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August 9, 2012

PRESIDENT MARK YUDOF
PROVOST & EXECUTIVE VICE PRESIDENT AIMÉE DORR
EXECUTIVE VICE PRESIDENT NATHAN BROSTROM

Re: Academic Council Principles for Enrollment Management in the Context of Rebenching

Dear Mark, Aimée, and Nathan:

At its July 25 meeting, the Academic Council considered the myriad issues embedded in the enrollment management component of the Rebenching initiative. Council members agreed that Rebenching requires enrollment management, that the Senate must be extensively involved in shaping this aspect of the Rebenching project, and that enrollment planning must address unfinished business in the larger Rebenching/Funding Streams restructuring of the University budget. Council unanimously endorsed the attached statement of principles as a baseline from which continuing discussion and negotiation should proceed.

As you know, several Council members have been participants in the Rebenching Budget Committee, and the full Council has been regularly briefed as deliberations have proceeded. Because Council members represent the distinctive views and interests of the Senate divisions on the ten campuses and the expert views of the Senate's subject-specific standing committees, its efforts to find common ground that serves the University as a whole are deeply engaged. I believe that the attached document reflects the richness of Council's discussions along with a shared recognition of how tightly enrollment management is entwined in the Rebenching project.

I am providing this document to you now in the hope that it will be widely circulated on the campuses along with the report of the Rebenching Budget Committee so that participants in the ongoing discussions next year will have the full benefit of the work done in Council this year. Along with incoming Council Chair Bob Powell, I will welcome your comments.

Sincerely,

A handwritten signature in blue ink that reads "Bob".

Robert M. Anderson

Cc: Academic Council

Enrollment Management under Rebenching

Principles and Recommendations

This document is a statement of some of the Academic Council's expectations for the enrollment management process---that the process must involve the faculty extensively, and that it must address unfinished business in Rebenching/Funding Streams. It reflects our accumulated experience and significant thought and discussion. It reflects the views of the Academic Council and will serve as a starting point for the Senate's participation in enrollment management.

The Rebenching budget reform provides a transparent model for allocating state funding, recognizing that UC is one university with one standard of excellence on its ten campuses. Coupled with the Funding Streams reform, rebenching of state funds on the basis of student enrollments will give the campuses a clear understanding of the relationship between their activities and how those activities are funded. Both the revenues and the costs associated with any activity are decentralized to the campus, thereby aligning incentives and budgetary consequences.

The two budgetary reforms are critically important, but they do not solve UC's enrollment or budget problems. Every campus needs more funding to restore and maintain excellence, and the steady decline in state funding now threatens UC's ability to meet its historic Master Plan obligation to enroll all UC-eligible resident undergraduates. The Funding Streams reform created the impression that all non-state revenues "belong" to the campus; and by extension, the campuses might anticipate generating and allocating other new revenues to various campus needs, with an equally decentralized decision-making process. Under Rebenching, State funding based on enrollments will be allocated according to a proposed formula that seeks to ensure that the UC system as a whole meets its Master Plan obligations. The formula is based on setting systemwide and individual campus resident enrollment targets, and then shifting funds from campuses that fall short of their targets to campuses willing to accept additional residents. Since campuses now are able to pursue individual financial incentives, there will be no guarantee that UC can meet systemwide needs and goals without additional enrollment management reform following Rebenching.

Enrollment management involves the creation of a comprehensive enrollment plan that addresses the academic goals of the campuses as well as systemwide objectives, including the appropriate distribution of programs, balance of undergraduate and graduate students, and the composition of our student body, as well as how students learn, how we should teach them, and how many we can accommodate. The local campus academic planning processes already address these fundamentals, and campuses need considerable autonomy in assembling their academic plans. Thus, it is not our intention to create a comprehensive academic and enrollment management plan for the ten-campus UC system, but to develop an enrollment management plan sufficient to ensure that the UC system, as a whole, meets its Master Plan obligation to the State. **Funding Streams and Rebenching simplify and add transparency to the flow of funds, but they do not reduce the need for a systemwide strategy for enrollment management.**

In this document, our aim is to establish principles linking enrollment management to UC's new budgetary framework. The document concentrates on how enrollment management should proceed under Rebenching, focusing on two potential revenue sources for the campuses—undergraduate nonresident tuition and state funding released from the conversion of graduate degree programs from state-assisted¹ to a self-supporting model. We focus on these two sources of new revenues, because unlike Indirect Cost Recovery, for example, they cannot be separated from enrollments and enrollment targets.

The campuses with the ability to shift certain academic programs from the public, state-assisted model to self-supporting status, or that can attract nonresidents most readily may seek to do so. This strategy helps preserve excellence, but also displaces resident undergraduates and increases costs for students in self-supporting graduate programs. It also has political costs that will be borne by the entire system. No matter how often the University asserts that these revenues preserve access, the average Californian believes that a seat occupied by a nonresident is not occupied by a resident. Similarly, converting a state-assisted program potentially frees up funding that can be allocated to another priority, but it also addresses a budget problem by charging higher tuition to certain students, further reducing UC's distance from private competitors.

As the administration and the Senate contemplate enrollment management, our goal should be to do the best we can for California, in spite of an unfavorable budget. ***The fundamental principle that guides our recommendations is that a systemwide solution, in which incentives to increase revenues are managed with enrollment planning, and other goals, dominates the non-cooperative outcome where each campus pursues its own objectives in isolation. We recognize that campuses should be encouraged to expand revenues. On the other hand, expanding revenues by shifting programs to self-supporting status or expanding nonresident enrollments can conflict with our obligations to the State, particularly if done in the absence of a centrally coordinated effort to ensure maintenance of resident undergraduate enrollments.***

As the Academic Senate emphasized in the [Implementation Task Force Report](#), each UC campus has an incentive to enroll more nonresident undergraduates and fewer residents, given that nonresidents bring additional revenues that can be used to replace funding formerly provided by the State. It is surely unrealistic to think that UC can reduce resident enrollments without risking further reductions in state funding. At one extreme, leaving the campuses to pursue self-interest places revenue generation above other goals; at the other, the socialization of increased revenues across campuses attenuates the incentive for generating them. A systemwide enrollment management solution is needed to balance these competing goals. Similarly, a systemwide policy is needed to guide the conversion of state-assisted programs to self-supporting status.

The Academic Council memorializes the following principles and observations, to provide a basis for developing specific recommendations from Senate participants in the upcoming process of enrollment management.

¹ We use the term "state-assisted" in lieu of the conventional "state-supported" to underscore the inadequacy of state support for all UC programs.

1. The current amount of funding from the state is inadequate to deliver a UC-quality education, even taking into account the substantial increases in tuition that the University has instituted in response to state-funding cuts. This must become the central point in any message to the State or the public about the University's future. UC remains state-assisted, but the state assistance is no longer adequate to support a UC-quality education.

UCOP should coordinate an aggressive central strategy for improving quality across the system, rather than simply encouraging the campuses to convert programs to self-supporting where feasible, or expand nonresident enrollments. Such a delegated approach ignores potentially serious unanticipated consequences, and the fact that campuses are not equal in their ability to shift various state-funded units to alternative funding models. Moreover, responsible stewardship of state funds calls for a systemwide plan for their use and reallocation.

2. Rebenching in concert with a clear enrollment management plan should seek to ensure space for all funded, eligible California resident undergraduates and equalize the amount of state funding for each resident undergraduate across all nine undergraduate UC campuses.

The latter is achievable by formula alone; the former requires some mechanism to incentivize campuses to enroll additional California resident undergraduates, consistent with systemwide Master Plan obligations. This recommendation means that the state assistance for a given type of student should not depend on the campus, although there may be different “weighting” for different student types.

3. It follows that the enrollment targets set for the nine undergraduate campuses must be both enforceable and large enough to accommodate a sufficient number of resident undergraduates to meet UC's obligations to the State. The process of negotiating targets must start with fixing the default point (below which a campus that wants to lower its resident enrollment must give up sufficient state funding to ensure that another campus will absorb the number of residents displaced); the default target should be the enrollment plan used in 2007—the last time UC did not have a significant number of overenrolled students. The 2007 plan was also used as a benchmark throughout the rebenching process.

Trying to bring the State back into full partnership with the University is a strategic choice that also puts California's needs first. Otherwise, we will fail to deliver one of the three parts of the University's tri-partite mission of teaching, research, and public service, and we risk further reductions in funding and increased State control in the University's decision-making. The proposal to amend the State's constitution to limit nonresident enrollments on each campus to 10% is but one manifestation of this very real threat.

4. UCOP should play a central role in enforcing the provisions of the rebenching model and in managing enrollment by negotiating enrollment targets with the campuses: campuses should provide (at a minimum) five-year enrollment plans, compatible with their long-range development plans, and UCOP should evaluate the

plans and negotiate targets with campuses, taking into consideration the funding environment, the Master Plan, and demographic data about the graduating class.

UCOP should initiate a simultaneous dialogue with the State to convey transparent measures of the cost of instruction that will document how state funding is allocated to meet the portion of those costs not covered by tuition, and inform the state about the real number of unfunded students enrolled at UC.

The product of these two conversations should be a shared understanding of the number of resident undergraduates UC can enroll in the long run, under various funding scenarios, ranging from the current trend toward fewer residents, to a scenario in which historical levels of funding are restored so that UC is able to meet its commitment to the State without increasing its reliance on tuition revenues from nonresidents.

5. UCOP and the Senate should analyze the impact of various enrollment scenarios under rebenching, for both undergraduate and graduate students, especially when adding or removing educational paths and redistributing state funding.

5a. The systemwide enrollment management plan should reflect the President’s Policy on Self-Supporting Graduate Degree Programs (see especially Section 6A)² and consider not only the impact on the program itself and spillover impacts on closely related programs, but also how the conversion will affect enrollment targets for both undergraduate and graduate students under rebenching and UC’s ability to meet its Master Plan obligations.

Campuses are free to explore and propose changes to programs that could lead to new revenues, but a campus that converts a state-assisted program to a self-supporting program should give up the state funding that was allocated for students enrolled in that program. However, the campus may request to transfer the funding to expand another enrollment target, consistent with current policy³, or for meeting some other systemwide priority. The University may find many professional degree programs, for instance, do not represent the best use of state funding, and should be increasingly self-supporting—a trend that is already underway. Those funds may be determined to have a higher priority use in assisting resident undergraduates or academic Ph.D. students, and the campus might be encouraged to redirect funding to such students. However, this should be a conscious, systemwide decision about the role of state funding in professional schools in the UC system, not an ad hoc policy produced by a large number of independently

² The policy states that “*Self-supporting programs will not be funded from State General Funds and reports of state-funded enrollments will exclude students in self-supporting programs. However, these enrollments will be reported to the Office of the President as a separate category which is not counted against the campus budgeted (state-funded) enrollment target. During the approved phase-in period, distribution of enrollment between state and non-state targets will conform to specifications of the phase-in plan.*” In effect, students in a self-supporting program are “removed from” the calculations that allocate state funding, under the Rebenching framework.

³ <http://www.ucop.edu/planning/documents/self-supportpolicy-2011.pdf>

generated proposals. To remain consistent with the rebenching recommendations, the campus should identify specific enrollment categories in which its target will increase. .

5b. The systemwide enrollment management plan must include a financial penalty for any campus that fails to meet its resident undergraduate enrollment target, and a provision for the reallocation of state assistance to campuses that absorb residents. That reallocation must be sufficient to encourage the campuses to meet their targets; every campus faces the same incentive to seek additional revenues by expanding nonresident enrollments.

The rebenching recommendations under review included a proposed penalty for displacing a resident undergraduate student equal to 150% of the state subsidy for such a student. It is difficult to determine the appropriate level for the transfer of state funds, until we learn the campuses' enrollment plans. Transferring only the per student state subsidy in the rebenching model (\$6,413 per student in the spreadsheet accompanying the recommendations) is insufficient to deter a campus from displacing a resident undergraduate to accommodate a nonresident. It seems likely that this figure will require adjustment, until it is set at a level sufficient to achieve the systemwide outcome we seek: that the campuses acting in their own self-interest will admit enough resident undergraduates to meet systemwide goals.

6. Given the substantial budgetary uncertainty facing the University, any enrollment planning process must incorporate flexibility for the future.

Targets based on one set of expectations are likely to become unworkable as circumstances change; for instance, when cuts in state funding are allocated to the campuses, it is unrealistic to leave enrollment targets unchanged. Even the best-funded campuses cannot be expected to continue to absorb cuts approaching the magnitude of recent reductions in state funding. Similarly, enrollment targets set to achieve the University's obligation under the Master Plan based on one set of forecasts of high-school graduation and one set of budgetary conditions cannot be imposed when the number of high-school graduates increases, as is forecast to occur a few years from now. In short, campuses should not be expected to meet targets for students that the state stops funding, and those targets cannot expand to meet greater demand unless the budget expands. It is equally important, however, that once set, targets are adhered to so that the UC system can meet its obligations to the state.