Each year, millions of Californians pursue degrees and certificates or enroll in courses to improve their knowledge and skills at the state’s higher education institutions. More are connected to the system as employees, contractors, patients, and community members. California’s system of higher education consists of three public segments:

- The University of California (UC) educates approximately 249,000 undergraduate and graduate students and is the primary institution authorized to independently award doctoral degrees and professional degrees.
- The California State University (CSU) provides undergraduate and graduate instruction to approximately 448,000 students, and primarily awards baccalaureate and master’s degrees.
- The California Community Colleges (CCC) are publicly supported local educational agencies that provide open-access educational and vocational programs to approximately 2.1 million students.

In addition to providing direct support to these three segments, the state also provides financial aid to students attending public and private postsecondary California institutions through the Cal Grant program and, beginning in 2014-15, to UC and CSU students through the Middle Class Scholarship Program. More than 125,000 students received new Cal Grant awards, and more than 170,000 students received renewal awards in 2013-14. In 2014-15, more than 95,000 students will receive Middle Class Scholarships.
In Investing in Higher Education

Beginning with the Master Plan in 1960, California’s approach to higher education has been to provide educational opportunity and success to the broadest possible range of Californians by heavily subsidizing the public segments to keep costs low for university students and even lower for community college students. This model aims to create greater opportunities for individual students and a benefit to the state.

The economic downturn in 2008 and resulting shortfalls in state revenues required reductions in the state’s subsidies of public higher education. In response to the significant cuts in state funding, UC and CSU almost doubled system-wide tuition and fees from 2007-08 to 2011-12, increasing by $5,556 (84 percent) at UC and by $2,700 (97 percent) at CSU during this period (see Figure HED-01). These rapid increases—sometimes implemented twice within a given year—often occurred with little advance notice to students and their families. Although tuition and fees have been flat since 2011-12, these higher tuition levels remain a hardship for many students and their families.

Recent budgets have significantly increased state support for higher education. The passage of Proposition 30 in November 2012 prevented a $250 million reduction in General Fund for each system, plus the state provided an additional $125 million to each segment to recognize that they did not increase tuition and fees in 2012-13. Proposition 30 also allowed the state to commit to a multi-year investment plan. The 2013 and 2014 Budget Acts provided a total of $267 million in new General Fund resources to each system. Therefore, the Budget commits $642 million to each university system in 2014-15 attributable to the passage of Proposition 30.

The state’s universities also receive significant indirect state support through state financial aid programs. Approximately 23 percent of all tuition revenue for UC and 22 percent for CSU is paid for with state dollars, and this state support for the universities has grown $643 million for UC (218 percent) and $507 million for CSU (391 percent) since 2007-08. In 2014-15, the Middle Class Scholarship Program began to offset a percentage of tuition and fee costs at UC and CSU for students with family incomes of up to $150,000.

As a result of these investments, California public college and university graduates carry some of the lowest student loan debt burdens compared to graduates from other states. California students in public and non-profit colleges rank 49th in student debt levels—about half of California undergraduates have student debt, averaging $20,340, compared to more than 69 percent of undergraduates nationally, averaging $28,400.
### Figure HED-01  
**UC and CSU Expenditures and Undergraduate Tuition and Fees**  
(Dollars in Millions)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>UC</strong></td>
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<tr>
<td>General Fund for University Support ¹</td>
<td>$3,398.8</td>
<td>$2,603.5</td>
<td>$2,815.2</td>
<td>$3,141.2</td>
<td>$2,473.4</td>
<td>$2,566.6</td>
<td>$2,844.4</td>
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<td>$295.2</td>
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<td>$561.8</td>
<td>$687.2</td>
<td>$718.9</td>
<td>$765.8</td>
<td>$881.6</td>
<td>$938.4</td>
<td>$643.2 218%</td>
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<tr>
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<td>$1,338.1</td>
<td>$1,628.5</td>
<td>$1,650.9</td>
<td>$2,335.4</td>
<td>$2,299.9</td>
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<td>Other Funds ³</td>
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<td>$1,358.3</td>
<td>$652.5</td>
<td>$824.8</td>
<td>$822.2</td>
<td>$878.4</td>
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<td>$1,019.7</td>
<td>$1,019.7</td>
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<td>$6,178.6</td>
<td>$6,318.2</td>
<td>$6,463.8</td>
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<td>$7,142.2</td>
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<td>$1,662.9 30%</td>
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<tr>
<td>Systemwide Tuition and Fees ⁴</td>
<td>$6,636</td>
<td>$7,126</td>
<td>$8,373</td>
<td>$10,302</td>
<td>$12,192</td>
<td>$12,192</td>
<td>$12,192</td>
<td>$12,192</td>
<td>$12,192</td>
<td>$5,566.0 84%</td>
</tr>
<tr>
<td><strong>CSU</strong></td>
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<td>General Fund for University Support ¹</td>
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<td>$228.3</td>
<td>$312.3</td>
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<td>Other Tuition and Fee Revenues</td>
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<td>$1,434.4</td>
<td>$1,453.6</td>
<td>$1,874.7</td>
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<td>$1,699.9</td>
<td>$1,707.1</td>
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<tr>
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<td>$1,055.6</td>
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<td>$415.0</td>
<td>$422.3</td>
<td>$463.9</td>
<td>$521.3</td>
<td>$512.1</td>
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<td>$172.00 51%</td>
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<td>Total Funds</td>
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<td>$4,673.5</td>
<td>$5,106.1</td>
<td>$5,027.4</td>
<td>$5,157.3</td>
<td>$5,569.0</td>
<td>$5,774.6</td>
<td>$6,009.2</td>
<td>$1,228.5 26%</td>
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<tr>
<td>Systemwide Tuition and Fees ⁴</td>
<td>$2,772</td>
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<td>$4,440</td>
<td>$5,472</td>
<td>$5,472</td>
<td>$5,472</td>
<td>$5,472</td>
<td>$5,472</td>
<td>$2,700 97%</td>
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</table>

¹ UC and CSU totals include the costs of state general obligation bond debt service and retiree health benefits. For both UC and CSU, the costs of state general obligation bond debt service are imputed for 2007-08 through 2012-13, inclusive. For CSU, the costs of retiree health benefits are imputed for 2007-08 through 2011-12.

² This line includes, for all years, funds paid through the Cal Grant program, and, beginning in 2014-15, funds paid through the Middle Class Scholarship Program. Fiscal years 2013-14, 2014-15, and 2015-16 are projected amounts.

³ Other funds include general resources, lottery funds, and federal ARRA funding.

⁴ Tuition and fees are in whole dollars.
The Budget proposes total funding of $28.7 billion, reflecting an increase of $1.2 billion, or 4.4 percent, above 2014-15. Within these resources, the Budget includes funding of $16.3 billion in General Fund and Proposition 98-related sources. See Figure HED-02 for a summary of higher education funding. Higher education continues to be a high priority for investment because widely accessible, high-quality higher education drives the innovation that fuels California’s ever-evolving, dynamic economy. Nevertheless, as the state reinvests in higher education, it cannot fund the business-as-usual model of providing instruction at its higher education institutions. As the needs of the state and its students evolve, the funding and delivery models of the state’s higher education institutions must keep pace.

Both UC and CSU proposed budgets for 2015-16 that call for increases in funding well beyond the 4-percent General Fund increase the Administration committed to in its
long-term funding plan: UC proposes to require more resources from students through steep tuition and fee increases or by replacing California students with nonresident students, and CSU proposes the state provide $97.1 million more General Fund than the Administration’s plan. The state is still emerging from the largest recession since the Great Depression, and its finances remain constrained. The state must continue to rebuild its universities’ budgets, but only in a manner that is sustainable over the long term and that explores all cost containment strategies before asking California families to pay more through tuition increases.

**Improving Performance and Maintaining Affordability**

As the state continues to reinvest and grow funding for UC, CSU and the CCCs, the Administration expects the segments to use these funds to achieve statewide goals, including:

- Maintaining affordability;
- Decreasing the time it takes students to graduate;
- Increasing the number of students who complete programs; and
- Improving the transfer of community college students to four-year colleges and universities.

The Budget provides increases in funding with a focus on results, rather than funding enrollment growth. Traditional enrollment-based funding does not encourage institutions to focus on critical outcomes—affordability, timely completion rates, and quality programs—nor does it encourage institutions to better integrate their efforts to increase productivity of the system as a whole. Instead, it bases allocation of new funds on the costs of the existing institutional infrastructure, without examining whether the state is well-served by its universities and colleges continuing to deliver education in the same way. Under this old model, increased funding comes from admitting more students, which can make ensuring students complete meaningful programs in a timely manner a secondary concern.

Instead of continuing enrollment-based funding, the four-year investment plan for UC and CSU that began in 2013-14 calls for growing General Fund support for each segment annually. These multi-year investments, however, are contingent on the segments holding tuition and fees flat at 2011-12 levels. In addition to reversing its
decision to raise tuition, UC will also be expected to keep nonresident enrollment from further increasing and to take concrete action to reduce costs.

The Budget continues to require both the UC Regents and the CSU Board of Trustees to adopt three-year sustainability plans that set targets for key measures related to the goals above. These sustainability plans are an important component of understanding the priorities of the appointed governing boards and allow for a robust discussion of priorities during the budget process. The Administration expects institutions to also continue implementing reforms to improve student success and to realize institutional efficiencies. With savings achieved through new cost reductions and current efficiency efforts, in combination with the General Fund increases, the Administration expects the universities to maintain current tuition and fee levels.

**University of California**

Consisting of ten campuses, UC is the primary institution authorized to independently award doctoral degrees and professional degrees in law, medicine, business, dentistry, veterinary medicine, and other programs. The University 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 almost 4 million patient visits each year.

The University of California has the highest cost structure and receives the highest per-student subsidy of the three segments, and yet is advocating for more tuition or state funds. The University has undertaken some initiatives to reduce administrative costs; however, it also needs to seriously evaluate the cost drivers of its various missions—teaching, research, and public service—and implement changes to control those costs, while improving access to students reflective of the state—including transfer students.

To this end, at the Governor’s request, the UC Regents are expected to form a committee, staffed by the Administration and the UC Office of the President, to reduce the University’s cost structure. This committee will solicit advice from a broad range of experts, review data and develop proposals that allow the University to deliver quality education at a lower cost and obviate the need for increased tuition or increasing out-of-state enrollment. Specifically, the committee will gather information and develop proposals to decrease University cost drivers, enhance undergraduate access, improve time-to-degree and degree completion, review the role of research, and explore the use of technology to enhance education. The committee’s proposals will be considered
Higher Education

by the full UC Board of Regents. These proposals, in conjunction with the University’s sustainability plan, will inform ongoing discussions on efficiencies and reforms to improve the cost structure, student access and outcomes at the University.

Significant Adjustment:

- **General Fund Increase**—An ongoing increase of $119.5 million General Fund contingent upon the University keeping tuition at 2011-12 levels in 2015-16, not increasing nonresident enrollment in 2015-16, and taking action to control costs.

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, CSU is the largest and most diverse university system in the country. CSU plays a critical role in preparing the workforce of California, awarding 103,637 degrees in 2013-14; it grants more than one-half of the state’s bachelor’s degrees and one-third of the state’s master’s degrees. CSU awards more degrees in business, engineering, agriculture, communications, health, and public administration than any other California institution of higher education. More than 50 percent of California’s teachers graduated from CSU.

The California State University receives roughly half the per-student subsidy as UC and has a lower overall cost structure than UC. Like UC, CSU has worked to reduce administrative costs, and CSU has been actively examining and implementing strategies to provide more effective remedial programs, reduce course bottlenecks, enhance its completion rates, and simplify the transfer process. However, completion rates are low—only 17.3 percent of admitted freshmen complete their studies within four years. To encourage the most promising strategies to enhance completion, the Budget includes $25 million for innovation awards focused on partnerships and practices that promote completion of degrees within four years of starting higher education, with a particular focus on improving performance in this area at CSU campuses.

Significant Adjustments:

- **General Fund Increase**—An ongoing increase of $119.5 million General Fund. This funding should obviate the need for CSU to increase student tuition and fees and can be used by the University to meet its most pressing needs.
Governor’s Budget Summary – 2015-16

Higher Education

- Innovation Awards — The Budget provides $25 million for innovation awards to recognize CSU institutions that implement innovations that lead to more timely degree completion.

- Center for California Studies — The Budget shifts the costs of the Center for California Studies to CSU’s main General Fund appropriation instead of budgeting those costs separately. CSU is expected to provide the same cost adjustments to the center commensurate with increases provided for other CSU operations.

- Lanterman Developmental Center — The Budget includes transferring the existing property of the recently closed Lanterman Developmental Center to California State Polytechnic University, Pomona. The campus intends to use the property to expand its academic programs and Innovation Village. The transfer is contingent on CSU acknowledging that state funds will not be specifically appropriated for the operation, maintenance or development of this property; and the University accommodating the needs of other state departments for a portion of the land in the area.

California Community Colleges

The community colleges are publicly supported institutions of higher education that provide basic skills, vocational, and undergraduate transfer education as a part of the largest system of higher education in the world, with 72 districts, 112 campuses, and 72 educational centers. In 2013-14, the community colleges awarded 62,318 certificates and 107,472 degrees, and transferred 105,346 students to four-year higher education institutions.

The CCCs serve far more students than either UC or CSU and face many challenges — with low completion rates a primary issue — that were exacerbated during the tight Proposition 98 budgets in the recent economic downturn. In 2012, the system convened a Student Success Task Force, which made a number of recommendations to improve student success according to various measures, such as completion of basic skills and English as a second language courses, persistence and retention, and successful transfer to four-year institutions. The colleges have started to enhance the measurement of student success, which can be used to target investment in programs that best improve student outcomes. The Administration expects this effort to improve completion rates while closing achievement gaps and proposes additional state investment in this area. This includes expanding current services to improve student outcomes, such as effective orientation, assessment, placement, counseling, and other
education planning services. It also includes resources to mitigate disproportionate impacts on access and achievement in underrepresented student groups, aligned with each district’s board-approved student equity plan.

The CCCs also provide technical education vital for preparing the workforce for the state’s dynamic economy. However, these efforts need to be refreshed and better coordinated with technical education programs offered at K-12 and adult schools to meet industry needs. In November, the California Community Colleges Board of Governors launched the Task Force on Workforce, Job Creation, and a Strong Economy, which will bring together leaders in education and workforce development to develop recommendations to guide future investments in technical education at the community colleges. The Budget supports this effort by making numerous investments to improve relevant technical education, including in adult education, apprenticeship programs and an increase in the funding rate for career development and college preparation non-credit courses. These dollars will allow colleges to design career development and college preparation non-credit courses better suited for students pursuing career technical education.

Significant Adjustments:

- **Investing in Student Success**—The Budget provides an increase of $200 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This includes $100 million to increase orientation, assessment, placement, counseling, and other education planning services. It also targets $100 million to close achievement gaps in access and achievement between underrepresented student groups and their peers, as identified in local student equity plans.

- **Increased Operating Expenses**—The Budget provides an additional $125 million Proposition 98 General Fund to increase base allocation funding in recognition of increased community college operating expenses in the areas of facilities, retirement benefits, professional development, converting part time to full-time faculty, and other general expenses.

- **Growth**—The Budget provides an increase of $106.9 million Proposition 98 General Fund for growth in general-purpose apportionments, which represents a 2-percent increase in full-time equivalent enrollment. The 2014 Budget directed the Board of Governors to adopt a growth formula that gives first priority to districts identified as having the greatest unmet need in adequately serving their
community’s higher educational needs. This new growth formula is to begin in the 2015-16 fiscal year.

- **Cost-of-Living Adjustment**—The Budget provides an increase of $92.4 million Proposition 98 General Fund for a cost-of-living adjustment of 1.58 percent.

- **Adult Education Block Grant**—The Budget provides $500 million Proposition 98 General Fund to implement the Adult Education Block Grant as discussed in the K thru 12 Education Chapter.

- **Apprenticeship Programs**—The Budget provides $29.1 million Proposition 98 General Fund for expansion of apprenticeship programs. This includes $14.1 million to grow existing apprenticeship programs and $15 million to create innovative apprenticeship demonstration projects that focus on new and emerging industries with unmet labor market demand.

- **Career Technical Education**—The Budget provides $48 million Proposition 98 General Fund one-time to support the Career Technical Education Pathways Program at the Chancellor’s Office. These funds provide resources for community colleges to develop, enhance, and expand career technical education programs that build upon existing regional capacity to meet regional labor market demands.

- **Enhanced Non-Credit Rate Change**—The Budget provides $49 million Proposition 98 General Fund to reflect an increase adopted with the 2014 Budget in the funding rate for career development and college preparation non-credit courses (also known as CDCP or enhanced non-credit) to equal the rate provided for credit courses. Career development and college preparation non-credit courses offer flexibility for community colleges to design and deliver courses better suited for students pursuing career technical education. 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.

- **Mandate Backlog Payments**—The Budget provides an additional $353.3 million Proposition 98 General Fund to continue paying down outstanding mandate claims by community colleges. These payments will further reduce outstanding mandate debt, while providing community colleges with one-time resources to address deferred maintenance at facilities, instructional equipment needs, and other one-time costs.
• Eliminating Apportionment Deferrals—The Budget provides $94.5 million Proposition 98 General Fund to eliminate deferrals consistent with the revenue trigger included in the 2014 Budget. Inter-year deferrals reached a high of $961 million in the 2011-12 fiscal year.

Hastings College of the Law

The Hastings College of the Law is the oldest and one of the largest public law schools in the West, providing instruction to 960 full-time equivalent students.

Significant Adjustment:

• General Fund Increase—An ongoing increase of $1 million General Fund. This funding will mitigate the need for Hastings to increase student tuition and fees and can be used by the law school to meet its most pressing needs.

California Student Aid Commission

The California Student Aid Commission administers state financial aid to students attending California 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, the Assumption Program of Loans for Education, and the Middle Class Scholarship Program. More than 125,000 students received new Cal Grant awards, and more than 170,000 students received renewal awards in 2013-14. In its first year of implementation in 2014-15, an estimated 95,000 students will earn Middle Class Scholarships at a cost of $80 million. These programs are a key way in which the state supports public higher education to make college more affordable for the state’s lower-income students.

The Cal Grant program is one of the most generous entitlement financial aid programs in the country. Only New York has need-based student financial aid programs comparable in size to California’s. Costs for the program increased dramatically due to UC and CSU tuition and fee increases during the recession and an increased number of students participating in the program. Over a ten-year period, participation in the program and costs have increased from 240,000 students and $697 million in 2004-05, to more than 331,000 students and $1.9 billion estimated for 2015-16. Stable tuition and fee levels since 2011-12 at UC and CSU have slowed the rate of growth in the program in recent years.
Significant Adjustments:

- **Cal Grant Program Growth** — An increase of $68.9 million General Fund in 2014-15 and $198.2 million General Fund in 2015-16 to reflect increased participation in the Cal Grant program. Of this, $48.3 million in 2014-15 and $67 million in 2015-16 are attributable to the continuing implementation of the California Dream Act.

- **Middle Class Scholarship Program** — An increase of $45 million General Fund in 2015-16 for the second year of implementation of the Middle Class Scholarship Program.

- **Maintain Outreach Programs** — An increase of $15 million General Fund to continue the Cal-SOAP and Cash for College outreach programs. This funding replaces federal funds that are no longer available for this purpose after 2014-15.

- **Modernization of Grant Delivery System** — An increase of $840,000 General Fund and 3.0 positions to modernize the grant delivery system.

- **Offset Cal Grant Costs with Federal Temporary Assistance for Needy Families (TANF) Reimbursements** — An increase of $91 million General Fund in 2015-16 to reflect decreased TANF funds available through an interagency agreement with the Department of Social Services. This adjustment will bring the total TANF funds expended on the Cal Grant program to $286.3 million in 2015-16.