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Enrollment Funding for UC

LEGISLATIVE ANALYST'S OFFICE

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Hon. Kevin McCarty, Chair





Student Eligibility



Master Plan Eligibility for the University of California (UC)

- The state's Master Plan for Higher Education limits freshman admissions at UC to the top 12.5 percent of public high school graduates. It limits California Community College (CCC) transfer admissions to students with at least a 2.4 grade point average (GPA).
- Master Plan eligibility criteria are intended primarily to (1) ensure academic quality and (2) control state costs by directing a set share of students to the three segments.
- Master Plan eligibility targets for freshmen and minimum GPA requirements for transfer students have not been changed since 1960.



UC's Admission Policies

- UC is to set its admission policies in accordance with the Master Plan.
- UC currently allows any student with a 3.0 GPA who completes certain coursework (known as "A-G") to be considered for freshman admission, though it only guarantees admission to students ranked in the top 9 percent of their high school class or the top 9 percent of students statewide.
- For freshman admission, the state traditionally conducted "eligibility studies" every three to five years to determine if UC's and the California State University's (CSU's) admissions policies were in line with Master Plan eligibility pools. The last study was conducted in 2007.
- For transfer admission, UC requires applicants to take certain courses ("general education courses") and have a 2.4 minimum GPA.



Student Eligibility

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Most Campuses Have Higher Admission Standards

- The Master Plan established UC as a statewide system. Students meeting the Master Plan eligibility requirements are supposed to be guaranteed access to the system, but not to a particular campus.
- UC campuses effectively set their own admission cut offs, with some UC campuses having higher average GPA and test scores for their admits than other UC campuses.
- Students meeting the systemwide minimum admission standards who are not admitted to their campus(es) of choice are offered a spot elsewhere in the system.



Enrollment Demand



Two Main Factors Affect Enrollment Demand

- **Demographic Factors.** Other factors being equal, an increase in the number of California public high school graduates causes a proportionate increase in the number of students eligible to enter UC as freshmen. Similarly, increases in the state's traditional college-age population (ages 18 to 24) generally correspond with increases in UC-eligible students since nearly all UC students fall into this group.
- **Participation Rates.** This is the percentage of eligible students choosing to apply and enroll at UC. Eligible students might choose not to apply and enroll at UC for a variety of reasons. For example, some eligible high school students might prefer to enroll at a private college, an out-of-state college, or a CSU campus.



Applications Not Traditionally Used to Measure Enrollment Demand

- Applications show the number of students who would like to attend UC.
- Applications do not necessarily correspond with the number of students eligible to attend UC because many students applying to UC likely do not fall within the top 12.5 percent of high school students.



Enrollment Funding



State Traditionally Set Enrollment Target for UC in Annual State Budget

- Traditionally, the state first determined the growth rate in UC enrollment from the current year to the budget year based on projected changes in demographics and participation rates, as well as the findings of freshman eligibility studies.
- The state then set an enrollment target for the budget year specifying how many students it expected UC to serve. In more recent years, the state set one overall enrollment target, not separate targets for undergraduate and graduate students or separate targets by academic discipline.
- Under the traditional process, the state finalized enrollment targets in June—*after* the universities had made their admission decisions for the fall semester.



Enrollment Growth Traditionally Funded Based on Marginal Cost Formula

- Traditionally, the state funded enrollment growth based on the estimated cost of admitting each additional student—known as the “marginal cost.”
- The most recent marginal cost formula used by the state assumed UC would hire a new professor for roughly every 19 additional students. The formula also included the average cost per student for academic and instructional support, student services, instructional equipment, and operations and maintenance of physical infrastructure.
- The formula reflected the cost of all enrollment (undergraduate and graduate students combined and all academic disciplines but health sciences).



Enrollment Funding

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Enrollment Funding Not Used on a Consistent Basis in Recent Years

- Without enrollment targets specified in the annual state budget, a lack of clarity now exists around whether UC and CSU were to use part of their funding augmentations the past few years for enrollment growth.

State Has Not Been Using University Enrollment Targets on a Consistent Basis

Full-Time Equivalent (FTE) Students

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
UC								
Enrollment target	198,455	None	None	209,977	209,977 ^a	209,977 ^a	None	None
Actual enrollment	203,906	210,558	213,589	214,692	213,763	211,212	210,986	211,267
Percent change in actual enrollment		3.3%	1.4%	0.5%	-0.4%	-0.5%	-0.1%	0.1%
CSU								
Enrollment target	342,553	None	None	339,873	331,716 ^a	331,716 ^a	None	None
Actual enrollment	353,915	357,223	340,289	328,155	341,280	343,227	351,955	360,000
Percent change in actual enrollment		0.9%	-4.7%	-3.6%	4.0%	-0.4%	2.5%	2.3%

^a State budget did not require the universities to return money if they fell short of the target.



Assessment



Enrollment Funding a Key State Policy and Budget Tool

- Enrollment funding allows the Legislature to set clear expectations about higher education access.
- Enrollment budgeting also aligns state funding with higher education costs.
- Though enrollment funding does not focus on higher education outcomes, the state still can monitor performance.



Current-Year Actual Enrollment the Most Accurate Reflection of Base Enrollment

- Given the state did not set enrollment targets in 2013-14 or 2014-15, the base enrollment level it should use for setting 2015-16 enrollment targets is not entirely clear.
- We believe using UC's actual 2014-15 enrollment level is reasonable. In 2013-14 and 2014-15, the state provided UC with augmentations, along with discretion in how to use those augmentations.
- Moreover, using current-year actual enrollment is the most straightforward way of ensuring additional funding results in additional students (as opposed to paying for existing students UC considers to be unfunded).



Assessment

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Evidence Suggests UC Meeting Master Plan Eligibility Targets

- Determining UC's actual draw of freshmen is difficult without an updated eligibility study. The available UC admission data, together with state data on public high school graduates, show that in recent years UC has been admitting about 13 percent of public high school graduates—more than the 12.5 percent called for under the Master Plan.
- UC currently reports accepting all eligible transfer students who meet the minimum admission standards for transfer students defined in the Master Plan.
- The university reports, however, that not all eligible freshman and transfer students are being accepted into the campus or program of their choice.



Enrollment Demand Not Likely to Increase in Near Term

- The college-age population is projected to decline steadily from 2015 through 2020, with the 2020 level 300,000 individuals lower than the 2015 level.
- State projections also show declines in the number of California public high school graduates in the near term.
- The extent to which UC will experience an increase in CCC transfers due to increases in CCC enrollment is unclear because not all CCC students enroll in transfer-oriented programs. Any such effects likely will not increase demand for transfer at UC for at least a few more years.



Recommendations



Recommend Setting UC Enrollment Target at Current-Year Level

- The university does not appear to be facing significant increased enrollment demand, given the projected demographic declines and the university's continued ability to accommodate eligible students.
- Current-year enrollment is 211,267 full-time equivalent students.



Recommend Using Updated Marginal Cost Formula

- The state has not updated the marginal cost formula in recent years since it has not funded enrollment explicitly. Using the traditional methodology, we calculate an updated marginal cost formula for 2015-16 of \$9,244. (Our calculation differs from UC's marginal cost of \$10,000 per student because the university continues to use the marginal cost rate from 2007-08.)
- Moving forward, we recommend the Legislature consider establishing marginal cost formulas that calculate costs separately for different types of students (such as undergraduates and graduates). UC recently completed a study of costs by different student types that could help with the creation of new marginal cost formulas.



Recommendations

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Recommend Authorizing Updated Eligibility Study

- Though some information exists indicating UC is drawing from beyond its Master Plan eligibility pool of high school students, we recommend authorizing a new study since it would provide more accurate information.
- Such a study must be conducted by reviewing transcripts of high school students and linking with university admissions. (Given the amount of coordination required across high schools, UC, and CSU, the state traditionally has relied on independent consultants to undertake parts of the study.)



Recommend Setting Out-Year Enrollment Targets

- We also recommend the Legislature set enrollment targets for the year after the budget year to signal its enrollment priorities to UC prior to the university's admission cycle.
- We recommend setting a 2016-17 target at the same level as 2015-16, given the demographic trends noted above.