

# HIGHER EDUCATION

**H**igher 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 May Revision includes total funding of \$25.4 billion (\$12.7 billion General Fund and \$12.7 billion other funds) for all programs included in these agencies.

## **MULTI-YEAR STABLE FUNDING PLAN — UNIVERSITY OF CALIFORNIA AND CALIFORNIA STATE UNIVERSITY**

The May Revision builds upon the multi-year stable funding plan for higher education proposed in the Governor's Budget. It prioritizes higher education by providing new funds to begin reinvesting in the public universities, with the expectation that the universities will improve the quality, performance, and cost effectiveness of the educational systems. The plan is rooted in the belief that higher education should be affordable and student success can be improved.

- *Funding Stability*—The Governor's Budget increased the General Fund contribution to each institution's prior-year funding base. Each segment will receive up to a 20-percent increase in General Fund appropriations (about \$511 million each) over a four-year period (2013-14 through 2016-17), representing about a 10-percent increase in total operating funds including tuition and fee revenues.

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- *Affordability*—The plan includes a freeze on UC and CSU resident tuition from 2013-14 to 2016-17 to ensure that the universities stay affordable for students and their families, and to avoid high student debt and tuition levels.
- *Student Success*—The plan expects UC and CSU to achieve the following priorities: improve graduation rates; increase the number of transfer students from community colleges; increase the number of degrees completed, particularly by low-income students; and reduce the cost per degree.

The multi-year funding plan increases funding and strengthens accountability to encourage UC and CSU to become more affordable and to maintain quality and access over the long term. The Administration will continue working with the Legislature, the segments, and other stakeholders to strengthen the accountability plan.

To improve student success, the Governor’s Budget proposed capping the number of units students can take while receiving a state General Fund subsidy at UC, CSU, and the community colleges. Given concerns that were raised, the Administration is withdrawing the proposal for this year and focusing on alternative incentives to increase cost-effectiveness.

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## CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges are publicly supported local educational agencies that provide educational, vocational, and transfer programs to approximately 2.6 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.

### IMPROVING ADULT EDUCATION

The Governor’s Budget proposed to increase funding for and restructure the adult education system. The proposal provided a \$300 million Proposition 98 General Fund augmentation in 2013-14 for adult education. Given concerns raised with the timing and structure of the proposal, the May Revision proposes the following:

- Maintains status quo for existing K-12 and Community College Adult Education programs for two years.

- Maintains the existing apportionment structure and funding remains in place for existing community college programs.
- School districts retain their authority to independently continue their existing adult education programs. Over time, it is expected they will join a regional adult education consortium, described below, to gain access to additional dedicated adult education funding and to ensure coordination with other local adult education providers.
- Transitions to a new adult education partnership program comprised of regional adult education providers, who jointly determine what programs to offer to their communities and how best to allocate additional state resources for this purpose.
  - Includes \$30 million Proposition 98 General Fund in 2013-14 for two-year planning and implementation grants and \$500 million Proposition 98 General Fund in 2015-16 to fund adult education schools jointly operated by regional consortia of community colleges districts and school districts.
  - Regional consortia may also include other local providers such as workforce investment boards, local correctional facilities, other local public entities and community-based organizations.
  - The planning grants will be awarded jointly to the consortia by the State Department of Education and the Chancellor's Office. The consortia will use this money to create plans to serve adult students in their region. These plans must identify how the consortia will integrate existing programs with the new partnership program, including how to best serve adults in local correctional facilities.
  - The State Department of Education and the Chancellor's Office are also charged with jointly reviewing the plans and allocating the \$500 million in available apportionment funding beginning in 2015-16. At least \$350 million must be apportioned to existing adult education providers.
  - Available funding will be prioritized to critical areas of instruction. As a result, only instruction in English as a second language, citizenship, high school diploma and general education development (GED), and workplace education will be eligible for funding through the new program. Instruction in parenting, home economics, and programs for older adults will not be eligible for funding. Furthermore, consortia will be required to develop course sequencing pathways to allow adult learners to move seamlessly from completing their adult education

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programs into their next endeavor—such as improving personal goals, learning a skill or trade for immediate employment, or attaining abilities for college-level career technical and academic programs.

- The districts making up each consortium must maintain their current level of spending for adult education in 2013-14 and 2014-15 and into the future to receive the new funding.

### **OTHER SIGNIFICANT ADJUSTMENTS**

- *Apportionments*—An increase of \$30 million Proposition 98 General Fund in 2013-14. Combined, the Governor’s Budget and the May Revision provide \$226.9 million Proposition 98 General Fund divided as follows:
  - \$87.5 million for a cost of living adjustment representing 1.57 percent of base apportionments.
  - \$89.4 million available for general apportionment growth.
  - \$50 million for additional student support services including orientation, assessments, counseling, advising, and education planning, as developed by the Student Success Task Force recommendations and the Student Success Act of 2012. The May Revision withdraws a proposal to change census accounting practices. Instead, it proposes to develop, for consideration as part of the 2014-15 Budget, a broad-based framework to improve student success and establish appropriate incentives to encourage course and degree completions, as well as cost effectiveness.
- *Board of Governors Fee Waiver Program Reform*—The Governor’s Budget proposed that students seeking financial aid be required to fill out a Free Application for Federal Student Aid (FAFSA) and include both parent and student income when determining fee waiver eligibility. Concerns were raised that financial aid processing time is longer using the FAFSA and that the proposal would reduce participation for some emancipated students whose parents are unwilling to provide their income for FAFSA purposes. The May Revision proposes the following adjustments to preserve the state’s resources for students in need:
  - Provides students one academic term to collect all documentation necessary to validate financial need.

- Requires the Board of Governors to establish criteria that provide emancipated students the opportunity to demonstrate that they are living independently of their parents and are financially in need.
- The new policies would commence with the 2014-15 academic year.
- *Apprenticeship Programs*—The May Revision continues to consolidate apprenticeship programs at the Chancellor’s Office, generally maintaining the current structure of the Chancellor’s Office and the State Department of Education programs. The May Revision also removes the Chancellor’s Office program from categorical flexibility and allows community colleges the geographic freedom to administer programs covering areas outside their district boundaries, similar to what is already allowed for the State Department of Education programs.
- *Property Tax Adjustment*—A decrease of \$70.8 million Proposition 98 General Fund in 2013-14 to reflect increased property tax estimates. Current law intends that property taxes offset Proposition 98 General Fund costs for community college apportionments. Because property taxes are estimated to increase, General Fund costs are decreased by a like amount.
- *Student Fee Adjustment*—A decrease of \$38.9 million Proposition 98 General Fund to reflect revised estimates of student fee revenue, primarily resulting from lower-than-anticipated Board of Governors’ fee waivers. Similar to property taxes, student fees are intended to offset the costs of apportionments.
- *Deferrals*—At the beginning of 2011-12, the state had accumulated \$961 million of deferral debt owed to community colleges. The May Revision reduces that balance to \$621.2 million in 2012-13 and \$557.5 million in 2013-14. The payment of deferrals is consistent with, and proportional to, the payments in K-12 education. This debt reduction will reduce the substantial borrowing costs borne by the community colleges. Every dollar that colleges must now spend on borrowing is a dollar taken out of the classroom.

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## 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 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.

Prior to 2001, the program offered a capped number of awards to students and award amounts were specified in the Budget. Under that construct, the program supported 130,000 students at a cost of \$462 million in 2000-01. The program is now an entitlement and has been one of the fastest growing programs in the state. Costs have increased due to an increased number of students participating in the program and UC and CSU tuition increases before 2012-13. The number of students in the program has increased to an estimated 283,000 and costs have increased to an estimated \$1.65 billion in 2013-14.

The May Revision continues the Governor's Budget prioritization of 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:

- *Cal Grant Program Growth*—A decrease of \$23.6 million General Fund in 2012-13 and \$42 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*—A decrease of \$18.7 million TANF and a like increase of General Fund in 2013-14 to reflect revised Cal Grant program participation estimates. TANF funds are available through an interagency agreement with the Department of Social Services. Combined with the TANF funds included in the Governor's Budget, the May Revision offsets \$924.2 million in Cal Grant General Fund costs.
- *Offset Cal Grant Costs with Student Loan Operating Fund (SLOF)*—An increase of \$38.1 million SLOF and a like decrease of General Fund in 2013-14 to reflect the availability of SLOF funds to offset Cal Grant program General Fund costs. Combined with the SLOF funds included in the Governor's Budget, the May Revision offsets \$98.1 million in Cal Grant General Fund costs.