

March 13, 2008

LAO Alternative Budget For Higher Education

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Budget and Fiscal Review Committee

Hon. Denise Ducheny, Chair





Concerns With Governor's Proposal



Puts Access and Affordability at Risk

- Governor requires the University of California (UC) and the California State University (CSU) to accommodate large, unallocated reductions through an unspecified combination of fee increases, enrollment reductions, and other solutions.
- Governor's California Community College (CCC) enrollment growth funding is lower than projected population growth.
- Governor terminates Cal Grant competitive program.



Defers Key Decisions to Segments

- By deferring major policy issues such as fee levels and enrollment growth to UC and CSU, the Governor's budget removes the Legislature from key budget and policy decisions.
- When segments make these decisions independently, higher education programs and funding can lack coordination. For example, a decision to restrict enrollment or increase fees at one segment can increase enrollment demand at another segment.



Major Features of LAO Proposal



Funds Anticipated Enrollment Growth

- As opposed to Governor's proposal, LAO's alternative budget specifically funds enrollment growth for all three segments.



Funds Mandatory Cost Increases

- LAO's budget proposal includes funding for mandatory cost increases—such as utilities and rent—for all three segments.
- Faculty and staff cost-of-living increases would *not* be funded. This is consistent with our suggested approach regarding salaries for state employees.



Limits Fee Increases and Provides Compensating Increases in Financial Aid

- Instead of unspecified fee increases of up to 33 percent as allowed in the Governor's budget, LAO's proposal includes moderate increases of 10 percent for UC and CSU, and a restoration of CCC's 2006 fee level of \$26/unit.
- These fee increases would provide about \$350 million in new revenue for the segments.
- LAO's proposal would also ensure affordability by (1) rejecting the Governor's proposal to terminate the competitive Cal Grant program, (2) increasing funding for all Cal Grants to cover fee increases and enrollment growth, and (3) augmenting campus-based financial aid programs.



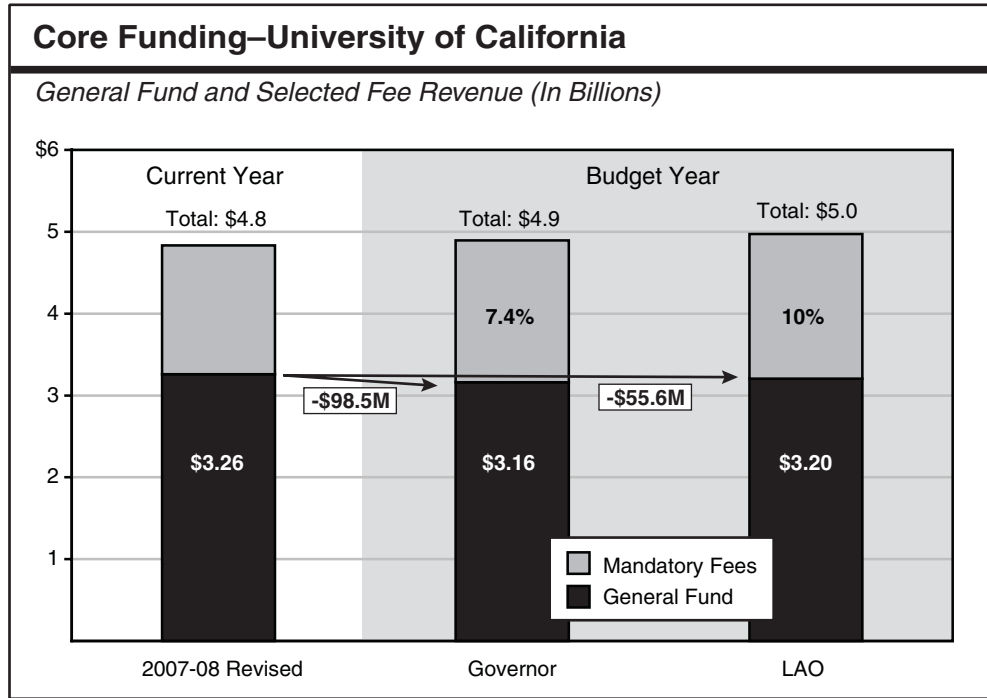
LAO Alternative Budget Would Provide Increased Funding for UC

University of California LAO Alternative Budget Proposal	
<i>General Fund and Mandatory Fee Revenue (In Millions)</i>	
2007-08 (Revised)	\$4,835
Augmentations	
Enrollment growth	\$59
Cost increases	50
Institutional aid	33
Other adjustments	29
Subtotal	(\$170)
Reductions	
Executive administration	-\$32
2008-09	\$4,972
Change from 2007-08	\$138
New fee revenue	(193)
Decreased General Fund	(-56)

- Compared to current year, LAO alternative provides slightly more resources to cover projected enrollment growth, unavoidable cost increases, and financial aid.
- Compared to Governor's 2008-09 proposed budget, LAO alternative provides more General Fund and greater total resources.



LAO Alternative Budget Would Provide Increased Funding for UC (Continued)





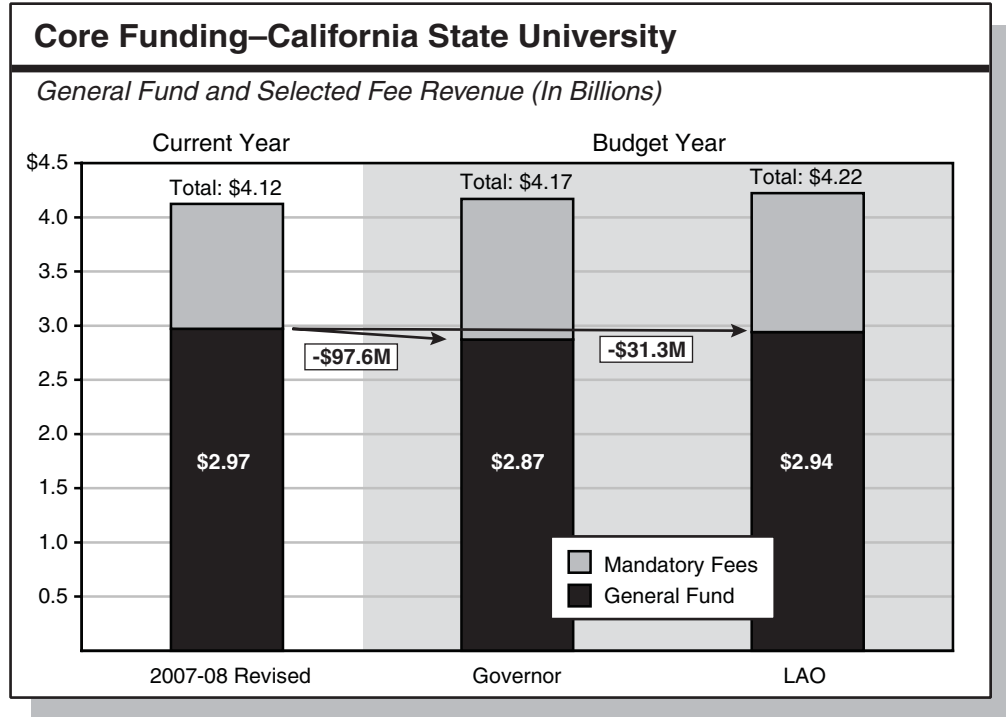
LAO Alternative Budget Would Provide Increased Funding for CSU

California State University LAO Alternative Budget Proposal	
<i>General Fund and Mandatory Fee Revenue (In Millions)</i>	
2007-08 (revised)	\$4,123
Augmentations	
Enrollment growth	\$62
Cost increases	45
Institutional aid	29
Other adjustments	7
Subtotal	(\$143)
Reductions	
Executive administration	-\$43
2008-09	\$4,222
Change from 2007-08	\$99
Increased fee revenue	(131)
Decreased General Fund	(-31)

- Compared to current year, LAO alternative provides slightly more resources to cover projected enrollment growth, unavoidable cost increases, and financial aid.
- Compared to Governor's 2008-09 proposed budget, LAO alternative provides more General Fund and greater total resources.



LAO Alternative Budget Would Provide Increased Funding for CSU (Continued)





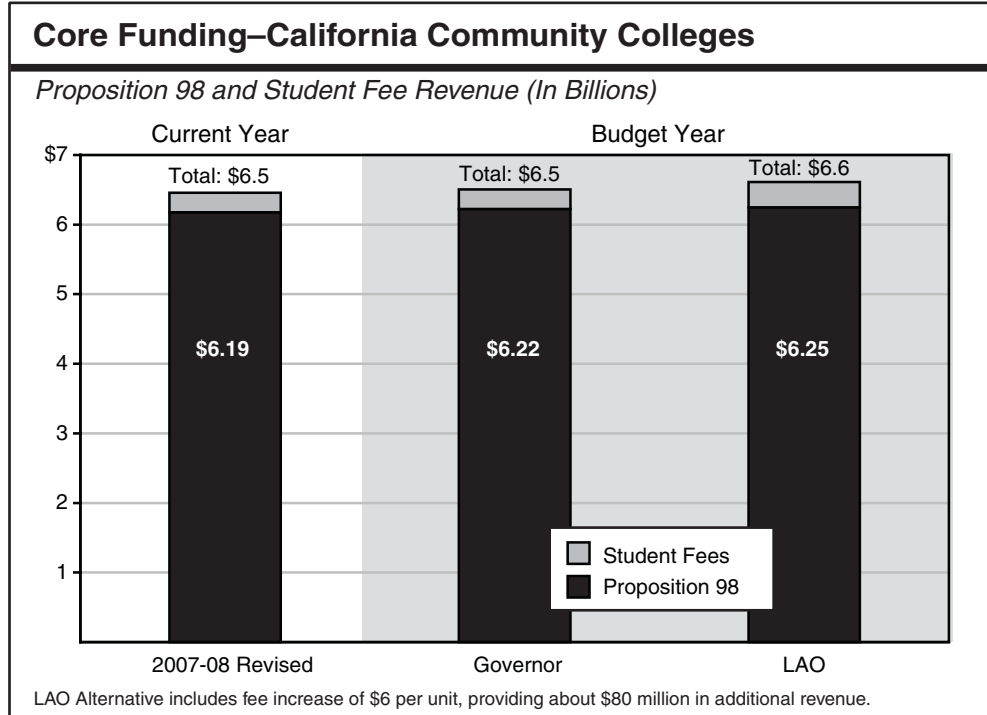
LAO Alternative Budget Would Provide Increased Funding for CCC

California Community Colleges LAO Alternative Budget Proposal	
<i>Proposition 98 Funds and Student Fee Revenue (In Millions)</i>	
2007-08 (revised)	\$6,470
Augmentations	
Enrollment growth	\$97
Mandates	25
Other adjustments	31
Subtotal	(\$153)
Reductions	
Economic development	-\$11
2008-09	\$6,612
Change from 2007-08	\$142
Increased fee revenue	(82)
Increased Proposition 98 Funds	(60)

- Compared to both current year and Governor's 2008-09 proposed budget, LAO alternative provides more Proposition 98 and more total resources to cover projected needs, including enrollment growth and mandates.



LAO Alternative Budget Would Provide Increased Funding for CCC *(Continued)*





Cal Grant Competitive Program Is an Important Part of State's Financial Aid System

- There are two major Cal Grant programs, the Entitlement and Competitive Programs.

Number and Amount of Paid Awards		
<i>2007-08 (Dollars in Millions)</i>		
Program	Number	Amount
Entitlement	184,765	\$665
Competitive	56,725	117

- While Competitive award recipients tend to be older, nontraditional students, participants in both programs are academically successful and financially needy.

Cal Grant Recipient Characteristics		
<i>2006-07 Academic Year</i>		
Averages	Entitlement Program ^a	Competitive Program
Age	18	30
Income	\$29,011	\$15,645
GPA	3.10	3.27
Family size	4.2	3.0
^a High school component only. Source: California Student Aid Commission.		



LAO Alternative Maintains Competitive Program and Fully Funds Entitlement Program

