

HIGHER EDUCATION

Higher Education includes the University of California (UC), the California State University (CSU), the California Community Colleges, the California Student Aid Commission, and several other entities.

The Budget includes total funding of \$25.4 billion (\$13.1 billion General Fund and \$12.3 billion other funds) for all programs included in these agencies.

MULTIYEAR STABLE FUNDING PLAN — UNIVERSITY OF CALIFORNIA AND CALIFORNIA STATE UNIVERSITY

The Budget establishes the first-year investment in a multiyear stable funding plan for higher education. It provides new funds to reinvest in the public universities, with the expectation that the universities will improve the quality, performance, and cost effectiveness of their educational systems. The plan is rooted in the belief that higher education should be affordable and student success can be improved.

- *Funding Stability*—The Budget increases the General Fund contribution to each institution’s prior year funding base. Each segment will receive a 5-percent increase in General Fund appropriations (\$125.1 million each). This represents the first year of a four-year plan in which each segment will receive up to a 20-percent increase in General Fund appropriations (\$511 million each), representing about a 10-percent increase in total operating funds including tuition and fee revenues.
- *Affordability*—A key goal of the Budget is for universities to stay affordable for students and their families and to avoid high student debt and tuition levels. To this

end, the Budget reflects the expectation of a freeze on UC and CSU resident tuition for 2013-14. This represents the first year of a four-year freeze in tuition from 2013-14 to 2016-17. The Budget also establishes the Middle Class Scholarship program to provide scholarships of up to 40 percent of tuition for UC and CSU students with annual family incomes of up to \$150,000.

- *Student Success*—The Budget includes new UC and CSU reporting requirements on the following priorities: graduation rates, the number of transfer students from community colleges, and the number of degrees completed. These measures of student success will be reported by first-time freshmen students, low-income students, and graduate students.

The Administration will continue working with the Legislature, the segments, and other stakeholders to strengthen accountability and for the universities to become more affordable and to maintain quality and access over the long term.

UNIVERSITY OF CALIFORNIA

Drawing from the top 12.5 percent of the state's high school graduates, the University of California (UC) educates approximately 239,500 undergraduate and graduate students at its ten campuses and is the primary institution authorized to independently award doctoral degrees and professional degrees in law, medicine, business, dentistry, veterinary medicine, and other programs. UC manages one U.S. Department of Energy national laboratory, partners with private industry to manage two others, and operates five medical centers that support the clinical teaching programs of UC's medical and health sciences schools that handle more than 3.9 million patient visits each year.

Significant Adjustments:

- *General Fund Increase*—The Budget includes an ongoing increase of \$125.1 million General Fund for core instructional costs. This funding should obviate the need for UC to increase student tuition and fees and can be used by the university to meet its most pressing needs. This funding is in addition to the \$125 million General Fund that UC will receive in 2013-14 for not increasing tuition and fees in 2012-13, as required by the 2012 Budget Act.
- *Debt Service Costs*—Currently, the state separately funds general obligation and lease revenue debt service for UC capital improvement projects. The Budget includes a shift of these appropriations into UC's budget to require UC to factor these

costs into the university's overall fiscal outlook. Any new UC capital expenditures will be subject to approval by the Administration and the Legislature. Further, there are limits on the amount of UC's budget that can be spent on capital expenditures. Any savings from the restructuring of debt will be dedicated to paying down the existing unfunded liability of the University's retirement plan.

CALIFORNIA STATE UNIVERSITY

Drawing students from the top one-third of the state's high school graduates, the California State University (CSU) provides undergraduate and graduate instruction through master's degrees and independently awards doctoral degrees in education, nursing practice, and physical therapy, or jointly with UC or private institutions in other fields of study. With 23 campuses and approximately 422,500 students, CSU is the largest and most diverse university system in the country. CSU plays a critical role in preparing the workforce of California; it grants more than one-half of the state's bachelor's degrees and one-third of the state's master's degrees. CSU prepares more graduates in business, engineering, agriculture, communications, health, and public administration than any other California institution of higher education. It also produces over 50 percent of California's teachers.

Significant Adjustments:

- *General Fund Increase*—The Budget includes an ongoing increase of \$125.1 million General Fund for core instructional costs. This funding should prevent the need for CSU to increase student tuition and fees and can be used by the university to meet its most pressing needs. This increase is in addition to the \$125 million General Fund that CSU will receive in 2013-14 for not increasing tuition and fees in 2012-13, as required by the 2012 Budget Act.
- *Retirement Contribution Costs*—Currently, the state annually adjusts funding for CSU's retirement obligations. The Budget continues to fund retirement contributions for CSU employees, based on the payroll for 2013-14, but if CSU chooses to add employees or increase wages beyond 2013-14 levels, CSU will be responsible for the associated costs. This change will require CSU to factor these costs into the university's overall fiscal outlook and decision-making process.

CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges are publicly supported local educational agencies that provide educational, vocational, and transfer programs to approximately 2.4 million students. The Community College system is the largest system of higher education in the world, with 72 districts, 112 campuses, and 71 educational centers. By providing education, training, and services, the Community Colleges contribute to continuous workforce improvement. The Community Colleges also provide remedial instruction for hundreds of thousands of adults across the state through basic skills courses and adult non-credit instruction.

Significant Adjustments:

- *Deferral Buydown*—At the beginning of 2011-12, the state had accumulated \$961 million of deferral debt owed to Community Colleges. The Budget includes \$178.6 million Proposition 98 General Fund in 2012-13 and \$30 million Proposition 98 General Fund in 2013-14 to retire apportionment deferrals. This will reduce borrowing costs at Community Colleges and reduce the outstanding Community Colleges deferral debt to \$592.5 million.
- *Expand the Delivery of Courses through Technology*—The Budget includes \$16.9 million Proposition 98 General Fund to increase the number of courses available to matriculated students through the use of technology.
- *Apportionments*—The Budget includes increases of \$89.4 million Proposition 98 General Fund for apportionment growth to increase course offerings and \$87.5 million Proposition 98 General Fund for a cost-of-living adjustment.
- *Adult Education*—The Budget includes \$25 million Proposition 98 General Fund for planning and implementation grants to support local coordination efforts of adult education providers. These funds will help local providers form partnerships with other providers to articulate their curriculum, recognize regional needs, and develop new ways to serve adult learners in their communities.
- *Apprenticeship Programs*—The Budget includes \$15.7 million Proposition 98 General Fund to transfer the state’s apprenticeship programs operated by school districts to the Community Colleges Chancellor’s Office. While the Chancellor’s Office will provide oversight to all apprenticeship programs in the state, programs may continue operating with their existing provider.

- *Energy Efficiency*—The Budget includes \$47 million for energy efficiency projects at Community Colleges pursuant to recently enacted Proposition 39, which will reduce utility costs at the colleges and promote energy efficiency workforce training.
- *Categorical Programs*—The Budget includes an increase of \$118 million Proposition 98 General Fund for categorical programs, as follows:
 - \$50 million for the Student Success and Support Program to improve outcomes for all students.
 - \$15 million for Extended Opportunities Programs and Services to provide support services to disadvantaged students.
 - \$15 million for the Disabled Students Program and Services to provide support services to disabled students.
 - \$7.9 million for the Community Colleges’ CalWORKs program to further assist parents living in poverty to reach their educational goals.
 - \$30 million in one-time funding for deferred maintenance projects at Community College facilities.
 - \$150,000 for Academic Senate participation in state-level activities.

HASTINGS COLLEGE OF THE LAW

Affiliated with the University of California, the Hastings College of the Law is the oldest and one of the largest public law schools in the West, providing instruction annually to approximately 1,100 students.

Significant Adjustment:

- *General Fund Increase*—The Budget includes an ongoing increase of \$455,000 General Fund for core instructional costs. This funding should mitigate the need for Hastings to increase student tuition and fees and can be used by the college to meet its most pressing needs.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission administers state financial aid to students attending all institutions of public and private postsecondary education through a variety

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of programs including the Cal Grant High School and Community College Transfer Entitlement programs, the Competitive Cal Grant program, and the Assumption Program of Loans for Education. Over 99,000 students received new Cal Grant awards, and over 150,000 students received renewal awards in 2011-12.

The Budget prioritizes financial aid for students attending the state's public higher education institutions and other institutions that are able to minimize student debt loads and produce successful graduates, students demonstrating a high likelihood of completing their degrees or programs, and students demonstrating the greatest financial need.

Significant Adjustments:

- *Middle Class Scholarship Program*—The Budget includes statutory appropriations of \$107 million General Fund in 2014-15 growing to \$305 million General Fund in 2017-18, and every year thereafter, to provide scholarships of up to 40 percent of tuition for UC and CSU students with annual family incomes of up to \$150,000. Scholarship awards will be phased in over four years beginning in 2014-15 and eligibility will be limited to students that meet minimum Cal Grant program requirements and have a minimum of a 2.0 grade point average.
- *Cal Grant Program Growth*—The Budget includes an increase of \$37.4 million General Fund in 2012-13 and \$119.1 million General Fund in 2013-14 to reflect revised participation estimates in the Cal Grant program.
- *Offset Cal Grant Costs with Federal Temporary Assistance for Needy Families (TANF) Reimbursements*—The Budget offsets \$541.7 million of Cal Grant General Fund costs with TANF, which are available through an interagency agreement with the Department of Social Services.
- *Offset Cal Grant Costs with Student Loan Operating Fund (SLOF)*—The Budget offsets \$98.1 million of Cal Grant General Fund costs with SLOF, which is available to support the Cal Grant program due to excess proceeds in the federal guaranteed student loan program from the state's student loan guarantor, Educational Credit Management Corporation.