

California Higher Education Finance Recommendations for Change

**Tuesday, January 20, 2004
1:30 p.m.
State Capitol, Room 437**

The Assembly Higher Education Committee met on Tuesday, October 21, to review alternative policy options for financing higher education in California. Given the state's budget problems, which are likely to continue for the next few years, funding for California's colleges and universities will not grow at the level needed to accommodate the expected growth in student enrollments. It is therefore important for the Legislature to understand the linkage between policy and finance, as well as to explore the available policy options.

Higher education has long served as the key engine of California's economic growth and quality of life. Our colleges and universities provide economic and social benefits that far outweigh the costs to the taxpayers. California's Master Plan for Higher Education promises that every California high school graduate can attend a public college or university to secure the benefits of a college education. Californians have accepted the fact that higher education is both a public good and a private good, and the state has invested wisely in developing one of the best public higher education systems in the world.

The Governor's proposed 2004-05 budget for the University of California (UC) and the California State University (CSU) does not provide adequate state support to sustain the existing capacity at California's public universities and serve the increasing number of students graduating from high school and seeking access to the CSU and UC. An annual dramatic increase in student fees, to backfill for reductions in state appropriations, is not an acceptable policy option.

While the Governor's proposed 2004-05 budget for the California Community Colleges is generally responsive to many of the funding priorities of this sector of California higher education, the fact remains that the statewide funding mechanism for the community colleges has several major weaknesses. The Assembly Higher Education Committee met on Tuesday, December 9, to discuss revisions that should be made in the community college mechanism. A key theme of this meeting was the need to provide sufficient

revenues to allow institutions to fulfill the mission assigned to them by law, at high levels of quality.

The Assembly Higher Education Committee is committed to sustaining the Master Plan goal that all California high school graduates have access to higher education. We are committed to achieving four key goals with the state's investment in higher education.

- **Access** to higher education and opportunity for educational achievement for all qualified Californians.
- **Quality** teaching and programs of excellence;
- Educational **equity** through a diverse and representative student body and faculty; and
- **Cost effectiveness** in institutional operations.

At the hearing in October, the Committee reviewed ten alternative policy options available for changing the way California funds higher education and delivers higher education services. Following the discussion of each of these options, the Committee voted to further investigate and consider the following options:

- Differential funding by level of instruction;
- Management of student fee levels;
- Use of technology to improve student learning;
- Incentive funding for state priorities;
- Comprehensive restructuring of student financial aid programs; and
- Establishment of a California Higher Education Opportunity Trust Fund.

Attached is a summary of how the Committee members voted among the ten options. Also attached is a summary of the votes by all of the participants in the Committee hearing.

ASSEMBLY HIGHER EDUCATION COMMITTEE

October 21, 2003

MEMBER TALLY				
Funding Strategies				
Learn, Earn & Reimburse	3		4	
Higher Education Vouchers	1	6	1	
Fund "Completers"	1		5	
Differential funding by level of instruction	6		1	
Incentive funding for State priorities	6	1	1	
Student fee/aid policies				
Fee Management Options	8			
Eliminate Public Subsidy	5	2	1	
Comprehensive Restructuring of financial aid program	6		2	
Program Delivery	Worthy of more study	Bad Idea	Neutral	Comment:
Use technology to improve student learning	7		1	
Create a Trust Fund	6			

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TOTAL TALLY RESULTS (all combined)				
Funding Strategies	Worthy of more study	Bad Idea	Neutral	Comment:
Learn, Earn & Reimburse	4	21	6	
Higher Education Vouchers	3	27	2	
Fund "Completers"	7	15	7	
Differential funding by level of instruction	24	6	1	
Incentive funding for State priorities	17	7	7	
Student fee/aid policies	Worthy of more study	Bad Idea	Neutral	Comment:
Fee Management Options	21	6	3	
Eliminate Public Subsidy	5	18	7	
Comprehensive Restructuring of financial aid program	17	7	7	
Program Delivery	Worthy of more study	Bad Idea	Neutral	Comment:
Use technology to improve student learning	22	2	7	
Create a Trust Fund	19	4	6	