

Office of the President

TO MEMBERS OF THE COMMITTEES ON FINANCE AND EDUCATIONAL POLICY:

ACTION ITEM

For Special Meeting of January 14, 2009

AMENDMENT TO 2009-10 BUDGET PLAN TO DIRECT THE PRESIDENT TO CURTAIL ENROLLMENTS

RECOMMENDATION

The President recommends that the Committee on Finance recommend to the Regents that the 2009-10 budget plan be amended to direct the President to take action to curtail undergraduate enrollment growth for the 2009-10 academic year, consistent with the targets described in this item.

EXECUTIVE SUMMARY

In 2008-09, the University enrolled 5,000 additional undergraduate students without additional State funding. As a result of this action, coupled with rapid enrollment growth above Compact levels in recent years, UC currently enrolls approximately 11,000 California students without the requisite State funding to support these students – estimated to cost \$121.8 million. The recently released Governor's proposed fiscal year 2009-10 budget similarly provides no new funding for additional students. In light of this significant over-enrollment at the University during the 2008-09 year, the shortfall in resources provided by the State to support the University's instructional mission, and the desire of the Regents to protect the quality of the instructional program, the Regents direct that the President establish targets for campuses to bring enrollments more in line with resources, while continuing to honor its commitment to provide access to UC-eligible California resident applicants. This action has three components:

- Reduce enrollment of new California resident freshman students by a total of 2,300 FTE students systemwide during the 2009-10 year, reflecting a projected decrease in high school graduates.
- Increase enrollments of new California resident community college transfer students by 500 to reflect rising applications and strengthen a cost-effective, alternate path to a UC baccalaureate degree for students who were unable or chose not to enroll as freshmen.
- Maintain the same level of graduate enrollments; this will defer for another year UC's plans to increase enrollments to meet critical State needs for graduate education.

The recommended actions will slow enrollment growth in 2009-10 and, if sustained, reduce enrollment over several years. This effort is being planned over several years to avoid the disruption for students and programs that would be associated with the more dramatic action necessary to eliminate all enrollment growth in the current year.

BACKGROUND

Overview of Enrollment and State Funding

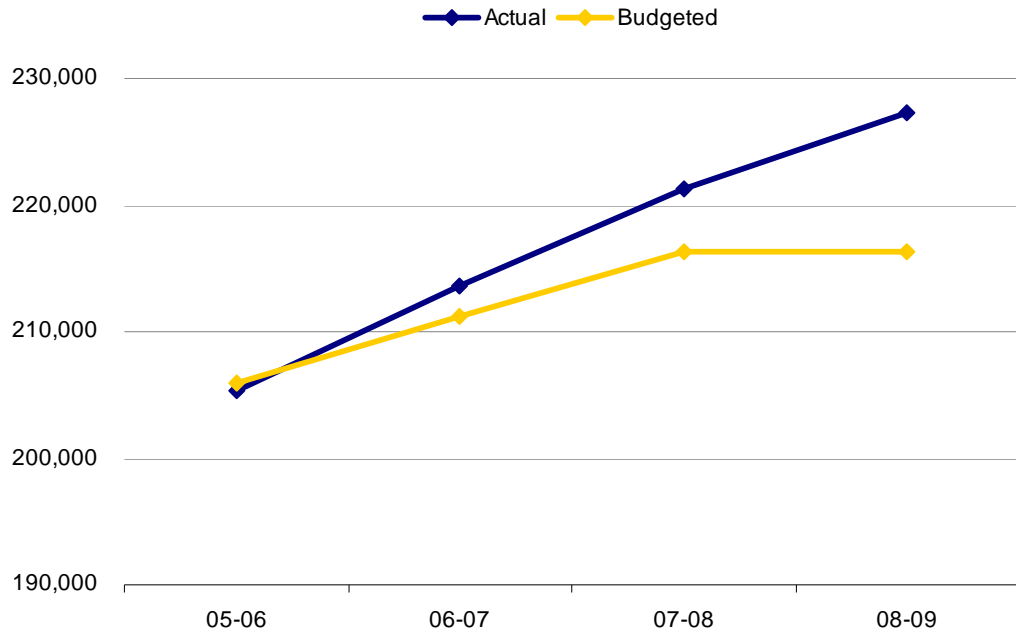
UC currently enrolls approximately 11,000 California resident students for whom it receives no State funding. As shown in Display 1, this is due in part to enrollment growth in recent years that has been more rapid than planned under the Compact with the Governor. However, in 2008-09, over-enrollment has been exacerbated by the lack of new State funding for growth. While UC grew by more than 5,000 FTE students in 2008-09, the State provided no new funding to support instruction for these students.

Over-enrollment of the magnitude currently experienced by the University puts a severe strain on resources, particularly at a time when budgets are being cut. Normal State enrollment funding for these students would be \$121.8 million – roughly \$1.1 million for every 100 unfunded students. Without this funding, the University is unable to recruit new faculty and provide necessary instructional support to teach the new students.

The Governor's 2009-10 budget proposal, released on December 31, 2008, similarly provides no new State funding for enrollment growth or other cost increases. Thus, any growth in student enrollments occurring during the 2009-10 year will worsen the over-enrollment problem and further dilute the resources available to provide instruction.

Display 1: Recent Budgeted and Actual Enrollments

In recent years, enrollment has grown faster than planned under the Compact. Due in part to the lack of State funding for enrollment growth in 2008-09, the University is now over-enrolled by more than 11,000 students.

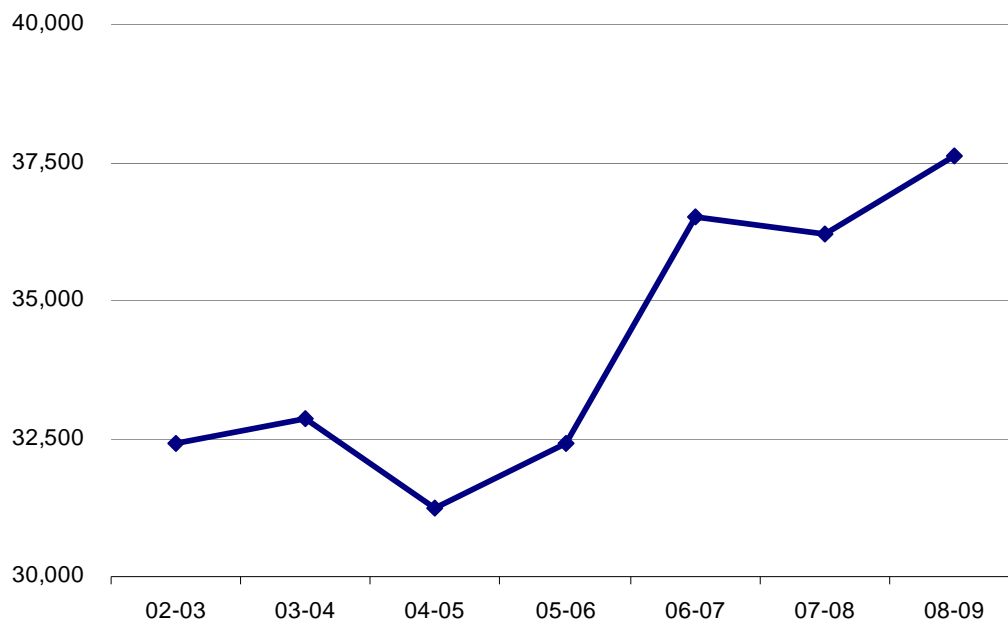


Impacts of the Proposed Plan on Total Enrollment

Even with no growth in new students (i.e., the University admits the same number this year as last), over-enrollment will increase because of growth associated with larger classes of continuing students admitted in recent years and still moving through the enrollment pipeline. Specifically, as shown in Display 2, the numbers of entering freshmen during the last three years have been 4,000 to 5,000 students higher than the classes that entered in 2005-06 and earlier. Most of the 2005-06 class will graduate in spring 2009. If this relatively small outgoing class were replaced by a fall 2009 class as large as the fall 2008 class, the University would experience significant additional growth in total enrollment. In other words, even if the 2009-10 freshman class is no larger than the 2008-09 class, the University will still grow because the outgoing graduating class is significantly smaller than the incoming class. To bring enrollment in line with the budget over several years, the University will need to enroll fewer new students in 2009 and future years than UC has enrolled in the past several years.

Display 2: Actual New Freshman Enrollments: 2002-03 through 2008-09

In 2006-07, enrollment of new freshmen at UC jumped significantly and that increase has been sustained through 2008-09. In spring 2009, most of the students in the 2005-06 entering class (the last of the earlier, smaller classes) will graduate. Replacing this smaller outgoing class with a new freshman class equivalent to the 2008-09 class would result in significant additional enrollment growth at UC.

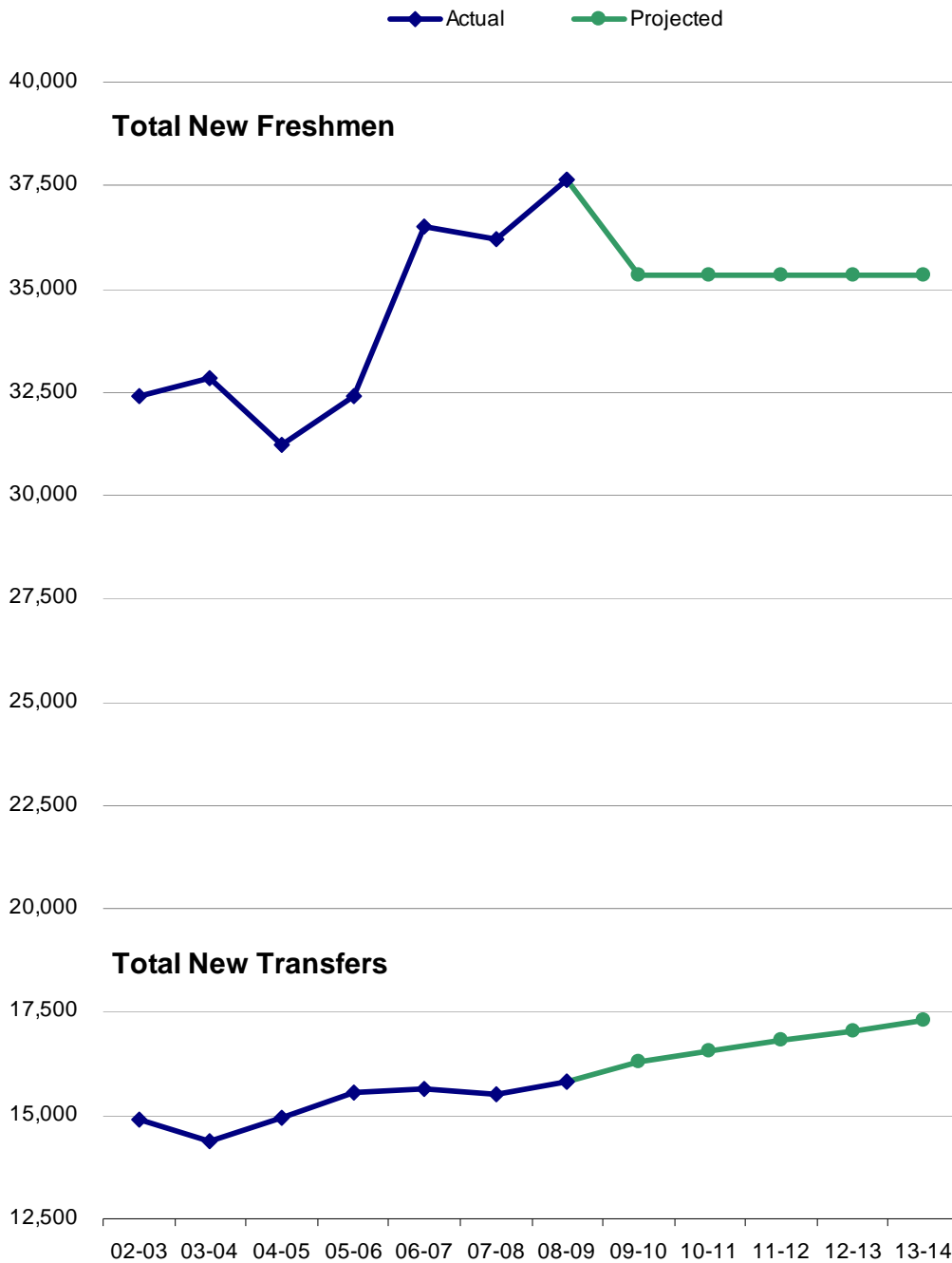


Displays 3 and 4, on the next pages, show the following: recent enrollments of new freshmen and new transfer students, total enrollments, and the projected outcomes of the proposed curtailment of enrollment over the next several years. These displays illustrate several key points:

1. A reduction of 2,300 new freshmen will result in freshman enrollments that are below those of recent years, but still higher than enrollments in the early part of the decade. Sustaining this modest reduction over time will help bring total enrollments closer to resource budgets.
2. Growth in transfer enrollments of 500 students in 2008-09 and additional increases of 250 transfer students in subsequent years will continue the expansion of this path to a UC education for students who are unable or choose not to attend UC as freshmen.
3. Even with the proposed freshman reduction, total enrollments are expected to grow modestly in 2009-10 due to the built-in growth described earlier. However, total enrollment will decline in subsequent years, bringing enrollments closer to resource budgets.
4. Despite the proposed enrollment plan, total enrollments will remain above the budget target without further reductions in new student enrollments. This remaining over-enrollment may be addressed by renewed State support for enrollment in the coming years. If no new State support is provided, further reductions in new student enrollments may be necessary.

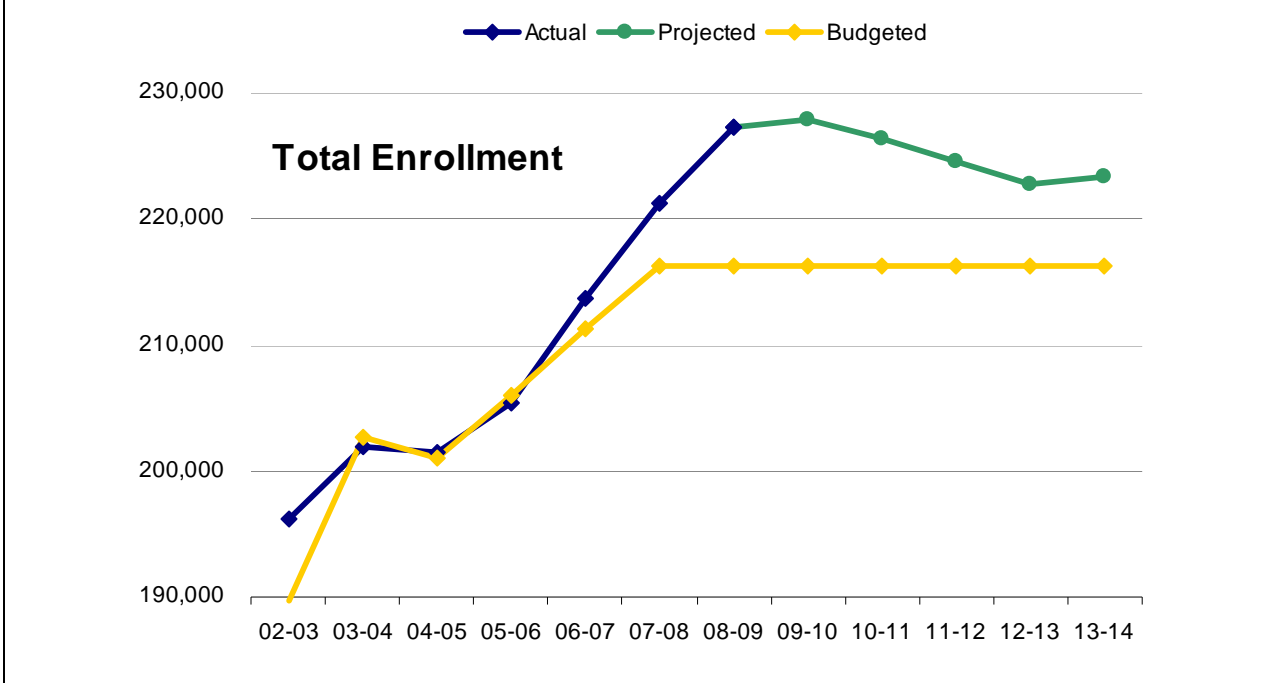
Display 3: Actual and Projected Enrollments of New Freshmen and Transfer Students under the Proposed Curtailment

A sustained reduction of 2,300 new freshmen would, over four years, bring total enrollment closer to the existing budgeted enrollment target. This effort to reduce enrollments would be somewhat offset by an increase in new transfers by 500 students in the first year and further actions taken to increase transfers in future years.



Display 4: Actual and Projected Total Enrollment under the Proposed Curtailment

The proposed reduction in new freshman enrollments and the proposed offsetting increase in transfer enrollments shown in Display 3 would result in a modest increase in total enrollment in 2009-10, albeit much lower growth than if enrollments of new students were held constant from 2008-09 to 2009-10. In subsequent years, total enrollment would decline and reach a level closer to the current budgeted target.

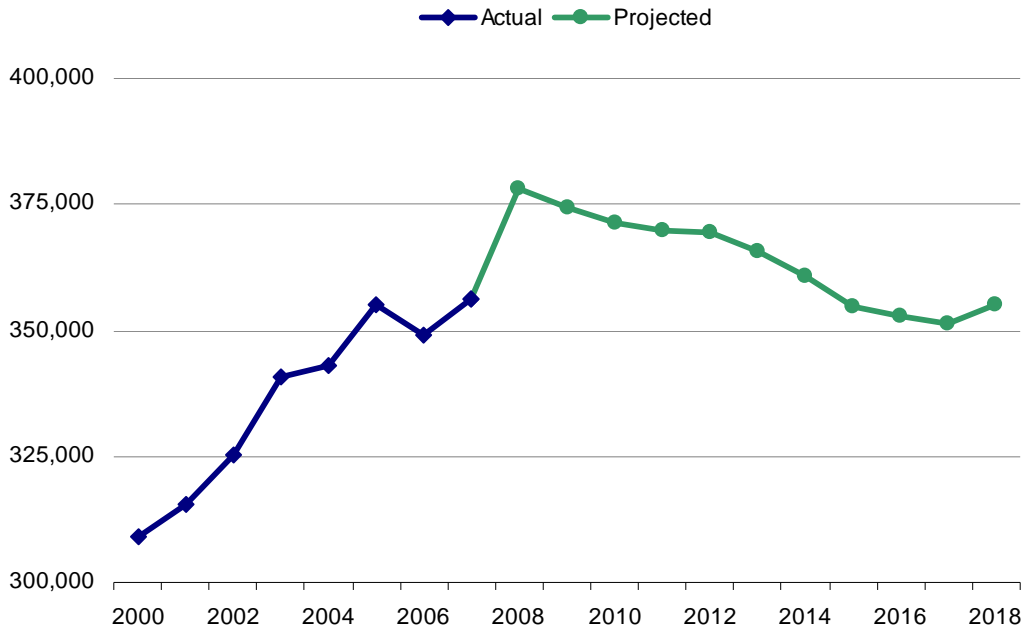


Impacts of the Proposed Plan on Prospective Students

UC's rapid enrollment growth over this decade has been driven in large part by significant increases in the number of California high school graduates. The California high school class of 2008, which graduated last June, was the largest in history, as shown in Display 5. High school graduates are not expected to increase for 2009 and will decline slightly in the coming years. UC's new long-range enrollment plan (submitted to the Legislature in spring 2008) anticipates reduced growth among new freshmen to reflect these smaller graduating classes. At the same time, the large numbers of high school graduates in the past several years indicate a need to sustain transfer opportunities for students who graduated from high school in previous years and are now ready to enroll at UC and complete their degrees.

Display 5: Actual and Projected California Public High School Graduates

The number of California public high school graduates has grown rapidly over the last decade, peaking in June 2008. Current projections indicate that numbers of graduates will decline slightly in 2009 and further over the next ten years.



UC will continue to offer a place to every UC-eligible California resident applicant. Early counts of applications for undergraduate admission indicate modest growth in freshman applications. In view of the traditional high demand for freshman admission to the Berkeley and Los Angeles campuses, freshman enrollments at these campuses will remain stable. In addition, the University will continue the expansion of the Merced campus, although at a modest rate consistent with available resources. This is necessary not only to sustain the development of the Merced campus but also to enable the University to honor its commitment to admit all eligible students.

To achieve the reduction in freshman enrollment, the remaining six undergraduate campuses (Davis, Irvine, Riverside, San Diego, Santa Barbara, and Santa Cruz) will be given lower freshman enrollment targets. As a result, on average, freshman applicants will receive fewer admission offers to the campuses of their choice and more eligible applicants will receive offers through the referral pool. Because UC applicants are very well qualified, they will have other opportunities and some who do not receive offers to their first-choice campus will choose to attend other institutions.

Freshman enrollment of underrepresented minority students and students from low-income families has increased steadily in recent years as the applicant pool has become more diverse, and it is reasonable to assume that under normal enrollment growth, this pattern would continue. Because complete data on fall 2009 applicants are not yet available, the impact of the proposed

freshman enrollment reductions on students from particular groups has not yet been modeled. However, initial analyses, based on the fall 2008 applicant pool and assuming no reductions in freshmen entrants at Berkeley and Los Angeles, indicate that the impact of reductions in freshman enrollments on underrepresented minority students and students from low-income groups would be modest. For example, the analyses show that a reduction of 3,100 freshmen would reduce the proportion of underrepresented minority students from 22.9 percent to 22.6 percent of enrolled freshmen. However, outcomes for the 2009 applicant pool may differ if the composition of the applicant pool is different.

Early transfer application counts indicate more significant growth – likely more than 10 percent – in applications from community college transfer students. The decision to increase transfer enrollments by 500 students recognizes this growth in applicants, as well as the need, over time, to maintain a robust alternate route to a UC baccalaureate degree. At a time when freshmen enrollments are constrained, the transfer function becomes essential to preserving the promise of access to all eligible students. Because these students have already completed two years at a community college, the transfer path is also cost-effective. Initial transfer application counts show strong increases in underrepresented applicants. An increase in transfer enrollments offers the potential to increase the diversity of the incoming transfer class.

The University's intent has been, after accommodating large increases in undergraduate enrollment, to increase graduate enrollments as befits its role as a research university contributing to state needs and the state economy. This proposal maintains the same overall level of new graduate enrollments, although some programs (such as nursing or Program in Medical Education [PRIME]) would experience small increases in new students if funding is provided, according to the Governor's 2009-10 budget proposal.