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July 6, 2012

The Honorable Mark Leno
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Senator Leno:

Pursuant to Section 59(c) of SB70, the Education Trailer Bill adopted in the 2011 Special Session, enclosed is the University of California's final report to the Legislature on *2011-12 Academic Year Enrollment Goals*.

If you have any questions regarding this report, Associate Vice President Debora Obley would be pleased to speak with you. She can be reached by telephone at (510) 987-9112, or by email at Debora.Obley@ucop.edu.

With best wishes, I am,

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mark G. Yudof", with a small cross-like mark below it.

Mark G. Yudof
President

Enclosure

cc: Mr. Gregory Schmidt, Secretary of the Senate
Ms. Peggy Collins, Joint Legislative Budget Committee
Ms. Tina McGree, Legislative Analyst's Office
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Ms. Diane Anderson, Legislative Counsel Bureau
Provost and Executive Vice President Aimée Dorr
Executive Vice President Nathan Brostrom
Senior Vice President Dan Dooley
Vice President Patrick Lenz
Associate Vice President and Director Steve Juarez
Associate Vice President Debora Obley
Executive Director Jenny Kao

2011-12 Academic Year Enrollment Goals

July 2012

Legislative Report



UNIVERSITY *of* CALIFORNIA

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2011-12 Academic Year Enrollment Goals

The following report is forwarded in compliance with Section 59c of SB70 (Education Trailer Bill adopted in the 2011 Special Session), which states in part:

“Section 59(c) The Legislature expects the university to enroll 209,977 state-supported full-time equivalent students (FTES) during the 2011-12 academic year. This enrollment target does not include nonresident students and students enrolled in nonstate-supported summer programs. The regents shall report to the Legislature by May 1, 2012, on whether the university has met the 2011-12 enrollment goal. If the university does not meet its total state-supported enrollment goal by at least 1,050 FTES, the Director of Finance shall revert to the General Fund by May 15, 2012, the total amount of enrollment funding associated with the total share of the enrollment goal that was not met, using the marginal cost per student of \$10,011.”

The University’s current estimates, based on state-supported summer and fall term census data and estimates of winter and spring term enrollments, indicate that UC will enroll a total of 237,218 FTE students during the 2011-12 academic year, including 214,112 California resident students and 23,106 nonresidents. The University currently enrolls approximately 10,500 State-supportable FTE students for whom the State has not provided workload funding (including 1,350 FTE at UC Merced, which the University funded by redirecting resources from UC Office of the President savings and systemwide programs). The table below is based on a total of 203,576 FTE, which represents the “previously budgeted” total (i.e., budgeted enrollments from 2007-08, before the most recent budget cuts, plus an additional 5,121 funded in 2010-11). This differs from the 209,977 FTE total included in last year’s budget bill language (above), which represented a number calculated by the Department of Finance based on an additional 6,400 FTE whom they assumed were covered by Tuition increases. UC did not agree to this number and continues to represent its previously budgeted total as the 203,576 shown below. This unfunded enrollment represents a cost of more than \$100 million alone. Furthermore, the University estimates that the \$750 million in reductions absorbed in 2011-12 mean that the State is not providing funding for more than 24,000 California residents (including the 10,500 FTE never funded by the State). Underfunding has consequences for the quality of the academic program, as resources – faculty, instructional equipment, library services – are diluted over a greater number of students. The magnitude of underfunding currently experienced by the University has put a severe strain on resources, particularly at a time when budgets are continuing to be cut.

**Display 1: 2011-12 Estimated Actual Full-Time Equivalent Enrollment,
General Campus and Health Sciences, including State-supported Summer Enrollment**

	Budgeted	Estimated Actual
General Campuses:		
Undergraduate:	173,363	187,249
Resident	164,678	175,409
Nonresident	8,685	11,840
Graduate	36,382	35,233
Resident	26,667	24,686
Nonresident	9,715	10,547
Health Sciences:		
Undergraduate	366	473
Graduate:	12,665	14,263
Academic	2,028	2,427
Professional	10,637	11,836
TOTALS	222,776	237,218
Resident	203,576	214,112
Nonresident	19,200	23,106

The Master Plan and UC Enrollment Planning

The California Master Plan for Higher Education calls for UC to offer access to all eligible students in the top 12.5% of the state's high school graduating class who apply, though not necessarily at the campus or in the major of first choice. In addition, the Master Plan calls for UC to guarantee a place for all California Community College transfer applicants who meet eligibility requirements. To enable the University to fulfill these access provisions, the Master Plan calls for the State to provide adequate resources to accommodate this enrollment. The University remains committed to the Master Plan as the foundation for one of the finest higher education systems in the world. The interests of the state, its citizens, and the higher education segments in California have been well served by the Master Plan for more than 50 years.

Framers of the Master Plan also envisioned maintaining or enhancing the proportion of graduate student enrollment at UC. Prior to the budget reductions beginning in 2008-09, the University had planned on a multi-year initiative to rebalance the proportion of graduate and undergraduate students enrolled, in order to better meet state workforce needs. For several decades, the University has been responsive to a compelling State priority placed on providing undergraduate access for the rapidly growing high school graduate population. However, adherence to this priority has not been without some consequences for the overall academic balance of the University and its impact on the state's supply of highly-skilled workers needed in California's knowledge-based economy. While the University has expanded access for undergraduates, enrollment of graduate and professional students has not always kept pace, as was intended in the Master Plan. Although the continued pressure to enroll undergraduates even in the face of state budget reductions has kept the University from making progress on its initiative, the state's need for highly-skilled and specialized workers produced by UC graduate and professional programs will require continued enrollment growth at the graduate level in the next decade.

UC's long-term enrollment projections are based on consideration of four primary factors:

- projections of high school graduates from the Department of Finance;
- assumptions about the proportion of high school graduates who will actually apply, and, if admitted, will enroll in the University (in recent years about 8% of high school graduates actually enroll at UC);
- assumptions about community college transfer rates, consistent with the University's goal to continue to improve these rates; and
- increases in graduate and professional enrollment needed to meet workforce needs in academia, industry, and other areas.

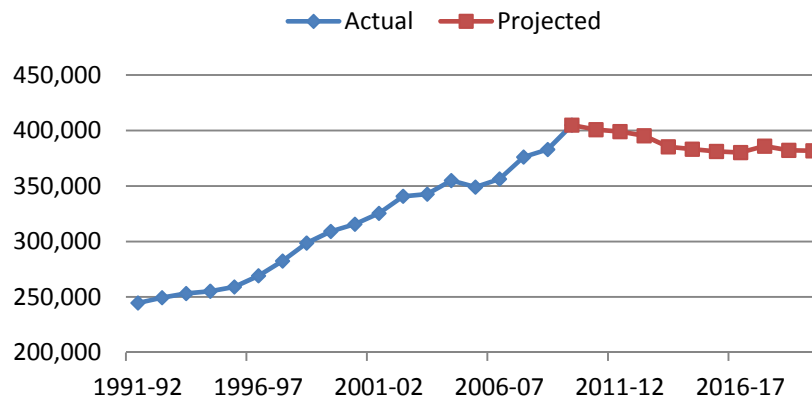
The University's 1999 long-term enrollment plan called for annual enrollment growth of about 5,000 FTE through 2010-11 (or about 2.5% per year), in part to accommodate the extraordinary growth in high school graduates that would occur during this period. Between 2000 and 2008, the number of California public high school graduates was estimated to have grown by 17%, as shown in Display 2.

At the beginning of the last decade, the University experienced far more rapid enrollment growth than projected in the 1999 plan, averaging closer to 8,000 FTE per year (upwards of 4% per year) rather than the 5,000 FTE enrollment growth projected earlier. The Compact with the Governor negotiated in 2004 called for UC to return to its earlier estimates of 2.5% enrollment growth per year, which were planned to keep pace with expected California high school graduate growth.

In 2008, the University extended its enrollment projections through the next decade. In recent years, numbers of California high school graduates have reached all-time high levels. The Department of Finance projects that during this decade, growth in high school graduates will abate before beginning to grow again in 2019-20. Assuming that the State would provide sufficient resources, UC projected continuing undergraduate growth at a modest rate, even as the number of high school graduates was projected to stabilize. This growth would enable UC to expand opportunity to populations historically underserved by higher education. Undergraduate growth was planned to

Display 2: Actual and Projected California Public High School Graduates

The number of California public high school graduates has grown rapidly (by 65%) over the last two decades, peaking in June 2010. Current projections indicate that numbers of graduates will decline approximately 3% through 2019-20, then grow again at that point.



be greatest in the Central Valley and Inland Empire—regions that lag the rest of the state in college opportunity and support diverse and growing populations. Continuing modest growth during a period of stabilization among high school graduates would allow UC not only to offer opportunities to a broader group of California freshmen but also to raise the proportion of undergraduates who enter as community college transfers, closer to the 2:1 ratio put forth in the Master Plan. At present, the University enrolls 2.3 new freshmen for every transfer student.

According to the 2008 enrollment projections, UC would also grow at the graduate level both to meet the state's needs for highly-skilled workers and to provide access to graduate education for the Tidal Wave II generation now in college. As the state's economy continues to shift toward jobs requiring advanced education, California will need to fill more than one million new positions requiring graduate degrees by 2025—a 68% increase from 2005. Among potential students, there is no shortage of demand for a UC graduate degree. Many UC undergraduates (as well as students at CSU and independent colleges) aspire to graduate school and there are many more qualified applicants to UC graduate programs than can be admitted. Most UC graduate students plan to remain to live and work in California. Expanding graduate education at UC would fuel economic growth and social mobility.

Funding for Enrollment Growth

In a normal year, the State provides funding for each additional FTE student added to the University's current budgeted enrollment level based on an amount known as the "marginal cost of instruction." The marginal cost of instruction formula includes salary and benefits for additional faculty positions (based on the current budgeted student-faculty ratio of 18.7:1); related instructional support such as clerical and technical personnel, supplies, and equipment; support for teaching assistant positions; institutional support; and support for operation and maintenance of plant, libraries, and student services. The calculation does not include funding for activities within these categories that the State has chosen not to support. Specifically excluded from the marginal cost calculation is support for student health services, plant administration, executive management, and logistical services. The calculation reflects the State subsidy provided toward the cost of education as well as the portion of this cost that is paid from student fees. Before the significant cuts in State funding imposed in 2009-10, the estimated State marginal cost share was about \$11,000 per FTE student.

Funding for enrollment growth was included in the 2005-06, 2006-07, and 2007-08 budgets, consistent with the Compact. However, due to substantial demand for enrollment from growing numbers of high school graduates and community college transfers, the University was significantly over-enrolled in both 2006-07 and 2007-08.

The State's ongoing fiscal woes led to reductions in support for UC – and no new funding for enrollment growth – during 2008-09 and 2009-10. Without new State funding to support enrollment growth, but in keeping with its commitment to the California Master Plan and undergraduate applicants who had worked hard to become eligible for admission, in 2008-09, the University made a decision to ask that campuses, to the best of their ability, implement the enrollment increases that had been planned before the onset of budget cuts. This enrollment growth, including growth planned in MD students in the PRograms In Medical Education (PRIME), was funded through an internal redirection of existing resources. As a result of this action, and because recent incoming classes have been larger than those graduating, the University's enrollment has continued to grow since 2008-09.

In 2010-11, the State budget provided \$51.3 million to support enrollment growth of 5,121 FTE students at UC at a marginal cost rate of \$10,012, but again in 2011-12, no funding for enrollment was provided. In 2009-10, 2010-11, and 2011-12, the University took action to slow enrollment growth by reducing the targeted number of new California resident freshmen enrolled by 3,800 students. To achieve this reduction, fewer students were admitted to the campus or campuses of their choice and more applications were sent to the referral pool for accommodation at Riverside and Merced. Students had fewer campus choices for accommodation at UC and, in some cases, chose to pursue their education elsewhere. This freshman reduction was partially offset by a planned increase of 1,000 California Community College transfer students, an action taken to preserve the transfer option in difficult economic times.

In response to the decline in resources for enrollment growth from the State, each campus is exploring increases to its nonresident population. Nonresidents pay tuition well in excess of the cost of education, contributing resources that will help address the dilution of quality at the University and thus directly benefit California residents.

Impact of Unfunded Enrollment on Quality

Underfunding of enrollment affects the quality of UC's academic programs. Without State support for enrollment growth, the University cannot hire sufficient faculty, increase course offerings, expand its inventories of instructional equipment and library materials, maintain new facilities at appropriate levels, or maintain appropriate ratios of support personnel per student. Instead, UC must expand class sizes, force students to wait additional terms for courses and wait longer for services, and do more with the same level of resources – faculty, staff, equipment, and materials. Thus, while some of the impact of budget cuts has resulted in actual program reductions, staff layoffs, and other curtailment of resources, some of the impact of budget cuts is being addressed through cost avoidance, simply spreading flat funding over a greater number of students. In this way, the University dilutes the resources available, and the quality of the educational experience for students enrolled declines. These actions are necessary in a crisis, but cannot be sustained over time. The University will need to bring enrollment more into line with resources, either through adequate State funding in the budget each year, or through a multi-year plan to reduce enrollment.

Decreased quality impacts not only the students currently enrolled, but also has implications for the economic recovery of the state. Without the resources to adequately fund programs, the University is forced to limit access, including in fields critical to the state's economy such as health sciences. Moreover, the University's ability to attract and retain high quality faculty is impaired. Faculty are not only the lifeblood of the University's academic programs, they also train the workforce California businesses need to compete in a global economy and drive the discovery of new knowledge and the development of innovation that leads in turn to the creation of entire industries. Reducing the University's ability to carry out its missions of teaching *and* research represents a disinvestment in the future of the State as much as the University.

Impact on California's Future

The University will continue to take action to align enrollments more closely to available resources over time. Otherwise, the impact on quality for all students will substantially alter the UC experience for students who have worked so hard to become eligible to attend. While the University has continued to offer a place (through the referral pool) to all eligible students wishing to attend, more students are being denied admission at the campuses to which they applied. If adequate funds were provided by the State, UC could enroll tens of thousands more students than it is likely to enroll over the next several years if current funding patterns continue. Even before the fiscal crisis, California had been facing a looming shortage of college-educated graduates, estimated by the Public Policy Institute of California as one million by 2025. Reducing enrollment at the University of California sets the state back further every year. UC is at a critical crossroads where the opportunity for access to a high quality public education for those who work hard to earn that access could soon be a forgotten promise. It is critical that the State begin to reinvest in UC to keep excellence and access part of the California dream.

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