



OFFICE OF THE PRESIDENT

DANIEL M. DOOLEY
Senior Vice President – Government Relations

Office of State Governmental Relations
1130 K Street, Suite 340
Sacramento, California 95814
(916) 445-9924
Steve Juarez, Associate Vice President and Director

April 16, 2015

The Honorable Jose Medina
Chair, Assembly Higher Education Committee
1020 N Street, Room 173
Sacramento, CA 95814

RE: AB 1370 (Medina), as introduced February 27, 2015
Scheduled for hearing in the Assembly Higher Education Committee on April 21, 2015
Position: CONCERN

Dear Chair Medina:

Respectfully, I am writing to express the University of California's serious concerns about AB 1370. AB 1370 seeks to (1) implement a methodology for calculating nonresident supplemental tuition (NRST) at UC and the California State University based, at a minimum, on the total nonresident charges imposed by each of their comparison institutions; (2) limit the number of nonresident students enrolled at any UC campus to 10% of total student enrollment; (3) establish NRST revenue sharing equally among the campuses; (4) require an unspecified percent of NRST revenue be directed to financial aid programs for resident students, and (5) report annually on the revenue amount generated at each campus.

The State funds the University of California system at the same level as it did in 1999 — even though today we enroll 83,000 more students (more than Berkeley and UCLA combined) and have one more campus. The additional tuition paid by nonresident students has allowed UC campuses to enroll all eligible California residents and maintain academic quality in the face of recent state funding cuts. By not addressing the state's disinvestment in its public research university system, we are concerned that AB 1370 will further hamper UC's ability to enroll all eligible California students and provide them with the financial aid and quality education they deserve and expect.

UC has long recognized the value of enrolling students from other states and countries. They bring a diversity of backgrounds and perspectives to our campuses and add an important dimension to the educational experience. In the 2014-15 academic year, 13% of UC undergraduates are nonresidents, compared to the 26% average of other American Association of Universities public institutions. In fact, four of the nine UC campuses have only increased nonresident enrollment by 5% points or less since 2007-08.

However, nonresident students also provide an important source of revenue that helps UC maintain quality, access and affordability for California students, especially as state funding has declined. Without this revenue source, UC would not have been able to honor California's Master Plan and admit all eligible students. Nonresident students pay the same tuition as California residents, plus a supplemental fee of about \$23,000 a year. Because they pay a higher premium than resident students, the competition for nonresident students is fierce.

We are concerned that the provisions of AB 1370 would have the unintended consequences of reducing our NRST revenue and hampering the ability of UC campuses with smaller proportions of nonresidents to grow this revenue source to support California students and academic quality, as follows.

NRST Increase. UC currently charges higher nonresident tuition (\$36,000) than all but two nationally ranked public universities--the University of Virginia and the University of Michigan (\$42,000)—and the Regents have approved NRST increases of 5% in each of the next three years. However, when living expenses and other costs of instruction are taken into account, UC is the most expensive public university in the nation for nonresident undergraduates. Further increases in NRST could lead to a reduction in our nonresident student enrollment and revenue loss.

NRST 10% Cap. President Napolitano recently capped the nonresident enrollment at two UC campuses and limited growth at a third. By instituting this cap, this bill could disadvantage campuses seeking to increase nonresident enrollment to fund resident enrollments and operational needs that are not met by the state.

NRST Redistribution. The University's policies to allow campuses to retain NRST have evolved over time after thoughtful discussion and consultation among a wide range of constituencies, including the Board of Regents, the Academic Senate, Chancellors and other campus leaders, and UC students to ensure we take into consideration the complexities of the market. As noted previously, we compete with many quality institutions for nonresident students. Requiring NRST redistribution to other campuses could take away campuses' incentive to invest the resources necessary to attract out-of-state students and thereby generate NRST.

NRST Return to Aid. As a result of the State's and UC's commitment to financial aid, 55% of UC's undergraduate California students pay no tuition. Nonresident students contribute the same share of their tuition towards need-based financial aid as other students, although receive very few of these funds. As noted previously, NRST is used to support a host of campus needs, including resident student enrollment, academic quality, and in some cases, financial aid that are not met by state funding. Redirecting these funds would, in effect, worsen the shortfall in critical areas of UC's budget that NRST is intended to address.

Issues related to NRST, nonresident enrollment, and California student enrollment, among others, are being discussed in-depth in the Assembly Budget Committee as part of the budget process. We are committed to examining all available options for continuing to enroll all eligible

students and preserving the quality of a UC education. We appreciate your efforts to help us in this endeavor.

As always, thank you for your consideration of our views and your commitment to higher education. Please do not hesitate to contact me at (916) 445-9924 if I can provide further information.

Sincerely,

A handwritten signature in black ink, appearing to read "Nadia Leal-Carrillo". The signature is fluid and cursive, with the first name "Nadia" being the most prominent.

Nadia Leal-Carrillo
Legislative Director

cc: Members of the Assembly Higher Education Committee
President Janet Napolitano
Provost & Executive Vice President Aimée Dorr
Executive Vice President & CFO Nathan Brostrom
Senior Vice President Nelson Peacock
Associate Vice President & Director Steve Juarez