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ABSTRACT

The author examines the financial crisis in community colleges on a national scale in this first paper in a projected long-range study of this crucial topic. Economic causes contributing to the crisis include inflation, rising enrollments, and such labor-intensive aspects as spiraling labor and security costs, and increasing demands for funds by such programs as those serving the disadvantaged and the community. At the same time agencies dealing with social security, ecological balance, environmental preservation, and recreational facilities among others have become powerful competitors for funds. The third major contributor to the crisis is the public who increasingly has been showing its disaffection with education by defeating public referendums and bond proposals. For these reasons the author describes insolvency as a real threat for the first time since the depression, and stresses that the role of education is being questioned on all fronts by society as never before in American history. (MN)

TOPICAL PAPER NUMBER 29

THE FINANCIAL CRISIS IN THE COMMUNITY COLLEGE

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FOREWORD

As with the weather, school finance is much talked about but gets little done about it. This is not necessarily the fault of the administrators or the board, but is more a matter of knowing what to do, especially in an institution that is still in the developmental stages. Recognizing the need for more information about community college financing, the Clearinghouse has begun a study of it under the leadership of John Lombardi.

This Topical Paper is the first publication dealing with this vital subject. A more extensive account of financing will be published soon, also written by John Lombardi. Both of them will deal with finance on a national scale, paying special attention to alternative sources of revenue and suggested modifications in expenditures designed to alleviate the money shortage.

Young Park

ERRATA

p. 2, line 21 should read: education and the welfare of the individual and of society. Many institutions are. . .

p. 4, line 21: eliminate "and"

p. 11, line 9: insert comma at end

CONTENTS

ACKNOWLEDGEMENTS

This preliminary study surveys the causes and the extent of the financial crisis in the community colleges. As is apparent in the footnotes, much of the material was gathered from newspapers, magazines, professional journals and reports, college publications, and interviews with faculty and administrators. The author is indebted to many former colleagues who generously supplied materials and official reports, and to the ERIC staff for assistance in research, typing, and editing of the study.

The author is particularly indebted to Hazel Horn and Judy Binsacca for editorial assistance.

The author hopes that the community college educators will correspond with the author about the study, offering advice, criticism, and leads that will make it a reflection of conditions as they exist. Particularly important will be examples of programs, changes, and plans that have resulted in a "healthy" financial condition for their colleges.

The author reminds his readers that, as a president of a community college and an administrator of a system of colleges, he is reporting about himself whenever administrators are mentioned as part of the problem or cause of the financial crisis.

John Lombardi
February 1972

THE FINANCIAL CRISIS IN THE COMMUNITY COLLEGE

Chapter I. INTRODUCTION

Until a decade ago financing the public educational system seemed to be one of the most secure political activities of American life. Education ranked with the church and home as bulwarks of society. During the last ten years, however, public education has lost much of its hold on the American people. Though the community college and other institutions still attract millions of youngsters each September, one wonders if this follows a sort of Newton's First Law of Educational Motion—the annual movement will continue until retarded by some biological, political, or economic force.

Just over a decade ago, Americans developed the thesis that education is a public investment contributing more to the Gross National Product than producer capital. The *Saturday Review* and the Committee for Economic Development (CED) cooperated to produce an issue on "Changing Directions in American Education," "out of a deep commitment...to enrich and expand education as a positive force for human betterment" (14:37). Incorporated into that publication was the CED Research and Policy Committee's study, *Raising Low Incomes Through Improved Education*, done two years earlier. The California Coordinating Council for Higher Education devoted a chapter in its study, *An Evaluation of the Tuition-Free Principle in California Public Education*, to "Benefits to the Students." In another subsection, "Capital Formation by Education," the analogy was made between "investment in oil exploration and in the improvement of techniques" and "investment in schooling...[as] the major source of human capital" (8:12). The conclusion was that the "useful skills and knowledge that people acquire are a form of capital that...has grown in Western societies at a much faster rate than conventional (nonhuman) capital, and its growth may well be the most distinctive feature of the economic system" (8:12). The appendix of the study summarized Theodore Schultz's basic cost data showing that "the educational stock of the labor force increased in size from $63 billion in 1900 to $535 billion in 1957" in comparison to "the stock of reproducible nonhuman wealth (producer capital), which increased from $282 billion in 1900 to $1,270 billion in 1957,"—an increase of 765 per cent for educational stock versus 350 per cent for nonhuman stock. "The key to this dramatic growth is the increase in the amount and level of education of each member of the labor force..." (8:12, App. A, 38-40). Another subsection contains various tables: "Education and Lifetime Earnings: Men;" "Lifetime Income and Education for Men 18 to 64, by Color, in 1949;" "Estimated Average Lifetime Earnings of Professional Men;" and "Mean Income (or Earnings) by Level of School Completed, for Males 25 Years Old and Over, for the U.S.," to show that "income and schooling go together" (8:14-16). Adaptations of Schultz's theory and of these income tables were widely used to influence legislators to increase appropriations for education and to encourage students to stay in school.

This thesis has lately come under attack. Robert Hutchins asserts that learning

> ...has no predictable effect on the prosperity of states or individuals. We cannot say whether the United States is rich and powerful because of its educational system or in spite of it. As for the developing nations, we know that as countries develop, their educational systems and expenditures expand. We do not know whether this expansion is a cause or a result of economic development (24:45).

Even literacy may not be a factor. He cites as an example the employment of "illiterate Spanish women who cannot speak a word of German," but who staff a fully automated biscuit factory in Hanover, West Germany (24:45).

The oversupply of educated people during the recession of 1968-71 seems to support Hutchins' thesis and raises questions about the relationship between education and jobs—another way of saying that the kind of education offered cutting back on their graduate programs, partly to avoid insolvency and partly to reduce the supply of Ph.D.s. Community colleges are not making voluntary moves toward curtailing enrollments, since the colleges, in one sense a continuation of the public schools, are committed to providing education to all. Their students also find employment scarce, but the relationship between lower-division education and jobs is not the same as it is between graduate education and jobs. It is more akin to the situation between high school education and jobs — another way of saying that the kind of education offered is not too important for job qualification. If the present unemployment crisis continues, community college students will find themselves displaced in the job market by those with more education, just as they displaced high school graduates during the last two decades. The report that the period from October 1969 to October 1970, for the first time in ten years, saw no appreciable yearly increase in employment of 16- to 24-year-olds is significant (22:13-18).

Educators are being forced to undergo a great deal of self-evaluation to determine whether their assumptions about society's needs are valid. It may be "a satisfying notion that employment is related to education . . . [and] that any number of jobs are available if only people with education and experience could be found to fill them. For many of the unemployed and underemployed these assumptions have become a cruel hoax . . ." (6).

This has a bearing on the financial situation. Community colleges, as open-door or open-access institutions, will not be permitted by the local, state, and federal governments to undertake serious curtailment of their programs—no matter how irrelevant they may be to the actual job market or how stringent the financial situation. The interest and concern of government, especially federal, are the social, political, and economic objectives as well as the educational. The latter are sometimes incidental to the others. For this reason, community colleges may continue to fare somewhat better in state and federal financing than four-year colleges and universities. The social reality of the existence of a large and growing age group with no function but attendance at some kind of school is incontrovertible (26:11).

This Topical Paper is an introduction to a larger study, "A Critical Analysis of the Financial Situation in Community Colleges," which the author plans to undertake as soon as funds are available. The need for a study of finances in the community college is so self-evident that it hardly bears reiteration. An excellent example is the succinct statement by Russell Peterson, Governor of Delaware and Chairman of the Education Commission of the States. In the April 1971 issue of *Compact*, Peterson wrote:

> There is a continued cry for more money for education (45:2). The needs undoubtedly are great. But more money is not necessarily the only and the best solution. We must analyze whether schools and colleges are operating with efficiency. . . It's time to assess where we are and where we are going.

In the larger study, the author will gather information through examining present ERIC document files, surveying a sample of community colleges, depth analysis of fiscal policies in five community college districts, and consulting with an advisory panel of leading fiscal experts in education.

In this paper, the author will examine the financial crisis, its effects on the open-door concept, and various suggestions for relieving it. In the process, he will describe briefly the method of financing the community colleges, including patterns of state support, sources of revenue, and total and per-capita costs. The chapter on suggestions will follow naturally from the chapter on causes. It will explore various ideas proposed and some being tried to help the colleges survive. The last chapter will describe the financial prospects of the community colleges for the next five to ten years using 1971-72 data as a basis and will serve as summary and conclusion of the work.

In the course of the treatment, the author will try to answer the questions: (1) How deep-seated is this crisis? (2) Is the community college in the throes of a revolution that will transform it into a different kind of institution? (3) Will the next three decades see the end of the monopoly of public higher education, the absorption of private education by public education, or some in-between system, neither the one nor the other, but more like some of the European systems? (4) Will the crisis affect only the forms of the structure without touching the fundamentals?

Although this study will be more a survey than an exhaustive research project, every effort will be made to use only such source materials as documents and records from the colleges, from the state coordinating offices, and from other official sources.

At times the discussion will relate to all education; most of the time it will focus on the public community colleges—and also called junior colleges, two-year colleges, colleges, and city colleges. As far as possible, the study will exclude the branches of four-year colleges and universities that, though two years in length, are really integral parts of the "mother" institutions, not independent institutions.

Reference to the other segments of education cannot be avoided. Public institutions all derive their funds from the same sources, although not in the same quantity or proportion. So, whether the educators desire it or not, they are competitors for these funds. Education must also compete with other public activities—the most important after the military being welfare and environmental enterprises.

Comparisons among colleges and other institutions are made for perspective purposes only. Whenever used, they must be interpreted with caution because the data on which they are based are often not truly comparable. Comparisons with four-year colleges, universities, and secondary schools, when necessary, are made with even more reservations—never to enhance the position of the community colleges at the expense of the other institutions. If the community colleges cannot prove their worth to the students and the community, invidious comparisons will not help them.

A review of a crisis is usually depressing; the whole enterprise appears to be on the verge of collapse. This is far from the actual situation in the community colleges. While the crisis is serious for many, some colleges are in such financially sound condition that they must wonder why so much conern. For example, colleges in New York, California, Missouri, Illinois, and Ohio are having very serious financial difficulties, while those in Texas, New Jersey, and North Carolina have less serious financial problems.

Even within a state, differences appear. The St. Louis District started the 1971 school year in a precarious condition, while the Metropolitan Junior College District in Kansas City started in a sound fiscal condition. In California, El Camino College had no difficulty passing a tax over-ride, while Glendale lost its bid for one. The College of Marin would not even attempt to go before the electorate.

Chapter II. THE FINANCIAL CRISIS

OBSESSION WITH FINANCES

A neurotic obsession with finance afflicts many educators. It is not new, for college presidents are not notorious for claiming to have enough money (11:5). Today, however, the condition of educational finance is serious enough to justify the plea of poverty; and financial needs are credible enough even though they are not heeded by the public. Insolvency is a real threat; in fact, for many educators, it is imminent for the first time since the Great Depression of the 1930s.

"Financial crisis" competes with innovation, accountability, vouchers, the PPBS, and other shibboleths for the attention of educators. The Missouri Association of Junior Colleges issued a warning that declining state aid is precipitating a financial crisis (57:1), while California Junior College Association spokesman Calvin Flint's statement that "the. . . serious nature of junior college financing requires immediate correction" was seconded by the State Chancellor's announcement that "most of the state's 68 community college districts are now on deficit financing and dipping into reserves" (44:4). Similar pessimism was found throughout the country by the Carnegie Commission study on the status of higher education.

Although the crisis began some time ago, it reached serious proportions only in the 1960s. In fact, until the 1960s, community colleges were treated generously. For the first fifteen years after World War II, they made the greatest advances of their history, but today, even though enrollment continues to increase and new colleges continue to be established, adequate financial support becomes more and more difficult to obtain.

WELFARE AND OTHER COMPETITORS FOR FUNDS

Further, while education costs are rising, other goals are pressing for tax dollars. These goals—social security in its various forms, ecological balance, environmental preservation, and recreational facilities for the growing population—have become powerful competitors for state funds among social welfare professionals, ecologists, environmentalists, and welfare recipients. Of these, welfare is education's most serious competitor for funds—probably, by the end of the 1970s, outranking it in the percentage of state funds expended. In 1971, seven cities had more than ten per cent of their population on welfare—

Boston leading with 15.3 per cent. In New York City, the year's welfare bill in 1971 was close to $2 billion.

A national survey of sixteen states (Alabama, Alaska, Arizona, California, Georgia, Illinois, Kansas, Massachusetts, Michigan, Nevada, New Mexico, New York, Oregon, Vermont, West Virginia, and Wisconsin) by *Nation's Business* reported in July 1971 that welfare costs have increased more than fivefold between 1960 and 1970 (39:58-64). In Michigan, welfare accounts for 24 per cent of the budget, while New York appropriates nearly $4 billion.

Welfare poses a serious threat to education. By tradition and by law, education has had a high priority on public funds. Today this priority seems to be subordinated to welfare (19).

As welfare draws a larger proportion of the public money, resistance to increasing funds for education grows. Moreover, education is at a disadvantage vis-a-vis welfare. States and cities dependent on the federal government for such a large proportion of welfare funds must abide by federal regulations. Attempts in 1971 by Nevada, Nebraska, Indiana, and California to reduce welfare expenditures were stymied by the threat of a cutoff of federal funds. Higher education funds do not have this protection (51).

Governor Jack Williams of Arizona complained that "restrictions and regulations imposed. . .by courts and federal policies allow the states no real control [and] provide [no] realistic guidelines for keeping costs down" (39:58). Unless relief is obtained from this heavy financial burden, states will have to curtail expenditures for other services, including education. By the end of the seventies, welfare will outrank education in the percentage of state funds allotted.

The desperate financial situation is reflected in the search for new sources of income. The limit seems to have been reached on gasoline, automobile, retail sale, liquor, amusement, luxury, and other forms of use tax. States are now resorting to lotteries, a disguised form of taxation with great appeal to many, for it offers the chance to win a fortune. Of the three lotteries now in operation, New Hampshire's and New York's have been disappointing; only New Jersey's has been rewarding in terms of revenue. Among other states, Connecticut, Pennsylvania, and Massachusetts have authorized lotteries, while California is considering one (40b:18; 32f). New York's successful experience with off-track betting (OTB), as opposed to the lottery, may encourage other states to institute similar plans as a source of revenue. California, Connecticut, Illinois, Michigan, and Pennsylvania have sent observers to New York City (58:66). In a half-serious gesture, a California legislator introduced a bill to legalize and tax prostitution. It is ironic that education, once considered second only to the church as a defender of virtue, should be a chief beneficiary of lotteries.

For the most part, educators have acquiesced in the use of this source of revenue, being only mildly concerned with the moral issue of a practice that is not only regressive, but also depends so much on the bleak hopes of the poor. Regression, of course, has ceased to be a major concern, since the sales and property taxes, archetypal examples of it, have been the principal sources of education revenue in many states. The alternatives are to increase the state income tax and impose a city income tax.

Community colleges seem to get more considerate treatment from legislators than other segments of higher education. In several states, the two-year colleges received a larger share of the increases voted for higher education than other institutions. For example, Maryland community colleges received $23,445,000 or 202 per cent more for 1971 than for 1969. For all of higher education, the increase was 54 per cent. The Kansas colleges received a 21 per cent increase, the largest ever for higher education institutions in that state (12c:4). This was also true in 1969, when much of the two-year rate of increase for all 50 states was attributed to junior colleges, whose state appropriations grew much more rapidly than the overall appropriations for higher education (12a:8).

It should also be pointed out that, during the present financial crisis, community colleges have not suffered the serious consequences experienced by the elementary and secondary schools. Ohio community colleges, for example, have been affected by the recession, but none has had to close as did some of the state's elementary and secondary schools.

Moreover, a college charging tuition has some leeway to offset rising costs by increasing the charge. It may have to reduce enrollment because of lower income, but increased tuition and lower enrollment stave off the necessity for its closing. No such choice is available to a non-tuition college, whose situation resembles that of an elementary or secondary school, with the important exception that attendance is not compulsory at the college. Such a college may keep open for a long time, albeit on a reduced scale. If the voters continue to disapprove tax-rate increases and if the state should decrease its support, the situation will become even more serious. Closing becomes probable. It must be reported, however, that the major cutbacks in community colleges have so far been in the athletic department and in other programs financed by student body fees, construction of new facilities, reduction of summer and evening sessions, and elimination of the programs and courses with low enrollments. It must also be pointed out that community college educators get little solace from being just above the poverty line.

PUBLIC REFERENDUMS ON EDUCATION

The results of elections on tax issues and bond proposals are periodic referendums and indices of the electorate's attitude to education. State agencies, educators, their associations, and public opinion experts keep score on the results of each election. The downward trend of voter approval became apparent in the 1960s, when, during 1967, half the bond issues failed to get voter approval in California, Michigan, New Jersey, Kansas, Florida, and New Hampshire. Nationwide, the voters defeated bond issues by more than 34 per cent (53:34). The next year, 1967-68, proved to be just as dismal—even more so—at least 40 per cent of all bond issues failed. Articles captioned "Taxpayer Revolt Quickens" and "A Fed-Up Citizenry Is Kicking the Schools" highlight the continuance in 1969 of the taxpayers' reluctance to approve bond issues and tax measures (46:131; 27). Up to October 1969, voters had rejected 43 per cent of the education bond issues (59:36-7).

Educators and trustees, sensing hostile public reaction, have become reluctant to submit tax proposals and bond issues to the electorate—and with good reason. Even the few issues presented to the voters in 1970 made a poor showing. Demonstrating the continuing public indifference toward education were the defeat of ten statewide referendums, half the tax-hike proposals in Illinois, and similar measures in Arkansas, Florida, Alabama, and California (52:52). In Ohio, 71 per cent of new property-tax levies in 1970 were defeated (47). Between October and December, Wisconsin voters defeated 24 out of 25 bond issues (32b). The margin of "no" to "yes" votes leaves little doubt concerning the determination of the electorate. In two recent Illinois referendums, the vote to increase the educational tax rate of a college district was No—15,125, Yes—6,741. The vote to provide building funds for another district was No—8,892, Yes—3,784 (25:7).

The Junior College District of St. Louis illustrates the taxpayers' disenchantment by the results of the four tax elections since the district was formed in 1962. Successively the percentage of affirmative votes went down from 75 to 60 to 46 to 45. For the three years 1966-67 to 1968-69, the California State Department of Education reported that nine community college district tax proposals passed and twelve failed; eight bond proposals passed and fifteen failed. Tax proposals need a simple majority and bond proposals a two-thirds majority for passage.

At the same time, by approving water pollution and clean air projects, the voters make clear their disaffection for education. Education has ceased to have number-one priority (12b:8). The end of the Bull Market has arrived.

The 1970 elections destroyed what little comfort some educators held that taxpayers were not "revolting" against education when they turned down school proposals but, instead, were expressing their opposition to taxes in general. Even in 1971, Wilson C. Riles, the new State Superintendent of Education in California, persists in believing that: "People feel property taxes are too high. They vote down more taxes because schools are one of the few places where they can vote directly on taxes. They are not saying they don't want to spend more money on education" (36). The 1970 elections, in which ecological issues fared better than school issues, undermined the wishful logic of this reasoning.

A Supreme Court decision of June 7, 1971, upholding laws requiring a two-thirds vote for approval of bond issues, gave school and college educators a severe jolt. Many of them were looking forward to a decision consonant with the one-man, one-vote rule of the Warren Court. The two-thirds rule is particularly devastating to the California schools. If a simple majority were the rule, 90 per cent of all bond issues from January 1 to June 7, 1971, would have passed (32d).

Not all educators deceive themselves on the voters' attitude toward education. Some realized early that the mystique of education was shattered when the promised millennium failed to materialize. Early in the 1960s, Keppel pointed out: "a few years ago, it was relatively unusual for anyone outside education to think of education as a burning national issue. But today, when we legislate against poverty, when we legislate for the atomic age or the technological age, the house of education is called to account" (18:9). To the editor of the *Educational Record*, "The conclusion is inescapable that today the public sees other concerns as deserving much higher priority than higher education" (16).

An outcome of the tremendous growth in community colleges is the attention it attracted—favorable at first, but more questioning as the growth absorbed an increasingly large proportion of state budgets. When budgets are critically examined, educators naively express surprise, expecting legislators to continue accepting their requests without too much scrutiny and with few strings attached. Success, as measured merely by number of colleges and students, seems sufficient evidence to justify education's claims on public funds. Unfortunately, the community colleges are found wanting by other criteria (21).

PUBLIC DISAFFECTION

Many factors account for this turnabout from high public favor to disaffection from relatively high financial stability to near insolvency. Some are traceable to the commissions and omissions of educators; others to forces and phenomena of society. The turnabout affects most segments of public and private education.

In this discussion, the financial situation of public community colleges will be emphasized, although references to other segments of education will be made.

STUDENT ACTIVISM

Community colleges (to a lesser extent perhaps than the universities) suffered from student activism of the 1960s. To the public at large, colleges have become places where students are taught to undermine the virtues that traditionally make America great. Legislators, governors, other public officials, and a large segment of the public began to question the purposes of education; anti-intellectual sentiment, always latent, was aroused. Unrest and disturbances, they observed, flourished among liberal arts students on college and university campuses, whereas there was little among engineering or vocational students (49:19). One legislator commented that perhaps it would be better to teach "young people a skill that would be worth something when looking for a job rather than [to] spend too much time. . .[on] the philosophy of Hegel" (49:25).

This might be an excuse, rather than a prime cause, for not appropriating funds, for the financial crisis affecting education came before the outbreak of student disturbances. As early as 1964, the author singled out college finances as a serious concern: "The area of finances includes many issues that will tax the ingenuity of junior college educators. A whole conference could be devoted to the crisis in state and local financing of schools involving fiscal reform and competition for funds among governmental agencies, not the least important [being] that among the various segments of public education" (30:41).

Moreover, the financial crisis is affecting colleges, public schools in secluded suburban areas, and private secular and religious schools that have not had student disorders or have not been involved in civil rights or desegregation issues. While the financial crisis is too deep-seated to be explained away by any simple statement, student activism ranks high as a contributor to the negative attitude. It bolsters the public's determination not to support education.

ARROGANCE DURING THE GOLDEN YEARS

Educators did not endear themselves to the students, the public, or the legislators during education's golden years—roughly 1947-60. They have been accused of losing sight of the students who were being taught and the people who provided the funds.

Faculty militancy and strikes jolted the public. As faculty salaries rose and work-loads decreased, the cherished image of a selfless, dedicated group began to fade. Some have even been accused of arrogance—disdainful of criticism and impatient of suggestion (21:3-5). Some spectacular challenges to public sensibility involving employment of extreme leftists and members of the Black Panthers heightened the unfavorable reaction and the resistance to increased support of higher education. The politicization of the campus, especially in connection with the Vietnam war, the Kent State and Jackson State tragedies, the Moratorium, Earth Days, and now the threat posed by the vote of eighteen-year-olds in college communities contribute to the public displeasure. While these activities at four-year colleges and universities are seen by the public as a more serious threat than those on community college campuses, the latter suffer from the negativist feelings, although in a lower key. This is especially true of community colleges that have been involved in these activities (1:6). The disclosure that some faculty members were holding two full-time teaching positions contributed to the disfavor. Some campuses have been "criticized as being . . . overluxurious facilities" (21:3). Two of the most severely criticized facilities were the stadium and the auditorium at East Los Angeles College. Ever since their construction, adverse reaction to these facilities has made it difficult for the Los Angeles colleges to secure the electorate's approval of tax over-ride or bond proposals.

ACCOUNTABILITY

Surprisingly, even though it is difficult to do so, educators have made no serious effort to equate money and quality. They usually assert that expenditures are related to quality. When taxes are raised or tuition cost is increased, administrators justify them by stating that the money will provide faculty salary increases, implying that better education will result (55). Rarely does an administrator or a faculty representative offer evidence that higher salaries make a significant difference in the quality of teaching or in the learning of students. Nor have massive expenditures of federal funds made any measurable difference in student learning, whatever the level studied. Specifically, "the community colleges which have increased college opportunities for low SES [socioeconomic status] students, have not appreciably increased the chances of their getting a degree" (55:34).

Without understanding the difficulties of appraising the quality of teaching, the public and legislators are demanding accountability of student learning. Some early experiments in accountability have been discredited, but the search continues—even though the public and the legislators are likely to be as disappointed with the results of accountability as they were in the past with merit salary schedules. This second disappointment may make them even more intransigeant toward requests for higher taxes and bond issues.

These factors fortify the negative attitude toward education by those—electorate, legislators, governors—in a position to influence appropriations. While serious, they do not *cause* the financial problems. Even had the attitude remained as favorable as it was in the fifteen years before 1960, the financial crisis could not have been averted. It might have been less severe, but still painful. Economic forces, combined with rising enrollment and certain inflexible practices, led to costs that rose at a steeper rate than income. Steiner reminded his colleagues that:

> If we have learned nothing else in the past decade, we should have recognized that our status is intimately bound to the economic and market forces that surround us and the institutions in which we work (55:18).

Chapter III. ECONOMIC CAUSES OF THE CRISIS

INFLATION

Inflation is basic to the colleges' financial straits, just as it is to other institutions of the nation—and to the individual. Included in the inflationary cycle are the high interest rates that reduce the amount of money available for construction. Many a district has had to reduce building plans because the estimates made a year or two before did not allow for the unusually high inflationary trend and the high interest rates. Multi-campus districts have had to delay building new campuses for indefinite periods. Many colleges continue to occupy their "temporary" buildings beyond the time originally planned. As mentioned before, a few colleges shorten their calendars and eliminate or reduce summer sessions, evening divisions, and community service programs. More and more educators are seeking "funding to compensate for inflation" (9b:3), calling the legislators' attention to the effects on their budgets of the annual five- to seven-per-cent increase in consumer prices (35:10). Alfred Flowers, the financial officer of Maricopa County Community Colleges, estimated that, since 1962, the purchasing power of state aid for operations went down from $365 per student to $275 and, for capital outlays, from $115 to $88 (20:221-24). Between 1966 and 1969, construction costs in Michigan escalated by approximately 38 per cent.

In a request for more state financing, the Statewide Council on School Finance Planning included a chart and a graph of "Price Indexes (U.S. Bureau of Labor Statistics)," showing the steep rise of consumer prices from 108.1 in 1964 to 135.2 in 1970 (1957-59 = 100).*

These examples illustrate conditions throughout the country. No matter what measures are used to dramatize the effects of inflation, the results are the same —the lower purchasing power of the available funds.

ENROLLMENTS

Increasing enrollments, an aspect of inflation that accompanied economic inflation, is another major cause of the financial crisis. Among the higher educational institutions, the community colleges are the fastest growing both in number and in students. From 1959 to 1970, the number of public two-year

*To: California State Board of Education; From: Wayne M. Burnette, Chairman, Statewide Council on Long-Range School Finance Planning. Date: February 11, 1971.

colleges rose from 390 to 847, while student enrollments spurted from 552,000 to 2,366,000. The zeal and enthusiasm of educators and students in the fifties matched that of the 19th century when colleges and universities multiplied at a similar rate* (3:8; 4:89; 9a:1).

No one expects this spectacular growth to be sustained indefinitely (10:5-6). At some point, saturation will comr for the community colleges as it has for the elementary and secondary schools, but, for the next five years, the growth in enrollment promises to be only slightly less spectacular than for the last decade and to intensify the crisis. For the community colleges, enrollment growth will continue at a steeper rate than for the other segments of higher education. The 1970-71 estimates so impressed the author of *School and Society's* special report on enrollments that he captioned a section, "Junior colleges steal the show in enrollments—increases up to 17 per cent" (42).

In the early years, financing this huge enterprise caused little concern. Community pride, belief that a college increases the wealth of the community, desire for entertainment and culture, and pressure from parents with college-age children overshadowed concern for financing. Besides, the public was assured, the added costs would be absorbed by education's "impact on the national product" and the increase in the "lifetime earnings and working life" of the students (38:75-77). The added national product and the increased earnings would presumably provide a wider tax base for subsequent support of the institutions. One educator stated that "higher education is of substantial advantage to society because of the cultural, economic, and other benefits. Higher education produces human capital. It prepares staff for the professions. It gives the citizens substantial additional preparation with which to act wisely in voting and civic affairs. It helps to assure continuing progress toward a higher stage of civilization in the world" (23:204). Education rivalled science in public favor. Educators became "oblivious to risks of unbridled expansion" (40a:63). They ignored critics who questioned these assumptions. Some critics even attribute a large share of the crisis to the educators themselves, who are "probably the worst example in the governmental area of slipshod money-husbandry" (32c). The movement toward the Program Planning Budget System, popularly known

*Statistics on enrollments are likely to vary, depending on definitions, date, and other factors. In the *1971 AAJC Directory*, "Table III Summary by States—Public Junior Colleges," p. 89, gives the "Total Enrollment October 1970" as 2,366,028 and the number of colleges 847. Medsker and Tillery give 1,100 as the number of colleges (37:17).

as PPBS, is an attempt to bring some order out of the financial chaos by requiring cost analysis of various programs and activities.

As happens with some dreams, this expansion in colleges and enrollments has become a nightmare. When converted to dollars, the wealth created in land and buildings makes an impressive statistic, but the tremendous expenditures for upkeep and debt service sober the enthusiasm. Even their pride in growth of enroliment is subdued as educators calculate the costs added to budgets they already find difficult to balance. As the *New York Times* observed "increased enrollment. . .deepens the fiscal crisis" (41:40).

LABOR-INTENSIVE ASPECTS OF EDUCATION

Education in and out of the classroom is a labor-intensive enterprise in contrast to capital-intensive industries. As now being conducted, it does not lend itself to the introduction of labor-saving devices that achieve greater productivity to offset increasing costs.

Central to education is the instructor. To many the two are synonymous; mention of one evokes the other. Until very recently, no one seriously considered a system of education that did not revolve around the instructor. So strong is this tradition that the introduction of every modern technological device—television, computer-assisted instruction, system development, programed learning, auto-tutorial laboratories, etc.—is accompanied by the assurance that it will not replace the instructor; rather, it will help him do a better job of teaching.

Salary Schedules. Since instructors hold such a vital place in the educational process (a principle or folktale nurtured by the profession through the American Association of University Professors, regional accrediting associations, and other professional organizations), it is held that a high salary schedule is the best indicator of the quality of an educational institution—the higher the salary schedule the higher the quality (55).

Teacher salaries are the fastest growing item in school budgets (32c). Their step-type salary schedules permit everyone to advance automatically each year. This is often supplemented by a preparation feature enabling an instructor who meets such conditions as taking courses, traveling, doing independent study, or working during the summer in industry, to advance laterally over one or more higher salary columns. Additional increases are awarded for master's and doctor's degrees and for professional licenses in fields such as engineering, architecture, and accounting. The whole structure is based on time in service and effort outside the classroom, not on merit, although it *is* believed that the fulfillment of the enumerated conditions makes for more efficient teaching and contributes to better student learning.

Aside from this, salary schedules have a built-in annual budget increment. Theoretically, at some point in time, the number of new teachers at the low end of the salary schedule will balance the number of retiring teachers at the high end. In practice, however, the tendency has been for these preparation-type salary schedules to become weighted on the top side. Formerly, after reaching the top of the salary schedule, an instructor received no more increases, but lately a new feature—longevity increments at 10-, 20-, and 25-year intervals—has been added, probably derived from military practice. Generous retirement benefits add to the costs of education. In sum, "These teacher salary structures are protracted devourers of an educational budget. The full implications are only beginning to be realized" (15:40).

Teaching Loads. Another principle tenaciously held, even though it goes contrary to available research findings, is that a reasonable (read *low*) teaching load is an indicator of quality education. As salaries have gone up, teaching loads, a measure of productivity, have gone down from twenty contact or classroom hours to fifteen and, in some places, to twelve. Class sizes are limited to 37 or fewer with a penalty reimbursement to the instructor if the limit is exceeded. At the same time, administrators find it increasingly difficult to get faculty to perform non-classroom services without giving them released time or extra compensation, sometimes both. Formerly, this practice was confined mainly to physical education instructors for their athletic coaching assignments; today theatre arts, journalism, music, speech, and other instructors who engage in extra-classroom activites demand and receive similar reimbursement for their activities.

Fringe Benefits. Fringe benefits, of course, apply to all school personnel, but the greatest effect on the budget comes from the faculty segment.

The list of such benefits lengthens each year. In a collective bargaining agreement, an appendix lists twenty fringe benefits (28). The most common are sabbaticals, sick leave, bereavement and emergency leaves with pay, health and insurance benefits, expenses for attendance at professional meetings, tuition waivers for dependents, payment of full- or part-tuition for graduate school courses, and lump-sum payments at retirement for unused sick-leave pay. Medical, dental, and insurance benefits often accrue to dependents. The "reproduction rate" of fringe benefits alarms some auditors because they "are often tucked away in a little noticed corner of the budget labeled fixed charges" (32a). Fringe benefits increase salary expenditures by at least eight to twelve per cent.

Retirement benefits in education (and in other public employment) are more liberal (in some places twice as high) than those in private industry. Teachers in New York City may retire after 20 years at half their final salaries. The average costs, now eight per cent of payroll funds will, if benefits continue to be liberalized, rise to eleven per cent over the next five years *(32e; 29:10-14).

This, however, is part of the new style of life in business, industry, and government, with which educators are attempting to gain parity. It would be unrealistic to expect them to lag behind, remaining untouched by the trend toward a shorter work-week, fringe benefits, and higher pay. Observing legislators adding $76,000 to a retiring Speaker's already generous pension, while also multiplying their own benefits, acts as a stimulus to faculty for more and better fringe benefits. (This is not a justification or a moral judgment, merely a statement on the mores of the times.)

Budget Implications. Faculty salaries and fringe benefits account for 40-60% of the budget, making the instructor "the most expensive input of the educational enterprise and . . . the heart of the financial crisis" (15:34). In California, where teachers' salaries by law must account for half the operating expenses, the average for 1969-70 was 51.5% (13). In Illinois, the mean for academic salaries (including administrators) was 41.1% (35: Table 63).

With collective bargaining on the rise, instructors will continue to seek higher salaries to keep within "equitable economic parameters" and stay abreast of inflation and the reduction in the purchasing power of the dollar. Experience with collective bargaining in Michigan, Illinois, and New York indicates that faculty

*For a comprehensive survey of fringe benefits see King's *Benefit Plans in Junior Colleges* (Washington, D.C., American Association of Junior Colleges, 1971), a comprehensive survey of benefit plans in public and private junior colleges. Of the 1,007 questionnaires sent out, 92 per cent of public and 78 per cent of private colleges responded.

salaries rise faster and teaching loads get lower in those states than in ones where collective bargaining is prohibited. Legislatures, when granting this right to instructors, neglect to give colleges the additional financial aid to meet the increases in salaries and other benefits that follow.

Non-Teaching Personnel. Although administrators and non-professional employees absorb a smaller proportion of the educational resources, they still contribute to the financial crisis. Their salaries have risen, their workloads have been reduced, their fringe benefits have multiplied, and their numbers have increased.

As community colleges become more like the senior colleges, the organizational pattern takes on the same complex characteristics in nomenclature and number of positions. President, vice presidents, deans, assistant deans, coordinators, and counselors replace the simple older pattern of principal, dean of men, dean of women, registrar, and counselor. Secretaries, clerks, maintenance personnel, technicians, laboratory assistants, readers, and tutors also are more numerous than formerly.

Criteria for determining non-teaching personnel requirements are available for such positions as gardening, maintenance, and clerical work. For administrative positions norms for president and deans are also relatively simple; for the other administrative positions norms are of little practical value. In California, the teacher groups attempted to restrict the number of administrators indirectly by persuading the legislature to require that at least 50 per cent of the operating expenditures be allocated to classroom teachers salaries. Encouraged by this success, the teaching groups are pushing for a ratio of one administrator to eleven classroom teachers.

College administrators, like business executives, are the targets of sharp barbs for being preoccupied with their perquisites, elegant offices and cafeterias, for creating expensive public relations divisions, and for being top heavy with established functionaries.

In the absence of norms, such criticism is difficult to evaluate, but, because it comes from public officials as well as from teacher groups, it is difficult to ignore. Some of the criticism is more pointed. One of the charges made against presidents, vice presidents, and deans is that their involvement in outside activities (such as accrediting associations, professional organizations, service and community clubs, consultantships, and speaking engagements) makes it necessary to add back-up personnel to take care of what should be their campus duties. Some administrators spend the equivalent of one month a year on such assignments. Sometimes, a president candidly admits to his colleagues certain feelings of guilt that he spends as much as a fifth to a quarter of his time in non-campus activities.

Administrative overhead is also affected by the increasing use of consultantships—a practice that flourishes even as the number of administrators increases and their salaries and perquisites rise. College administrators find it increasingly necessary to call on other administrators, university professors, and management firms for almost every kind of advice from recommendations on what forms to use to what kind of multi-campus organization to adopt. Among the causes for this rising use of consultants are the changes in administrative and instructional practices, the development of new programs, the availability of federal and foundation funds, the requirements of accrediting associations, the inexperience of administrators, and the tendency of boards to seek "impartial" recommendations before approving expensive or controversial items. In small colleges, consultants often subsitute for the staff members they cannot afford. Whatever the reason for this growing practice, the budgetary implications for colleges are obvious. In the overall budget, it is a small item, but the accumulation of this and other small items has an upward push.

Much of the increase in non-teaching personnel results from the increase in enrollment and in new or expanded functions and services. The increase in the average size of colleges from 500 to 2,000 necessitates larger campuses and more building space, which in turn create the need for more personnel.

These salary items for all personnel account for 60 to 80 per cent of the operating budget. For 1969-70, salaries and wages in the New York State community colleges accounted for 72.5 per cent of the total operating budget. The average cost per FTE student was $1,017 of the $1,404 for all costs (54).

Expanded Functions. Accompanying the increase in colleges and enrollments are such new or expanded functions as community services, career education programs, special programs for the disadvantaged, low-aptitude, and minority students, financial aid, health services, and counseling. In the instructional area, innovation, the latest catchword, generates experiments, new teaching methods, and technical devices that invariably cost more money and usually increase the unit cost of education. Some of this proliferation is internally induced; most comes from outside the institution—legislature, accrediting examining committee, federal agency, foundation, or higher education institution.

Disadvantaged Students. Community colleges, along with other institutions, have become involved in projects and activities to increase, in number and percentage, the enrollment of minority and disadvantaged students (48). To accomplish this, they have created special learning divisions and set aside funds for various forms of financial aid—remission of tuition, direct grants, laons, work-study opportunities, placement services, health care, and occasionally free meals and textbooks. In the new learning divisions, additional funds are needed for supervision, student tutors, paraprofessionals, and special teaching devices.

Community Services. The colleges, carried away by the addition of "community" to their title, believe that it now imposes on them the responsibility to assume all community functions. (A few are modest enough to qualify this by the phrase "not undertaken by any other agency.") Colleges are creating a division of community services with a high-level administrator and supporting personnel on a par with the other divisions. In a survey of 900 colleges in 1970, 852 reported that they had community service programs and 486 had assigned staff members on a full-time basis (2:1). In its broadest concept, "community services is the college's arm in the community, servicing all of its needs, and will become the educational resource for the entire community" (5:3). Aside from the extravagance of this statement, the cost implications of such a grandiose scheme justify some of the public skepticism toward education. On the face of it, such a statement must be considered a hyperbole. Under the umbrella of community services may be found traditional cultural and recreational activities, plus nursery schools, off-campus counseling services, job placement activities, medical services, therapy sessions, legal assistance, draft-avoidance aid, veterans advisement, and, most recently, a narcotics information center (33).

Money for these expanded functions, services, and activities originally comes from special appropriations or grants, but, when the money sources dry up, the colleges find it difficult to discontinue the services. Almost invariably the colleges continue them, often diverting funds from the regular instructional program.

Many of these expanded services and activities supplement or duplicate those offered by other agencies. It seems as if community colleges, along with other educational institutions, are being "converted into agencies for dispensing welfare services" (1:6; 34:7).

Security. Campus law enforcement and crime prevention are adding to the financial burdens of many colleges. Bombings and bomb scares, incendiarism, window-breaking, trashing, assult on personnel, and other acts of vandalism are forcing colleges to create law enforcement departments, to improve security and fire protection devices, and to eliminate potential missiles such as the rocks used around buildings for decoration and drainage. Especially vulnerable are the admissions and data-processing centers, which require costly renovations to install shatterproof glass and fire- and tamper-proof doors. Improved campus lighting, especially on parking lots, is also adding to costs. Insurance rates have become almost prohibitive for some colleges.

Of all the security measures, the most costly is the law enforcement department. Whereas formerly a watchman or two sufficed for protection, now three to ten or more highly-paid deputized officers are being added to college staffs. Few colleges have been able to avoid this additional expense. Some, which experienced unusually severe student disruptions during the 1967-68 periods, have over-reacted. A management group commented that "Triton College has an excellently staffed and housed security force. However, it seems a good example of overkill" (56:67-8).

The following is from a detailed report by the chancellor and the president of Merritt College (California), on the seriousness of problems at the college,

> . . . the Board provided blanket authority to the District to increase the number of security personnel as the need arises. . . [and] to develop and establish alarm systems as needed, to increase lighting, and to immediately re-key vulnerable classrooms and storerooms that contain expensive equipment (43:1;50:7-12).

The Los Angeles Community College District created one of the largest and most expensive security forces, with eight to ten men on each campus and another contingent for the central headquarters. By classifying the security force as a police department, the Board of Trustees brought this group within the purview of a state law requiring that salary rates and fringe benefits, including retirement after 20 years, be the same as for the Los Angeles Police Department officers.

Supervising this force of sixty to seventy is a high-salaried chief of police, with a deputy and eight captains, one for each campus. The annual salaries of the law enforcement departments of its colleges and central office approach $1.5 million. These are only samples of the growth of this activity. Similar security measures have been introduced in the Chicago, Cuyahoga, Cleveland, Oakland (Michigan), and New York colleges.

Accrediting Examining Committee. It is an unusual accrediting committee that does not recommend, after its examination, that a college provide some new service for students or community, additions to the administrative staff, released time to faculty for "innovative" experimentation, or a research and development unit for the staff. Another favorite recommendation encourages the college to use its full taxing authority, if it has any left, or to seek an increase in tax rate or bonding capacity from the electorate. They also frequently recommend that the president seek help by retaining consultants from a university or private firm or by sending staff members to other colleges.

Federal Aid. Federal funds contribute to the proliferation of services, activities, and busy-work. Most colleges retain a staff officer whose principal duty is to keep the college informed of federal fund sources and to prepare requests for them. Although these funds are minor in relation to the total budget, they seem important to the impecunious administrators, and account for their willingness to seek the money regardless of the time and expense to the college. These funds may impose a future financial burden on the college, when financing the service that the grant has started with its "seed" money becomes the full responsibility of the college. Colleges that eagerly accepted funds for foreign language laboratories, planetariums, and other facilities discovered that upkeep and service were another drain on their resources. Of course, if these facilities contribute to student learning, the extra costs are worth it; but it is doubtful that language laboratories or planetariums have added significantly to the learning process. More often they are public relations or community service gimmicks of minimal value. Vocational education grants invariably include requirements for supervisory and administrative personnel whose cost may be greater than all the money in the grant (31:138-141).

Foundation Grants. In a limited way, foundation grants have the same effect as federal grants. These, too, enable the college to test the feasibility of a new program, a method of teaching, or the utility of a medium such as programed learning, television, or computer-assisted instruction. At the conclusion of the experiment, the college has to assume the full additional expense, because the innovation does not reduce units costs—it usually increases them. Moreover, since "experiments in higher education never fail" (40a:63),* They often "set down roots—faculty and building space" (40a:63).** Another criticism of foundation and government grants is that they "provide money for new things [rather] than strengthen what [is] already being done" (40a:63). It is also discouraging to note that, "by and large, studies on the relative effectiveness of different instructional techniques all demonstrate that, at least as judged by teacher evaluation in the form of course grades and examination scores, any one instructional technique is neither better nor worse than any other. This too, apparently, is true for computer-assisted instruction in teaching computer-operator commands. In short, the objective results of this study, namely, that there is no significant difference in test scores between the control and experimental groups, does not tell us anything we did not expect to find." Yet the researchers justify the additional costs by "subjective results...that students seem more enthusiastic and seem to perform better in the real-world environment of the computer room" (7:98; 17).

Capital Outlays. Expenditures for capital improvements have also added to the financial crisis. Buildings require large sums of money for construction and their maintenance adds to the cost of operation. In the search for a solution to the financial crisis, suggestions for more efficient use of buildings rank in importance just below those for increased faculty productivity. For a time during the fifties and early sixties, the all-year school, weekend classes, and around-the-clock scheduling seemed to offer relief from this contributor to the financial crisis. In practice, they have had limited acceptance and limited success in reducing expenditures for buildings and maintenance.

Start-up Costs. A temporary cause of the financial crisis is the higher-than-normal expenditures for sites, buildings, and personnel during the early years of new colleges. In addition, unit costs of operation are usually higher during the first few years, caused in part by the difficulty of predicting enrollment and

* Quoting Dean William C. DeVane of Yale.
** Quoting Provost William G. Bowen of Princeton

courses desired, in part by poor planning, and in part by inexperienced personnel often hurriedly recruited from a limited supply. The prevalence of small classes in new colleges is one of the most serious factors in increasing the cost of education. It is not unusual to find classes with fewer than five students. One college, with an enrollment of only 1,000, had forty-five classes with fewer than ten students each. In another small college, one-third of the classes enrolled fifteen or fewer students.

Similar criticism is also directed at long-established colleges for maintaining small classes. The California Coordinating Council for Higher Education reported to the legislature that "possibly $3.5 million could be saved if the three segments of higher education cut the number of small classes to a level closer to the national average. In community colleges there were fewer students than the national average in one-fifth of the classes" (9c:5). In the fall of 1969, the Illinois community colleges had an average of 17 class sections with less than five students each and 51 class sections with only five or ten students. They comprised more than 13 per cent of all the sections. Another 45 per cent had between 11 and 25 students. The average for classes of over 50 students was only five (35:33).

Sometimes, to annex a site or to gain approval for a bond or tax measure, district administrators promise to establish a college in a particular area—a promise that must be fulfilled regardless of need or cost, or of the effects on existing colleges.

Although a temporary condition, the start-up costs of new colleges each year in many states give them a continuing significance in the total financial situation. Legislators, boggling at the size of requests for start-up funds, frequently reduce them below reasonable levels.

SUMMARY

This examination of the financial crisis points up its seriousness. Whether the causes are economic or social or educational, the role of education in our society is being questioned as never before in American history. Society's expectations, raised by the exuberant claims of education's capacity to bring the good life, have not been fulfilled. Community college leaders often sounded (and some still do) like missionaries with a new gospel of salvation, surpassing all others in their preaching of the new millennium.

The financial crisis has not made them less evangelical or more modest in their belief that they possess "the word." As true missionaries, they expect a miracle to extricate them from the clutch of the new demon. They are so convinced that salvation for the country lies in the community colleges that they use every strategem to create a sense of urgency or doom among their communicants—the governor, the legislature, the electorate. Only by such tactics, can they extract the contributions they feel they must have to make the salvation of the country and the people possible.

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