

---

## SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair  
2015 - 2016 Regular

---

**Bill No:** SCA 4  
**Author:** Nguyen  
**Version:** May 28, 2015  
**Urgency:** No  
**Consultant:** Kathleen Chavira  
**Hearing Date:** July 15, 2015  
**Fiscal:** Yes

**Subject:** University of California: tuition and mandatory systemwide fees: out-of-state students: admission: student financial assistance

**NOTE:** This bill has been referred to the Committees on Education and Elections and Constitutional Amendments. A "do pass" motion should include referral to the Elections and Constitutional Amendments Committee.

### SUMMARY

This bill proposes to add a new section to Article IX of the State Constitution that would require, beginning with the 2017-18 academic year, that out-of state undergraduate students make up no more than 10 percent of the total undergraduate enrollment systemwide and at each campus of the University of California (UC), prohibits the UC from providing state-funded financial assistance to non-resident students, as specified, and prohibits any increase in tuition or mandatory systemwide fees for undergraduate students between the 2016-17 and 2020-21 academic years, inclusive.

### BACKGROUND

Current law generally requires that a student classified as a non-resident pay non-resident tuition. Current law authorizes both the UC and the CSU to establish non-resident student tuition policies and methodologies to be developed by each institution's governing body. The annual fee rate is prohibited from falling below the marginal cost of instruction and the rates at comparison institutions, as identified by the California Postsecondary Education Commission, must be considered.  
(Education Code § 68050-68052)

The California Constitution establishes the UC, a public trust to be administered by the Regents of the UC and grants the Regents full powers of organization and government, subject only to such legislative control as may be necessary to insure security of its funds, compliance with the terms of its endowments, statutory requirements around competitive bidding and contracts, sales of property and the purchase of materials, goods and services.

(Article IX, § (9)(a) of the California Constitution)

### ANALYSIS

This bill proposes to place an amendment to the California Constitution before the voters that:

- 1) Beginning in the 2017-18 academic year:

- a) Constitutionally prohibits out-of-state undergraduate students from constituting more than 10 percent of the total incoming undergraduate class.
  - b) Constitutionally prohibits out-of-state undergraduate students from exceeding 10 percent of the total undergraduate enrollment of each campus of the University of California (UC).
  - c) For these purposes, defines an “out-of-state undergraduate” as an undergraduate student whose residence was outside of California at the time he/she applied for admission to the UC.
- 2) Constitutionally prohibits the UC from providing state-funded financial assistance to any student, who in the absence of such aid, would be statutorily required to pay tuition or mandatory fees at higher than California resident rates.
  - 3) Constitutionally prohibits undergraduate tuition and mandatory systemwide fees from being increased during the 2016-17 through 2020-21 academic years, inclusive.

#### STAFF COMMENTS

- 1) ***Need for the bill.*** The author is concerned that in November 2014, the UC Board of Regents conditionally approved five years of tuition increases and informed lawmakers that without more funding the system would be forced to cap enrollment of California residents next year. At the same time, the UC would still be accepting higher paying out-of-state students. On March 3, 2015 an announcement was made by Napolitano, directing all UC campuses to maintain their current level of enrollment for resident students and to allow some of the campuses to increase the enrollment of non-resident students. According to the author, the Regents have increasingly, looked to non-resident students as a solution to UC budget problems. As a result, California taxpayers have seen access limited to these flagship universities for their children.

According to the author, this bill would increase access to higher education for California taxpayers by making it possible for more in-state students to attend our universities and halting increased tuition rates for the next five years, protecting our students from paying more for their education.

- 2) ***Related activity.*** In May 2015, the UC Board of Regents approved increases in undergraduate non-resident supplemental tuition of up to 8 percent per year for the next five years. Additionally, the recently enacted 2015-16 budget contains several related provisions. Among other things, it provides that funds currently being used to provide financial aid to non-resident students must be available to enable more resident students to enter the university at all of UC campuses. It also provides that funds generated by an increase in non-resident tuition in the 2015-16 academic year be used specifically to support an increase in the number of resident students enrolled. It also requires that systemwide tuition and mandatory fees be capped for the next two academic years.

Finally, the Budget provides that no later than the 2016-17 academic year, the University is expected to enroll at least 5000 more resident undergraduate students as enrolled in 2014-15.

- 3) **Net effect?** As noted in staff comment #2, the 2015-16 Budget anticipates the use of resources from non-resident tuition increases to support the enrollment of resident students. By capping the proportion of non-resident students that can be enrolled this bill would limit, potentially even eliminate, a source of non-general fund revenue that could be used for accommodating California resident students. As a constitutional provision, neither the University of California (UC), nor the Legislature, would have the discretion to modify this cap. Similarly, the 2015-16 Budget caps UC tuition increases for the 2015-16, and 2016-17 academic years and at the same time directs the UC to implement reforms to reduce the cost structure of the University, and improves access, quality, and outcomes. This bill would constitutionally eliminate fee increases for the next five years.

Fee revenue works interchangeably with General Fund support to fund the core instructional mission of the public segments. Constitutionally limiting student fee increases, while well-intentioned, would also reduce the revenue options available to the UC, and the Legislature, for offsetting general fund reductions which may be necessary during challenging fiscal conditions. In the event of severe budget reductions, the only options remaining could be to reduce enrollment, limit course offerings, reduce programs and services, and potentially compromise access and quality.

In combination, the elements of this bill could have the unintended effect of limiting access for California residents. The Committee may wish to consider:

- a) Is it the desire of this Committee to limit the tools available to the Legislature for compelling the constitutionally autonomous UC to direct revenue sources outside of the general fund for the good of California resident students?
  - b) Are there more flexible ways to accomplish the goals of this bill than constitutional changes?
  - c) In light of recent budget actions, is this bill necessary?
- 4) **Non-resident students.** Non-resident students pay roughly \$23,000 per year more than California-resident students. According to the UC, based on 2014-15 figures, compliance with the provisions of this bill would require reduction in non-resident enrollment systemwide by about 8,300 full-time equivalent students, and a loss of over \$100 million in net revenue. The UC further reports that it uses these funds for support of programs central to improving graduation rates, including ensuring adequate course sections are offered for “bottleneck” courses, improving student advising, restoring library hours and maintaining graduate student support for purposes of instructing undergraduates.
- 5) **Current status of out-of-state admissions.** The UC reports that for the 2014-15 academic year, 13 percent of its undergraduates systemwide were non-residents. The UC also notes that the average for other comparable public institutions

nationally is 26 percent. The chart below summarizes the level of enrollment of non-residents at all University of California campuses for the 2012 and 2013 academic years. According to the UC, non-resident enrollment has been capped for the upcoming academic year at those campuses that have seen the largest growth, Berkeley (25 percent), Los Angeles (19 percent), and San Diego (17 percent) has been directed to cap their enrollment of non-residents at 20 percent.

UC UNDERGRADUATE ENROLLMENT				
	Fall 2012		Fall 2013	
<b>Berkeley</b>	25774		25951	
California	20463	79%	19478	75%
Out-of-State	2641	10%	3131	12%
International	2670	10%	3342	13%
<b>Total Non-Resident</b>	<b>5311</b>	<b>21%</b>	<b>6473</b>	<b>25%</b>
<b>Davis</b>	25817		26693	
California	24165	94%	24365	91%
Out-of-State	598	2%	709	3%
International	1054	4%	1619	6%
<b>Total Non-Resident</b>	<b>1652</b>	<b>6%</b>	<b>2328</b>	<b>9%</b>
<b>Irvine</b>	22309		23605	
California	20517	92%	20948	89%
Out-of-State	518	2%	590	2%
International	1274	6%	2067	9%
<b>Total Non-Resident</b>	<b>1792</b>	<b>8%</b>	<b>2657</b>	<b>11%</b>
<b>Los Angeles</b>	27941		28674	
California	23540	84%	23234	81%
Out-of-State	1642	6%	2185	8%
International	2759	10%	3255	11%
<b>Total Non-Resident</b>	<b>4401</b>	<b>16%</b>	<b>5440</b>	<b>19%</b>
<b>Merced</b>	5431		5837	
California	5319	98%	5645	97%
Out-of-State	31	1%	27	0%
International	81	1%	165	3%
<b>Total Non-Resident</b>	<b>112</b>	<b>2%</b>	<b>192</b>	<b>3%</b>
<b>Riverside</b>	18583		18658	
California	17896	96%	17832	96%
Out-of-State	288	2%	268	1%
International	399	2%	558	3%
<b>Total Non-Resident</b>	<b>687</b>	<b>4%</b>	<b>826</b>	<b>4%</b>
<b>San Diego</b>	22676		23805	
California	19686	87%	19778	83%
Out-of-State	1066	5%	1271	5%
International	1924	8%	2756	12%
<b>Total Non-Resident</b>	<b>2990</b>	<b>13%</b>	<b>4027</b>	<b>17%</b>
<b>Santa Barbara</b>	18989		19372	
California	17665	93%	17720	91%
Out-of-State	789	4%	897	5%
International	535	3%	755	4%
<b>Total Non-Resident</b>	<b>1324</b>	<b>7%</b>	<b>1652</b>	<b>9%</b>
<b>Santa Cruz</b>	15978		15695	
California	15562	97%	14986	95%
Out-of-State	374	2%	552	4%
International	42	0%	157	1%
<b>Total Non-Resident</b>	<b>416</b>	<b>3%</b>	<b>709</b>	<b>5%</b>
<b>University Total</b>	183498		188290	
California	164813	90%	163986	87%
Out-of-State	7947	4%	9630	5%
International	10738	6%	14674	8%
<b>Total Non-Resident</b>	<b>18685</b>	<b>10%</b>	<b>24304</b>	<b>13%</b>

6) ***Financial assistance.*** This bill applies the prohibition on financial assistance to students who would statutorily be required to pay tuition or mandatory fees at higher than California resident rates. While current law generally requires that a student classified as a non-resident pay non-resident tuition it also provides an exemption from the supplemental non-resident tuition for specified non-residents including current and former members of the armed forces and their dependents. As such, the UC would not be prohibited from providing these non-resident students with financial assistance.

7) ***Related and prior legislation***

*RELATED LEGISLATION*

AB 1370 (Medina) prohibits the number of undergraduate non-resident students enrolled at any UC campus from exceeding the number enrolled in the 2015-16 academic year, requires that beginning the 2018-19 academic year and each academic year thereafter, that funds, generated from undergraduate non-resident enrollment be directed to fund increased enrollment of undergraduate resident students and requires UC to annually publish a report that includes information about the amount, method of distribution, and expenditure purposes of revenues generated by undergraduate non-resident enrollment at each campus including the number of California resident undergraduate students admitted. AB 1370 is awaiting hearing in this committee.

AB 1317 (Salas) also on the Committee's agenda today, requests the UC Regents refrain from increasing the compensation of any executive officer when the amount of mandatory systemwide student fees and tuition of the university has been increased at any time in the immediately preceding two years.

*PRIOR LEGISLATION*

SCA 22 (Rubio, 2012) was substantively similar to this bill. That bill was set for hearing but pulled at the request of the author and never heard.

**SUPPORT**

National Diversity Coalition

**OPPOSITION**

University of California

-- END --