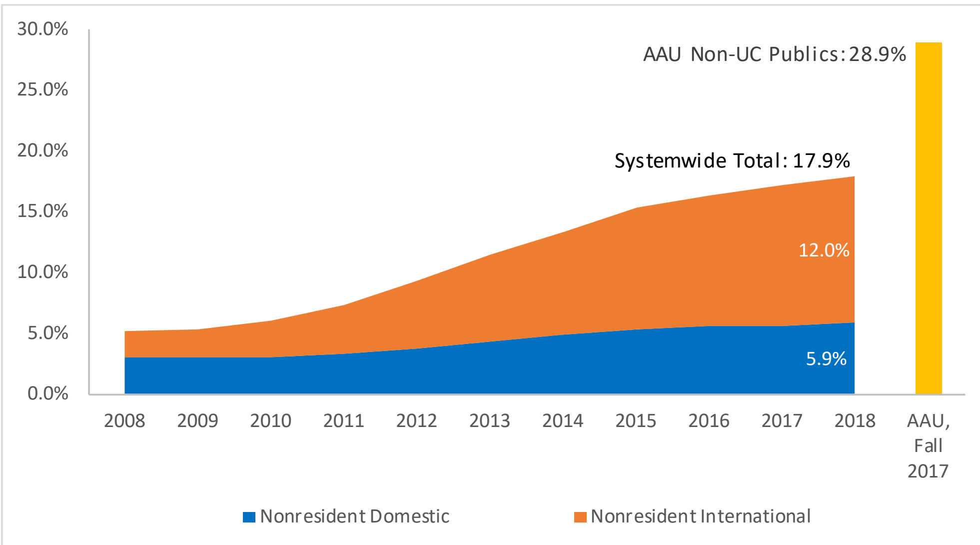
Figure 1: Percentage of Undergraduates Who Are Nonresidents[2]



[2] Figures reflect the most recent data available: fall 2018 enrollment for UC, and fall 2017 enrollment for other AAU public institutions.

The percentage of UC undergraduates who are nonresidents has gradually increased over the past decade, as shown in Figure 2. The total percentage will increase at a much slower rate in future years, due in part to *Regents Policy 2109: Policy on Nonresident Student Enrollment*, which was adopted in May 2017.[3] Among other provisions, the policy establishes a limit on nonresident enrollment at each undergraduate campus, which will ensure that the percentage of UC undergraduates who are nonresidents will continue to remain below the percentage at other public AAU institutions. The policy also states that nonresident undergraduates, "will continue to be enrolled in addition to, rather than in place of, funded California undergraduates at each campus."

Figure 2: Systemwide Nonresident Undergraduate Percentages over Time



Growth in nonresident undergraduate enrollment has benefitted California resident undergraduates, the University as a whole, and the State of California in concrete ways.

- **Nonresident students enhance the educational experience of California residents.** *Regents Policy 2109* states that "the University values highly the diversity of experience, cultures, and backgrounds that nonresidents provide and sees their presence on every UC campus as an important part of the learning experience for California students." In recent years, California has become even more integrated into a global society and economy. It is critical that students from the nation's largest state – and one poised at the edge of the Pacific Rim – are prepared for the consequences of globalization and feel comfortable living and learning alongside people from a broad range of backgrounds.

- **Revenue from nonresident enrollment is critical to campuses' ability to provide a high-quality education to California students.** Each UC nonresident undergraduate is assessed systemwide charges totaling $41,562[4] in 2018-19 in addition to campus-based fees. By contrast, the

[3] The full policy is available at https://regents.universityofcalifornia.edu/governance/policies/2109.html.
[4] This figure includes Nonresident Supplemental Tuition ($28,992), Tuition ($11,442), and the Student Services Fee ($1,128). Campus-based fees are excluded.

University receives less than $23,500[5] from a combination of in-state tuition and fees and State funding for each California resident undergraduate that it enrolls. Campuses rely on the additional revenue provided by nonresident enrollment to recruit and retain faculty, mount additional courses that lower overall class size, purchase library materials and other educational services, renew instructional equipment and technology, and otherwise maintain the key building blocks of undergraduate education for all University of California students.

- **Nonresident enrollment makes UC more affordable for California financial aid recipients.** About 100,000 financially needy UC undergraduates received grants in 2017-18 from the University Student Aid Program (USAP), the University's primary institutional financial aid program. USAP is funded by a percentage of Tuition and Student Services Fee revenue paid by UC undergraduates, including nonresident students. As the University continues to implement a 2016 policy decision to eliminate, over time, nonresident undergraduate students' eligibility for USAP awards, more and more Tuition and Student Services Fee revenue paid by nonresident undergraduates has become available to exclusively support California resident students, thus reducing their need to work and borrow to finance their UC education. Additionally, because the University allocates systemwide financial aid funds to make every UC campus equally accessible to low-income students, these benefits accrue to California residents across the system – not just at campuses that enroll higher percentages of nonresident students.

- **As alumni, nonresident students make longstanding contributions to the California economy.** Nonresident enrollment contributes exceptional talent to the state's workforce. UC alumni records show that over 50% of domestic nonresidents remain in California. Overall, about 30% of nonresident undergraduates are employed in California immediately after completing their UC degrees, increasing to 45% in the longer term. Additionally, after securing employment, nonresidents are more likely to be employed in the business and high-tech industries compared to California residents (18% compared to 15% for business, and 20% compared to 15% in high-tech industries). The California economy thus benefits from the contributions of nonresident alumni without having incurred any cost for their K-12 education or their enrollment at UC.

Projected Outcomes of Limiting Nonresident Enrollment to Ten Percent

In response to Supplemental Report Language of the 2018 Budget Act (item 6440-001-0001), the University has developed and assessed a scenario in which the enrollment of nonresident freshman students would decline, beginning in fall 2020, to no more than 10% of the freshman class at every campus by 2029-30 (the "10% Scenario"). In order to demonstrate the net impact of the 10% Scenario on enrollment and revenue, its impact is depicted relative to a base case (the "Base Case Scenario") in which nonresident undergraduate enrollment remains subject to the University's current nonresident enrollment policy. (See the Technical Appendix for additional information.)

Enrollment Projections

The University does not have systemwide or campus-by-campus enrollment plans through 2029-30. In order to comply with the Supplemental Reporting Language, staff at the University of California Office of

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[5] This figure includes Tuition ($11,442), the Student Services Fee ($1,128), and approximately $10,900 in State support if the State were to provide its estimated share of the marginal cost of instruction in 2018-19. Campus-based fees are excluded.

the President made a series of simplifying assumptions to develop a hypothetical Base Case enrollment plan for each campus, and then modified that plan to meet the parameters of the 10% Scenario.

Under the Base Case, the following simplifying assumptions were made:

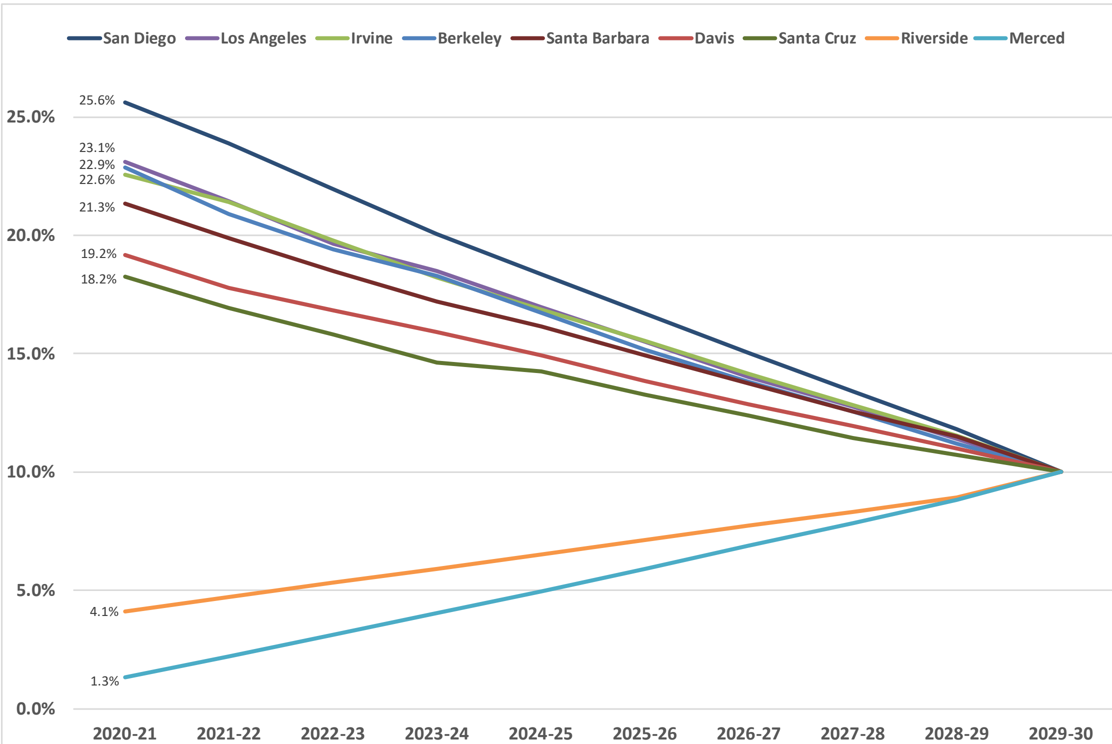
- Total California resident undergraduate enrollment grows each year by approximately 1%.
- California resident undergraduate growth is distributed across the campuses based on campuses' preliminary proposals for new California resident enrollment in 2019-20.
- Each campus (except Merced) is expected to enroll at least one new California resident transfer student for every two new California resident freshmen.
- Projections of nonresident growth at each campus are based on campuses' historical rates of nonresident enrollment growth, capped as appropriate pursuant to *Regents Policy 2109*.

Under the 10% Scenario, the following additional assumptions also apply:

- New nonresident freshman enrollment is gradually adjusted to no more than 10% of the incoming freshman class at every campus by 2029-30.
- The decline in nonresident freshmen is accompanied by a corresponding increase in California resident students compared to the base case scenario, such that total undergraduate enrollment is the same under both scenarios at each campus.

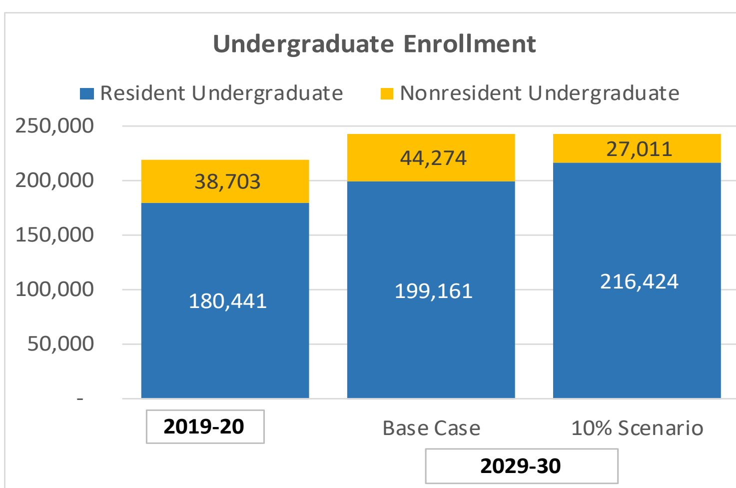
Figure 3 demonstrates how campuses would need to adjust nonresident freshman enrollment each year in order to reach 10% by 2029-30.

Figure 3: New Nonresident Freshman Enrollment Projections under the 10% Scenario



Projected changes in new nonresident freshman enrollment result in shifts in *total* undergraduate enrollment. Projected growth in total undergraduate enrollment is the same from year to year under both scenarios – they simply reflect a different distribution of students by residency. Figure 4 illustrates projected total 2029-30 total enrollment under both scenarios. By 2029-30, the 10% Scenario would result in resident enrollment that is 8.7% higher than under the Base Case (216,424 vs. 199,161) and nonresident enrollment that is 39% lower (27,011 vs. 44,274).

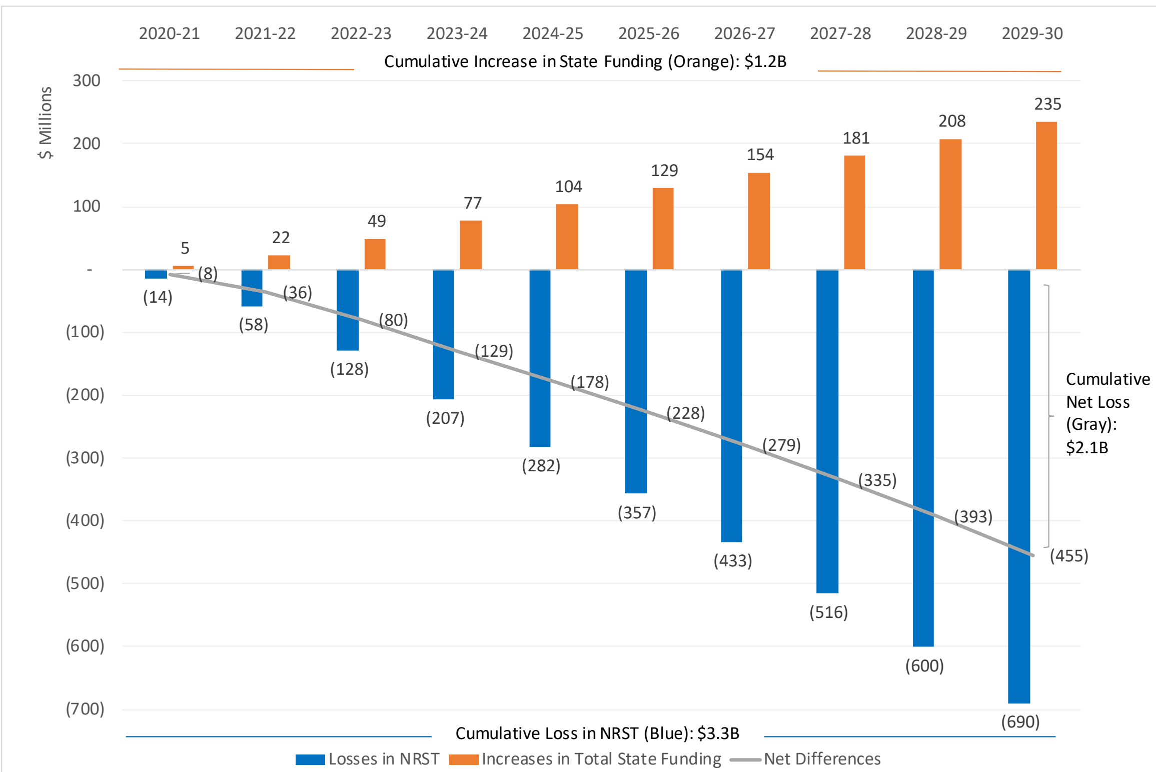
Figure 4: Undergraduate Year-Average Headcount Enrollment under Both Scenarios



Financial Loss Associated with Reducing Nonresident Freshman Enrollment[6]

The 10% Scenario would represent a devastating financial loss to the University, even if the State were to fully fund additional California resident students to replace the reduction in nonresident student enrollment. Under the 10% Scenario, in 2029-30, the University would generate $690 million less in NRST revenue relative to the Base Case and would suffer a cumulative total loss of $3.3 billion in NRST revenue from 2020-21 through 2029-30 (see the blue bars in Figure 5). The loss in NRST would far exceed the increase in new State funding that the University would expect to receive for each additional California resident projected to enroll under the 10% Scenario (see the orange bars in Figure 5). As a result, the University would face a net shortfall of $455 million in 2029-30, and a net cumulative shortfall of $2.1 billion by 2029-30 (see the gray line in Figure 5).

Figure 5: Net Differences between Projected Losses in NRST and Projected Increases in State Funding under the 10% Scenario



Impact of Nonresident Reduction on Academic Quality

The decline in revenue resulting from the 10% Scenario would have disparate financial and academic effects at the campus level. For example, reducing nonresident freshman enrollment at UC Berkeley to 10% of the incoming class by 2029-30 would result in a $112 million net loss to the campus in 2029-30 and comparable annual losses thereafter. To put this figure in perspective, $112 million is equivalent to the salary and benefits associated with approximately 675 full-time professor positions. Figure 6 shows comparable figures for the Los Angeles, San Diego, Davis, Irvine, Santa Cruz, and Santa Barbara

[6] Systemwide tuition and NRST levels through 2029-30 are not yet known. For purposes of this analysis, tuition and NRST are assumed to increase by 3% annually from 2019-20 through 2029-30.

campuses, which would also face steep declines in net revenue under this scenario, even if the State were to fully fund its share of California resident enrollment growth.

Figure 6: Loss in Revenue in 2029-30 Associated with the 10% Scenario

Campus	Required Reduction in Nonresident Enrollment in 2029-30 (Relative to Base Case)	Revenue Loss in 2029-30*	Equivalent Number of Full-Time Faculty Positions**
Berkeley	4,203	$112M	675
Los Angeles	3,620	$96M	578
San Diego	3,242	$85M	512
Davis	2,540	$67M	404
Irvine	2,457	$64M	385
Santa Cruz	1,507	$40M	241
Santa Barbara	1,309	$34M	205
Total	**18,877**	**$498M**	**2,999**

* Figures assume that the State funds its share of the marginal cost of instruction for additional California residents under the 10% Scenario.
** Based upon the salary scale for a Professor III position ($118,600) in FY2017 and assuming benefit costs equivalent to 40% of salary.

Although Figure 6 depicts the potential impact of campus-specific revenue losses in terms of faculty hiring, absorbing cuts of these magnitudes would likely require campuses to cut funding in multiple other areas related to academic quality, such as course development, student services, library materials, instructional equipment, and deferred maintenance.

Impact of Nonresident Reduction on California Resident Undergraduate Affordability

Nonresident undergraduates contribute to the University Student Aid Program (USAP) but cannot draw from it. The total pool of USAP funding available to undergraduates would be the same under both the Base Case and the 10% Scenario since total annual enrollment growth is the same under both scenarios. However, demands on USAP would increase substantially under the 10% Scenario because UC would be enrolling a higher number of financially needy California resident undergraduates.

For this reason, without additional funding for financial aid, the 10% Scenario would reduce affordability for California residents. Compared to the Base Case, the additional resident enrollment growth under the 10% Scenario would increase California residents' need for USAP funding by $1.8 million in 2020-21, by $48.2 million in 2025-26, and by $93.1 million in 2029-30. The cumulative additional need for USAP funding under the 10% Scenario would be $443.4 million. (These estimates assume that funding from Cal Grants would be available to support the higher California resident enrollment under the 10% Scenario.)

The consequences of this funding shortfall would fall squarely on all California resident grant recipients at UC. UC grants under the 10% Scenario would decrease *for each individual California resident USAP recipient* by an estimated $752 by 2029-30 relative to the Base Case unless the State were to provide an equivalent increase in State funding for UC's institutional financial aid program.

Impact of Nonresident Reduction on the Student Experience

Reducing nonresident enrollment beyond the limits already established by UC policy could diminish students' opportunities to participate in the global economy. In order to effectively engage communities, collaborate, innovate, and problem-solve – especially in California – undergraduate students benefit from opportunities to develop global fluency by building networks and learning alongside peers across backgrounds.

The importance to students of expanding their worldview is borne out by recent findings from the Cooperative Institutional Research Program (CIRP), the nation's largest and oldest empirical study of higher education. One of CIRP's surveys, which is administered by the Higher Education Research Institute (HERI), is called the Freshmen Survey. The most recent publicly available Freshmen Survey features results based on 137,456 first-time, full-time students who entered 184 U.S. colleges and universities of varying selectivity and type in fall 2016. Results of this survey are representative of the more than 1.5 million first-time, full-time undergraduate students who entered college at 1,568 four-year colleges and universities across the country in 2016. The survey found that, at public universities, 59.4% of students considered the goal of "improving my understanding of other countries and cultures" to be "Essential" or "Very important." This figure rose to 67.6% among students from highly selective public universities. There are few better ways to improve one's understanding of other countries and cultures than by direct interaction, particularly in a living or learning environment.

Options for Replacing Lost Revenues

This report considers two options for replacing lost revenues under the 10% Scenario: increased State General Fund support and increasing NRST for the remaining nonresident undergraduates.

Replacing Lost NRST Revenues with State General Funds

State General Fund projections under the Base Case reflect the following assumptions:

- The University's 2019-20 State General Fund appropriation would reflect a 3.7% base budget adjustment over 2018-19 levels, conversion of one-time funding provided in 2018-19 to permanent funding, and other elements of the University's 2019-20 budget request.
- The annual base budget increase for UC would be 3.2% in 2020-21 through 2029-30.
- The State would cover its share of the cost of instructing each new California resident undergraduate.

Under the 10% Scenario, the following additional assumptions also apply:

- The State would cover projected increases in USAP need resulting from the enrollment of additional California resident students.
- Additional funding from Cal Grants would be available to support increased California resident enrollment.

State General Fund support for the University under the Base Case is projected to increase, on average, by 3.7% annually between 2020-21 and 2029-30. Under the 10% Scenario, by contrast, State General Fund support would need to increase, on average, by 5.2% annually between 2020-21 and 2029-30 (excluding the estimated additional need for Cal Grant funding discussed below).

Estimates reflected in Figure 7 below show projected State General Fund revenue under both scenarios, assuming that the State would cover foregone NRST revenue, its share of the cost of instructing each additional California resident undergraduate, and the additional USAP need under the 10% Scenario. As the figure demonstrates, State General Funds for UC would need to increase by $3.7 billion cumulatively (excluding Cal Grants) between 2020-21 and 2029-30 under this Scenario (approximately $1.2 billion cumulatively for the State's share of the marginal cost of instruction, $2.1 billion cumulatively to fund the gap left by foregone NRST (see the gray line in Figure 5), and $443 million cumulatively to cover additional projected need for USAP).

Figure 7: Projected State General Funds (SGF) for UC under Each Scenario (Excluding Cal Grants)

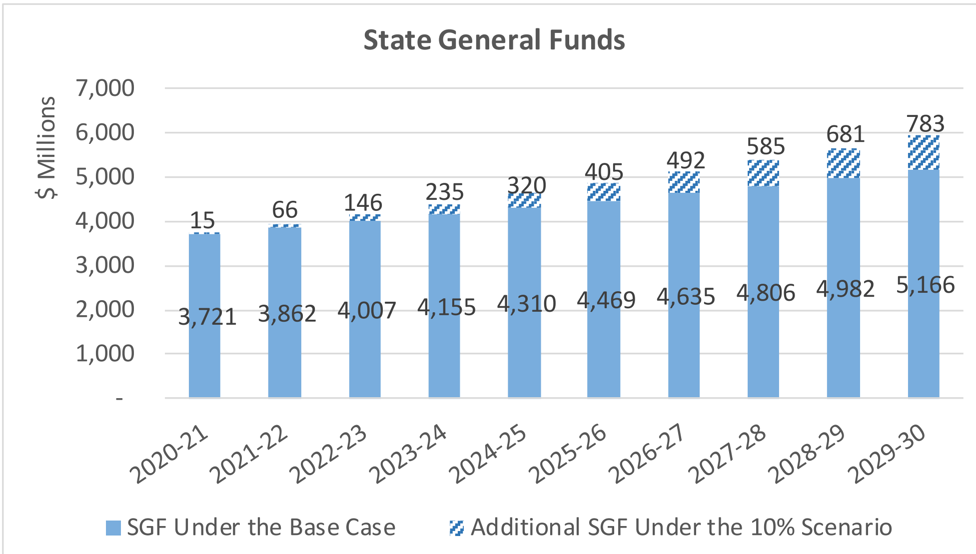


Figure 8 below supplements Figure 7 by disaggregating the additional cost to the State of implementing the 10% Scenario each year. Figure 8 also includes estimates of the additional need for Cal Grant funding under the 10% Scenario, resulting from additional California resident enrollment growth. Cal Grant expenditures would increase by an estimated $509 million cumulatively over the course of the 10% Scenario. Including these expenditures, the cumulative incremental cost to the State of implementing the 10% Scenario increases to $4.2 billion over the ten-year period.

Figure 8: SGF for UC under Each Scenario (Including Cal Grants)

SGF Under Base Case ($ M)	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Cumulative
Base Budget	$ 3,699	$ 3,818	$ 3,940	$ 4,066	$ 4,196	$ 4,330	$ 4,469	$ 4,612	$ 4,760	$ 4,912	$ 42,802
Marginal Enrollment Funding	$ 22	$ 44	$ 67	$ 89	$ 114	$ 139	$ 166	$ 194	$ 223	$ 254	$ 1,311
Total State Funding Under Base Case	***$ 3,721***	***$ 3,862***	***$ 4,007***	***$ 4,155***	***$ 4,310***	***$ 4,469***	***$ 4,635***	***$ 4,806***	***$ 4,982***	***$ 5,166***	***$ 44,112***
Additional Costs Under the 10% Scenario ($M)											
Additional Marginal Enrollment Funding	$ 5	$ 22	$ 49	$ 77	$ 104	$ 129	$ 154	$ 181	$ 208	$ 235	$ 1,166
Funding Needed for Annual Net Shortfall	$ 8	$ 36	$ 80	$ 129	$ 178	$ 228	$ 279	$ 335	$ 393	$ 455	$ 2,120
Funding Needed for Additional UC Financial Aid	$ 2	$ 8	$ 17	$ 28	$ 38	$ 48	$ 58	$ 70	$ 81	$ 93	$ 443
Total Additional Required Funding for UC	$ 15	$ 66	$ 146	$ 235	$ 320	$ 405	$ 492	$ 585	$ 681	$ 783	$ 3,729
Additional Projected Cal Grant Expenditures	$ 2	$ 9	$ 20	$ 32	$ 44	$ 55	$ 67	$ 80	$ 93	$ 107	$ 509
Total Additional Funding for UC and Cal Grants	$ 18	$ 75	$ 166	$ 267	$ 364	$ 461	$ 559	$ 665	$ 774	$ 890	$ 4,238
Total State Funding Required under the 10% Scenario	***$ 3,739***	***$ 3,937***	***$ 4,172***	***$ 4,421***	***$ 4,673***	***$ 4,930***	***$ 5,194***	***$ 5,471***	***$ 5,757***	***$ 6,056***	***$ 48,350***

Replacing Lost NRST Revenues by Increasing the NRST Rate

The second option for replacing the projected revenue losses under the 10% Scenario would be to increase tuition on the remaining nonresident undergraduates at the University. The financial analysis above assumes consistent annual increases of 3.0% on NRST. In order to completely compensate for the gap left behind from reducing nonresident enrollment under the 10% Scenario (including increased USAP need), NRST would need to increase by 6.73% per year starting in 2020-21, reaching $57,251 in 2029-30.[7] This increase would result in nonresidents paying $74,584 in total tuition and fees in 2029-30. Figure 9 shows the annual impact of increasing NRST by 6.73% starting in 2020-21. Increasing NRST to this level would not only likely reduce the number and quality of applicants to the University, particularly at campuses with less name recognition, but it would also ultimately encourage only the wealthiest nonresident students to attend.

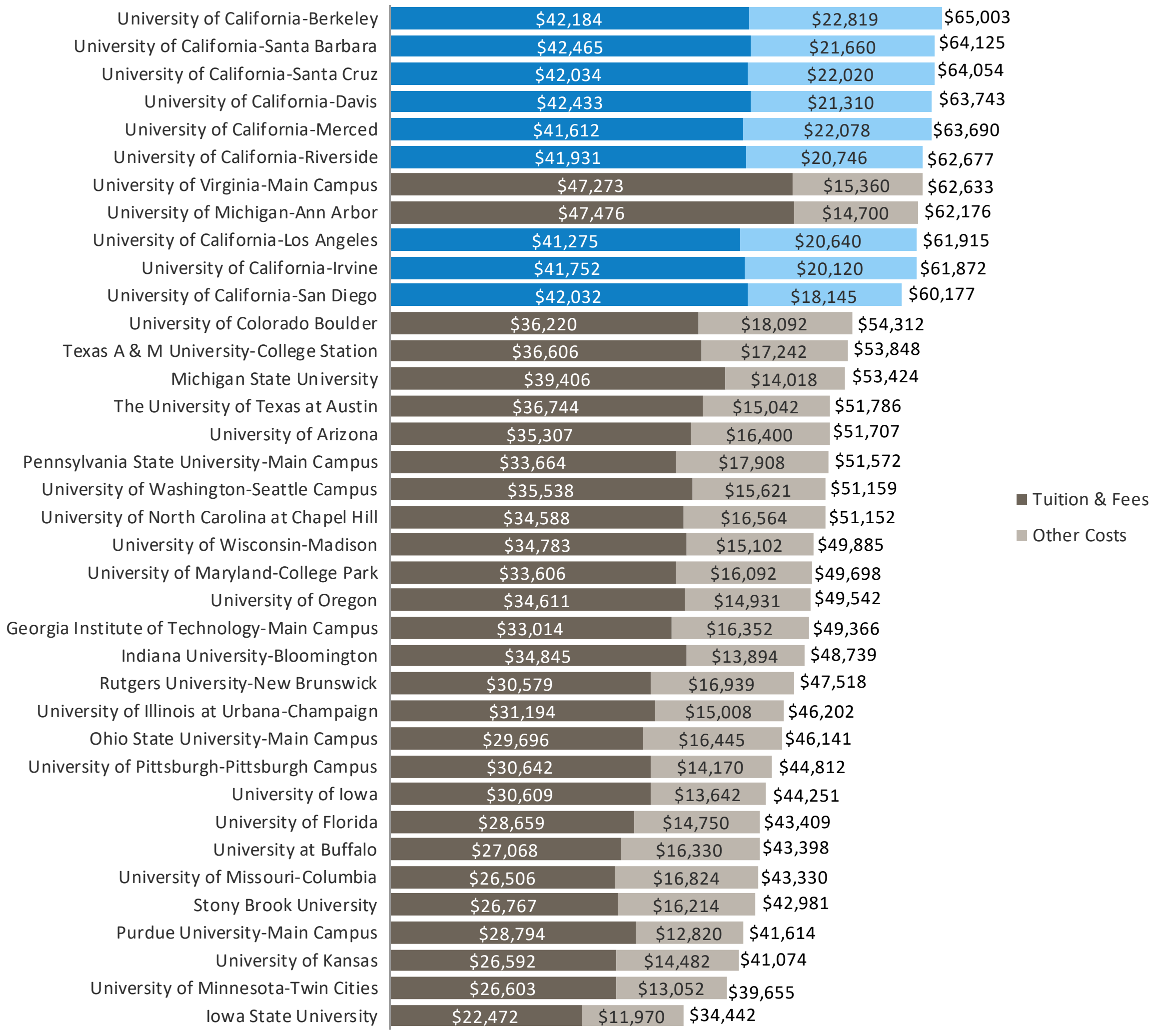
Figure 9: Financial Impact of Increasing NRST by 6.73% under the 10% Scenario

6.73% annual NRST increase starting in 2020-21	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**Cumulative**
Total Impact ($M)	$ 38	$ 50	$ 43	$ 29	$ 16	$ 2	$ (12)	$ (31)	$ (54)	$ (81)	$ (0)
NRST	*$ 31,870*	*$ 34,013*	*$ 36,301*	*$ 38,742*	*$ 41,348*	*$ 44,128*	*$ 47,096*	*$ 50,263*	*$ 53,644*	*$ 57,251*	
Total Tuition & Fees	*$ 45,154*	*$ 47,696*	*$ 50,394*	*$ 53,258*	*$ 56,299*	*$ 59,528*	*$ 62,958*	*$ 66,601*	*$ 70,471*	*$ 74,584*	
USAP	$ 2	$ 8	$ 17	$ 28	$ 38	$ 48	$ 58	$ 70	$ 81	$ 93	

To place these estimates in context, UC's current total cost of attendance for nonresidents is already relatively high compared to other public universities. Because of California's higher cost of living relative to other states, when all expenses are taken into account, UC campuses are among the most expensive public universities for nonresident undergraduates. Specifically, as shown in Figure 10, UC campuses represent nine of the 11 most expensive AAU public institutions for out-of-state students in the nation.

[7] These figures assume that funding from Cal Grants would be available to support higher California resident enrollment under the 10% Scenario.

Figure 10: Cost of Attendance for Nonresident Students in 2017-18



Conclusion

Implementing the 10% Scenario without a firm commitment from the State to backfill the accompanying NRST revenue losses, to support the growth in California resident undergraduates, and to cover the projected increased need for USAP funding and Cal Grants would ultimately erode the University's quality, accessibility, and affordability, along with the student experience. The University currently has policies and practices in place to limit nonresident undergraduate enrollment and to ensure that nonresident undergraduates do not displace California residents. Reducing nonresident enrollment under the constraints of the 10% Scenario without adversely affecting California resident undergraduates would require an additional State investment of $4.2 billion over the next decade above and beyond the support that it would otherwise provide to UC. Even with this additional funding, such a policy change would limit opportunities for students to benefit from living and learning alongside students in diverse, multicultural spaces.

Technical Appendix

Figure A-1: New Freshman and Total Undergraduate Enrollment under Both Scenarios

- Enrollment figures are shown below for both the Base Case and the 10% Scenario described in the report.
- Under the Base Case, the following simplifying assumptions were made:
  - Total California resident undergraduate enrollment grows each year by approximately 1%.
  - California resident undergraduate growth is distributed across the campuses based on campuses' preliminary proposals for new California resident enrollment in 2019-20.
  - Each campus (except Merced) is expected to enroll at least one new California resident transfer student for every two new California resident freshmen.
  - Projections of nonresident growth at each campus are based on campuses' historical rates of nonresident enrollment growth, capped as appropriate pursuant to Regents Policy 2109.
- Under the 10% Scenario, the following additional assumptions also apply:
  - New nonresident freshman enrollment is gradually adjusted to no more than 10% of the incoming freshman class at every campus by 2029-30.
  - The decline in nonresident freshmen is accompanied by a corresponding increase in California resident students compared to the base case scenario, such that total undergraduate enrollment is the same under both scenarios at each campus.
- The difference in total new freshman enrollment between the two scenarios is due to higher levels of estimated new California transfer students under the 10% Scenario required to maintain the desired freshman-to-transfer student ratio.

Undergraduate Enrollment		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
New Freshmen	**Base Case**										
	CA Resident	38,482	38,110	38,381	38,381	39,461	39,596	40,068	40,237	40,912	41,267
	Nonresident	9,568	9,928	10,281	10,109	10,097	10,314	10,523	10,539	10,579	10,774
	Total	48,050	48,039	48,662	48,489	49,557	49,910	50,591	50,776	51,492	52,041
	10% Scenario										
	CA Resident	38,776	39,044	39,860	40,087	41,379	41,961	42,833	43,297	44,232	45,073
	Nonresident	9,102	8,473	7,974	7,450	7,103	6,627	6,212	5,770	5,403	5,008
	Total	47,879	47,516	47,834	47,536	48,483	48,588	49,045	49,067	49,635	50,081
All Students	**Base Case**										
	CA Resident	182,234	184,112	185,902	187,612	189,482	191,331	193,297	195,190	197,146	199,161
	Nonresident	39,367	40,065	40,818	41,547	41,954	42,362	42,805	43,332	43,790	44,274
	Total	221,601	224,177	226,720	229,159	231,436	233,693	236,102	238,522	240,936	243,435
	10% Scenario										
	CA Resident	182,678	185,950	189,851	193,786	197,659	201,386	205,139	208,876	212,615	216,424
	Nonresident	38,923	38,227	36,868	35,372	33,777	32,307	30,963	29,646	28,321	27,011
	Total	221,601	224,177	226,720	229,159	231,436	233,693	236,102	238,522	240,936	243,435

Figure A-2: Financial Impact Analysis

Assumptions	
Tuition/Student Service Fee (SSF) Growth	3.0%
Return to Aid	33.0%
NRST Growth	3.0%
State Funding per CA Undergraduate	$ 10,000
Marginal Cost of Instruction Growth	3.0%
Cal Grant per CA Undergraduate	$ 4,376
Cal Grant Growth	3.0%

Scenarios	
Base Case	The base case sets total CA resident growth at 1% per year and the percentage of total nonresident undergraduates at each campus to either the campus-specific caps set in 2017-18 or 18% per Regents policy.
10% Scenario	The 10% Scenario replaces the vacancies left by reductions in nonresident freshmen with additional CA resident freshmen.

Summary of Financial Impact
Compared to the Base Case, the 10% Scenario results in an in-year net loss of $0.5 billion by 2029-30 and a cumulative net loss of $2.1 billion by 2029-30.

Financial Impact Analysis	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	*Cumulative*
Enrollment Difference between the 10% Scenario and the Base Case											
Resident UG	443	1,838	3,950	6,175	8,177	10,055	11,842	13,686	15,469	17,263	
Nonresident UG	(443)	(1,838)	(3,950)	(6,175)	(8,177)	(10,055)	(11,842)	(13,686)	(15,469)	(17,263)	
Net Impact											
Impact - Total Revenue ($ M)	**$ (8)**	**$ (36)**	**$ (80)**	**$ (129)**	**$ (178)**	**$ (228)**	**$ (279)**	**$ (335)**	**$ (393)**	**$ (455)**	***$ (2,120)***
Impact - NRST ($ M)	$ (14)	$ (58)	$ (128)	$ (207)	$ (282)	$ (357)	$ (433)	$ (516)	$ (600)	$ (690)	*$ (3,285)*
Impact - SGF for New CA Residents ($ M)	$ 5	$ 22	$ 49	$ 77	$ 104	$ 129	$ 154	$ 181	$ 208	$ 235	*$ 1,166*
Impact by Campus ($ M)	**$ (8)**	**$ (36)**	**$ (80)**	**$ (129)**	**$ (178)**	**$ (228)**	**$ (279)**	**$ (335)**	**$ (393)**	**$ (455)**	***$ (2,120)***
Berkeley	$ (5)	$ (16)	$ (29)	$ (41)	$ (51)	$ (62)	$ (73)	$ (86)	$ (99)	$ (112)	*$ (574)*
Davis	$ (1)	$ (8)	$ (15)	$ (21)	$ (28)	$ (35)	$ (42)	$ (50)	$ (58)	$ (67)	*$ (326)*
Irvine	$ (1)	$ (2)	$ (5)	$ (12)	$ (19)	$ (27)	$ (35)	$ (44)	$ (53)	$ (64)	*$ (262)*
Los Angeles	$ (4)	$ (10)	$ (22)	$ (31)	$ (41)	$ (51)	$ (61)	$ (72)	$ (83)	$ (96)	*$ (469)*
Merced	$ 1	$ 2	$ 3	$ 6	$ 9	$ 12	$ 16	$ 21	$ 26	$ 32	*$ 128*
Riverside	$ 0	$ 1	$ 1	$ 2	$ 3	$ 4	$ 6	$ 7	$ 8	$ 11	*$ 43*
San Diego	$ (0)	$ (2)	$ (7)	$ (15)	$ (25)	$ (35)	$ (47)	$ (58)	$ (71)	$ (85)	*$ (344)*
Santa Barbara	$ 3	$ 4	$ 2	$ (1)	$ (6)	$ (11)	$ (16)	$ (21)	$ (27)	$ (34)	*$ (106)*
Santa Cruz	$ (0)	$ (4)	$ (9)	$ (17)	$ (20)	$ (24)	$ (28)	$ (31)	$ (36)	$ (40)	*$ (209)*
Additional Considerations											
Additional USAP Required ($M)	*$ 2*	*$ 8*	*$ 17*	*$ 28*	*$ 38*	*$ 48*	*$ 58*	*$ 70*	*$ 81*	*$ 93*	*$ 443*
Additional Cal Grants ($ M)	$ 2	$ 9	$ 20	$ 32	$ 44	$ 55	$ 67	$ 80	$ 93	$ 107	*$ 509*
Financial Inputs per Student											
NRST	$ 30,638	$ 31,557	$ 32,504	$ 33,479	$ 34,484	$ 35,518	$ 36,584	$ 37,681	$ 38,812	$ 39,976	
Tuition/SSF	$ 13,284	$ 13,682	$ 14,093	$ 14,515	$ 14,951	$ 15,399	$ 15,861	$ 16,337	$ 16,827	$ 17,332	
Marginal Cost of Instruction	$ 20,662	$ 21,282	$ 21,920	$ 22,578	$ 23,255	$ 23,953	$ 24,672	$ 25,412	$ 26,174	$ 26,959	
State Funding per CA UG	$ 12,099	$ 12,115	$ 12,478	$ 12,853	$ 13,238	$ 13,635	$ 14,044	$ 14,466	$ 14,900	$ 15,347	
Per Capita UC Need-Based Grant	$ 4,136	$ 4,260	$ 4,388	$ 4,519	$ 4,655	$ 4,795	$ 4,939	$ 5,087	$ 5,239	$ 5,397	
Per Capita Cal Grant	$ 4,749	$ 4,892	$ 5,038	$ 5,189	$ 5,345	$ 5,506	$ 5,671	$ 5,841	$ 6,016	$ 6,197	

Figure A-3: State General Fund (SGF) Analysis

Assumptions
- The 2018-19 tuition buyout is incorporated into the base budget as permanent funding (per the 2019-20 Budget for Current Operations)
- The base budget increase is 3.7% in 2019-20 (per the 2019-20 Budget for Current Operations) and 3.2% thereafter
- Marginal State funding per new CA resident enrollment is incorporated into the base budget
- Excludes additional Cal Grants required under the 10% Scenario

SGF Analysis	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Average Growth
SGF Under the 10% Scenario ($M)	**$ 3,736**	**$ 3,928**	**$ 4,152**	**$ 4,389**	**$ 4,630**	**$ 4,874**	**$ 5,127**	**$ 5,391**	**$ 5,664**	**$ 5,949**	**5.2%**
Base Budget	*$ 3,699*	*$ 3,818*	*$ 3,940*	*$ 4,066*	*$ 4,196*	*$ 4,330*	*$ 4,469*	*$ 4,612*	*$ 4,760*	*$ 4,912*	
Marginal Enrollment Funding	*$ 27*	*$ 67*	*$ 115*	*$ 166*	*$ 217*	*$ 268*	*$ 321*	*$ 375*	*$ 431*	*$ 489*	
Funding Needed to Fill In-Year Gap	*$ 8*	*$ 36*	*$ 80*	*$ 129*	*$ 178*	*$ 228*	*$ 279*	*$ 335*	*$ 393*	*$ 455*	
USAP Need	*$ 2*	*$ 8*	*$ 17*	*$ 28*	*$ 38*	*$ 48*	*$ 58*	*$ 70*	*$ 81*	*$ 93*	
SGF Under Base Case ($ M)	**$ 3,721**	**$ 3,862**	**$ 4,007**	**$ 4,155**	**$ 4,310**	**$ 4,469**	**$ 4,635**	**$ 4,806**	**$ 4,982**	**$ 5,166**	**3.7%**
Base Budget	$ 3,699	$ 3,818	$ 3,940	$ 4,066	$ 4,196	$ 4,330	$ 4,469	$ 4,612	$ 4,760	$ 4,912	
Marginal Enrollment Funding	$ 22	$ 44	$ 67	$ 89	$ 114	$ 139	$ 166	$ 194	$ 223	$ 254	
10% Scenario vs. Base Case ($M)	**$ 15**	**$ 66**	**$ 146**	**$ 235**	**$ 320**	**$ 405**	**$ 492**	**$ 585**	**$ 681**	**$ 783**	**1.5%**
Base Budget	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Marginal Enrollment Funding	$ 5	$ 22	$ 49	$ 77	$ 104	$ 129	$ 154	$ 181	$ 208	$ 235	
Funding Needed to Fill In-Year Gap	$ 8	$ 36	$ 80	$ 129	$ 178	$ 228	$ 279	$ 335	$ 393	$ 455	

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