

# California's Higher Education Funding Landscape

California's higher education systems are entering an era of fiscal uncertainty. As the state looks to turn the page after the pandemic and establish a more stable funding model, significant challenges lie ahead in the near term. The population of young people is projected to stagnate or decline in the coming decade, which could negatively impact tuition, an increasingly substantial funding component for the four-year institutions. Tax revenues have declined due to a cooling stock market and tightening federal monetary policy, and the state has a projected multi-billion-dollar budget deficit. Each of these factors could contribute to reduced revenues for the state's postsecondary institutions and greater cost for students.

We find:

- ▶ Appropriations for higher education are currently relatively stable, representing about 10% of the state's General Fund.
- ▶ Tuition revenue for four-year institutions has become increasingly important, especially for UC. State support, however, makes up nearly all of the funding for CCC and a substantial portion for CSU.
- ▶ Both UC and CSU have recently entered multi-year tuition-increase agreements with the state in exchange for enrollment and student success milestones. Such increases are likely to make it harder for some families to afford college.
- ▶ California's higher education funding compares favorably to other states, with higher per-student state appropriations.

## Recent higher education per student funding growth trends

State funding for California's higher education systems grew steadily through most of the past decade. During the COVID-19 pandemic, all three saw significant growth in per student funding, but not due to enrollment. Stagnant enrollment growth at the UC and CSU along with a nearly 20% decline at CCC coincided with massive temporary federal support that, on balance, created the increase in per student funding. The systems are only now starting to see a return to pre-pandemic enrollment growth levels.

## Growing reliance on tuition revenue

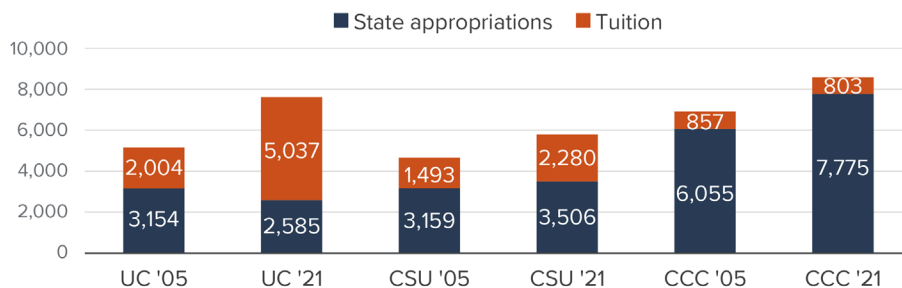
Proposition 98 determines state funding for the CCCs—by far their primary source of revenue. For the four-year systems, negotiations in the annual state budget process typically decide appropriations. In exchange for annual state funding increases, neither UC nor CSU have increased tuition since 2013. But California's progressive tax structure is closely tied to the stock market—it relies heavily on capital gains revenue. This translates to unpredictability and volatility in state revenues and thus funding for programs. From the institutions' perspective, tuition is a more predictable and thus attractive source of revenue.

During the 2022 budget process, both the UC and CSU systems agreed to multi-year compacts that established predictable funding increases in exchange for commitments to make progress on shared goals for student access and success. UC's [Tuition Stability Plan](#) raises tuition by 2% as of fall 2022, with annual increases by inflation as measured by the California Consumer Price Index. Tuition will be adjusted for each incoming undergraduate class but will subsequently remain flat until the student graduates, for up to six years. The CSU [tuition increase plan](#) increases tuition annually by 6% for all students.

Both compacts extend to the 2026–27 fiscal year and are supported by annual 5% increases in base funding for both systems.

## Since 2005, tuition-reliance has increased for the four-year systems, especially UC

\$ in millions



Source: Integrated Postsecondary Education Data System (IPEDS).

Note: Nominal \$ in millions.

## Funding differences and equity across systems

Funding levels at UC, CSU, and CCC are substantially different from each other, in part due to their distinct missions as set out by California's Master Plan for Higher Education. The CCCs offer a low-cost option to meet a wide variety of student goals, including obtaining an associate degree or certificate, transferring to a four-year college, and pursuing lifelong learning. The CSU and UC systems offer bachelor's and master's degree programs, but UC also offers doctorates. Funding differences reflect these disparate missions—and the costs associated with them. State appropriations and tuition are both higher at UC than at CSU; at CCC they are much lower.

California's efforts to fund postsecondary education are heavily invested in providing equitable access. Financial aid grants are need-based and directed at students from the lowest-income families, covering tuition regardless of system. The state does spend more money per student at UC—which attracts students from wealthier families, and where Black and Latino students are underrepresented—but it subsidizes more of the total cost of education at CSU, and especially at CCC.

## California compares favorably to other states

California generally spends more than the rest of the country on higher education. Its per student state appropriations (\$14,600) are higher than the national average (\$11,300) and also than most other large states. Its average tuition (about \$6,000) is also lower than the national average (\$10,000). Tuition revenues are low and state appropriations high compared to the national average, so California's per student financial aid expenditures are about average.

## Looking forward

California currently faces a multi-billion-dollar budget deficit over the next two years, which could reduce allocations to the four-year systems. Their planned tuition hikes will help, but will also make them increasingly reliant on tuition. Moreover, those revenues—and the budget process—may change if big declines in enrollment occur at California's public universities.

Though the state has recently taken steps to help provide additional housing and basic needs support for students, thinking creatively about how to maximize federal resources and considering additional non-tuition support through Cal Grants could help alleviate some of this strain.

For the future, more research should be focused on how institutions spend their dollars from each source. Tracking dollars as they flow through the state's higher education systems is difficult, but as new data are made available, new research could help policymakers to prioritize successful programs and to better understand cost drivers.

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Source: Adapted by Chansonette Buck from [California's Higher Education Funding Landscape](#) by Kevin Cook, Jacob Jackson, and Iwunze Ugo