

The 2011-12 Higher Education Budget in Context

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Budget and Fiscal Review Subcommittee No. 1
On Education

Hon. Carol Liu, Chair





Higher Education Budget Overview

- Governor proposes net \$1.8 billion General Fund reduction for higher education.

Components of Net \$1.8 Billion General Fund Reduction For Higher Education

Decreases

- \$500 million unallocated reduction for UC.
- \$500 million unallocated reduction for CSU.
- \$400 million unallocated reduction for CCC.
- \$129 million "deferral" of some CCC apportionment funding from 2011-12 to 2012-13.
- \$947 million reduction in General Fund support for the California Student Aid Commission (CSAC), replaced with the same amount of federal funding.

Increases

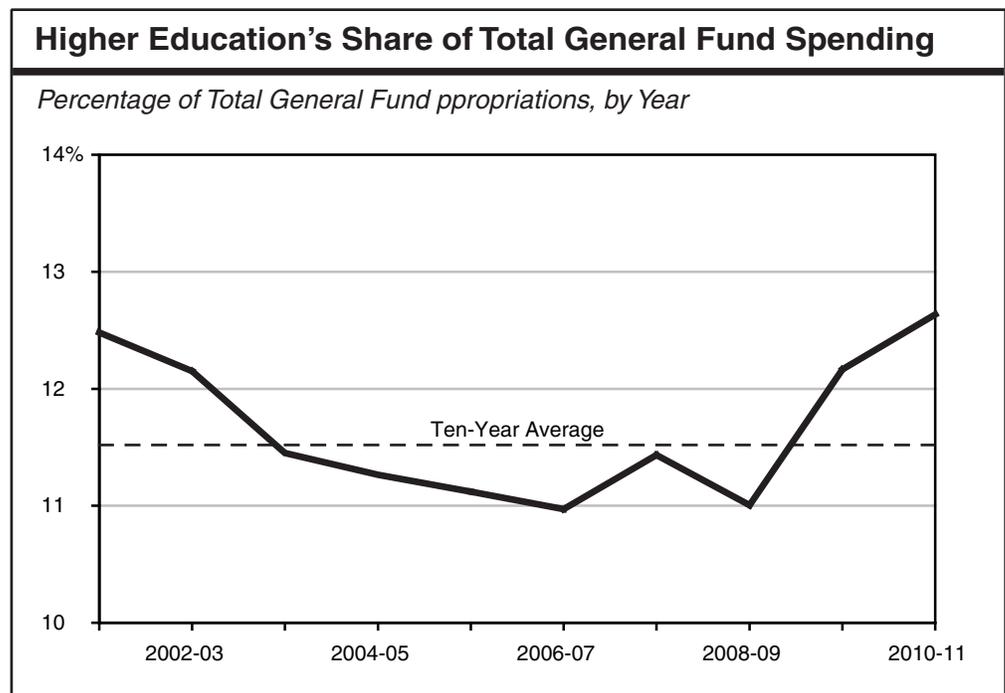
- \$371 million augmentation to cover increased Cal Grant costs.
- \$212 million augmentation to backfill one-time federal funding in the universities' 2010-11 budget.
- \$70 million augmentation to backfill one-time Student Loan Operating Fund support in CSAC's 2010-11 budget.



Higher Education Budget Overview

(Continued)

- ☑ Higher education's share of total General Fund spending has been volatile.
 - Over the past decade, funding ranged from less than 11 percent to 12.6 percent.
 - Ten-year average is 11.6 percent.
 - Governor's proposal would return higher education's share to 11.6 percent.

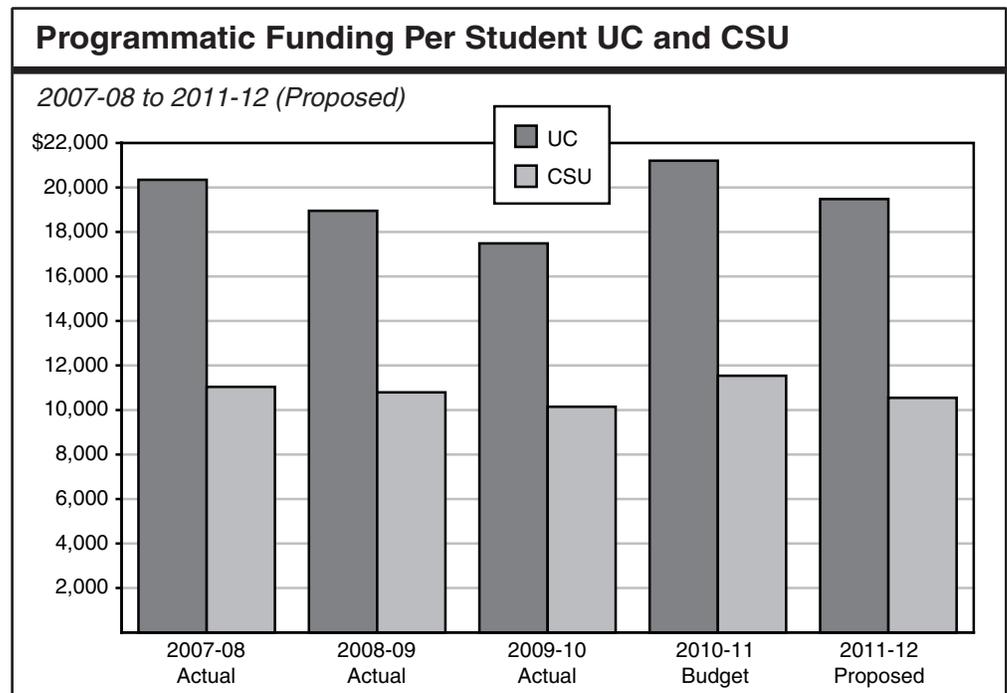




Higher Education Budget Overview

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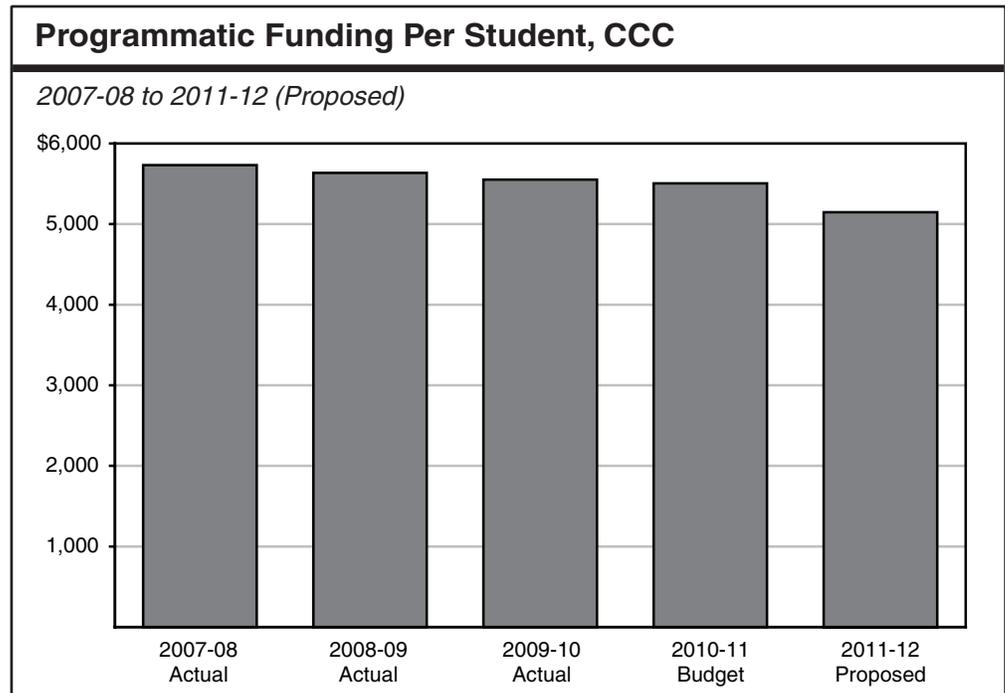
- Core higher education funding is up slightly from pre-recession levels.
 - Increased tuition has more than backfilled universities' General Fund reductions.
 - Community college funding is down about 4 percent.





Higher Education Budget Overview

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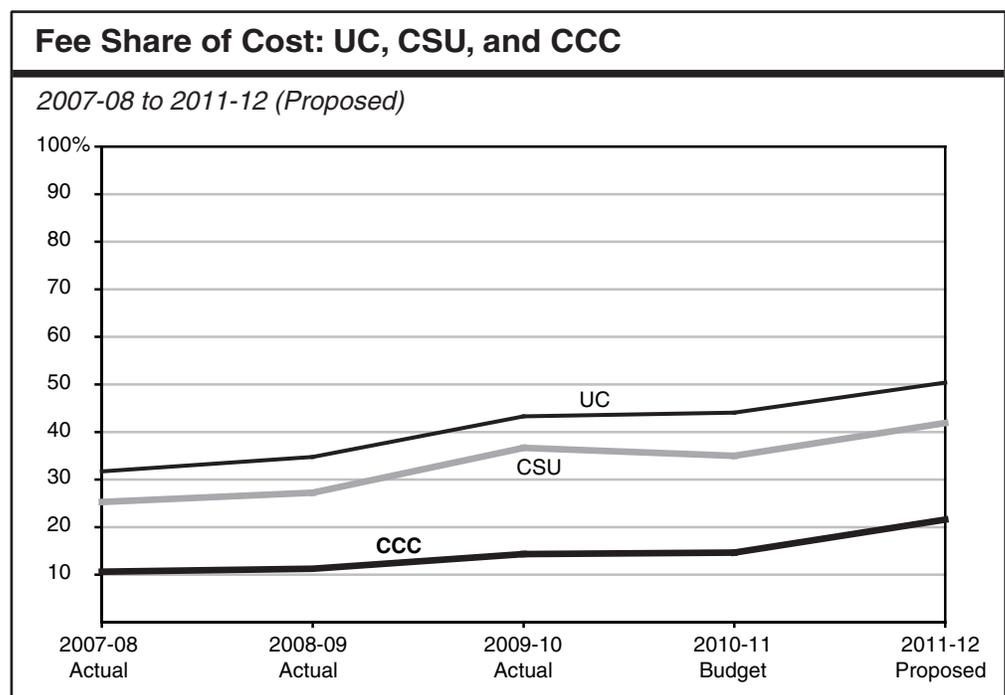




Higher Education Budget Overview

(Continued)

- ☑ Students paying a larger share of cost than in 2007-08.
 - Cal Grants and institutional aid programs have been spared budget cuts; total General Fund support has increased about \$900 million.





UC and CSU Budget Reductions

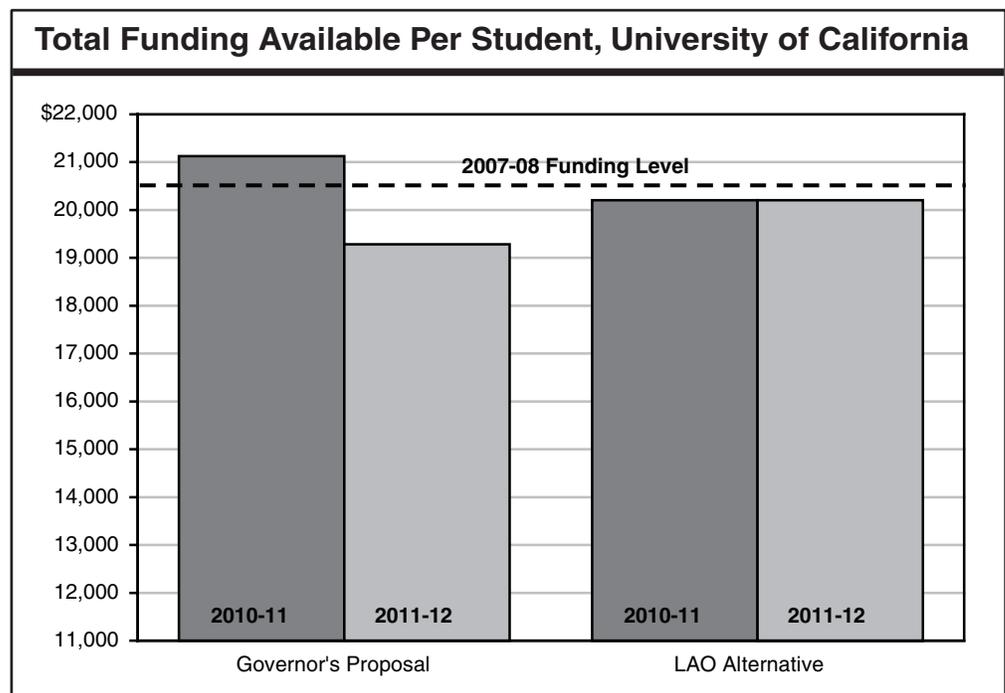
- The University of California (UC) and the California State University (CSU) escaped budget reductions in the current year.
 - In fact, they received augmentations of about \$350 million each.
 - Per-student funding is about 4.5 percent higher than in 2007-08.

- Governor proposes \$500 million in unallocated reductions for UC and CSU in 2011-12.
 - Net General Fund reductions would be less than this, due to backfill of federal stimulus funds (\$106 million) and other base adjustments.
 - Approved tuition increases at UC and CSU would backfill \$116 million and \$147 million, respectively, of the proposed General Fund reductions.
 - Assuming no further tuition increases and no reduction to budgeted enrollment levels, the universities would have to absorb year-to-year reductions in per-student funding of about 8 percent.



UC and CSU Budget Reductions *(Continued)*

- ☑ LAO assessment: proposed General Fund savings are reasonable.
 - Given the magnitude of the state’s budget shortfall and the universities’ current-year augmentations, we believe the magnitude of the proposed cuts is reasonable.
 - However, we recommend achieving some of the General Fund savings by reducing the universities’ current-year augmentations.





UC and CSU Budget Reductions *(Continued)*

- Key Issue: How should universities absorb proposed cuts?
 - Governor calls for “minimiz[ing] fee and enrollment impacts on students by targeting actions that lower the cost of instruction.” Should the Legislature express its expectations in this regard?
 - What should budgeted enrollment levels be?
 - Should further tuition increases backfill more of the General Fund reductions?
 - Should noninstructional costs be reduced?