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# SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

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<b>Bill No:</b>	SB 236	<b>Hearing Date:</b>	April 19, 2017
<b>Author:</b>	Nguyen		
<b>Version:</b>	March 16, 2017		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
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**Subject:** Public postsecondary education: University of California: California State University: student financial assistance: tuition and mandatory systemwide fees: admission of out-of-state students

## SUMMARY

This bill proposes to add provisions to the Donahoe Higher Education Act that would require, beginning 2019-20 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 California State University (CSU) and, as a condition for the expenditure of annual Budget Act funding, of the University of California (UC). This bill also prohibits CSU and, as a condition for the expenditure of annual Budget Act funding, UC, from providing state-funded financial assistance to non-resident students, as specified, and prohibits an increase in tuition or mandatory systemwide fees for undergraduate students between the 2018-19 and 2022-23 academic years, inclusive.

## BACKGROUND

Existing law:

- 1) 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)
- 2) Under 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 add provisions to the Donahoe Higher Education Act that would require, beginning 2019-20 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 California State University (CSU) and, as a condition for the expenditure of annual Budget Act funding, of the University of California (UC). This bill also prohibits CSU and, as a condition for the expenditure of annual Budget Act funding, UC, from providing state-funded financial assistance to non-resident students, as specified, and prohibits an increase in tuition or mandatory system wide fees for undergraduate students between the 2018-19 and 2022-23 academic years, inclusive. Specifically it,

- 1) Prohibits out-of-state undergraduate students from constituting more than 10 percent of the incoming undergraduate class system wide and at each campus of the CSU and prohibits CSU from:
  - a) 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.
  - b) Increasing tuition or mandatory system wide fees for undergraduate students between the 2018-19 and 2022-2023 academic years, inclusive.
- 2) As a condition for the expenditure of annual Budget Act funding, prohibits out-of-state undergraduate students from constituting more than 10 percent of the incoming undergraduate class systemwide and at each campus of the UC and as a condition for the expenditure of annual Budget Act, funding prohibits UC from:
  - a) 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.
  - b) Increasing tuition or mandatory system wide fees for undergraduate students between the 2018-19 and 2022-2023 academic years, inclusive
- 3) Deletes the specified prohibition against system wide fees from being applicable to the UC, unless the Regents of the UC, by appropriate resolution, make those provisions applicable.
- 4) Defines “out-of-state undergraduate student,” to mean an undergraduate student whose residence was outside of California at the time he or she applied for admission to the CSU or the UC.

## 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 UC President 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 University of California (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 2015 Budget Act contained several related provisions. Among other things, it provided \$25 million to the UC contingent on increasing California resident enrollment by 5,000 students holding resident tuition flat in 2015-16 and 2016-17, and redirecting nonresident institutional aid to support resident students. As it relates to California State University (CSU), the 2015 Budget Act states legislative intent that CSU increase resident enrollment by at least 10,400 students by the end of the fall 2016 semester.

The 2016 Budget Act provided an additional \$18.5 million to the UC contingent upon enrolling 2,500 more California residents by the 2017-18 academic year and upon the UC regents adoption of a university-wide policy capping the enrollment of non-residents. UC Regents are expected to take action on a policy in May. For CSU, the 2016 Budget Act provided \$12.5 million to increase enrollment by at least 5,194 new full-time students. It's unclear whether this allocation was intended for resident enrollment only.

- 3) **Current status of resident admissions.** According the UC, as a result of state funding support provided for enrollment, between fall 2015 and fall 2016, over 6,400 California undergraduate residents were enrolled. This fall, UC anticipates enrolling an additional 2,500 resident students. According to CSU, California residents are prioritized in the admission process. For example, Cal Poly San Luis Obispo provides California applicants a preference for a variety of factors in the admission process, while nonresidents are assessed solely on academic scores. The CSU reports that it has consistently enrolled 94 percent California resident students for the last decade.
- 4) **Current status of out-of-state admissions.** The UC reports that for the 2015-16 academic year, 15.5 percent of its undergraduates systemwide were non-residents. According to the UC, nonresident enrollment for 2015-16 was capped at those campuses that had seen the largest growth were Berkeley (25 percent), Los Angeles (19 percent) and San Diego (17 percent) was directed to cap their enrollment of nonresidents at 20 percent.

According to the CSU, for the fall 2016 enrollment 5 percent of its undergraduates systemwide were non-residents. Only two campuses exceed the cap proposed by this bill, San Diego (12 percent) and San Luis Obispo (15 percent). Additionally, CSU reports that the proportion of undergraduate non-resident students has been stable and there is no intent to grow non-resident admissions.

- 5) ***Non-resident students.*** At University of California (UC), non-resident students pay roughly \$27,000 per year more than California-resident students, and at California State University (CSU), non-resident students pay \$11,888. According to the UC, based on 2017-18 figures, compliance with the provisions of this bill would require reduction in non-resident enrollment systemwide by about 17,700 full-time equivalent students, and a loss of over \$300 million in net revenue. The UC further reports that it uses these funds for hiring faculty, enhancing student services, maintaining instructional equipment, addressing urgent deferred maintenance needs, and other purposes that benefit California residents. Although CSU's systemwide non-resident enrollment falls below the proposed cap, two of its campuses exceed the 10 percent non-resident enrollment level. Presumably, these campuses (San Diego and San Luis Obispo) would experience a loss in revenue.
- 6) ***Net effect?*** As noted in staff comment #2, the 2015 Budget made UC funding contingent on the use of resources from non-resident tuition increases to support the enrollment of resident students. By further 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 statutory provision, this bill would limit UC's discretion to modify this cap.

Similarly, fee revenue works interchangeably with General Fund support to fund the core instructional mission of the public segments. Limiting student fee increases, while well-intentioned, would also reduce the revenue options available to the UC, and the CSU, 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 CSU or the constitutionally autonomous UC to direct revenue sources outside of the general fund for the benefit of California resident students?
- b) In light of recent budget actions, is this bill necessary?
- 7) ***Non-need based financial aid.*** This bill would eliminate fee increases for the next five years. Since the Cal Grant and institutional aid programs would cover any increase in CSU or UC systemwide fees for a student that meets income and asset requirements, tuition freezes would primarily benefit students ineligible for these tuition aid programs.

Traditionally, this Committee has supported need-based financial aid. This bill could result in subsidizing tuition costs for students regardless of their financial

need. Additionally, absent funding from other sources, this bill could also result in shifting the cost of eliminating fee increases to an incoming class of students.

- 8) ***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, this bill would not prohibit the University of California (UC), and California State University from providing certain non-resident students with financial assistance.

- 9) ***Related and prior legislation***

SCA 4 (Nguyen, 2015) proposed 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 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. SCA 4 was heard and subsequently failed passage in this Committee on June 15, 2015, reconsideration was granted but no further action was taken.

AB 1370 (Medina, 2015) 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 was never heard by this Committee.

## **SUPPORT**

None received.

## **OPPOSITION**

California State University  
University of California

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