

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 8, 2010
POSITION: Neutral, note concerns

BILL NUMBER: AB 2297
AUTHOR: J. Brownley
RELATED BILLS: AB 947 (Chapter 377, Statutes of 2009)

BILL SUMMARY: Community Colleges Nonresident Fee Calculation

This bill would add new methodologies for community college districts (CCD) to calculate nonresident tuition fees. Specifically, the bill would allow CCD to establish nonresident fees at the greater of the current year amount, or any of the amounts of the preceding four years, if the amount calculated for the succeeding year is less than the current year or the preceding four years. Furthermore, the bill would allow CCD to establish nonresident fees at an amount no greater than the average of the nonresident tuition fees of community colleges of at least 12 states that are comparable to California in cost-of-living.

FISCAL SUMMARY

This bill could minimize the loss of nonresident fee revenue by allowing CCD to maintain current nonresident fee levels. The bill could also increase nonresident fee revenue by an unknown amount depending on how many districts utilize the new nonresident fee calculation based on 12 comparable states. Current data on other state's nonresident fees indicates that this provision may allow nonresident fees in CCD to increase by several thousand dollars per year.

This bill would result in minor and absorbable costs for the California Community College Chancellor's Office to administer the new options for determining nonresident tuition fees.

COMMENTS

The Department of Finance is neutral on this bill because it would help preserve non-resident fee revenues when budget cuts would otherwise lower the non-resident fee through existing calculations. However, we note the following concern:

- By authorizing the new option for determining nonresident tuition fees based on 12 states with comparable cost-of-living, it could encourage significant non-resident fee increases that substantially exceed the full cost of education delivery which may deter non-residents from seeking education in California. Also, the Governor has not been supportive of significant fee increases for the Community Colleges.

Analyst/Principal (0331) E. Hanson	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

J. Brownley

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AB 2297

Existing law requires CCD to annually establish nonresident tuition fees sufficient to cover the cost of instruction; furthermore, any changes to nonresident tuition fees should be gradual, moderate, and predictable. Current law authorizes four methodologies for CCD to determine full-time nonresident fees:

- The amount expended by the district for the expense of education in the preceding fiscal year, adjusted by the Consumer Price Index (CPI), divided by the number of full time equivalent students (FTES) attending the CCD in the preceding fiscal year.
- The statewide expense of education for all CCD, adjusted by the CPI, and divided by the statewide FTES.
- An amount that does not exceed the nonresident fee established by a contiguous CCD.
- An amount that does not exceed the amount expended by the CCD for the expense of education; however, the amount cannot be less than the statewide average per the second option noted above.

For 2008-09, CCD collected approximately \$167 million in nonresident tuition fees. Furthermore, nonresident fees range from \$226 to \$166 per semester unit for 2009-10; however, the average statewide cost of \$190 per semester unit is the most commonly adopted rate among the 72 CCD in 2009-10.

According to the author's office, this bill would allow CCD more flexibility to charge nonresidents a fee that would sustain or supplement current funding levels needed to maintain the current level of quality education.

This bill would authorize that if the nonresident fee based on the statewide expense of education for all CCD in a succeeding fiscal year is less than the amount determined for the current year or the preceding four fiscal years, the CCD may establish the nonresident fee at the greater of the current year amount or the amount of any of the preceding four years. Furthermore, the bill would allow CCD to establish nonresident fees at an amount no greater than the average of the nonresident tuition fees of community colleges of no less than 12 states that are comparable to California in cost of living.

These additional calculation methodologies could minimize the effect of funding constraints that result in lower nonresident fees. Specifically, when state funding declines (the expense of education) and the number of FTES remains constant or increases, the current calculations would result in lower nonresident tuition fees.

Chapter 377, Statutes of 2009 (AB 947) authorized CCD to charge a facilities fee to any nonresident student, in addition to the nonresident tuition fee. Previously, a facilities fee could only be charged to students who are both citizens and residents of a foreign country. The fee charged cannot exceed the amount that was expended by the district for capital purposes in the preceding fiscal year divided by the total FTES of the district in the preceding fiscal year. The facilities fees may only be used to fund capital outlay, maintenance, and equipment.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	FC	2009-2010	FC	2010-2011	FC	2011-2012	
6870/Comm College	SO	No							0001

----- See Fiscal Summary -----

