

## Governor's 2001-02 Budget Proposal For: **HIGHER EDUCATION**

California's higher education system is governed by *the Master Plan of Higher Education* (1960), which promises a high quality, affordable higher education for all California citizens who can benefit from it. *The Master Plan* also delineates different missions for each of the three segments of public higher education, the California Community Colleges (CCC), the California State University (CSU) and the University of California (UC). The California Student Aid Commission (CSAC) and the California Postsecondary Education Commission (CPEC) also play an integral role in implementing the goals of *The Master Plan*, with CSAC providing and overseeing financial aid and CPEC providing policy analysis and recommendations to the Governor and the State Legislature.

### **GOVERNOR'S PROPOSED BUDGET**

The Governor's 2001-02 proposed budget allocates approximately \$28.1 billion for higher education in California, an increase of \$1.4 billion or 5.4 percent over the current year. Of these funds, \$9.7 billion is in General Fund support, which represents a General Fund increase of \$783 million or 8.7 percent over the current year.

Table 1 illustrates the Governor's 2001-02 proposed General Fund expenditures for higher education.

Table 1

#### **Proposed General Fund Support For Segments Of Higher Education**

| <b>(Dollars in Millions)</b> |                  |                  |               |                       |
|------------------------------|------------------|------------------|---------------|-----------------------|
| <b>Segment</b>               | <b>2000-01</b>   | <b>2001-02</b>   | <b>Change</b> | <b>Percent Change</b> |
| CCC                          | \$2,819          | \$3,048          | \$229         | 8.1%                  |
| CSU                          | 2,465            | 2,681            | 216           | 8.8                   |
| UC                           | 3,206            | 3,408            | 202           | 6.3                   |
| Hastings College             | 14.3             | 15.5             | 1.2           | 8.4                   |
| CSAC                         | 532              | 670              | 138           | 25.9                  |
| CPEC                         | 4                | 4                | 0.07          | 1.7                   |
| <b>Total</b>                 | <b>\$9,040.3</b> | <b>\$9,826.5</b> | <b>\$786</b>  | <b>8.7%</b>           |

This table includes only a few selected public program funds.

### **DIVERSITY IN HIGHER EDUCATION**

As California's population has become increasingly diverse, the issue of access to California's public higher education institutions has become a significantly complex problem for the state. On July 20, 1995, the UC Board of Regents voted to eliminate affirmative action in university admissions. This action resulted in a dramatic drop in the number of African American, Chicano/Latino and

Native American students offered admission to the University beginning in 1997. In 1996, California voters passed Proposition 209, eliminating state and local government affirmative action programs in the areas of public employment, public education, and public contracting. Without a doubt, those two actions created some unique challenges to diversity in higher education. As the Legislature deliberates on the Governor's proposed budget, it has an opportunity to address this critical policy issue.

In response to the decline in underrepresented students at UC, since 1996-97, the state has invested an additional \$131.6 million in outreach programs to assist the UC in its efforts to increase diversity. Even with this huge investment of funding, UC has failed to significantly increase its enrollment of underrepresented students, particularly at UC's most selective campuses. Furthermore, the UC has not been required by the Legislature to report on the expenditure of outreach funds, although funding (\$1.2 million) has been provided by the state for an extensive evaluation of these programs. In considering the UC's budget, the Legislature may want to review the University's continued failure to diversify both its undergraduate and graduate student populations.

Likewise, the Legislature may wish to review the CCC's efforts in the area of transfer. The number of underrepresented students transferring from the California Community Colleges to UC and CSU has not improved significantly over the years. The 2000 Budget Act includes language to require the community colleges to increase the number of transfer prepared students by 6 percent to the UC and by 5 percent to the CSU. However, it is unclear how these goals will actually address specific concerns expressed by legislators over the number of underrepresented students transferring to both UC and CSU.

### **STUDENT FEES**

For the seventh consecutive year, there will be no increases to systemwide mandatory student fees. Current fee levels at UC and CSU continue to be moderate in comparison to comparable institutions nationwide. Likewise, students will pay only a fraction of the total cost of their education, with the majority of this cost being paid by the state.

For UC, the 2001-02 cost of education for a general campus student (using the methodology developed by CPEC) is \$16,297. Of this amount, students pay approximately 23 percent, and the General Fund supports approximately 68 percent. For CSU, the average cost of education for a general campus student (using the methodology developed by CPEC) is \$11,045, with students paying approximately 15 percent of this total cost, and the General Fund supporting 80 percent. A variety of other funding sources make up the difference between student fees and General Fund support.

For the CCCs, the General Fund and local tax share is more than 93 percent of the \$4,824 cost of education, with students paying less than five percent of the costs of their education.

### **THE GOVERNOR'S "HIGHER EDUCATION PARTNERSHIP"**

In Spring 2000, UC and CSU each entered into a partnership agreement with the Governor that includes both funding and accountability principles. The Governor's proposed budget continues to support the four-year "Higher Education Partnership" agreement with UC and CSU. Similar to the previous four-year compact agreed to by the segments and the previous Governor, the intent of this

agreement is to help stabilize higher education funding in California. The partnership represents an annual funding commitment from the Governor in exchange for specific accountability goals being met by UC and CSU. The partnership's funding components are based on the following principles:

- ◆ An average annual increase of four percent to the prior year's state-funded base;
- ◆ Enrollment funding based on a marginal cost formula developed with the state;
- ◆ An additional one percent for core areas of the budget that have previously experienced shortfalls (building maintenance, instructional technology, instructional equipment replacement, and libraries);
- ◆ Funding for annuitant health and dental benefits;
- ◆ Support for general obligation or lease revenue bonds to fund capital outlay;
- ◆ One-time funding, contingent on the state's financial position, for high priority needs such as deferred maintenance, libraries, equipment, instructional technology, and capital outlay;
- ◆ Funding for new or expanded special initiatives or programs that are important to the state as a whole, contingent on the state's fiscal situation; and
- ◆ Revenue equivalent to that which would be generated from annual increases in mandatory system-wide fees and annual increases in Fees for Selected Professional School students of no more than the increase in California per capita personal income.

Under the partnership agreement, UC and CSU agree to make progress on specified accountability goals in key areas of importance to the state including:

- ◆ Ensuring admission for all eligible California students;
- ◆ Increasing Community College transfer students to UC and CSU;
- ◆ Improving outcomes such as graduation rates and timelines to degree attainment;
- ◆ Assuming greater responsibility to improve K-12 schools, including increasing the number of credentialed teachers and assuming a greater degree of responsibility in shaping and improving K-12 schools and learning; and
- ◆ Increasing utilization of facilities and resources.

While the partnership agreement frames much of the Governor's higher education budget proposal, the Legislature is not bound by the partnership agreement and has the prerogative to set its own priorities for funding UC and CSU. The Community Colleges are not included in the partnership since they are included under the Proposition 98 funding formula.

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## CALIFORNIA COMMUNITY COLLEGES

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The California Community Colleges (CCC) provide a general education program at 108 Community Colleges through 72 local districts, which serve approximately 1.6 million students. By law, California Community Colleges must admit any Californian seeking admission who has graduated from high school, and may admit those who have not graduated but who are 18 years of age or older and can benefit from instruction. This policy of "open access" fulfills the Community College mission to provide all Californians with the opportunity for advanced education and training. *The Master Plan for Higher Education* envisioned this goal could be achieved through a tripartite mission: lower-division instruction for students preparing to transfer to the UC or the CSU; occupational training for those seeking entry or re-entry to the labor force; and basic skills instruction in language and computation for adults functioning below the collegiate level.

The California Community Colleges currently serves approximately 1,029,028 full-time equivalent (FTE) students. The Governor's proposed budget includes approximately \$6.2 billion for the California Community Colleges from all funds, reflecting an increase of \$447.4 million or 7.7 percent over the \$5.8 billion provided in 2000-01. Proposition 98 funding constitutes about 76 percent of overall community college funding. The Governor's budget proposes \$4.7 billion of Proposition 98 funds for the Community Colleges. This amount represents 10.27 percent of the total K-14 Proposition 98 funds available, which is the same amount that the Community Colleges received in the revised current year. Table 2 below illustrates funding for the Community Colleges, which includes a General Fund increase of \$228.8 million (\$223.2 of which is Proposition 98 funding), or 8.1 percent, over revised current year funds.

Table 2

**California Community Colleges  
Budget Summary**

| (Dollars in Millions)  |                  |                  |                |                |
|------------------------|------------------|------------------|----------------|----------------|
| Sources of Funds       | 2000-01          | 2001-02          | <i>CHANGE</i>  | Percent Change |
| General Fund (GF)      | \$2,819.0        | \$3,047.7        | \$228.8        | 8.1%           |
| <i>Proposition 98*</i> | <i>2,653.9</i>   | <i>2,877.1</i>   | <i>223.2</i>   | <i>8.4</i>     |
| <i>Other GF*</i>       | <i>165.1</i>     | <i>170.7</i>     | <i>5.6</i>     | <i>3.4</i>     |
| Lottery Fund           | 137.2            | 137.2            | 0.0            | 0.0            |
| Local Property Taxes   | 1,709.4          | 1,846.6          | 137.2          | 8.0            |
| Student Fees           | 162.1            | 167.8            | 5.7            | 3.5            |
| Other State Funds      | 11.4             | 10.9             | -0.5           | -4.3           |
| Federal Funds          | 201.9            | 217.9            | 16.0           | 7.9            |
| Local Misc.            | 755.2            | 815.0            | 59.8           | 7.9            |
| Local Debt Service     | 5.1              | 5.5              | 0.4            | 7.9            |
| <b>Total</b>           | <b>\$5,801.1</b> | <b>\$6,248.5</b> | <b>\$447.4</b> | <b>7.7%</b>    |

This table includes only a few selected public program funds.

\* These funds are included in the total General Fund expenditures expressed at the top of this table.

## MAJOR PROPOSALS

- ◆ **Student Fees.** The Governor's proposed budget does not include an increase in student fees. Community College students will continue to pay \$11 per unit, the lowest in the nation. The budget also includes funds to offset the associated fees waived for all needy students. Under the Governor's proposal, this would be the seventh consecutive year without a fee increase.
- ◆ **Enrollment Growth.** The budget proposes \$114.5 million, for a three percent growth in enrollment and selected categorical programs. The budgeted funds will allow the Community Colleges to accommodate an additional 30,871 FTE students, bringing the total FTE student level to approximately 1,059,899. However, this amount is less than the four percent growth requested by the Community Colleges Board of Governors.
- ◆ **Cost of Living Adjustment.** The budget proposes \$153.8 million to fund a 3.91 percent COLA to fully fund cost of living increases for both general purpose funds and selected categorical programs. This amount is equal to the COLA granted to the K-12 system.
- ◆ **Part-time Faculty Compensation.** The budget proposes \$62 million to assist districts in making part-time faculty salaries more comparable to full-time faculty salaries for similar work associated with teaching. Based on current estimates, the proposed amount would not likely provide the full funding needed for this purpose. The California State Auditor released a report in June 2000 recognizing the pay disparity between part-time and full-time faculty in teaching,

recommending the Legislature consider a number of options with fiscal implications ranging between \$18-\$144 million annually. In addition, CPEC is preparing to release a comprehensive study commissioned by the Legislature under AB 420 (Wildman), Chapter 738, Statutes of 1999, on part-time faculty employment, salary and compensation. CPEC's study may bring some additional light to this issue as the Legislature deliberates. The Community Colleges Board of Governors has requested \$225 million for part-time salary compensation increases over a three-year period.

- ◆ **Part-time Faculty Office Hours.** The budget proposes increased funding of \$4.7 million for part-time office hours, bringing funding specifically for this purpose to \$7.9 million. The Governor also plans to propose funding of \$3.2 million in the current year for the program. In addition, the Governor proposes that this funding be contingent on enactment of legislation to reinstate equal participation in funding by both the State and local community colleges. Currently, every two dollars of state funds for this program must be matched by only one dollar of local district funds.
- ◆ **Financial Aid Outreach.** The budget proposes \$11 million to assist districts with ensuring that all eligible students apply for Cal Grants. Of this amount, approximately \$2.7 million will be distributed equally (\$25,000 each) to all 108 colleges, and \$8.3 million will be allocated proportionally to colleges based upon their number of Pell Grant recipients.
- ◆ **Teacher and Reading Development.** The budget proposes \$5 million to expand the number of colleges (from 33 to approximately 50) participating in Teacher and Reading Development Partnership programs. These programs received initial funding in the current year and are designed to encourage promising community college students to pursue a career in teaching through development of an articulated internship program with local school districts and CSU campuses. Specifically, the funding provides for a number of activities including providing stipends for students working in lower elementary classrooms, developing teacher preparation courses, improving articulation with four-year institutions, and enhancing partnerships with other educational sectors.
- ◆ **Economic Development.** The budget proposes \$5 million to increase the number of Industry Driven Regional Collaboratives specifically addressing high demand for information technology, nursing, and biotechnology workforce development services.
- ◆ **Apprenticeship Hours.** The budget proposes \$800,000 to meet the demands of industry by increasing the number of apprentice training hours from 2.5 million to 2.7 million. In addition, the proposed budget adds \$3.3 million in the current year for this program.
- ◆ **Disabled Students Programs and Services.** The budget proposes \$823,000 for live captioning to provide real-time services to hearing-impaired students and to comply with federal equal access requirements.
- ◆ **Instructional Equipment and Library Materials.** The budget proposes \$10 million to assist CCCs with replacing worn out, obsolete or inadequate equipment and instructional materials through the Instructional Equipment Replacement Program (IERP). Districts would be required to match state funds with at least twenty-five percent from other sources. The

Community Colleges estimate that they will need annual on-going funds of over \$87 million for maintenance, repair, replacement and upgrades of instructional equipment alone. With the \$10 million request, total specific funding for this purpose increases to \$59 million.

- ◆ **Scheduled Maintenance and Special Repairs.** The budget proposes \$10 million to augment base resources available for scheduled maintenance and special repairs, hazardous substances removal, and Americans with Disabilities Act compliance projects.
- ◆ **Joint Baccalaureates Program.** The budget proposes \$1 million in one-time General Fund support for the San Mateo Community College District (Cañada College) to develop a joint baccalaureates program with San Francisco State University. The proposal consists of \$375,000 to design four-year degree programs and \$625,000 for tenant improvements, equipment, and modernization.
- ◆ **State Operations.** The budget proposes \$1.1 million in non-Proposition 98 General Fund support for the CCC Chancellor's Office. Included in this amount is funding to fill four existing vacant positions and two new positions. The Governor's proposed budget includes:
  - ◆ \$468,000 to fill four vacant positions, one in legal affairs and three in student services;
  - ◆ \$151,000 for two new positions in fiscal services;
  - ◆ \$200,000 in one-time funds for data collection associated with the Teacher and Reading Development Partnership; and
  - ◆ \$250,000 for additional data collection necessary for compliance with the California Infrastructure Planning Act created under AB 1473 (Hertzberg), Chapter 606, Statutes of 1999.
- ◆ **Capital Outlay.** The budget proposes \$143.6 million for the CCC from general obligation bonds for capital outlay expenditures. This amount includes \$122.3 million for the CCC to complete 53 previously approved projects at 43 campuses and \$21 million to allow the CCC to address 23 new major projects at 19 campuses.

## CALIFORNIA STATE UNIVERSITY

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The California State University (CSU) system is comprised of 22 campuses, including 21 university campuses and the California Maritime Academy. While each campus in the system has its own unique geographic and curricular character, all campuses, offer undergraduate and graduate instruction for professional and occupational goals, as well as broad liberal education programs. A limited number of doctoral degrees are offered jointly by the CSU with the University of California and with select private universities.

The California State University currently serves approximately 291,980 full-time equivalent (FTE) graduate and undergraduate students. The Governor's proposed budget for the CSU totals \$5.1 billion, an overall increase of \$219 million or 4.5 percent over the current budget year. Table 3 below illustrates the proposed funding for the CSU from selected program funds, which includes

proposed General Fund expenditures of \$2.7 billion, an increase of \$216 million or 8.8 percent over the revised current year funds.

Table 3

| <b>CALIFORNIA STATE UNIVERSITY</b> |                |                |              |                |
|------------------------------------|----------------|----------------|--------------|----------------|
| <b>BUDGET SUMMARY</b>              |                |                |              |                |
| (Dollars in Millions)              |                |                |              |                |
| Sources of Funds                   | 2000-01        | 2001-02        | Change       | Percent Change |
| General Fund                       | \$2,465        | \$2,681        | \$216        | 8.8%           |
| Student Fees                       | 655            | 679            | 24           | 3.7            |
| Lottery Education Fund             | 55             | 36             | 19           | -35            |
| Other Funds                        | 1,692          | 1,690          | -2           | -0.1           |
| <b>Total</b>                       | <b>\$4,868</b> | <b>\$5,086</b> | <b>\$219</b> | <b>4.5%</b>    |

This table includes only a few selected public program funds.

## MAJOR PROPOSALS

- ◆ **Student Fees.** The Governor's proposed budget provides \$16.5 million to avoid a 4.91 percent increase in mandatory fees, making CSU's undergraduate fee level of \$1,834 per year (including an average \$406 campus fee) more favorable than the 2000-01 average of \$3,946 at 15 comparable public institutions. Under the Governor's proposal, this would be the seventh consecutive year without a fee increase.
- ◆ **Enrollment Growth.** The budget proposes \$55.7 million to increase enrollments by three percent, an increase in 8,760 FTE students in 2001-02, bringing the total FTE student level to approximately 303,878 (including 3,138 FTE students during the summer.)
- ◆ **Year-Round Operations.** The budget proposes \$12.4 million to provide full state support for summer instruction at the San Diego, Fullerton, Long Beach and San Francisco campuses, funding a total of 3,138 FTE students at the agreed-upon marginal cost of instruction. In the 2000 Budget Act, the Legislature provided funding to reduce fees for summer school students at all the CSU general campuses. As a result, fees charged for CSU-matriculated students who attend a summer term are now equivalent to fees paid during the regular academic year. CSU has already converted four of its campuses (Hayward, Los Angeles, Pomona and San Luis Obispo) to year-round operations.
- ◆ **Employee Compensation.** The budget proposes \$96.3 million in employee compensation, including \$81.5 million for a four percent increase in the compensation pool for all employees, \$11.2 million in health benefit rate increases, \$2.1 million in annuitant dental benefits and \$1.5 million in 2000-01 full-year service-based compensation.



- ◆ **Core Budget Needs.** The budget proposes approximately \$23 million to address chronic funding shortfalls in the areas of instructional equipment (\$10 million), network capacity (\$5 million), library materials (\$4 million) and deferred maintenance (\$4 million).
- ◆ **Governor's Initiatives.** In addition, the Governor's proposed budget includes \$64.2 million (above his partnership agreement) for the following initiatives.
  - ◆ \$36 million to augment higher education's linkages with the K-12 system, including:
    - ◆ \$18.5 million for the Governor's K-12 Technology Training Initiative to train teachers to use technology in the classroom to improve student performance; and
    - ◆ \$17.5 million to fully fund 1,000 annual Governor's Teaching Fellowships, which provide nonrenewable graduate teaching fellowships to students who agree to teach at low-performing schools for four years.
  - ◆ \$3.7 million for specific research initiatives, including:
    - ◆ \$3 million to expand applied research efforts in the areas of agricultural research (\$1 million), biotechnology (\$1 million), and marine studies (\$1 million); and
    - ◆ \$650,000 for a Central Valley Economic Incubator at CSU Fresno to develop a high-technology industry base in the region.
  - ◆ \$3 million to fully fund permanent fixed costs for start-up of the Channel Islands campus.
  - ◆ \$1 million to expand the Diagnostic Writing Service, which provides feedback to high school students about the strengths and weaknesses of their writing skills.
  - ◆ \$20 million continuation of one-time funds for deferred maintenance, instructional equipment, and library materials.
  - ◆ \$500,000 to backfill federal Goals 2000 funds for the California Center for Teaching Careers (CalTeach).
  - ◆ \$28,000 to review student transcripts used to prepare for the CPEC eligibility study.
- ◆ **K-12 Academic Preparation.** The budget proposes \$8 million to expand faculty-to-faculty alliances between CSU professors and California high school teachers of math and English to help align CSU and high school math and English standards for 10th and 11th graders. In addition, this funding would be used to expand CSU's Learning Assistance Program, which recruits CSU students to tutor high school students in English and math.
- ◆ **Workforce Preparation and Academic Development.** The budget proposes \$10 million to enhance the quality of, and the number of students from, various strategic academic programs, including agriculture, nursing, computer science, engineering, biochemistry, and biotechnology.

- ◆ **Capital Outlay.** The budget proposes \$207 million from general obligation bonds for capital outlay projects including \$103.6 million for CSU to complete 13 previously approved projects at 12 campuses, \$96.6 million to allow CSU to address 14 major new projects at 11 campuses, and \$6.7 million for minor projects.

## UNIVERSITY OF CALIFORNIA

The UC system includes eight general campuses, one health science campus in San Francisco and one new campus currently under development in Merced. The University of California, founded in 1868 as a public land-grant institution, is the primary state supported academic agency for research, with exclusive jurisdiction in public higher education over instruction in the professions of law, medicine, dentistry, and veterinary medicine. The University of California currently serves an estimated 170,566 full-time equivalent (FTE) graduate and undergraduate students.

The Governor's proposed budget includes a total of \$15.6 billion for the UC, an increase of \$628 million or 4.2 percent over the current year. Table 4 below illustrates the Governor's proposed budget for the UC from selected program funds, which includes proposed General Fund expenditures of \$3.4 billion, representing a General Fund increase of \$202 million or 6.3 percent over the revised current budget year.

Table 4

### University of California Budget Summary

(Dollars in Millions)

| Sources of Funds        | 2000-01         | 2001-02         | Change     | Percent Change |
|-------------------------|-----------------|-----------------|------------|----------------|
| General Fund            | \$3,206         | \$3,408         | \$202      | 6.3%           |
| Student Fees            | 644             | 663             | 19         | 3              |
| UC General Funds Income | 371             | 372             | 1          | 0.3            |
| Lottery Education Fund  | 22              | 22              | 0          | 0              |
| Other Funds             | 10,756          | 11,162          | 406        | 3.8            |
| <b>Total</b>            | <b>\$14,999</b> | <b>\$15,627</b> | <b>628</b> | <b>4.2%</b>    |

This table includes only a few selected public program funds.

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## MAJOR PROPOSALS

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- ◆ **Student Fees.** The Governor's proposed budget includes \$21.5 million to avoid an increase in mandatory system-wide student fees. Annual mandatory system-wide fees for California undergraduate students will remain at \$3,429 and at \$3,609 for graduate students. Under the Governor's proposal, this would be the seventh consecutive year without a fee increase.
- ◆ **Enrollment Growth.** The budget proposes \$52.2 million to increase enrollments by 5,700 FTE students in 2001-02 for a total budgeted General Campus and Health Sciences enrollment of 179,688. UC plans to target growth of about 1,000 FTES in the fields of engineering and computer sciences for a total of approximately 20,000 FTES in these fields. This is the fourth year of an eight-year plan by UC to increase enrollment in these fields to about 24,000 FTE students by 2005-06. The proposed budget also assumes enrollment growth of 450 FTE students associated with UC's plan to more than double the number of students who graduate from UC with education credentials over the next several years. This represents an increase of about 50 percent over the number enrolled in 1999-00 in education related programs.
- ◆ **Employee Compensation.** The Governor's budget assumes that UC will use partnership funding for salary and benefit increases. According to UC, they anticipate costs of salary and benefit increases of \$131.1 million.
- ◆ **Year-Round Operations.** The budget proposes \$20.7 million to fund the full cost of existing summer enrollment of 3,422 FTE students at the Berkeley, Los Angeles, and Santa Barbara campuses at the agreed-upon marginal cost of instruction. In the 2000 Budget Act, the Legislature provided funding to reduce fees for summer students at all eight UC general campuses. As a result, fees charged for UC-matriculated students who attend a summer term are now equivalent to fees paid during the regular academic year. Like CSU, UC plans to increase summer enrollment over time as one way of accommodating the dramatic enrollment growth anticipated during the next decade. The funding proposed in the Governor's budget is the first step in a multi-year plan to phase in state-supported summer instruction at all UC general campuses, with priority given to severely impacted campuses.
- ◆ **Core Budget Needs.** The budget proposes approximately \$29.9 million to address chronic funding shortfalls in core areas of the budget, including \$11 million for ongoing building maintenance, \$12 million for instructional technology, \$2 million for instructional equipment replacement, and \$5 million for library materials.
- ◆ **Deferred Maintenance, Instructional Equipment and Libraries.** In addition to \$29.9 million funded under the partnership, the budget proposes to continue the \$20 million of one-time funds provided in the current year for deferred maintenance, instructional equipment, and library materials.
- ◆ **Inflation Adjustment.** The budget proposes to allow UC to allocate \$25.5 million to offset the impact of inflation on its non-salary budget. This will assist the University in maintaining the purchasing power needed to buy commodities necessary for the operation of the campuses.

- ◆ **Strengthening the Quality of Undergraduate Education.** The budget proposes \$8 million for the second year of a multi-year plan to improve the quality of undergraduate education. The Governor proposes that UC use these funds to continue its efforts to restore the University's student-faculty ratio to its historic level of 17.6:1, the ratio that existed before the budget reductions of the early 1990s. The student-faculty ratio is considered an important indicator of quality in higher education institutions. The University's current student-faculty ratio is 18.6:1, which is higher than that of comparable public and private institutions. The UC would specifically use the proposed funds to hire additional faculty, reduce class sizes, offer additional seminars, provide increased opportunities for undergraduates to work with faculty on research projects, provide additional instructional support funds to academic departments and faculty, and increase academic advising for students.
- ◆ **California Institutes for Science and Innovation.** The budget proposes a total of \$108 million to fund four institutes for science and innovation. Of this proposed amount, \$75 million is part of the second increment of funding for the first three institutes provided for in the 2000 Budget Act. The remaining \$33 million in new funding is proposed for the first increment in a three-year plan to develop a fourth institute, a Center for Information Technology at UC Berkeley. At the end of the three years, it is intended that funding for the fourth institute will equal the funding provided for the first three institutes and will also be matched on a two-to-one basis by non-state funds.
- ◆ **Research.** The Governor proposes \$35 million in one-time funding to invest in research aimed at areas of key economic importance to the state, including:
  - ◆ \$5 million in one-time funds to support research efforts in engineering and computer science. The funds will be used to provide support for graduate student researchers;
  - ◆ \$5 million in one-time funds to support environmental science research that will help assess the impact of generation, utilization, and distribution of energy on California's atmosphere, and transform environmental field stations into UC observatories for California's environment. One-half of these funds will be used to support graduate student researchers;
  - ◆ \$3 million in one-time funds to support research into long-term solutions to Pierce's disease, an insect-transmitted bacterium that threatens California's wine, table, and raisin grape industry. One-half of these funds will be used to support graduate student researchers;
  - ◆ \$18 million in one-time funds to continue development of Internet2, a high-speed national data transmission network, to assure that faculty and students have the access they need to encourage cooperative research initiatives within UC and with other countries. UC has used permanent funding provided in previous budgets to complete the link between the northern and southern "hubs" of the network, as well as to improve the campus infrastructure needed to provide direct access to Internet2;
  - ◆ \$4 million to continue biomarker research through the Center for the Medical Investigation of Neurodevelopmental Disorders (the MIND Institute). This research will attempt to determine whether specific biomarkers are present at birth in children who later develop certain neurodevelopmental disorders; and

- ◆ \$2 million to increase the permanent research budget for the MIND Institute to support related investigations in the areas of animal models, immunology, brain damage, molecular biology, and genetics.
- ◆ **Outreach.** The budget proposes \$2.6 million for outreach related programs. Of this amount, \$1.5 million is proposed to expand graduate and professional outreach programs intended to identify potential graduate student candidates and help them prepare for and apply to graduate and professional programs. An additional \$1.1 million is proposed to expand the Articulation System Stimulating Inter-Institutional Student Transfer (ASSIST). ASSIST is a computerized information system that provides counselors and students with detailed course transfer and articulation information on-line to help them plan their academic careers, facilitate a seamless transfer process, and reduce the number of redundant courses they take as they move from community colleges to universities.
- ◆ **Student Services.** The budget proposes \$3 million to expand programs aimed at retaining students so they complete their degrees and are better prepared to pursue advanced studies. The UC has stated that this funding will be used to expand the Mathematics, Engineering, and Science Achievement (MESA) undergraduate program and the Science, Mathematics, and Technology Program. In addition, UC hopes to use portions of these funds for other services that provide counseling and career guidance, tutoring, services to students with disabilities, summer bridge programs, and orientation services. However, it is unclear how the UC would exactly distribute these funds among all the various possible student services suggested in the Governor's proposed budget. Many student services were severely cut by the UC due to the budget reductions of the early 1990's.
- ◆ **UC Merced.** The budget proposes a total of \$162.4 million for continued development of the 10<sup>th</sup> campus at Merced. Of this proposed amount, \$160.4 million is for construction of the first two buildings and initial drawings for a third building on the Merced campus. \$2 million is for start-up expenses associated with recruiting faculty in time for the accelerated start date. UC is planning to open the Merced campus by Fall 2004, consistent with the timeline requested by the Governor. It is hoped that the creation of this campus will provide greater access to UC for students in the Central Valley, as well as stimulate the economic growth potential of the Central Valley.
- ◆ **Capital Outlay.** In addition to funding for UC Merced and the California Institutes for Science and Innovation, the budget proposes \$203.3 million from general obligation bond funding for the 2001-02 capital improvement program. This amount includes funding for UC to equip six projects for which construction has already been approved by the State, and \$193.2 million to fund 26 major capital projects. Of the 26 major capital projects, funds will support construction or design completion and construction for 11 projects, as well as initial or continuing design on 15 projects.

The budget also proposes an additional \$40 million for the following capital outlay projects.

- ◆ **UCSF/Fresno Medical Center.** \$30 million is proposed to support a Fresno facility to house the UCSF/Fresno Medical Center teaching program. This facility will replace

academic training space that will be lost due to the closure of the University Medical Center at the former county hospital, which must be vacated by October 2001. Additionally, this project consolidates faculty and services currently located at the local Veteran Administration's hospital and the Area Health Education Center.

- ◆ **Heckmann Center for Entrepreneurial Management.** \$10 million for the development of the Heckmann Center for Entrepreneurial Management in Palm Desert, near the UC Riverside campus. The Governor's budget proposal states that the Center is intended to develop global business leaders and conduct research relevant to the expansion of a global understanding of the entrepreneurial process. Programs will be interactive among UC Riverside, CSU San Bernardino, and College of the Desert.

## HASTINGS COLLEGE OF LAW

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Hastings College of Law was founded in 1878 by Serranus Clinton Hastings, California's first Chief Justice, and was affiliated with the University of California by the Legislature in the same year. A board of directors, who are appointed by the Governor for 12-year terms, oversees the college. The juris doctor degree is granted by the Dean of Hastings and the Regents of the University of California.

The Governor's proposed budget includes a total of \$36 million for Hastings College of Law, an overall decrease of \$434,000 or 1.1 percent over the current year. Of these funds, \$15.5 million is General Fund support, an increase of \$1.2 million or 8.4 percent over the current the year.

## MAJOR PROPOSALS

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- ◆ \$573,000 is proposed for a four percent base budget increase.
- ◆ \$143,000 is proposed for a one percent increase to address college-wide priorities.
- ◆ \$400,000 is proposed for general purpose resources equivalent funds the college would have received from a 4.91 percent enrollment fee increase (net of financial aid).
- ◆ \$81,000 is proposed to provide equity with the UC for staffing costs.
- ◆ \$11,000 is proposed to fund an annuitant benefit increase.

## CALIFORNIA STUDENT AID COMMISSION

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The California Student Aid Commission (CSAC) is responsible for making higher education affordable and accessible to students in California. CSAC attempts to accomplish this mission by administering a variety of student aid and loan programs, including the Cal Grant program, which is the primary state source of financial aid. In addition, the Commission administers the Federal Guaranteed Student Loan Program.

The Governor's proposed budget includes a total of \$1.2 billion for CSAC, \$138 million or 13.1 percent over the current year. Of these total funds, the Governor proposes \$670 million in General Fund support, an increase of \$138 million or 25.9 percent. The proposed budget specifically provides for \$631.5 million for all types of Cal Grants, an increase of \$127.9 million, or 25 percent, over the \$503.6 million budgeted in 2000-01. The \$127.9 million augmentation in funding will allow CSAC to provide approximately 25,226 new financial aid awards to needy students, consistent with SB 1644 (Ortiz), Chapter 403, Statutes of 2000.

### **PROGRAMS ADMINISTERED BY THE CSAC**

- ◆ **New Cal Grant Entitlement Program.** Last year, the Legislature passed and the Governor signed SB 1644, creating the new Cal Grant Entitlement program. This legislation provided for the single largest expansion of financial aid in California history. The entitlement awards are guaranteed to students who graduate from high school in 2000–01, or beyond, and meet financial, academic, and general program eligibility requirements. The following programs make up the new entitlement:
  - ◆ Cal Grant A provides tuition and fee funding for high school graduates who have at least a 3.0 grade point average (GPA) on a four-point scale, allowing for a maximum award of \$9,703 per year for students attending independent colleges;
  - ◆ Cal Grant B provides funds to low-income disadvantaged students who graduated from high school with at least a 2.0 GPA. The award provides up to \$1,551 for book and living expenses for the first-year, and in the second year also helps pay for tuition and fees, up to a maximum grant award of \$9,703 per year for students attending independent colleges at qualifying four-year post-secondary institutions; and
  - ◆ California Community College Transfer Award provides funding to students who graduated from high school and who have a community college GPA of at least 2.0 on a four-point scale.
- ◆ **Competitive Awards.** The Cal Grant Competitive Award Program was also established through SB 1644. Under this program, 22,500 competitive A and B awards are available to applicants who meet financial, academic, and general program eligibility requirements. Half of these awards (11,250) will be offered to those applicants who did not receive an entitlement award and meet the March 2nd deadline. The remaining 11,250 awards will be offered to students who are enrolled at a California Community College and meet the September 2nd deadline.
- ◆ **Other Programs.** The CSAC also administers a significant number of other programs including:
  - ◆ Cal Grant C provides funding for financially eligible students preparing for vocational or occupational careers. For 2001–02, the budget proposes 7,761 new awards; the maximum tuition and fee award would be \$2,592 and the award for training-related costs would be \$576 for new and renewal grant recipients. For this program, there is a maximum household income level of \$25,004 to \$78,842, depending upon family size;

- ◆ Cal Grant T provides tuition and fee funding for financially and academically eligible students to attend a teacher credentialing program recognized by the California Commission on Teacher Credentialing. For 2001–02, a minimum of 3,000 new awards is proposed. Subject to funding in the Budget Act, the proposed maximum award would be \$9,703. Program benefits may be provided for a maximum of one academic year of full-time attendance. Beginning September 1, 2000, a recipient must teach for one year at a low-performing school for each \$2,000 incentive received, for a maximum period of four years. Any recipient who does not fulfill the teaching obligation will be required to repay the award;
- ◆ The California Student Opportunity and Access Program (Cal-SOAP), through inter-segmental consortia, provides informational outreach and tutoring services to disadvantaged elementary through senior high school students, to increase their access to postsecondary education, and to community college students, to assist them in matriculating to four-year institutions. Currently, there are twelve Cal-SOAP consortia in operation; two more are in the planning stage. Three additional consortia are being considered for 2001-02;
- ◆ The Assumption Program of Loans for Education (APLE) allows the state to issue agreements for loan assumption annually to students pursuing careers in teaching. Through APLE, a student who teaches a total of four years can receive up to \$19,000 in loan assumption payments toward outstanding student loans. The Governor's budget proposes that 6,500 warrants be issued in 2001-02. Participants teaching in the areas of special education, math, or science would receive an additional \$1,000 a year, and if participants teach in a low-performing school they would receive an additional bonus of \$1,000 per year;
- ◆ The California Work-Study Program assists students by placing them in employment settings which will enable them to pay a portion of their educational costs. Recipients are placed in jobs either 1) related to their course of study or career interest, or 2) providing tutoring to elementary or secondary students. This program currently operates in 40 institutions. Employers must provide a portion of the students' salaries;
- ◆ The Graduate Fellowship Program assisted financially needy graduate students who had committed to becoming college and university faculty. This program is being phased out and provides only for renewal of awards made prior to the 1998–99 fiscal year;
- ◆ The Law Enforcement Personnel Dependents Scholarship Program provides college grants to needy dependents of California law enforcement officers, officers and employees of the Department of Corrections and Department of Youth Authority, and firefighters killed or permanently disabled in the line of duty;
- ◆ The Graduate Assumption Program of Loans for Education (Graduate APLE) allows the state to issue conditional warrants to Californians pursuing graduate degrees at postsecondary institutions. Through Graduate APLE, a recipient who teaches for three years at a regionally accredited California college or university can receive up to \$6,000 in loan assumption payments toward outstanding student loans. The Governor's budget proposes that 500 warrants be issued for 2001-02;



- ◆ The Robert C. Byrd Honors Scholarship Program provides a \$1,500 scholarship to exceptionally abled students who show promise of continued academic excellence. Scholarships may be renewed up to four years;
- ◆ The Child Development Teacher Loan Assumption Program allowed the state to issue 100 conditional warrants annually to students pursuing teaching and supervising careers in licensed day care centers. Students who taught or supervised a total of two years could receive up to either \$2,000 or \$4,000, respectively, in loan assumption payments toward outstanding student loans. This program was replaced by the Child Development Teacher and Supervisor Grant Program. Funding is limited to recipients whose applications were approved prior to December 31, 1997;
- ◆ The Child Development Teacher and Supervisor Grant Program, replaced the Child Development Loan Assumption Program for participants who intend to teach or supervise in the field of child care and development in a licensed children's center; and
- ◆ The Community College Student Financial Aid Outreach Program, established through SB 1644, provides financial aid training to high school and community college counselors and advisors to address the needs of community college students intending to transfer to a four-year institution of higher education.

## MAJOR PROPOSALS FOR 2000-01

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- ◆ **Award and Outreach Programs.** The budget proposes \$1.5 million in one-time General Fund support for 19.5 positions to implement the Cal Grant Entitlement and Competitive Award Programs and the Community College Student Financial Aid Outreach Program.
- ◆ **Feasibility Study Report.** The budget proposes \$3.3 million in one-time General Fund support for 12.5 positions to implement a Feasibility Study Report for the Cal Grant Entitlement and Competitive Awards Program.

## MAJOR PROPOSALS FOR 2001-02

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- ◆ **Award and Outreach Programs.** The budget proposes \$1.5 million (General Fund) for 18.5 positions associated with the Cal Grant Entitlement and Competitive Award Programs and the Community College Student Financial Aid Outreach Program and the Community College Student financial Aid Outreach Program.
- ◆ **Feasibility Study Report.** The budget proposes \$4.5 million (General Fund) for 13.5 positions to continue implementation of the Feasibility Study Report for the Cal Grant Entitlement and Competitive Grant Award Programs.
- ◆ **"Help Desk" Workload.** The budget proposes \$89,000 (General Fund) for the redirection of two positions to support the increased "Help Desk" workload for Grant Delivery System users.

- ◆ **APLE.** The budget proposes \$253,000 (General Fund) for redirection of three positions to support the increased workload in the Assumption Program of Loans for Education (APLE), including \$125,000 for a study to assess the administrative process for the Specialized Programs and make recommendations for efficiency measures.
- ◆ **Internal Audits and Reviews.** The budget proposes \$72,000 (General Fund) for redirection of one position to conduct required internal audits and reviews including mandated EDP systems audit, programs and reassessing the Commission's risk areas.
- ◆ **Reviews and Audits.** The budget proposes \$95,000 (General Fund) for redirection of one position to conduct reviews of the California Student Opportunity and Access Program (Cal-SOAP) and to audit the additional schools participating in the Cal Grant and Specialized Programs.
- ◆ **SEARS.** The budget proposes \$98,000 (General Fund) to develop an internet-based Pilot for the Student Expenses and Resources Survey (SEARS).
- ◆ **Cal Grant Entitlement and Competitive Awards.** The budget proposes \$127.9 million (General Fund) for the Cal Grant Entitlement and Competitive Awards, for the increase in the Cal Grant B access costs, and for the ongoing costs of the existing Cal Grant Award Programs;
- ◆ **Loan Assumption Payments.** The budget proposes \$7.9 million (General Fund) for an increase in loan assumption payments due to the growth in the number of APLE participants.

## CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

The California Postsecondary Education Commission (CPEC) is a statewide postsecondary education coordinating and planning agency. The commission serves as a principal fiscal and program advisor to the Governor and Legislature on postsecondary educational policy. CPEC's responsibilities include analysis and recommendations related to long-range planning for public postsecondary educational sectors.

The Governor's proposed budget includes a total of \$10.7 million for CPEC, an increase of \$64,000 or less than one percent. Of these funds, \$4.0 million is in General Fund support, an increase of \$69,000 or 1.7 percent over the current year.

## MAJOR PROPOSALS

- ◆ **Outreach Programs Survey.** The budget proposes \$300,000 in one-time funding to survey state outreach programs intended to increase college-going rates to examine how state resources are currently allocated and the extent to which overlap between the programs exists.
- ◆ **University Eligibility Study.** The budget proposes \$66,000 in one-time funds (in addition to \$20,000 provided in 2001-02) to continue the second year of a four-year study examining the eligibility of California's high school graduates for admission to the state's public universities. The study will reveal the extent to which the class of 2001 is admissible to UC and to CSU, and

whether actual eligibility is consistent with the guidelines set forth in California's *Master Plan for Higher Education*.

- ◆ **Staff Development.** The budget proposes \$20,000 to increase staff development and training.
- ◆ **Facilities Cost.** The budget proposes \$88,000 to address increased costs of facilities associated with rent increases.
- ◆ **Purchasing of Furniture.** The budget proposes \$10,000 in one-time funds is proposed to conclude purchasing of furniture in compliance with the state ergonomic standards.