
SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair

2015 - 2016 Regular

Bill No: AB 1307
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Version: July 7, 2015
Urgency: No
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Hearing Date: July 15, 2015
Fiscal: Yes

Subject: Working Families Student Fee Transparency and Accountability Act

SUMMARY

This bill, requires, in lieu of encouraging, the University of California (UC) and the California State University (CSU) to follow specified notification and consultation timeframes for approving and implementing student fee increases, and requires rather than urges the segments to continue to set aside a portion of fee increase revenues for institutional aid.

BACKGROUND

Existing law:

- 1) Further provides that statutes related to UC (and most other aspects of the governance and operation of UC) are applicable only to the extent that the Regents of UC make such provisions applicable. (Education Code § 67400)
- 2) Confers upon the Trustees of the CSU the powers, duties, and functions with respect to the management, administration, and control of the CSU system. (EC § 66066)
- 3) Under the Working Families Student Fee Transparency and Accountability Act (Act), UC and CSU follow specific notice, consultation, and timeframe requirements when approving student fee increases. (EC § 66028 - 66028.6)

ANALYSIS

This bill requires, in lieu of encouraging, the UC and the CSU to follow specified notification and consultation timeframes for approving and implementing student fee increases, and requires rather than urges the segments to continue to set aside a portion of fee increase revenues for institutional aid. Specifically this bill:

- 1) Requires, instead of encourages, all of the following:
 - a) As changes in mandatory systemwide fees and financial aid are being considered, the impact of these changes to be explained to students.
 - b) Students be consulted via the appropriate statewide student body associations before increases on mandatory systemwide fees are proposed.

- c) Adequate advance notice to be provided to students regarding future mandatory systemwide fees.
 - d) All current and prospective students to be provided timely information related to student financial aid.
 - e) The state's public colleges and universities ensure transparency in the uses of mandatory system wide fee revenue and the rationale for implementing mandatory systemwide fee increases.
- 2) Requires, rather than urges, California State University (CSU) and University of California (UC) to maintain their commitment to institutional financial aid programs by ensuring at least 33% of fee increase revenues charged to resident students are set aside for institutional student aid.
- 3) Specifies that the institutional student aid described above shall be used to assist "resident students," in lieu of "students," thereby excluding non-resident students from receiving those benefits.

STAFF COMMENTS

- 1) ***Need for the bill.*** Under the Working Families Student Fee Transparency and Accountability Act (Act), UC and CSU must follow specific notice, consultation, and timeframe requirements when approving student fee increases. According to the author in November 2014, the UC Board of Regents passed a 5% per year increase for a 5-year period beginning with the 2015-16 academic year. The author notes, with the passage of this fee increase, the UC was non-compliant with several statutory provisions regarding public notice and transparency of proposed fee increases established by current law.

This bill seeks to ensure that the UC and CSU adhere to notification and consultation timeframes for increase student fees and attempts to codify existing CSU and UC policy which allocates 33% of student fee revenue for institutional aid.

- 2) ***Related Legislative Analyst Office (LAO) Report.*** In March 2015 the LAO found UC to be non-complaint with several provisions under the Act including: 1) most notification and consultation procedures and; 2) developing a tuition and fee policy that includes a list of factors taken into account when considering an increase. UC did comply with the reporting provisions by publishing expenditure information and submitting the required institutional financial aid reports. According to the report, UC believes it is not legally obligated to comply because of its constitutional autonomy. To note, CSU had not increased mandatory systemwide fees; therefore, was not required to follow consultation or notification procedures. The report found CSU also complied with all other provisions.
- 3) ***Fee History.*** The Maddy-Dills Act previously required fees to be: (1) gradual; moderate and predictable; (2) limited fee increases to not more than 10% a year, and (3) fixed at least ten months prior to the fall term in which they were to become effective. The policy also required sufficient financial aid to offset fee increases. However, even with this policy, when the state faced serious budgetary challenges

the statute was "in-lieued" in order to provide the institutions some flexibility in dealing with the lack of state General Fund support. The Maddy-Dills Act sunset in 1996 and since then, the state has had no long-term policy regarding the way in which mandatory student fees are determined.

Historically, fees have fluctuated in response to the State's fiscal condition and the stated needs of University of California (UC) and California State University (CSU), as negotiated in the budget deliberations. These conditions have triggered mid-year fee increases for currently enrolled students in the past.

- 4) **Related Budget Activity.** SB 97 (Committee on Budget and Fiscal Review, Ch. 11, 2015) among other things, states legislative findings relative to the UC Regents endorsing the framework for long-term funding agreed to by the Governor and the UC President. The agreement freezes tuition in the 2015-16 and 2016-17 academic years, and specifies that the UC will implement reforms to reduce the cost structure and improve access, quality, and outcomes. The reforms included in the framework endorsed by the Regents are intended to create capacity for all campuses of the university to serve more resident students, including by using funds and existing resources that can be redirected to higher priorities, such as those currently being used to provide financial aid to nonresident students are also available to enable more residents students to enter the university at all campuses.

Consistent with these legislative findings, this bill requires, rather than encourages, the 33% set-aside for institutional student aid must be used to assist "resident students," in lieu of "students," thereby excluding non-resident students from receiving those benefits.

- 5) **Return-to-aid.** For many years, UC and CSU have generally returned 33% of student fee increases to their institutional aid programs. At CSU, the grant program is known as the State University Grant (SUG). According to CSU, despite losing one-third of state funding during the recent economic downturn the system maintained its commitment to the SUG program and has done so for more than two decades. This bill mandates 33% of resident student fee revenues to be returned to aid. Arguably, requiring these institutions to set aside a portion of fee increases for student aid may limit their ability to address quality and access issues that may arise in the future. Nevertheless, given that the practice of setting aside these dollars is a policy that has been adopted by CSU and UC and given the historical commitment by the respective governing bodies to the aid program, a mandate may be unnecessary. For this reason, **staff recommends** the bill be amended to urge, rather than require, the institutions to maintain their commitment to the 33% set aside.
- 6) **Prior Legislation.** SB 1461 (Negrete-Mcleod, 2012), as amended by this Committee, limited the amount by which the CSU Board of Trustees could increase the mandatory systemwide fees for resident undergraduate students, in a given year, and requested the Regents of the UC adhere to the same limit. SB 1461 passed out of this Committee by a vote of 8-0 in April 2012, but was subsequently held under submission in the Senate Appropriations Committee.

SB 969 (Liu, 2010) placed an upper limit on mandatory systemwide student fees, not to exceed a fixed percentage of the cost of education as defined, and prohibited annual mandatory systemwide fee increases from increasing by more than the implicit price deflator for state and local government for goods and services. This version of SB 969 combined elements of SB 969 (Florez) and SB 1199 (Liu). The bill was passed by this committee by a vote of 8-0, but was subsequently held on suspense in the Assembly Appropriations Committee.

SB 969 (Florez, 2010) placed an upper limit on mandatory systemwide student fees, not to exceed a fixed percentage of the cost of education, as defined, prohibited student fees from ever increasing beyond the amount a student paid at the time of enrollment, and prohibited annual mandatory systemwide fee increases for each new cohort of undergraduate students at the UC, CSU, and California Community Colleges from exceeding five percent of the preceding academic year.

SB 1199 (Liu, 2010) required the governing boards of the UC and CSU to develop student fee increase methodologies consistent with specified direction, and included many of the same concepts found in SB 969. The bill's provisions were combined with those of SB 969 and the hearing was canceled at the request of the author.

SCA 26 (Denham, 2010) amended the State Constitution and imposed upon the UC a waiting period of 180 days before mandatory student fees could take effect and limited annual fee increases to no more than a cumulative 10% over the preceding academic year. SCA 26 failed passage in this Committee by a vote of 2-2.

SUPPORT

American Federation of State, County and Municipal Employees (AFSCME)
California Faculty Association

OPPOSITION

California State University

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