

Date of Hearing: April 21, 2015

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1307 McCarty – As Amended April 14, 2015

**SUBJECT:** Working Families Student Fee Transparency and Accountability Act

**SUMMARY:** Prohibits the California State University (CSU) and the University of California (UC) from increasing fees above 2014-15 levels, except as authorized in the annual Budget Act. Specifically, **this bill:**

- 1) Prohibits the CSU Board of Trustees (Trustees) from charging more than \$5,472 in systemwide tuition and fees, except as authorized in the annual Budget Act, to a California resident of the CSU.
- 2) Prohibits the UC Board of Regents, as a condition of receipt of state funding in the annual Budget Act from charging more than \$12,192 in systemwide tuition and fees, except as authorized in the annual Budget Act, to a California resident of the UC.
- 3) Mandates CSU, and UC as a condition of receipt of state funds for student financial assistance, compliance with specific provisions of the Working Family Student Fee Transparency and Accountability Act (Student Fee Act), as follows:
  - a) Requires, instead of encourages, as changes in mandatory systemwide fees and financial aid are being considered, the impact of changes to be explained to students;
  - b) Requires, instead of encourages, students to be consulted before increases on mandatory systemwide fees are proposed;
  - c) Requires, instead of encourages, adequate advance notice to be provided to students regarding future mandatory systemwide fees;
  - d) Requires, instead of encourages, all current and prospective students to be provided timely information concerning student financial aid;
  - e) Requires, rather than encourages, the state's public colleges and universities ensure transparency in the uses of mandatory systemwide fee revenue and the rationale for implementing mandatory systemwide fee increases; and,
  - f) Requires, rather than urges, CSU and UC to maintain their commitment to institutional financial aid programs by ensuring at least 33% of fee increase revenues are set aside for institutional student aid.

**EXISTING LAW:** Requires, under the Student Fee Act, UC and CSU follow specific notice, consultation, and timeframe requirements when approving student fee increases. (Education Code Section 66028 – 66028.6)

**FISCAL EFFECT:** Unknown

**COMMENTS:** *Student fee policy.* Fees and General Fund (GF) support work interchangeably to fund the core instructional missions of the segments. The state's portion essentially subsidizes the amount paid by students in the form of fees. Because of this link, fees have increased steeply during difficult budget years (generally also years where a down-economy makes families less able to pay for increases) and then declined when state support could be provided to the segments.

Through 1996, fees at California public postsecondary institutions were governed by the Maddy-Dills Act, which required fees to be gradual, moderate and predictable; increases to be limited to 10% a year; and fixed at least ten months prior to the fall term in which they were to become effective. However, when the state faced serious budget challenges the provisions of the Act were set aside in order to provide the CSU Trustees and the UC Regents flexibility in dealing with the lack of GF support. In 1996, the Act was allowed to sunset.

In 2012, AB 970 (Fong, Chapter 620) established the Student Fee Act to require UC and CSU follow specific notice and consultation requirements when approving student fee increases:

- 1) UC and CSU are required to follow prescribed public notice and student consultation procedures before adopting an increase in mandatory systemwide tuition and fees for resident students;
- 2) UC and CSU are required to develop a list of factors to consider when recommending a fee increase;
- 3) UC and CSU are required to provide the Legislature on annual reports on tuition and fees, financial aid, and total cost of attendance.
- 4) The Legislative Analyst's Office (LAO) is required to report on CSU and UC compliance with the Student Fee Act.

*Governor's multi-year plan.* Following the passage of Proposition 30 in 2012, the Governor proposed a multi-year funding plan that assumes no tuition fee increases over four years; specifically, the plan called for 5% GF growth for CSU and UC in 2013-14 and 2014-15, and 4% growth in 2015-16 and 2016-17. The Governor has also indicated that UC and CSU should anticipate 4% increases in 2017-18 and 2018-19. Both CSU and UC have indicated that the Governor's proposed 4% increases do not sufficiently ensure access and quality.

*CSU budget request.* In response to GF support deemed inadequate by CSU, since 2009, CSU indicates it has annually turned away between 10,000 and 30,000 qualified California applicants. At its November 2014 meeting, the CSU Trustees voted to approve a budget that does not increase student fees, but instead calls for the state to provide an additional \$97 million in GF support. With this additional funding, CSU would increase enrollment by 3% (10,000 full-time students) and focus on student success and completion initiatives.

*UC budget request.* UC indicates that despite inadequate GF support in recent years, it has accepted all eligible students; although, not necessarily accepted to the campus or campuses to which they applied. UC contends that it is currently serving 7,000 "unfunded" California students. On November 20, 2014, the UC Board of Regents voted to increase (1) tuition, (2) student services fees, and (3) professional degree supplemental tuition by 5% in each academic year from 2015-16 through 2019-20. The resident undergraduate tuition increase would raise

tuition and fees from the current \$12,192 to \$15,564 by 2019-20. UC indicates that, depending on the level of state funding received, charges may increase by a smaller amount or remain flat over the course of the five-year period.

*Governor's January budget proposal.* In January of 2015, Governor Brown proposed, consistent with the multi-year plan, a 4% increase in GF support for UC and CSU. The plan specifies that the 4% increase for UC is contingent upon keeping tuition at 2011-12 levels in 2015-16, not increasing nonresident enrollment in 2015-16, and taking action to control costs. Of note, Assembly and Senate leadership have called for increasing funding to UC and CSU above the Governor's proposed increases.

*UC response to Administrative and Legislative concerns.* On February 18, 2015, UC President Napolitano announced that UC would not implement the proposed tuition increase for the 2015 summer quarter. On March 3, 2015, President Napolitano told the Assembly Budget Subcommittee No. 2 on Education Finance that UC campuses have been instructed to keep enrollment of California students flat, and placing "unfunded students" on waitlists and offering deferred enrollment. President Napolitano also indicated that UCLA and Berkeley would cap nonresident enrollment next year at this year's current levels.

*UC noncompliance with the Student Fee Act.* On March 25, 2015, the LAO released its annual report regarding UC and CSU compliance with the Student Fee Act. LAO found that CSU has not increased resident mandatory systemwide charges in the past year and therefore was not required to follow any consultation or notification procedures required by existing law. UC, on the other hand, was deemed by LAO to be not in compliance with most of the provisions of the law. According to the LAO, UC reported it is not legally obligated to comply with the law because of its constitutional autonomy. LAO noted that of the six statutory requirements regarding public notice and student consultation, UC failed to comply with four requirements.

*Increasing fees, reducing access, controlling costs.* As previously noted, student fee levels are tied to GF support. In budget years where GF support is not provided, traditionally UC and CSU have responded through (1) increasing student fees, or (2) reducing California resident enrollment (or both). Arguably, controlling and reducing higher education costs is an alternative; however, it is unclear how this alternative would affect education quality. This bill would prohibit CSU and UC from increasing fees absent approval in the Budget Act. The Committee may wish to consider, if adequate GF support is not provided and the Legislature does not authorize a fee increase, the effect on CSU and UC access and quality.

***The author and committee may wish to consider the following amendments:***

66028.7.

*(a) Notwithstanding any other law, the trustees shall not implement an increase charge more than five thousand four hundred seventy two dollars (\$5,472) in systemwide tuition and fees, except as authorized in the annual Budget Act, to a California resident student of the California State University, if the Legislative Analyst has determined, in the report required pursuant to section 66028.6(b), that the trustees failed to comply with the requirements of this article prior to the approval of the increase.*

*(b) Notwithstanding Section 67400, as a condition of the receipt of state funding in the annual Budget Act, the regents shall not implement an increase charge more than twelve thousand one*

*hundred ninety two dollars (\$12,192) in systemwide tuition and fees, except as authorized in the annual Budget Act, to a California resident student of the University of California, if the Legislative Analyst has determined, in the report required pursuant to section 66028.6(b), that the regents failed to comply with the requirements of this article prior to the approval of the increase.*

*(c) An increase in systemwide tuition and fees for California resident students adopted pursuant to subsection (a) or (b) may be rescinded by the Legislature in the annual Budget Act.*

*Related legislation.* AB 42 (Kim), pending in this committee, finds and declares the intent of the Legislature to increase funding to the UC, CSU, and CCC to ensure that increases in mandatory systemwide fees or tuition are not required during the period when the higher tax rates imposed by the Schools and Local Public Safety Protection Act of 2012 will be in effect; and, prohibits, from the 2015-16 fiscal year to the 2018-19 fiscal year, mandatory systemwide fees or tuition charged at CCC, CSU and UC from exceeding the 2014-15 levels.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on File

**Opposition**

California State University

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