
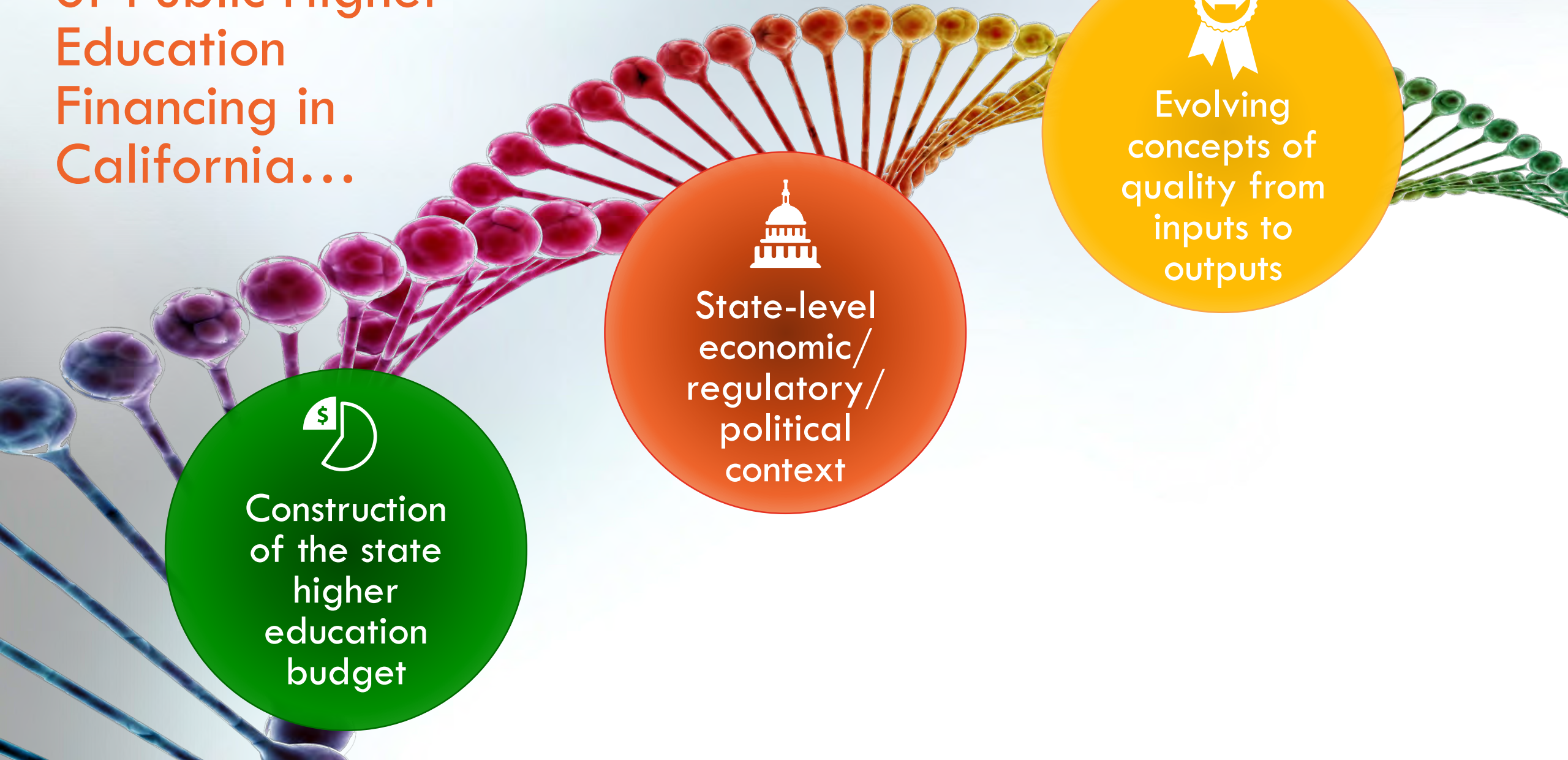




Factors Shaping the Evolution of Public Higher Education Financing in California

*College Futures Foundation
Forum on Higher Education Finance*

3 Strands in the Evolution of Public Higher Education Financing in California...



Construction
of the state
higher
education
budget

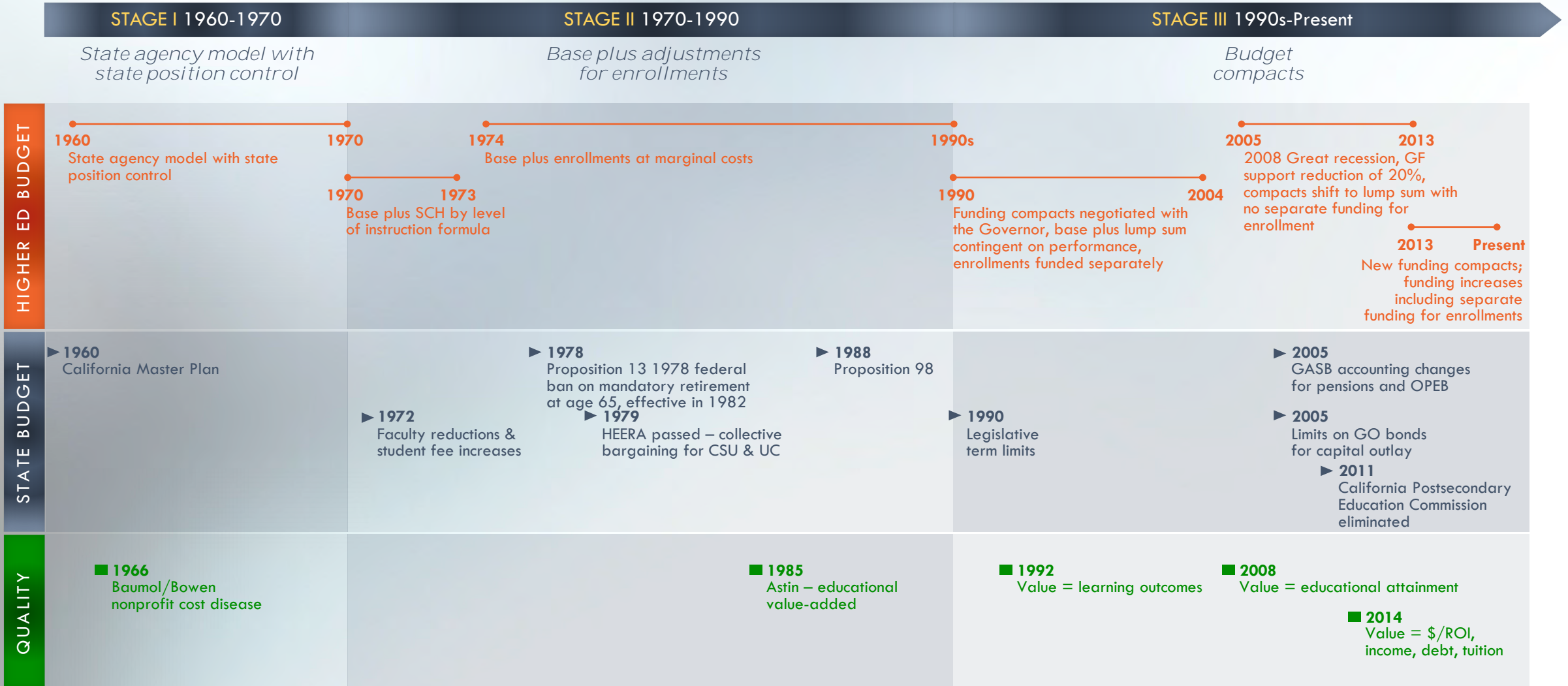


State-level
economic/
regulatory/
political
context



Evolving
concepts of
quality from
inputs to
outputs

California Public Higher Education Budgeting & Policy Timeline



- Construction of the state higher education budget
- ▶ State-level economic/regulatory/political context
- Evolving concepts of quality from inputs to outputs

Changes in the Construction of the State Budget for the University Systems

| 1960 - 1970 | 1970 - 1990 | 1990s - Present |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>STATE AGENCY, POSITION & EXPENDITURE CONTROL</p> <ul style="list-style-type: none"> Fund through Student/Faculty ratios 100% state funding "Excess" funding returned to the state "Incidental" student tuitions \$65/year Salaries/wages treated the same as all state employees | <p>ENROLLMENT, BASE PLUS FUNDING</p> <ul style="list-style-type: none"> Cost based mode-and-level formula 1970 – 1989 Faculty salary setting delegated to boards, separated from PERS, based on comparison institution surveys Shift to marginal cost formula (1983) State position control relaxed By 1985 Student tuitions increase to \$1500/year in UC, \$612 for CSU, restrictions on 'tuitions' v. fees maintained Base plus queue – debt service, COLA (including salaries and benefits), merit salary adjustments, new enrollments, programmatic changes/enhancements | <p>NEGOTIATED COMPACTS</p> <ul style="list-style-type: none"> Negotiated percentage increase in a block budget based on performance expectations (enrollments, student fees, salaries) Restrictions on use of fees for general purposes removed UC begins 20 year 'pension holiday' – lasts 20 years (1990) Queue for the budget still base plus: debt service, salary & benefit increases, lump sum percentage increase, new enrollments Post great recession: compacts exclude separate funding for enrollments, UC decentralizes nonresident admissions & supplemental revenues to campuses By 2016, State appropriations cover 42% of core funding for UC; resident tuitions @ \$12,294 for CSU state funds pay for 51% of the core, resident tuitions are \$5,472 |

Changes in the Construction of the State Budget for the University Systems

1970 - 1990

ENROLLMENT, BASE PLUS FUNDING

Cost based mode-and-level formula
1970 – 1989

| Cost per credit hour by level of instruction (1975-76) | \$/Credit Hour | Weights |
|-----------------------------------------------------------|-------------------|---------|
| University Of California | | |
| Lower division | \$138.00 | 1.00 |
| Upper division | \$178.00 | 1.28 |
| Graduate | \$367.00 | 3.31 |
| California State University | | |
| Lower division | \$122.00 | 1.00 |
| Upper division | \$162.00 | 1.32 |
| Graduate | \$263.00 | 1.90 |

State-level Legal/Political/Fiscal Changes

1970-1972

Governor Reagan reduces higher education budgets, student fees increase to \$150/year, still no “tuition” allowed for CA residents

1978

Proposition 13 passes; state begins to assume responsibility for funding schools and community colleges

1978 (+/-)

Mandatory age-related retirement prohibited at federal level

1979

HEERA (collective bargaining) **passes** for CSU and UC

1988

Proposition 98 passes, funding protections for K-12 & CCC

1990

Legislative term limits enacted

2005

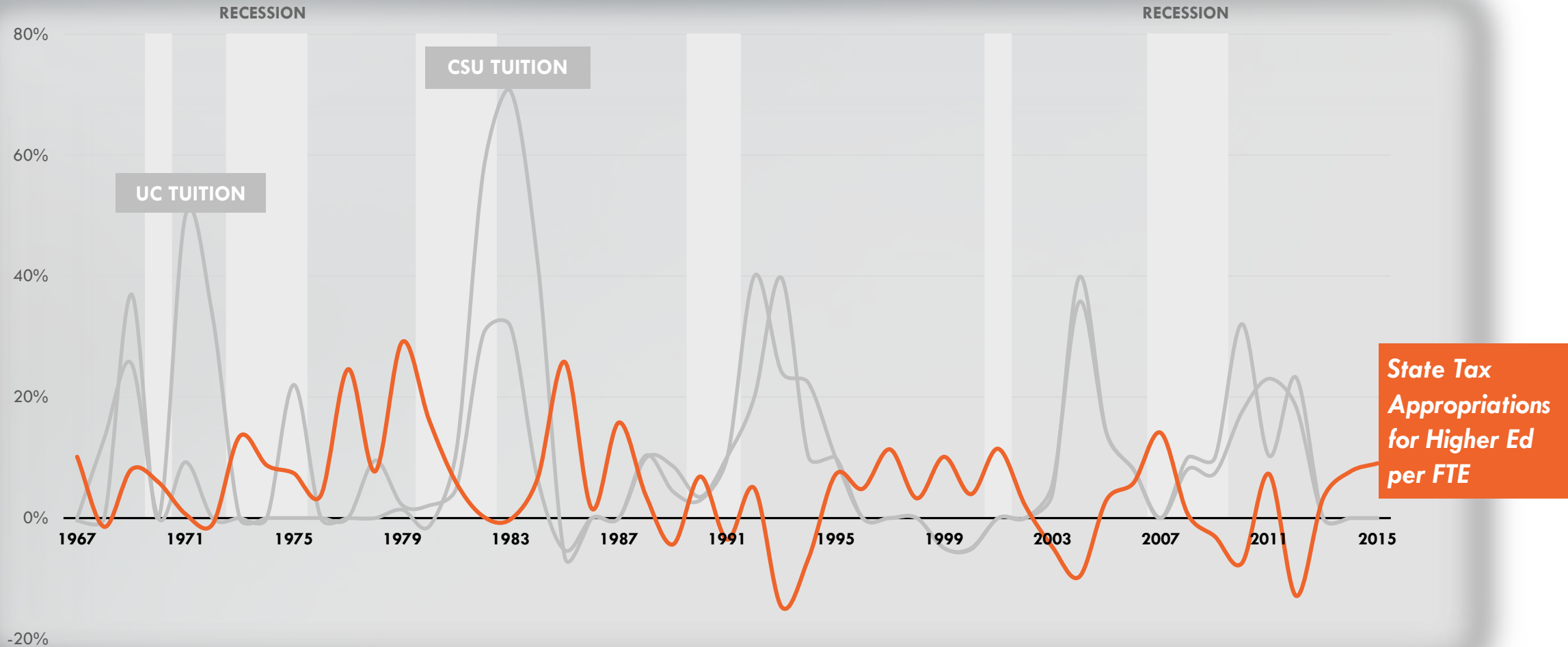
GASB accounting standards change; restrictions imposed on GO bonds for capital outlay

2012

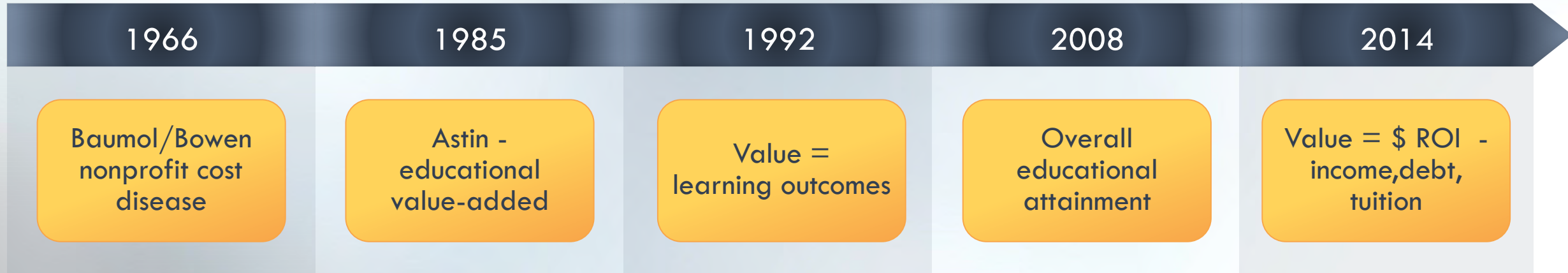
Proposition 30 surtax enacted as a temporary tax

California

Annual % Change in State Fiscal Support for Higher Education per Student



Evolving Notions of the Role of Higher Education in Terms of Access and Outcomes



Notions of value evolving from institutional measures to consumer/investor measures

Value = institutional quality:
faculty qualifications, research funding,
class size, books in library, endowments,
admissions selectivity

*Productivity comes
at the expense of quality*



Value = society/investors needs:
attainment, employment outcomes,
earnings, graduation rates

*Productivity =
cost/degree/outcome*