

March 24, 2010

# Overview of 2010-11 Higher Education Budget

LEGISLATIVE ANALYST'S OFFICE

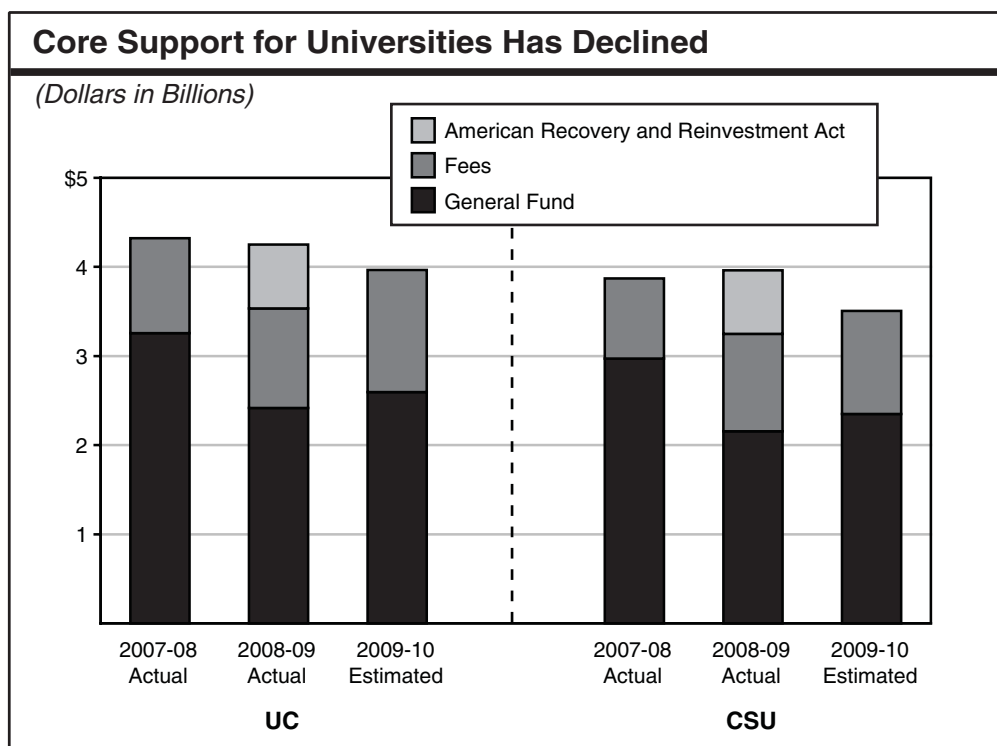
Presented to:  
Assembly Budget Committee  
Subcommittee No. 2 on Education Finance  
Hon. Wilmer Amina Carter, Chair





## Current-Year Funding Reflects Decline In State Support

- ☑ General Fund support for higher education has dropped 14 percent since 2007-08.
  - About 20 percent decline for universities.
  - About 4.5 percent decline in Proposition 98 funding for California Community Colleges (CCC).
  
- ☑ Only major higher education program to receive net increase is Cal Grants.
  - Augmentations cover fee increases at universities.
  - Cal Grant funding has increased 16 percent since 2007-08.
  - (Also, a \$1.3 million increase for CCC financial aid administration.)
  
- ☑ Cuts to segments are partially offset by fees and federal funding.





## Governor's Budget Proposal Would Increase General Fund Support for All Segments

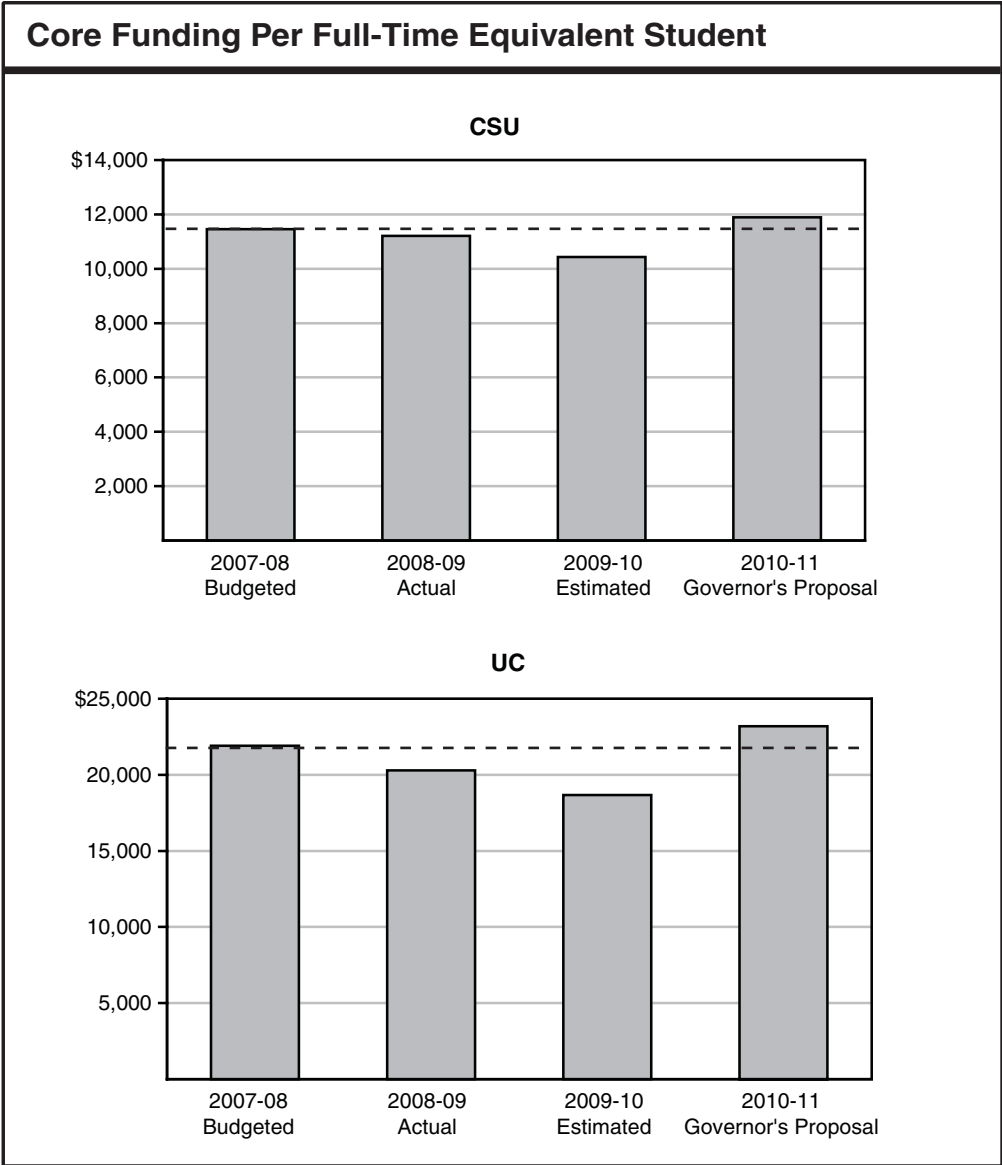
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- ☑ Total General Fund augmentation of about \$1.2 billion (12 percent) over current-year level.
  - But total General Fund support would still be \$424 million (3.7 percent) below 2007-08 level.
  
- ☑ In addition, segments would receive about \$1.2 billion more in fee revenue than they received in 2007-08.
  - When all core fund sources are considered, higher education funding increases by about 4 percent from 2007-08 levels.
  
- ☑ A mixed bag for financial aid programs.
  - \$132 million augmentation to fully fund Cal Grant entitlement programs.
  - \$45.5 million reduction for Cal Grant competitive program.
  - Another \$79 million in Cal Grant funding would be subject to Governor's "trigger cuts."



## Two Key Budget Questions Related to Universities

- ☑ How much total funding should the universities spend per full-time equivalent (FTE) student?
  - We recommend restoring 2007-08 funding levels. Governor's proposal would overshoot this target.

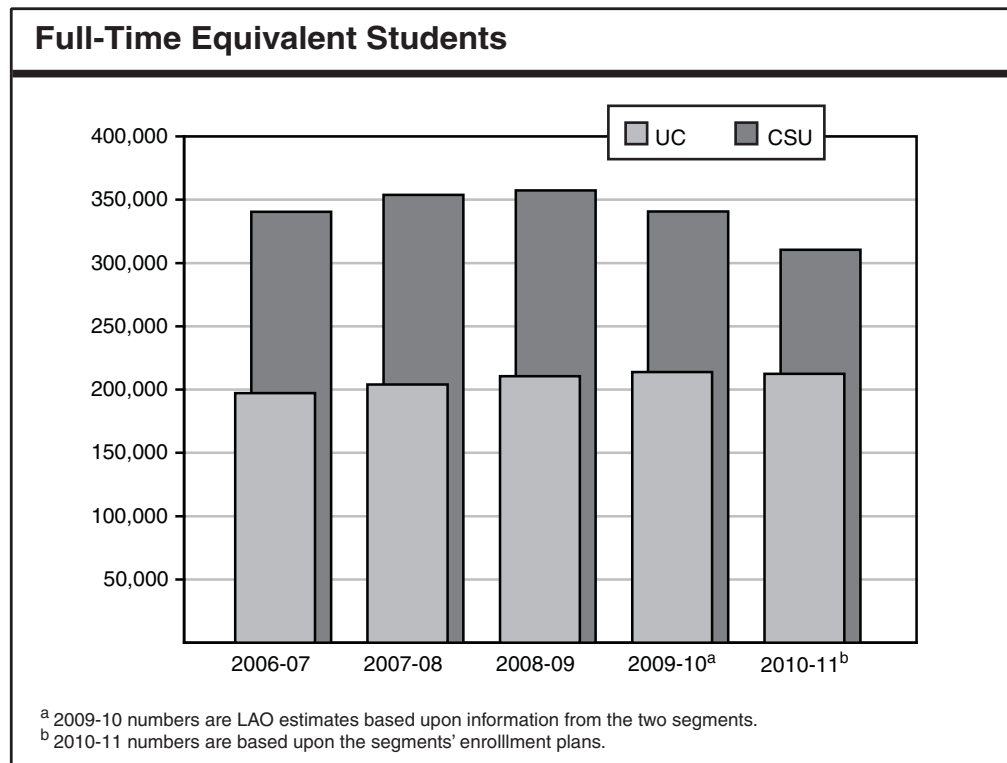




## Two Key Budget Questions Related to Universities

*(Continued)*

- ☑ How many students should the universities be expected to enroll?
  - The state budget acts have not answered this question since 2007-08.
  - The Governor's budget and the segments themselves expect fewer students to be served in 2010-11.





## Two Key Budget Questions Related to Universities

*(Continued)*

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### LAO Enrollment Recommendation.

- Specify enrollment levels to clarify expectations and avoid continued confusion.
- Enrollment target will depend on how much additional funding, if any, the Legislature can direct to higher education.
- We recommend enrollment targets similar to the University of California's current plan, and somewhat higher than the California State University's planned enrollment.
  - At 2007-08 funding levels, these enrollment levels would save relative to the Governor's proposal.



## CCC Budget Issues

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### Enrollment Funding.

- Governor proposes 2.2 percent “growth.” We recommend adoption.



### Cost-of-Living Adjustment (COLA).

- Governor proposes -0.38 percent COLA. We recommend rejection.



### Student Fees.

- Governor proposes no change to current \$26/unit fee.
- We recommend increasing fees to \$40/unit, generating \$150 million in new revenue. About one-third of students would not pay the fee because of BOG waiver, and most of the rest would have fees fully or partially reimbursed with federal tax credits.
- New fee revenue could cover cost of enrollment growth and of rejecting the Governor’s proposed negative COLA.



## Financial Aid

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- Preserve Cal Grant Entitlement Program.
  - Governor's proposed trigger cuts (abandoning promise of full fee coverage and freezing income limits) would undermine this program.
  
- For Cal Grant Competitive Program, Other Options Preferable to Suspending New Awards.
  - Increase minimum grade point average (GPA) for Cal Grant B eligibility from 2.0 to 2.5. Students with a GPA of 2.0 have extremely low rates of persistence and success in college (\$13 million, 13,500 students).
  - Eliminate non-need-based fee waivers. State financial aid resources should be targeted to students who could not otherwise afford college (\$20 million, 5,000 students).
  - Restrict new competitive awards to stipends only. This saves the majority of new grant funds while preserving access for recipients (\$20 million).