

January 26, 2011

Higher Education Funding Overview

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Budget Subcommittee No. 2

On Education Finance

Hon. Susan Bonilla, Chair





Higher Education Budget Overview

- Governor proposes net \$1.8 billion General Fund reduction for higher education.

Components of Net \$1.8 Billion General Fund Reduction For Higher Education

Decreases

- \$500 million unallocated reduction for UC.
- \$500 million unallocated reduction for CSU.
- \$400 million unallocated reduction for CCC.
- \$129 million "deferral" of some CCC apportionment funding from 2011-12 to 2012-13.
- \$947 million reduction in General Fund support for the California Student Aid Commission (CSAC), replaced with the same amount of federal funding.

Increases

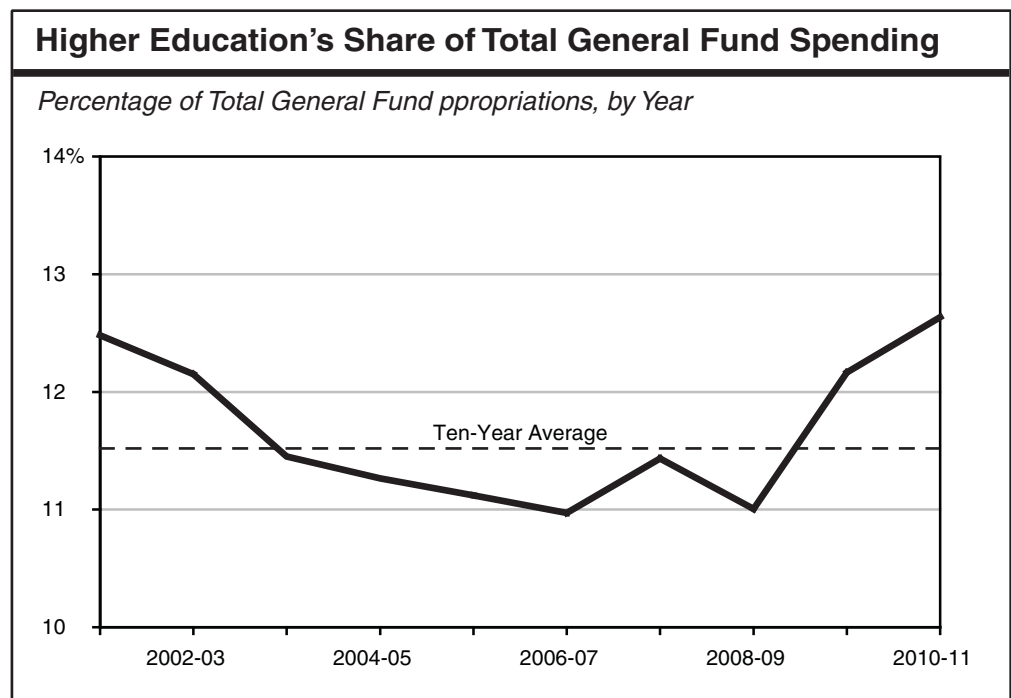
- \$371 million augmentation to cover increased Cal Grant costs.
- \$212 million augmentation to backfill one-time federal funding in the universities' 2010-11 budget.
- \$70 million augmentation to backfill one-time Student Loan Operating Fund support in CSAC's 2010-11 budget.



Higher Education Budget Overview

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 Higher education's share of total General Fund spending has been volatile.
 - Over the past decade, funding ranged from less than 11 percent to 12.6 percent.
 - Ten-year average is 11.6 percent.
 - Governor's proposal would return higher education's share to 11.6 percent.

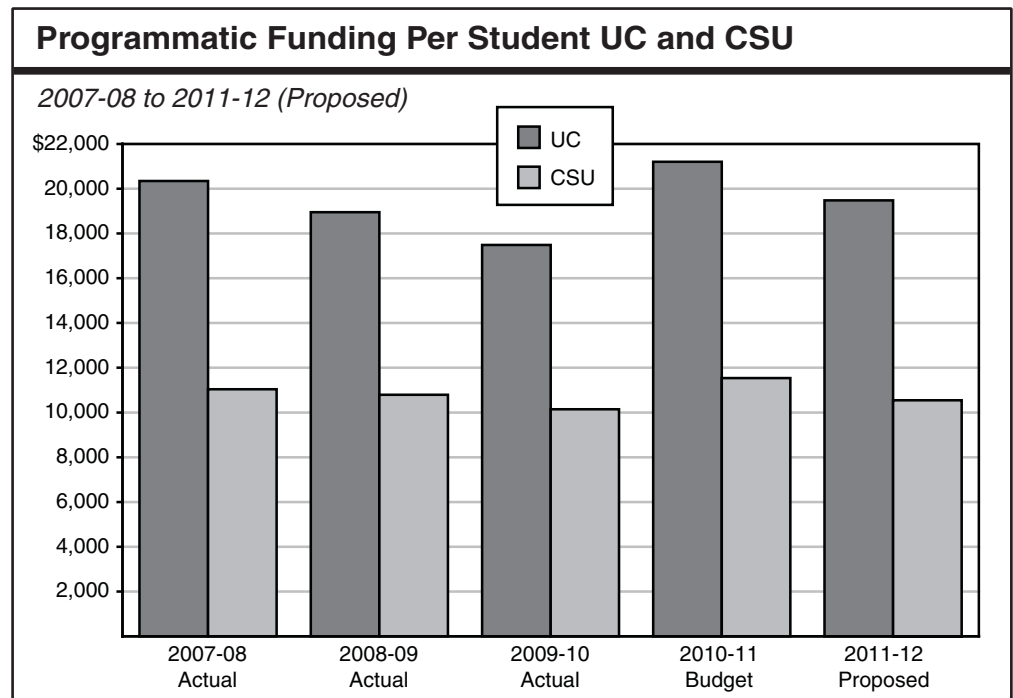




Higher Education Budget Overview

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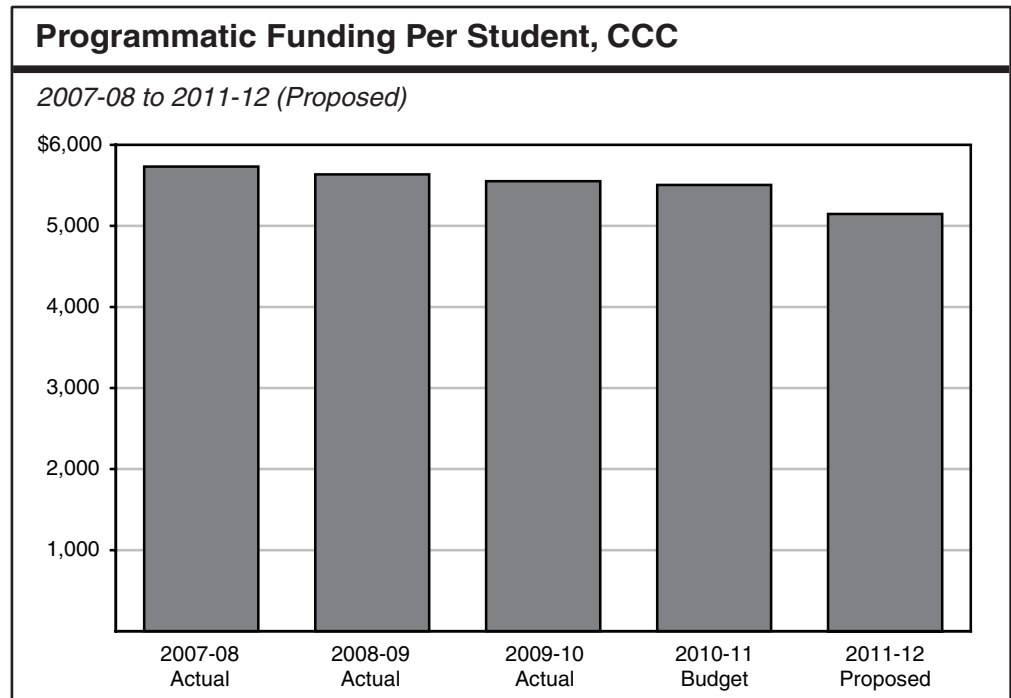
- ☑ Core higher education funding is up slightly from pre-recession levels.
 - Increased tuition has more than backfilled universities' General Fund reductions.
 - Community college funding is down about 4 percent.





Higher Education Budget Overview

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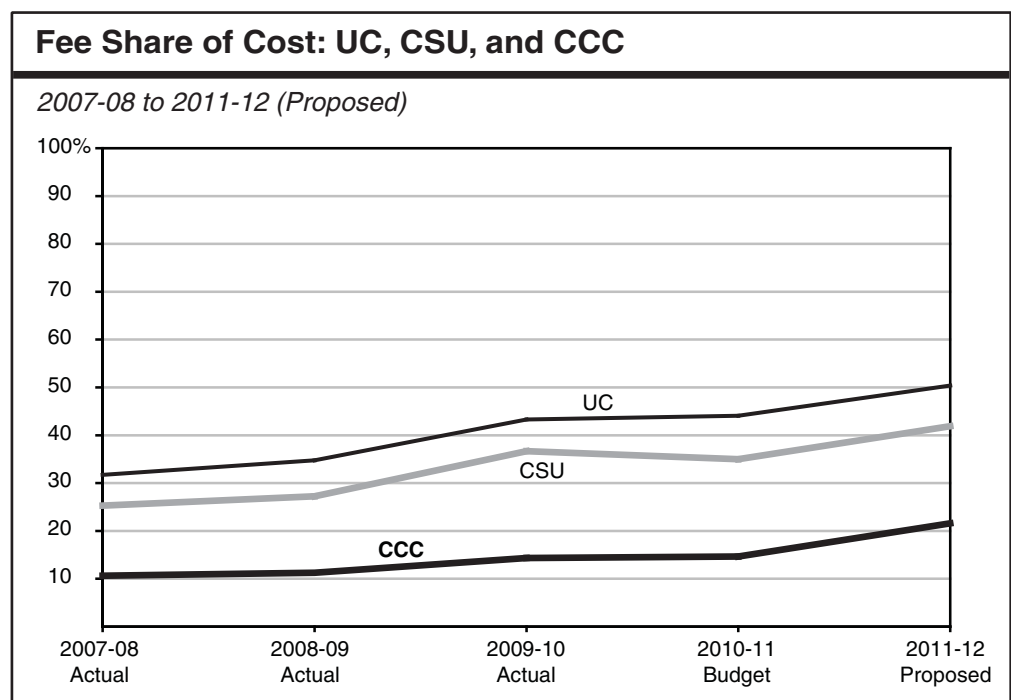




Higher Education Budget Overview

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- ☑ Students paying a larger share of cost than in 2007-08.
 - Cal Grants and institutional aid programs have been spared budget cuts; total General Fund support has increased about \$900 million.





UC and CSU Budget Reductions

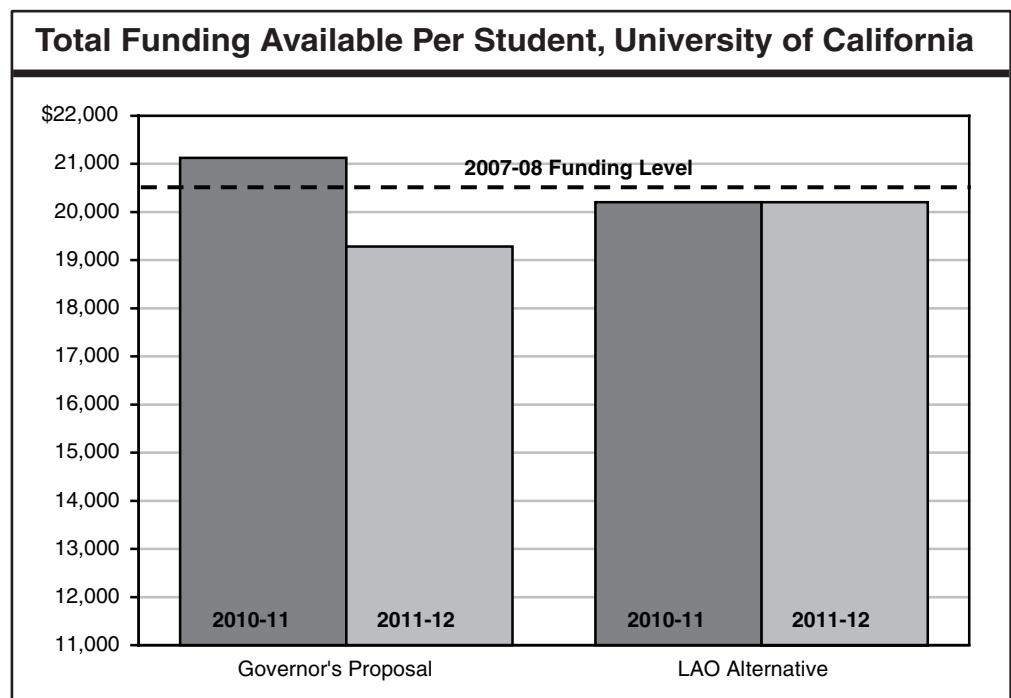
- The University of California (UC) and the California State University (CSU) escaped budget reductions in the current year.
 - In fact, they received augmentations of about \$350 million each.
 - Per-student funding is about 4.5 percent higher than in 2007-08.

- Governor proposes \$500 million in unallocated reductions for UC and CSU in 2011-12.
 - Net General Fund reductions would be less than this, due to backfill of federal stimulus funds (\$106 million) and other base adjustments.
 - Approved tuition increases at UC and CSU would backfill \$116 million and \$147 million, respectively, of the proposed General Fund reductions.
 - Assuming no further tuition increases and no reduction to budgeted enrollment levels, the universities would have to absorb year-to-year reductions in per-student funding of about 8 percent.



UC and CSU Budget Reductions *(Continued)*

- ☑ LAO assessment: proposed General Fund savings are reasonable.
 - Given the magnitude of the state’s budget shortfall and the universities’ current-year augmentations, we believe the magnitude of the proposed cuts is reasonable.
 - However, we recommend achieving some of the General Fund savings by reducing the universities’ current-year augmentations.





UC and CSU Budget Reductions *(Continued)*

- Key Issue: How should universities absorb proposed cuts?
 - Governor calls for “minimiz[ing] fee and enrollment impacts on students by targeting actions that lower the cost of instruction.” Should the Legislature express its expectations in this regard?
 - What should budgeted enrollment levels be?
 - Should further tuition increases backfill more of the General Fund reductions?
 - Should noninstructional costs be reduced?



California Community Colleges

- Governor proposes \$529 million in Proposition 98 General Fund savings.
 - \$400 million reduction to apportionments.
 - \$129 million new deferral (no programmatic impact).

- Proposed \$10 per unit fee increase.
 - From \$26 per unit to \$36 per unit.
 - Colleges would keep the resulting \$110 million in new revenue.
 - Fee waivers estimated at over 50 percent of full-time equivalent students.

- Unclear how colleges would accommodate net reduction of \$290 million.
 - Administration calls for increased efficiency.
 - Another option: reduce and prioritize enrollment.
 - Another option: somewhat higher fee increase.



California Student Aid Commission

- ☑ Governor proposes to fully fund state financial aid programs.
 - \$372 million augmentation to cover increased participation and UC and CSU tuition increases.

- ☑ Almost \$1 billion in Cal Grant funding would be in the form of federal funds redirected from the California Work Opportunity and Responsibility to Kids (CalWORKs).
 - Governor proposes steep reductions in CalWORKs, which uses federal Temporary Assistance for Needy Families (TANF) funds. He proposes to redirect that funding to replace \$947 million in General Fund support for Cal Grants.
 - If Legislature rejects Governor's proposal to cut CalWORKs, TANF funding would not be available to swap out with Cal Grant General Fund support. This would require the Legislature to instead find \$947 million of General Fund solutions elsewhere.