

MEMORANDUM

TO: Paul F Miner
Acting Director Governor's Office of Planning and Research,
State of California

FROM: Matthew J. Traum

RE: Student Fee Increases at the CSU and CCC system

September 11, 1997

Per your request regarding the process of increasing student fees at the Cal State University system and the California Community Colleges system, the following is a detailed summary for each system.

California State University (CSU) System

In the CSU system, the Cal State Board of Trustees determines all fee increases, although all increases have to be introduced and approved as part of the state budget.

Each November, the Cal State Board of Trustees is presented with two operating plans for the upcoming year, the Expenditure Plan and the Financing Plan. According to Brad Wells of the CSU Business and Finance department, if upcoming revenues for the CSU system do not meet the anticipated costs, the Trustees must determine a means to meet the deficit. In the past, tuition fee increases have been proposed as a way to increase revenue.

If the Board of Trustees decides to increase student fees, the decision is presented to the State Legislature as part of the proposed budget for the CSU system for the upcoming year. According to Rodney Redo of the Budget Division of the CSU Business and Finance department, there is no specific language in the state budget regarding the student fee increase; however, legislators are informed that the CSU system budget deficit will be met via a fee increase. An operating deficit and the requested fee increase can be determined by actively comparing of the level of revenue and the amount of expenditures requested with similar data from the previous years.

Although there is no law that limits the upper cost of student fees or the allowable percentage increase from year to year, it has been the CSU Board of Trustees' general policy not to allow student fees to account for more than one-third of the cost of education, according to Redo. The cost of education is defined as "the total CSU system expenditures for a year divided by the total student enrollment for that particular year." This amount fluctuates from year to year, depending on total CSU enrollment and cost of system operations.

Pending the passage of the state budget, the California State University system Board of Trustees authorizes the individual campuses to raise their fees by the specified amount. Such an increase in tuition is system-wide, and individual campuses have no voice in the determination of student costs. The only recourse given to CSU students and the general public in regards to tuition policy is the allowance to attend the CSU budget determination sessions held by the Board of Trustees in November.

Higher Education Partnership Act of 1997

In February 1997, Assembly Speaker Bustamante introduced a new tuition regulation bill, AB 1415. This legislation attempts to limit student fee increases and mandate a specified level of state funding for higher education.

Although state law does not currently limit student fees, previous legislation, repealed in 1996, was unsuccessful in moderating predictable tuition increases. For example from 1990 to 1994, student fees increased 10% to 50% annually over each previous year, even though fee increases were supposed to be limited to less than 10%. The increases were allowed through exemptions in various budget trailer bills.

Bustamante's proposal would mandate that the state allocates an amount of money to the CSU system equal to the amount allocated in the previous year plus the current percentage of inflation. In any case, the allocation must be sufficient to sustain the current CSU students along with the top 1/3 of graduating California high school students, as mandated by the state's educational master plan. Only in the case that both of these requirements are met can the CSU system raise student fees and then only by an amount equal to the rise in per capita personal income.

Although the Assembly's intention of limiting student fee increases is redeemable in theory, AB 1415 has many negative aspects in its language. For example, it allows for tuition only to be raised once the state has met set finance standards, meaning that should the state not be able to budget enough money for higher education, the CSU system will be helpless to make up for the loss by increasing student fee revenue.

Also, by setting such conservative limits on the percentage increase in allocated funding from year to year, AB 1415 may prevent the CSU from undertaking major projects such as system-wide renovation or the founding and construction of a new campus.

Moreover, the language of the bill mandates in state statute many of the policies already incorporated in the CSU system like the offering of space to all academically eligible students, adding state level bureaucracy to a relatively independent system.

Furthermore, the bill applies only to positive conditions in the political and economic environment. There is no provision to decrease state funding should the per capita

personal income fall or should the CSU need for funding diminish in light of more attractive educational options.

Finally, the bill is inherently dangerous to the financial well-being of higher education as well as the state because it mandates by law that a set amount of money be allocated to the CSU annually. The legislation does not take into account unforeseen variations in state income such as natural disasters – save for a clause that voids the bill completely if the state cannot fulfill its part of the financial obligation. Though AB 1415 attempts to effectively control and manage higher education funding, its current language creates unnecessary and fiscally harmful effects that should be resolved before its ultimate passage.

Currently, AB 1415 is in the Senate Appropriations committee, having been postponed in a suspense file on August 26, 1997 until the next session. The Assembly approved the bill on June 3, 1997 (69 ayes, 9 noes 2 abstaining). However, AB 1415 has since been amended by the Senate and will require more Assembly deliberation before its final passage.

California Community Colleges (CCC) System

Within the Community Colleges System, student fee increases are determined by the system's Board of Governors and the state Department of Finance. The decision to increase student fees is a purely legislative affair with some indirect involvement by the representatives of the Community Colleges System, according to Rod Tarrer of the Community Colleges Students Services division.

According to Tarrer, a "consultation council" made up of factions from the community colleges, including students, meets to formulate recommendations for the system's budget for the next fiscal year. These recommendations are presented to the Chancellor of the community colleges who may choose to pass on these recommendations to the Community College Board of Governors.

The Board of Governors considers the recommendations, and makes a budget request to the California Department of Finance. The Department of Finance is the main body which determines Community College fees, in the form of their budget recommendation to the State Legislature.

When presented with the Board of Governors' budget request, then Department of Finance determines if the funds exist to facilitate the budget and how to deal with any deficit. At this point, there may or may not be an imposed fee increases to make up revenue not accounted for in the budget. The only other form of pre-budget fee manipulation allowed to the Community Colleges is the presence of a legislative lobbyist at the Assembly budget hearing.

After the budget is passed, the original “conciliation council” reconvenes to decide whether they support the state budget’s implications on community colleges student fees. If they do not support a fee increase then their opinion is carried through the Chancellor to the Board of Governors who then instruct the legislative lobbyist to attempt to negate the fee increase in the budget before it passes its final reading. The fee increase is finalized when the budget is passed taking effect system-wide for the next academic year.

Currently, student fees in the community colleges system amount to thirteen dollars per academic unit of credit, but there is no existing statute on how much that can be raised annually and no upper limit to fee cost. According to Chuck McIntyre of the California Community Colleges Research and Analysis unit, there is no long range fee policy legislation for the community colleges and no law governing the process by which fees are raised. However, there is a mention of community college fees in an amendment to the state education code, but it is merely a statement of intent.

Although there has been no fee increase for the past two years, the Community College system is notorious for abrupt fee increases due to the lack of provisions governing such budget mandates. According to Tarrer, the Board of Governors would support any legislation that made student cost increases “predictable well in advance of actual fee changes.”