

California Community Colleges

Enhancing Student Success and
Fueling California's Economic Recovery

Board of Governors
2011-12 System Budget Proposal

September 2010



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**CALIFORNIA COMMUNITY COLLEGES
2011-12 SYSTEM BUDGET PROPOSAL**



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PREPARED BY

**ERIK SKINNER, EXECUTIVE VICE CHANCELLOR
CHRIS YATOOMA, DIRECTOR, FISCAL POLICY
DIANE BRADY, SPECIALIST, FISCAL POLICY**

**CHANCELLOR'S OFFICE, CALIFORNIA COMMUNITY COLLEGES
1102 Q STREET
SACRAMENTO, CA 95811-6549**

916-327-1554

916- 323-3057 (FAX)

eskiner@cccco.edu (E-MAIL)

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INTRODUCTION

The Community Colleges System Budget Proposal for fiscal year 2011-12 was prepared in the context of California's worst fiscal crisis since the Great Depression. The state has experienced an unprecedented decline in revenues, which is impacting all sectors of state government, including the community colleges, and will likely continue to present a major threat for the next several years.

This proposal is built upon the premise that the California Community Colleges are poised to play a critical role in the state's economic recovery. The community college system's size and geographic distribution make it the only segment of higher education capable of delivering education and workforce training on the large scale needed to assist in the state's economic turnaround. Evidence of the community colleges' ability to directly impact the workforce and the economy abounds: for example, community colleges train 70% of the state's nurses, and 80% of the state's firefighters, law enforcement officers and emergency medical technicians. In 2007-08, the colleges awarded 1,600 certificates in nursing and allied health fields, and 700 certificates in construction and building trades, to name just two industry areas vital to the state's economy. In 2009-10, the community colleges provided education and training to nearly 2.8 million students at 112 colleges, making it the largest higher education system in the world. Only the community colleges have the educational infrastructure required to serve millions of Californians, at all stages of their educational and professional careers, in the timeframe necessary to address the state's current economic challenges.

Unfortunately, as a result of California's economic crisis, the community colleges suffered significant cuts of almost 8 percent in the 2009-10 state budget, including a \$313 million reduction in student support programs and a \$190 million reduction in general apportionment. These cuts came at the worst possible time, as community colleges faced unprecedented demand due to persistent statewide unemployment over 12 percent, the largest high school graduating class in state history, students being displaced from UC and CSU due to budget cuts, and veterans returning from Iraq and Afghanistan.

The substantial budget cuts had a severe impact on the colleges, resulting in over six percent of course sections being cancelled. As a result of high demand and cuts in course sections, students attempting to enroll in a community college in 2009-10 found either overcrowded classrooms or no classes available at all. Due to the mismatch between enrollment demand and available funding, the colleges served more than 200,000 students for which they received no state funding in 2009-10. Further, we estimate that as many as 138,000 additional students who wanted to attend college were turned away due to lack of available course sections. In short, the situation on community college campuses today is dire. Colleges cannot continue to accept students for whom they receive no state funding – although they temporarily accommodated last year's students by increasing class sizes and spending their reserves, these practices are not sustainable. Absent additional funding, colleges will be forced to restrict their class offerings even more, at a time when demand for a community college education is growing at unprecedented levels.

In light of these circumstances, the California Community College budget proposal focuses on restoring the core capacity of the colleges to meet California's education and training needs. The proposal is built around the following three elements: Student Success, Educational Quality, and Access.

Student Success

Research and experience demonstrate that student success is enhanced by the provision of quality student support services at the colleges, including such activities as orientation, counseling, and tutoring. Other student support services—including grants to cover costs of textbooks, subsidized childcare, and financial aid counseling—are especially important to promote the success of economically disadvantaged students. All of these student support services were cut substantially in the 2009-10 fiscal year, resulting in significant reductions averaging 41 percent. As a result, at the campus level, direct services to students, including disabled and economically disadvantaged students, were cut substantially. To address these critical needs, this budget proposal requests a restoration of the \$313 million in cuts to student support programs that directly impact student success rates.

Educational Quality

In recent years, community college budgets have not kept pace with inflation. In 2008-09 and 2009-10, the colleges were denied the cost of living adjustments (COLAs) prescribed in statute, resulting in a loss of purchasing power of 9.4 percent over those two years. This is a true loss in the colleges' spending power. As costs rise for non-discretionary items such as utilities, insurance premiums, and health care costs, college budgets are spread thin. Fewer resources are available for key investments such as recruiting faculty, offering course sections, and providing student services. The estimated COLA for 2011-12 is 1.35 percent. When combined with the 9.4 percent lost over the two prior years, this totals a cumulative COLA of 10.88 percent, or \$661 million. This budget proposal requests half that amount, \$330 million, in 2011-12 with the remainder provided in the following year.

Access

Enrollment demand at the community colleges has reached unprecedented levels. Persistent unemployment over 12 percent, the largest high school graduating class in state history, students being displaced from UC and CSU due to budget cuts, and veterans returning from Iraq and Afghanistan are straining the capacity of the community colleges to provide access. While the demand for a community college education is up, the funding provided by the state was inadequate to fund all students in 2007-08 and 2008-09, and overall funding actually declined in 2009-10. Colleges responded by reducing their course offerings by as much as 20%, yet still served an increasing number of students, which is unsustainable without additional funding. This budget proposal requests funding for 4.7 percent enrollment growth, or \$273 million, to provide access to 57,000 more full-time equivalent students (FTES).

CALIFORNIA COMMUNITY COLLEGES

2011-12 Budget Overview

The California Community Colleges System Budget Proposal was developed in accordance with the Consultation process established under state law. A budget workgroup comprised of members and designees of the Consultation Council, other college representatives, and Chancellor's Office staff met to discuss funding priorities and work on details of the budget request. The workgroup's budget proposal was then discussed at the August meeting of the Consultation Council where it received the general support of that body.

The System Budget Proposal is based on the following assumptions:

- In recognition of the state's current budget crisis, it is necessary to prioritize funding to support core programs and services, including restoration of funding cut in the *2009-10 State Budget*. Without resources to meet these base needs, the capacity of the colleges to deliver education and workforce training is significantly compromised. No major funding increases for new initiatives or program expansions are being requested in this proposal.
- California's economy is in crisis and will require large-scale workforce training in order to restore our economic competitiveness. The state's economic recovery will depend upon workers being trained or retrained in many new fields, such as "green" technologies, advanced manufacturing, and health professions. The community colleges are uniquely positioned to help California prepare workers for jobs in the recovering economy. Our expertise in delivering education and training, combined with our presence in communities across the state, make us an integral part of the solution to this economic crisis.

As the largest workforce training provider in the state, the community colleges contribute significantly to California's ability to compete in the global economy. New and emerging industries, including solar technologies, need trained technicians who are being prepared for these careers by the state's community colleges. Any delay in providing adequate funding to the community college system will only elongate the time needed for the state to achieve a substantial economic recovery.

The recommended increase in the system budget for 2011-12 totals \$917 million to address three core priorities: restoration of categorical funding reductions; cost of living adjustment (COLA); and enrollment growth, which are directly related to the system's goals of student success, educational quality, and access. These recommended funding increases are described in further detail in the next section, *2011-12 Budget Narrative*.

2011-12 BUDGET NARRATIVE

In recognition of the state's fiscal crisis, this budget request focuses on the resources necessary for the colleges to maintain core educational services. Deep funding cuts of 8.1 percent in 2009-10 have forced community college districts to grapple with a range of difficult choices including reducing course sections, laying off classified staff, not renewing part-time faculty positions, keeping positions vacant, reducing the availability of student services, and preparing for additional layoffs for the following year. Many districts have elected to use budget reserves to temporarily postpone a portion of the cuts in order to allow more time for planning and implementation of budget reductions. However, this tactic is not sustainable, and districts will be required to make deeper cuts to their budgets and course offerings.

The Community Colleges and California's Economic Recovery

The California Community Colleges are uniquely positioned to help the state address the current economic crisis. The community colleges have an unparalleled track record of delivering a wide range of education and training programs designed to meet local student and employer needs. Following are some of the many ways the community colleges have met the state's demand for high quality education and training:

- More than 70 percent of California's higher education students are enrolled in a CCC.¹
- Approximately 70 percent of all new nurses trained in California are trained at a CCC.²
- On average, students completing a degree or certificate at a CCC increase their earnings by 63 percent, or \$18,630, within three years.³
- Almost 60 percent of all graduates of the California State University (CSU) and 30 percent of graduates of the University of California (UC) transferred from a CCC.⁴

Considering the critical role the community colleges play in educating the workforce, the Chancellor's Office has developed this System Budget Proposal to ensure that colleges can function at maximum effectiveness to assist in the state's economic recovery. The three areas for which the community college system requests funding are: restoration of categorical funding; COLA; and enrollment growth, and each is linked to one of the core goals of Student Success, Educational Quality, and Access. Details on each of these areas is provided below.

¹ 2007 Focus on Results, Accountability Reporting in the California Community Colleges, Chancellor's Office, California Community Colleges, Sacramento http://www.cccco.edu/divisions/tris/rp/ab_1417/ARCC_Report_2007.pdf

² Data obtained from California Board of Registered Nursing, 2005-2006 Annual School Report.

³ 2007 Focus on Results, Accountability Reporting in the California Community Colleges.

⁴ 2007 Focus on Results, Accountability Reporting in the California Community Colleges.

Success, Quality, and Access

Restoration of Student Support Program Funding (\$313,342,000) The revised 2009-10 budget reduced ongoing funding for student support programs by \$313 million or an average of 42 percent. Cuts varied by individual program and ranged from no cut to total elimination (see Table 1 for a complete display of 2009-10 categorical program cuts). Many of these programs provide critical support services to students, such as counseling, orientation, and tutoring, which are vital in enhancing student success. Other categorical programs provide funding to support specific instructional programs, including basic skills and career and technical education. In order to preserve core student support services and instructional programs, we therefore request restoration of the \$313 million that was cut from student support programs in 2009-10.

As part of this request, we are also seeking \$200,000 to fund California Community Colleges Student Senate activities associated with the students' shared governance responsibilities. The Student Senate has never received direct funding to support student participation in the community college governance system. Instead, the Chancellor's Office has historically funded meetings of the Student Senate and student travel to shared governance meetings in order to sustain their involvement. It has been necessary to reduce our annual commitment, however, in line with significant reductions to the Chancellor's Office budget in recent years. The Student Senate has also solicited donations from campus student organizations to supplement their operating funds, but critically strained budgets at the colleges and at the Chancellor's Office have made these funding sources inadequate and unreliable. Therefore, in conjunction with the restoration of the 2009-10 student support program cuts, we are asking for funding for the Student Senate.

COLA (\$330,621,000) Historically, the community colleges have received annual COLA increases. However, due to the deteriorating economic situation, the state did not provide a COLA to colleges for fiscal years 2008-09 and 2009-10. The price index specified by law for the community college COLA calculation is identical to that specified for K-12 education, the state and local government price deflator published by the federal government. For 2008-09, the statutory COLA was 4.94 percent, and for 2009-10 the statutory COLA was 4.25 percent. For 2011-12, the statutory COLA is estimated to be 1.35 percent. (No COLA was forecast for 2010-11.) Cumulatively, the colleges are owed a total of 10.88 percent to make up for the lost purchasing power they experienced over the past few years due to the lack of COLAs. We request that this be made up over a two-year period, and thus are requesting half of this COLA in 2011-12, approximately 5.5 percent.

As the purchasing power of the colleges erodes, so too does their capacity to serve students. When not addressed through a COLA, nondiscretionary cost increases in areas such as staffing, employee health benefits, and utilities diminish colleges' spending power and force budget cuts in other areas. The resulting budget cuts have negative impacts on students, including decreases in the number and variety of courses offered, reduced ability to develop new curriculum in response to changing workforce needs, and fewer counselors being available to assist students. The quality of the education that students receive is negatively impacted when COLAs are not provided. We request that the remainder of the unfunded COLAs be restored in future years as the state's fiscal condition improves, as is the practice with K-12 schools.

Enrollment Growth (\$272,824,000) Education Code section 84750.5 states that the annual statewide enrollment growth request shall be based on, *at a minimum*, the sum of:

- 1) The annual statewide percentage change in the adult population; and
- 2) The statewide unemployment rate in excess of five percent. This factor is capped at two percent.

Based on the most recent data, the annual increase in the adult population is 1.36 percent and the unemployment rate is 12.3 percent. Using these two factors, the statutory minimum enrollment growth rate would provide the colleges with 3.36 percent enrollment growth funding in 2010-11, allowing an additional 41,000 full-time equivalent students (FTES) to be served throughout the state. It should be noted in this period of high unemployment that, absent the two percent cap, this formula would result in a growth rate of 8.66 percent.

Recent experience corroborates the need for enrollment growth funding above the minimum level, as college campuses have seen a trend of strong growth in student demand for additional courses. The system has seen an average of 4.1 percent enrollment growth over the past several years. Unfortunately, due to a shortage of enrollment growth funding in the state budget, not all eligible growth was funded in 2007-08. This was the first time since 2003-04 that the state was not able to fully fund enrollment demand. Then again in 2008-09, the system experienced unfunded growth, totaling more than 52,000 FTES. This trend continued in the recently completed 2009-10 fiscal year, with the system absorbing the costs of more than 92,000 unfunded FTES. In addition to record numbers of students being accommodated in overcrowded classes, colleges experienced a significant increase in the length of waiting lists of students wanting to get into full classes, in some cases as much as two or three times the number of students in the class.

Our forecast for 2011-12 anticipates a continuation of strong enrollment demand based on the following circumstances:

- A struggling economy will force displaced workers to return to school to acquire additional job skills. High unemployment always leads to higher college enrollments.
- Increasingly, currently employed workers will need to update technical skills in order to remain competitive in the workplace and to meet the economy's need to compete in new technologies and industries.
- Fee increases and restricted admissions at the University of California and the California State University will lead more students to begin their four-year college education in the community colleges.

Failure to sufficiently fund enrollment growth would impede access to higher education by limiting the ability of the community colleges to meet California's pressing education and workforce training needs. This is a huge concern, especially during a time of high unemployment throughout the state. California's most cost-effective strategy for meeting the higher education access needs of its citizens within constrained state resources is to place the maximum possible emphasis on access to the community colleges, given the far lower costs to the state of the community colleges compared to any other education segment.

Based on recent growth trends and the factors noted above, including the large number of students turned away in 2009-10, we propose the state fund enrollment growth of 4.7 percent or \$272 million in 2011-12, which would allow an additional 57,000 FTES to be served above the current level of students funded by the state.

BUDGET REQUEST SUMMARY

Restoration of Student Support Program Funding	\$313,342,000
Cost of Living Adjustment: 5.5 %	\$330,621,000
Enrollment Growth: 4.7%	\$272,824,000
Total Funding Request	\$916,787,000

Table 1: Restoration of Student Support Program Funding Cuts: 2011-12
(dollars in thousands)

Student Support Programs	2009-10 State Allocation	Total 2009-10 Reduction	2010-11*	2011-12 Restoration Request
Student Financial Aid Administration	\$52,884	\$1,615		
Foster Care Education Program	\$5,254	0		
Fund for Student Success	\$3,793	\$(2,365)		\$2,365
CalWORKs	\$26,695	\$(16,885)		\$16,885
Student Success Initiative - Basic Skills	\$20,037	\$(13,063)		\$13,063
Nursing Support	\$13,378	\$(8,722)		\$8,722
Disabled Students	\$69,223	\$(45,788)		\$45,788
Extended Opportunity Programs & Services	\$73,604	\$(48,687)		\$48,687
Telecom & Technology Services	\$15,290	\$(10,907)		\$10,907
Student Senate				\$200
Academic Senate	\$317	\$(150)		\$150
Childcare Tax Bail Out	\$3,351	\$(3,485)		\$3,485
Equal Employment Opportunity	\$767	\$(980)		\$980
Economic Development	\$22,930	\$(23,860)		\$23,860
Apprenticeship	\$7,175	\$(7,466)		\$7,466
Part-time Faculty Office Hours	\$3,515	\$(3,657)		\$3,657
Part-time Faculty Health Insurance	\$491	\$(509)		\$509
Part-time Faculty Compensation	\$24,908	\$(25,920)		\$25,920
Transfer Education and Articulation	\$698	\$(726)		\$726
Matriculation	\$49,176	\$(52,627)		\$52,627
Physical Plant and Instructional Support	0	\$(27,345)		\$27,345
One-Time Block Grant (QEIA)	0	\$(10,000)		\$10,000
Career Technical Ed. (QEIA moved to Prop. 98)	\$48,000	\$(10,000)		\$10,000
Total Student Support Program Funds	441,486	(313,142)		\$313,342

*Funding amounts still pending budget enactment.

TABLE 2: Budget Comparison 2008-09 to 2009-10*
(dollars in thousands)

BUDGET ITEMS	2008-09	2009-10
<u>General Apportionment</u>		
State General Fund	3,370,717	3,376,006
Local Property Taxes	2,053,507	1,946,940
Student Fee Revenue	299,440	367,176
Miscellaneous Revenue	9,226	10,795
COLA	0	0
Growth for Apportionments	113,500	0
Subtotal General Apportionment	<hr/> 5,846,390	<hr/> 5,700,917
 Subtotal Student Support Programs	 753,013	 441,486
 Total State Apportionment**	<hr/> 6,599,403	<hr/> 6,142,403
 Property Tax Shortfall		-58,000
Student Fee Shortfall		-21,000
 Reduction		 \$536 million or 8.1%

* \$126,000 in growth funding is anticipated in 2010-11, which means the 2010-11 total budget would equal \$6.268 billion if the budget is passed with this augmentation.

** The year-to-year decline in community college funding totals \$536 million. Of this amount, \$457 million is displayed in the budget comparison chart above. In addition, another \$79 million revenue shortfall results from a combination of property tax and student fee revenue shortfalls not being backfilled with state general fund dollars.