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March 22, 2011

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

Dear Senate Member Leno:

Pursuant to Item 6440-001-0001, Provision 9, of the Budget Act of 2010, enclosed is the University of California's report to the Legislature on *2010-11 Academic Year Enrollment*.

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,

Mark G. Yudof
President

Enclosure

cc: Mr. Gregory Schmidt, Secretary of the Senate
Ms. Jody Martin, 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 Lawrence Pitts
Executive Vice President Nathan Brostrom
Vice President Patrick Lenz
Associate Vice President and Director Steve Juarez
Associate Vice President Debora Obley
Executive Director Jenny Kao

Report on 2010-11 Academic Year Enrollment

March 2011

Legislative Report

**An investment in UC pays
dividends far beyond what
can be measured in dollars.
An educated, high-achieving
citizenry is priceless.**

UNIVERSITY OF CALIFORNIA

Report on 2010-11 Academic Year Enrollment

The following report is forwarded in compliance with Item 6440-001-0001, provision 9, of the Budget Act for 2010, which states in part:

“9. Of the funds appropriated in Schedule (1), \$51,272,000 is to fund 5,121 additional state supported full-time equivalent students (FTES) at the University of California, based on a marginal General Fund cost of \$10,011 per additional student. The Legislature expects the University of California to enroll a total of 209,977 state supported FTES during the 2010–11 academic year. This enrollment target does not include nonresident students and students enrolled in nonstate-supported summer programs. The University of California shall report to the Legislature by March 15, 2011, on whether it has met the 2010–11 academic year enrollment goal. For purposes of this provision, enrollment totals shall only include state-supported students. If the University of California does not meet its total state supported enrollment goal by at least 512 FTES, the Director of Finance shall revert to the General Fund by April 1, 2011, the total amount of enrollment funding associated with the total share of the enrollment goal that was not met.”

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 234,602 FTE students during the 2010-11 academic year, including 214,631 California resident students and 19,971 nonresidents. The University currently enrolls more than 4,650 State-supportable FTE students over the enrollment target of 209,977 included in the Budget Act and 11,054 FTE students for whom the State has not provided enrollment funding.

This unfunded enrollment represents a cost of more than \$110 million alone. Furthermore, the University estimates that the \$500 million reduction proposed for 2011-12 would mean that the State is not providing funding for more than 23,000 California residents. 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 being cut.

Display 1: 2010-11 Estimated Actual Full-Time Equivalent Enrollment, General Campus and Health Sciences, including State-supported Summer Enrollment

	Budgeted*	Estimated Actual
General Campuses:		
Undergraduate:	178,690	184,823
Resident	170,605	175,430
Nonresident	8,085	9,393
Graduate	36,281	35,105
Resident	26,766	25,159
Nonresident	9,515	9,946
Health Sciences:		
Undergraduate	366	511
Graduate:	13,040	14,163
Academic	2,125	2,334
Professional	10,915	11,829
TOTALS	228,377	234,602
Resident	209,977	214,631
Nonresident	18,400	19,971

*The Budget Act enrollment target for UC includes 6,400 “re-benched” FTE students for whom the State did not provide funding.

The Master Plan and UC Enrollment Planning

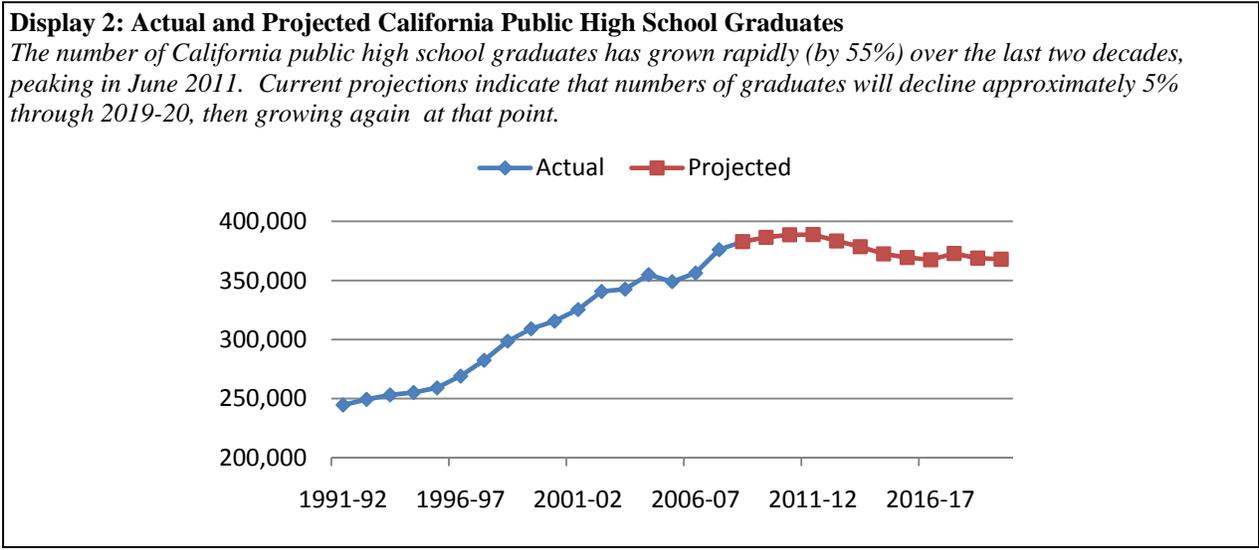
The California Master Plan for Higher Education calls for UC to offer access to all eligible applicants in the top 12.5% of the state’s high school graduating class who choose to attend, though not necessarily at the campus or in the major of first choice. In addition, the Master Plan calls for UC to 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. The University has embarked on a multi-year initiative to re-balance the proportion of graduate and undergraduate students enrolled to better meet state workforce needs. For several decades, a compelling State priority has been 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. In the next decade, 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.

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 actually enroll in the University (Consistent with the Master Plan, the University establishes eligibility criteria designed to identify the top 12.5% of the high school class, but in recent years about 8% actually enrolls);
- 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 this 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. Although this allowed the University to resume enrolling students at levels near those envisioned in the 1999 plan, it did not accommodate additional growth in eligible high school graduates encountered by the state.

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. During this next decade, the Department of Finance projects that growth in high school graduates will abate through 2019-20 before beginning to grow again. Although numbers of high school graduates will stabilize over the next decade, UC projected continuing undergraduate growth at a modest rate. Over the next few years, growth would occur to accommodate higher than expected numbers of eligible California high school graduates unfunded, and as the large high school classes cycle through higher education as CCC transfer entrants. In later years, undergraduate enrollment would continue to grow modestly to expand opportunity to populations historically underserved by higher education. UC would take advantage of slower growth in high school graduates to offer opportunities to a broader group of California students. UC would also take advantage of smaller numbers of high school graduates 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 2.4 new freshmen for every transfer student.

According to the 2008 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 a 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. More than 75% of UC undergraduates 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.

In developing the 2008-09 and 2009-10 Governor's Budgets, the Department of Finance first "funded" a normal workload budget consistent with the Compact with the Governor, including funding for 5,000 FTE enrollment growth each year, and then proposed reductions to those workload budgets to address the State's fiscal situation. In both years, the University was left with State funding significantly reduced from the 2007-08 level. 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 included in the Governor's Budget before the cuts were taken. This enrollment growth, including growth planned in medical 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 continued to grow during 2008-09 and 2009-10.

In 2009-10 and 2010-11, the University took action to slow enrollment growth by reducing the targeted number of new California resident freshmen enrolled by 3,800 students over two years. 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 an increase of 1,200 California Community College transfer students, an action taken to preserve the transfer option in difficult economic times.

In 2010-11, the State budget provided enrollment growth funding of \$51.3 million to support enrollment of 5,121 FTE students at UC at a marginal cost rate of \$10,012. Even with these new resources and the actions to reduce total enrollment, during 2010-11, the University continues to enroll 11,054 State-supportable FTE students for whom the State has not provided enrollment funding.

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.

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 marginal 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 in fields critical to the state's economy (e.g., 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 drive the discovery of new knowledge and the development of innovation that leads in turn to the creation of entire industries, as well as train the workforce California businesses need to compete in a global economy. 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 well as the University.

Impact on California's Future

If State support remains inadequate and the University is forced to continue its plan to restrict freshman enrollment by 3,800 per year below 2007-08 enrollment levels, the result will be approximately 11,000-15,000 California high school graduates denied a UC education over the next four years. 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.

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