

**AGENDA**  
**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2**  
**ON EDUCATION FINANCE**

**Assemblymember Julia Brownley, Chair**

**WEDNESDAY, APRIL 9, 2008**  
**STATE CAPITOL, ROOM 126**  
**4:00 P.M.**

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## ITEM 6600 UC HASTINGS COLLEGE OF THE LAW (HASTINGS)

### ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the Hastings 2008-09 proposed support budget.

### BACKGROUND

Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, California's first Chief Justice. On March 26 of that same year, the Legislature provided for affiliation with the University of California (UC). The Juris Doctorate degree is granted by the Regents of the University of California and signed by both the UC President and the Chancellor and Dean of Hastings.

The Governor's proposed budget for Hastings includes \$10.1 million in General Funds, which represents a decrease of \$500,000, or 4.9 percent, from the revised 2007-08 budget. Hastings total annual budget is proposed at \$77 million for 2008-09.

The following table provides information on Hastings expenditures by all funding sources:

<b>UC Hastings College of Law: Summary of Expenditures by Fund</b>			
<i>(Dollars in Millions)</i>			
	<b>Actual 2006-07</b>	<b>Estimated 2007-08</b>	<b>Proposed 2008-09</b>
General Fund	\$10,671	\$10,631	\$10,115
University Funds (Unclassified)	27,347	29,577	33,830
State Lottery Education Fund	162	178	178
Extramural Funds	12,434	11,424	32,501
<b>TOTAL EXPENDITURES (ALL FUNDS)</b>	<b>\$50,614</b>	<b>\$51,810</b>	<b>\$76,624</b>

### BUDGET BALANCING PROPOSAL

The Governor's budget proposal first reflects the level of General Fund support Hastings would expect under the 2004 "compact" and then reduces the amount by \$1.1 million, approximately 10 percent. As a result, Hastings would receive \$500,000 less in 2008-09 than the revised current-year amount.

The \$1.1 million reduction to the workload budget includes two components:

- \$252,000 would come from Hastings "institutional support" budget, which generally funds executive and other administrative costs.
- \$848,000 would be unallocated, allowing the Hastings Board to decide how the reductions would be accommodated.

**Annuitant Benefit.** The Governor proposes \$77,000 for annuitant benefit costs.

**COMMENTS****LAO RECOMMENDATIONS**

The LAO recommends adopting the Governor's proposal to reduce Hastings' institutional support budget by 10 percent, or \$252,000. However, the LAO recommends the Legislature reject the unallocated reduction of \$872,000. The LAO believes Hastings, as a small college, cannot absorb a reduction of this size without doing unacceptable damage to its educational programs.

**HASTINGS COLLEGE OF THE LAW**

Hastings has a very poor student-faculty ratio. Hastings' plan to reduce enrollment in 2008-09 was intended as a measure to help mitigate this imbalance (along with plans to hire new faculty from the new student fee revenue). Historically, Hastings has programmed enrollment at 1,200 JD students. This figure has crept upward to achieve revenue objectives. Depending on the final action on the State Budget, Hastings may need to maintain enrollment to help offset the 10 percent reduction in state funding.

**ISSUE 2: STUDENT FEES**

The issue for the Subcommittee to consider is the \$4.9 million associated with student fee increase of 18 percent.

**BACKGROUND**

The Hastings Board of Directors has approved a fee increase of 18 percent, from \$21,303 to \$26,003 that will place Hastings fees in substantial parity with UC Davis, but still below fee assessed at UCLA and UC Berkeley. In recent years, Hastings' fees have lagged behind those of other UC Law Schools. For 2007-08, resident fees are 12 percent below the average fee charged by UC. Hastings non-resident tuition is 5 percent below the average non-resident fee charged by UC.

The table below provides information on estimated student fees for 2008-09:

<b>UC Hastings College of the Law: 2008-09 Schedule of Estimated Tuition and Fees*</b>			
<i>(Dollars in Thousands)</i>			
<b>Resident Students<sup>1</sup></b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Enrollment Fee	\$19,725	\$21,303	\$26,003
Activity Fee**	82	82	82
Academic Enhancement Fee	200	2000	-
Exam Materials and Processing Fee	120	120	-
Health Services Fee <sup>2</sup>	356	380	380
Health Insurance <sup>2,3</sup>	1,707	2,035	2,035
<b>Total Resident Fees</b>	<b>\$22,190</b>	<b>\$24,120</b>	<b>\$28,500</b>
Non-Resident Tuition	11,225	11,225	11,225
Resident Student Fees Charged to Non-Residents	22,190	24,120	28,500
<b>Total Non-Resident Fees</b>	<b>\$33,415</b>	<b>\$35,345</b>	<b>\$39,725</b>

1 Student Fees are subject to change without notice.

2 The Health Insurance and Health Services Fees for 2008-09 will be determined in Spring 2008.

3 The Health Insurance Fee may be waived with proof of alternative coverage.

**COMMENTS****HASTINGS COLLEGE OF THE LAW**

The Chancellor, in discussions with students concerning the upcoming fee increase, has indicated that the primary use of the new revenue would be to begin to redress the College's poor student-faculty ratio. Specifically, the new revenue will be dedicated to 1) hiring 6 new faculty, 2) earmarking 1/3 of the new revenue to need-based financial aid, and 3) staff employee compensation.

**ITEM 6440 UNIVERSITY OF CALIFORNIA (UC)****ITEM 6610 CALIFORNIA STATE UNIVERSITY CROSS CUTTING ISSUES****ISSUE 1: SUPPORT BUDGET**

The issue for the Subcommittee to consider is the Governor's proposed support budget for the University of California (UC) and California State University (CSU).

**BACKGROUND**

**University of California.** The (UC) system includes nine general campuses and one health science campus in San Francisco. The UC, 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 UC currently serves an estimated 219,825 full-time equivalent (FTE) students including undergraduate, graduate, and professional students.

**California State University.** The CSU system is comprised of 23 campuses, including 22 university campuses and the California Maritime Academy. While each campus 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. Each campus requires a basic program of general education for graduation regardless of the major selected by the student. CSU also offers the doctorate in Education, as well as a limited number of doctoral degrees offered jointly with the UC and with Claremont Graduate School. In addition to providing baccalaureate and master level instruction, the CUS trains approximately 60 percent of California's K-12 teachers and administrators. The CSU currently serves 342,893 FTE undergraduate and graduate students.

**GOVERNOR'S SUPPORT BUDGET**

**University of California.** The Governor's proposed budget for the UC includes \$3.1 billion in General Fund, which represents a decrease of \$98.5 million, or 3 percent, from the revised 2007-08 budget. The UC's total annual budget is proposed at \$18.7 billion for 2008-09. This total includes funds for federal contracts and grants, teaching hospital revenue, self-supporting enterprises, private gifts and grants, student fee revenue, General Fund and funds from the U.S. Department of Energy to manage three national laboratories.

**California State University.** The Governor's 2008-09 proposed budget for the CSU totals \$6.9 billion from all sources, essentially unchanged from the current-year level. The proposed General Fund expenditures include \$2.9 billion, which is \$97.6 million, or 3 percent, less than the revised 2007-08 budget.

**BUDGET BALANCING  
REDUCTIONS**

The Governor's proposal calculates a "workload budget" that reflects the level of General Fund support both UC and CSU would expect to receive under the 2004 "compact." The major components of this workload budget are a 5 percent base increase, funding for 2.5 percent enrollment growth (5,000 FTE students at UC and 8,752 FTE students at CSU), as well as other adjustments.

However, rather than providing the workload level of funding, the Governor's budget reduces this amount by approximately 10 percent, or \$332 million from UC and \$313 million from CSU. As a result, UC and CSU would receive \$98.5 million \$97.6 million, respectively, from their current-year levels.

**University of California.** The \$332 million reduction to the budget includes two components:

- \$32 million would come from UC's "institutional support" budget, which generally funds executive and other administrative costs.
- \$300 million would be unallocated, allowing the UC Regents to decide how the reductions would be accommodated.

**California State University.** The \$313 million reduction the budget includes two components:

- \$43 million would come from CSU's "institutional support" budget, which generally funds executive and other administrative costs.
- \$270 million would be unallocated, allowing the CSU Board of Trustees to decide how the reductions would be accommodated.

**OTHER BUDGET  
ADJUSTMENTS**

The base budget includes funding for the following programs, but UC and CSU can choose to make reductions in order to accommodate the 10% unallocated reductions.

**UNIVERSITY OF CALIFORNIA**

- **Program in Medical Education (PRIME).** The Governor's budget provides a \$975,000 increase for the next cohort of 65 students for the PRIME Program, which targets prospective medical doctors for underserved populations.

- **Annuitant Health Benefits.** The Governor's budget increases annuitant health benefits support by \$11 million. Existing law allows a person retired from State service to be rehired by the State as a retire annuitant and work up to 960 hours in a calendar year without the loss of retirement benefits. The increase in funding is to cover the cost increases in employee health benefits.
- **Science and Math Teacher Initiative.** The Governor's budget proposes \$1.1 million to support the six math and science research centers that have been established as math and science teacher recruitment centers to increase the number of math and science teachers. UC has committed to quadruple its production to a total of 1,000 by 2010-11. Assuming proportional reductions are made to these programs, \$990,000 million would remain available for its effort.
- **Nursing Initiative.** The Governor's budget proposes \$1.7 million. Assuming proportional reductions are made by UC, a total of \$1.5 million would remain available for this effort.
- **Transportation Research Initiative.** The Governor's budget proposes an increase of \$5 million from the Public Transportation Account (PTA) to augment UC's multi-campus Institute for Transportation Research (ITS), for a total of almost \$6 million. This increase will fund ITS' development of integrated land use and transportation models that can measure the impact of actions by local governments on greenhouse gas emissions. This issue will be heard in subcommittee on May 7, 2008 under the UC's capital outlay budget.
- **Lease-Purchase Payments.** The Governor's budget increase lease-purchase payments by \$970,000. In current year, the Governor proposes a \$13.2 million reduction for lease purchase payments. This program has been exempted from the budget balancing reductions.

The table below summarizes the Governor's General Fund proposal for UC.

<b>University of California General Fund Budget Proposal</b>	
<i>(Dollars in Millions)</i>	
<b>2007-08 Budget Act</b>	<b>\$3,273.9</b>
Lease-revenue bond adjustments	-\$13.2
<b>2007-08 Revised Budget</b>	<b>\$3,260.7</b>
<b>"Workload Budget" Adjustments</b>	
Base increase (5 percent)	\$154.8
Enrollment growth (2.5 percent)	56.4
Lease-revenue adjustment	14.1
Retirement costs	11.1
Expand medical education initiative	1.0
Phase out supplemental UC Merced funding	-4.0
Subtotal	(\$233.4)
<b>Governor's "Workload" Estimate</b>	<b>\$3,494.1</b>
<b>"Budget Balancing Reductions"</b>	
10 percent reduction to institutional support	-\$32.3
Unallocated reduction	-299.6
Subtotal	(-\$331.9)
<b>2008-09 Proposed Budget</b>	<b>\$3,162.2</b>
<b>Change From 2007-08 Revised Budget</b>	
Amount	-\$98.5
Percent	-3.0%

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- Capitol Fellows Programs.** The Governor's budget provides an increase of \$124,000, or four percent, consistent with the Compact, but then reduces this program by 10 percent, leaving \$2.9 million for its efforts. The CSU's Center for California Studies at Sacramento State University administers the Assembly, Senate, Executive, and Judicial Administration Fellowship Programs known collectively as the Capital Fellows Programs. Each year, 18 individuals are selected to participate in the Assembly, Senate, and Executive Branch and 10 in the Judicial Branch. The 11-month fellowship provides participants with an opportunity to work in state government while earning graduate units in Public Policy and Administration.
- Retirement Costs.** The Governor's budget proposes \$8.6 million reduction to continue the decrease in retirement costs in the current year. The California Public Employees' Retirement System (CalPERS) benefit pension plan is funded by employer-paid contributions, employee contributions and the plan's investment earnings. Employer-paid contributions are adjusted each year in order to meet defined pension benefit obligations.

- **Science and Math Teacher Initiative.** The Governor's budget proposes \$2.7 million to support the initiative. CSU has committed to double its production to a total of 1,500 by 2010-11. Assuming proportional reductions are made to these programs, \$2.4 million would remain available for its effort.
- **Nursing Initiative.** The Governor's budget proposes \$6.3 million. Assuming proportional reductions are made by CSU, a total of \$5.7 million would remain available for this effort.
- **Lease-Purchase Payments.** The Governor's budget decreases the lease-purchase payments by \$4.9 million. In current year, the Governor proposes a \$6.6 million reduction. These payments are based upon estimates that are provided by the Treasurer's Office, which keeps track of the bonds issued. This is the only program that has been exempted from the budget balancing reduction.

The table below summarizes the Governor's General Fund proposal for CSU.

<b>California State University General Fund Budget Proposal</b>	
<i>(Dollars in Millions)</i>	
<b>2007-08 Budget Act</b>	<b>\$2,985.9</b>
Retirement cost adjustment	-\$8.6
Lease-revenue bond adjustments	-6.6
<b>Revised 2007-08 Budget</b>	<b>\$2,970.7</b>
<b>"Workload Budget" Adjustments</b>	
Base increase (5 percent)	\$146.2
Enrollment growth (2.5 percent)	70.1
Lease-revenue bond adjustment	1.7
Other technical adjustments	-2.6
Subtotal	(\$215.3)
<b>Governor's "Workload" Estimate</b>	<b>\$3,186.0</b>
<b>"Budget Balancing Reductions"</b>	
10 percent reduction to institutional support	-\$43.2
Unallocated reduction	-269.7
Subtotal	(-\$312.9)
<b>2007-08 Proposed Budget</b>	<b>\$2,873.1</b>
<b>Change From 2007-08 Revised Budget</b>	
Amount	-\$97.6
Percent	-3.3%

**COMMENTS**

Budget staff makes the following general observation for the Subcommittee's consideration regarding the Governor's proposed budget for UC and CSU:

**Unallocated Reductions.** Some concern has been raised with allowing segments full discretion to implement undesignated cuts without Legislative oversight. The Budget staff has continually recommended that the Legislature request detailed information from the segments on how they plan to implement any proposed undesignated reductions. Budget staff notes that to the extent that the Legislature allows departments and agencies the authority to implement unallocated reductions without any specific guidelines, the Legislature delegates its appropriation authority to the segments and their respective boards to determine where those reductions should be made.

**LAO RECOMMENDATIONS**

**Fund Non-Discretionary Costs.** The LAO recommends a 1.5 percent increase to the base budget to fund anticipated nondiscretionary costs. The LAO estimates the segments will encounter nondiscretionary cost increases of \$49.5 million for UC and \$45 million for CSU.

**10 Percent Reduction to Institutional Support.** The LAO also recommends the Legislature adopt the Governor's proposed 10 percent reductions to the UC and CSU's institutional support budgets.

**Recommend No Employee COLAs.** Given the state's fiscal situation, the LAO does not recommend the Legislature fund a cost-of-living adjustment (COLA) for UC and CSU employees.

**LAO's Alternative Budget.** The LAO's alternative UC and CSU budget would increase general purpose funding (General Fund and student fee revenue) by about \$279 million from the 2007-08 level. The LAO's proposal would reduce General Fund spending by \$536 million relative to the Governor's workload budget of \$645 million.

**ISSUE 2: ENROLLMENT GROWTH**

The issue for the Subcommittee to consider is the enrollment growth funding as proposed in the 2008-09 budget.

**BACKGROUND**

The Governor's budget proposal includes funding for 2.5 percent enrollment growth at UC and CSU, but then allows the segments to use all, or a portion of, this funding to backfill unallocated General Fund reductions. However, the Governor's budget requires only that UC and CSU enroll as many students in 2008-09 as they were budgeted to serve in 2007-08. The segments indicated being over-enrolled by 3,570 student at UC and 10,000 at CSU.

**University of California.** Specifically, the Governor proposes to provide \$56.7 million in General Fund to support an additional 5,000 full-time equivalent students (FTES).

**California State University.** The Administration proposes to provide \$70.1 million to fund an additional 8,752 FTES.

**COMMENTS****LAO RECOMMENDATIONS**

**Fund Enrollment Growth.** In order to ensure that the segments are able to accommodate all anticipated growth in the budgeted year, the LAO recommends funding growth based on the projections of 1.8 percent for UC and 1.6 percent for CSU.

**Restrict UC Growth Funding to New Enrollment.** In the current year, UC and CSU estimated to be serving more students than they are budgeted to serve. Understanding that UC and CSU have taken steps to accommodate these students by increasing class size and restricting funding from other areas, the LAO recommends that the segments continue to serve these extra students in the budget year and use any new growth funding to enroll additional students above the current-year level.

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On February 28, 2008, the University announced that it would offer admission to all eligible undergraduates in the 2008-09 academic-year. However, the university officials stated that they cannot commit to expand its enrollment any further for the following 2009-10 year unless the state provides funding for the additional students enrolled in 2008-09.

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The University has reported that it will only admit as many students as they served in 2007-08, decreasing their enrollment numbers, roughly 10,000 eligible students who will not have access to the system.

**ISSUE 3: STUDENT FEES**

The issue for the Subcommittee to consider is the Governor's proposed budget related to student fee at UC and CSU.

**BACKGROUND**

The Governor's 2008-09 budget proposes to increase student fees at UC and CSU by 7.4 percent and 10 percent, respectively. These amounts reflect fee increases envisioned by the segments when they developed their budget plans in the fall. However, the Governor's budget does not formally propose any specific fee level, suggesting that the segments may determine to raise fees above the levels envisioned in their budgets in order to absorb the proposed General Fund reductions. The budget includes "placeholder" funding for the state's Cal Grant program to cover maximum fee increases of 30 percent at UC and 33 percent at CSU.

The table below provides the proposed student fee increase for 2008-09:

<b>UC &amp; CSU Systemwide Fees<sup>c</sup> Resident and Nonresident Full-Time Students</b>				
	2007-08	Proposed 2008-09 <sup>c</sup>	Change From 2007-08	
			Amount	Percent
<b>UC Resident Students</b>				
Undergraduate	\$6,636	\$7,126 <sup>a</sup>	\$490	7.4%
Graduate	7,440	7,986 <sup>a</sup>	546	7.3
<b>UC Nonresident Students</b>				
Undergraduate	19,068	20,021	953	5%
Graduate	14,694	14,694	-	-
<b>CSU Resident Students</b>				
Undergraduate	\$2,772	\$3,048 <sup>b</sup>	276	10%
Graduate	3,414	3,756 <sup>b</sup>	342	10
<b>CSU Nonresident Students</b>				
Undergraduate	10,170	10,170	-	-
Graduate	10,170	10,170	-	-
<sup>a</sup> Excludes a \$60 temporary surcharge recently approved by the Regents to cover a revenue shortfall from a preliminary injunction against the university in a pending student fee lawsuit. <sup>b</sup> Excludes students enrolled in teacher credential programs. <sup>c</sup> For UC amounts include educational fee and registration fee. For CSU amounts includes systemwide fees. Students also pay campus-based fee not reflected in total.				

Without an explicit student fee policy (statutory or otherwise) to guide the Governor and the Legislature, the Governor's budget proposal continues the "boom and bust" cycle of student fees, which holds stable or decreases student fees in good economic times and drastically increases fees when the economy is struggling.

**COMMENTS****CPEC RECOMMENDATIONS**

CPEC advises that the resident student fees should not be increased beyond the levels already adopted. When mandatory campus fees are included, total fee for the 2008-09 academic year rise to \$3,799 at CSU and \$8,007 at UC. The Commission recognizes the funding cuts and cost increases facing the public systems, however costs of attendance are growing, putting the dream of higher education at increased risk for needy students and their families and for middle-income students who do not qualify for grant aid.

**LAO RECOMMENDATIONS**

The LAO recommends that the Legislature raise the student fees by 10 percent. The LAO also recommends adopting budget bill language stating the Legislature's intent to make the segment's General Fund support contingent on the expected fee levels, and that any fee increase above that intended by the Legislature would result in a dollar-by-dollar reduction in General Fund support.

**ISSUE 4: INSTITUTIONAL FINANCIAL AID**

The issue for the Subcommittee to consider is the Governor's proposed budget related to institutional financial aid.

**BACKGROUND**

Financial assistance for students comes in many forms and is offered by many entities. The major forms of financial assistance for post-secondary students includes grants (scholarships and fellowships), loans, work study, investment accounts, and tax credits. The major providers of financial assistance are the federal government, state government, universities, and private benefactors. The state of California provides student financial aid through the Cal Grant Program, university-based institutional aid, the Governor's Merit Scholarships. Each of the public university systems administers its own financial assistance programs (known as "campus-based financial aid") using dollars derived from student fees and/or the state General Fund.

The Governor's proposed budget retains the current policy of the UC Board of Regents and the CSU Board of Trustees, which returns one-third of the new student fee revenue derived from fee increases to campus-based financial aid. Under current practice, the UC and CSU retain the authority to distribute these funds to students on their campuses as they see fit.

**The Cal Grant Program.** The Governor's budget proposal offsets fee increases for many students through the Cal Grant entitlement program. The Governor proposes an augmentation that would cover fee increases of up to 30 percent at UC and 33 percent at CSU for Cal Grant entitlement recipients. However, the Governor also proposes to phase out the Cal Grant competitive program, which serves many needy students who do not qualify for the entitlement awards.

**The Federal Pell Grant Program.** The Pell Grant Program provides need-based grants to low-income undergraduate and certain post-baccalaureate students to promote access to postsecondary education. Students may use their grants at any one of approximately 5,400 participating postsecondary institutions. Grant amounts are dependent on: the student's expected family contribution; the cost of attendance; the student's enrollment status (full-time or part-time); and whether the student attends a full academic year or less.

The increase approved for next year's *maximum* Pell grants is \$421, taking it from \$4,310 to \$4,731. Students who do not receive the max would see a smaller increase. The *average* Competitive Cal Grant projected for next year is more than \$3,000. For a student attending UC, the amount would be much higher (nearly \$7,000 to cover fees). So the Pell increase may ease the pain a little, but would not nearly make up for a lost Competitive grant.

**COMMENTS****LAO RECOMMENDATIONS**

**The Cal Grant Program.** The LAO recommends maintaining the Cal Grant competitive program and augmenting both the entitlement and competitive programs to serve needy students. The Cal Grants, administered by the Student Aid Commission will be discussed on April 30<sup>th</sup>.

**No Basis for Set-Aside.** The segments have traditionally augmented institutional aid equal to a fixed proportion, usually one-third of revenue generated from fee increases. The LAO recommends augmenting UC and CSU's institutional aid budgets to cover our recommended fee increases for financially needy students whose fees are not fully covered by Cal Grants. The LAO estimate this amount to be \$32.5 million for UC, or 19 percent, and \$28.5 million, or 26 percent, for CSU. The recommended funding is based on their estimates of student needs resulting directly from fee increases, rather than an arbitrary proportion of new fee revenue, such as the traditional one-third.

**FINANCIAL AID PACKAGED BY SEGMENTS****UNIVERSITY OF CALIFORNIA**

***Undergraduate Student Aid.*** Consistent with the financial aid policy adopted by the Regents in January 1994, the University developed the Education Financing Model, which is used to determine undergraduate student aid funding needs, allocate undergraduate aid funds among the campuses, and guide the awarding of aid funds to undergraduate students. The model is based on the following principles:

- Total cost of attendance including fees, living and personal expenses, books and supplies, and transportation.
- Meeting the costs of attending the University requires a partnership among students, parents, federal and State governments and the University.
- Students should be expected to make some contribution toward their cost of attendance through work and/or borrowing.
- Students should have flexibility in deciding how to meet their expected contribution.
- Campuses should have flexibility in implementing the Model to serve their particular student population and are encouraged to supplement centrally distributed financial aid funds with their own resources.

The formula for determining the amount of grant aid needed is shown in the table below:

<b>Education Financing Model</b>	
<b><u>Start with Student Expense Budget:</u></b>	
<i>Less</i>	Reasonable Contribution from Parents
<i>Less</i>	Manageable Student Contribution from Working
<i>Less</i>	Manageable Student Contribution from Borrowing
<i>Less</i>	Federal and State Grant Aid
<i>Equals</i>	University Grant Aid Needed

**Graduate Student Aid.** In order to support its research mission and fulfill its mission to meet California's professional workforce needs, the University needs to attract top graduate students. At the undergraduate level, the Cal Grant program insulates many needy low and middle income families from the effects of system-wide fee increases. For graduate students, the burden of covering increases in both the University's fees and nonresident tuition fall upon other parties including the University, research grants funded by Federal and other extramural agencies, private foundations and students themselves.

**Professional School Student Aid.** In 1994, the Regents approved a fee policy for selected professional school students, among which provisions included that an amount of funding equivalent to at least one-third of the total revenue from student fees be used for financial aid. University financial aid funds awarded to professional school students is used for grant and fellowship awards. About two-thirds of aid awarded to graduate professional students is in the form of loans rather than fellowships or grants. A portion of University funds is used for loan repayment assistance programs (LRAPs).

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According to information provided in the CSU's annual Institutional Financial Aid report required by the Legislature, the eligibility requirements established for the State University Grant (SUG) award include:

- Be admitted or enrolled at a CSU campus.
- Be classified as a California resident for fee payment purposes by the campus admission's or registrar's office.
- Pay the student fees.
- Demonstrate financial need according to the approved federal need analysis methodology.
- Not be in default on a student loan.
- Not owe a repayment for a previously received student grant.

- Be making satisfactory academic progress according to the standards established for financial aid purposes by the CSU campus.
- Have an expected family contribution for a 9 month academic year that does not exceed the maximum established for the program.

**Institutional Financial Aid Programs at CSU.** Revenues dedicated for institutional financial aid programs include:

State University Grant (SUG). These are need-based awards provided to cover a portion of the student fees for eligible undergraduate, graduate, and post-baccalaureate students. System-wide, the priority is to award a SUG at least equal to the amount of the student fees to eligible students who apply for financial by March 2, who have an expected family contribution (EFC) of \$800 or less, and who are not receiving a Cal Grant or other award designated to cover fees. Each campus has established local awarding policies and priorities for these funds.

Educational Opportunity Program (EOP) Grant. These grants provide assistance to economically and educationally disadvantaged undergraduates. Recipients must be California residents who are admitted to a CSU campus through the Educational Opportunity Program.

Aid Programs Administered by CSU Campuses.

1. *Scholarships.* The availability and application procedures for institutional scholarships vary among the campuses.
2. *Other Aid Programs.* The availability of other aid programs varies among institutions. Several CSU campuses have small institutional long-term loan programs and a number of them currently participate in the State Work-Study program.

**ISSUE 5: ACADEMIC PREPARATION PROGRAMS AND STUDENT SUPPORT SERVICES**

The issue for the Subcommittee to consider is the Governor's approach to allow UC and CSU flexibility to determine funding for student support services.

**BACKGROUND**

The Governor's budget provides the UC Board of Regents and the CSU Board of Trustees to determine how to address the unallocated reductions, and decide how much to fund existing programs, including research, student services, and academic support.

**What are Academic Preparation and Student Support Services Programs?** These programs have become the gateway to higher education by providing elementary, middle and high school students with instruction in the areas of academic development, academic advising, study skills training, career exploration, mentorship and test preparation for college admission exams. Most of the students that participate in these programs come from low-income families, are the first generation in their family to attend college, are English language learners and/or are attending a low performing school.

**COMMENTS****CPEC RECOMMENDATIONS**

The Commission recommends that the systems prioritize services that best facilitate student access and success, while streamlining those services to stay within available resources. For UC and CSU, this would mean prioritizing direct student support services, such as tutoring, counseling, and financial aid.

**Staff Comments.** These programs have historically received a great deal of support by the Legislature. Allowing unallocated reductions takes away the Legislature's ability to determine funding levels for these critical programs, and can result in reductions that do not match with the Legislature's priorities. By targeting the reductions at specific programs and levels, it would allow the Legislature to preserve its priorities and exercise oversight.