

California Community Colleges

Board of Governors
2012-13 System Budget Proposal

September 2011



Members of the Board

Manuel Baca

Geoffrey L. Baum

Natalie Berg

Barbara Davis-Lyman

Benita D. Haley

Danny Hawkins

Scott Himmelstein

Lance T. Izumi

Peter MacDougall

Deborah Malumed

Alice Perez

Michelle Price

Henry A.J. Ramos

Gary Reed

Officers of the Board

Scott Himmelstein, *President*

Alice Perez, *Vice President*

Chancellor's Office

Jack Scott
Chancellor

Steven Bruckman
Executive Vice Chancellor / Operations and General Counsel

Erik Skinner
Executive Vice Chancellor / Programs

Paul Feist
Vice Chancellor / Communications

Marlene Garcia
Vice Chancellor / Governmental Relations

Linda Michalowski
Vice Chancellor / Student Services and Special Programs

Patrick Perry
Vice Chancellor / Technology, Research and Information Services

Barry Russell
Vice Chancellor / Academic Affairs

Van Ton-Quinlivan
Vice Chancellor / Economic and Workforce Development

Dan Troy
Vice Chancellor / College Finance and Facilities Planning

**CALIFORNIA COMMUNITY COLLEGES
2012-13 SYSTEM BUDGET PROPOSAL**



SEPTEMBER 12, 2011

PREPARED BY

**DAN TROY, VICE CHANCELLOR, FISCAL POLICY
CHRIS YATOOMA, DIRECTOR, FISCAL POLICY
DIANE BRADY, SPECIALIST, FISCAL POLICY**

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

916-445-0540

916- 323-3057 (FAX)

dtroy@cccoco.edu (E-MAIL)

TABLE OF CONTENTS

INTRODUCTION	i
2012-13 BUDGET OVERVIEW	1
2012-13 BUDGET NARRATIVE	2
2012-13 BUDGET REQUEST SUMMARY	8
TABLE 1: 2009-10 CATEGORICAL PROGRAM REDUCTIONS.....	9

INTRODUCTION

This document presents the California Community Colleges System Budget Request for 2012-13. This budget proposal has been prepared in the midst of the worst economic environment since the Great Depression. Over the past several years, the state has experienced significant declines in revenues due to the severe economic recession that has been felt across the country and worldwide. These revenue declines have impacted funding for the California Community Colleges, along with virtually all other programs receiving state funding. Recognizing this fiscal reality, the California Community Colleges 2012-13 System Budget Request puts forth the minimum needs of the 112-college system to perform its vital mission.

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:

- In 2009-10, California Community Colleges awarded more than 6,200 Associates Degrees in Nursing.
- In that same year, more than 1,900 certificates were awarded in Fire Technology.
- California Community Colleges provided education and training to nearly 2.8 million students at 112 colleges, making this the largest higher education system in the nation.

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. In 2011-12, with the state's fiscal condition still weak, the colleges received another funding reduction of over \$300 million in general apportionment, and fees were raised by \$10 per unit. Additionally, the colleges face the potential of "trigger" cuts if revenues are weaker than anticipated in the Budget Act of 2011. These cuts come at the worst possible time, as community colleges face unprecedented demand due to multiple factors, including persistent statewide unemployment over 12 percent, reduced enrollment slots at UC and CSU, and veterans returning from Iraq and Afghanistan.

The substantial budget cuts have had a severe impact on the colleges, resulting in over six percent of course sections being cancelled statewide. 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 140,000 additional students who wanted to attend college were turned away due to lack of available course sections. This situation of demand exceeding funding continued into 2010-11. Although the state budget

for that year included \$126 million in additional funding for enrollments, that funding was deferred to the 2011-12 fiscal year. This brought total deferred payments to \$832 million, approximately 14% of total state funding, and encouraged colleges to be cautious due to potential mid-year cuts that could negate that increased funding. Similar impacts to students will be felt again in the 2011-12 fiscal year as college districts will be forced to close more course sections in order to accommodate the \$300 million reduction to general apportionments, which corresponds to a workload reduction of 70,000 FTES or 158,000 enrollments.

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 students over the past three years 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 core elements: Student Success, Educational Quality, and Access.

Student Success

Research demonstrates 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—such as textbook grants, childcare, and work study—are especially important to promote the success of economically disadvantaged students. All of these student support services were cut significantly in the *2009-10 Budget Act*, with reductions averaging 41 percent. At the campus level, direct services to students, including disabled and economically disadvantaged students, were cut substantially.

The community college system is currently studying ways to increase students' graduation rates with the convening of a Student Success Task Force. The task force has met monthly since January and examined various aspects of student learning, from college readiness and basic skills courses to campus culture and infrastructure. Although the final recommendations of the task force will not be completed for several months, the provision of quality student support services are known to play an important role in student success. To address the critical need to increase college completion rates, 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 the fiscal years 2008-09, 2009-10, and again in 2011-12, the colleges were denied the cost of living adjustments (COLAs) prescribed in statute, resulting in a loss of purchasing power of 10.88 percent over the past four years. This is a true loss in the colleges' ability to match services at prior year levels. As costs rise for non-discretionary items such as utilities and health care, college budgets are

spread thin, and fewer resources are available for core activities such as offering additional course sections.

This too affects student success rates: as colleges struggle to maintain instructional services in the face of rising costs, students face fewer course options and decreased access to faculty. This in turn impacts the time it takes to complete a degree or certificate program. Students are not receiving the same level of service when the colleges don't receive a COLA to help their budgets keep pace with inflation. The estimated COLA for 2012-13 is 2.38 percent. When combined with the 10.88 percent lost over the past four years, this totals a cumulative COLA of 13.52 percent, or \$793 million.

Access

Enrollment demand at the community colleges has reached unprecedented levels. Persistent high unemployment, students being displaced from UC and CSU, returning veterans, and substantial reductions in K-12 adult education programs are straining the capacity of the community colleges. While the demand for a community college education is up, the funding provided by the state has not been sufficient to fund all students over the past several years, with overall funding actually declining in both 2009-10 and 2011-12. Colleges responded to these cuts by reducing their course offerings by as much as 20%, yet still served an increasing number of students beyond state funding levels; in 2009-10, the system served 95,000 more full-time equivalent students than it received funding for and we expect similarly high levels of unfunded enrollments in 2011-12. This budget proposal requests funding for 6.8 percent enrollment growth/restoration, or \$377 million, to provide access to 84,000 more full-time equivalent students (FTES) or roughly 200,000 enrollments.

CALIFORNIA COMMUNITY COLLEGES

2012-13 BUDGET OVERVIEW

The California Community Colleges (CCC) 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 cuts in the 2009-10 and 2011-12 Budget Acts. 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 such as solar technologies need trained technicians, many of whom 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 extend the time needed for the state to achieve a substantial economic recovery.

The recommended increase in the system budget for 2012-13 totals \$1.483 billion to address three core priorities: restoration of categorical funding reductions; cost of living adjustment (COLA); and enrollment growth in the form of restoration. These 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, *2012-13 Budget Narrative*.

2012-13 BUDGET NARRATIVE

In recognition of the state's fiscal crisis, this budget request focuses on the resources necessary for the colleges to restore core educational services. Deep funding cuts of 8.1 percent in 2009-10 and 5.7 percent in 2011-12 have forced community college districts to grapple with a range of difficult choices including reducing course sections, laying off classified staff, decreasing part-time faculty positions, paring down 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:

- Nearly one quarter of all 20- to 24-year-olds in California were enrolled in a CCC in 2009-10.¹
- On average, students completing a degree or certificate at a CCC increase their earnings by nearly 100 percent, or \$28,159, within three years.²
- About 54 percent of all graduates of the California State University (CSU) and 28 percent of graduates of the University of California (UC) transferred from a CCC.³
- Data from the California State University demonstrates that community college transfer students perform as well as, or better than, native four-year university students. These transfer students also more closely mirror California's demographics and increase diversity at four-year institutions.

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,

¹ 2011 Focus on Results, Accountability Reporting in the California Community Colleges, Chancellor's Office, California Community Colleges, Sacramento
<http://www.cccco.edu/Portals/4/TRIS/research/ARCC/March%20ARCC%202011.pdf>

² 2011 Focus on Results, Accountability Reporting in the California Community Colleges.

³ 2011 Focus on Results, Accountability Reporting in the California Community Colleges.

COLA, and enrollment growth/restoration, 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.

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. It should be noted that the state provides the Academic Senate with an annual allocation to help sustain its obligations to the college system. 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 (\$793,000,000)

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, 2009-10 or 2011-12. 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. No COLA was forecast for 2010-11, but for 2011-12, the statutory COLA was 1.35 percent. The statutory COLA for 2012-13 is estimated to be 2.38 percent, bringing the cumulative total to 13.52 percent or \$793 million. This funding is needed to make up for the lost purchasing power the colleges experienced over the past few years due to the lack of COLAs.

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 utilities

and employee health benefits diminish colleges' spending power and force budget cuts in other areas. The resulting budget cuts have negative impacts on student success, 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 unfunded COLAs be restored, as is the practice with K-12 schools.

Enrollment Growth/Restoration

(\$377,000,000)

Our forecast for 2012-13 anticipates a continuation of strong enrollment demand based on the following circumstances:

- 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.
- A struggling economy has forced displaced workers to return to school to acquire additional job skills. High unemployment always leads to higher college enrollments.
- K-12's Adult Education programs have been severely cut or eliminated over the past two fiscal years. These reductions have driven and will continue to drive students seeking basic skills, English language, and vocational education courses to enroll in community college non-credit courses.
- Veterans returning from Iraq and Afghanistan are seeking space on our college and university campuses at extraordinary levels.
- The number of students placed on course *waitlists* has skyrocketed over the past two academic years. It is likely that hundreds of thousands of students were unable to get into math, English, biology and vocational courses due to insufficient resources to meet the unprecedented demand.

Despite all the factors driving students to college campuses, our system has been forced to reduce enrollments over the past several years due to the state's fiscal crisis. The state eliminated 200,000 enrollments from the system through workload reductions enacted in 2009-10 and in 2011-12. While some of the 2009-10 cuts were restored the following year, the net reductions that have yet to be restored total \$377 million.

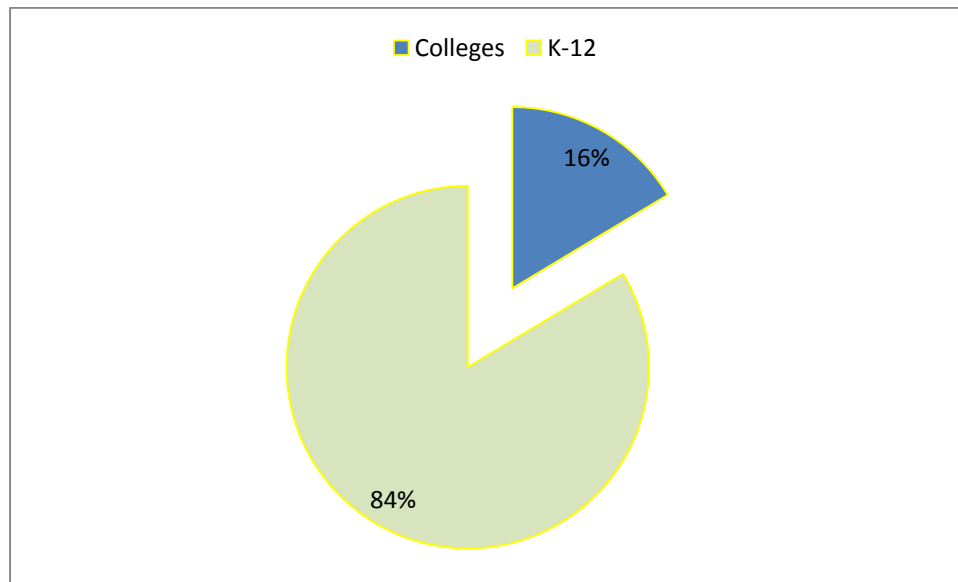
Comparing college enrollments and funding with K-12 enrollments and funding

Another factor to consider when funding the colleges is comparing K-14 enrollments and the current split of funds between colleges and K-12 schools. Community colleges served over 16 percent of total K-14 enrollments, but received only 11 percent of Proposition 98 funding in the 2010-11 academic year. Since 2006-07, K-12 enrollments have steadily declined while college enrollments, despite enrollment caps placed on colleges by the state, have steadily increased. Five years ago, K-12 enrollments represented 84.6% of combined college and K-12 enrollments,

compared to 15.4% for colleges. In 2010-11, K-12 enrollments shrunk to 83.9% and college enrollments climbed to 16.1% (see Figure 1).

Given K-12's enrollment decline and the increasing demand for community college instruction, we believe the split of Proposition 98 funding should better reflect the realities of the state's K-14 enrollments.

Figure 1:
2010-11 Percentage of College and K-12 Enrollments Combined



Failure to sufficiently fund enrollment growth impedes 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 vital issue, 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.

Therefore, based on recent growth trends and the factors noted above, including the large number of students turned away in 2010-11, we propose the state fund enrollment/restoration growth of 6.8 percent or \$377 million in 2012-13, which would allow an additional 84,000 FTES to be served above the current level of students funded by the state.

One-Time Funding Request

\$612,000,000

The system is requesting funding in three areas should one-time funds become available in the 2012-13 fiscal year. These areas are discussed in greater detail below and include: \$200 million

for deferred maintenance, \$82 million for instructional equipment, and \$330 million for payment of outstanding mandates.

Deferred Maintenance and Instructional Equipment **\$282,000,000**

There is a backlog of both deferred maintenance and instructional equipment needs at our colleges. The colleges have identified in their 5-year capital outlay plans submitted to the Chancellor's Office over \$200 million in deferred maintenance costs in 2011-12. In addition, we are requesting \$82 million to help meet instructional equipment needs on college campuses.

The deferred maintenance program's purpose is to keep the existing community college physical plant in operational condition and to prevent any degradation in instructional services caused by facility conditions. By properly maintaining our facilities and replacing major building components at their scheduled time – roofs, utilities, windows, etc. - we will extend the useful life of our buildings and we can focus more of any capital outlay bond funds on meeting the system's growth needs. However, this will require a steady and sufficient flow of funds to keep pace with the maintenance requirements. The majority of the existing physical plant is over 30 years old and will require an increasing amount of maintenance to maintain functionality. Our colleges have identified roughly \$1 billion in deferred maintenance cost needs over the next five years. We are requesting one fifth of this total need now, or \$200 million, to help decrease the backlog of identified maintenance projects.

Currently, community colleges cannot adequately fund instructional equipment, library materials, technology, or workforce development upgrades. Funds for these vital programs have been drastically reduced since 2008-09 due to the elimination of state funding for the Instructional Equipment program. The community colleges have had no state funding available to repair, replace or augment their instructional equipment and library materials inventory for the past three years. In an era of rapid technological change and growing dependence on technology and computers, it is critical that students and staff work with up-to-date facilities and equipment used in the work place. In addition, students must be prepared with skills that can be applied to the equipment and materials they will use when they transfer to four-year institutions or enter the workplace. We are requesting \$82 million to help meet this critical need. This figure represents the lost funding for this program for the prior three fiscal years (2009-10 thru 2011-12) with all the funding going to instructional support programs.

Mandates **\$330,000,000**

This request begins the process of paying down outstanding mandate claims and reimbursing college districts for costs they have incurred over the past several years to meet new laws and regulations promulgated by the state.

The State Constitution and related statutes provide for the reimbursement of costs incurred by local agencies, schools, and community colleges that are mandated by the State. Costs mandated by the State means any increased costs incurred after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program. Government Code Sections 17500 through 17616 provide for the reimbursement of these costs. Examples of some of these mandates imposed on college districts include student record keeping requirements, governance issues and administrative costs of collective bargaining.

Although the 2011-12 Budget Act provided an appropriation of just under \$10 million for reimbursement of backlogged claims, the State has not provided sufficient funding to fully reimburse the college districts for their outstanding claims. According to the State Controller's Office, the college districts have unpaid claims of \$330 million as of April 2011.

The Commission on State Mandates, which rules whether a mandate claim brought by a local agency is reimbursable by the state and sets the parameters and guidelines that determine the amount of reimbursement owed to local agencies, has agreed that the state has imposed unfunded mandates on college districts and must reimburse them for these costs. Unpaid mandates, for colleges as well as other local government agencies with outstanding mandate claims, accrue interest on outstanding claim balances. When payment is made more than 60 days after the claim filing, payment of accrued interest is required. Therefore, when the state defers payment of these claims, additional cost is incurred. Claims and interest owed on these claims will continue to grow if the state does not begin to address the backlog aggressively.

2012-13 BUDGET REQUEST SUMMARY

1(a).	Restoration of Student Support Program Funding	\$313,342,000
1(b).	Cost of Living Restoration: 13.52 %	\$793,000,000
2.	Enrollment Growth/Restoration:	<u>\$377,000,000</u>
	Total On-Going Funding Request	\$1,483,000,000
	Total One-Time Funding Request	\$612,000,000

Table 1:
Restoration of Student Support Funding Cuts: 2012-13
(dollars in thousands)

Student Support Programs	2011-12 State Allocation	Total 2009-10 Reductions	2012-13 Restoration Request
Student Financial Aid Administration	\$56,741	\$1,615	
Foster Care Education Program	\$5,254	0	
Fund for Student Success	\$3,792	\$(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	\$73,605	\$(48,687)	\$48,687
Telecom & Technology Services	\$15,290	\$(10,907)	\$10,907
Student Senate			\$200
Academic Senate	\$318	\$(150)	\$150
Childcare Tax Bail Out	\$3,350	\$(3,485)	\$3,485
Equal Employment Opportunity	\$767	\$(980)	\$980
Economic Development	\$22,929	\$(23,860)	\$23,860
Apprenticeship	\$7,174	\$(7,466)	\$7,466
Part-time Faculty Office Hours	\$3,514	\$(3,657)	\$3,657
Part-time Faculty Health Insurance	\$490	\$(509)	\$509
Part-time Faculty Compensation	\$24,907	\$(25,920)	\$25,920
Transfer Education and Articulation	\$698	\$(726)	\$726
Matriculation	\$49,183	\$(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 Education	\$50,030	\$(10,000)	\$10,000
Total Student Support Program Funds	447,375	(313,142)	\$313,342