

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

**Assemblymember Mervyn Dymally, Chair**

**WEDNESDAY, MARCH 15, 2006**  
**STATE CAPITOL, ROOM 126**  
**4:00 P.M.**

**PRESENTATIONS**

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STEVE BOILARD, HIGHER EDUCATION DIRECTOR, LAO	
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GREG GOLLIHUR, SENIOR POLICY ANALYST, CPEC	
<b>HOW DO PRIVATE COLLEGES AND UNIVERSITIES HELP MEET THE HIGHER EDUCATION NEEDS OF STUDENTS IN CALIFORNIA?</b>	<b>5</b>
JONATHAN A. BROWN, PRESIDENT, ASSOCIATION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES (AICCU)	

**ITEMS TO BE HEARD**

<b>ITEM</b>		
<b>6120</b>	<b>CALIFORNIA STATE LIBRARY</b>	<b>6</b>
	SUSAN HILDRETH, STATE LIBRARIAN OF CALIFORNIA	
	CAMERON ROBERTSON, DEPUTY STATE LIBRARIAN	
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<b>6420</b>	<b>CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)</b>	<b>8</b>
	MURRAY HABERMAN, EXECUTIVE DIRECTOR, CPEC	
	KEVIN WOOLFORK, EXTERNAL AFFAIRS BUDGET COORDINATOR, CPEC	
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## LAO'S AND CPEC'S OVERVIEW OF THE PROPOSED 2006-07 HIGHER EDUCATION BUDGET

### MAJOR FUNDING SOURCES

The 2006-07 proposed budget provides \$10.7 billion from the General Fund for higher education. This amount is \$997 million, or 10.3 percent, more than proposed current-year funding. The budget also projects that local property taxes will contribute \$1.9 billion for California community colleges (CCC) in 2006-07, which reflects an increase of \$70 million, or 3.8 percent, from the revised current-year amount.

Student fee revenue at all the public higher education segments accounts for \$3.6 billion of proposed expenditures. This is \$78.9 million, or 2.2 percent, greater than student fee revenue in the current year. This increase is primarily due to assumed enrollment growth at all three segments. The budget also includes \$18.2 billion in other funds, which is an increase of \$322 million, or 1.8 percent. About \$16 billion of this amount constitutes non-state revenue-including federal funding and private contributions to the universities. The remainder is made up of various state revenues, including lottery and tobacco funds.

### FUNDING BY SEGMENTS

**University of California (UC).** The budget proposes General Fund appropriations of \$3 billion, which is \$207 million, or 7.3 percent, more than the proposed current-year estimate. The other major source of funding for UC's educational programs is student fee revenue. These are projected to total \$2 billion in 2006-07, which is 2.2 percent above the current-year estimate. When General Fund and fee revenue are combined, UC's budget would increase by 5.2 percent.

**California State University (CSU).** The budget proposes \$2.8 billion in General Fund support, which is an increase of \$178 million, or 6.9 percent, from the revised current-year level. Fee revenue would increase by \$26 million, or 2.2 percent, to \$1.2 billion. Total General Fund and fee revenue combined would increase by 5.4 percent.

**California Community Colleges (CCC).** The budget proposes \$4 billion in General Fund support, which is \$501 million, or 14.5 percent, above the current-year amount. Local property tax revenue (the second largest source of CCC funding) would increase by 3.8 percent, to \$1.9 billion. Fee revenue would provide an additional \$358 million, reflecting an increase of \$10.4 million, or 3 percent. Combined, these three sources of district apportionments (General Fund support, property taxes, and fee revenue) would amount to \$6.2 billion, which reflects an increase of \$581 million, or 10.3 percent.

**California Student Aid Commission (CSAC).** The proposed 2006-07 budget for the commission includes state and federal funds totaling \$1.6 billion. Of this amount, \$862 million is General Fund support-all of which is used for direct student aid for higher education. A special fund covers the commission's operating costs.

<b>Governor's 2006-07 Higher Education Budget Proposal</b>				
<i>(Dollars in Millions)</i>				
	<b>2005-06</b>	<b>2006-07</b>	<b>Change</b>	<b>Percent</b>
<b>UC</b>				
General Fund	\$2,842.4	\$3,049.2	\$206.7	7.3%
Fee revenue	1,957.6	1,999.9	42.3	2.2
Subtotals	(\$4,800.0)	(\$5,049.1)	(\$249.1)	(5.2%)
All other funds	\$14,599.9	\$14,993.6	\$393.7	2.7%
<b>Totals</b>	<b>\$19,400.0</b>	<b>\$20,042.7</b>	<b>\$642.7</b>	<b>3.3%</b>
<b>CSU</b>				
General Fund	\$2,597.5	\$2,775.8	\$178.3	6.9%
Fee revenue	1,205.3	1,231.3	26.0	2.2
Subtotals	(\$3,802.7)	(\$4,007.1)	(\$204.3)	(5.4%)
All other funds	\$2,198.9	\$2,190.5	-\$8.4	-0.4%
<b>Totals</b>	<b>\$6,001.7</b>	<b>\$6,197.6</b>	<b>\$196.0</b>	<b>3.3%</b>
<b>CCC</b>				
General Fund <sup>a</sup>	\$3,457.2	\$3,958.1	\$500.9	14.5%
Local property tax	1,829.7	1,899.3	69.6	3.8
Fee revenue	347.9	358.4	10.4	3.0
Subtotals	(\$5,634.9)	(\$6,215.8)	(\$581.0)	(10.3%)
All other funds <sup>b</sup>	\$272.2	\$260.9	-\$11.3	-4.2%
<b>Totals</b>	<b>\$5,907.0</b>	<b>\$6,476.7</b>	<b>\$569.7</b>	<b>9.6%</b>
<b>CSAC</b>				
General Fund	\$752.5	\$861.6	\$109.2	14.5%
All other funds	817.5	768.4	-49.0	-6.0
<b>Totals</b>	<b>\$1,569.9</b>	<b>\$1,630.0</b>	<b>\$60.1</b>	<b>3.8%</b>
<b>Other</b>				
General Fund	\$10.4	\$12.2	\$1.8	17.3%
Fee revenue	26.3	26.4	0.1	0.4
All other funds	21.2	17.8	-3.4	-16.0
<b>Totals</b>	<b>\$57.9</b>	<b>\$56.4</b>	<b>-\$1.5</b>	<b>-2.6%</b>
<b>Grand Totals</b>	<b>\$32,936.5</b>	<b>\$34,403.5</b>	<b>\$1,467.0</b>	<b>4.5%</b>
General Fund	\$9,659.9	\$10,656.9	\$997.0	10.3%
Fee revenue	3,537.2	3,616.0	78.9	2.2
Local property tax	1,829.7	1,899.3	69.6	3.8
All other funds	17,909.7	18,231.2	321.5	1.8
<sup>a</sup> Excludes teachers' retirement funds and bond payments.				
<sup>b</sup> Excludes other funds maintained in local budgets.				

## MAJOR BUDGET CHANGES

- **Base Augmentations.** For the UC, the budget provides \$80.5 million for a 3 percent base funding increase, plus an additional \$75 million for a further base augmentation in lieu of a student fee increase. Combined, these two

augmentations increase the university's base General Fund support by 5.8 percent. For the CSU, the budget provides \$75.8 million for a 3 percent base funding increase, plus an additional \$54.4 million for a further base augmentation in lieu of a student fee increase. Combined, these two augmentations increase the university's base General Fund support by 5.2 percent.

- **Enrollment Growth.** For the UC, the budget includes \$52 million for 2.5 percent enrollment growth, which is sufficient to fund 5,149 additional full-time equivalent (FTE) students. For the CSU, the budget includes \$57.7 million for 2.5 percent enrollment growth, which is sufficient to fund 8,490 additional FTE students. For CCC, the budget provides \$154 million for 3 percent enrollment growth (about 35,000 FTE students) as well as growth in selected categorical programs.
- **Student Fees.** For all three segments, the Governor proposes no increases in student. Instead, he proposes to provide UC and CSU with General Fund augmentations in lieu of fee increases the segments had adopted for 2006-07.
- **Financial Aid.** The budget proposes \$51 million in additional funding for Cal Grants. About \$39 million of this amount would fund increased participation in the Cal Grant program, and \$12 million would restore an earlier reduction in Cal Grant awards for needy students attending private institutions. The Governor's budget provides another \$51 million to backfill a reduction in grant support from the Student Loan Operating Fund (SLOF). For 2006-07, the Governor is proposing no transfer of monies from SLOF to the Cal Grant program.
- **Academic Preparation Programs.** The proposed budget eliminates \$17.3 million in state funding for academic preparation programs at the UC and \$7 million for the CSU.
- **CCC Cost-of-Living Adjustment (COLA).** The proposed budget includes \$280 million for a COLA of 5.18 percent for apportionments and selected categorical programs.
- **CCC Equalization.** The proposed budget includes \$130 million for equalization among all districts to the 90<sup>th</sup> percentile.
- **Career Technical Education.** The proposed budget provides an additional \$30 million for workforce development programs. Last year, the Governor proposed and the Legislature approved \$20 million in one-time Proposition 98 Reversion Account funds to encourage high schools to work with community colleges to expand and improve vocational courses offered to high school students.

<b>COMMENTS:</b>
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LAO and CPEC staff will brief members of the committee on the short term and long term issues challenging the State's higher education institutions as members begin to consider the Governor's 2006-07 proposals.

## ASSOCIATION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES (AICCU)

AICCU represents 77 non-profit colleges and universities throughout the State. These institutions serve over 230,000 students and produce approximately 22 percent of the State's baccalaureates degrees, 48 percent of the master's degrees, 44 percent of the doctoral degrees and 71 percent of the professional degrees annually.

<b>COMMENTS:</b>
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Jonathan Brown, President of AICCU will brief members of the committee on how independent colleges and universities help meet the higher education needs of students in California.

## ITEMS TO BE HEARD

### ITEM 6120 CALIFORNIA STATE LIBRARY

#### ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the California State Library support budget.

#### BACKGROUND

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 Library Literacy Services, develops technological systems to improve resource sharing and enhances access to information, and administers the Public Library Foundation Act, which established a formula under which the State contributes funding for basic local library services.

The following table provides information on the California State Library expenditures by fund, which includes all funding sources that support the Library's programs:

<b>California State Library: Summary of Expenditures by Fund</b>			
<i>(Dollars in Millions)</i>			
	<b>Actual 2004-05</b>	<b>Estimated 2005-06</b>	<b>Proposed 2006-07</b>
General Fund	\$48,284	\$47,521	\$48,077
California State Law Library Special Account	436	547	548
Deaf and Disabled Telecommunications Program Administrative Committee Fund	441	552	552
California Library Construction and Renovation Fund	208	-	-
Federal Trust Fund	18,854	19,067	19,350
Reimbursements	185	1,641	1,633
California Public Library Construction and Renovation Fund	1,643	2,672	2,755
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	1,057	1,647	1,718
<b>TOTAL EXPENDITURES (ALL FUNDS)</b>	<b>\$71,108</b>	<b>\$73,647</b>	<b>\$74,633</b>

**MAJOR BUDGET PROPOSALS**

**Information Technology Staffing.** The Governor's budget includes \$220,000 General Fund for 2.0 information technology positions to support the library's technology operations and infrastructure.

**Local Assistance.** The Governor's budget continues to fund the Public Library Foundation (PLF) at the 2005-06 level, or \$14.3 million. This program provides direct State aid to local public libraries in the form of grant awards for which all public libraries are eligible to apply. Libraries can use these funds to provide basic library services.

**California Civil Liberties Public Education Act.** The Governor's budget includes \$500,000 in General Fund support for this program, which reflects no change from the 2005-06 *Budget Act* funding level. This program was primarily designed as a result of a lack of education in public schools regarding the Japanese American internment period.

**COMMENTS:**

Susan Hildreth, the State Librarian will comment on the Library's goals and objectives for the budget year.

## ITEM 6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

### ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the California Postsecondary Education Commission (CPEC) support budget.

### BACKGROUND

CPEC is responsible for the planning and coordination of education beyond high school. The Commission provides policy analyses, advice and recommendations to the Legislature and the Governor on statewide policy and funding priorities for colleges, universities, and other postsecondary education institutions. The Commission has 16 members, which represent the public and private university segments, the State Board of Education, students and the general public. In addition, CPEC has other responsibilities including reviewing the proposed new academic facilities and programs, making recommendations on the need for and proposed location of new campuses and off-campus centers, developing and updating long-range plans for postsecondary education, and identifying potential barriers to student access and success.

The Governor's budget proposes a total of \$11 million for CPEC, of which \$8.6 million are federal funds for the Teacher Quality Grant Program that supports professional development activities for K-12 teachers and \$2 million in General Fund to support the Commission's operations.

The following table shows the Commission's expenditures by fund:

<b>California Postsecondary Education Commission (CPEC): Summary of Expenditures by Fund</b>				
<i>(Dollars in Millions)</i>				
	<b>2003-04</b>	<b>2004-05</b>	<b>Estimated 2005-06</b>	<b>Proposed 2006-07</b>
<b>State Operations</b>				
General Fund	\$1,972	\$2,050	\$2,046	\$2,065
Federal Funds	435	335	437	437
Reimbursements	--	--	3	3
Subtotal, State Operations	\$2,407	\$2,385	\$2,486	\$2,505
<b>Local Assistance</b>				
General Fund	--	--	--	--
Federal Funds	\$8,444	\$8,448	\$8,579	\$8,579
Subtotal, Local Assistance	\$8,444	\$8,448	\$8,579	\$8,579
<b>Total</b>	<b>\$10,851</b>	<b>\$11,833</b>	<b>\$11,065</b>	<b>\$11,084</b>



**COMMENTS:**

CPEC staff will comment on the Commission's projects currently underway and their goals and objectives for the budget year.