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ABSTRACT

The Student Fee Sunset Review Committee's recommendation to the California legislature regarding revisions to and extension of the existing student fee legislation originally enacted in 1985 is presented. The committee continues to support the fee policy as well as the proposed changes in fee legislation that it recommends. Part 1 covers California's tradition of low fees, origins of the 1985 fee policy review, creation and outcomes of the 1985 fee policy committee, and implementation of the fee policy. Part 2 offers conclusions regarding the following: ensuring parity of fee increases at Hastings College of Law and the University of California; ensuring parity between university and state university fee increases; the issue of including the California Maritime Academy; the issue of excluding appropriated revenues and payments on debt service from the base calculations; permitting changes in the base for indexing fee increases; ensuring adequate consultation with students; ensuring adequate financial aid; lowering the 10% maximum annual increase; making "buy-outs" explicit; clarifying the frequency of the maximum increases/decreases; allowing for student consultation; and mandating future sunsets. Three appendices include Senate Bill 195 (1985); proposed amendments to Senate Bill 195; and a relevant letter to the California state senator. Contains 3 references. (SM)

MANDATORY STATEWIDE STUDENT FEES IN CALIFORNIA'S PUBLIC FOUR-YEAR COLLEGES AND UNIVERSITIES

Report of the Sunset Review Committee on Statewide Student Fee Policy Under Senate Bill 195 (1985)

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CALIFORNIA POSTSECONDARY EDUCATION COMMISSION REPORT 89-19
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The California Postsecondary Education Commission has published this report of the Sunset Review Committee on Statewide Student Fee Policy as part of its responsibility to distribute information on important issues facing California higher education.

Contents

Preface

The original intent of the following report was to serve as the Student Fee Sunset Review Committee's recommendations to the Legislature regarding revisions to and extension of the existing student fee legislation originally enacted through Senate Bill 195 (1985) and codified in Chapter 3.5 of Part 40 in the California *Education Code*. The Committee continues to support the concept of this fee policy as well as the proposed changes in the fee legislation that it recommends within this report.

One of the basic principles under which the Committee has operated has been the principle of consensus. Absent consensus, the members agreed not to attempt to move forward on sponsoring legislation.

Although the committee members are in consensus about the major provisions of the attached document, there is not consensus about the timing and content of legislation. A number of committee members concur with concerns first expressed by the University of California representative about committing to a long-term fee policy at this time due to the fiscal uncertainty that the State presently faces as a result of the Gann Appropriations Limit. As a result, these members have stated that under the present conditions they are unable to commit to such long-term legislation. The committee also discussed the possibility of a one-year extension of the existing fee policy, but concern was raised about the likelihood of success in getting such short-term legislation through the legislative process and signed into law by the Governor. The Committee has therefore agreed not to move forward on a consensus basis with its sponsorship of legislation this year. It is hoped that the State budget situation will have improved next year, and in that event the Committee hopes to move forward at that time.

Although the law sunsets in 1990, it is possible that there will be a gap in the policy if no law is put into effect before that time. Because of concern that the policy is fundamentally sound and should be maintained, both the University of California and California State University representatives have indicated that their systems will endeavor to maintain the policy and will follow the methodology in their preparation of budget requests for the 1990-91 budget year.

Introduction

IN 1985, the California Legislature passed and Governor George Deukmejian signed Senate Bill 195 (Maddy, Chapter 1523, Statutes of 1985) shown in Appendix A that put into law policy for statewide mandatory student fees for California's two public universities and Hastings College of the Law.

That legislation sunsets on August 31, 1990, making the 1989-90 budget year the last year covered by the policy. In anticipation of that sunset, the affected parties agreed during the discussion of the 1987-88 budget that the policy of that legislation should be reviewed and recommendations developed for the Legislature and the Governor about whether it should be continued, changed, or abandoned. A fee sunset review committee, consisting of representatives of students, segmental administrators, and State-level policy analysts, was convened for the purpose of the sunset review. The names of the committee members appear on the following page.

The committee met first on November 5, 1987, and agreed on four basic ground rules under which it would conduct the review:

1. Like its predecessor committee, which in 1984-85 had developed the recommendations that formed the basis of SB 195, it would operate on consensus.
2. It agreed that its criteria for judging the effectiveness of the law would be the policy objectives outlined in the law.
3. In cases where it found the law to be inadequate, either because of weaknesses in the intended policy or because of problems with implementing the policy, it agreed to endeavor to reach agreement about necessary changes.
4. Since the policy has been in place for only two years, it agreed that more time was needed before major changes should be recommended in it. Moreover, since any substantial changes in the law would require a re-opening of all of the compromises needed for the original agreement, the committee would consider only minor technical changes in it.

The committee met again on March 17, 1989, and agreed on the substance of this document, which it herewith submits to the Legislature, Governor, and other interested parties as its final report. As noted in the preface, due to a lack of consensus about the timing of revised legislation, the Committee does not recommend moving forward at this time with the recommended legislation contained in Appendix B of this document. In Part One, the committee summarizes the recent history of student fee policy in California. In Part Two, it offers its conclusions and recommendations about future policy and about possible successor legislation to SB 195. And as previously noted, Appendix B contains the Committee's recommendations on the technical changes that it presently believes should eventually be made in the law.

Jonathan Brown	Association of Independent California Colleges and Universities
Christopher Cabaldon	University of California Student Association
Michael Glynn	California Maritime Academy
Greg Gollihur	California Student Aid Commission
David Hawkins	California State University Student Association
Larry Hershman	Office of the President, University of California
Stan Lena	California State Department of Finance
Joan Majerus	Hastings College of the Law
Stuart Marshall	Office of the Legislative Analyst
John Richards	Office of the Chancellor, The California State University
Jane Wellman, *Chair*	California Postsecondary Education Commission
Al Wilson	Chancellor's Office, California Community Colleges

1 Background on Student Fee Policy

DECISIONS on statewide mandatory student fees predictably raise a set of economic, social and political pressure points that have historically proven extremely difficult to resolve. The range of opinion among students, faculty, administrators, legislators, and other State officials about student fees is vast, with some believing that student fees are far too low and others holding that they are too high. The problem is particularly frustrating from a policy perspective, because it is dominated by tradition, ideology, and rhetoric -- and is therefore only marginally susceptible to analytic resolution.

California's Tradition of Low Fees

Low-cost "tuition-free" public higher education has long been regarded in California as the way to make college democratically accessible and provide trained manpower for the State's economy. The State's strong tradition of support for public higher education is reflected in its 1960 Master Plan for Higher Education, which recommended that "the governing boards reaffirm the long established principle that state colleges and the University of California shall be tuition free to all residents of the state" (Master Plan Survey Team, 1960, p. 174). The Master Plan also made the distinction between "tuition" and "fees" as follows: (p. 172):

> Tuition is defined generally as student charges for teaching expense, whereas fees are charges to students, either collectively or individually, for services not directly related to instruction, such as health, special clinical services, job placement, housing, recreation.
>
> Continuing a principle in the Organic Statutes of California in 1867-68, under which the University of California was created, public higher education institutions in California do not charge tuition to bona fide legal residents of the state. On the other hand, students who do not qualify as residents must pay tuition.

As a result, California's four-year colleges and universities use resident student charges or fees to help pay the cost of student services and other expenses not directly related to teaching.

Origins of the 1985 Fee Policy Review

Prior to 1985, the State had no uniform policy on mandatory student fees for its two public universities, other than the Master Plan's provision that each system would "devise a fee structure and collect sufficient revenue to cover such operating costs as those for laboratory fees, health, intercollegiate athletics, student activities, and other services incidental to, but not directly related to, instruction" (p. 174). Several years of budgetary crises in the early 1980s, however, saw student fees become the pressure release valve for General Fund shortfalls for the two universities:

- The 1981-82 budget act contained a $10.5 million "unallocated reduction" for the University of California and a $5.0 million reduction for the State University. It was assumed that these reductions would be offset by student fee increases in both segments. As a result, that year, University fees rose from $775 to $972, and State University fees increased from $189 to $206.
- In October 1981, because State revenues fell below anticipated levels, the Governor further reduced the University's and State University's budgets, and both segments imposed surcharges for the Spring of 1982. That $25 spring surcharge at the University brought the fees for the year to $997 -- a 29 percent increase in one year -- and at the State University the $46 surcharge increased the year's fees to $252: a 33 percent increase.
- Both the 1982-83 and 1983-84 budgets again reduced support from the General Fund in anticipation of increased student charges. Hence by the end of 1984, fees had increased in the University of California by close to $600, or over 80 percent since 1981. Fees more than tripled for State University students during the same period -- from $160 to $612.

The decision process surrounding student fees during that period had three major characteristics:

- First, fees were increased in response to short-term budgetary pressures and not in relation to policy about student charges in relation to student access or costs and benefits of education.

- Second, the decisions to increase fees were made in a crisis environment, usually at the last minute and following protracted debate.
- Third, the decisions were accompanied by attempts to reduce the impact on access by increasing financial aid funding, but because of the timing of the decisions, and out of concern that financially needy students affected by the fee increases be guaranteed access to the aid, these allocations were made directly to the institutions rather than through the State's Student Aid Commission's Cal Grants programs. The capacity of the State to monitor the impact of its Cal Grant A program on access and choice -- always a difficult job, at best -- became further obscured by this fragmentation of student aid funding.

Creation and Outcomes of the 1985 Fee Policy Committee

The frustrations of the budgetary experiences from the early 1980s led the Legislature to conclude that there was a need for sound long-term policy for establishing student fees in postsecondary education. The policy would have two benefits.

- First, it would aid students and their families in planning to meet the costs of higher education by adding stability and predictability to the fee-setting process.
- Second, it would make the Legislature and the Governor's jobs easier by eliminating the need for a protracted debate on fees each year.

In an effort to develop long-term fee policies, the Legislature adopted language in its Supplemental Report of the 1984 Budget Act directing the California Postsecondary Education Commission to convene a series of meetings with representatives from the University of California, the California State University, Hastings College of the Law, staff of legislative policy and fiscal committees, the Department of Finance, the Office of the Legislative Analyst, authorized student representatives, and the Commission. It directed the participants to "develop recommendations on a long-term student fee policy and specific fee level calculation methodologies."

The report of the Fee Policy Committee, *Principles for Long-Term Student Fee Policy* (1984), became the basis for Senate Bill 195, which is reproduced in the appendix to this report. The policy objectives outlined in the law are:

(a) To keep fees as low as possible, the state shall bear primary responsibility for the cost of providing postsecondary education.

(b) Students shall be responsible for a portion of the total cost of their education.

(c) Any necessary increases in mandatory systemwide student fees at the California State University, the University of California, or the Hastings College of the Law shall be gradual, moderate, predictable, and equitably borne by all students in each segment (p. 2).

The law provides that these policy objectives should be met in the following ways:

- All mandatory systemwide fees shall be fixed at least ten months prior to the fall term in which they become effective.
- Any annual increases or decreases in a fee are limited to no more than 10 percent of the amount of the fee fixed for the prior year. In the event that State revenues and expenditures are substantially imbalanced due to factors unforeseen by the Governor or the Legislature, mandatory student fees may not be increased or decreased by more than 10 percent.
- The amount of the annual change in the fee shall be set according to an index of the three-year moving average of changes in State support per full-time-equivalent student, with each segment or institution allowed to index base "State support" either to all appropriations or all appropriations less instructional costs.
- Increases in mandatory statewide fees shall be accompanied by student financial aid necessary to ensure access to students with demonstrated financial need.
- The governing boards, in consultation with student representatives, are to establish policies for the expenditure of student fee revenues that are consistent with the long-term student fee policies.

Although the law does not specify this, it is possible for fee increases permitted by the methodology to be avoided if the Governor and Legislature so choose. This feature of the law -- to permit but not require orderly fee increases -- was a key factor in its successful adoption in law and, as can be seen below, has also been part of how the law has been implemented.

Implementation of the Fee Policy

The 1986-87 budget cycle was the first when the law was in effect. Both segments calculated the increase allowed under the methodology, and these increases were included in their budgetary submissions to the Governor. The Governor and the Legislature determined, however, that there was sufficient revenue in the General Fund to allow student fee increases to be "bought out" with General Fund revenues.

For the 1987-88 budget, the segments followed the methodology and notification requirements, and this time the Governor and Legislature determined that the fees should be increased by the amount prescribed by the methodology.

For 1988-89, the Governor's Budget included proposals to increase University fees by 4.4 percent and State University fees by 8.6 percent and the Governor and Legislature again determined that the fees should be increased by these permitted amounts. (The latter increase includes a 2.0 percent "rollover" from the previous year.)

Finally, as proposed by the 1985 committee, in each year that fees have increased, the Legislature and Governor have also increased financial aid allocations to the segments.

2 Conclusions About Fee Policy

SENATE BILL 195 was made possible only because enough people believed that the collective public interest is best served by having some basic ground rules for the setting of statewide student fees. The Sunset Review Committee for SB 195 shares this belief. It holds that the policy objectives of SB 195 continue to be valid and that the law has been successful in meeting these objectives. On the following pages, however, it discusses twelve possible changes in it and offers recommendations about them.

1. Ensuring Parity of Fee Increases at Hastings and the University of California

Issue: The methodology in the law provides that fee increases be indexed to the previous three-year average of State support *per full-time-equivalent student*. This index means that charges can go higher in one segment than another if they experience different rates of enrollment growth relative to budgetary growth. Because the Legislature has made the determination to reduce the enrollment of Hastings College of the Law over the next several years, the effect of the present methodology will be to increase fees at Hastings at a faster rate than for the University of California.

Conclusion: The Committee agrees that parity between student fees at Hastings and the University of California Schools of Law should be maintained, and thus it recommends that the law be amended to make explicit that students at Hastings be charged fees identical to those charged students at University of California Schools of Law.

2. Ensuring Parity Between University and State University Fee Increases

Issue: SB 195 has also caused some disparities between fee increases at the University of California and the California State University because of differences in their ratios of enrollment growth to budgetary growth. Since this ratio at the State University is slightly larger than at the University, its indexed per full-time-equivalent student rate of growth is also slightly larger.

Conclusion: The Committee discussed whether the law should be changed to require identical increases between the two universities, and it concluded that such a change should not be recommended at this time, since to do so would contradict the policy premises that student charges should bear some relation to the costs of education for the student in that segment. However, because of the Committee's concern about the potential for the disparity between the two universities to become large enough to cause unintended changes in student access to them, the Committee recommends that this issue be closely monitored in the future.

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3. Including the California Maritime Academy

Issue: Currently, the procedures of the California Maritime Academy for setting student fee policy are not covered by SB 195. Instead, the Academy follows a set of procedures for setting student fees that are based on the same policy principles as are in the law but are implemented somewhat differently. For example, the Academy's index of fee increases is based on changes in total State appropriations rather than the average of State support per full-time-equivalent student. The policy rationale for the difference, as explained in *Student Fee Policy at the California Maritime Academy* of the California Postsecondary Education Commission (1985), is that the Academy's student enrollment is so small that slight changes in enrollments or budgetary appropriations could produce unintended disparities in the indexed fee.

In the Legislative Analyst's Analysis of the Budget Bill for 1986, the Analyst raised the issue of whether these differences in methodology should be resolved and requested that the Postsecondary Education Commission examine the issue and make recommendations to the Legislature about it. The Commission found that the current practice was satisfactory and recommended no immediate changes in it. However, it agreed that the issue should be discussed again at the time of the sunset review.

Conclusion: The Sunset Review Committee has therefore discussed the issue and agrees that no change in policy should be recommended at this time.

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4. Excluding Appropriated Revenues and Payments on Debt Service from the Base Calculations

Issue: Since the time that the 1985 policy was developed, the State has implemented "generally accepted accounting principles" in its appropriations process. The effect of this change has been to make some minor, technical modifications to definitions of revenues and to create a new item called *appropriated revenues*. Prior to the implementation of these principles, student fees were counted as reimbursements rather than as appropriated revenues.

In addition, the growing potential use of debt service on revenue bonds as an item of General Fund expenditure raises the question of whether these funds should be included in base calculations for the purposes of indexing future fee increases.

Conclusion: The Committee recommends technical changes to the law to clarify that "appropriated revenue" and payments on revenue bonds are excluded from the base calculations.

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5. Permitting Changes in the Base for Indexing Fee Increases

Issue: The current law allows two methods under which a segment can index fee increases -- one that includes all appropriations and the other includes all appropriations less instructional costs. The former has been used by the State University and the latter by the University.

Conclusion: The Committee concluded that it should be possible for a segment, following a consultative process with students, to be allowed to switch to the alternative base methodology. For example, if the State University and student leaders agree on alternative policies for the expenditure of student fee revenues, it might be that the State University would prefer to use the alternative methodology. If that is the case, both the segment and its student representatives should petition the Student Fee Committee for approval to change to the alternative methodology. Once approval has been obtained from that Committee, the segment must then petition the Department of Finance for final approval of the change. While the Committee does not expect such a change to occur in the near future, it recommends that the option for change and the methodology for doing so be made explicit in the law.

6. Ensuring Adequate Consultation with Students

Issue: The current law requires consultation with students on the use of fee revenues. Such consultation occurs, but its quality is uneven -- especially for campus-based expenditure decisions in the University of California for the use of student education fees.

Conclusion: The University of California and its student representatives have committed to work together to develop a consultative process that meets with the satisfaction of both parties. The Committee recommends no amendment to the law regarding student consultation at this time, since the groups have indicated a commitment to internally developing a solution to this issue.

7. Ensuring Adequate Financial Aid

Issue: The law requires that financial aid be appropriated to offset the effect of fee increases on student access. The law is not clear, however, where such financial aid should be appropriated -- whether to the segments or to the Student Aid Commission for its Cal Grant A program. Although funding for student aid has increased in order to cover fee increases since the law went into effect, the split responsibilities of institutionally-based aid and the Cal Grant programs obscure efforts to evaluate whether these aid increases have been adequate to cover the fee increases.

Conclusion: The Committee has concluded that determining how financial aid should be appropriated goes beyond the scope of its fee policy review, but it recommends that the State take steps to ensure adequate accounting for State financial aid associated with fee increases for public university students. (N.B. A parallel effort to this one on the subject of budgeting fee-related student aid for UC and CSU students has made recommendations to the Governor and Legislature on this issue. This Committee endorses those recommendations, which can be found in the report "Full Fee Funding for University of California and California State University Cal Grant Awards," California Student Aid Commission, September 1988.)

8. Lowering the 10-Percent Maximum Annual Increase

Issue: Concern has been expressed about the accumulated effect of annual increases in fees upon the ultimate costs of education. For instance, if the 10 percent maximum increase were to occur every year between now and 1999, student fees at the State University would reach $1,774 per year by then and the required increase that year alone would be $177.

Because of concern about the effect of such accumulated increases on access, the Committee discussed whether the maximum increase should be lowered. While there was considerable support for the general goal of keeping student fees low, the Committee was also concerned that lowering the index would violate the policy principle that currently enrolled students who receive the benefit of State funding increases should pay for a portion of these costs. A lowering of the threshold would also expose the General Fund to greater liability, and under the Gann appropriations limit, that revenue source is not infinitely flexible.

Conclusion: The Committee concluded that at this time the cap should remain at 10 percent to avoid placing excessive exposure on the State's General Fund. Because of concern about the consequences of the 10 percent figure in the future, the Committee supports a five-year sunset on the law.

9. Making "Buy-Outs" Explicit

Issue: The current law prescribes the methodology by which fees may increase by an indexed amount to the 10 percent maximum and then requires expenditure increases beyond 10 percent to be paid with General Fund revenues. The law is not clear, however, about whether increases *below* the indexed maximum are permitted, and whether the General Fund should pay for keeping fees below that amount. (The student-fee vernacular refers to such below-maximum fee increases accompanied by General Fund subsidies as "buy-outs.")

Conclusion: The law has been generally interpreted and implemented to allow "buy-outs" to occur. In fact, this provision was a factor in Governor Deukmejian's decision to support the initial legislation, as evidenced by the letter his advisor wrote to Senator Maddy at the time (see Appendix C). The first year that the law was in effect, the Governor and Legislature chose to buy-out the indexed increases. Based on that precedent and the fact that a buy-out is not prohibited by the law, the Committee concludes that no amendment is needed to explicitly permit buy-outs.

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10. Clarifying the Frequency of the Maximum Increases/Decreases

Issue: The law as presently written does not clearly indicate the frequency by which the maximum increase or decrease of 10 percent in fees may occur, though the original intent of the legislation was to limit such increases or decreases to a per annum basis.

Conclusion: The Committee therefore recommends that the law be revised to explicitly state that fees may not be increased or decreased by more than 10 percent in any one year period.

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11. Allowing for Student Consultation

Issue: SB 195 allows fees to be increased without ten months notice if the segments' budgets are substantially imbalanced due to circumstances unforeseen by the Legislature and the Governor. While the bill does not indicate what body determines that circumstances are dire enough to justify waiving the ten-month notice requirement and increasing fees, the Review Committee agreed that the authority rested with the governing boards as they are responsible for setting and adjusting fees. However, student representatives on the Review Committee were concerned that they may not be consulted and notified when such an increase in fees is being considered.

Conclusion: The Committee agreed that the process for adjusting fees resulting from unforeseen circumstances should include consulting the appropriate student representatives, and thus recommended that the law be amended to include this consultation in the process.

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12. Mandating Future Sunsets

Issue: Several issues discussed here may warrant some future change in the law, even if no change seems necessary now. These include the issues of potential disparities between the University and State University, financial aid appropriations, and the ceiling for maximum fee increases.

Conclusion: The Committee therefore recommends a future sunset of five years from the effective date of the new legislation.

Summary of Recommended Changes

In summary, the Committee recommends the following changes to the law:

1. Make explicit that students at Hastings College of the Law should pay mandatory statewide fees identical to those at the University of California Schools of Law.

2. Exclude appropriated revenue and payments on revenue bonds from base calculations for the purpose of indexing future fee increases.

3. Allow the segments, following a consultative process involving students and through the normal budget review and approval process, to choose an alternative methodology allowed by law for purposes of calculating base revenues.

4. Make explicit that fees may not be increased or decreased by more than 10 percent in any one year period.

5. Require the segments to consult with student representatives in the event that unforeseen circumstances require the ten-month notice requirement for fee increases to be waived.

6. Include a sunset date five years from the effective date of the new legislation.

The technical language to implement these recommendations, and a facsimile of the amended law including these changes, is included in Appendix B.

Appendix A Senate Bill 195 (1985)

Senate Bill No. 195

CHAPTER 1523

An act to add and repeal Chapter 3.5 (commencing with Section 66150) to Part 40 of, and to repeal Section 66022 of, the Education Code, relating to postsecondary education, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor October 2, 1985. Filed with Secretary of State October 2, 1985.]

LEGISLATIVE COUNSEL'S DIGEST

SB 195, Maddy. Postsecondary education: student fees.

Existing law requires that student charges at the California State University be set and adjusted according to a specified formula.

This bill would repeal those provisions and, instead, establish state policies regarding student fees at postsecondary educational institutions. The bill would require the Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law to establish long-term policies regarding student fees and policies for the expenditure of student fee revenues, as specified.

This bill would require all mandatory systemwide student fees at the California State University, the University of California, and the Hastings College of the Law to be fixed at least 10 months prior to the fall term in which they become effective.

In determining state appropriations for the institutions affected by this bill, this bill would purport to require the Governor and the Legislature to consider the level of mandatory systemwide student fees fixed by the governing board of the institution, if certain conditions are met.

This bill would permit up to a 10% annual increase or decrease in mandatory systemwide student fees in the event that state revenues and expenditures are substantially imbalanced due to unforeseen factors.

Whenever mandatory systemwide student fees are increased in accordance with the state policies established by this bill, this bill purportedly would require the state to provide sufficient student financial aid to offset the additional fees charged students with demonstrated financial need.

This bill would prohibit the Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law from imposing mandatory systemwide student fees upon postgraduate students which differ from those charged undergraduate students.

This bill would recognize that none of its provisions shall be applicable to the regents or the board of directors unless they adopt a resolution making those provisions applicable. This bill would recognize that none of its provisions shall be applicable to the California community colleges.

This bill would require the trustees, and, if they so elect, the board of directors and the regents, and appropriate state executive and legislative fiscal agencies to report on the state long-term student fee policy and its implementation as part of the annual state and segmental budgetary processes, and at any other times requested by the Governor or the Legislature.

This bill would specify that these provisions shall remain in effect for the 1986–87, 1987–88, 1988–89, and 1989–1990 school years, and would repeal these provisions on August 31, 1990.

This bill would take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 66022 of the Education Code is repealed.

SEC. 2. Chapter 3.5 (commencing with Section 66150) is added to Part 40 of the Education Code, to read:

CHAPTER 3.5. STUDENT FEES

66150. The following state policies regarding student fees are hereby established:

(a) To keep fees as low as possible, the state shall bear primary responsibility for the cost of providing postsecondary education.

(b) Students shall be responsible for a portion of the total cost of their education.

(c) Any necessary increases in mandatory systemwide student fees at the California State University, the University of California, or the Hastings College of the Law shall be gradual, moderate, predictable, and equitably borne by all students in each segment.

66152. The Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law, after consultation with appropriate student representatives, shall establish long-term policies regarding student fees which meet all of the following requirements:

(a) Are consistent with the state policies established in Section 66150.

(b) Require student fees to be equitable.

(c) Ensure that any necessary fee increases are gradual and moderate.

66154. The Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law shall do all of the following:

(a) Establish policies for the expenditure of student fee revenues which are consistent with the long-term student fees policies established pursuant to Section 66152. The policies shall include, but not be limited to, a prohibition against the imposition of mandatory systemwide student fees upon resident students for purposes of producing revenues to offset the costs related to instruction, as determined pursuant to segmental policies.

(b) Establish formal consultative processes for the solicitation and consideration of recommendations developed in consultation with appropriate student representatives and submitted by the institution's administration. These consultative processes shall be utilized in the establishment of policies pursuant to subdivision (a) and in any subsequent modification of those policies.

66156. In order to avoid disrupting family and student expectations and ongoing institutional programs, all mandatory systemwide student fees at the California State University, the University of California, and the Hastings College of the Law shall be fixed at least 10 months prior to the fall term in which they become effective.

66158. In determining state appropriations for the California State University, the University of California, or the Hastings College of the Law, the Governor and the Legislature shall consider the level of mandatory systemwide student fees fixed by the governing board of the institution, if all of the following conditions are met:

(a) The governing board of the institution has adopted and applied, or plans to apply, long-term student fee policies which prescribe a specific methodology for determination of mandatory systemwide fees.

(b) The methodology for the determination of mandatory systemwide fees includes all of the following:

(1) The requirement that annual changes in student fees be indexed to a three-year moving average of changes in the amount of state support provided per unit of statewide equivalent full-time enrollment.

(2) The base is either of the following:

(A) All state support budget appropriations, excluding lottery revenues, for the support of the institution, except those for capital outlay, student financial aid, instruction, organized activities, research, public services, or teaching hospitals.

(B) All state support budget appropriations, excluding lottery revenues, for the support of the institution, except those for capital outlay or student financial aid.

(3) Any annual increases or decreases in a fee are limited to 10 percent of the amount of the fee fixed for the prior year, and any excess increase or decrease is carried forward and applied in subsequent years to adjust increases or decreases in the fee to the 10 percent limit.

(c) Funds provided by the Budget Act will be adjusted to reflect the difference between budgeted cost increases for salary and nonsalary expenditures and the revenues resulting from mandatory systemwide student fees determined according to the methodology described by subdivision (b).

66160. In the event that state revenues and expenditures are substantially imbalanced due to factors unforeseen by the Governor and the Legislature, including, but not limited to, initiative measures, natural disasters, or sudden deviations from expected economic trends, mandatory systemwide student fees may be increased or decreased by an amount not to exceed 10 percent of the amount of the fee fixed for the prior year.

66162. Whenever mandatory systemwide student fees are raised in accordance with the state policies established in Section 66150 at the California State University, the University of California, or the Hastings College of the Law, the state shall provide sufficient student financial aid to offset the additional fees charged students determined to have demonstrated financial need pursuant to Section 66021.

66163. The Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law shall not impose mandatory systemwide student fees upon postgraduate students which differ from those charged undergraduate students. This section shall not be construed to obligate the state for any costs associated with the elimination of any differential fees existing in the 1984–85 academic year.

66164. No provision of this chapter shall be applicable to the Regents of the University of California or to the Board of Directors of the Hastings College of the Law unless the regents or the board of directors, as appropriate, adopt a resolution to make those provisions applicable. No provision of this chapter shall be applicable to the California community colleges.

66165. This chapter shall remain in effect for the 1986–87, 1987–88, 1988–89, and 1989–90 school years, and as of August 31, 1990, is repealed.

SEC. 3. As a part of the annual state and segmental budgetary processes, and at any other times requested by the Governor or the Legislature, the Trustees of the California State University, and, if they so elect, the Board of Directors of the Hastings College of the Law, and the Regents of the University of California, and appropriate state executive and legislative fiscal agencies shall report on the state long-term student fee policy and the procedures and methodologies implementing that policy.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to implement the state requirement regarding student fees established by Section 66156 of the Education Code, as added by Section 2 of this act, prior to the commencement of the 1986–87 academic year, it is necessary that this act take effect immediately.

Appendix B Proposed Amendments to Senate Bill 195

Senate Bill No. 195

CHAPTER 1523

An act to add and repeal Chapter 3.5 (commencing with Section 66150) to Part 40 of, and to repeal Section 66022 of, the Education Code, relating to postsecondary education, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor October 2, 1985. Filed with Secretary of State October 2, 1985.]

LEGISLATIVE COUNSEL'S DIGEST

SB 195, Maddy. Postsecondary education: student fees.

Existing law requires that student charges at the California State University be set and adjusted according to a specified formula.

This bill would repeal those provisions and, instead, establish state policies regarding student fees at postsecondary educational institutions. The bill would require the Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law to establish long-term policies regarding student fees and policies for the expenditure of student fee revenues, as specified.

This bill would require all mandatory systemwide student fees at the California State University, the University of California, and the Hastings College of the Law to be fixed at least 10 months prior to the fall term in which they become effective.

In determining state appropriations for the institutions affected by this bill, this bill would purport to require the Governor and the Legislature to consider the level of mandatory systemwide student fees fixed by the governing board of the institution, if certain conditions are met.

This bill would permit up to a 10% annual increase or decrease in mandatory systemwide student fees in the event that state revenues and expenditures are substantially imbalanced due to unforeseen factors.

Whenever mandatory systemwide student fees are increased in accordance with the state policies established by this bill, this bill purportedly would require the state to provide sufficient student financial aid to offset the additional fees charged students with demonstrated financial need.

This bill would prohibit the Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law from imposing mandatory systemwide student fees upon postgraduate students which differ from those charged undergraduate students.

This bill would recognize that none of its provisions shall be applicable to the regents or the board of directors unless they adopt a resolution making those provisions applicable. This bill would recognize that none of its provisions shall be applicable to the California community colleges.

This bill would require the trustees, and, if they so elect, the board of directors and the regents, and appropriate state executive and legislative fiscal agencies to report on the state long-term student fee policy and its implementation as part of the annual state and segmental budgetary processes, and at any other times requested by the Governor or the Legislature.

This bill would specify that these provisions shall remain in effect for the 1986–87, 1987–88, 1988–89, and 1989–1990 school years, and would repeal these provisions on August 31, 1990.

This bill would take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 66022 of the Education Code is repealed.

SEC. 2. Chapter 3.5 (commencing with Section 66150) is added to Part 40 of the Education Code, to read:

CHAPTER 3.5. STUDENT FEES

66150. The following state policies regarding student fees are hereby established:

(a) To keep fees as low as possible, the state shall bear primary responsibility for the cost of providing postsecondary education.

(b) Students shall be responsible for a portion of the total cost of their education.

(c) Any necessary increases in mandatory systemwide student fees at the California State University, the University of California, or the Hastings College of the Law shall be gradual, moderate, predictable and equitably borne by all students in each segment.

66152. The Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law, after consultation with appropriate student representatives, shall establish long-term policies regarding student fees which meet all of the following requirements:

(a) Are consistent with the state policies established in Section 66150.

(b) Require student fees to be equitable.

(c) Ensure that any necessary fee increases are gradual and moderate.

66154. The Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law shall do all of the following:

(a) Establish policies for the expenditure of student fee revenues which are consistent with the long-term student fees policies established pursuant to Section 66152. The policies shall include, but not be limited to, a prohibition against the imposition of mandatory systemwide student fees upon resident students for purposes of producing revenues to offset the costs related to instruction, as determined pursuant to segmental policies.

(b) Establish formal consultative processes for the solicitation and consideration of recommendations developed in consultation with appropriate student representatives and submitted by the institution's administration. These consultative processes shall be utilized in the establishment of policies pursuant to subdivision (a) and in any subsequent modification of those policies.

66156. In order to avoid disrupting family and student expectations and ongoing institutional programs, all mandatory systemwide student fees at the California State University, the University of California, and the Hastings College of the Law shall be fixed at least 10 months prior to the fall term in which they become effective.

66158. In determining state appropriations for the California State University, the University of California, or the Hastings College of the Law, the Governor and the Legislature shall consider the level of mandatory systemwide student fees fixed by the governing board of the institution, if all of the following conditions are met:

(a) The governing board of the institution has adopted and applied, or plans to apply, long-term student fee policies which prescribe a specific methodology for determination of mandatory systemwide fees.

(b) The methodology for the determination of mandatory systemwide fees includes all of the following:

(1) The requirement that annual changes in student fees be indexed to a three-year moving average of changes in the amount of state support provided per unit of statewide equivalent full-time enrollment.

(2) The base is either of the following:

(A) ~~All state support budget appropriations, excluding lottery revenues, for the support of the institution,~~ except those for capital outlay, student financial aid, instruction, organized activities, research, public services, or teaching hospitals.

(B) All state support budget appropriations, excluding lottery revenues, for the support of the institution, except those for capital outlay or student financial aid.

(3) Any annual increases or decreases in a fee are limited to 10 percent of the amount of the fee fixed for the prior year, and any excess increase or decrease is carried forward and applied in subsequent years to adjust increases or decreases in the fee to the 10 percent limit.

(c) Funds provided by the Budget Act will be adjusted to reflect the difference between budgeted cost increases for salary and nonsalary expenditures and the revenues resulting from mandatory

Amend Section 66158.b2A to reac

All state support budget appropriations, excluding lottery revenues, appropriated revenue and payments on revenue bonds, for support of the institution . . .

systemwide student fees determined according to the methodology described by subdivision (b).

66160. In the event that state revenues and expenditures are substantially imbalanced due to factors unforeseen by the Governor and the Legislature, including, but not limited to, initiative measures, natural disasters, or sudden deviations from expected economic trends, ~~mandatory systemwide student fees may be increased or decreased~~ by an amount not to exceed 10 percent of the amount of the fee fixed for the prior year.

66162. Whenever mandatory systemwide student fees are raised in accordance with the state policies established in Section 66150 at the California State University, the University of California, or the Hastings College of the Law, the state shall provide sufficient student financial aid to offset the additional fees charged students determined to have demonstrated financial need pursuant to Section 66021.

66163. The Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the Hastings College of the Law shall not impose mandatory systemwide student fees upon postgraduate students which differ from those charged undergraduate students. This section shall not be construed to obligate the state for any costs associated with the elimination of any differential fees existing in the 1984–85 academic year.

66164. No provision of this chapter shall be applicable to the Regents of the University of California or to the Board of Directors of the Hastings College of the Law unless the regents or the board of directors, as appropriate, adopt a resolution to make those provisions applicable. No provision of this chapter shall be applicable to the California community colleges.

66165. ~~This chapter shall remain in effect for the 1986–87, 1987–88, 1988–89, and 1989–90 school years, and as of August 31, 1990, is repealed.~~

SEC. 3. As a part of the annual state and segmental budgetary processes, and at any other times requested by the Governor or the Legislature, the Trustees of the California State University, and, if they so elect, the Board of Directors of the Hastings College of the Law, and the Regents of the University of California, and appropriate state executive and legislative fiscal agencies shall report on the state long-term student fee policy and the procedures and methodologies implementing that policy.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to implement the state requirement regarding student fees established by Section 66156 of the Education Code, as added by Section 2 of this act, prior to the commencement of the 1986–87

Add Section 66158d to read:

The fee charged students attending the Hastings College of the Law shall be identical to those charged students attending the University of California Schools of Law.

Add Section 66161 to read:

In any fiscal year, the combine fee increases resulting from Sections 66158b3 and 66160 shall not exceed 10 percent of the fee level in the previous year.

Amend Section 66160 to read:

...economic trends, the Trustee of the California State University, the Regents of the University of California and the Boar of Directors of the Hastings College of the Law may, after consulting with the Governor, the Legislature and appropriate student representatives, increa or decrease mandatory systemwid student fees by an amount...

Amend Section 66165 to read:

This chapter shall remain in effect for the 1990-91, 1991-92 1992-93, 1993-94, and 1994-95 school years, and as of August 31, 1995, is repealed.

Add to the end of Section 3:

A segment may in this process select a methodology allowed under the terms of this act different from the methodology used in previous years, subject to review by the California Postsecondary Education Commission and the approval of the Department of Finance.

academic year, it is necessary that this act take effect immediately.

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Appendix C

Letter to Kenneth L. Maddy from William L. Cunningham

State of California

GOVERNOR'S OFFICE
SACRAMENTO 95814

GEORGE DEUKMEJIAN
GOVERNOR

January 28, 1985

Hon. Kenneth L. Maddy
California State Senate
Room #5087
State Capitol
Sacramento, CA 95814

Dear Senator Maddy:

We have reviewed your Senate Bill 105 which establishes a student fee policy for the State at California State University, the University of California, and the Hastings College of Law. Your legislation recognizes that the Regents of the University of California and the Directors of the Hastings College of Law must adopt the policy before it becomes effective for them. We presume that you have some assurance that they may do so. We wish to inform you that we can support your legislation in its present form for several reasons.

First, the history of the escalation of student fees at CSU and UC over the past few years argues persuasively for a student fee policy that will permit students and their parents an element of student fee predictability when choosing a postsecondary institution to further their education.

Secondly, the yearly devisive debates over student fees before the finance subcommittees reviewing higher education budgets would be unnecessary in the light of a State fee policy.

Thirdly, the Governor has already indicated his concern that student fee increases, if any, be gradual, moderate and predictable. He approved AB 1251 of 1983 by Assemblywoman Gwen Moore which established guidelines for such a policy for California State University. Your legislation repeals the provisions of AB 1251 and replaces those guidelines with the more definitive policies you are proposing.

We recognize that your legislation reflects the recommendations for a fee policy which CPEC was able to obtain from representatives of the University of California, the California State University, the Hastings College of Law, the Student Lobbies of these institutions, the Office of the Legislative Analyst, the Department of Finance and staff members of the concerned legislative committees. Specifically, it establishes a formula for setting and adjusting student fees; it limits fee increases, regardless of formula, to 10% in any one year; and reafirms legislative intent to provide adequate financial aid to offset fee increases for demonstrably needy students.

It is clear that the concensus which CPEC was able to obtain required compromises on the part of all participants to the discussions. Moreover, we understand that your legislation is being supported by all of them.

Finally, we are pleased to note that, had this policy been in place for the 1985-86 budget year, your legislation would have permitted a fee increase of over 5% at the University of California and similarly for the California State University while the Governor's 1985-86 Budget requires no student fee increase. It is conceivable that future Governor's Budgets might respond similarly to student fee concerns and there is nothing in your legislation to prevent this from happening.

Respectfully,

/s/

Wm. L. Cunningham
Assistant to the Governor
for Education

WLC:mjw

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