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Steve Juarez, Associate Vice President and Director

May 5, 2016

The Honorable Lorena Gonzalez
Chair, Assembly Appropriations Committee
State Capitol, Room 2114
Sacramento, CA 95814

RE: AB 1711 (McCarty and Medina), as amended April 18, 2016
Scheduled for hearing in the Assembly Appropriations Committee on May 11, 2016
Position: CONCERN

Dear Chair Gonzalez:

The University of California (UC) continues to have deep concerns regarding AB 1711. Specifically, the bill proposes the following:

- Requires that, as a condition for UC to receive state funding, no more than 15.5 percent of undergraduate students enrolled at UC systemwide be nonresidents.
- Prohibits any UC campus where undergraduate nonresident enrollment is above 15.5 percent from enrolling new nonresidents above 2015-16 levels.
- Requires that no less than 50 percent of the revenues in excess of the marginal cost of instruction generated from undergraduate nonresident enrollment be directed to fund increased systemwide enrollment of undergraduate resident students beginning in 2017-18.
- Requires, by July 1, 2017, UC to establish a policy regarding admission of nonresident undergraduate students requiring each UC campus to admit only nonresident undergraduate students who exceed the academic qualifications of resident undergraduate students admitted to that campus and who stand in the upper one-half of the resident undergraduate students admitted at that specific campus.
- Includes an annual reporting requirement regarding nonresident tuition and admission.
- Provides an exemption to nonresident enrollment limitations in any budget year where UC receives less state funding than the prior year.

AB 1711 is based primarily on the faulty premise that nonresidents displace California students and that, therefore, capping nonresident enrollment will create opportunity for more Californians

to attend UC. This assumption is inaccurate, as nonresidents are admitted over and above the University's targets for funded Californians. More troubling is that this proposal will drastically reduce funds that UC uses to educate, support, and provide financial aid for all UC students—roughly 85 percent of whom are Californians.

The bottom line is that state funding determines the level of California enrollment. The University has always enrolled at least as many California students as it has been funded for by the State—regardless of how many nonresidents are enrolled. For example, a direct result of the extra \$25 million provided in last year's budget act is the increase of 5,000 additional California students to be enrolled this year, and UC has committed to enrolling another 5,000 California students over the following two years if additional enrollment funding from the State is provided. The passage of AB 1711 would do nothing to help achieve these enrollment goals and would actually result in a step backwards.

Nonresident Enrollment Cap

The University is mindful that as state funding has begun to rebound, thoughtful limits may be placed on the level of nonresident students. As such, UC has continued the cap on the percentage of nonresidents at the Berkeley and Los Angeles campuses for 2016-17, and has imposed a cap at the San Diego campus for the first time. These are the campuses with the highest levels of nonresident enrollment and represent the campuses with the most demand from nonresident students. As such, limiting nonresident enrollment at these schools makes practical and fiscal sense. However, the limits posed in AB 1711 will have serious fiscal impacts across all UC campuses.

The long-term fiscal impacts of the restrictions proposed in AB 1711 are difficult to understate. Even if all UC campuses maintained the enrollment of *new* nonresidents at current levels, *total* nonresident enrollment at UC will grow above 15.5 percent because of the impact of the larger classes of nonresidents admitted in recent years. Based on current projections of nonresident enrollment, the 15.5 percent systemwide nonresident enrollment cap would require reducing total nonresident enrollment at all UC campuses by about 5,320 full-time equivalent students beginning in 2017-18. Nonresident students pay an additional \$24,708 beyond the tuition paid by resident students, and, as a result, the total cost of this cap would be \$96 million in the first year. The increases in nonresident enrollment have helped mitigate the impact of state funding cuts. These funds have become essential in preserving the quality of academic programs, expanding student support services, and enhancing financial aid for resident students. These revenues have also allowed campuses to maintain resident enrollment levels during a time of decreasing state support and flat tuition. As such, complying with the provisions of AB 1711 could undermine the University's ability to serve Californians in the absence of additional state support.

AB 1711 will also restrict long-term nonresident enrollment growth because of the impact of the proposed systemwide cap on growth at campuses that do not currently enroll significant numbers of nonresidents. The recent amendments to AB 1711 would allow UC campuses above the 15.5 percent limit to enroll the same number of new nonresident students that they did in 2015-16. The author believes the bill as amended would also allow campuses like UC Santa Barbara and UC Riverside to continue to grow their nonresident populations. However, *all* campuses would have to reduce new nonresident enrollments below 2015-16 levels in order to achieve the 15.5% systemwide enrollment cap. Campuses like UC Santa Barbara and UC Riverside, which are

projected to experience modest nonresident enrollment growth in the coming years, would instead by default be capped due to AB 1711 and would not be able to grow their nonresident student population as intended in the bill unless the campuses with larger nonresident populations reduce the number of nonresidents currently enrolled. We estimate that by 2020-21, campuses would lose up to \$226 million in nonresident supplemental tuition revenue due to this cap.

Nonresident Tuition Redistribution

AB 1711's provision to require redistribution of revenues towards enrollment growth would further exacerbate the legislation's fiscal impact. The University's policies that allow campuses to retain nonresident supplemental tuition have been put in place after thoughtful discussion and consultation among a wide variety of constituencies, including the Board of Regents, the Academic Senate, Chancellors, UC students, and other campus leaders. The long term fiscal impact of the proposed redistribution would be a \$74.2 million loss in 2017-18, and up to \$120.1 million by 2020-21, for those campuses "contributing" nonresident supplemental tuition to support California enrollment. As previously noted, nonresident supplemental tuition revenue is an essential source of funds for our campuses, who use these funds to support the core missions of the University: teaching, research, and public service. The impact of this will affect quality and services for all UC students.

Admission of Nonresident Undergraduates

Finally, AB 1711 would attempt to reframe UC admissions policies in ways that are 1) overly reliant on test scores and grade point averages (GPAs) and 2) inconsistent with the California Master Plan.

Requiring that the University establish an admissions policy directing our campuses to only admit nonresident students who fall in the "upper half" of those admitted in the bill is problematic on a number of fronts. Most important, it is inconsistent with UC's existing admission policies and could roll back our ability to consider other contributing factors in a student's application for admission. The University does not rely solely on factors such as GPA and standardized test scores to compare the relative merits of students. UC's comprehensive review policy allows campuses to factor in the various academic and socioeconomic backgrounds of all applying students. We believe the language in AB 1711 undermines the University's comprehensive admissions process, which has been key to UC's ability to identify well qualified first-generation college and low-income students.

It should be noted that the University's admissions policy already holds nonresidents to a higher GPA to be considered, provides no guarantee of admission to any out-of-state student, and, consistent with the 1988 revisions to the Master Plan, requires nonresidents to be at least as qualified as admitted students. The proposed requirement that all admitted nonresidents be in the "upper half" of admitted residents at individual campuses relies on language that was removed from the Master Plan nearly three decades ago and would impose further limits on admission of nonresidents at campuses that currently enroll the fewest nonresidents—thereby exacerbating the fiscal impact of the bill and limiting geographic and cultural diversity on those campuses.

In conclusion, while the purported rationale for AB 1711 is to create more opportunity for California students, it proposes an approach that is far more costly and harmful than simply providing enrollment funding to support California growth. The provisions of AB 1711 would reduce revenues available for the University to support existing students' educational experience, provide robust financial aid, and maintain current levels of California enrollment. And, finally AB 1711 would relieve the State of its responsibility to provide funding for increased enrollment of California students, a fundamental financial commitment that has been carried forward since the advent of the California Master Plan. For these reasons, the University urges the Committee to continue its discussion and exploration of increasing state resources to support California student enrollment. We look forward to partnering with the State to accomplish our shared goals.

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: Assembly Member Kevin McCarty
Assembly Member Jose Medina
Vice Chair and Members, Assembly Appropriations Committee
President Janet Napolitano
Executive Vice President and CFO Nathan Brostrom
Senior Vice President Nelson Peacock
Associate Vice President and Director Steve Juarez