

CSU AND UC IN THE GOVERNOR'S PROPOSED 2014-15 BUDGET: FUNDING WOULD BE NEARLY ONE-QUARTER BELOW PRE-RECESSION LEVELS

This is the latest in a series of briefs from the California Budget Project examining key components of Governor Brown's proposed 2014-15 budget, which was released last month. This *Budget Brief* looks at state support for California's public four-year higher education institutions – the California State University (CSU) and the University of California (UC). While General Fund support would rise by \$142.2 million each for CSU and UC under the Governor's proposal, it would still remain nearly 25 percent below 2007-08 levels for each institution, after adjusting for inflation.

State Support Remains Significantly Below 2007-08 Levels

The California State University and the University of California educate more than 675,000 students on 33 campuses statewide, providing pathways to opportunity and helping to foster economic mobility for many Californians. In recent years, both CSU and UC have been operating with diminished levels of state General Fund support as a result of steep cuts made during and after the Great Recession.

The Governor's proposed 2014-15 budget continues a plan, included in the 2013-14 budget agreement, that increases General Fund support for CSU and UC by \$142.2 million each – the third consecutive year of increased funding for both institutions – with the expectation that they would not increase tuition and fees through 2016-17. However, even with the proposed funding increases, state support for both CSU and UC in 2014-15 would remain nearly one-quarter below 2007-08 levels, after adjusting for inflation (Figure 1).

Tuition and Fees at CSU and UC Have Increased Dramatically

In response to recent years' state funding cuts, CSU and UC have increased tuition and fees dramatically in order to balance their

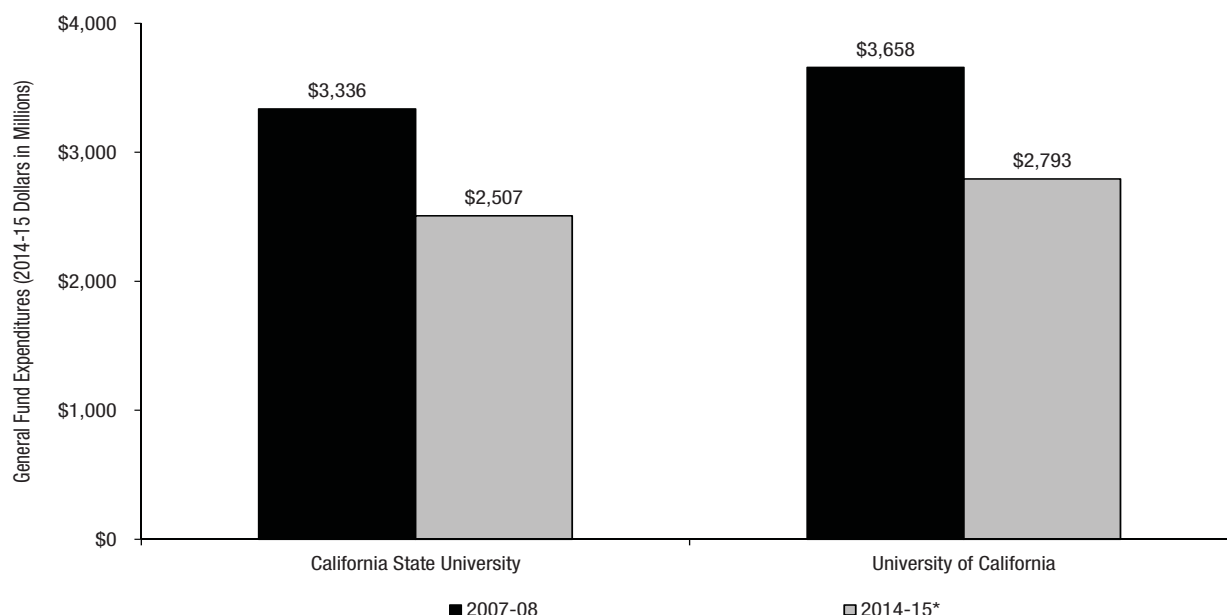
budgets and carry out their missions.¹ Even after adjusting for inflation, tuition and fees have increased by 91 and 74 percent at CSU and UC, respectively, since 2006-07, the last full academic year prior to the Great Recession.

Some low- and middle-income students receive financial aid through the Cal Grant program, which helps offset tuition and fees. While Cal Grants are an important source of support for students, they do not fully address the broader issue of college affordability. At both CSU and UC, tuition and fees make up less than half of a typical student's *total* cost of attendance after accounting for other expenses, such as housing and books.²

More Students Are Graduating With Increasing Amounts of Student Loan Debt

Diminished state support for CSU and UC and escalating tuition and fees have contributed to rising student debt levels, as a growing number of students rely on loans to help pay for college. In 2010, about four in 10 first-year students at CSU or UC took out loans, the largest share in a decade.³ At UC, undergraduates who took out loans graduated with an average of \$19,751 of student loan debt in 2011-12 – nearly \$3,000 higher than in 2006-07, after adjusting for inflation.⁴ At CSU, undergraduate students who took out loans graduated with an average of \$17,152 of student loan debt in 2010-11, an increase of more than \$1,500 from 2006-07, after adjusting for inflation.⁵ Rising student debt means

Figure 1: General Fund Support for Both CSU and UC Would Remain Nearly One-Quarter Below 2007-08 Levels Under the Governor's Proposed 2014-15 Budget, After Adjusting for Inflation



* Proposed.
 Note: Expenditures exclude general obligation (GO) bond debt-service payments.
 Source: California State University, Department of Finance, and University of California

that CSU and UC are becoming less affordable and accessible for many high school graduates in California at a time when demand for college graduates is projected to increase substantially.

California's Future Prosperity Is at Risk

California's public system of higher education has provided pathways to economic prosperity and mobility for millions of Californians. However, cuts in state support for – and tuition and fee increases at – CSU and UC have led to more students graduating with increased debt. In addition, California's high school graduates are increasingly less likely to enroll in *any* four-year college or university, in part because of the declining enrollment rates for CSU and UC among high school graduates in recent years. While some of the students not enrolling in CSU or UC are pursuing other higher education opportunities in California, others are leaving the state to attend college or not enrolling in college at all. With California projected to face a shortfall of 1 million four-year degree holders by 2025, simply maintaining the status quo puts the state's economic future at risk.⁶ To help strengthen pathways to economic opportunity for low- and middle-income Californians, and create a strong foundation for future economic growth, policymakers should rebuild state support for CSU and UC and recommit to providing an affordable, quality higher education that is accessible to all eligible Californians.

ENDNOTES

- ¹ "Tuition and fees" includes all systemwide charges for undergraduate students attending either CSU or UC. Students attending CSU or UC also pay campus-based fees, which are excluded from this analysis because they vary across campuses.
- ² In 2012-13, tuition and fees made up about 25 percent and 45 percent of the average cost of attendance at CSU and UC, respectively. See Legislative Analyst's Office, *Financial Aid and the State Budget* (March 13, 2013).
- ³ Hans Johnson, et al., *Student Debt and the Value of a College Degree* (Public Policy Institute of California: June 2013), p. 5.
- ⁴ Loan debt data were provided by UC adjusted to 2011 dollars.
- ⁵ Figure is in 2011 dollars. The CBP adjusted CSU data to 2011 dollars in order to match UC data.
- ⁶ Hans Johnson, *Defunding Higher Education: What Are the Effects on College Enrollment?* (Public Policy Institute of California: May 2012), p. 3.

Phaelen Parker prepared this Budget Brief. The CBP was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, subscriptions, and individual contributions.