

Friday, August 17, 2012

From California, a New Thought on College Funding

California, which often has been a leader in the realm of college tuition funding, could be on the verge of another innovation. Its lower house in the state legislature this week passed part of a package that would close some business tax loopholes and then use that additional money to save students of the state's two public university systems between \$4,000 and \$8,000.

The bundle of laws, titled the Middle Class Scholarship Act, would use the projected annual revenues of \$1 billion to help students cover the costs of attending the California State University and University of California schools. Since 2006, the state has cut its share of per student public funding for higher education, dropping from \$7,559 to \$6,631 in 2011, according to the State Higher Education Executive Officers (SHEEO). In the past five years, in-state tuition to California's public universities has increased by 98 percent.

Various policy experts have called California's proposed act unusual: It relies on manipulating the tax code to blunt the effect rising college costs have had on students, rather than earmarking additional spending from the state budget.

California's role in higher education is influential. The state enrolls roughly 10 percent of the nation's full-time public four-year college students and has been considered a trendsetter in how states develop their postsecondary education systems. But in recent years, higher education in California has been more enervating than exemplary, with very public tuition hike battles and protests. While California state revenues are beginning to crawl out of the multi-year dips caused by the economic downturn, public university leaders who rely on those funds shouldn't hold their breath waiting for education budget cuts to be restored.

"Overall, state budgets and revenues are returning to pre-recession levels, but the trickle down to higher education spending may well be years away," said Daniel Hurley, director of State Relations and Policy Analysis at the American Association of State Colleges and Universities (AASCU). However, his group did count 30 states that plan to increase per-pupil public support for public four-year universities in the coming fiscal year. That's a notable change from last year, when 36 states cut their relevant funding.

Not all states are playing catch up to 2007, the year the recession began. According to the SHEEO 2012 report on higher education, seven states—Alaska, Illinois, Louisiana, North Carolina, North Dakota, West Virginia and Wyoming— increased postsecondary appropriations between 2006 and 2011.

The combined bills proposed in California—AB1500 and AB1501, the latter of which passed the Assembly by just barely meeting the required two-thirds majority—could significantly alter the

financial commitments California students consider when choosing a UC or CSU. Current tuition and fees at CSU schools hover around \$7,000; if the Middle Class Scholarship Act were signed into law, college-goers could look forward to having just over \$4,000 annually deducted from that bill. University of California students, who paid \$13,200 in tuition and fees in the 2011-2012 school year, could look forward to \$8,200 in relief money. The money would go to students who don't qualify for low-income grants but whose family incomes are under \$150,000. Some 192,000 students would be affected.

California's business community in part supports the act. Currently, out-of-state businesses can opt to pay their Golden State taxes through a formula that deducts expenses like payroll—even though those jobs aren't created in California. Corporate in-state behemoths Genentech, Qualcomm, Cisco and others support the bill because it would force out-of-state companies to pay the same taxes they do.

POSTED BY MICHAEL ZINSHTEYN AT 11:22 AM