

Budgetary and Institutional Impact of Taking Longer to Graduate

SUMMARY

Students who take more than four years to graduate create a number of potential financial issues for the campus and the students themselves. This briefing paper identifies several of these issues and the problems that could occur if four-year graduation rates are not improved.

CAMPUS BUDGET - MORE STUDENTS AND LESS STATE FUNDS

The University's funding model for enrollment is based on student full-time-equivalents (generally equal to 15 units taken by an undergraduate student each quarter). For budgeting purposes, the campus receives approximately \$11,000 for each new full-time-equivalent (FTE) student in state funds and student fees (excluding campus based fees).

In contrast, the cost of instruction and some campus services are largely driven by headcount (i.e., the actual number of students enrolled regardless of number of units taken). As the gap between 15 units (the budgetary standard) and the actual units taken per quarter increases, budgetary pressure on the campus grows as it attempts to provide appropriate service levels (demand driven by student headcount) with relatively less funding (funding driven by full time equivalents).

One reason why students take longer to graduate is they may take less than 15 units per term, and therefore, do not have enough units to graduate after 4 years. When students take fewer units than the full-time 15 unit load, the campus' funding mechanism is negatively affected. The ratio of actual units to full-time units is often referred to as the conversion ratio. Simply stated, if UCD undergraduates average 14 units per term, our conversion ratio would be .93 (i.e., 14 divided by 15). The official campus conversion ratio is calculated by the UCOP and represents a six-term average.

Based on the calculation above, if our conversion ratio was .93, then for every 100 headcount students enrolled, we would receive funding for only 93. Put another way, if UCOP had agreed to provide us with a campus budget allocation equal to 100 FTE, we would have to enroll 7 more students to receive the amount UCOP authorized. Compared to other UC campuses, Davis has very low conversion ratios; the campus ranks last in its upper division rate and second to last in its lower division rate.

Attachment 1 provides an example of how our conversion ratio affected last year's funding. In essence, this example demonstrates that the gap reflected in the campus' conversion ratio resulted in the campus enrolling 1,411 undergraduate students for whom we did not receive state support for services that are driven by student headcount rather than FTE. Taking into

consideration that there are both FTE-based and headcount based costs, we estimate that the funds the campus does not receive for each student headcount in excess of the student FTE total is roughly \$3,750 per student. For the 1,411 excess this translates into \$5.25 million in budgetary deficit (1,411 student headcount times \$3,750) that affects the instructional and support levels of service for all students on campus.

CONSTRAINTS ON FUTURE ENROLLMENT GROWTH

Campus enrollment planning involves balancing inflows (new students) and outflows (graduating students). When students stay enrolled for more terms, this increases the number of continuing students. The reduced outflow hurts the campus' ability to accept new students (at all levels) each year, because the campus must live within an overall enrollment target. When undergraduates stay in school longer, the increased number of continuing undergraduate students reduces the campus' ability to accept new undergraduate students and students in other areas (e.g., graduate students). The pressure created by this constraint tends to increase when overall annual campus enrollment growth is modest as it is projected to be through 2010. Consequently, in order to stay within its budgetary enrollment target the campus would have to turn away UC-eligible undergraduate students and possibly graduate students if the number of continuing undergraduate students increases.

GREATER FINANCIAL COMMITMENTS FOR STUDENTS AND/OR PARENTS

Taking longer to graduate also increases the financial burden for the student (and/or parent). For every additional term a student needs in order to graduate, the student must pay fees and other expenses, including living costs or commuting expenses. The total cost of their bachelor's degree is increased and in some cases, the student loan burden is also increased.

DIMINISHED FINANCIAL AID GRANTS

Students who take longer to graduate create additional demand for limited institutional grant resources, resulting in all recipients receiving less grant assistance and having to work and borrow more than they would have to otherwise. Students with similar grant eligibility receive similar total grant assistance whether they are in their 1st term or their 13th; therefore, students who take longer to graduate receive more cumulative institutional grant funding than their counterparts who graduate in 4 years. This is not only because these students receive aid for more terms, but also because of the policies of the state-funded Cal Grant program. Cal Grant recipients may receive awards for 4 years only, and if they attend after they have exhausted their Cal Grant eligibility, the campus typically makes up for this loss with institutional grant awards. Consequently, students who take longer to graduate use financial aid resources that could otherwise be used to increase grant levels for other eligible students.

INCREASING STATE AND FEDERAL INTEREST IN ACCOUNTABILITY AND EFFICIENT USE FOR UNIVERSITY RESOURCES

Graduation rates and time-to-degree measures, which are among the most common measures of university efficiency, have recently received increased attention in Sacramento and in

Washington. For example, the recent Higher Education Compact between Governor Schwarzenegger, the University of California, and the California State University, outlined areas of accountability. One such area is *Efficiency in graduating students*. Measures of accountability in this area are:

- Number of undergraduate degrees awarded;
- Number of graduate and professional degrees awarded;
- Average time-to-degree for undergraduates;
- Total number and percent of graduating undergraduates who have accumulated excess units required for their degree, as determined by the segments, and the average number of excess units accumulated by these students;
- Persistence and graduation rates for freshmen and California Community College (CCC) transfer students;
- Number of undergraduates admitted as freshmen who leave in academic difficulty; and
- Number of undergraduates admitted as (CCC) transfer students who leave in academic difficulty.

It is clear that graduation rates and time-to-degree will continue to receive attention and scrutiny from the state and the federal government.

CONCLUSION

When students take more than 4 years to graduate, a number of financial pressures are created for both the campus and students, and as the number of students in this category grows, the severity of these problems will tend to increase. In addition, a recent study of graduation rate trends completed by the Office of Resource Management and Planning found that UC Davis ranks consistently last among all UC campuses in terms of 4-year graduation rates. Developing and implementing campus strategies that encourage students to graduate on time will reverse this trend and keep the issues identified in this paper from becoming major problems that erode the ability of the campus to achieve its goals, tarnish the reputation of the campus, and tend to diminish the quality of education for all students.

Estimating the Impact of Conversion Factors of Less Than 1.0

Summary and Assumptions

The University budget process makes allocations to campuses for enrollment based on student FTE and a specified marginal cost per student factor. Budgeted FTE is determined by multiplying student headcount and a conversion factor, which is the ratio of actual average student workload on campus and a hypothetical full workload (15 units). Some of the costs included in the marginal cost factor are driven by student FTE. Other costs are driven by student headcount. Still other costs are driven by a combination of both factors. For the purpose of this estimate, it is assumed that the state funded portion of the marginal cost amount is \$7,500 and that the costs supported by this component are equally divided between FTE-driven costs and headcount-driven costs. The impact of the conversion factors used by the campus in this estimate result in a budgetary deficit of approximately \$5.3 million.

2003-04 Undergraduate Enrollment (3 Quarter Average, Summer Excluded)

	Headcount	x	Conversion Factor	=	Full-Time Equivalent Students (FTES)
Lower Division	9,838		0.933		9,179
Upper Division	<u>13,182</u>		0.943		<u>12,430</u>
Total Undergraduate	23,020				21,609

Impact

- ▶ Campus served 23,020 students but received funding for only 21,609.
- ▶ 1,411 Students were essentially "unfunded" with respect to headcount driven costs.
- ▶ These "unfunded" students represent a budget deficit of \$5.3 million.
- ▶ If our conversion ratio were 1, we could have:
 1. Received the \$5.3 million and be fully funded for 23,020 students,
 - OR
 2. Enrolled 1,411 fewer students and be fully funded for 21,609 students.
- ▶ The additional 1,411 students place a strain on instructional resources that otherwise would not exist. While course offerings may be perceived as an FTE-driven cost (i.e., student credit hours), in some situations headcount may in fact have a greater influence and force the campus to add instructional services for which it does not receive funding. For example, the campus may have to add classes in impacted courses due to the demand of additional students (i.e., 1,411 students). These additional classes are not part of the campus allocation based on FTE.
- ▶ The additional students also affect access to certain campus support services (e.g., advising) because in essence, we now have 1,411 more students competing limited advising time.