

March 23, 2012

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional initiative regarding public postsecondary student tuition and fees (A.G. File No. 12-0006).

Background

Students Are Charged Tuition/Fees to Attend Public Colleges and Universities. The state has three public systems of higher education: the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC). In general, students must pay tuition (at the universities) and systemwide fees (at the community colleges). For 2011-12, the charges for a full-time undergraduate student are \$12,192 at UC, \$5,472 at CSU, and \$1,080 at CCC. Students in graduate and professional programs generally are charged somewhat higher tuition. The state has no specific policy for how tuition and fees should be adjusted annually. From 2007-08 to 2011-12, undergraduate tuition and fees at UC and CSU have increased by 84 percent and 97 percent, respectively. At the CCC, full-time students have seen their fees increase by 80 percent since 2007-08.

Tuition/Fee Levels Set in Different Ways. The two university systems are governed by independent boards. Among other things, these boards have the authority to set tuition levels for their respective systems. Systemwide fees for the community colleges are set in statute by the Legislature. Whenever tuition or fees are increased, the increase generally applies to all students who are enrolled at the time. For example, new students and continuing students pay the same amount for the same program. Similarly, tuition and fee increases apply irrespective of a student's success in moving through his or her academic program.

Proposal

This measure prohibits UC, CSU, and CCC from increasing the amount of tuition or systemwide fees charged to any continuing undergraduate or graduate student enrolled, in good academic standing, and making satisfactory progress toward a degree. The measure defines satisfactory progress as sustaining a pace that allows the student to receive the degree within the

time line specified in the applicable campus catalogue. Tuition and fee levels could be raised on students who do not meet these criteria, including those enrolling as freshmen and new transfer students each year. As a result, different students on a given campus could be charged different tuition/fee amounts.

Fiscal Impact

Given the lack of a statewide tuition and fee policy and thus uncertainty about what tuition and fee increases might be adopted in future years, we cannot determine the precise fiscal effects of this measure. In general, it would impose new constraints on the ability to raise additional revenue for higher education from students, given that many continuing students would not be subject to tuition and fee increases.

To the extent that the university governing boards found raising the tuition revenue they would otherwise seek in a given year too difficult, this measure could result in cost pressures on the General Fund. For example, a 10 percent across-the-board tuition increase at UC currently would produce about \$200 million in new annual revenue for the system. Because this initiative would restrict UC from imposing this increase on the majority of continuing students, UC would be faced with the options of (1) imposing a larger increase (which would apply primarily to new students, potentially resulting in a tuition increase in excess of 30 percent for these students in the first year), (2) making do with less revenue, or (3) seeking revenue from other sources (such as the state General Fund). The state, however, is under no obligation to provide any particular level of funding to the universities. Moreover, any General Fund pressures created by this measure likely would diminish over time as additional students became subject to the increased tuition levels.

The fiscal impacts on CCC would likely be minor, given that (1) CCC fees are a much smaller revenue source than tuition is for the universities, (2) CCC funding is subject to constitutional provisions which guarantee a minimum level of funding for schools and colleges, and (3) the majority of CCC students do not seek academic degrees from CCC, and thus likely would not be subject to this measure's provisions. However, given that most students attend CCCs on a part-time basis, to the extent that a CCC defines "making satisfactory progress toward a degree" as being on a path to complete a degree or certificate in two or three years, part-time students would be subject to higher fees. Further, if the Legislature authorizes fee increases for the CCCs under the provisions of this initiative, this could impose additional duties on the CCCs to determine applicable student academic standing and progress toward a degree when applying student fee increases. The costs of these activities could come at the expense of other college efforts and responsibilities.

Summary of Fiscal Effects:

- Colleges and universities would face new constraints on their ability to raise additional revenue in the form of student fees and tuition in a given year.
- While continuing students in good academic standing would experience stable tuition and fee levels, tuition charged to new students at the University of California and the

California State University could be higher than it would otherwise be, especially in the initial years after the initiative's adoption.

- The state could face General Fund cost pressures to the extent that universities were not able to raise the tuition revenue they would otherwise seek. This pressure would likely diminish over time as additional students became subject to the increased tuition levels. At the California Community Colleges, General Fund pressure likely would be minor, even initially.

Sincerely,

Mac Taylor
Legislative Analyst

Ana J. Matosantos
Director of Finance