

# HIGHER EDUCATION

## TOTAL FUNDING

The Budget continues to recognize the significant contributions and benefits to society from broad access to higher education at the University of California (UC), the California State University (CSU), and California Community Colleges (CCC). The 2007-08 Budget marks the third year of funding for UC and CSU under the terms of the Higher Education Compact with the Administration.

The Budget provides for total Higher Education funding of \$19.7 billion from all revenue sources. UC funding totals over \$5.4 billion, including almost \$3.3 billion General Fund. (See Figure HED-01). The amount budgeted from the General Fund for UC is 6.4 percent above the 2006-07 budget. CSU funding totals almost \$4.4 billion, including approximately \$3.0 billion General Fund. The amount budgeted from General Fund for CSU is 6.2 percent above the 2006-07 budget. Community College funding totals over \$8.5 billion, including approximately \$6.5 billion from General Fund and Proposition 98 sources, of which almost \$4.5 billion is from the General Fund alone. The amount budgeted from General Fund and Proposition 98 sources for CCC is 5.5 percent above the revised 2006-07 level.

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## HIGHER EDUCATION COMPACT FUNDING LEVELS

In accordance with the Higher Education Compact, the Budget provides stable funding to UC and CSU for enrollment growth and basic budget support. In particular, the Budget reflects the following:

- Fee Levels—Undergraduate fees increase to \$6,636 (7 percent) for UC and to \$2,772 (10 percent) for CSU. Graduate fees increase to \$7,440 (7 percent) for UC, to \$3,216

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

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change from 2006-07	
							Dollar	Percent
University of California <sup>1/</sup>								
Total Funds	\$4,418.5	\$4,516.1	\$4,514.7	\$4,812.4	\$5,104.0	\$5,452.9	\$348.9	6.8%
General Fund	3,150.0	2,868.1	2,698.7	2,838.6	3,078.0	3,273.9	\$195.9	6.4%
California State University <sup>1/</sup>								
Total Funds	3,525.9	3,651.4	3,586.3	3,834.5	4,087.1	4,368.3	\$281.2	6.9%
General Fund	2,697.1	2,625.7	2,475.8	2,596.0	2,810.4	2,985.9	\$175.5	6.2%
Community Colleges								
Total Funds	6,588.5	6,697.8	7,300.8	7,764.8	8,269.4	8,585.0	\$315.6	3.8%
General Fund & P98 <sup>3</sup>	4,869.9	4,505.3	5,031.9	5,735.0	6,194.5	6,536.0	\$341.5	5.5%
Student Aid Commission (GF)								
Total Funds	594.0	689.3	776.5	830.8	857.6	903.4	\$45.8	5.3%
General Fund	569.0	658.8	595.4	733.5	802.9	873.0	\$70.1	8.7%
Other Higher Education <sup>2/</sup>								
Total Funds	180.6	199.4	301.1	307.1	326.2	396.6	\$70.4	21.6%
General Fund	165.0	179.6	274.9	280.4	298.0	367.5	\$69.5	23.3%
<b>Total Funds</b>	<b>\$15,307.5</b>	<b>\$15,754.0</b>	<b>\$16,479.4</b>	<b>\$17,549.6</b>	<b>\$18,644.3</b>	<b>\$19,706.2</b>	<b>\$1,061.9</b>	<b>5.7%</b>
<b>General Fund</b>	<b>\$11,451.0</b>	<b>\$10,837.5</b>	<b>\$11,076.7</b>	<b>\$12,183.5</b>	<b>\$13,183.8</b>	<b>\$14,036.3</b>	<b>\$852.5</b>	<b>6.5%</b>

<sup>1/</sup> 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.

<sup>2/</sup> 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.

<sup>3/</sup> 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.

(10 percent) for CSU teacher preparation students, and to \$3,414 (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—The Budget provides funding for enrollment growth of 2.5 percent per year at the marginal cost of instruction. For UC, this growth rate represents an increase of 5,000 students. For CSU, the increase is 8,355 students.
- Basic Budget Support—The Budget provides a 4-percent general increase to help preserve and enhance the quality of university instruction by addressing competitive faculty and staff salaries, health benefits, maintenance, inflation, and other cost increases.

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## 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 provides significant new investments in this higher education segment, including funding for substantial enrollment growth, a large cost-of-living adjustment, and additional funding for important statewide initiatives that include addressing the nursing shortage, career technical education, and increasing the 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 \$341 million compared to 2006-07, including \$21.2 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 the \$20 per unit and continue to be the lowest in the nation— just 24 percent of the national average.

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## CAREER TECHNICAL EDUCATION INITIATIVE

The Budget continues substantial investments in career technical education (CTE), consistent with the Governor's initiative begun in 2005-06. The Budget provides \$52 million, consisting of \$20 million in ongoing funds in the Community Colleges budget and the first increment of \$32 million from the CTA vs. Schwarzenegger settlement appropriated by Chapter 751, statutes of 2006 (SB 1133). This initiative seeks to systematically reinvigorate high school vocational programs through curriculum enhancements, course sequencing and articulation between K-12 tech-prep programs and community college economic development programs. A specific 2007-08 expenditure plan is currently being finalized by the Chancellor's Office in conjunction with the State Department of Education, and is anticipated to include new grant opportunities that include financial incentives for high schools to enroll additional students in high-quality career programs that are linked with business, a career advancement academy pilot program for drop-outs and other adults lacking basic and vocational skills, new projects to enhance CTE leadership development and business partnerships, as well as substantial increases in CTE teacher recruitment and professional development. 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. The Administration has also sponsored legislation to streamline the credentialing process for CTE instructors that should assist in the current teacher shortage.

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## NURSE EDUCATION INITIATIVE

The Budget continues to provide new investments to address the statewide nursing shortage in the higher education segments and financial aid programs totaling over \$21 million. Included are augmentations totaling \$17.1 million for Community Colleges to further reduce attrition in nursing enrollments, startup funding for 4 new nursing programs, and one-time funding for equipment and other uses to stimulate expansion of enrollments in both nursing and allied health programs. The Budget also provides \$3.6 million for CSU to increase undergraduate nursing enrollments by 340 students in the budget year, \$757,000 for UC associated with increased enrollments in accelerated masters nursing degree programs, 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. These additions are further detailed in the respective traditional highlights for each segment or agency below. Finally, it is noted that \$2.5 million of the budget-year CTE funding plan is reserved to support second-year grants for the K-12 nursing career pathway program for school districts. With this budget, the cumulative funding provided over the last four years above normal enrollment growth totals approximately \$130 million.

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## CCC STUDENT SUCCESS INITIATIVE

The Budget sets aside \$33.1 million Proposition 98 General Fund for the Community Colleges in anticipation of legislation that would appropriate this amount to increase the rate of successful outcomes for students who are not adequately prepared for college-level work. Many students enter college without the requisite basic skills necessary to succeed in college. Despite the availability of remedial courses, most of those students 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. In order to address this situation, especially for students transitioning from high school, the Administration proposes funding to enhance counseling and other student services, including improved aptitude assessments, development of a meaningful academic plan for each student, and hands-on tutoring, as necessary, to ensure these students complete that plan. This funding would be distributed in a way that provides front-end accountability incentives for improving those success rates, thereby eliminating the need for tedious reporting on each college's choice of expenditures.

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## SALE OF EDFUND

Budget trailer legislation (SB 89 and SB 91) provide for the sale of the Student Aid Commission's loan guarantee function and nonprofit auxiliary organization, known as EdFund, in order to maximize the value of the state's assets related to implementation of the Federal Family Education Loan Program. Because the loan guaranty function is not a core mission of state government and is often conducted by independent, non-governmental entities in other states, it is anticipated that a sale or other arrangement would have the benefit of generating up to \$1 billion of revenue to the state without affecting either student access to or interest rates on federal guaranteed loans for postsecondary education. This legislation authorizes the Director of Finance to determine the most cost-effective course of action, to hire a sale advisor, and provides \$300,000 for legal expenses to ensure that all details of the transaction are conducted in compliance with both federal requirements and state laws and regulations to ensure no interruption of guaranty services to students. It is anticipated that the sale would take place during the last quarter of the fiscal year, after due diligence has been completed by prospective purchasers, competitive bidding conducted, and approval of the federal Department of Education.

As a consequence of this transaction, the state will resume funding for the cost of the Commission's state operations and financial aid awareness programs.

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## UNIVERSITY OF CALIFORNIA

The Budget provides total funding from all sources of \$5.5 billion for UC, an increase of \$348.9 million or 6.8 percent above the 2006-07 level. This funding level includes \$3.3 billion General Fund, reflecting an increase of \$195.9 million or 6.4 percent above the 2006-07 level. The Budget includes the following significant General Fund and fee related adjustments for UC:

### CURRENT YEAR

The Budget includes the following significant current-year General Fund adjustments for UC:

- \$1.3 million increase for lease purchase payments.

### BUDGET YEAR

- \$116.7 million increase (4 percent) for basic budget support.
- \$52.9 million increase (2.5 percent) for enrollment growth consistent with the Compact. This funding will enable UC to enroll an additional 5,000 state-supported students.

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- \$104.7 million increase in fee revenue associated with the 7-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.
- \$14 million in one-time funds for costs associated with sustaining UC Merced operations in 2007-08 for a total funding level of \$24 million.
- \$757,000 to restore nursing funding for expansion of entry-level master's nursing programs pursuant to Chapter 592, Statutes of 2005 (SB 73).
- \$570,000 increase for the next cohort of 38 students for the PRIME Program, which targets prospective medical doctors for underserved populations.
- \$500,000 increase for the COSMOS program that provides summer enrichment for talented K-12 students in math and science.
- \$15.8 million increase for lease purchase payments.
- \$10.5 million increase for annuitant health benefits.

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## CALIFORNIA STATE UNIVERSITY

The Budget provides total funding from all sources of \$4.4 billion for CSU, an increase of \$281.2 million or 6.9 percent above the 2006-07 level. This funding level includes \$3.0 billion General Fund, an increase of \$175.5 million or 6.2 percent above the 2006-07 level.

The Budget includes the following significant General Fund and fee related adjustments for CSU:

### CURRENT YEAR

The Budget includes the following significant current-year General Fund adjustments for CSU:

- \$23.3 million increase for retirement costs.
- \$3.0 million reduction for lease purchase payments.

### BUDGET YEAR

- \$108.7 million increase (4 percent) for basic budget support.
- \$64.4 million increase (2.5 percent) for enrollment growth. This funding will enable CSU to enroll an additional 8,355 state-supported students.

- \$97.8 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.
- \$3.6 million to support an increase of 340 FTES enrollments in undergraduate nursing programs at full marginal cost in recognition of cost pressures on CSU and the need for increased enrollments.
- \$2 million increase for the next phase of the Science and Math Teacher Initiative that began with the 2005 Budget Act.
- \$120,000 increase (4 percent) for the Capitol Fellows Program consistent with the Compact.
- \$23.3 million to continue the increase for retirement costs.
- \$2.7 million reduction for lease purchase payments.

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## CALIFORNIA COMMUNITY COLLEGES

The Budget provides total funding from all sources of \$8.585 billion for CCC, an increase of \$315.6 million or 3.8 percent above the 2006-07 level. This funding level includes \$341.5 million net General Fund and Proposition 98-related increases or 5.5 percent above the 2006-07 level. The Budget includes the following significant Proposition 98 General Fund related adjustments for CCC:

### CURRENT YEAR

- \$19.2 million increase in property tax revenue based on revised estimates.

### BUDGET YEAR

- \$248.4 million increase for cost-of-living (4.53-percent COLA) for general-purpose Apportionments.
- \$107.5 million increase (2 percent) for enrollment growth for Apportionments. This funding will enable CCC to enroll an additional 23,000 full-time-equivalent (FTE) students.
- \$21.2 million increase for Categorical Program enrollment growth and COLA (2 percent and 4.53 percent, respectively) for Basic Skills, Matriculation, Disabled Students Programs and Services, Campus Childcare Tax Bailout, and Extended Opportunity Programs and Services.

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- \$80 million base reduction for unused growth from current and prior years. Notwithstanding this adjustment, when coupled with the 2-percent new growth funding and additional capacity retained in the base budget associated with declining enrollment funding, the apportionment budget is sufficient to enable the system to increase full-time-equivalent (FTES) enrollment by at least 3 percent over the estimated current-year actual workload levels for total growth of more than 34,000 FTES.
- \$5.2 million increase for additional attrition reduction related investments to increase the graduation rate in Associate Degree Nursing programs.
- \$1.9 million increase for textbook assistance for low-income students.
- \$570,000 for the Fiscal Crisis Management Assistance Team to prevent insolvency for financially struggling districts.
- \$500,000 increase for the Foster Care/Kinship Program.
- \$31.5 million increase to offset the remaining fee revenue reduction incurred by colleges in the budget year due to the reduction in student fees from \$26 per unit to \$20 per unit in the spring of 2007 and other workload adjustments.
- \$203.1 million reduction to Apportionments to reflected estimated growth in local property taxes of an identical amount.

The Budget sets aside a total of \$46.9 million Proposition 98 General Fund for pending legislation that would appropriate these funds for the following purposes:

- \$33.1 million from surplus Basic Skills overcap incentive funding to support additional services to increase successful student outcomes, particularly for recent high school graduates who lack basic skills, as discussed in the Student Success initiative above.
- \$13.8 million for other Proposition 98 priorities.

The Budget also provides \$21.2 million in one-time funding from the Proposition 98 Reversion Account for the following purposes:

- \$8.1 million for equipment and other one-time expenses associated with nursing and allied health programs that will stimulate increased enrollment capacity for these high-demand occupations.
- \$8.1 million for deferred maintenance and instructional materials.
- \$4 million for startup costs for four new nursing programs.

- \$1 million for the Cal-Pass program that facilitates institutional research for multiple education segments.

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## HASTINGS COLLEGE OF THE LAW

The Budget provides total funding from all sources of \$39.8 million, an increase of approximately \$900,000 or 2.3 percent above the 2006-07 level. This funding includes \$10.6 million General Fund, reflecting a decrease of \$40,000 or 0.4 percent.

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

- \$406,000 increase (4 percent) for basic budget support, consistent with the Compact.
- \$77,000 increase for retired annuitant health benefit costs.
- \$523,000 reduction of one-time relocation costs related to a capital outlay project.
- \$2 million increase in fee revenue associated with an 8 percent fee increase. One-third of the fee revenue generated by the increase will be set aside for financial aid.

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## STUDENT AID COMMISSION

The Budget provides total funding from all sources of \$903.4 million, an increase of \$45.8 million or 5.3 percent above the revised 2006-07 level. This funding includes \$873 million General Fund, reflecting an increase of \$70.1 million or 8.7 percent above the revised 2006-07 level. The Budget includes the following significant adjustments for the Student Aid Commission:

### CURRENT YEAR

- \$43.9 million in savings in the Cal Grant and APLE programs.

### BUDGET YEAR

- \$41.4 million increase over the revised 2006-07 level for anticipated growth in the Cal Grant Program, reflecting increased participation and the anticipated undergraduate fee increases of 7 percent and 10 percent at UC and CSU, respectively.
- \$6.7 million increase over the revised 2006-07 level for anticipated growth in costs in the Assumption Program of Loans for Education (APLE).

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- \$15.3 million to shift the cost of the Commission's state operations from the Student Loan Operating Fund to the General Fund as a result of the pending sale of EdFund.
- \$6.4 million to shift the cost of the Commission's financial aid awareness program known as CalSOAP from the Student loan Operating Fund to the General Fund as a result of the pending sale of EdFund.
- Authorization for 600 new warrants for a total of 8,000 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 2009-10).
- Authorization for 100 new warrants for the State Nursing Assumption Program of Loans for Education (SNAPLE) (payments estimated to begin no sooner than 2009-10).
- Authorization for 100 new warrants for the Nurses in State Facilities APLE program (payments estimated to begin no sooner than 2009-10).