

MARCH 6, 2019

Overview of Higher Education Proposals

PRESENTED TO: Assembly Budget Subcommittee No. 2 on
Education Finance
Hon. Kevin McCarty, Chair



LEGISLATIVE ANALYST'S OFFICE

Governor's Higher Education Program Proposals

*Non-Proposition 98 General Fund Increases Unless Otherwise Noted
(In Millions)*

One-Time Initiatives

CSU deferred maintenance and child care centers	\$247
UC deferred maintenance	138
CSU food and housing insecurity initiatives	15
UC extended education programs	15
Longitudinal education data system	10
Innovation grants for certain campuses	10
CSAC Grant Delivery System Modernization Project	6
CCC student outreach	5
Outreach related to student borrowing	5
Hastings deferred maintenance	1
Subtotal	<u>(\$452)</u>

Ongoing Commitments

CCC apportionments COLA (P98)	\$248
CSU compensation and operational costs	193
Cal Grants for student parents	122
UC compensation and operational costs	120
CSU 2019-20 enrollment growth (2 percent)	62
UC student success initiatives	50
CSU Graduation Initiative	45
CCC College Promise expansion (P98)	40
UC graduate medical education	40
CCC select student support programs COLA (P98)	32
CCC 2019-20 enrollment growth (0.55 percent, P98)	26
UC food and housing insecurity initiatives	15
Competitive Cal Grants	10
CCC legal services for immigrant staff and students (P98)	10
UC 2018-19 enrollment growth	10
CSU legal services for immigrant staff and students	7
UC student mental health	5
Hastings operations	1
Subtotal	<u>(\$1,036)</u>
Total	\$1,488

COLA = cost-of-living adjustment (3.46 percent) and P98 = Proposition 98 funding.



Governor's Higher Education Capital Outlay Proposals

<i>(In Millions)</i>			
College	Project	2019-20 State Cost	Total Cost ^a
CCC Projects (12 New Projects)			
San Bernardino	Technical replacement building	\$2	\$76
Redwoods	Physical education replacement building	5	61
American River	Technical replacement building	1	58
Saddleback	New Gateway building	2	52
Alameda	Auto and diesel technologies replacement building	1	34
Los Angeles City	Theater arts replacement building	1	30
Merced	New science and industrial technologies complex	0.4	26
Santa Monica	Art replacement complex	1	22
Rio Hondo	Music/Wray theater renovation	1	20
Sequoias	Basic skills replacement center	1	17
Fresno	Child development replacement center	1	17
Butte	Technology building renovation	1	11
Subtotals		(\$18)	(\$423)
CSU Projects (11 New Projects)			
Systemwide	Infrastructure improvements	\$359	\$464
San Francisco	Science replacement building	101	150
San Bernardino	College of Arts and Letters building renovation and addition	104	111
Chico	Butte Hall renovation	80	90
Sonoma	Stevenson Hall renovation and addition	83	86
Dominguez Hills	New Innovation and Instruction building	52	80
Channel Islands	Gateway Hall renovation and new instruction building	65	71
Fullerton	Visual Arts Complex renovation	50	66
Northridge	New Sierra Annex building	45	50
San Diego	Dramatic Arts building renovation and new theater building	33	37
Maritime Academy	Mayo Hall renovation and addition	19	19
Subtotals		(\$991)	(\$1,224)
UC Projects (7 New Projects)			
Systemwide	Deferred maintenance	\$35	\$35
Santa Barbara	New classroom building	80	97
Irvine	New Student Wellness and Success Building	13	70
Santa Cruz	New Kresge College academic building	47	53
Riverside	Pierce Hall renovation	13	23
ANR	Renovation of research and extension centers	19	19
Berkeley	University Hall seismic renovation	6	17
Subtotals		(\$213)	(\$314)
Totals		\$1,222	\$1,961

^a Total includes state cost of future project phases as well as nonstate costs. State cost is covered by Proposition 51 (2016) funds for CCC projects and university bonds for CSU and UC projects. Nonstate cost typically consists of local general obligation bond funds for CCC projects and campus reserves or philanthropic funding for CSU and UC projects.



Assessment

Governor's Basic Approach to Building Higher Education Budget Is Constructive

- Governor links augmentations with specific priorities, making for more constructive budget deliberations.

Governor Recognizes Compensation Increases as Major Underlying Cost Driver

- Provides augmentations to cover compensation and other operational costs at each of the segments.
- Treats segments and employee groups within some of the segments differently.

Governor Funds Enrollment Growth Without Guiding Framework

- No clear guiding factors for providing greater growth at some segments than others.

Governor Makes Student Improvement Initiatives a Priority but Some of the Initiatives Could Be Refined

- Funds a cost-of-living adjustment for the outcomes-based component of apportionments for the California Community Colleges (CCC) and provides ongoing augmentations for graduation initiatives at the California State University (CSU) and the University of California (UC).
- Proposed annual growth cap on CCC outcomes-based funding could weaken campuses' incentives to improve outcomes.
- Unclear how UC would use its allocation.



Assessment

(Continued)

Governor Takes Different Approaches to Addressing Students' Living and Mental Health Issues

- Funds food and housing initiative on a one-time basis at CSU and ongoing basis at UC.
- Provides ongoing augmentation for mental health initiatives at UC but no augmentation for the other segments.
- Includes no specific CCC augmentation but provides larger Cal Grant nontuition awards for student parents (who largely attend CCC).
- State/Governor lack clear vision for addressing students' living costs and mental health issues.

Governor Is Selective in Approving Capital Outlay Requests

- Approves 12 of the 39 projects submitted by the CCC Chancellor's Office, 11 of the 18 projects submitted by CSU, and all 7 projects proposed by UC.

Governor Desires to Promote Greater Tuition Predictability

- Governor signals interest in discussing with CSU and UC how to better promote fiscal certainty for students and their families but does not set forth an explicit plan.



Recommendations

Build Upon Governor’s Basic Budgetary Approach

- Link any budget augmentations with legislative priorities.

Consider Recruitment and Retention Data When Funding Compensation Increases

- Legislature could encourage CSU and UC to commission a staffing analysis that examines recruitment, retention, and compensation issues, including a comparison with peer institutions.

Consider Key Factors When Setting Enrollment Growth Targets

- At a minimum, consider demographic changes, alignment with the Master Plan eligibility pools, the number of denied eligible students, and the number of redirected students.

Link Funding for Student Improvement Initiatives With Performance Expectations and Reporting

- Link funding to expectations that the segments make progress on key student outcomes, including improving graduation rates, narrowing achievement gaps, and reducing excess units.
- Instead of an annual growth cap on CCC outcomes-based funding, explore other options, such as linking funding to the highest award a student earns.



Recommendations

(Continued)

Take Time to Develop a Vision for How Best to Address Students' Living and Mental Health Issues

- To address living costs, identify the incidence and underlying causes of food and housing insecurity, obtain reliable information on students' cost of attendance, understand the interaction between student financial aid and public assistance programs, measure unmet need, and decide how to prioritize available funds.
- To address mental health issues, examine student demand at all three public segments, consider the extent to which services should be provided on or off campus, identify existing resources (including student/family health plans) available to meet demand, and examine what other funding options are available.

Build Upon Governor's Capital Outlay Strategy

- Approve only projects that are justified and have reasonable associated costs.
- Approve one-time funding for deferred maintenance but add accountability provisions.

Consider Specific Ways to Promote Tuition Predictability

- State could build higher reserves to help prevent tuition hikes during the next recession.
- State could free up funding for reserves by sharing a portion of 2019-20 cost increases with nonfinancially needy students.
- Moving forward, state could develop a policy specifying what share of cost nonfinancially needy students should contribute to their education.

