

Date of Hearing: April 18, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 393 (Quirk-Silva) – As Amended April 6, 2017

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

**SUMMARY:** Prohibits, until after the 2019-20 academic year, any increases in resident tuition and mandatory systemwide fees charged to students at the California State University (CSU) and the California Community Colleges (CCC) above the amounts charged as of December 31, 2016, and requests that the Regents of the University of California (UC) comply with this policy. (Does not prohibit increases in supplemental nonresident tuition.)

**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) 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. (Education Code (EC) Section 67400.)
- 3) Confers upon the CSU Trustees the powers, duties, and functions with respect to the management, administration, and control of the CSU system. (EC Sect. 66606.)
- 4) Establishes a \$46 per semester unit fee at the California Community Colleges, and provides fee waivers for specified types of students. (EC Sect. 76300.)

**FISCAL EFFECT:** To the extent that tuition and fees have been or would be increased over the next three academic years, there would be potential significant General Fund cost pressure to backfill the revenue loss from those foregone increases.

**COMMENTS:**

*Purpose.* The author cites the significant financial challenges facing many students, including even homelessness and food insecurity for some. The author references a 2016 study commissioned by CSU finding that as many as 1 in 10 of the system's 475,000 students lacked fixed, steady places to sleep at night and that one in five experience food insecurity. According to the author, through large tuition increases, students have borne the costs of the state's disinvestment in higher education over the last 30 years. "The long-term funding shortfalls in our higher education system cannot be balanced on the backs of our students. AB 393 places a moratorium on tuition, mandatory systemwide tuition and enrollment fees for CSU and community college students through the 2019-20 academic year and urges the UC Regents to take similar action. This moratorium will give students and their families piece of mind that the already high costs of higher education will be capped for the near future as the Legislature works on long-term funding solutions for the three segments of our higher education system." The bill is sponsored by the California Faculty Association.

*Recent Tuition/Fee History.* The table below shows how resident undergraduate tuition and mandatory systemwide fees have changed at the three segments since 1997-98.

Year	Resident Undergraduate Annual Tuition and Systemwide Fees		
	UC	CSU	CCC
1997-98	\$3,799	\$1,584	\$390
1998-99	3,609	1,506	360
1999-00	3,429	1,428	330
2000-01	3,429	1,428	330
2001-02	3,429	1,428	330
2002-03	3,834	1,500	330
2003-04	4,984	2,046	540
2004-05	5,684	2,334	780
2005-06	6,141	2,520	780
2006-07	6,141	2,520	600
2007-08	6,636	2,772	600
2008-09	7,126	3,048	600
2009-10	8,958	4,026	780
2010-11	10,302	4,440	780
2011-12	12,192	5,472	1,080
2012-13	12,192	5,472	1,380
2013-14	12,192	5,472	1,380
2014-15	12,192	5,472	1,380
2015-16	12,240	5,472	1,380
2016-17	12,294	5,472	1,380
2017-18	12,630	5,742	1,380

As shown in the table, tuition/fees tended to increase dramatically during the years of state budget crises, when state support to UC and CSU declined. This reflects the relatively discretionary nature of UC's and CSU's state budget allocations, and the ability to at least partially compensate for reductions in state support with the additional revenue from tuition increases. The table also shows that tuition levels have remained relatively flat, or even declined, during periods of more stable and growing state budgets. CCC fees have followed a similar pattern to UC and CSU, and in fact have experienced the largest increase in overall percentage terms (up 318%). Despite these increases, however, California's community colleges still have the lowest fees in the country among two-year public postsecondary systems.

For 2017-18, the table reflects the tuition and fee increases approved earlier this year by the UC Regents (2.7%) and the CSU Trustees (4.9%), respectively. Prior to these actions, tuition had not increased at either segment for the previous five years. CCC student fees are established in statute, and no change to the current \$46/unit fee is pending in the Legislature. Moreover, since student fee revenues constitute a minor portion of CCC operating budget, the remainder of this analysis will focus on issues raised by this bill with regard to the UC and CSU systems and their students.

(It should be noted that, while tuition has remained flat and systemwide fees at UC have risen only slightly since 2011-12, students at both UC and CSU have seen increases in annual campus-based fees. At UC, these fees for resident undergraduates will have increased by an average of \$331 (33%) between 2011-12 and 2017-18. At CSU, the increase in average campus-based fees over this time has been \$362 (35%).)

*UC Increase.* In January, the Regents approved increases of \$282 in tuition and \$54 in the systemwide Student Services Fee for resident undergraduate and graduate students. In taking this action, the Regents also authorized the UC President to reduce the fee increase to the extent the state provides additional permanent funding above the amount proposed in the Governor's Budget. The university estimates that increases in financial aid—through the state's Cal Grant program and the Middle Class Scholarship (MCS) program and UC's own program—will cover these increased costs for about two-thirds of UC undergraduates. (The Governor's budget proposes to phase out the MCS program beginning in 2017-18, by not offering any new awards. The Assembly Budget Subcommittee #2 has already taken action to reject this proposal.)

UC has not developed any definitive longer term policy with respect to tuition levels beyond the upcoming academic year. However, in its Three-Year Financial Stability Plan, required as part of the 2016-17 Budget Act, UC states that, "Under a long-term funding framework, the University may consider an adjustment to tuition beginning in 2017-18 pegged generally to economic indicators that reflect cost increases in the broader economy..."

*CSU Increase.* In March, the Trustees approved a \$270 tuition increase for full-time resident undergraduate students (\$156 for part-time students) and slightly higher increases for graduate students. As with UC, the Trustees authorized the CSU Chancellor to modify this increase based on the enacted state budget. In 2015-16, about 72% (295,000) of CSU's undergraduates received some financial aid. CSU estimates that state and university financial aid programs will fully cover the 2017-18 fee increase for more than 60% of system's undergraduates, or about 255,000 students. CSU currently does not have a long-term fee policy. Its sustainability plan states that the Trustees will determine appropriate tuition rates on a case-by-case and year-by-year basis.

*AB 393* freezes tuition and mandatory systemwide fees—at the levels established as of December 31, 2016—for the duration of the 2017-18, 2018-19, and 2019-20 academic years. The freeze would apply to both undergraduate and graduate students, but not to students that are subject to additional, nonresident tuition charges. Since this bill, if enacted, would not take effect until January 1, 2018, the approved fee increases, at least at CSU, would be in effect for the fall semester, then fees would decline to the 2016-17 levels for the spring semester and thereafter through 2019-20. Presumably, the same rescission of already adopted fee increases could occur at UC.

*Who Benefits From This Bill?* Since a majority of UC and CSU students would have the 2017-18 fee increases covered by financial aid programs, those students not eligible to participate in these programs, or who have not applied for these programs, would directly benefit from the three-year fee moratorium imposed by this bill. At UC, this would involve about 55,000 students, about one-half of which UC does not know the students' family income because they did not file a Free Application of Federal Student Aid (FAFSA) or a Dream Act application. Most of these students are likely from families with sufficient income such that the student would not qualify for financial aid. Another 18,600 of these UC students are from families with annual income exceeding \$138,000. For CSU, about 130,000 undergraduate students will otherwise bear all or part of the tuition increase, to the extent they do not receive non-state forms of financial aid or they receive such aid, but it is not sufficient to cover the increased tuition. As with UC, some portion of these CSU students are likely from more affluent families whose income exceeds the maximum allowable for eligibility under state and federal aid programs.

*College Affordability Concerns.* Notwithstanding that tuition levels have been flat for several years and that California maintains a generous portfolio of financial aid programs to offset tuition costs for a majority of its university students, concerns about the overall cost of college are widespread.

Though not insignificant, systemwide tuition is but one element in the cost of attending college, the others being campus-based fees, books and supplies, food, housing, transportation, and personal/miscellaneous. Of the three segments, UC has the most comprehensive study of these costs. Roughly every three years, UC randomly surveys several thousand students to gather data regarding their cost of attendance. The most recent survey was conducted in Spring 2016 and involved almost 14,000 undergraduate students. Based on the survey results, UC estimates the following average costs of attendance for the 2017-18 academic year for students living on-campus (about 34% of UC students) and those living off-campus (56% of students). The remaining 10% are commuter students living at home.

	<b>Cost of UC Attendance for 2017-18</b>	
	<b>On-Campus</b>	<b>Off-Campus</b>
Books and supplies	\$1,179	\$1,179
Living (room and board)	15,366	11,829
Personal	1,430	1,504
Transportation	495	913
Healthcare	2,653	2,655
<i>Subtotal, non-fee expenses</i>	<i>21,123</i>	<i>18,080</i>
Systemwide fees	12,630	12,630
Campus fees (wt. average)	1,259	1,362
<i>Subtotal, UC fees</i>	<i>13,889</i>	<i>13,992</i>
<b>TOTAL</b>	<b>\$35,012</b>	<b>\$32,072</b>

As shown in the table, UC fees—both systemwide and campus-based—represent about 40% of total costs for on-campus students and 44% of costs for off-campus students. Besides fees, room and board represent the most significant costs, and these have grown significantly in recent years. Compared to the results of UC's 2011-12 survey, average room and board costs systemwide have increased by \$2,300 for off-campus housing, where most students reside. The increase is even greater at some campuses, such as at Berkeley (\$3,400) and San Diego (\$3,000).

Recently, the cost of housing has become a greater challenge for many Californians, and particularly for renters, which of course includes a large proportion of college students. UC reports that the monthly rent for one-bedroom apartments in Berkeley has risen from less than \$1,500 in January 2011 to almost \$2,600 in fall 2016, and rent for a two-bedroom unit has risen from \$2,000 to \$3,200 during this time period. According to Zillow, median apartment rents in Los Angeles County have risen 23% in just the last three years, to \$2,400, and the statewide median is up 26% over this time. Thus, during a period of essentially flat tuition levels, students throughout the state are still faced with mounting cost pressures.

*Student Debt in California.* Students typically cover their costs of attendance through some combination of sources, including grants, scholarships, fee waivers, work, parent contributions, and loans, the last of which translate into debt obligations, usually upon graduation or withdrawal from school. Even with the high total cost of attendance in California, the state's generous financial aid programs results in California students, on average, having both lower incidences of student debt and debt levels. Based on latest annual nationwide survey of student debt, the Institute of College Access and Success (TICAS) reported that, for students graduating from four-year colleges in 2015, California ranked 42<sup>nd</sup> lowest in the percentage of students

(54%) graduating with any debt, and ranked 48<sup>th</sup> lowest in the average debt amount (\$22,191). California's ranking on these annual measures has remained fairly constant since at least 2010, though the average debt amount has increased considerably since that time – by about \$4,000 (23%).

The above rankings account for graduates who attend public or private non-profit colleges in California. UC and CSU students, on average, fair even better. For CSU, 49% of 2015 graduates finished with debt, which averaged \$15,531—30% less than the statewide average. For UC, 52% of graduates finished with debt, which averaged \$19,231. Monthly cost to repay this average loan over ten years would be around \$200.

The federal government has recently taken steps to make loan repayments more manageable. Historically only three loan repayment plans were offered, and none of these were based on a borrower's ability to make the payments. The federal government has now expanded its repayment plan offerings to include a number of “income-driven” repayment plans, which vary payments based on the income of the borrower as a way to improve affordability and reduce the likelihood of default. The income driven plans also forgive any remaining loan balances after a set period of time, unless the borrower defaults on the loan.

The vast majority (about 90%) of loan volume for California students comes directly from the federal government, with the balance coming from private lenders. For each cohort of undergraduate borrowers commencing repayment in a given year, the federal government tracks the percentage of students in default within three years, by institution. The average default rate is 11.3% nationally and 10.4% in California. No UC campus has a rate exceeding 3.6% and no CSU campus has a rate exceeding 6.7 percent. Most CCC campuses have default rates exceeding 10%, but only about 2% of CCC students take out loans each year, which is far fewer than at the other two segments.

*Potential Impact on the Segments.* With reductions/slow growth in state support, the core operating budgets of UC and CSU have become more reliant on student fee revenue. Thus, for example, a 4% year-over-year increase in state funding at UC translates to only a 2% increase in total core funding, given flat tuition levels. Moreover, as resident undergraduate fees have been frozen since 2011-12, the purchasing power of those fees to the universities has declined by about 10%. By freezing fees for an additional three years, this bill will further exacerbate these budget pressures, absent either greater state support or cost reductions, or a combination of thereof.

As summarized by the LAO, CSU faces four notable cost pressures: funding collective bargaining agreements already ratified by the Board of Trustees; covering basic cost increases, such as for health care and pensions; funding enrollment growth for more transfer students, as CSU continues to report denying admission to eligible transfer students; and pressure to provide compensation increases to other employee groups with open contracts.

The Governor's 2017-18 Budget proposes a \$157.2 million increase in state support to CSU and assumes net additional tuition revenue of \$18.8 million from planned enrollment growth. The tuition increases recently approved by CSU will generate about \$77 million in additional net revenue to the system, which CSU planned to use principally for its graduation initiative. Even with this additional revenue, CSU would receive about \$90 million less than the \$344 million increase proposed for its operating budget for 2017-18.

It should be noted that, with the adopted UC and CSU tuition increases, state General Fund costs for the Cal Grant program would increase in 2016-17 by about \$47 million, assuming the state's longstanding policy of increasing UC/CSU Cal Grants to match tuition costs. These costs are not accounted for in the Governor's Budget proposal.

*Staff Comments.* Tuition in California has remained flat for several years, and the state and its postsecondary institutions provide relatively generous financial aid, which shields a majority of students, including most of the neediest students, from the impacts of tuition increases. Nevertheless, the total cost of college attendance continues to increase, driven in part by California's tight housing market and steep rents. Incidents of food and/or housing insecurity among students are also troubling.

This bill presents a dilemma for the committee. It will directly benefit some students and give them and their families a measure of certainty, but absent any further increases in state funding, it could also be a detriment to students to the extent that the resulting revenue losses reduce the segments' ability to hire more faculty, offer more courses, reduce class sizes, enroll more students, and in general offer more student services. These impacts could have the effect of slowing students' progress, extending their time-to-degree and increasing their overall college costs.

Moreover, freezing fees on a multi-year basis, and thus taking that option "off the table," reduces the Legislature's flexibility to adopt annual budgets based on changing needs and priorities. An even less desirable scenario would be for the Legislature to approve a multi-year freeze only to have to rescind this action in the face of a budget crisis in the near-term. California's economy has been strong and growing for several years, but the current economic expansion is among the longest of the postwar era. No one can reliably predict when the next recession will arrive, only that each day brings us one day closer to the inevitable downturn. While the rainy day fund established by Proposition 2 has provided a healthy reserve, California tax revenues, given its income tax structure, can still be highly volatile.

#### *Opposition.*

CSU argues that the bill inhibits the Trustees' ability to manage its budget in the best interest of the system and students. CSU notes that it has just two main revenue sources—the General Fund and tuition revenue—and that the bill freezes one with no provision to ensure the second is sufficient to meet the system's needs.

UC contends that, given the flat tuition levels in recent years, next year's increase is necessary to maintain the quality of a UC education and that continuing to freeze tuition will not improve affordability for the system's neediest students, who benefit from institutional financial aid, most of which is funded from tuition revenues.

#### *Related Legislation.*

- 1) AB 1356 (Eggman), pending in this committee, increases the personal income tax rate by 1% on taxable income exceeding one million dollars, and uses the resulting revenues to offset those tuition costs at UC, CSU, and the CCC that are not already covered by existing financial aid programs.

- 2) SB 236 (Nyuyen), pending in Senate Education, in part freezes tuition and mandatory fees at UC and CSU from 2018-19 through the 2022-23 academic year.

*Prior Legislation.*

- 1) AB 67 (Olsen, 2013) required CSU and requested UC to freeze undergraduate tuition and fees from 2013-14 through 2016-17, unless state support for each segment did not increase by specified amounts. AB 67 was held on Suspense in Assembly Appropriations.
- 2) AB 138 (Olsen, 2014), which was never heard in this Committee, prohibited CSU and UC from increasing the tuition and fee levels of each first-year class for four years, except for an inflation adjustment not to exceed 2% annually.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Federation of Teachers  
California Teachers Association  
Faculty Association of California Community Colleges  
Service Employees International Union  
University Professional and Technical Employees—Communications Workers of  
America Local 9119

**Opposition**

California State University  
University of California

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