

Date of Hearing: April 12, 2016

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Jose Medina, Chair
AB 2064 (Travis Allen) – As Introduced February 17, 2016

SUBJECT: Public postsecondary education: tuition and mandatory systemwide fees.

SUMMARY: Requires the University of California (UC) Regents and the California State University (CSU) Trustees, to determine the amounts of undergraduate tuition and mandatory fees and freeze them at four-year cohorts. Specifically, **this bill:**

- 1) Requires the UC Regents and the CSU Trustees to determine the amounts of undergraduate tuition and mandatory systemwide fees for each incoming first-year class.
- 2) Stipulates that the tuition and mandatory systemwide fees set for an incoming first-year class, as specified, shall not be increased for that class, except under either or both of the following situations:
 - a) At least four academic years have passed; and/or,
 - b) To reflect the percentage change, if any, in the Consumer Price Index calculated by the Bureau of Labor Statistics of the United States Department of Labor during the previous academic year.
- 3) Stipulates that the provisions in numbers one and two above, inclusive, shall not apply to a student during the time the student is taking a leave of absence to serve in the military.

EXISTING LAW:

- 1) Authorizes the UC Regents and the CSU Trustees to charge various fees and prohibits certain fees from applying to specified categories of students.
- 2) Requires, under the Student Fee Act, UC and CSU follow specific notice, consultation, and timeframe requirements when approving student fee increases (Education Code (EC) Sections 66028 – 66028.6).
- 3) Confers upon the CSU Trustees the powers, duties, and functions with respect to the management, administration, and control of the CSU system (EC Section 66066).
- 4) Provides that statutes related to UC (and most other aspects of the governance and operation of UC) are applicable only to the extent that the UC Regents make such provisions applicable (EC Section 67400).
- 5) Establishes the Cal Grant Entitlement Programs to provide grant assistance for fee payment in the UC, CSU and private institutions in California, to the extent that students are financially and academically eligible for such support (EC Section 69530).

FISCAL EFFECT: Unknown

COMMENTS: *Background.* Fee revenue works interchangeably with General Fund support to fund the core instructional mission of the public segments. The state's portion essentially subsidizes the amount paid by students in the form of fees. Since 2007-08, state support for the UC and CSU has declined significantly. The charts below illustrate the resulting fluctuation in fees at the UC and the CSU over the last several years.

UC Mandatory Systemwide Student Tuition/Fees Resident Undergraduate			CSU Mandatory Systemwide Student Tuition/Fees Resident Undergraduate		
Year	Fee Amount	Percent Change	Year	Fee Amount	Percent Change
2007-08	\$6,636	8.1%	2007-08	\$2,772	10.0%
2008-09	\$7,126	7.4%	2008-09	\$3,048	10.0%
2009-10	\$8,958	25.7%	2009-10	\$4,026	32.1%
2010-11	\$10,302	15.0%	2010-11	\$4,440	10.3%
2011-12	\$12,192	16.0%	2011-12	\$5,472	23.2%
2012-13	\$12,192	0%	2012-13	\$5,472	0%
2013-14	\$12,192	0%	2013-14	\$5,472	0%
2014-15	\$12,192	0%	2014-15	\$5,472	0%
2015-16	\$12,192	0%	2015-16	\$5,472	0%

Need for the measure. According to the author, "Due to constant fee increases, extended graduation timelines, and the lack of fiscal oversight, students of California are finding it increasingly difficult to financially plan for their education." The author contends that, "This law will stabilize tuition and fee increases incurred by students, which will ensure that students can financially plan for their college career."

Impacts of guaranteed tuition policies. According to an August 2015 study out of the University of Illinois at Urbana-Champaign, entitled, "The Impact of Guaranteed Tuition Policies on Postsecondary Tuition Levels and Other Outcomes: A Difference-In-Difference Approach," a significant increase in tuition levels occurs when institutions are subjected to guaranteed tuition levels. The study also found that while a guaranteed tuition law offers predictability in tuition levels for students, the built in incentives appear to encourage tuition increases, which is not beneficial to students and families.

As found by the report, tuition freezes actually lead to higher tuition amounts for students. As currently drafted, this bill stipulates that the tuition and mandatory systemwide fees set for an incoming first-year class shall not be increased for that class, as specified. This could result in unintended consequences of incoming freshmen having to pay significantly higher tuition and fees that would not be able to be spread across all students.

The Committee may wish to consider if the Legislature should pass a measure that could have the exact opposite outcome of the stated goal of ensuring students' tuition and fees are maintained at the lowest levels feasible.

Why a Freeze? The rationale for enacting a four-year statutory freeze is unclear. A fee policy allowing for modest increases would still be predictable and would allow families to plan for their college expenses.

California's Student Fee Act. The Student Fee Act (as described in EC Sections 66028 – 66028.6) requires the UC and CSU to follow specific notice, consultation, and timeframe

requirements when approving student fee increases. However, according to the Legislative Analyst's Office (LAO) February 2016 Report, entitled, "2016-17 Budget: Higher Education Analysis," the state currently lacks a tuition policy. The LAO contends that a statewide tuition policy establishes how tuition levels should be adjusted over time. Furthermore, the LAO finds that tuition and fee levels in California tend to follow a pattern of "flat periods punctuated by sharp increases". The flat periods correspond with years in which the state experienced economic growth; the periods in which there is a steep increase, generally correspond to periods when the state experienced a recession.

Negative consequences for students who take longer than four-years to complete? This bill specifies that tuition and fees set for an incoming first-class shall not be increased for that class, except after at least four academic years have passed or there is a need to reflect a change based in the Consumer Price Index.

Due to a variety of reasons, many students do not complete their undergraduate degrees in four-years. To note, it is estimated that the time-to degree is approximately four years and one quarter at UC and five to six years at CSU.

The Committee may wish to consider if this measure unfairly targets students who, at no fault of their own, are unable to graduate in four-years.

Impact for transfer students? This measure is silent on the fee level that transfer students would be charged.

The Committee may wish to determine if this measure will have an unintended consequence to transfer students and whether transfer students should be entitled to the fee levels they would have paid had they matriculated as freshmen.

Previous legislation. Several Assembly measures, in 2013, were introduced that would have limited tuition increases and establish long-term fee policies for UC and CSU. Ultimately, the Committee and authors agreed to move forward a single fee policy bill. AB 67 (Olsen, Chávez, and Gorell), which was approved by this Committee, but subsequently held on Suspense File in the Assembly Appropriations Committee, would have prohibited UC and CSU from increasing undergraduate fees for California residents, until January 1, 2017, so long as specified funding was provided to the segments in the Budget Act.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

California State University

Analysis Prepared by: Jeanice Warden / HIGHER ED. / (916) 319-3960