

**CALIFORNIA POSTSECONDARY EDUCATION COMMISSION**

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## June 1, 2004 CPEC Testimony to the Assembly Higher Education Committee on the CSU/UC “Compact”

The Commission has reviewed the Governor’s proposed Compact with the California State University and University of California. I won’t repeat the Analyst’s comments but will briefly give the Commission’s perspective on some of the Compact’s major components and offer some broader comments on this initiative.

CPEC supports providing the systems with sufficient “base budget” funding for meeting State priorities and goals. The Compact’s proposed 3 – 5% annual funding increases should be seen as a *floor* and not a *ceiling*, given the pressing needs to serve increasing numbers of students. When tied to outcomes expectations, this and other Compact funding should help stabilize the systems financially and provide some predictability to their future.

The Commission supports providing CSU and UC with adequate enrollment growth funding so that both systems can continue to admit eligible students, per the Masterplan. CPEC’s revised enrollment projections show annual average growth rates of 3% for the CSU and 2.5% for UC through 2013; actual demand may be higher if additional enrollment funding is available.

On a related issue, CPEC views State-supported “summer term” enrollment on all public campuses as essential in meeting anticipated enrollment demand. We note that the highest summer term enrollment we found nationally in research conducted last year was UC’s 40%. Even Florida – which actually *mandates* that students attend a summer term – achieved only 37% in the summer. Sustaining the 40% level over time will be problematic unless diverse course offerings, assistance with financial aid issues, and overall high levels of student services are achieved.

The Commission supports the restoration of funding for academic preparation, as an important resource for assuring that students arrive at our baccalaureate systems prepared for success. The Commission would encourage some level of State General Fund support to those preparation efforts with *demonstrated* success, as evidenced through specific measures. We suggest that an independent assessment be done of the effectiveness of these programs that would compare them with State benchmarks that would be jointly determined by the Governor, Legislature, segments, and CPEC in order to gauge their true effectiveness.

On student fees, the Commission’s policy is that undergraduate student fee increases should be no more than 10% in any one academic year and that adequate financial aid should be provided to assist financially needy students impacted by these fee increases. The Commission supports the Governor’s graduate student fee proposal, in concept, and supports providing UC with discretion in setting professional school fees. For both graduate and professional students, the Commission recommends that a portion of the additional fee revenue generated be returned to support student financial aid grant programs.

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On student financial aid, the Commission supports maintaining the current policy that one-third of additional fee revenues be used for offsetting financial aid and encourages the State to study whether this percentage set-aside is sufficient to meet students' financial aid needs.

On the proposed "Excess Units" policy, the Commission believes there are potential efficiencies to be gained in putting some reasonable limits on the number of State-funded credit units a student may take. CPEC recommends that the CSU and UC develop strategies that would address *specific* student circumstances in addition to general excess unit policies. Otherwise, some worthy students – - such as the many students who change majors, those in a double-major degree program, or those pursuing a major plus a high-unit minor – could be negatively impacted by this policy.

Of particular concern are community college transfer students, who, on average, tend to arrive at CSU and UC with a great many credit units and could easily exceed any such limit. One way to address this issue would be to focus the "excess units" policy only on credit units taken at the CSU or UC campus and only to those credit units that apply specifically to the student's major.

The Commission questions the anticipated budgetary savings attached to this initiative. Even if students immediately change their enrollment behaviors to align their course-taking more directly with degree requirements, there is still more *demand* than *supply* for many courses. Both lower and upper-division courses required for majors are often oversubscribed and have formal and informal waiting lists. "Efficiency" here will likely mean an increase in supply to meet this existing demand. This policy is unlikely to result in course sections being dropped or teaching faculty not being hired; rather, that over-stretched resources perhaps won't be quite so over-stretched.

On the Compact's accountability reporting requirements, CPEC has a long history of involvement in higher education accountability reporting, including providing the Governor and Legislature with analyses on the prior CSU / UC funding partnerships, the community college's "Partnership for Excellence" program, and in responding to numerous other requests from the Governor and Legislature. We think that the accountability structure proposed here might better be folded into the larger discussion of higher education accountability occurring via proposed legislation, future recommendations from the Governor's "CPR" project, and with our Commission's strategic planning initiative that includes a significant focus on accountability.

As closing thoughts, the Commission encourages that any funding and accountability agreement between the State and the higher education systems include all three California public higher education systems. The community colleges, the CSU and UC must all work in concert to be effective in meeting State goals. We know that each system has its own distinct mission and areas of focus. Still, performance expectations – and the accompanying funding determinations – should be established as part of an intersegmentally consistent set of State goals.

Finally, the Commission encourages that any State-level funding agreements maintain some flexibility for future policy determinations. It should go beyond set formulas for enrollments funding and other routine costs. Such flexibility is needed by policymakers and the systems in order for California's colleges and universities to be positioned to meet *changing* State priorities needs in the years ahead.