

HIGHER EDUCATION

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

The May Revision includes total funding of \$26.4 billion (\$14.7 billion General Fund and local property tax and \$11.7 billion other funds) for all programs included in these entities.

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

As proposed in the Governor’s Budget, the May Revision continues the commitment to a multi-year stable funding plan for higher education. The plan prioritizes higher education by providing new funds to continue 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 without dramatic increases in costs to the state or to students.

- **Funding Stability**—The plan provides each segment up to a 20 percent increase in General Fund appropriations 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 assumes a freeze on UC and CSU resident tuition from 2013-14 through 2016-17 to avoid contributing to higher student debt and tuition levels.
- **Student Success**—The plan expects UC and CSU to decrease the time it takes students to complete a degree, increase the number of students who complete programs, and improve the rate of transfer of community college students to four-year colleges and universities.
- **Innovation**—In addition to efforts by the UC, CSU, and CCC to meet student success goals, the Governor’s Budget includes \$50 million to promote innovative models of higher education at the campus level that result in more bachelor’s degrees, improved four-year completion rates, and more effective transfers between the community colleges and the universities.

The multi-year plan directs the universities to prepare three-year sustainability plans that set targets for key measures adopted in statute in 2013.

CALIFORNIA COMMUNITY COLLEGES

The CCC are publicly supported local educational agencies that provide educational, vocational, and transfer programs to approximately 2.1 million students. The CCC is the largest system of higher education in the world, with 72 districts, 112 campuses, and 69 educational centers. By providing education, training, and services, the CCC contribute to continuous workforce improvement and also provide remedial instruction for hundreds of thousands of adults across the state through basic skills courses and adult non-credit instruction.

The May Revision maintains \$200 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students.

Significant Adjustments:

- **Apportionments**—A decrease of \$16 million Proposition 98 General Fund in 2014-15 to reflect a reduction of growth from 3 percent to 2.75 percent, and a reduction in the statutory cost-of-living adjustment from 0.86 percent to 0.85 percent. The May Revision provides \$187.7 million Proposition 98 General Fund divided as follows:

- \$140.4 million available for general apportionment growth;
- \$47.3 million for a 0.85-percent cost-of-living adjustment.
- Career Technical Education—An increase of \$50 million Proposition 98 General Fund to support one-time and ongoing costs to improve student success in career technical education:
 - A one-time increase of \$50 million Proposition 98 General Fund to support the existing Economic and Workforce Development program at the CCC Chancellor’s Office. These funds will provide resources for community colleges to develop, enhance, and expand career technical education programs that build upon existing regional capacity to better meet regional labor market demands.
 - Beginning in 2015-16, an increase in the funding rate for career development and college preparation noncredit courses (also known as CDCP or enhanced noncredit) to equal the rate provided for credit courses. Career development and college preparation noncredit courses offer flexibility for community colleges to design and deliver courses better suited for students pursuing career technical education. Currently, the lower funding rate, along with the higher cost of career technical education, serve as barriers to many community colleges offering career development and college preparation instruction in a manner that best supports student success. Community colleges will have a year to plan how best to take advantage of this new flexibility before the rates increase.
- Deferred Maintenance—An increase of \$60.5 million Proposition 98 General Fund, for a total of \$148 million, to reduce the backlog of deferred maintenance. Community colleges will not need to provide matching funds for deferred maintenance in 2014-15. The May Revision amends the Governor’s Budget proposal so that all funds will go to deferred maintenance as opposed to a portion being reserved for instructional equipment.
- Technology Infrastructure—An increase of \$6 million Proposition 98 General Fund, of which \$1.4 million is one-time and \$4.6 million is ongoing, to upgrade bandwidth and replace technology equipment at each community college. These investments will support student success technology initiatives started in 2013-14, including electronic transcripts, electronic planning, incoming student evaluation, and the online education initiative.

- Proposition 39—A decrease of \$1.5 million Proposition 98 General Fund due to a lower revenue forecast for the California Clean Energy Jobs Act, which was approved by voters in 2012 and increases state corporate tax revenues to support energy efficiency.
- Local Property Tax Adjustment—An increase of \$17.7 million Proposition 98 General Fund in 2014-15 as a result of decreased offsetting local property tax revenues.
- Student Enrollment Fee Adjustment—An increase of \$24.7 million Proposition 98 General Fund as a result of decreased offsetting student enrollment fee revenues.
- CCC Mandates Block Grant—A decrease of \$345,000 Proposition 98 General Fund to align mandate block grant funding with the revised full-time equivalent students estimate.

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. More than 100,000 students received new Cal Grant awards, and more than 160,000 students received renewal awards in 2012-13. The Commission will also administer the Middle Class Scholarship program beginning in 2014-15.

Prior to 2001, the Cal Grant program offered a capped number of awards to students and award amounts were specified in the Budget—supporting 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 314,000, and costs have increased to an estimated \$1.8 billion in 2014-15.

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. This would benefit students demonstrating a high likelihood of completing their degrees or programs and students demonstrating the greatest financial need.

Significant Adjustments:

- Cal Grant Program Growth—An increase of \$13.9 million General Fund in 2013-14 and \$25.1 million General Fund in 2014-15 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 \$104.5 million TANF and a like increase of General Fund in 2014-15. Combined with the TANF funds included in the Governor’s Budget, the May Revision offsets \$440.5 million in Cal Grant General Fund costs.
- Offset Cal Grant Costs with Student Loan Operating Fund (SLOF)—A decrease of \$60 million SLOF and a like increase of General Fund to reflect that SLOF funds will not be available in 2014-15 to offset Cal Grant program General Fund costs.
- Offset Loan Assumption Costs with Excess Cal Loan Funds—An increase of up to \$6 million Student Loan Authority Fund and a like decrease of General Fund to reflect an offset of costs for the loan assumption program. These funds are available due to the sale of the Cal Loan Program portfolio, recently approved by the California Educational Facilities Authority.

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