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Overview of 2009 Special Session: How Higher Education Fared

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Budget and Fiscal Review Subcommittee

No. 1 on Education

Hon. Gloria Romero, Chair





Overall Funding to Increase 4 Percent

Higher Education Budget, as of February 2009 Budget Package					
<i>Selected Funds (Dollars in Millions)</i>					
	2007-08	2008-09 Revised	2009-10 Enacted	Change From 2007-08	
				Amount	Percent
University of California					
General Fund	\$3,257.4	\$3,135.0	\$2,932.6 ^a	-\$324.8	-10.0%
Fee revenue	1,593.1	1,734.7	1,903.1	310.0	19.5
Lottery	25.5	29.6	—	-25.5	-100.0
Federal stabilization funding	—	—	255.0	255.0	N/A
Subtotals	(\$4,876.0)	(\$4,899.2)	(\$5,090.7)	(\$214.7)	(4.4%)
California State University					
General Fund	\$2,970.6	\$2,871.8	\$2,653.6 ^a	-\$317.0	-10.7%
Fee revenue	1,176.3	1,251.3	1,382.9	\$206.6	17.6
Lottery	58.1	49.3	—	-58.1	-100.0
Federal stabilization funding	—	—	255.0	255.0	N/A
Subtotals	(\$4,205.1)	(\$4,172.4)	(\$4,291.5)	(\$86.5)	(2.1%)
California Community College					
General Fund	\$4,170.0	\$3,948.0	\$4,427.2	\$257.2	6.2%
Local Property Taxes	1,970.7	2,053.5	2,063.6	93.0	4.7
Fee Revenue	281.4	299.4	308.4	27.0	9.6
Lottery	168.7	164.1	—	—	—
Subtotals	(\$6,590.8)	(\$6,300.9)	(\$6,799.3)	(\$208.4)	(3.2%)
Hastings College of the Law					
General Fund	\$10.6	\$10.2	\$10.5	-\$0.2	-1.5%
Fee revenue	26.2	32.2	36.4	10.3	39.2
Lottery	0.1	0.2	—	-0.1	-100.0
Subtotals	(\$36.9)	(\$42.6)	(\$46.9)	(\$10.0)	(26.9%)
CPEC					
General Fund	\$2.1	\$2.0	\$2.0	-\$0.1	-4.1%
CSAC					
General Fund	\$866.7	\$900.6	\$1,010.8	\$144.1	16.6%
SLOF	94.4	130.0	106.1	11.2	11.8
Subtotals	(\$961.6)	(\$1,030.7)	(\$1,116.8)	(\$155.2)	(16.1%)
Totals					
General Fund	\$11,277.5	\$10,867.6	\$11,036.7 ^a	-\$240.7	-2.1%
All Selected Funds	16,672.5	16,447.9	17,347.3	\$674.7	4.0

^a Includes \$100 million in "trigger cuts" to UC and CSU.

CPEC = California Postsecondary Education Commission, CSAC = California Student Aid Commission.



Key Impacts on University Budget



Universities Receive Unallocated General Fund Reductions

- Current-year reduction of \$65.5 million for the University of California (UC) and \$66.3 million for the California State University (CSU).
- Budget-year reduction of \$50 million for UC and \$50 million for CSU.
- Governor's veto of \$510 million from UC and CSU combined would have no programmatic effect since it is assumed to be backfilled with new federal stabilization funding.



Universities Receive New Fee Revenue

- Current-year fee increases provide \$83 million for UC and \$73 million for CSU (after diverting one-third of this funding for financial aid).
- Budget-year fee increases provide \$108 million for UC and \$87 million for CSU (after diverting funding for financial aid).



Funded Enrollment Is Unclear at This Point

- Neither 2008-09 nor 2009-10 budgets include specific appropriations for enrollment growth.
- However, universities have been given latitude in how to absorb unallocated reductions and how to allocate hundreds of millions of dollars in new fee revenue.
- Enrollment at both universities has grown over the past two years. We recommend the Legislature clarify its expectations regarding enrollment at the universities.



Key Impacts on Community Colleges Budget

- No Cost-of-Living Adjustment (COLA) Allowance**
 - Eliminates the 0.68 percent COLA from *2008-09 Budget Act* (\$39.8 million savings).
 - No COLA for 2009-10 (estimated \$323 million savings).

- Deferral of Apportionment Funding**
 - \$340 million in California Community College (CCC) apportionments are deferred from 2008-09 to 2009-10. This reduces current-year appropriation without reducing CCC programmatic support.
 - New deferral is on top of ongoing \$200 million deferral from 2003-04.

- Enrollment Funding**
 - \$185 million augmentation for 3 percent enrollment growth in 2009-10 (funds about 36,000 full-time equivalent students).
 - Current-year funding for 2 percent growth is not affected.

- Deferral of Mandates Payments**
 - Reduces payment of state mandates for savings of \$4 million. (Mandate funding to be revisited by the Legislature is spring budget hearings.)

- No Fee Increases**
 - Fees remain at \$20 per unit.



Key Effects on Cal Grant Programs



Governor's Proposed Cuts Rejected

- Governor had proposed \$87.5 million in cuts to Cal Grant programs, but these were not included in 2009-10 budget package.



Increased Participation Funded

- The February budget package increased current-year and budget-year funding to cover increased participation and anticipated fee increases.



Governor's Proposals Still Awaiting Legislative Action

- \$1.1 million for 92 new nursing students and \$1.5 million for 57 new medical students at UC.
- \$3.6 million for 340 new nursing students at CSU.
- 24 capital projects at UC and CSU, at a cost of \$820 million (primarily lease-revenue bonds).
- Elimination of the California Postsecondary Education Commission and consolidation of its functions (as well as those of the California Student Aid Commission [CSAC]) under the Office of the Secretary for Education.
- Decentralization of Cal Grant programs administration from CSAC to campuses.