Major Funding Developments

☑️ **State Is Primary Source of Core University Funding.** In the 1960s, state General Fund comprises most core funding for the California State University (CSU) and University of California (UC), with a relatively small share of funding at both segments from student service fees and nonresident tuition.

☑️ **Resident Tuition Charges Established.** In 1970, UC adopts an “education fee.” The fee is initially designated for specific purposes, but eventually becomes the system’s tuition charge. CSU adopts a similar fee in 1981.

☑️ **Tuition and Fees Become Greater Share of Core Funds.** Beginning in the 1990s, the share of core funds that is comprised of tuition and fees increases. The increasing portion is due to declining per-student state support, increasing tuition and fee charges, and the adoption of new student charges (such as professional degree supplemental tuition at UC).

☑️ **Per-Student Core Funding Reaches Peak in 2000, Then Declines Over Next Several Years.** In 2000, per-student core funding reaches its highest level. Inflation-adjusted per-student support declines throughout most of the next ten years.

☑️ **Great Recession Contributes to Budget Reduction and Increased Tuition.** As a result of the 2008 recession, the state enacts budget reductions, using federal monies and increased tuition charges to partly replace declining General Fund support.

☑️ **Per-Student Funding Rebounds Over Last Five Years.** In 2010, per-student funding begins increasing again, largely due to General Fund increases. UC also receives increasing share of funding from nonresident students due to hikes in supplemental tuition and enrollment growth. Resident tuition remains flat for several years.
CSU Funding Trends

Core Funds Per Full-Time Equivalent Student, 2015-16 Dollars

- State Funds: Consists primarily of General Fund. Also consists of lottery and federal American Recovery and Reinvestment Act funds. Excludes state funds for general obligation bond debt.
- Student Tuition and Fees: Consists of systemwide tuition and nonresident supplemental tuition. Includes tuition revenue redirected for financial aid.
Core Funds Per Full-Time Equivalent Student, 2015-16 Dollars

- **State Funds**
  - Consists primarily of General Fund. Also consists of lottery and federal American Recovery and Reinvestment Act funds. Excludes state funds for general obligation bond debt.

- **Student Tuition and Fees**
  - Consists of systemwide tuition, Student Services Fee, nonresident supplemental tuition, and professional degree supplemental tuition. Includes tuition revenue redirected for financial aid.
Major Changes in Budget Practice

- **Initial Emphasis on Workload Budgeting.** In the 1960s through the 1980s, state budgeting for the universities is primarily workload based, driven by various formulas for staffing increases, enrollment growth, and other cost increases.

- **Declining Emphasis on Workload Budgeting.** Beginning in the 1990s, the state begins moving away from budget formulas, with its university funding decisions made on a more ad hoc basis each year.

- **New Enrollment Formula Adopted in 1996.** That year, the state revises its method for funding enrollment growth. The new formula calculates the cost to enroll each additional resident student and explicitly shares the cost between the state General Fund and tuition revenue.

- **Numerous Categorical Programs Created About 20 Years Ago.** In the late 1990s and early 2000s, strong budget revenues contribute to an increase of state funding for the universities. The Legislature restricts some of this additional funding for specific purposes—mostly outreach and research.

- **Greater Flexibility Provided to Segments During Great Recession.** During the 2008 recession and the following recovery, the state eliminates most budgeted categorical programs, does not set enrollment targets in certain years, and gives the segments greater control over using their funds for capital outlay projects.

- **Recently, Growing Interest in Performance.** Student outcomes become a greater focus of state budgeting the past several years. Chapter 50 of 2013 (AB 94, Committee on Budget) establishes numerous performance measures that CSU and UC must report each year.
Recently, Legislature Takes More Active Role in Setting UC Policy. Over the past five years, state budget packages require UC to revisit: its pension benefits, nonresident enrollment policy, and financial aid policies. They also required UC to revisit how much it spends on the UC Office of the President and which systemwide and campus-specific programs are overseen by that office.
Major Budget Issues Facing Legislature Today

- **Setting Overall State Reserve.** The main strategy the state has for minimizing drops in state university funding as well as mitigating increases in tuition charges during recessions is to have a sizeable state reserve. What level of reserves should the Legislature aim for in the coming years?

- **Selecting Budgetary Approach.** Since the 1990s, the state has moved away from using workload-based formulas to fund the universities in favor of negotiated base increases. Moving forward, what budgetary approach should the Legislature take for CSU and UC? To what extent should workload cost drivers (such as enrollment growth and compensation increases) be taken into account?

- **Re-Exerting Legislative Control.** As the Legislature moved away from workload budgeting, it gave up substantial control over enrollment, facilities, and other key university budget areas. In the last few years, the Legislature has begun to exert greater control in a few areas. In what areas should the Legislature exert greater control over university spending?

- **Incorporating Performance Into Budget Process.** To date, performance measures for the universities largely serve as informational and generally have not been directly connected to budget decisions. Should the Legislature explore ways to incorporate the measures directly into the budget process (for example, through new budget formulas)?

- **Sharing Costs Between the State and Students.** Since the 1960s, student tuition and fees have comprised an increasing share of core funds. Because state and institutional financial aid programs cover tuition costs for financially needy students, the cost of tuition increases falls on higher-income students. What share of cost should the Legislature strive to cover for non-needy students?