

**Academic Senate Chair Jim Chalfant
Remarks to the University of California Board of Regents
January 2017**

Thank you, Chair Lozano. Today I would like to return to the topic of my September remarks: this Board's plan to adopt a policy that limits nonresident enrollment. In September, I called your attention to the budgetary harm such a policy will do. Because of this, the Academic Senate is opposed to setting arbitrary limits on nonresident students.

Such a policy represents an arbitrary quota that would force us to turn away highly qualified students. It would reduce funds available for financial aid for resident students on every campus. It would not increase the enrollment of California residents, and it might even result in a decrease in enrollment. It would certainly have an adverse effect on student success. A limit on nonresidents would immediately harm the budget for at least three campuses, with two more to follow shortly.

As I emphasized in September, nonresidents are not just a source of revenues. They enhance the richness and diversity of campus environments, and the educational experience for all students. UC attracts great students from other states and from other countries. Why would we not want to do so? But the important fact is that the tuition these students pay exceeds the cost of enrolling them; with current levels of state support, we face exactly the opposite situation for California residents. We are all committed to fulfilling our obligations to Californians, but cannot do so without covering the cost of providing a UC-quality education.

Especially since the Great Recession, campuses have had to find other revenues to meet our obligations to California residents. With revenues from nonresident tuition, UC was able to make up some—not all—of the cuts in state funding, while maintaining the enrollment of California residents. Nothing has changed since.

The Senate understands that a policy must be adopted by May. We need a good policy that works, however, not a knee-jerk reaction like an arbitrary cap. I will suggest such a policy today, one that treats the State as a full partner; one that is based on addressing the very concerns the State has expressed.

UC has added thousands of resident undergraduates recently, but the state has not been able to provide its historical share of marginal cost. Expanding enrollment has not been a break-even proposition, let alone one that generates funds to maintain quality. If we turn away nonresidents, UC cannot simply put residents in seats vacated by nonresidents. Where will the necessary support come from? Even if the state were to contribute its historical share of marginal cost, which has certainly not been offered, total state funding would be far short of the amount needed to substitute for nonresident tuition. It is far more likely that resident enrollments will be reduced, as will the quality of their education.

An easy rebuttal is that if not for nonresidents, we would not need this funding for more classrooms, labs, or faculty offices. If not for nonresidents, we would not need to hire more staff to provide advising support, mental health services, IT infrastructure, libraries, and so much more. This is not correct. That's why I emphasized the fact that we cannot cover our costs without nonresidents. You've seen that in the series of campus budget presentations in recent months. Even if we ignore deferred maintenance and capital needs, where else will we find the operating funds to make up for reduced state funding? With less to spend, the best we can hope for is to enroll the current number of residents, while doing a lot less for them.

Shane and I have heard various proposals to cap the percentage of nonresident undergraduates. Our reaction has been that any fixed cap is misguided, ignoring budget reality. We could be throwing away the very funding we are now seeking to raise by increasing in-state tuition—potentially tens of millions of dollars. Our campuses have strong and growing international reputations. A cap requires that they turn away highly qualified students and forego much-needed revenues.

We have heard these proposals coupled with annual increases in nonresident tuition, but we worry that we will soon attract only the 1% from other states and other countries, particularly since we no longer offer financial aid. Even the 1% are price-sensitive, and we cannot keep reducing their numbers and expect to make it up with a higher price. That's especially true for campuses still trying to expand their nonresident admissions.

The Legislative Analyst recently identified three ways UC can substitute for these revenues: reallocate other funds, meaning cut programs; more state funding; or significantly higher in-state tuition. None of these choices are realistic.

What can we do? Between now and March, let's change the conversation with the State. Let's define a policy that is based on demonstrating how revenues from nonresident tuition improve quality. Listen to our chancellors from Berkeley, UCLA, and San Diego when they explain how nonresident tuition funds additional sections and course offerings, improving time to degree for all students. Listen to Irvine and Davis, who are close behind. And listen even more closely to our other campuses with fewer nonresidents and higher percentages of first-generation and under-represented students. Let's avoid any policy that discourages their aspirations to the same degree of internationalization and the same opportunities to improve quality currently enjoyed by only half of our campuses. Even a system-wide limit that is not currently binding sends an unmistakable signal that the future for UC is unnecessarily constrained, and it's one that the Senate cannot support.

The Academic Council's resolution, which passed unanimously, proposed that a limit on nonresidents be dependent on first securing a budget with revenues sufficient to sustain UC's three goals of access, affordability, and quality.

Here is a policy that does that: *Campuses shall report on their investments of nonresident tuition revenues made to improve access and the quality of education. The Regents will limit nonresident enrollments on any campus where resident undergraduates are disadvantaged by further expansion of nonresident*

enrollments. Each year, system-wide enrollment plans for both residents and nonresidents will then follow from the adoption of a sustainable financial plan that ensures UC's quality on every campus.

This policy is easy to understand and it speaks directly to state concerns about whether residents are harmed by nonresident enrollments. It acknowledges current constraints on state funding and it proposes a solution that benefits everyone. It gives us the responsibility to make the case based on outcomes and how they are improved, not harmed, by a revenue plan that works—by continuing to enroll nonresidents when all students benefit.

We are all in a deep budget hole. As the saying goes, the important thing when you find yourself in a hole is to stop digging. All of us need to put down our shovels and look for a new approach.

Thank you Chair Lozano. This concludes my remarks.