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Review of Budget Reduction Options for Higher Education

LEGISLATIVE ANALYST'S OFFICE

Presented to:

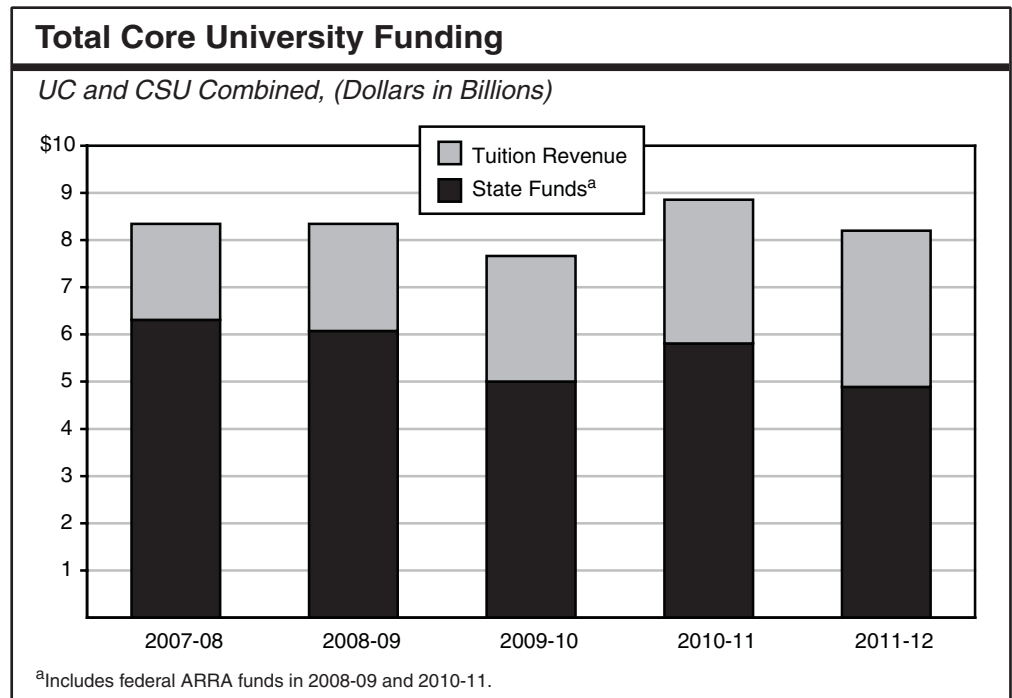
Senate Budget and Fiscal Review Committee

Hon. Mark Leno, Chair





Public University Funding in Context



- State General Fund support has declined about \$1.4 billion from 2007-08 to 2011-12.
- Net tuition revenue has increased about \$1.3 billion over the same period.
- Total core funding has declined about \$143 million, or 1.7 percent.
 - If approved 2011-12 cuts were doubled, total core funding would be about 14 percent less than in 2007-08.



University Tuition in Context

2010-11 Tuition and Fees for Full-Time Resident Undergraduates	
<i>(Subtitle)</i>	
California State University and Public Comparison Institutions	
Rutgers University (Newark, NJ)	\$12,560
Illinois State University (Normal, IL)	11,399
University of Connecticut (Storrs, CT)	10,416
Wayne State University (Detroit, MI)	9,733
University of Maryland, Baltimore County	9,171
University of Wisconsin at Milwaukee	9,032
George Mason University (Fairfax, VA)	8,684
University of Texas at Arlington	8,500
Cleveland State University	8,466
Arizona State University at Tempe	8,134
Georgia State University at Atlanta	7,884
University of Colorado at Denver	7,327
State University of New York at Albany	6,830
North Carolina State University	6,529
University of Nevada at Reno	5,561
California State University	5,180
University of California and Public Comparison Institutions	
University of Illinois	13,508
University of Michigan	13,590
University of California	11,279
University of Virginia	10,628
SUNY at Buffalo	7,136

- Approved University of California (UC) tuition for 2011-12 is \$11,124, putting UC in the middle of its comparison group for tuition and mandatory fees.
- Approved California State University (CSU) tuition for 2011-12 is \$4,884, which is the lowest among its comparison institutions (CSU tuition is currently about 61 percent of the group average).



Financial Aid in Context

- ☑ Cal Grant costs have increased with tuition increases.
 - Total funding for Cal Grants has increased from \$880 million in 2007-08 to \$1.5 billion in 2011-12.
 - The 2011-12 budget passed by the Legislature includes \$124 million in Cal Grant reductions, achieved primarily by extending certain eligibility requirements so they now apply to renewals.

- ☑ California's funding for financial aid is generally comparable to other states.
 - California ranks around the middle for most measures of aid per capita or per undergraduate.
 - In general, California's programs are more targeted than in other states—for example, all of California's state aid is need-based, whereas a number of states employ a combination of need-based and merit aid.
 - The measures on which California does stand out involve general state subsidies per student (for example, General Fund appropriations to the institutions), which are above average compared with other states.



Higher Education Budget Options

Potential University Budget Reductions	
<i>General Fund Benefit (In Millions)</i>	
Reduce personnel costs by 10 percent at UC and 5 percent at CSU	\$408
<ul style="list-style-type: none"> • Could require UC faculty to teach more and research less • Could reduce sabbaticals and release time • Could increase employee benefit contributions at CSU 	
Reduce UC and CSU current-year augmentations by one-half (one-time savings)	361
<ul style="list-style-type: none"> • Current-year budget includes substantial augmentations • Legislature has already scored \$75 million in current-year savings for CSU 	
Score approved tuition increases: 8 percent for UC and 10 percent for CSU^a	263
<ul style="list-style-type: none"> • Regents and Trustees have already adopted these increases, which can backfill a like amount of General Fund reductions 	
Increase tuition another 7 percent for UC and 10 percent for CSU^b	270
<ul style="list-style-type: none"> • UC tuition would rise to \$11,902 • CSU tuition would rise to \$5,372 	
Reduce UC and CSU operating expenses and equipment funding by 5 percent	215
Reduce General Fund support for UC and CSU organized research by one-half	134
<ul style="list-style-type: none"> • Represents about 20 percent of total UC organized research funding 	
Reduce CSU enrollment by 5 percent from level proposed in Governor's budget	124
<ul style="list-style-type: none"> • Budget passed by Legislature assumes 2.5 percent reduction • Resulting enrollment level would reflect 1.6 percent reduction for current-year actual level 	
Reduce nonfederal support for UC and CSU public service by one-half	58
<ul style="list-style-type: none"> • Could include programs such as K-12 partnerships, capital fellowships, and cooperative extension 	
Eliminate UC General Fund support for Drew University	9
Eliminate supplemental funding for UC Merced	5
Total	\$1,847

^a General Fund savings are net of increased Cal Grant costs and institutional aid set-aside.
^b General Fund savings are net of increased Cal Grant costs only.



Higher Education Budget Options *(Continued)*

Potential Community College Budget Reductions	
<i>(In Millions)</i>	
Establish 90-unit cap on each student's taxpayer-subsidized CCC credits	\$250
<ul style="list-style-type: none"> • About 120,000 students were above this threshold in 2009-10 • A slightly higher cap of 100 units would affect about 80,000 students, for \$175 million in savings 	
Adopt additional fee increase (taking fees to \$66/unit)	170
<ul style="list-style-type: none"> • Represents highest fee level that could be fully reimbursed through federal tax credits for eligible students • Savings estimate assumes enrollment would decline by 10 percent and over half of students would receive a BOG waiver 	
Reduce funding for credit basic skills instruction to the rate provided for noncredit basic skills	125
<ul style="list-style-type: none"> • Reduces funding for such courses from \$4,565 to \$3,232 per FTE student • To accommodate lower funding rate for credit basic skills courses, districts could be allowed greater flexibility—such as using faculty with bachelor's (rather than master's) degrees. This is the standard currently in place for noncredit basic skills courses, which focus at a similar level 	
Eliminate state funding for intercollegiate athletics	55
<ul style="list-style-type: none"> • Prohibit districts from claiming apportionments for team practices 	
Eliminate state funding for repetition of credit physical education and fine-arts ("activity") classes	55
<ul style="list-style-type: none"> • Estimate assumes no new restrictions on students majoring in PE or fine arts, as well as students with disabilities in adaptive PE courses 	
Eliminate state funding entirely for noncredit PE and fine-arts (activity) classes	30
<ul style="list-style-type: none"> • These courses do not apply toward transfer or associate's degrees 	
Total	\$685



Higher Education Budget Options *(Continued)*

Potential Financial Aid Budget Reductions	
<i>General Fund Benefit (In Millions)</i>	
Reduce UC and CSU institutional financial aid by 5 percent	\$74
<ul style="list-style-type: none"> • Would reduce number or size of awards • Admitted students are already being notified of awards 	
Limit Cal Grant income eligibility	60
<ul style="list-style-type: none"> • Budget passed by Legislature achieves \$105 million in savings through similar actions 	
Limit competitive awards to stipends only	30
<ul style="list-style-type: none"> • Budget passed by Legislature achieves \$19 million in Cal Grant savings through alternative actions 	
Eliminate non-need-based fee waivers	25
<ul style="list-style-type: none"> • Assumes half of affected students would qualify for need-based financial aid 	
Raise minimum Cal Grant grade point average	20
<ul style="list-style-type: none"> • Student Aid Commission has already notified students of award offers 	
Total	\$209