

Higher Education

Budget Provides \$14.8 Billion in General Fund Support for Higher Education. As shown in Figure 1, this is a \$1.1 billion (8 percent) increase from 2014-15. The three largest higher education segments—the University of California (UC), California State University (CSU), and California Community Colleges (CCC)—receive General Fund augmentations ranging from 7 percent to 8 percent. Below, we describe the budget agreement for UC, CSU, Hastings College of the Law (Hastings), and student financial aid programs. We discuss the CCC budget in our companion [“Proposition 98” document](#).

Figure 1

Higher Education General Fund Support

(Dollars in Millions)

	2013-14 Actual	2014-15 Revised	2015-16 Budget Bill	Change From 2014-15	
				Amount	Percent
University of California ^a	\$2,844	\$2,991	\$3,232	\$241	8%
California State University ^{a,b}	2,769	3,026	3,279	253	8
California Community Colleges ^{a,c}	4,636	5,390	5,742	352	7
Hastings College of Law ^a	10	11	12	1	13
California Student Aid Commission ^d	1,703	1,967	2,137	170	9
California Institute of Regenerative Medicine ^a	95	275	369	93	34
Awards for Innovation in Higher Education	—	50	—	-50	-100
Totals	\$12,057	\$13,710	\$14,771	\$1,061	8%

^aIncludes general obligation debt service.

^bIncludes health benefit costs for retirees.

^cIncludes state contributions to the California State Teachers' Retirement System, Quality Education Investment Act funds, and funding for CCC Chancellor's Office.

^dIncludes Temporary Assistance for Needy Families and Student Loan Operating Fund support that directly offset General Fund costs.

UC, CSU, and Hastings

Budget Agreement Departs From Various Aspects of Governor's Multiyear Higher Education

Funding Plan. In 2013-14, the Governor proposed a four-year funding plan for UC, CSU, and Hastings that called for (1) base augmentations of 5 percent in 2013-14 and 2014-15 and 4 percent in 2015-16 and 2016-17, (2) broad discretion for the segments to determine how to spend their state funds, (3) no increases in tuition, and (4) no expectations regarding enrollment. The 2015-16 budget departs from this framework for UC and CSU by providing funding on top of each segment's 4 percent base augmentation, earmarking some funding for specific purposes, and setting expectations for enrollment growth. Consistent with the Governor's multiyear plan, the budget assumes no tuition increases for resident students at any of the three segments, though it acknowledges increases in tuition for nonresident students attending UC. UC also plans to increase the Student Services Fee for all students by 5 percent (\$48) in 2015-16.

\$3.2 Billion General Fund Support for UC. This is an increase of \$241 million (8 percent) from 2014-15. Of this increase, \$119 million is ongoing and \$122 million is one time. The bulk of the ongoing funding is unallocated, but the budget includes various earmarks for the remaining funds. Specifically, the budget earmarks (1) \$96 million (one time) to supplement payments made by UC toward its unfunded pension liability (this is counted as a Proposition 2 debt payment), (2) \$25 million (one time) for deferred maintenance (provided through a budget control section), (3) \$6 million (ongoing) to support two UC centers on labor research and education, (4) \$1 million (one time) for the Wildlife Health Center at the Davis campus to administer grants to local marine mammal stranding networks, (5) up to \$1 million for UC to continue planning a medical school at the Merced campus, and (6) \$770,000 (ongoing) for an elections database housed at the Berkeley campus. In addition, the budget specifies funding is available from UC's base budget for the California DREAM Loan Program, though it does not designate a set dollar amount for this purpose.

\$3.3 Billion in General Fund Support for CSU. This is a \$253 million (8 percent) increase from 2014-15. Of this amount, \$228 million is ongoing. As with UC, the bulk of ongoing funding for CSU is unallocated, but the budget includes several new earmarks. Specifically, of the new ongoing funding, the budget earmarks at least \$11 million for CSU to hire additional tenure-track faculty, \$4 million to fund benefit rate changes for CSU retirees, up to \$500,000 to plan for an engineering program at the Channel Islands campus, \$250,000 for the Mervyn M. Dymally African American Political and Economic Institute, and \$200,000 to increase awareness of federal financial aid programs for teachers. The ongoing increase also includes (1) \$7.6 million for lease-revenue debt service for previously approved capital projects and (2) \$500,000 for the Center for California Studies to replace funding previously provided from the Assembly's budget and to increase staff and fellow stipends. As with UC, the budget specifies funding is available from CSU's base budget for the California DREAM Loan Program though it does not designate

a specific amount. The budget also includes \$25 million (one time) for CSU deferred maintenance through a budget control section.

\$12 Million in General Fund Support for Hastings. This is a \$1.4 million (13 percent) increase from 2014-15. Unlike UC and CSU, Hastings has full discretion in deciding how to use its entire funding increase.

Enrollment Expectations. The budget agreement sets enrollment expectations for UC and CSU. For UC, the budget sets an expectation for the system to enroll at least 5,000 additional resident undergraduate students by the 2016-17 academic year, as compared to the 2014-15 academic year. Further, the budget authorizes the Director of Finance to augment UC's budget by \$25 million should UC demonstrate prior to May 1, 2016 that it will meet the state's expectation. For CSU, the budget states a goal to increase enrollment by at least 10,400 resident full-time equivalent students over the 2014-15 level. Though the budget establishes no enrollment expectations for Hastings, supplemental report language requires Hastings to submit a proposed enrollment funding formula to the state by September 30, 2015.

Financial Aid

\$2.1 Billion for Financial Aid. Of this amount, \$1.6 billion is from the General Fund, \$521 million is federal TANF funding, and \$1.9 million is from the College Access Tax Credit Fund. Of the funds provided, the vast majority is for Cal Grants, with the remainder for second-year implementation of Middle Class Scholarships, as well as loan assumption programs, specialized grant programs, and outreach. Overall financial aid spending increases \$170 million (9 percent) from 2014-15 to 2015-16. The budget includes three Cal Grant expansions, eligibility changes for Middle Class Scholarships, modifications to the College Access Tax Credit program, state funding to backfill expiring federal funds supporting loan assumption and student outreach programs, and two augmentations for the California Student Aid Commission's (CSAC) state operations. We highlight the main components of the financial aid budget package below.

Fully Funds Cal Grant Participation Growth, Increases Cal Grant Competitive Awards, and Increases Certain Cal Grant Award Amounts. The budget includes the following Cal Grant augmentations:

- \$141 million to reflect increased participation in Cal Grant programs. A portion of this increase is due to growth in new awards in recent years, which results in more renewals in 2015-16. In addition, the second cohort of Dream Act students accounts for about 15 percent of the increase.
- \$9.1 million to delay a reduction in the maximum award for students at private colleges accredited by the Western Association of Schools and Colleges. The 2012-13 budget scheduled a reduction in the maximum award for these students from the 2013-14 level of \$9,084 to \$8,056 in 2014-15, but

subsequent budgets have postponed the reduction. Under the current budget package, this reduction is further postponed until 2017-18.

- \$8 million to increase the number of Cal Grant competitive awards from 22,500 to 25,750. As new competitive awards are renewed, the associated costs are expected to increase to \$14.4 million in 2016-17, \$19.9 million in 2017-18, and \$23.4 million in 2018-19.
- \$1.9 million to increase the Cal Grant B Access Award by \$8 per student, on top of the base award amount of \$1,648 per student. These funds come from the College Access Tax Credit Fund (discussed further below).

Adjusts Eligibility Rules for Middle Class Scholarships. Budget trailer legislation excludes students whose household assets exceed \$150,000 from receiving Middle Class Scholarships starting in 2015-16. (The asset ceiling excludes primary residences and funds in retirement accounts.) Starting in 2016-17, the legislation also prohibits recipients from receiving a total amount of assistance under the program that exceeds the equivalent of four years (or, in some cases, five years) of full-time attendance. Additionally, the legislation requires both income and asset ceilings to be adjusted for inflation starting in 2016-17. To reflect savings from these changes as well as lower-than-anticipated participation in the program, the budget trailer legislation adjusts the statutory appropriations for the program down from \$152 million to \$82 million in 2015-16, from \$228 million to \$116 million in 2016-17, and from \$305 million to \$159 million in 2017-18.

Modifies College Access Tax Credit. Created in 2014, the College Access Tax Credit is scheduled to sunset in 2016. In the near term, budget trailer legislation continuously appropriates moneys deposited into the fund to CSAC to supplement the amount of the Cal Grant B Access Award. (Previously, the Legislature had to appropriate the funds in the annual budget.) Trailer legislation also establishes a similar tax credit for 2017.

Backfills Expiring Federal Funds. The budget includes a \$15 million state General Fund augmentation to replace expiring federal College Access Challenge Grant funds used to support state programs. These funds support the Assumption Program of Loans for Education (\$7.2 million), the California Student Opportunity Access Program (\$7.2 million), and the Cash for College program (\$586,000).

Increases CSAC State Operations by \$935,000. The budget provides CSAC with \$840,000 and three positions to begin planning for a new information technology system to administer financial aid programs. The budget also provides \$95,000 and one position for CSAC to implement program changes to the Cal Grant C program, as required by Chapter 692, Statutes of 2014 (SB 1028, Jackson).