

A REQUIRED REPORT ON THE IMPLEMENTATION OF THE WORKING FAMILIES STUDENT FEE TRANSPARENCY AND ACCOUNTABILITY ACT

Introduction

Chapter 620, Statutes of 2012 (AB 970, Fong), also known as the Working Families Student Fee Transparency and Accountability Act, requires the University of California (UC) and California State University (CSU) to comply with prescribed public notice and student consultation procedures before adopting an increase in mandatory systemwide fees. The legislation also requires the segments to develop a list of factors to consider when recommending a fee increase. In addition, Chapter 620 requires UC and CSU to provide the Legislature with annual reports that have detailed information on fees, aid, and total costs of attendance. Beginning this year, the legislation requires our office to report on the segments' implementation of these policies.

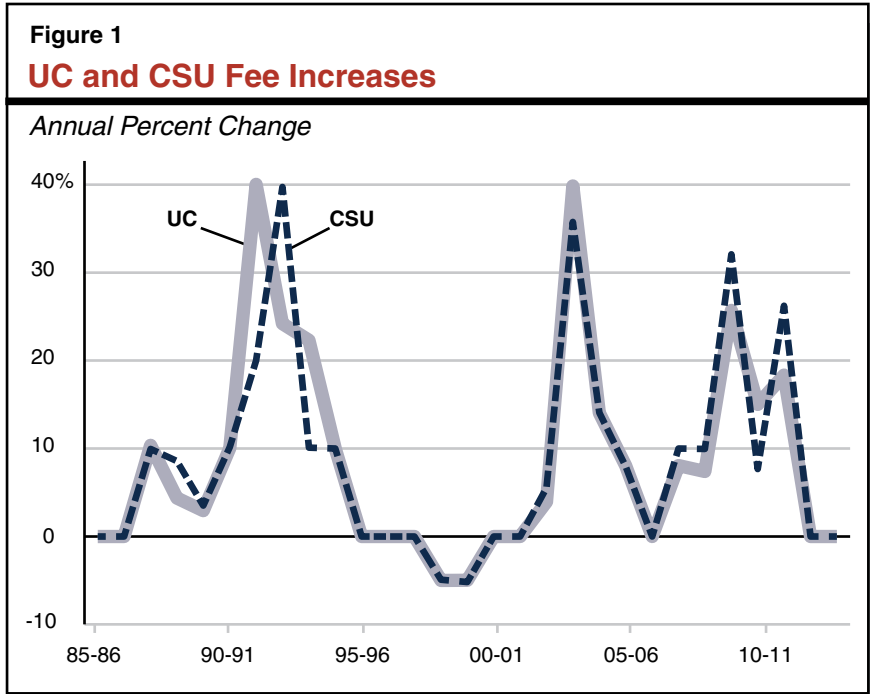
In this report, we first provide background on fee policies in the state and then describe the major Chapter 620 requirements. We next review the segments' responses to the requirements in Chapter 620, provide our assessment of their compliance, and offer a few related recommendations for the Legislature's consideration.

Background

State Had Fee Policy From 1985 to 1995. Following steep university fee increases from 1981 to 1984, the Legislature adopted Chapter 1523, Statutes of 1985 (SB 195, Maddy), known as the Maddy-Dills Act. The act required the universities to establish long-term fee policies and formal consultation practices and to fix fees at least ten months before the start of the fall term. Fee increases had to be gradual, moderate, and predictable and could not exceed 10 percent over the prior year. Fees were to be indexed to changes in state support. The Governor and Legislature were to consider fee levels in determining appropriations, using state funds to cover the portion of cost increases not covered by fees. Additionally, the state was to provide sufficient student financial aid to offset fee increases for students with financial need. The policy, initially set to sunset in 1990, was reaffirmed by a joint legislative master plan review committee in 1989 and extended for five additional years through Chapter 572, Statutes of 1990 (SB 1645, Dills).

Segments Adhered to Policy While State Funding Increased. All university fee increases conformed to the provisions of the Maddy-Dills Act from 1985 to 1990. Both state General Fund appropriations and student fees increased more than 35 percent over this period, an average of more than 6 percent annually (see Figure 1 on next page). This is notable because fees had remained relatively flat during previous periods of such large General Fund increases.

Policy Set Aside in Recession, Allowed to Sunset. In 1991 and 1992, severe budget crises led the Legislature to suspend many of the act's requirements. (To comply with the policy linking fee increases to General Fund changes, the universities would have had to reduce fees while their state support was declining.) To partially offset General Fund reductions, fees increased close to 70 percent at both UC and CSU over this two-year



period. The Legislature restored some of the requirements in 1993 and 1994 but allowed the statute to sunset in 1996.

Fees Stabilized After Recession but Spiked Again During Next Downturn. As shown in Figure 1, university fees remained flat or declined in each year from 1995 through 2001 (while General Fund support increased an average of more than 8 percent annually over the period). Fees then increased in most years from 2002 to 2011 as General Fund support declined over the period. In some of these years, fees increased by as much as 40 percent. Since 1995-96, fees at UC and CSU have increased at an average annual rate of about 7 percent. Adjusted for inflation, fees increased at UC and CSU at an average annual rate of about 3 percent.

Chapter 620 Requirements

Specifies Process and Timeline for Fee Increases. Chapter 620 specifies numerous procedural steps, including consultation with student groups, public meetings to consider fee increases, a comment period following the public meeting, a second public meeting to adopt any increase following the notice period, and a waiting period before implementing an approved increase. Figure 2 (next page) provides a timeline for this process. The February 1 start date in this illustration represents the latest date a university could begin consultation to adopt an increase for a school year beginning in mid-August. Altogether, the minimum interval between first contacting student associations and implementing a fee increase is more than six months.

Specifies Factors Universities Must Consider Before Raising Fees but Does Not Set Specific Limits. Chapter 620 requires the universities to develop a list of factors they will take into account when considering a fee increase. The list, to have been adopted by

the respective governing boards by April 2, 2013, must include the level of state support, the total cost of attendance, the impact of a fee increase on various categories of students (including historically underrepresented students and low-income students), and the university’s efforts to mitigate adverse impacts. The statute does not set a limit on fee increases adopted through the specified processes.

Figure 2
Chapter 620 Procedural Requirements for Raising Fees

Sample Dates	Required Actions
February 1	Provide specified information to statewide student association representatives. ^a
5-day interval	
February 6	Hold consultation meeting with student representatives.
30-day interval	
March 8	Provide public notice of proposed fee increase and board meeting to consider it.
10-day interval	
March 18	Hold board meeting to consider fee increase.
45-day interval	Comment period
May 2	Provide public notice of board meeting to adopt increase.
10-day interval	
May 12	Hold board meeting to adopt fee increase.
90-day interval	Waiting period
August 10	Implement increase for new academic year.

^a The universities must provide student representatives with a justification for an increase and describe (1) the purposes for which new revenues will be used, (2) efforts to mitigate impacts on needy students, and (3) potential impacts on work and loan burden and institutional aid.

Requires Annual Reports From Universities and Legislative Analyst’s Office (LAO). The statute requires the universities to report annually by February 1 detailed information regarding (1) expenditure of revenues derived from student fees and (2) uses

of institutional financial aid. In addition, the segments must report the systemwide average total cost of attendance. The statute also requires the LAO to review institutional compliance with Chapter 620 and report to the Legislature by March 1 annually. This report is to include an assessment of the information provided by the universities as well as findings and recommendations regarding the universities' implementation of Chapter 620.

Assessment and Recommendations

Policies at Both UC and CSU Are Consistent With Chapter 620. Because of its constitutional autonomy, many statutes apply to UC only to the extent the Regents choose to adhere to them (typically adopting a resolution). The Regents maintain that Chapter 620 is subject to this requirement, and they have not adopted its provisions by resolution. Nevertheless, the university's existing policies and practices comply with the intent of Chapter 620. The Regents already had in place a student fee policy specifying factors to consider in fee deliberations and requiring appropriate consultation with faculty and students. A fee increase adopted through the normal university budget development process, in which the budget is discussed in September and adopted in November, meets the notice requirements in Chapter 620. The CSU has more explicitly complied with the Chapter 620 requirements. At its March 2013 meeting, the CSU Trustees adopted a resolution specifying factors to consider when proposing a fee increase. (Both the UC student fee policy and the CSU resolution are included in the Appendix.)

Fee Policies Consider Many of Same Factors, a Few Different Ones. Figure 3 (next page) provides a comparison of the factors each university will take into account before raising fee levels. As evident from the figure, overlap exists among the factors identified by each university. For example, both comply with Chapter 620 requirements to consider the level of state support and total cost of attendance. The CSU resolution, however, contains some factors not included in UC's policy. For example, CSU will consider the share of baccalaureate students graduating with student loans and the average loan amount for these students.

Both Universities Complied With Reporting Provisions. Additionally, both segments complied with reporting requirements by (1) providing expenditure data (which the Department of Finance included in the Governor's January budget proposal), (2) publishing expenditure information in their own support budget documents, and (3) submitting their regular institutional financial aid reports in February 2014. The financial aid reports show a small decline in average family income and corresponding increases in financial need among institutional aid recipients from 2011-12 to 2012-13, primarily due to (1) an increase in non-fee costs of attendance and (2) implementation of the California Dream Act, which authorizes the universities to provide institutional aid for certain nonresident students and undocumented immigrants.

Chapter 620 Timeline for Adopting Tuition Increases Could Be Difficult to Follow Some Years. The timeline from initial consultation to implementation of a fee increase—a minimum of 190 days—likely will be problematic some years. The statute allows a

Figure 3**Factors to Consider When Proposing Increases in Mandatory Systemwide Fees**

Factors	UC	CSU
Chapter 620 Requirements		
Level of state support.	X	X
Total cost of attendance (COA).	X	X
Impact on various categories of students, including underrepresented and low- to middle-income students.	— ^a	X
Efforts to mitigate adverse impacts.	X ^b	X
Other Factors Considered		
Resources necessary to maintain Master Plan commitment to access and academic quality.	X	X
Availability of need-based financial aid from various sources.	X	X
COA at comparable institutions.	X	X
Net COA (after grants and scholarships) at university and comparable institutions.		X
Inflation and other budgetary cost increases, creation of new programs or services, and overall mission and budget priorities of the university.	X	—
Resources necessary to assure adequate courses and support services and promote student success and timely graduation.	—	X
Extent to which fee rates and institutional aid practices are maximizing availability of federal financial aid, including tax credits, for students and families.	—	X
Percentage of baccalaureate students who graduate with education loan debt, average amount of debt, and comparison with state and national averages.	—	X
Whether fee structure maintains adequate differentials between undergraduate and graduate/postbaccalaureate fees.	—	X
If state provides stable and predictable increases in funding, consideration will be given to fee increases that are moderate, gradual, predictable, and with ample notice to students.	—	X
An "X" indicates segment considers same or very similar factor.		
^a The university's policy considers the needs and priorities of undergraduate, graduate, and professional students, but does not specifically address the impact on underrepresented or low- and moderate-income students.		
^b The university's policy addresses this requirement by specifying that fee increases should have return-to-aid components.		

somewhat shorter timeline only in the event the Governor proposes or the Legislature enacts General Fund reductions (including midyear cuts) for the universities. If instead the Governor proposes or the Legislature adopts level funding or augmentations insufficient to cover normal cost increases at the campuses, the universities might be unable to adjust their fee plans accordingly for the upcoming academic year.

Legislative Intent Regarding Financial Aid Set-Aside Conflicts With Earlier Provision. Chapter 620 urges the Regents and Trustees to maintain their commitment to student financial aid by setting aside at least 33 percent of revenues from a tuition increase to augment institutional aid programs. In contrast, an earlier provision (Education Code Section 66021) states the Legislature's intent to fund increased student

aid from sources other than student fees. The Legislature may wish to address this conflict among statutes and clarify how it intends to fund financial aid.

Annual Reports From LAO May Not Be Necessary. We believe annual reporting on the segments' compliance with Chapter 620 seems unnecessary for future years when there are no fee increases or when the segments fully comply with the statute and our review of their submissions presents no noteworthy findings. Instead of requiring annual assessments from our office, the Legislature could amend the statute to require LAO annually to review the institutions' fee increases and financial aid reports and, as needed, bring to the Legislature's attention any concerns during the annual budget process.

APPENDIX

Regents of the University of California The University of California Student Tuition and Fee Policy

Approved January 21, 1994, Amended May 20, 2004, September 22, 2005, March 25, 2010, May 20, 2010, and November 18, 2010

A Student Tuition and Fee Policy affecting Tuition and the Student Services Fee is established with the following provisions.

A. Tuition

Tuition, (formerly referred to as the Educational Fee) is a University-wide mandatory charge assessed against each resident and nonresident registered student. Tuition is assessed uniformly across all campuses of the University.

In addition to funding programs and services supported by Tuition (such as student financial aid and related programs, admissions, registration, administration, libraries, and operation and maintenance of plant), income generated by Tuition may be used for general support of the University's operating budget. Revenue from Tuition may be used to fund all costs related to instruction, including faculty salaries.

In recommending to the Board the annual tuition level, the President shall take into consideration the following factors:

1. The resources necessary to maintain access under the Master Plan, to sustain academic quality, and to achieve the University's overall mission;
2. The full cost of attending the University, including the cost of housing, food, healthcare, books and supplies, transportation, and other academic and personal expenses;
3. The amount of support available from various sources to assist needy students in funding the full cost of their education;
4. Overall State General Fund support for the University; and
5. The full cost of attendance at comparable public institutions.
6. The President annually shall solicit faculty and student views on the level of Tuition through the appropriate consultation processes.

B. The Student Services Fee

The University of California is committed to providing a supportive and enriched learning environment for all undergraduate, graduate and professional students. To facilitate this intent, all registered resident and nonresident students are assessed the Student Services Fee which is a University-wide mandatory charge.

Income generated by the Student Services Fee (formerly referred to as the University Registration Fee) shall be used to support services and programs that directly benefit students and that are complementary to, but not a part of, the core instructional program. These services and programs include, but are not limited to, operating and capital expenses for services related to the physical and psychological health and well-being of students; social, recreational, and cultural activities and programs; services

APPENDIX

related to campus life and campus community; technology expenses directly related to the services; and career support. These services and programs create a supportive and enriched learning environment for University of California undergraduate, graduate and professional students.

Increases in the Student Services Fee should have a return-to-aid component that is the same percentage as the return-to-aid component of increases in Tuition.

Annually the President shall review the Student Services Fee and recommend to the Board the appropriate fee level after considering a variety of factors, including but not limited to: needs and priorities of undergraduate, graduate and professional students; inflation and other budgetary cost increases; creation of new programs or services; and overall budget priorities of the University.

At each campus, the Chancellor or his/her designee annually shall solicit and actively consider student recommendations, with the intent of honoring as much as possible student recommendations on the following: the use of Student Services Fee revenue; and the annual Student Services Fee to be set by the Regents. Student recommendations shall be provided by each campus' Student Fee Advisory Committee recognized by the systemwide Council on Student Fees.

Each campus will maintain a website that provides details on how the Student Services Fee has been allocated relative to the recommendation of the Student Fee Advisory Committee.

Each campus should refer to administrative guidelines issued by the President that provide additional guidance around the use of Student Services Fee revenue, Student Fee Advisory Committees, Student Services Fee reports, and student fee websites.

C. Notification to Students

To assist students and their parents in planning for future educational expenses, the President shall report annually to the Board the proposed fee levels for Tuition and the Student Services Fee for the next academic year.

*Nothing in this policy constitutes a contract, an offer of a contract, or a promise that any tuition or fees ultimately authorized by The Regents will be limited by any term or provision of this policy. The Regents expressly reserve the right and option, in its absolute discretion, to establish tuition or fees at any level it deems appropriate based on a full consideration of the circumstances, and nothing in this policy shall be a basis for any party to rely on tuition or fees of a specified level or based on a specified formula.

APPENDIX

Trustees of the California State University List of Factors to Consider Before Adopting Fee Increases

Resolution Adopted March 20, 2013, as Required by Chapter 620

- The legislature in 2010 reaffirmed “access, affordability and high quality” as “...the essential tenets of the master plan...” [Education Code Section 66002 (d)] Adjustments to mandatory systemwide fees at the CSU should always be considered with these three master plan goals in mind.
- The state has a historic commitment to fund the master plan. State law affirms this commitment specifically with regard “...to provide an appropriate place in California public higher education for every student who is willing and able to benefit from attendance.” [Education Code Section 66201] State law affirms this commitment specifically with regard to providing “...adequate resources to support enrollment growth...” and that the annual state budget act contain appropriations necessary to accommodate all California residents who are continuing undergraduate students or eligible for admission as freshmen or sophomores or transfers from community colleges. [Education Code Section 66202.5] Adjustments to mandatory systemwide fees should be based on consideration of the extent to which the state is meeting the above commitments.
- Consideration shall be given to whether a fee adjustment is necessary, in combination with existing levels of state support, to assure adequate resources to admit all California resident CSU-eligible undergraduate applicants, and to provide all students with necessary courses, high-quality programs and support services that lead to improved student success and timely graduation.
- Adjustments to mandatory systemwide fees shall take into consideration the level of state support the university receives, total costs of student attendance, potential impacts on underrepresented and low to middle-income students, as well as efforts to mitigate impacts. [Education Code Section 66028.4 (a)]
- Consideration shall be given to the percentage of CSU baccalaureate recipients who graduate with education loan debt, the average amount of that loan debt, and how these measures compare with state and national averages. Consideration also shall be given to the availability of financial aid, including work-study, tax credits and institutional financial aid. [Education Code Section 66028.2 (a)]
- Consideration shall be given to the extent to which fee rates and institutional financial aid practices are maximizing the availability of federal financial aid, including tax credits, for CSU students and families.

APPENDIX

- Consideration shall be given to comparisons of fee rates, as well as net costs of attendance, with other public higher education institutions in the state and the nation.
- Consideration shall be given as to whether adjustments to the fee structure would promote improvements in access to necessary courses, successful course completion, improved time to degree and graduation rates.
- Consideration shall be given as to whether the fee structure maintains adequate differentials between undergraduate and graduate/postbaccalaureate fees, in recognition of longstanding Board of Trustees policy, state priorities for access to baccalaureate education, typically higher costs of graduate/postbaccalaureate programs and typically higher benefits accruing to master's and doctoral degree recipients.
- If the state provides stable and predictable increases in funding, consideration shall be given to fee increases that are moderate, gradual, predictable and with ample notice to students.
- The Board of Trustees shall consider adjustments to mandatory systemwide fees and amendments to principles governing consideration of these fees only after appropriate consultation with the designated student association has taken place, as required by state statute and CSU fee policy. [Education Code Sections 66028.3 and 66028.4 (b)]