



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, the California Community Colleges system (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 state financial aid programs and CPEC providing policy analysis and recommendations to the Governor and the State Legislature.

California Community College

The California Community Colleges (CCC) provide a general education and vocational certificate programs at 108 Community Colleges through 72 local districts, which serve approximately 2.5 million students annually. By law, California Community Colleges admit any Californian seeking admission who has graduated from high school and may admit anyone who is 18 years of age or older and who is capable of profiting from the instruction offered. The Colleges may also admit any nonresident, possessing a high school diploma or the equivalent thereof. 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 1.1 million full-time equivalent (FTE) students. The Governor's proposed budget includes approximately \$5.2 billion for the California Community Colleges from all funds, reflecting an increase of \$210 million or 4.2 percent over the nearly \$5 billion provided in 2003-04. Proposition 98 funding constitutes about 90 percent of overall community college funding. The Governor's budget proposes \$4.679 billion of Proposition 98 funds for the Community Colleges. This amount represents 10.04 percent of the total Proposition 98 funds available (leaving 89.96 percent of Proposition 98 funds for K-12), which represents a slightly larger

amount that the Community Colleges received in the current year, but still less than the share received in prior years.

■ **MAJOR PROVISIONS**

The major provisions of the proposed Community Colleges budget include:

- ◆ **Student Fees.** The Governor proposes to increase general student fees from \$18 per unit to \$26 per unit for students who lack a bachelor's degree, and to \$50 per unit for students who have a bachelor's degree. Last year, student fees were raised from \$11 per unit to \$18 per unit. The Department of Finance estimates that an additional \$91 million in revenue would be generated by the increase in student fees. The budget offsets virtually the entire amount, however, by reducing General Fund dollars for general apportionments by \$89 million.
- ◆ **Enrollment Growth.** The Governor proposes to provide \$121.1 million to fund 3 percent enrollment growth. This includes \$47.2 million more than required by the statutory growth rate of 1.83 percent.
- ◆ **Folding Selected Categorical Programs into the General Apportionments.** The Governor proposes to fold \$350.8 million in categorical programs into the general apportionments. The programs the Governor proposes to include are the Partnership for Excellence, Matriculation, Part-time Faculty Health Insurance, Part-time Faculty Compensation, Part-time Faculty Office Hours and a portion of the Telecommunications and Technology Infrastructure fund.
- ◆ **Consolidation of Categorical Programs.** The Governor proposes consolidating several significant categorical programs into single larger programs, including the Extended Opportunity Programs and Services and the Fund for Student Success (which includes MESA and PUENTE funding).
- ◆ **Discontinue Selected Categorical Programs and Fund Non-Credit.** The Governor proposes to discontinue the Teacher and Reading Development Partnerships and the Fund for Instructional Improvement, allowing a total of approximately \$4 million to be used on growth for non-credit FTES.
- ◆ **Equalization.** The Governor proposes to provide \$80 million to fund equalization adjustments.
- ◆ **Cost of Living Adjustment.** The budget does not include an estimated \$81 million needed for the 1.84% COLA that normally would be provided to the community colleges. (By law, the community college COLA rate is the same as the K-12 rate). The Governor's Office has indicated that this omission of

COLA was unintended, and that the Governor will support the provision of the \$81 million through various redirection of funds (approximately \$20 million redirected from the community college equalization proposal and the balance from some K-12 proposals.)

California State University

The California State University (CSU) system is comprised of 23 campuses, including 22 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. In addition to providing baccalaureate and master level instruction, the CSU trains approximately 60 percent of California's K-12 teachers and administrators, and 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 334,914 full-time equivalent (FTE) graduate and undergraduate students. The Governor's proposed budget for the CSU totals \$5.8 billion, an overall decrease of \$82.4 million or 1.4 percent below the current budget year. The Governor's budget proposes General Fund expenditures of \$2.4 billion, a decrease of \$220.5 million or 8.4 percent over the revised current year funds.

■ MAJOR PROVISIONS

The Major Provisions of the Proposed California State University budget include:

- ◆ **Overall Reductions.** The Governor proposes a total of \$311 million in General Fund reductions, of which approximately \$101.5 million will be offset by proposed student fee increases.
- ◆ **Undergraduate Student Fee Increase.** The Governor proposes to increase undergraduate fees by 10 percent by reducing \$47.4 million in General Fund support.
- ◆ **Graduate Student Fee Increase.** The Governor proposes to increase graduate fees by 40 percent by reducing \$37.9 million in General Fund support.
- ◆ **Non-resident Student Fee Increase.** The Governor proposes increase non-resident student fees by 20 percent by reducing \$16.2 million in General Fund support.

- ◆ **Student Fees and Institutional Financial Aid.** The Governor proposes to increase student fees by between 10-40% (depending on the level), but in a departure from previous practice, the Governor proposes to reduce from 33 percent to 20 percent the set-aside taken from the increase in student fees for financial aid. This proposed change in the state's financial aid policy would have the most significant impact on low-income and middle-income students.
- ◆ **Elimination of Outreach Programs and the Educational Opportunity Program.** The Governor proposes to continue his November proposal to eliminate academic outreach programs by zeroing out the remaining CSU outreach program budget of \$52 million of which approximately \$37 million for Educational Opportunity Program services and grants to financially needy students currently enrolled at a CSU campus. These programs annually serve over 600,000 students and were already reduced by over 50% (-\$12.6 million) in the 2003-04 state budget.
- ◆ **No Enrollment Growth Funding and Reduction in Freshman Enrollment.** The Governor proposes no enrollment growth funding and proposes instead to reduce the number of new freshman enrollment by 10 percent by reducing \$21 million in General Fund support, cutting access to approximately more than 4,200 fewer students (or 3,800 FTES). This has the potential to further raise admissions standards at both UC and CSU as campuses manage their enrollment. The most disadvantaged students would be denied access and redirected to the community colleges. The combined impact of these actions would be to deny access to over 17,462 eligible students to the CSU.
- ◆ **Eligible Students Redirected to Community Colleges.** The Governor proposes to provide \$1.9 million for CSU to offer counseling to the 10 percent of freshman that will be denied access under the 10 percent freshman enrollment reduction proposed by the Governor. This augmentation equates to \$500 per student estimated to be denied access into a CSU campus under the Governor's proposal. It is unclear how this program would work or if the Community Colleges would be equipped to handle the influx in students or have the available transfer courses needed for students to transfer to a UC campus in a timely fashion.
- ◆ **Unit Cap.** The Governor proposes to reduce \$24.4 million in general fund support for what the Governor calls the first phase elimination of the General Fund "subsidy" for students who exceed by more than 10 percent the minimum number of units required to earn their degree.
- ◆ **Student/Faculty Increase.** The Governor proposes to increase student/faculty ratio by 5 percent, reducing general fund support by \$53.5 million.
- ◆ **Academic and Institutional Support.** The Governor proposes reducing academic and institutional support by \$52.6 million or 7.5 percent.

- ◆ **Common Management System.** The Governor proposes to defer 10 percent of General Fund support for the Common Management System by reducing expenditures by \$6 million.
- ◆ **Unallocated Reductions Restored.** The Governor proposes to restore \$69.5 million of unallocated reductions implemented in 2003-04 that was intended to be one-time in nature.
- ◆ **Public Employees' Retirement System.** The Governor proposes to provide \$155 million in additional funding for increased Public Employees' Retirement System retirement contribution costs beginning in the current year.

■ **MID-YEAR REDUCTIONS**

The Proposed Mid-Year Reductions for California State University include:

- ◆ **Unallocated Reduction.** The Governor proposed a \$11.28 million current year and a \$22.6 million budget year unallocated reduction. The Governor executed this reduction through the Section 27 process.
- ◆ **Elimination of Academic Outreach and Retention Programs.** The Governor proposed a \$12.45 million current year reduction and a \$52 million budget year reduction to academic outreach and retention programs, eliminating programs designed to academically prepare disadvantaged students for college and retain them. CSU academic outreach programs were reduced by over 50% (-\$12.6 million) in the 2003-04 state budget. The Governor executed his proposed current year reduction through the Section 27 process, but the CSU administration chose to take the reduction as an unallocated reduction to keep the academic outreach programs in tact until June 30th given they had already suffered an over 50% reduction in the current year.

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 181,031 full-time equivalent (FTE) graduate and undergraduate students.

The Governor's proposed budget includes a total of \$18.4 billion for the UC, an increase of \$419.9 million or 2.3 percent over the current year. This total includes funds for the Department of Energy to manage three national laboratories, federal contracts and grants, teaching hospital revenue, self supporting enterprises, private gifts and grants, student fee revenue and State General Funds. Proposed State General Fund expenditures include \$2.7 billion, representing a General Fund decrease of \$197.7 or 6.9 percent over the revised current budget year.

■ MAJOR PROVISIONS

The Major Provisions of the Proposed UC budget include:

- ◆ **Overall Reductions.** The Governor proposes a total of \$372 million in General Fund reductions (including mid-year adjustments), of which approximately \$196 million will be offset by proposed student fee increases.
- ◆ **Undergraduate Fee Increase.** The Governor proposes to increase undergraduate fees by 10 percent by reducing \$62.9 in General Fund support.
- ◆ **Graduate Student Fee Increase.** The Governor proposes to increase graduate fees by 40 percent by reducing \$57.7 million in General Fund support.
- ◆ **Professional School Fee Increase.** The Governor proposes to reduce General Fund professional school "subsidy" by 25 percent by reducing \$42.6 million in General Fund support.
- ◆ **Non-resident Student Fees.** The Governor proposes to increase non-resident student fees by 20 percent by reducing \$32.6 million in General Fund support.
- ◆ **Student Fees and Institutional Financial Aid.** The Governor proposes to increase student fees by between 10-40% (depending on the level), but in a departure from previous practice, the Governor proposes to reduce from 33 percent to 20 percent the set-aside taken from the increase in student fees for financial aid. This proposed change in the state's financial aid policy would have the most significant impact on low-income and middle-income students.
- ◆ **Elimination of Academic Outreach Programs.** The Governor proposes to continue his November proposal to eliminate academic outreach programs by zeroing out the \$33.3 million state supported budget for all UC academic outreach programs. These programs were reduced by over 50% (-\$37.8 million) in the 2003-04 state budget. These programs annually serve over 300,000 students and were already reduced by over 50% (-\$37.8 million) in the 2003-04 state budget.

- ◆ **No Enrollment Growth Funding and Reduction in Freshman Enrollment.** The Governor proposes no enrollment growth funding and proposes instead to reduce the number of new freshman enrollment by 10 percent by reducing \$24.8 million in General Fund support, cutting access to approximately more than 3,200 fewer students. This has the potential to further raise admissions standards at both UC and CSU as campuses manage their enrollment. The most disadvantaged students would be denied access and redirected to the community colleges. The combined impact of these actions would be to deny access to over 8,200 eligible students to the UC.
- ◆ **Eligible Students Redirected to Community Colleges.** The Governor proposes to provide \$1.6 million for UC to offer counseling to the 10 percent of freshman that will be denied access under the 10 percent freshman enrollment reduction proposed by the Governor. This augmentation equates to \$500 per student estimated to be denied access into a UC campus under the Governor's proposal. It is unclear how this program would work or if the Community Colleges would be equipped to handle the influx in students or have the available transfer courses needed for students to transfer to a UC campus in a timely fashion.
- ◆ **Unit Cap.** The Governor proposes to reduce \$9.3 million for what the Governor calls the first phase elimination of the General Fund "subsidy" for students who exceed by more than 10 percent the minimum number of units required to earn their degree.
- ◆ **Student/Faculty Ratio Increase.** The Governor proposes to increase the student/faculty ratio by 5 percent, reducing general fund support by \$35.3 million. This would increase the student/faculty ratio from 19.7:1 to 20.7:1
- ◆ **Multi-campus Research Centers for Labor & Employment.** The Governor proposes to continue his November proposal to eliminate the Multi-campus Research Centers for Labor & Employment and reducing their budget by \$4 million in the budget year. These are the only research centers of this kind in the state.
- ◆ **Academic and Institutional Support.** The Governor proposes to reduce academic and institutional support by \$45.4 million or 7.5 percent.
- ◆ **Digital California Project.** The Governor proposes to eliminate \$14.3 million in General Fund support for the Digital California Project and suggests K-12 schools contribute voluntarily to continue portions of the program.
- ◆ **Research.** The Governor proposes to reduce state-supported research funding by \$11.6 million or 5 percent.

- ◆ **Unallocated Reduction Restoration.** The Governor proposes to restore \$80.5 million of unallocated reductions implemented in 2003-04 that was intended to be one-time in nature.
- ◆ **UC Merced.** The Governor proposes to provide \$10 million in additional one-time funding for costs associated with making the UC Merced campus operational in 2005-06.
- ◆ **Annuitant Health and Dental Benefit Costs.** The Governor proposes to provide \$34.4 million in additional funding for increases in annuitant health and dental benefit costs.

■ **MID-YEAR REDUCTIONS**

The proposed mid-year reductions for UC are:

- ◆ **Unallocated Reduction.** The Governor proposed a \$15.72 million current year and \$55.1 million budget year unallocated reduction. The Governor executed his proposed current year reduction through the Section 27 process.
- ◆ **Elimination of Academic Outreach Programs.** The Governor proposed a \$12.21 million current year reduction and a \$33.3 million budget year reduction to academic outreach programs, eliminating programs designed to academically prepare disadvantaged students for college. These programs were reduced by over 50% (-\$37.8 million) in the 2003-04 state budget. The Governor executed his proposed current year reduction through the Section 27 process, but the UC administration chose to take the reduction as an unallocated reduction to keep the academic outreach programs in tact until June 30th given they had already suffered an over 50% reduction in the current year.
- ◆ **Multi-campus Research Centers for Labor & Employment.** The Governor proposed eliminating and reducing by \$2 million in the current year and \$4 million in the budget year the Multi-campus Research Centers for Labor & Employment. These are the only research centers of this kind in the state. The Governor executed his proposed current year reduction through the Section 27 process.
- ◆ **UC Riverside Land Sale.** UC has agreed to sell land at UC Riverside for \$55.1 million, transfer this amount to the state and issue lease-revenue bonds in a like amount to fund construction of an Agricultural Genomics research facility. In return, the Governor proposed to commit the state to future lease payments of approximately \$4.3 million a year for 25 years, commencing as early as 2008-09.

Hastings College of Law

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 \$39.4 million for Hastings College of Law, an overall increase of \$1.6 million or 4.2 percent over the current year. Of these funds, \$8.1 million is in General Fund support, an decrease of \$3 million or 27 percent from the current the year.

■ MID-YEAR REDUCTIONS

The Proposed Mid-Year Reductions for Hastings include:

- ◆ **General Fund Reduction.** The Governor has implemented an unallocated base reduction of \$302,000.
- ◆ **The Major Provisions of the Proposed Hastings budget include:**
- ◆ **Law School Student State Subsidy.** The Governor proposes to reduce by \$2.8 million the College's budget for a reduction to the state's support for law school students.
- ◆ **Academic and Institutional Support.** The Governor proposes a \$402,000 or a 7.5 percent general fund reduction for Academic and Institutional Support.
- ◆ **Non-resident Student Fees.** The Governor proposes to increase non-resident student fees, generating an additional \$188,000 in fee revenue and reducing the General fund a like amount.
- ◆ **Annuitant Health and Dental Benefits.** The Governor proposes to increase annuitant health and dental benefits by \$170,000.

California Student Aid Commission

The California Student Aid Commission (CSAC) is responsible for making higher education affordable and accessible to students in California. CSAC accomplishes 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 \$1.3 billion in state and federal funds for CSAC, \$53 million or 4 percent over the current year. Of these total funds, the Governor proposes \$684 million in General Fund support, an increase of \$54 million or 8.5 percent. The proposed budget specifically provides for \$659 million for all types of Cal Grants, an increase of \$47 million, or 7.8 percent, over the \$612 million budgeted in the current year. The funding provided will allow CSAC to provide approximately 94,900 new financial aid awards to needy students, consistent with Chapter 403, Statutes of 2000.

■ MAJOR PROVISIONS

The Governor proposes significant changes to the Cal Grant Entitlement and Competitive Program in the budget year which includes:

- ◆ **Change in Income Qualifications.** The Governor proposes to decrease the maximum income level for Cal Grant awards by 10 percent, reducing support for the Cal Grant program an additional \$11.17 million. It is estimated that 23,450 low-income students would be impacted by this proposal.
- ◆ **Cal Grant Would No Longer Fully Cover Students Fees.** The Governor proposes to no longer provide funding to augment the Cal Grant award level when student fees are raises at UC and CSU. This change will reduce expected funding for the Cal Grant program by \$23.6 million. It is estimated that over 90,700 low-income students would be impacted by this proposal.
- ◆ **Cal Grants for Low-Income Students Attending Private Schools Reduced.** The Governor proposes to reduce new Cal Grant A and B award levels for private schools from \$9,708 per year to \$5,482 per year (equivalent to undergraduate fee level at UC), reducing support for the Cal Grant program an additional \$32.7 million. It is estimated that over 9,700 low-income students would be impacted by this proposal.
- ◆ **Cal Grant Program Growth.** The Governor proposes \$43.7 million for growth in the Cal Grant Program.

■ MID-YEAR REDUCTIONS

The Proposed Mid-Year Reductions for CSAC include:

- ◆ **Revised Estimates.** The Governor proposes to decrease the funds available for Cal Grants in the current year by \$50 million due what he calls "lower-

than-anticipated issuances of new Cal Grant Awards. In addition, the Governor proposes a reduction of \$2 million reduction in the Assumption Program of Loans for Education for lower-than-anticipated payments.

- ◆ **APLE Program Reductions.** The Governor proposes to reduce the number of Assumptions Program of Loans for Education warrants from 7,700 to 3,500, consistent with the proposed change in the mid-year revision. Reducing the annual number of awards will save out-year costs of as much as \$46 million for each cohort as the warrants are redeemed. Moreover, in order to maximize the value of warrants issued, the Administration proposes that priority for awards be focused to students that are interested in pursuing teaching careers in areas where the needs are greatest (including mathematics, science, and reading, and providing instruction to students who are visually impaired).

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 budget proposes a total of \$11 million for CPEC, of which \$9 million are federal funds for the Teacher Quality Grant Program that supports teacher professional development activities for K-12 teachers, and \$2 million in General Fund support for the agency's on-going responsibilities. The Governor has proposed no further General Fund reductions to the agency in budget year.

■ MAJOR PROVISIONS

The Major Provisions of the Proposed CPEC budget include:

- ◆ **General Fund Reductions.** The Governor proposes to continue the \$352,000 reduction implemented in the current year.

■ **MID-YEAR REDUCTIONS**

The proposed Mid-Year Adjustments for CPEC include:

- ◆ **General Fund Reductions.** The Commission's budget has been further reduced by a total of \$352,000 in current year. This includes a General Fund reduction of \$316,000 and a Federal Funds reduction of \$36,000. In addition, 4.0 positions have been eliminated.

Commission on Teacher Credentialing

The Commission on Teacher Credentialing (CTC) was established in 1970, with the specific charge of ensuring excellence in education by establishing high standards for the preparation and licensing of public school educators. The CTC carries out its program of standards for the preparation and licensing of teachers through four program elements: Certification Assignment and Waivers; Professional Services; Professional Practices; Agency Administration.

The Governor's proposed budget includes a total of \$55.7 million for the CTC, \$11.2 million or 16% percent less than the current year. Of these total funds, the Governor proposes \$31.8 million in Proposition 98 General Fund support, a decrease of \$8 million or 20% percent and \$23.9 million in Special Fund support, a decrease of \$3.1 million or 11%.

■ **MAJOR PROVISIONS**

The Major Provisions of the Proposed CTC budget include:

- ◆ **Elimination of the Pre-Intern Program.** The Governor proposes a \$10.4 million Proposition 98 reduction and the elimination of the Pre-intern program that according to the Governor "does not provide teachers who meet the No Child Left Behind definition of highly qualified."
- ◆ **Intern Program.** The Governor proposes a \$2.4 million increase in Proposition 98 funding for the Intern Program to support an additional 955 interns.
- ◆ **Other Reductions.** In addition to the 24 positions and \$1.1 million eliminated pursuant to Control Section 4.10, the Governor proposes to further reduce the CTC's budget by \$600,000, which includes the elimination of 6 positions from the Teacher Credentials Fund.
- ◆ **Federal Funds.** The Governor proposes to carryover \$147,000 in federal funds for the Troops to Teachers Program.

■ **MID-YEAR REDUCTIONS**

The Mid-Year Reductions for the CTC include:

- ◆ **Special Fund Reductions.** The Governor reduced the CTC budget by \$893,000 and 23 positions from the Teacher Credential Fund and \$87,000 and 1 position from the Test Development and Administration Account.
- ◆ **Loan.** The current year budget includes a \$2.8 million loan from the Test Development and Administration Account to the Teacher Credentials Fund in order to stabilize the Teacher Credentials Fund which is experiencing an unanticipated 4 percent decrease in revenues for 2003-04.

California State Library

The California State Library provides library and information services to the legislative and executive branches of state government, members of the public, and California public libraries. In addition, the State Library administers and promotes literacy outreach programs such as the California Literacy Campaign, develops technological systems to improve resource sharing and enhance access to information, and administers the Public Library Foundation Act, which establishes a formula under which the State contributes funding for basic local library services.

The Governor's proposed budget includes a total of \$75 million for the California State Library, \$126 million or 63 percent under the current year. Of these total funds, the Governor proposes \$12 million in General Fund support, an increase of \$0 million or 0 percent.