

HIGHER EDUCATION

TOTAL FUNDING

The Budget continues to provide sufficient resources for all higher education segments to continue to educate and train the workforce of tomorrow with high quality and at reasonable cost.

The Budget provides for total Higher Education funding of \$20.7 billion from all revenue sources. UC funding totals over \$5.6 billion, including almost \$3.3 billion General Fund. (See Figure HED-01). The amount budgeted from the General Fund for UC is about the same as in 2007-08. CSU funding totals over \$4.5 billion, including almost \$3 billion General Fund. The amount budgeted from the General Fund for CSU is the same as provided in 2007-08. California Community College (CCC) funding totals over \$9.2 billion, including over \$6.7 billion from General Fund and Proposition 98 sources, of which almost \$4.7 billion is from the General Fund alone. The amount budgeted from General Fund and Proposition 98 sources for CCC is 4.9 percent above the revised 2007-08 level.

UC AND CSU FEES AND ENROLLMENTS

For 2008-09, the student fee provisions of the Compact are maintained and the segments will continue to take new students reflecting the following:

- Fee Levels—Undergraduate fees increase to \$7,126 (7.4 percent) for UC and to \$3,048 (10 percent) for CSU. Graduate fees increase to \$7,986 (7.4 percent)

Figure HED-01
Higher Education Expenditures
General Fund, Lottery Funds, State School Fund,
Local Revenues and Student Fees
(Dollars in Millions)

	2004-05	2005-06	2006-07	2007-08	2008-09	Change from 2007-08	
						Dollar	Percent
University of California ^{1/}							
Total Funds	\$4,514.7	\$4,812.4	\$5,115.1	\$5,441.0	\$5,611.8	\$170.9	3.1%
General Fund	2,698.7	2,838.6	3,069.3	3,259.3	3,250.3	-\$9.0	-0.3%
California State University ^{1/}							
Total Funds	3,586.3	3,834.5	4,136.2	4,406.5	4,539.3	\$132.8	3.0%
General Fund	2,475.8	2,596.0	2,808.0	2,970.7	2,970.7	\$0.0	0.0%
Community Colleges							
Total Funds	7,300.8	7,764.8	8,668.6	8,897.8	9,227.0	\$329.2	3.7%
General Fund & P98 ^{2/}	5,031.9	5,745.1	6,215.2	6,433.7	6,746.2	\$312.5	4.9%
Student Aid Commission (GF)							
Total Funds	776.5	830.8	833.3	873.3	899.6	\$26.3	3.0%
General Fund	595.4	733.5	794.8	842.9	837.5	-\$5.4	-0.6%
Other Higher Education ^{3/}							
Total Funds	301.1	307.1	325.5	354.2	446.4	\$92.2	26.0%
General Fund	274.9	280.4	298.0	324.4	412.3	\$87.9	27.1%
Total Funds	\$16,479.4	\$17,549.6	\$19,078.7	\$19,972.8	\$20,724.1	\$751.3	3.8%
General Fund	\$11,076.7	\$12,193.6	\$13,185.3	\$13,830.9	\$14,217.0	\$386.0	2.8%

^{1/} For purposes of this table, expenditures for the UC and CSU have been adjusted to include the offsetting general purpose income, but exclude self-supporting functions such as auxiliary enterprises and extramural programs among others. This provides consistency in comparing magnitudes and growth among the various segments of education.

^{2/} For purposes of comparing with UC and CSU General Fund, CCC includes property tax revenue, as a component of the state's obligation under Proposition 98.

^{3/} The Other Higher Education amount includes Hastings College of the Law (HCL), the California Postsecondary Education Commission, and General Obligation Bond Interest and Redemptions for UC, CSU and HCL.

for UC, to \$3,540 (10 percent) for CSU teacher preparation students, and to \$3,756 (10 percent) for other CSU graduate programs. Despite these increases, fees at UC remain below the average of other comparable research universities and CSU fees remain the lowest among comparable comprehensive public colleges.

- Enrollment Growth—While the budget does not provide additional enrollment growth funding, the segments plan to meet or exceed the budgeted levels of instruction delivery funded in 2007-08. Specifically, the UC is continuing to accept all qualified students despite being overenrolled by over 4,000 FTE students in 2007-08. CSU appears to be sustaining overenrollments in 2008-09 of 8,000 FTE students, notwithstanding their implementation of enrollment strategies that were intended to maintain access only for fully qualified students applying within established timeframes.

COMMUNITY COLLEGES

The Budget continues to recognize the extraordinary role of the Community Colleges in addressing the economic well-being of California. For the fourth year in a row, the Budget increases the level of investment in this higher education segment, by providing funding for enrollment growth, funding to backfill property tax shortfalls, and continued funding for important statewide initiatives that address the nursing shortage, career technical education, and increasing success rates for students who lack adequate preparation for college-level work. In total, the Budget provides General Fund and Proposition 98-related increases of over \$312 million compared to 2007-08, including \$21.6 million in one-time resources from the Proposition 98 reversion account. These increases are detailed in the traditional highlights for the Community Colleges below.

Student fees remain at \$20 per unit and continue to be the lowest in the nation—just 22 percent of the national average.

CAREER TECHNICAL EDUCATION INITIATIVE

The Budget continues substantial investments in career technical education (CTE), consistent with the Governor's initiative begun in 2005-06 which seeks to improve high school vocational programs that articulate with community college career programs. The Budget provides over \$70 million, consisting of \$20 million in ongoing funds in the Community Colleges budget, the second increment of \$38 million from the *CTA vs. Schwarzenegger* settlement appropriated by Chapter 751, Statutes of 2006, and \$12.5 million one-time pursuant to trailer legislation from the Public Interest Research, Development and Demonstration Fund. A specific 2008-09 expenditure plan is currently being finalized by the Chancellor's Office in conjunction with the State Department of Education, and is anticipated to include additional grant opportunities for new CTE programs and curriculum, expansion of career pathways and articulation, CTE teacher recruitment and retention, efforts to expand business and industry engagement in CTE, and funding for 61 new "Green" Partnership Academies. Overall, the expenditure plan addresses known problems that currently limit student access to programs that prepare them for employment in high-demand technical careers and further skill development in postsecondary education.

NURSE EDUCATION INITIATIVE

The Budget continues substantial investments to address the statewide nursing shortage in the higher education segments and financial aid programs totaling almost \$36.6 million. This includes \$28.3 million in total funding for Community Colleges to expand nursing enrollments and address student attrition. The Budget also provides \$6.3 million for CSU and \$1.7 million for UC to continue expansion of nursing enrollments, and authorization for the Student Aid Commission to award new cohorts of 100 loan assumption warrants each for the State Nursing Assumption Program of Loans for Education (SNAPLE) and for the Nurses in State Facilities APLE program to help meet clinical nursing position needs for state agencies. It is noted that \$2.5 million of the budget-year CTE funding plan is reserved to support third-year grants for the K-12 nursing career pathway program for school districts. With this budget, the cumulative funding provided over the last five years above normal enrollment growth in all education segments totals approximately \$154.7 million. Counting investments of over \$40 million made in the last five years in the Office of Statewide Health Planning and Development and the Employment Development Department, cumulative investments for the Governor's Nursing Initiative total \$195 million.

CCC STUDENT SUCCESS INITIATIVE

The Budget continues \$33.1 million Proposition 98 General Fund for the Community Colleges authorized by Chapter 489, Statutes of 2007 to increase the rate of successful outcomes for students who are not adequately prepared for college-level work. Despite the availability of remedial courses, most of the students that enter college without the basic skills necessary to succeed in college do not persist long enough to complete a meaningful outcome such as attainment of an Associates Degree, a skill certificate necessary to enter a high-paying career, or completion of the required courses necessary to transfer to a four-year postsecondary institution. This circumstance threatens our future economic competitiveness and under-optimizes the potential of many of California's young adults.

SALE OF EdFUND

Chapter 182, Statutes of 2007 authorized the sale, or other transaction, of the Student Aid Commission's loan guarantee function and nonprofit auxiliary organization, collectively known as EdFund, in order to maximize the value of the state's assets

related to implementation of the Federal Family Education Loan Program. The sale is anticipated to generate a significant amount to help balance future budgets. Although the sale has been postponed due to a variety of factors affecting the loan guaranty industry, the Administration is continuing its efforts, pursuant to trailer bill legislation that extends the sale authorization, and anticipates that a sale will be completed no later than the 2009-10 fiscal year. Recently, an RFP for a new sale advisor was released. As a consequence of this prospective transaction, the budget resumes General Fund resources to finance the Commission's state operations budget.

UNIVERSITY OF CALIFORNIA

The Budget provides total funding from all sources of \$5.6 billion for UC, an increase of \$170.9 million or 3.1 percent above the 2007-08 level. This funding level includes almost \$3.3 billion General Fund, reflecting a decrease of \$9 million or 0.3 percent below the 2007-08 level. The Budget includes the following significant General Fund and fee-related amounts for UC:

CURRENT YEAR

- \$1.5 million one-time reduction to welfare policy research pursuant to Chapter 1 of the 2008 Third Extraordinary Session to recognize the availability of prior year funding for this purpose.
- \$13.2 million reduction for lower than anticipated lease purchase payments.

BUDGET YEAR

- \$233.4 million net budget balancing reduction from the workload budget. This reduces institutional support by 10 percent or \$32.3 million and the remaining \$201.1 million is unallocated, thereby allowing the University to determine how best to balance competing needs. The workload budget included adjustments pursuant to the Higher Education Compact for a 2.5 percent increase in enrollments (\$56.4 million) and a 5 percent increase for basic budget support and core needs that support the instructional program (\$154.8 million).
- \$124.8 million increase in fee revenue associated with the 7.4-percent fee increase for undergraduate, graduate, and professional school students. One-third of the revenue generated by the fee increases for undergraduate and professional programs and 45 percent of the revenue generated by the graduate fee increase will be set aside for financial aid.

HIGHER EDUCATION

- \$10 million in continued funding, a reduction of \$4 million from 2007-08, for costs associated with sustaining UC Merced operations for a total funding level of \$20 million.
- \$1.7 million in continued funding to support an increase of 396 enrollments in undergraduate and graduate nursing programs begun in prior years.
- \$1.1 million in continued funding for the Science and Math Teacher Initiative that began with the 2005 Budget Act.
- \$975,000 increase for the next cohort of 65 students for the PRIME Program, which targets prospective medical doctors for underserved populations. Total funding for PRIME is \$2 million.
- \$970,000 increase in lease purchase payments.
- \$11 million increase for annuitant health benefits.
- Sufficient funding is included, pursuant to the May Revision, for UC's implementation of the Teacher Performance Assessments that are to be implemented in 2008-09 pursuant to Chapter 517, Statutes of 2006.

CALIFORNIA STATE UNIVERSITY

The Budget provides total funding from all sources of \$4.5 billion for CSU, an increase of \$132.8 million or 3 percent above the 2007-08 level. This funding level includes \$3 billion General Fund, the same amount budgeted in 2007-08. The Budget includes the following significant General Fund and fee-related amounts for CSU:

CURRENT YEAR

- \$8.6 million decrease in retirement costs.
- \$6.6 million decrease in lease purchase payments.

BUDGET YEAR

- \$215.3 million net budget balancing reduction from the workload budget. This reduces institutional support by 10 percent or \$43.2 million and the remaining \$172.1 million is unallocated, thereby allowing the CSU to determine how best to balance competing needs. The workload budget included adjustments pursuant to the Higher Education Compact for a 2.5-percent increase in enrollments (\$70 million)

and a 5-percent increase for basic budget support and core needs that support the instructional program (\$146.2 million).

- \$109.8 million increase in fee revenue associated with a 10-percent fee increase for undergraduate, graduate, and teacher credential candidates. One-third of the revenue generated by the fee increases will be set aside for financial aid.
- \$6.3 million in continued funding to support an increase of 785 enrollments in undergraduate and graduate nursing programs begun in prior years.
- \$2.7 million in continued funding for the Science and Math Teacher Initiative that began with the 2005 Budget Act.
- \$8.6 million to continue the decrease in retirement costs.
- \$4.9 million reduction in lease purchase payments.
- Sufficient funding is included, pursuant to the May Revision, for CSU's implementation of the Teacher Performance Assessments that are to be implemented in 2008-09 pursuant to Chapter 517, Statutes of 2006.

CALIFORNIA COMMUNITY COLLEGES

The Budget provides total funding from all sources of more than \$9.2 billion for CCC, an increase of more than \$329 million or 3.7 percent above the 2007-08 level. This funding level includes \$312.5 million net General Fund and Proposition 98-related increases or 4.9 percent above the 2007-08 level. The Budget includes the following significant Proposition 98 General Fund amounts for CCC:

CURRENT YEAR

- \$69 million increase from one-time Proposition 98 savings to backfill an estimated 2007-08 reduction in property tax revenue based on revised estimates. This amount is available for expenditure in the 2008-09 fiscal year.
- \$18.4 million in savings was captured in the Special Session pursuant to Chapter 2 of the 2008 Third Extraordinary Session from undersubscribed programs or available balances in programs, including \$10 million for Career Technical Education, \$6.1 million from the Economic Development program, and \$1.1 million from Nursing Program support and \$1.2 million from growth funds for CAHSEE remediation programs at community colleges.

HIGHER EDUCATION

BUDGET YEAR

- \$39.8 million increase to provide a 0.68-percent Cost-of-Living Adjustment (COLA) for general apportionments.
- \$113.5 million increase (almost 2 percent) for enrollment growth for general apportionments. This funding will enable CCC to enroll more than 23,000 additional full-time-equivalent (FTE) students. This amount reflects a budget balancing reduction from the workload budget's 3-percent growth amount.
- \$28.3 million in continued funding (including \$6 million in Workforce Investment Act funds) to support increases of almost 4,000 nursing enrollments as well as diagnostic and assessment services aimed at reducing nursing student attrition.
- \$1.9 million in continued funding for increased textbook assistance for low-income students that was initiated in 2007-08.
- \$570,000 in continued funding for the Fiscal Crisis Management Assistance Team to prevent insolvency for financially struggling districts that was initiated in 2007-08.

The Budget also provides for the following changes from other state sources:

- \$2.7 million to reflect an interagency agreement with the California Department of Corrections and Rehabilitation to provide training for prison staff that play key roles in the rehabilitation process, consistent with strategies authorized by Chapter 7, Statutes of 2007.
- \$12.5 million in one-time funding is appropriated, pursuant to trailer bill legislation, to the Chancellor's Office from the Public Interest Research, Development and Demonstration Fund to support for three years an interagency agreement with the Department of Education to develop up to 61 new "Green" Partnership Academy Programs throughout the state. These academies will work in conjunction with clean technology and energy businesses to provide cutting-edge training for K-12 students that will prepare them for careers in water conservation, renewable energy, pollution reduction, and other green sectors.
- \$531,000 unallocated General Fund budget balancing reduction to the Chancellor's Office that will be accommodated by reducing temporary staff, holding less essential positions open, and by eliminating non-essential travel and other expenditures.

HASTINGS COLLEGE OF THE LAW

The Budget provides total funding from all sources of \$44.6 million, an increase of \$4.3 million or 10.5 percent above the 2007-08 level. This funding includes \$10.6 million General Fund, reflecting the same funding level as that provided in 2007-08.

The Budget includes the following significant General Fund and fee-related adjustments for Hastings College of the Law:

- \$608,000 net budget balancing reduction from the workload budget. This reduces institutional support by 10 percent or \$252,000 and the remaining \$356,000 is unallocated, thereby allowing Hastings to determine how best to balance competing needs. The workload budget included adjustments pursuant to the Higher Education Compact for a 5-percent increase for basic budget support and core needs that support the instructional program (\$531,000).
- \$5.3 million increase in fee revenue associated with an 18-percent fee increase. One-third of the fee revenue generated by the increase will be set aside for financial aid.

STUDENT AID COMMISSION

The Budget provides total funding from all sources of \$899.6 million, an increase of \$26.3 million or 3 percent above the revised 2007-08 level. This funding includes \$837.5 million General Fund, reflecting a reduction of \$5.4 million or 0.6 percent below the revised 2007-08 level. The Budget includes the following significant adjustments for the Student Aid Commission:

CURRENT YEAR

- \$30.2 million in savings in the CalGrant and APLE programs.
- \$157,000 increase to the Commission's state operations budget reflecting standard baseline adjustments.

BUDGET YEAR

The budget includes the following General Fund and other local assistance adjustments:

- \$26.7 million increase over the revised 2007-08 level for anticipated growth in the CalGrant Program, reflecting the undergraduate fee increases of 7.4 percent and 10 percent at UC and CSU, respectively.
- \$24 million one-time savings by shifting a portion of CalGrant costs to the Student Loan Operating Fund.
- \$6.3 million savings by shifting the cost of the Commission's financial aid awareness program known as CalSOAP from the General Fund to a new Federal Access Challenge Grant. Total Funding for CalSOAP is \$7.3 million which includes a \$1 million increase for a new awareness component to promote career technical education opportunities in postsecondary education.
- \$330,000 increase, also from the new Federal Access Challenge Grant, to fund the Cash-for-College program pursuant to Chapter 741, Statutes of 2007.
- Authorization for a new cohort of 7,200 warrants for the Assumption Program of Loans for Education (APLE) to help increase the teacher supply in critical shortage areas including math and science (payments estimated to begin no sooner than 2010-11).
- Authorization for 100 new warrants for the State Nursing Assumption Program of Loans for Education (SNAPLE) (payments estimated to begin no sooner than 2010-11).
- Authorization for 100 new warrants for the Nurses in State Facilities APLE program (payments estimated to begin no sooner than 2010-11).

The budget includes the following General Fund state operations adjustments:

- \$1.5 million in unallocated budget balancing reductions from the workload budget. This approach allows the Commission to determine how best to balance competing needs to preserve delivery of CalGrants.
- One-time funding of \$1 million to accommodate moving costs and furnishings associated with a relocation of the Commission.
- \$1 million savings by shifting the cost of the Commission's Federal Programs unit from General Fund to the Student Loan Operating Fund. The budget also reflects a reduction of \$500,000 from the amount budgeted in 2007-08 to align costs for currently authorized staff.