

HIGHER EDUCATION

California's system of higher education brings significant value to the lives of individual citizens and the state as a whole. It performs an essential role in equipping Californians with the knowledge and skills necessary to meet the challenges of the future. Using the 1960 Master Plan for Higher Education as a guide to address tremendous pressures for educating unprecedented numbers of students, the state created the largest and most distinguished system of public higher education in the nation to develop the workforce, intellectual capital, and innovations that are integral to our economic and societal well being.

Drawing from the top 12.5 percent of the state's high school graduates, the University of California (UC) educates approximately 216,000 undergraduate and graduate students in the current year at its ten campuses and is the primary segment authorized to independently award doctoral degrees and professional degrees in law, medicine, dentistry, and veterinary medicine. Through University Extension, with a half-million enrollments annually, UC provides continuing education for Californians to improve their job skills and enhance the quality of their lives. UC manages one U.S. Department of Energy national laboratory, partners with private industry to manage two others, and operates five medical centers that support the clinical teaching programs of the university's medical and health sciences schools that handle more than three million patient visits each year.

Drawing students from the top one-third of the state's high school graduates, as well as transfer students who have successfully completed specified college work, the California

ED FUND TRANSACTION

Pursuant to Chapters 182 and 184, Statutes of 2007, the state is currently engaged in maximizing the value of the state's student loan guarantee program operated by EdFund. It is anticipated that a sale, or other authorized transaction, would occur in the current year and that another guaranty agency would be designated by the Federal Department of Education to fulfill the guarantor role for students with federal loans. It is anticipated that this transaction will generate \$500 million or more in revenue to the state, without affecting services or costs to students.

State University (CSU) provides undergraduate and graduate instruction through the master's degree and independently awards doctoral degrees in education or jointly with UC or private institutions in other fields of study. With its 23 campuses and approximately 450,000 students in the current year, the CSU is the largest, most diverse, and one of the most affordable university systems in the country. The CSU plays a critical role in preparing the workforce of California; it grants more than half the state's bachelor's degrees and one-third of the state's new master's degrees. The CSU prepares more graduates in business, engineering, agriculture, communications, health, and public administration than any other California institution of higher education. It also produces nearly 60 percent of California's teachers.

The California Community Colleges (CCC) are publicly supported local education agencies that provide educational, vocational and transfer programs to approximately 2.6 million students in

the current year. Constituting the largest system of higher education in the world, the California Community College system is comprised of 72 districts, 109 campuses, and 65 educational centers. The CCC advance California's economic growth and global competitiveness through education, training, and services that contribute to continuous workforce improvement. The CCC also provides remedial instruction for hundreds of thousands of adults across the state through basic skills courses and adult non-credit instruction.

The California Student Aid Commission (CSAC) administers state financial aid to students attending all segments of public and private postsecondary education. Working together with EdFund, which is the auxiliary loan guaranty agency that currently operates with oversight by CSAC, the Commission administers federal and state-authorized financial aid, including state-funded grants, work-study programs, and federally guaranteed loans. In addition to serving as California's student loan guaranty agency, EdFund serves as a guaranty agency for colleges and universities located throughout the United States.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor’s Budget provides close to \$11.7 billion from the General Fund alone for Higher Education in 2008-09. Change Table HED-01 illustrates the major changes proposed to Higher Education spending in the Governor’s Budget, inclusive of infrastructure, debt service, and stem cell research.

PROPOSED WORKLOAD BUDGET

The workload budget reflects total funding of \$21.7 billion, including \$15.1 billion General Fund and Proposition 98 sources for all major segments of Higher Education (excluding infrastructure and stem cell research), which reflects an increase of \$1.6 billion (\$1.3 billion General Fund and Proposition 98 sources) above the revised 2007-08 budget. These amounts represent an 8-percent total funding increase, including a 9.2-percent increase in General Fund and Proposition 98 sources above the revised 2007-08 budget. The major workload adjustments for 2008-09 include the following for each segment.

UNIVERSITY OF CALIFORNIA

Budget Year

- \$123.8 million increase (4 percent) for basic budget support consistent with the Compact.
- \$31 million increase (1 percent) for core instructional needs including library material replacements, deferred maintenance and instructional equipment consistent with the Compact.
- \$56.4 million increase (2.5 percent) for enrollment growth consistent with the Compact. This would fund an additional 5,000 state-supported students.
- \$124.8 million increase in fee revenue associated with the Regent’s planned 7.4-percent mandatory fee increase for undergraduates, graduates, and professional school students. Fees for certain professional programs will increase between 7 percent and 19 percent. One-third of the revenue generated by the fee increases

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

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Change Table HED-01

Higher Education Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$11,979,841	\$26,440,696	120,419.1	\$11,979,841	\$23,994,589	120,419.1
Workload Adjustments						
Revise Property Tax Revenues	—	-4,649	—	-139,818	139,818	—
Stem Cell Local Assistance Grants	—	-740,	—	—	-635,	—
Higher Education Compact	—	—	—	427,918	—	—
Cal Grant Adjustments	-19,15	—	—	87,461	—	—
Debt Service Adjustments for Education	-85,06	—	—	97,235	-220	—
Fee Revenue Adjustments	—	8,529	—	-6,54	326,432	—
Extramural and Other Non-State Supported Programs	—	-924,586	—	—	-378,742	—
Enrollment/Caseload/Population	-11,18	—	—	171,413	—	—
Employee Compensation/Retirement	-8,62	293	—	3,557	185	—
Statutory Cost-of-Living Adjustments	—	—	—	310,029	—	—
Expiring Programs or Positions	—	—	—	—	-143	-.9
One-Time Cost Reductions	—	—	—	-5,970	-57,537	—
Other Workload Adjustments	-13,679	377,316	11,657.8	-235	-754,567	12,337.9
Infrastructure Adjustment	—	101,241	—	—	2,119,431	—
Totals, Workload Adjustments	-\$7,280	-\$1,181,856	11,657.8	\$915,436	\$759,657	12,337.0
Policy Adjustments						
Eliminate New Competitive Cal Grants	—	—	—	-57,387	—	—
Mid-Year Reduction to Community College Apportionments	-40,	—	—	—	—	—
Reduce SBMA Contributions from 2.5% to 2.2%	—	—	—	-6,269	—	—
UC Transportation Research	—	—	—	—	5,000	—
Totals, Policy Adjustments	-\$40,	\$0	—	-\$63,656	\$5,000	—
Total Adjustments	-\$177,280	-\$1,181,856	11,657.8	\$851,780	\$764,657	12,337.0
Budget Prior to Reductions	\$11,802,561	\$25,258,840	132,076.9	\$12,831,621	\$24,759,246	132,756.1
Budget-Balancing Reductions^{1/}	\$0	\$0	—	-\$, ,903	\$588,000	—
Governor's Budget	\$11,802,561	\$25,258,840	132,076.9	\$11,698,718	\$25,347,246	132,756.1

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

for undergraduate and professional programs and 45 percent of the revenue generated by the graduate fee increase would be set aside for financial aid.

- \$10 million in one-time funds for costs associated with sustaining UC Merced operations for a total funding level of \$20 million (reduced from the \$24 million in 2007-08 due to an agreement to phase down one-time funds as enrollments at Merced increase).
- \$975,000 increase for the next cohort of 65 students for the PRIME Program, which targets prospective medical doctors for underserved populations.
- \$11 million increase for annuitant health benefits.
- \$970,000 increase for lease purchase payments.

Current Year

- \$13.2 million reduction for lease purchase payments.

CALIFORNIA STATE UNIVERSITY

Budget Year

- \$116.8 million increase (4 percent) for basic budget support consistent with the Compact.
- \$29.2 million increase (1 percent) for core instructional needs including library material replacements, deferred maintenance and instructional equipment consistent with the Compact.
- \$70.1 million increase (2.5 percent) for enrollment growth consistent with the Compact. This would fund an additional 8,572 state-supported students.
- \$109.8 million increase in fee revenue associated with the Trustees planned 10-percent mandatory fee increase for undergraduate, graduate, and teacher

HIGHER EDUCATION COMPACT

For the UC and the CSU, the workload budget is based on the Higher Education Compact (Compact) that was initiated in 2004. The Compact provides a six-year resource plan to address annual base budget increases including general support increases of up to 5 percent, enrollment growth of 2.5 percent, student fee increases that may not exceed 10 percent, and other key program elements through 2010-11. In exchange for this fiscal stability, the UC and the CSU committed to preserving and improving student and institutional performance in numerous program areas including program efficiency, utilization of systemwide resources, and student-level outcomes. The resources provided through the Compact enable the UC and the CSU to accomplish their missions outlined in the Master Plan for Higher Education.

HIGHER EDUCATION

credential candidates. One-third of the revenue generated by the fee increases would be set aside for financial aid.

- \$124,000 increase (4 percent) for the Capitol Fellows Program consistent with the Compact.
- \$8.6 million reduction to continue the decrease in retirement costs in the current year.
- \$4.9 million reduction in lease purchase payments.

Current Year

- \$8.6 million reduction in retirement costs.
- \$6.6 million reduction in lease purchase payments.

CALIFORNIA COMMUNITY COLLEGES

Budget Year

- \$171.9 million increase (3 percent) for enrollment growth for Apportionments. This would fund more than 35,000 additional full time equivalent (FTE) students. This level exceeds the minimum 1.5-percent change in the adult population, equally weighted between the 19-to-24 and the 25-to-65 age groups, pursuant to the statutory index included in Chapter 631, Statutes of 2006.
- \$291.7 million increase for a cost-of-living increase (4.94-percent COLA) for general-purpose Apportionments.
- \$28.5 million increase for Categorical Program enrollment growth and COLA (3 percent and 4.94 percent, respectively), including Matriculation, Disabled Students Programs and Services, Campus Childcare Tax Bailout, Apprenticeship, and Extended Opportunity Programs and Services.
- \$8.7 million increase to reflect anticipated lease-purchase debt obligations.
- \$6.2 million reduction to reflect increased fee revenue and other workload adjustments.
- \$139.8 million reduction to Apportionments to reflected estimated growth in local property taxes.

- \$374,000 net increase for the Chancellor’s Office state operations for standard baseline adjustments and an increase of \$200,000 and two positions for workload associated with nursing and career technical education program local assistance increases resulting from the 2007 budget actions.

Current Year

- \$4.6 million reduction in property tax revenue based on revised estimates.
- \$2.2 million reduction in fee revenue reflecting revised estimates.
- \$1.1 million reduction to reflect revised lease-purchase debt obligations.
- \$93,000 net increase for the Chancellor’s Office for miscellaneous baseline adjustments.

STUDENT AID COMMISSION

Budget Year

- \$26.7 million increase over the revised 2007-08 level for anticipated growth in the Cal Grant Program, reflecting anticipated undergraduate fee increases of 7.4 percent and 10 percent at UC and CSU, respectively.
- \$80 million additional increase for Cal Grants as a placeholder amount in the event the UC and CSU raise fees beyond the segments’ anticipated fee levels described above. This amount is subject to adjustment after the governing boards take final action in context of potential reductions to balance the budget.
- \$281,000 net increase in loan assumption payments over the revised 2007-08 level for workload change in the Assumption Program of Loans for Education (APLE), National Guard APLE, State Nursing APLE, and Nurses in State Facilities APLE programs.
- Authorization for a total of 8,000 new warrants for the APLE program, 100 new warrants for the State Nursing APLE program, and 100 new warrants for the Nurses

**CCC WORKLOAD
BUDGET DRIVERS**

The workload budget for CCC local assistance is based on a statutory COLA factor, currently estimated at 4.94 percent, and a statewide enrollment growth formula that considers a variety of factors including adult population changes, unemployment, and other factors. The workload budget assumes a 3-percent increase in instructional workload for 2008-09.

CSAC WORKLOAD BUDGET DRIVERS

The workload budget for CSAC local assistance is driven by growth in students qualifying for Cal Grant entitlements, renewal grants for prior recipients, fee levels authorized by the UC Regents and the CSU Trustees, and other financial aid payments that result from grant authorizations determined in prior budgets.

in State Facilities APLE program. No new warrants for the National Guard APLE program are proposed.

A net increase of \$436,000 for state operations including standard baseline and one-time cost adjustments. This amount also includes an increase of \$2 million and up to 11 new positions to enable the Commission to replace shared services assuming the sale of EdFund, the Commission's auxiliary non-profit loan guaranty agency that implements the state's federal student loan guarantee function. This augmentation is offset by a reduction of 6 positions and approximately \$1 million associated with CSAC's Federal Programs Division which would no longer be necessary under the sale. Both adjustments are subject to adjustment in the spring when more is known about the timing of a sale, the details and actual resource needs.

- \$331,000 in anticipated federal funds is proposed to fund the Cash for College program pursuant to Chapter 741, Statutes of 2007.

Current Year

- \$30.2 million in savings in the Cal Grant and APLE programs due to revised projections of need.
- \$157,000 net increase in state operations associated with standard baseline adjustments.
- The budget also assumes a \$500 million reduction in anticipated one-time General Fund revenues from the pending sale, or other arrangement, of the state's Federal Family Education Loan (FFEL) program guaranty agency, EdFund. Chapters 182 and 189, Statutes of 2007, authorized the state to sell or enter into another arrangement that would maximize the value of this asset for the state. At that time, it was estimated that a sale would result in approximately \$1 billion of revenue. Since that time, federal legislation has reduced the primary income streams for guaranty agencies, including the account maintenance fee and the collection/retention fee, that support guarantee functions nationally—thereby reducing the value to prospective purchasers.

HASTINGS COLLEGE OF LAW

Budget Year

- \$425,000 increase (4 percent) for basic budget support consistent with the Compact.
- \$106,000 increase (1 percent) for core instructional needs including library material replacements, deferred maintenance and instructional equipment consistent with the Compact.
- \$77,000 for annuitant benefit costs.

PROPOSED BUDGET BALANCING REDUCTIONS

- Total budget-balancing reductions for the Higher Education segments amount to \$1.1 billion in 2008-09. Of this amount, \$649.4 million is for General Fund programs and \$483.5 million is for Community College Proposition 98 local assistance programs.
- Programs exempted from reductions include general obligation bond debt service and lease payments securing lease revenue bonds for all segments, State Teacher's Retirement System contributions for CCC, emergency loan repayments from Compton CCD, mandate deferral amounts for CCC, and the Cal Grant Program.
- The major reductions in 2008-09 are described below:
 - \$331.9 million for the University of California. Of this amount, \$32.3 million is allocated to the Institutional Support program (which includes campus administration and the Office of the President) and the remainder is unallocated to allow the Regents the flexibility to meet the reduction in a way that minimizes impacts to core instructional programs. It is anticipated that the Regents will address this reduction through a combination of fee increases, limitations on enrollment levels, increased efficiency and reductions to other existing programs, including research, student services, academic support and public services programs.
 - \$312.9 million for the California State University. Of this amount, \$43.2 million is allocated to the Institutional Support program (which includes campus administration and the Chancellor's Office) and the remainder is unallocated to allow the CSU Trustees the maximum flexibility to meet the reduction in a way that minimizes the adverse impacts to core instructional programs. It is

anticipated that the Trustees will address this reduction through a combination of fee increases, limitations on enrollment levels, increased efficiency and reductions to other existing programs including student services, academic support, and public services.

- \$2.2 million for the Student Aid Commission. Of this amount, \$1.6 million is allocated to the state operations administrative support budget and \$637,000 is allocated to the California Student Opportunity and Access Program local assistance budget. Also, the number of new APLE warrants is reduced by 10 percent, or 800 awards, for a revised total of 7,200 awards for 2008-09. Policy changes for Cal Grants are addressed in the Other Budget Reductions section below.
- \$1 million for the Community College Chancellor's Office state operations administrative support budget. This reduction is anticipated to reduce discretionary technical assistance service levels to districts for various categorical programs.
- \$483.5 million for Community College local assistance. Of this amount, \$291.7 million reflects a reduction to apportionments by eliminating the 4.94-percent workload COLA and \$111.8 million reflects a reduction to enrollment growth. The remaining \$80 million reflects similar reductions to categorical programs. It is anticipated that colleges will respond to the

CAL GRANT COSTS ARE CONTINGENT ON UC AND CSU UNDERGRADUATE FEE INCREASES

- Costs for the Cal Grant Program will increase based on actions taken on mandatory undergraduate student fees by the UC Regents and the CSU Trustees.
- As noted in the Proposed Workload Budget section for the Student Aid Commission, a \$106.7 million increase in cost has been included in the Cal Grant budget pending final actions of the Regents and Trustees.
- Should the Cal Grant budget be insufficient to fund resulting costs, the enabling statute authorizes augmentations from the reserve for economic uncertainties to meet any deficiency that may ultimately occur.

reductions by limiting low-volume course offerings and reducing service levels in various categorically funded programs. It is further proposed that the statutory COLA factor be changed to reflect the Consumer Price Index (CPI-W), consistent with K-12 education. This measure would adjust the COLA to 3.65 percent and better accounts for the underlying cost pressures on school budgets which are primarily wages. This specific change is subsumed within the overall reduction amounts for both apportionments and categorical programs.

- \$1.1 million for the Hastings College of Law. Of this amount, \$252,000 is allocated to the Institutional Support program and the remainder is unallocated to allow the Hastings Board the maximum flexibility to meet the reduction in a way that minimizes adverse impacts to instructional programs. It is anticipated that the Hastings Board may address this reduction through a combination of reductions to public and professional services, student services, and academic support in order to preserve instructional quality and enrollments at or near the current year levels.
- \$223,000 for the California Postsecondary Education Commission. It is anticipated that the CPEC will meet the reductions through prioritization of discretionary studies. Reviews of proposed new instructional programs and facilities from segments would not be affected.

OTHER BUDGET REDUCTIONS

The proposed Budget reflects a reduction of \$57.4 million resulting from a proposal to eliminate new awards for the Cal Grant Competitive program. Renewal awards would not be affected. This policy change is necessary to help contain the costs of government at this critical time. Federal Pell grants are scheduled to increase substantially over the next few years and will help to mitigate the phase-out of this program for eligible students.

SPECIAL SESSION ISSUES

The Governor has called a Special Session of the Legislature to immediately address the budget and cash shortfall. Included in the Special Session are the following proposals:

- A \$40 million one-time reduction to CCC apportionments. The Administration will work with the Chancellor, Superintendent, and other parties to identify one-time savings to mitigate this reduction.
- Delay \$200 million in payments scheduled for July 2008 to CCC for the 2007-08 deferral of apportionments until September of 2008. This delay of deferral payments will help reduce the state's cash flow borrowing costs in the budget year and, thus, help avert a temporary cash shortage.

FUNDING BY SEGMENT FOR 2008-09

The Budget, assuming proposed budget balancing reductions and other policy reductions, reflects a 2-percent total funding increase including a 0.7-percent increase in General Fund and Proposition 98 sources compared to the revised 2007-08 budget. See Figure HED-01 for a summary by segment of both the workload budget and the budget with proposed budget balancing and other budget reductions.

The Budget for UC, reflecting budget balancing reductions, includes \$5.5 billion total funding (\$3.2 billion General Fund), which reflects a net increase of \$81.3 million (including a \$98.5 million General Fund reduction) compared to the revised 2007-08 budget. These amounts reflect a 1.5-percent net total funding increase and a 3-percent General Fund reduction compared to the current year.

The Budget for CSU, reflecting budget balancing reductions, includes \$4.4 billion (\$2.9 billion General Fund), which reflects a net increase of \$35.1 million (including a \$97.6 million General Fund reduction) compared to the revised 2007-08 budget. These amounts reflect a 0.8-percent net total funding increase and a 3.3-percent General Fund reduction compared to the current year.

The Budget for CCC, reflecting budget balancing reductions, includes \$9.1 billion in total funding (\$6.6 billion from General Fund and Proposition 98 sources), which reflects an increase of \$146.5 million (\$144.1 million General Fund and Proposition 98 sources) above the revised 2007-08 budget. These amounts reflect a 1.6-percent total funding increase,

Figure HED-01
Higher Education Expenditures
General Fund, Lottery Funds, State School Fund,
Local Revenues and Student Fees
(Dollars in Millions)

	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09	Change from	
					Workload	With BBRs ^{4/}	2007-08	with BBRs ^{4/}
							Dollar	Percent
University of California ^{1/}								
Total Funds	\$4,514.7	\$4,812.4	\$5,115.1	\$5,442.4	\$5,855.6	\$5,523.7	\$81.3	1.5%
General Fund	2,698.7	2,838.6	3,069.3	3,260.7	3,494.1	3,162.2	-\$98.5	-3.0%
California State University ^{1/}								
Total Funds	3,586.3	3,834.5	4,136.2	4,406.5	4,754.5	4,441.6	\$35.1	0.8%
General Fund	2,475.8	2,596.0	2,808.0	2,970.7	3,186.0	2,873.1	-\$97.6	-3.3%
Community Colleges								
Total Funds	7,300.8	7,764.8	8,668.6	8,979.0	9,615.5	9,125.5	\$146.5	1.6%
General Fund & P98 ^{2/}	5,031.9	5,735.1	6,173.0	6,452.4	7,081.1	6,596.5	\$144.1	2.2%
Student Aid Commission (GF)								
Total Funds	776.5	830.8	833.3	873.3	980.9	921.3	\$48.0	5.5%
General Fund	595.4	733.5	794.8	842.9	950.1	890.5	\$47.6	5.6%
Other Higher Education ^{3/}								
Total Funds	301.1	307.1	325.5	357.3	457.9	456.6	\$99.3	27.8%
General Fund	274.9	280.4	298.0	327.6	423.9	422.6	\$95.0	29.0%
Total Funds	\$16,479.4	\$17,549.6	\$19,078.7	\$20,058.5	\$21,664.4	\$20,468.7	\$410.2	2.0%
General Fund	\$11,076.7	\$12,183.6	\$13,143.1	\$13,854.3	\$15,135.2	\$13,944.9	\$90.6	0.7%

^{1/} For purposes of this table, expenditures for the UC and CSU have been adjusted to include the offsetting general purpose income, but exclude self-supporting functions such as auxiliary enterprises and extramural programs among others. This provides consistency in comparing magnitudes and growth among the various segments of education.

^{2/} For purposes of comparing with UC and CSU General Fund, CCC includes property tax revenue, as a component of the state's obligation under Proposition 98.

^{3/} The Other Higher Education amount includes Hastings College of the Law (HCL), the California Postsecondary Education Commission, and General Obligation Bond Interest and Redemptions for UC, CSU and HCL.

^{4/} BBRs refer to the budget balancing reductions and other policy reductions. For UC and CSU, total funds may increase depending on final fee actions taken by the CSU Trustees and UC Regents.

including a 2.2-percent General Fund and Proposition 98 increase over the current year. See Figure HED-02 and Figure HED-03 for CCC funding sources.

The Budget for CSAC, reflecting budget balancing and other budget reductions, includes \$921.3 million (\$890.5 million General Fund) which reflects an increase of \$47.6 million General Fund above the revised 2007-08 budget. These amounts reflect a 5.5-percent total funding increase including a 5.6-percent General Fund increase over the current year. See Figure HED-04 and Figure HED-05 for total financial aid and growth in Cal Grants, respectively.

Figure HED-02

Significant Revenue Sources for Community Colleges

(Dollars in Millions)

Source of Funds	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Change From 2007-08	
							Dollars	Percent
State General Fund	\$2,404.8	\$3,277.5	\$3,934.5	\$4,322.0	\$4,400.7	4,400.3	-\$0.3	0.0%
Lottery Fund	140.9	143.3	177.9	173.9	167.5	167.5	\$0.0	0.0%
Local Property Taxes	2,100.4	1,754.4	1,800.6	1,851.0	2,051.7	2,196.2	\$144.5	6.6%
Student Fees	243.5	334.7	344.1	317.4	281.4	284.4	\$3.0	1.0%
Other State Funds	8.6	9.3	13.3	23.3	16.7	17.8	\$1.1	6.1%
Federal Funds	249.2	244.1	249.8	251.3	263.2	261.4	-\$1.7	-0.7%
Local Miscellaneous	1,392.2	1,289.1	928.0	1,392.3	1,447.1	1,447.1	\$0.0	0.0%
Local Debt Service	<u>158.0</u>	<u>248.4</u>	<u>316.7</u>	<u>337.4</u>	<u>350.7</u>	<u>350.7</u>	<u>\$0.0</u>	<u>0.0%</u>
TOTAL REVENUE	\$6,697.8	\$7,300.8	\$7,764.8	\$8,668.6	\$8,979.0	9,125.5	\$146.4	1.6%

Figure HED-03

Revenue Source for Community Colleges

(Dollars in Millions)

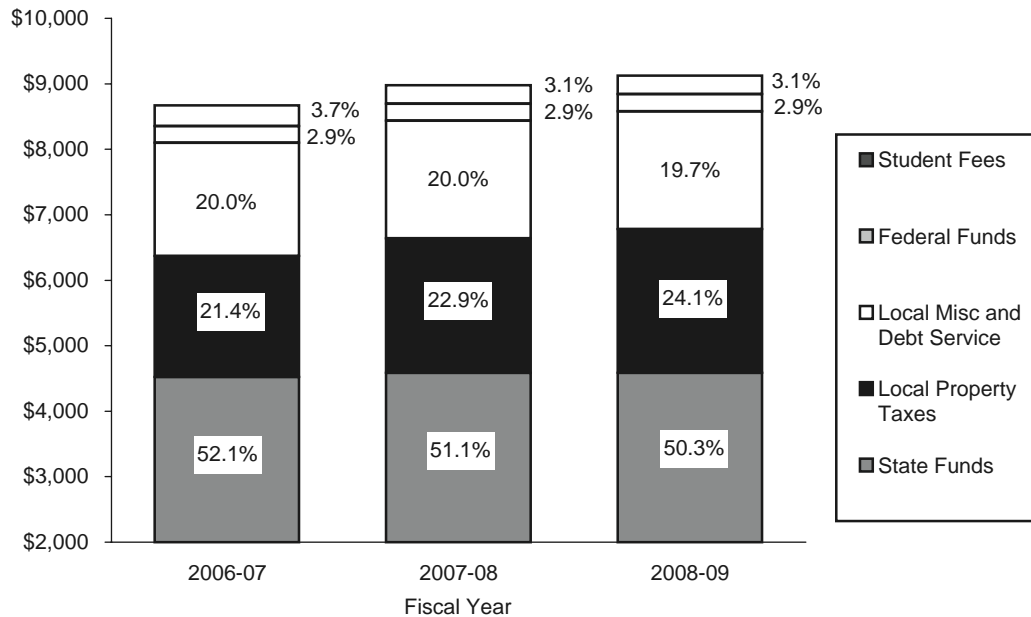


Figure HED-04
Financial Aid Grants
General Fund and Fee Revenue Funded
(Dollars in Thousands)

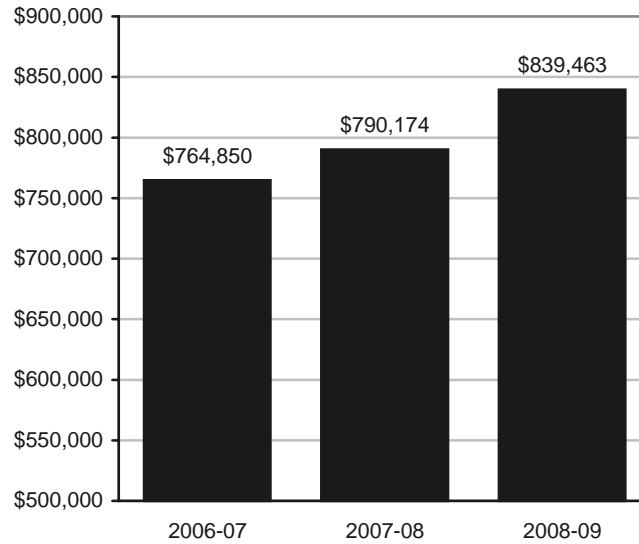
Institution/Fund Source	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Change from 2007-08	
							Dollars	Percent
University of California ^{1/}	\$355,654	\$371,944	\$411,833	\$431,194	\$474,318	\$540,423	\$66,105	13.9%
General Fund	52,199	93,417	52,199	52,199	52,199	52,199	\$0	0.0%
Fee Revenue	303,455	278,527	359,634	378,995	422,119	488,224 ^{3/}	\$66,105	15.7%
California State University ^{1/}	242,206	229,553	269,525	256,103	296,139	339,590	\$43,451	14.7%
General Fund	51,147	51,147	51,147	33,785	33,785	33,785	\$0	0.0%
Fee Revenue	191,059	178,406	218,378	222,318	262,354	305,805 ^{3/}	\$43,451	16.6%
Community Colleges ^{1/}								
General Fund	168,138	266,001	273,789	229,083	203,060	205,190	\$2,130	1.0%
Student Aid Commission ^{1,2/}								
General Fund	658,751	595,410	733,470	794,822	842,887	890,520 ^{3/}	\$47,633	5.7%
Total	\$1,424,749	\$1,462,908	\$1,688,617	\$1,711,202	\$1,816,404	\$1,975,723	\$159,319	8.8%
General Fund	930,235	1,005,975	1,110,605	1,109,889	1,131,931	1,181,694	\$49,763	4.4%
Fee Revenues	494,514	456,933	578,012	601,313	684,473	794,029	\$109,556	16.0%

^{1/} Reflects budgeted amounts for 2007-08 and 2008-09.

^{2/} Reflects one-time fund shift from General Fund to Student Loan Operating Fund in 2004-05 (\$146.5 million) and 2005-06 (\$51.0 million).

^{3/} Financial Aid from fee revenue for UC and CSU reflect workload estimated levels because it is unknown what final actions may be taken on fees. CSAC funding includes an \$80 million placeholder amount in the workload estimate that may be revised pending final UC and CSU fee actions.

Figure HED-05
Cal Grant Funding
(Dollars in Thousands)



HIGHER EDUCATION STUDENT ENROLLMENT

Enrollment levels for the UC and the CSU are driven by projections of eligible students in accordance with the Master Plan for Higher Education and the segments anticipated growth levels consistent with, and largely dependant upon funding under the Higher Education Compact. Through the Compact period, enrollments are estimated to grow by 2.5 percent annually.

For the CCC, Chapter 631, Statutes of 2006 specifies a minimum level of enrollment growth to be calculated based upon the weighted change in adult population components from year to year, with adjustments for unemployment, and overcap workload experienced in transfer, basic skills and career technical education courses. While this calculation and prior formulas have guided the minimum level of growth funding, the Administration and Legislature have exercised discretion to provide more or less funding to respond to changing enrollment demands.

Assuming the workload budgeted growth for UC and CSU, the overall change in budgeted enrollment to be served in 2008-09 is 25,817 full-time equivalent students (FTES) for a total of 1,770,643 FTES (see Figure HED-06). Because the UC and CSU will have some discretion in meeting the proposed budget balancing reductions, it is unknown if their workload budget projections will materialize.

Figure HED-06
**Higher Education
Full-Time Equivalent Students**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 ^{4/}	Change from 2007-08	
							FTES	Percent
University of California	201,896	201,403	205,368	213,646	216,255 1/	221,255	5,000	2.3%
Undergraduate	(155,754)	(155,342)	(159,135)	(166,614)	(168,424)	(172,069)	(3,645)	2.2%
Graduate	(32,874)	(32,596)	(32,777)	(33,234)	(34,800)	(35,855)	(1,055)	3.0%
Health Sciences	(13,268)	(13,465)	(13,456)	(13,798)	(13,031)	(13,331)	(300)	2.3%
California State University	331,705	321,338	341,511 3/	353,551	356,050 1/	364,622	8,572	2.4%
Undergraduate	(278,774)	(274,940)	(288,800)	(300,138)	(302,273)	(309,601)	(7,328)	2.4%
Graduate/Post-baccalaureate	(52,931)	(46,398)	(52,711)	(53,413)	(53,777)	(55,021)	(1,244)	2.3%
Community Colleges	1,106,390	1,121,681	1,101,905	1,137,144	1,171,258 2/	1,183,541	12,283	1.0%
Hastings	1,250	1,268	1,281	1,264	1,263 1/	1,225	(38)	-3.0%
Total Students	1,641,241	1,645,690	1,650,065	1,705,605	1,744,826	1,770,643	25,817	1.5%

^{1/} Budgeted. UC estimated enrollment is 219,825 and CSU estimates about 366,000 in 2007-08.

^{2/} Figure reflects DOF projection of budgeted FTES. There is insufficient data to project estimated enrollments.

^{3/} Beginning in 2005-6, CSU graduate students are reflected as taking 12 units per term rather than 15 units, to be consistent with national higher education reporting standards.

^{4/} For the CCC, enrollment figures for 2008-09 reflect budgeted enrollments after budget balancing reductions. For UC, CSU, and HCL, budgeted enrollments reflect the workload budget levels because it is unknown how they will address enrollment in context of budget balancing reductions.

STUDENT FEES

UC and CSU Student Fees—When preparing their annual 2008-09 Budgets, the Regents of the UC and the Trustees of the CSU deferred final decisions on student fee increases. The segments have advised the Administration, pursuant to the provisions of the Compact, that undergraduate fee increases are necessary to augment the Compact’s basic budget support provisions in order to maintain the quality of core instructional programs. The UC anticipates mandatory fee increases of 7.4 percent for undergraduate, graduate, and professional students, and additional selected professional school fee increases. The CSU anticipates fee increases of 10 percent for undergraduates, credential candidates, and other graduate students. However, as discussed in the proposed Budget Balancing Reductions section, it is possible that the Regents and Trustees will act to increase fees beyond these levels.

As currently planned by the segments, fees remain very competitive. UC’s undergraduate fees would be only 86 percent of the average of comparable national institutions and the CSU’s fees would be the lowest and only 53 percent of the average of comparable 4-year comprehensive colleges. Both the UC and the CSU would continue to set aside one-third of the increased fee revenue from undergraduate enrollments for financial aid, consistent with past practices in order to minimize affects on access for low-income students.

Community Colleges Fees—The Governor’s Budget proposes no fee increase. Fees for credit courses will remain at \$20 per credit unit. CCC fees remain the lowest in the nation by far and are just 26 percent of the national average. See Figure HED-07 for current and projected fee levels based on the workload budget and comparisons with other public institutions for all higher education segments.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2008-09 Budget proposes a new research initiative in the budget year and continues other important efforts begun in prior years.

TRANSPORTATION RESEARCH INITIATIVE

The Budget proposes an increase of \$5 million from the Public Transportation Account to augment UC’s multi-campus Institute for Transportation Studies (ITS), for a total of almost \$6 million. This increase will fund ITS’ development of integrated land use and transportation models that can measure the impact of actions by local governments on

Figure HED-07
Higher Education Fees

2007-08 Fee Comparison

	UC ^{a/}				Other Public Institutions (2007-08)		
	2007-08	2007-08	2008-09	2008-09	Average	Highest	Lowest
	Ed/Reg Fee	Total Fee	Ed/Reg Fee	Total Fee			
Undergraduate	\$6,636	\$7,517	\$7,126	\$8,007	\$9,287	\$11,130	\$6,217
Graduate	\$7,440	\$9,775	\$7,986	\$10,321	\$11,623	\$15,747	\$8,289
	CSU ^{b/}						
Undergraduate	\$2,772	\$3,521	\$3,048	\$3,797	\$7,122	\$10,357	\$4,029
Graduate (non-teacher prep.)	\$3,414	\$4,163	\$3,756	\$4,505	na	na	na
Graduate (teacher prep)	\$3,216	\$3,965	\$3,540	\$4,289	na	na	na
	CCC ^{c/}						
Full-Time Undergraduate Student	\$600		\$600		\$2,625	\$5,537	\$1,243
Bachelor-Degree Holders	\$600		\$600		na	na	na

a/ UC's 2007-08 undergraduate fee of \$6,636 (\$7,440 for graduate students), includes a registration fee of \$786. Total fees include average campus-based fees of \$881 for undergraduates and \$2,335 for graduates. In 2008-09, the registration fee will increase to \$864. Campus-based fees have not yet been determined by UC. UC's 2008-09 education/registration fees reflect an increase of about 7.4 percent. (These fees include a \$60 temporary surcharge to cover income losses associated with a student fee lawsuit.)

b/ CSU's total fees in 2007-08 include a campus-based fee of \$749 for all students. CSU's 2008-09 education fees reflect an increase of 10 percent, while the campus-based fee will remain at \$749 for all students.

c/ Comparison data for other states reflect 2006-07 data. 2007-08 fee levels are based on 30 units per year at \$20 per unit.

2007-08 Professional School Fee Comparison:

	UC ^{d/}	Other Public Institutions		
		Average	Highest	Lowest
Law	\$26,480	\$32,807	\$38,949	\$25,972
Medicine	\$23,655	\$28,228	\$31,305	\$24,755
Business Administration	\$25,601	\$31,710	\$38,289	\$19,342

d/ Professional fees reflect the average among campuses.

greenhouse gas emissions. This project will be done in continued collaboration with the California Department of Transportation and the Air Resources Board (ARB). Land use and transportation interface is a critical element of the state's efforts towards mitigating climate change and greenhouse gas emissions consistent with Chapter 488, Statutes of 2006 (AB 32). The models and tools developed through the ITS will inform and assist the ARB's development of a Climate Change Scoping Plan scheduled for 2008 and subsequent implementation of reduction measures.

CONTINUATION OF OTHER HIGHER EDUCATION INITIATIVES

While the proposed 2008-09 budget balancing reductions would impact funding levels for continuing initiatives in 2008-09, progress on these efforts that began during this Administration will continue to be made. Significant ongoing initiatives in Higher Education include the following:

Science and Math Teacher Initiative

This effort provides additional funding to the CSU and UC to address the shortage of high-quality math and science teachers in our public schools. The CSU has committed to doubling its annual production of science and math teacher candidates to a total of approximately 1,500, and the UC has committed to quadruple its production to a total of 1,000 by 2010-11. Since 2005-06, \$7.3 million has been invested in this program. The workload budget includes an ongoing \$2.7 million for CSU for this initiative and \$1.1 million for UC. Assuming proportional reductions are made to these programs, \$3.4 million would remain available for this effort.

Nursing Initiative

This initiative provides additional funding to expand enrollments in all three segments in order to meet the state's clinical nursing shortages. Since 2004-05, \$108 million out of a total of \$130 million statewide has been invested in nursing expansion in the three higher education segments, beyond normal enrollment growth funding. These funds have been utilized to expand slots for an additional 4,900 FTE students enrolled in Associate Degree, Bachelors Degree and Masters Degree nursing programs. The workload budget includes \$22.2 million ongoing for CCC, \$6.3 million for CSU, and \$1.7 million for UC. The proposed budget balancing reductions will reduce CCC funding for this purpose to \$19.7 million. Assuming proportional reductions are made by the UC and CSU, a total of \$26.9 million would remain available for this effort.

Career Technical Education Initiative

This initiative provides additional funding through the Community College budget to fund partnerships between colleges and public school districts to reinvigorate and expand enrollments in high-quality career preparation programs that will better prepare all students for high-demand, high-paying technical careers while allowing them to smoothly transition to postsecondary education.

HIGHER EDUCATION

As a result of the investments since 2005-06, the state has begun to restore the capacity and vitality that many CTE programs had lost due to decades of erosion in these programs. California is making significant progress in building CTE programs that will provide students with additional options and opportunities and help to meet the evolving demands of California business and industry. The workload budget continues \$58 million in 2008-09 for this purpose—\$20 million in CCC’s base funding for SB 70 programs as well as \$38 million in funding appropriated by Chapter 751, Statutes of 2006. The SB 70 funding is reduced to \$17.8 million, resulting in \$55.8 million that will remain available for this effort.

Community College Student Success Initiative

This initiative provides additional resources to help at-risk Community College students persist and succeed in achieving successful outcomes such as career technical education certificates, transfer readiness and degrees.

The workload budget continues the redirection of \$33.1 million in ongoing funds for improving student outcomes that are allocated pursuant to a funding formula and subject to accountability provisions that are under development as specified in Chapter 489, Statutes of 2007. This funding is reduced to \$29.8 million under proposed budget balancing reductions, yet will still allow the colleges to continue progress in improving student outcomes for those students least prepared to undertake college level work.