The State of Higher Education: The California State Budget and Financial Aid Reform

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A PRESENTATION TO CALIFORNIA STATE STUDENT ASSOCIATION, CALIFORNIA HIGHER EDUCATION STUDENT SUMMIT
March 10, 2019
California Budget & Policy Center

The Budget Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of low- and middle-income Californians. Support for the Budget Center comes from foundation grants, subscriptions, and individual contributions. Please visit our website at calbudgetcenter.org.
Goals of the Presentation

State Budget:
• Highlight key facts about the state budget
• Review 2019-20 higher education proposals

Financial Aid:
• Discuss the need for reform
• Provide models for estimating the cost of reform
Key Facts About the State Budget
Budgets are statements of our values and priorities.
The state budget = state funds + federal funds
State Funds Account for Nearly Two-Thirds of California’s State Budget

Total Enacted 2018-19 Expenditures = $308.8 Billion

Source: Department of Finance
The state budget supports a broad range of public services and systems.
More Than Two-Thirds of State Dollars Support Health and Human Services or Education

Enacted 2018-19 General Fund and Special Fund Expenditures = $197.2 Billion

- **Health and Human Services**: 32.6%
- **K-12 Education**: 28.4%
- **Higher Education**: 8.2%
- **Corrections**: 7.6%
- **Transportation**: 7.1%
- **Other***: 7.1%
- **Environment and Natural Resources**: 4.7%
- **Legislative, Executive, and Judicial**: 4.3%

*Includes Business, Consumer Services, and Housing; Labor and Workforce Development; Government Operations; and General Government.

Source: Department of Finance
The State Budget Process: Key Players and Timeline
The key players in the state budget process are...
The Governor

The Legislature

The Public
The Governor has the lead role in crafting the budget.
The Legislature reviews and revises the Governor’s proposals, with help from the Legislative Analyst’s Office (LAO).
Holly Mitchell, Chair, Senate Budget and Fiscal Review Committee

Gabriel Petek, Legislative Analyst

Phil Ting, Chair, Assembly Budget Committee
Members of the public have various opportunities to make their voices heard during the budget process.
The state budget process can be divided into three distinct periods.

July to December

January to Mid-May

Mid-May to June
Navigating the State Budget Process

Each year the Governor and Legislature work to craft the state's spending plan. While the January-to-June period gets the most attention, the process of developing the budget is an ongoing enterprise, giving Californians ample opportunity to stay engaged and involved year-round.

**The Governor**

The Governor has the lead role in developing the state budget. Each year the Governor proposes a spending plan, which is introduced as the budget bill in the Legislature. The Governor can sign or veto the budget bill passed by legislators as well as other bills in the budget package that make policy changes related to the budget. The Governor can also reduce or eliminate individual appropriations using the line-item veto.

**The Legislature**

The Legislature – made up of the Assembly and Senate – reviews the Governor’s proposed budget and crafts its own version of the spending plan. The Legislature can maintain, modify, or reject the Governor’s proposals, with review occurring through each house's budget committee and related subcommittees. The Legislature must pass the budget bill, but not other bills in the budget package, by June 15. The Legislature can override a Governor's veto by a two-thirds vote of each house.

**The Public**

The public has various opportunities for input during the budget process. Members of the public can meet with officials from the Governor’s administration and with legislators and their staffs, testify before budget committees and subcommittees, and write letters of support and opposition. Through individual engagement or as part of coalitions, members of the public can express their budget priorities and areas of concern.
Governor Newsom’s 2019-20 Proposed State Budget: Higher Education Proposals
About a Quarter of Proposed 2019-20 Higher Education Funding is Allocated for CSU

Proposed State Fund Expenditures for Higher Education = $18 Billion

- Community Colleges: 36.5%
- UC: 22.3%
- CSU: 23.5%
- CSAC: 9.1%
- Other: 8.7%

Source: Department of Finance
The Governor’s proposed 2019-20 budget increases support for the CSU with the expectation that the institution will not raise tuition. Specifically, the proposed spending plan:

- Increases ongoing base funding for the CSU by $300 million (7.6%).
  - $193 million for operational costs
  - $62 million for a 2% enrollment growth (7,000 students)
  - $45 million for the Graduation Initiative

- Proposes $247 million in one-time funding
  - $15 million for the Basic Needs Initiative
  - $2 million to undertake a review of a potential CSU campus in San Joaquin County
Proposed 2019-20 State Budget Cont’d…

Other key investments:

- Allocates $7 million one-time General Fund to support legal services for undocumented immigrant students, staff, and faculty at the CSU.

- Provides $250,000 on-going General Fund for Project Rebound, which supports formerly incarcerated individuals.
Student Financial Aid Reform:
Estimating the Cost of Debt-Free College
Why Reform the State’s Financial Aid System?

- Increasing college affordability is essential to creating a well-educated workforce

- Current state and federal funding for college students falls short of need
  - Aid primarily linked to tuition

- Understanding the full cost of attendance provides context and helps frame the discussion around college affordability and addressing students’ unmet financial needs
Even as CSU Enrollment Has Increased, State General Fund Support Has Declined

Percent Change Since 1981-82 in Enrollment and Direct General Fund Spending

*Estimated.

Note: Figures reflect "full-time equivalent" enrollment, which accounts for credits taken by each student relative to a full-time course load. Expenditures are inflation-adjusted and exclude indirect state funding for CSU attributable to Cal Grant tuition and fee payments.

Source: California State University and Department of Finance
State Spending Per Student at CSU and UC Remains Well Below Pre-Recession Levels, Despite Recent Increases

Direct General Fund Expenditures Per Full-Time Student, Inflation-Adjusted

*Estimated.

Note: Figures are in 2018-19 dollars and reflect "full-time equivalent" enrollment, which accounts for credits taken by each student relative to a full-time course load. Data exclude indirect state funding for CSU and UC attributable to Cal Grant tuition and fee payments.

Source: Department of Finance, California State University, and University of California
Student Aid Has Not Kept Pace With Rising Housing Costs in California

Student Aid for Living Allowance Compared to Median Annual Rent

Note: Figures are not adjusted for inflation. Rent reflects gross rent, which includes utilities. For 2017 and 2018, rents are estimated based on the compound annual growth rate between 2011 and 2016. The Cal Grant B Access Award provides low-income students aid for basic living expenses. Source: California Student Aid Commission and US Census Bureau, American Community Survey
Available Aid Covers Only a Fraction of Students’ Food and Housing Costs in Every Region of the State

“Fair Market Rent” (FMR) for a Studio Apartment in 2018 and Food for a Single Adult

Note: Rent reflects gross rent which includes utilities. Food budget reflects USDA’s Low-Cost Food Plan. The Cal Grant B Access Award provides low-income students aid for basic living expenses. Source: California Department of Social Services; California Student Aid Commission; US Department of Agriculture (USDA); US Department of Housing and Urban Development
Demand for Competitive Cal Grants Far Exceeds Supply
Available Grants Compared to Number of Qualified Students, 2017-18

- **Available Competitive Cal Grants**: 25,750
- **Students Qualified for Competitive Cal Grants**: 340,856

Note: Competitive Cal Grant awards provide aid to low- and middle-income students who meet certain GPA and income requirements and apply to attend college more than one year after high school graduation. The Legislature establishes the number of awards available each year.
Source: California Student Aid Commission
Low-Income Students Face Considerable Unmet Financial Need at the California State University

Average Statewide Cost of Attending CSU Full-Time Compared to Financial Aid, 2018-19

Cost of Attendance: $27,200

- Books & Supplies: $1,900
- Other: $4,200
- Food & Housing: $13,800
- Tuition & Fees: $7,300

Remaining Need: $7,400

Potential Student Contribution From Earnings: $7,400*

- SUG: $1,400
- Avg. Cal Grant: $6,000
- Avg. Pell Grant: $4,900

Financial Aid: $12,300

* Assumes student earns $11 per hour and works 15 hours/week during school year and 40 hours/week during summer. Reflects deductions for taxes and some summer expenses.

Note: Living costs reflects annual estimates for sophomore resident undergraduates living off-campus. SUG = State Institutional Grant. Figures are inflation-adjusted to 2018-19 dollars as needed and rounded to the nearest hundred and may not sum. “Other” = transportation and personal/misc. expenses.

Source: California Employment Development Department, California State University, California Student Aid Commission, and National Postsecondary Student Aid Study.
An Affordable-College Model for California: Two Formulas

**Option #1: Shared Responsibility**

Cost of Attendance

- Parent Contribution
- Student Contribution
- Federal Financial Aid
- State & Institutional Financial Aid

= Unmet Financial Need

**Option #2: Government Responsibility**

Cost of Attendance

- Federal Financial Aid
- State & Institutional Financial Aid

= Unmet Financial Need
### Annual Cost of Attendance at California’s Public Universities

**Per-Student Costs, 2018-19**

<table>
<thead>
<tr>
<th></th>
<th>CCC</th>
<th>CSU</th>
<th>UC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutional Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>$1,100</td>
<td>$7,300</td>
<td>$14,400</td>
</tr>
<tr>
<td><strong>Living Costs</strong>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and Housing</td>
<td>$8,400</td>
<td>$11,500</td>
<td>$12,100</td>
</tr>
<tr>
<td>Books and Supplies</td>
<td>$1,000</td>
<td>$1,900</td>
<td>$1,500</td>
</tr>
<tr>
<td>Transportation</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,100</td>
</tr>
<tr>
<td>Personal/Miscellaneous</td>
<td>$3,100</td>
<td>$3,000</td>
<td>$2,800</td>
</tr>
<tr>
<td><strong>Total Living Costs</strong></td>
<td>$13,700</td>
<td>$17,600</td>
<td>$17,500</td>
</tr>
<tr>
<td><strong>Total Cost of Attendance</strong></td>
<td>$14,800</td>
<td>$24,800</td>
<td>$31,900</td>
</tr>
</tbody>
</table>

* Figures are inflation-adjusted to 2018-19 dollars.

Note: The following categories were weighted to reflect the shares of students living on-campus, off-campus, and with family: Food and Housing, Transportation, Personal/Misc. Figures are rounded to the nearest hundred and may not sum due to rounding.

Source: Budget Center analysis of data from the California State University, the California Student Aid Commission, and the University of California
# Paying for College: Annual Parent and Student Contribution

**Per-Student Costs, 2018-19***

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<td><strong>Parent Contribution</strong></td>
<td>$2,200</td>
<td>$8,700</td>
<td>$9,400</td>
</tr>
<tr>
<td><strong>Student Contribution</strong></td>
<td>$7,400</td>
<td>$7,400</td>
<td>$7,400</td>
</tr>
<tr>
<td><strong>Total Contribution</strong></td>
<td>$9,600</td>
<td>$16,100</td>
<td>$16,900</td>
</tr>
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* Figures are inflation-adjusted to 2018-19 dollars.

Note: Parent contribution figures are weighted by students’ dependency status and family income. Figures are rounded to the nearest hundred and may not sum due to rounding.

Source: Budget Center analysis of data from the California Employment Development Department and National Postsecondary Student Aid Study.
# Paying for College: Annual Federal Financial Aid

**Per-Student Costs, 2018-19***

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<tbody>
<tr>
<td>Pell Grant</td>
<td>$1,700</td>
<td>$2,300</td>
<td>$2,300</td>
</tr>
<tr>
<td>Supplemental Educational Opportunity Grant</td>
<td>$40</td>
<td>$70</td>
<td>$70</td>
</tr>
<tr>
<td><strong>Total Federal Financial Aid</strong></td>
<td><strong>$1,700</strong></td>
<td><strong>$2,300</strong></td>
<td><strong>$2,400</strong></td>
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* Figures are inflation-adjusted to 2018-19 dollars.

Note: Figures are weighted to reflect national median grant award amounts for independent and dependent students from all income levels at public four-year and two-year institutions. Figures are rounded to the nearest hundred and may not sum due to rounding.

Source: Budget Center analysis of National Postsecondary Student Aid Study data
## Option #1: Shared Responsibility

**Per-Sector Costs, 2018-19***

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<tr>
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<tr>
<td>Cost of Attendance</td>
<td>$6.3 B</td>
<td>$9.3 B</td>
<td>$5.7 B</td>
</tr>
<tr>
<td>Less Parent Contribution</td>
<td>-$931 M</td>
<td>-$3.2 B</td>
<td>-$1.7 B</td>
</tr>
<tr>
<td>Less Student Contribution</td>
<td>-$3.2 B</td>
<td>-$2.8 B</td>
<td>-$1.3 B</td>
</tr>
<tr>
<td>Less Federal Aid</td>
<td>-$751 M</td>
<td>-$874 M</td>
<td>-$434 M</td>
</tr>
<tr>
<td>Less State &amp; Institutional Aid</td>
<td>-$1.1 B</td>
<td>-$1.5 B</td>
<td>-$1.8 B</td>
</tr>
<tr>
<td><strong>Unmet Financial Need</strong></td>
<td>$411 M</td>
<td>$939 M</td>
<td>$475 M</td>
</tr>
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* Figures are inflation-adjusted to 2018-19 dollars.
Note: Figures may not sum due to rounding.
Source: Budget Center analysis of data from the California Employment Development Department, California Student Aid Commission, California State University, National Postsecondary Student Aid Study, and University of California
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## Total Affordable-College Model Costs for the CCC, CSU, and UC Combined

**Dollars in Billions, 2018-19***

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<th>Option #2: Government Responsibility</th>
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<tr>
<td>Cost of Attendance</td>
<td>$21.4</td>
<td>$21.4</td>
</tr>
<tr>
<td>Less Parent</td>
<td>-$5.9</td>
<td>-$0</td>
</tr>
<tr>
<td>Contribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Student</td>
<td>-$7.3</td>
<td>-$0</td>
</tr>
<tr>
<td>Contribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Federal Financial Aid</td>
<td>-$2.1</td>
<td>-$2.1</td>
</tr>
<tr>
<td>Less State &amp;</td>
<td>-$4.3</td>
<td>-$4.3</td>
</tr>
<tr>
<td>Institutional Aid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unmet Financial Need</td>
<td>$1.8 B</td>
<td>$15.0 B</td>
</tr>
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Other Factors to Consider

- Only cover low-income students unmet need
- Regional cost-of-living adjustments
- Work assumptions (hours, minimum wage increase)
- Tuition increases
- Enrollment increase or decrease

...While reform requires significant investments, California’s students and economy cannot afford to wait