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ABSTRACT

The third in a series of reports examining the impact of student charges on the goals of open access and educational quality in California's community colleges, this report considers alternatives for maintaining access and quality, the conditions under which student charges should be imposed, and the structures and levels of student charges. Part One addresses state strategies, community college functions, and the goals and principles of California public higher education. Part Two discusses legislative action required to preserve access, quality, and financial support for the colleges, and the legislative framework for assessing fiscal options, including a general student charge. Part Three develops a contingency plan for implementing a student charge policy, including recommendations on the structure of charges, differential charges, structure and funding level of student financial aid, and the relation between student charge revenues and community college funding mechanisms. Part Four asks the governor and legislature to review questions of access and quality, to assess options to a general charge, and to come to a decision regarding the imposition of a general student charge. Appendices include recommendations from the California Postsecondary Education Commission, an estimate of the impact of inflation on community college revenues, principles for funding mechanisms, an assessment of the impact of a student charge on enrollment and revenues, and the Board of Governors' fee contingency plan. (LL)

STUDENT CHARGES, STUDENT FINANCIAL AID, AND ACCESS TO POSTSECONDARY EDUCATION:

OPTIONS FOR THE CALIFORNIA COMMUNITY COLLEGES

A REPORT TO THE GOVERNOR AND THE LEGISLATURE FROM PHASE III OF THE COMMISSION'S RESPONSE TO ASSEMBLY CONCURRENT RESOLUTION 81

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

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From Phase III of the Commission's Response to
Assembly Concurrent Resolution 81

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1020 Twelfth Street, Sacramento, California 95814

Commission Report 83-12

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INTRODUCTION

In March 1982, in Assembly Concurrent Resolution 81, the Legislature recognized severe State budget constraints and asked the California Postsecondary Education Commission to study "the impact of student charges on access" to the State's colleges and universities. This is the Commission's third report pursuant to that and related legislative requests.

BACKGROUND OF THE REPORT

In its first report in response to ACR 81, Student Charges, Student Financial Aid, and Access to Postsecondary Education (April 1982), the Commission recommended that State policy recognize the vital relationship between student financial aid and student charges, the importance of low charges, and the interrelation of charges among the three public segments. It stressed the need for new policies and for difficult tradeoffs among equally desirable objectives during times of State fiscal stress. Its major recommendations, applicable to all segments, were to continue historical low charge policies to the fullest extent possible and to adopt explicit policies for setting and adjusting student charges. But the Commission recognized that historical and functional differences between the four-year segments and the Community Colleges required separate consideration of the issue of Community College fees. In substance, the Commission reached four conclusions about these fees:

1. The possibility of continued State fiscal stringency required serious reexamination of the historical "no fee" policy under which Community College students are not asked to share the costs of their education by paying a general charge.

2. In 1982-83, a general charge should not be imposed on Community College students because (a) the educational implications of alternative charge and student financial aid structures had not been examined, (b) student charge and financial aid administrative mechanisms were not in place, and (c) courses and programs with the highest State priority for subsidy had not been identified.

3. During 1982-83, the Board of Governors of the Community Colleges should develop a contingency plan for a statewide general charge, and make recommendations about specified issues, some particular to the Community Colleges and others involving State policy for all three public segments.

4. For 1983-84, a general charge should be imposed only if the State could not (a) replace the one-time revenues used in 1982-83, (b) maintain existing levels of revenue per student in constant dollars, or (c) fund reasonable enrollment growth in courses or programs with State priority.

The Legislature endorsed and implemented the majority of the Commission's recommendations, and the Board of Governors agreed to prepare the contingency charge plan recommended by the Commission.

The Commission's Phase II report, subtitled A Continuing Dialogue (December 1982), focused on the use of student charge revenues in the University and State University, and stressed the substance of low charges rather than the symbol of "no tuition." In it, the Commission recommended changes in State policy that would allow the Regents and Trustees, under specified conditions, to use those revenues for instructional purposes. Pending completion of the contingency plan of the Board of Governors, the Commission expressly limited its recommendations to the University and State University. (Recommendations of both reports are reproduced in Appendix A.)

In February 1983, the Board of Governors forwarded a statement regarding a contingency fee plan to the Governor, the Legislature, and the Commission. This statement did not meet the need of the Commission for detailed analysis of alternative student charge structures or financial aid needs, and the Legislative Analyst found it to be "virtually worthless" for legislative guidance (1983, p. 1723).

The immediate impetus for this Phase III report is the Legislature's request for Commission review of the Board of Governors' contingency plan. The proposal for new student charges in the 1983-84 Governor's Budget adds urgency to this request. The Commission addresses these specific items in this report, but it attempts to go beyond them to provide the Legislature and Governor with a conceptual framework for resolving the issue of charges and to describe an implementable contingency charge plan.

The Commission emphasizes that this Phase III report considers new student charges, not increases in existing ones. Concern with existing charges in the first two phases benefited from substantial information, experience, and research about the behavior of students when charges to which they have been accustomed are raised. Similar experience with new charges is lacking in California and scant in other states. The basic difficulty is predicting the behavior of students when new charges are imposed.

This report is a continuation of last year's studies, and its recommendations complement and supplement those of the April and December reports. Together, the three reports comprise a single examination of the impact of student charges on the State goals of access and quality, and the Commission's original recommendations should be considered Commission policy reaffirmed in this report.

DEVELOPMENT AND SCOPE OF THE REPORT

The Commission has relied on substantially the same advisory structure for this Phase III study as it did in its two earlier studies: an advisory committee broadly representative of students, faculty, and administrators from the three public segments and the independent sector, and staff of the Legislative Analyst's Office, the Department of Finance, and the Student Aid Commission. The members of this committee are listed in Appendix B. The individual committee members devoted extensive time and effort to the study, and the Commission's indebtedness to them is very great indeed.

In reaching its conclusions, the Commission relied on several papers prepared by its staff that (1) examine a number of student charges options, (2) review financial aid options, and (3) summarize the results of a survey of other states' policies on student charges in community colleges. These background papers are being issued by the Commission as a companion volume to this report.

As part of its continuing concern about Community College finance, the Commission surveyed all district and college chief executive officers in February 1983 to determine what actions they and their boards had taken in response to the cuts imposed on districts this year. The survey did not directly address student charge issues, nor is data collection and analysis complete as yet. Nevertheless, the many candid answers have been useful in preparation of this present report, and the Commission wishes to thank the presidents and chancellors who responded.

As in the two prior reports, the Commission assumes that the goals and principles of the Master Plan and the programmatic functions of the three public segments will be continued. As in Phases I and II, the Commission's fiscal assumptions are not optimistic. Spring 1983 brings signs of economic recovery, but few analysts foresee a quick, dramatic economic upturn. Unemployment in California remains at or near record levels, and the resolution of the State's deficit problem by the Governor and Legislature leaves little room to maneuver.

Three broad and difficult questions are addressed in this report: (1) What are the alternatives for maintaining access and quality in the Community Colleges? (2) Under what conditions should State policy impose statewide general charges on Community College students? (3) If charges are imposed, what structures and levels of charges and financial aid should be adopted? The answers to these questions are of vital and immediate concern to the 70 districts, 106 colleges, and 1.4 million students that make up the California Community Colleges. Less directly, the answers will have a continuing and substantial impact on the other two public segments and on the independent sector of California higher education as well.

PART ONE

THE OPEN DOOR: STATE STRATEGIES AND COMMUNITY COLLEGE FUNCTIONS

California's Community Colleges are in trouble. Immediate State budgetary issues must be resolved within the next three months. Access and quality, as these are evidenced by enrollments and programs of the past several years, are in grave danger according to those closest to Community College operations. The comments of two presidents echo those of the great majority who responded to the Commission's recent survey:

> We have cut our administrative and overhead costs to the point at which it is difficult to support and supervise our own programs . . . . We've frozen all hiring . . . . We have waiting lists in many of our courses--English, math, science, accounting, data processing . . . literally thousands of students are unable to get in the classes they need.

> We are coping with the present reductions by deferring, or canceling, projected increases in program offerings; by a moratorium on equipment replacement; by further energy reductions (51 percent at this time); by deferring personnel replacement; by employing part-time teaching staff; by reducing service to students; and, by deferring needed maintenance.

The problems of the colleges are real, serious, and urgent. There is no lack of proposed solutions, and the major proposals are described and assessed in Parts Two and Three of this report. But the need for a 1983-84 budgetary solution must be balanced against the long-term needs of students for postsecondary education, and short-term decisions must be informed by California's continuing commitment to postsecondary educational opportunity for all residents and by the broad range of strategies and Community College functions that support this commitment.

STRATEGIES AND FUNCTIONS

Under the Master Plan, three basic policies have enabled California to approach, if not entirely realize, its goals:

1. Many Institutions. Colleges and universities have been built throughout the State so that they are reasonably convenient to all the State's citizens. In particular, Community Colleges are found within commuting distance of virtually every California resident who wishes to attend. Three thousand off-campus centers, spread across the State, bring the classroom to the student.

2. Low Charges. Mandatory charges for attending California's four-year colleges and universities remained nominal for many years. Only recently

have these charges increased in the University and State University so that students are required to share in the cost of their education to the same extent as in other states. In the Community Colleges, education free of general charges for residents remains State policy.

3. Differential Admissions. The University and State University are among the most highly selective public four-year institutions in the country. For the two-thirds of California's high school graduates who are not eligible to attend them upon graduation from high school, the Community Colleges provide an opportunity to transfer to them after two years of successful lower division work.

Within this broad commitment, the Community Colleges have a critical, difficult, and unique role. The major functions of the University and the State University--to provide traditional academic work for students who aspire to a baccalaureate degree--are well understood. On the other hand, the Community Colleges offer programs and courses to an enormously diverse group of students who pursue almost countless objectives. For these students, the Community Colleges perform many functions. For purposes of this report, the Commission identifies four functions, warning that individual students may be served by one, two, or even more of these at the same time and over time.

- Traditional academic education is the first function. Some students seek only two years of general education for an associate degree. Others intend to transfer to the University, the State University, or a private four-year institution for a baccalaureate degree. This function of providing college freshman and sophomore instruction is, of course, one which the Community Colleges share with the two four-year segments.

- A second and reasonably well-defined function is occupational preparation. The Community Colleges offer vocational and technical training courses and programs that are directly relevant to the employment demands of the locality. Training for entry-level work is being increasingly supplemented by retraining as new technology changes the needs of the marketplace. This function is not without ambiguity, for purely personal enrichment rather than immediate employment considerations may be the objective of some students pursuing occupational training.

- Remedial education is a third function, one that is less well defined than the preceding two and often controversial. Few doubt the need to compensate for student deficiencies, and most agree with the Commission that the Community Colleges should have the leading role for this compensation. There is less agreement, however, on what constitutes remedial education where specific subject matter areas and levels are concerned, for the Community College role has expanded to include correcting not only minor education deficiencies but major ones as well. In several districts, "adult basic education"--reading and mathematics below the twelfth grade level--is offered by the colleges for credit toward a high school diploma. The line between where adult basic education ends and remedial education begins is not a certain one. In addition, there are questions about granting degree credit for remedial work and also about the effects, both immediate and long-term, of remedial courses and services on the student. Few issues are more complex than remedial education in the Community Colleges.

- A fourth function is equally difficult to describe and equally controversial. Over the past two decades, the Community Colleges have been given--or have assumed--responsibility for functions beyond the traditional ones of academic and vocational education. This responsibility has been translated into continuing education which falls into the credit mode or community services which includes noncredit courses and activities. There is some confusion about which courses and programs in these two categories constitute "personal interest," "special interest," or "personal development" education which is offered for primarily personal, rather than public, benefit. Within this same function, the Community Colleges also provide lectures, concerts, art exhibits, and forums for the communities they serve.

Any attempt to relate particular Community College courses and programs to these functions with precision is complicated by pervasive questions of financial support. Should students pay for certain courses or programs? Who should pay? How much? For what? No taxonomy of functions can resolve these funding questions, but the Commission believes that these four functions must be considered along with State goals in determining the structure and level of student charges, if new charges are imposed.

GOALS AND PRINCIPLES

In analyzing the relation of Community College charges to access, the Commission has been guided by the State's commitment to access and its other major goals for public higher education. As defined by the Commission (1982, p. 4) these are:

> Access: Sufficient institutions, faculty, and programs to allow every qualified California resident to participate in the type of undergraduate education beyond high school for which he or she is qualified, without restrictions because of sex, ethnicity, socioeconomic level, or cultural background.
>
> Excellence: Institutions and programs that provide instruction, research, and public service for California and its residents that are commensurate with the needs for the people of the State and are at least equal to or better than those provided by any other state.
>
> Responsibility: Fiscal and programmatic management that encourages individual, institutional, segmental, and State accountability and initiative in order to facilitate access and promote excellence.

From these three goals, the Commission derived eleven general principles or guidelines for use in Phases I and II, of which the sixth is specifically limited to the Community Colleges (1982a, pp. 11-12; 1982b, pp. 9-10):

1. The State's and the students' shares in the cost of providing postsecondary education should be explicitly identified.

2. The State should bear the primary responsibility for the cost of providing postsecondary education, and student charges should remain as low as possible.

3. The State should assure that financial assistance is available for eligible students with demonstrated financial need. When student charges in public postsecondary education are raised, sufficient student financial aid must be provided to permit attendance of students who cannot afford the increase.

4. Student charge and financial aid policies should permit students to choose public educational institutions most appropriate to their abilities and goals. Price should not become the decisive factor in students' choices among public colleges and universities. The State should continue to support student financial aid policies which provide access to and reasonable choice among many types of postsecondary institutions, including public and independent, for qualified students with demonstrated need.

5. State policy should provide an equitable and consistent procedure for establishing and adjusting student charges. Such policy should take into account the relationship among levels of charges in the three public segments and the influence of those levels on student enrollment patterns. It should also assure that increases are gradual and moderate, and predictable within reasonable ranges, in order to avoid disrupting ongoing institutional programs and student expectations.

6. The State should adopt policies providing for greater consistency in the public subsidy for Community College course offerings and restrict priority for State subsidy to those courses that offer clear public benefits in addition to individual benefits. No general charges should be implemented for the Community Colleges until the effects of these policies are known.

7. The State should assure stable, continuing funding of State-based and institution-based student financial aid programs.

8. Subject to explicit State policy ceilings, as students undertake advanced postsecondary study, they should be expected to make greater financial contributions for that opportunity.

9. Student charge policies should be as fair and equitable as possible.

10. Decisions to increase or decrease enrollments in particular fields should be implemented through State and segmental academic planning and budgeting decisions, rather than by increases or reductions in student charges.

11. State policy on use of student charge revenues should not restrict the ability of the segments to preserve access and quality.

Regarding the sixth principle, a general charge was not imposed on Community College students in 1982-83, and the State has moved toward development of "policies for greater consistency in the public subsidy" for Community Colleges. The Commission reaffirms the continuing applicability of this and the other principles to the Community Colleges and the other ten principles to the University and State University.

Although these State goals and Commission principles can help resolve Community College student charge issues, they are not sufficiently specific for analysis of the unique problems of these institutions. Specific guidance is needed, for example, about the role of local governing boards if a mandatory charge is imposed and about the uses of revenues from such a charge. For resolution of these and related questions, the Commission states six additional principles:

12. Any new general student charge or new financial aid structure should be accompanied by plans and procedures to evaluate its impact on access and quality.

13. Use of revenues from a general student charge in the Community Colleges should be consistent with local district governing board authority and responsibility.

14. Revenues from a general student charge in the Community Colleges should be considered part of the overall support for college operations.

15. Students' share of the cost of their State-supported education should not be affected by where within California they reside.

16. A general charge should be imposed on Community College students only if the revenues from such a charge, when combined with other revenues, would preserve the ability of the Community Colleges to maintain access and quality.

17. Students in similar circumstances throughout California's public segments should be treated similarly by State financial assistance policies regardless of the segment which they attend, and the State should use a common methodology to assure equitable treatment.

The fundamental State strategy for access under the 1960 Master Plan; its three major State goals of access, excellence, and responsibility; and these 17 principles are the context for the Commission's consideration of the immediate and substantive issues in the rest of this report. Whether or not a general charge should be imposed on Community College students is an urgent, short-term question, but it is one that must be answered within this broad, long-term context.

PART TWO

A PRECARIOUS BALANCE: ACCESS, QUALITY, AND FINANCIAL SUPPORT

In its Phase I report, the Commission recommended that the Board of Governors prepare a contingency plan for implementing student charges in the Community Colleges and posed three specific conditions of Community College financial support that would, in its opinion, justify legislative implementation of such a plan (1982a, p. 21):

> The contingency plan for a statewide fee policy . . . should be implemented in 1983-84 or thereafter only if the State is unable (a) to replace one-time revenues used in 1982-83 or thereafter to offset budget reductions for the Community Colleges, (b) to maintain existing levels of revenue per ADA in constant dollars, or (c) to fund reasonable enrollment growth in courses or programs that have State priority.

This year, the Governor's Budget and the projected State deficit indicate that all three of these conditions are likely to be met in 1983-84. Nonetheless, to impose a general student charge in the Community Colleges would be a fundamental departure from historic State policy. As such, consideration of such a charge must be broader than an assessment of fiscal conditions. It requires (1) an understanding of the adverse implications for access and quality of insufficient resources; (2) an assessment of all reasonable alternatives to the imposition of a charge; and (3) a finding that a charge would be the least damaging of all available options. Part Two addresses these requirements in terms of three questions:

- Why is legislative action required to preserve access, quality, and financial support for the colleges?
- What framework should the Legislature use for assessing these options?
- What are the legislative options for providing adequate support for Community College operations?

STATE FISCAL STRINGENCY REQUIRES NEW POLICIES TO PROTECT ACCESS AND QUALITY IN THE COMMUNITY COLLEGES

During the past year, as the Commission has reviewed the impact of student charges on access and quality in California public higher education, it has recognized that in periods of fiscal stringency, tradeoffs must be made. It noted in its Phase I report (1982a, p. 6):

> California has been generally successful in maintaining its balanced commitment to access and quality, but it is on the verge of abandoning that commitment as State revenues decline. The central financial problem for the State, the segments, and the Commission is

how to maintain access and quality when major savings are required and as competing, legitimate demands on State revenues are asserted. Past tradeoffs have maintained high levels of access and quality. Cumulative budget reductions have been almost completely absorbed by reducing administrative support, delaying maintenance, and taking other actions that would both leave instructional programs intact and allow admission of all qualified students. Some further economies in administration may be possible. But the Commission is convinced that such savings will not be of sufficient magnitude to avoid encroachment on access or quality or both, if, as seems clear, State revenues will not be available to continue historic levels of college and university expenditures.

In assessing the impact of recent budget limitations, the Commission finds compelling evidence that the existing and projected levels of State and local property tax support for the Community Colleges are inadequate to maintain access for its citizens to high quality institutions. Adequate support for college operations must be provided unless California is to withdraw from this historic and essential commitment.

RECOMMENDATION 1. The State should provide for sufficient resources to the Community Colleges to prevent the erosion of access and quality in a time of fiscal stringency. Additional support from traditional sources would best serve this goal.

Diminished Support for Community College Operations

Over the past ten years, State and local support for each full-time Community College student has more than doubled--from $926 in 1972-73 to $1,944 in 1982-83 (see Appendix C for detailed information). Inflation, however, has completely erased this increase in revenues: In constant dollars, support per student has decreased from $926 to $920 during the decade. This modest constant dollar decrease, however, presents an illusory picture of stability. In fact, the decade has been one of unprecedented change and turmoil in Community College finance with the first five years bringing relative prosperity and the final five years continuing deterioration of resources.

- In the early 1970s, State and local support per student increased in constant dollars from a base of $926 in 1972-73 to a peak of $1,156 in 1977-78.

- In 1978, Proposition 13 limited local district ability to adjust general purpose and permissive tax rates to meet overall district budget needs. Subsequent legislation replaced lost local property tax revenues with funds from the State's budget surplus. The State-level allocation of local property tax revenues has, in essence, made the California Community Colleges a State-funded system.

- In 1978-79, a 7 percent reduction in Community College operating budgets brought about dramatic reductions in college enrollment.

- In 1980-81, Community College enrollment increases resulted in a statewide funding deficit of nearly $50 million, resulting in a 1 percent general budget reduction and only partial funding for enrollment growth.

- In 1982-83, Community Colleges received no funding increases to cover the necessary costs of inflation. State-supported Community College enrollment levels were reduced by 3 percent from 1981-82 levels to implement a $30 million budget reduction.

- This year, large numbers of Community College students are not funded under current levels of support. Estimates for 1982-83 indicate about 19,000 unfunded full-time students statewide. To fully fund such enrollment levels would require nearly $25 million in additional support.

- For 1983-84, the Governor's Budget proposes no adjustments for Community College inflation or enrollment, and replaces $109 million in State General Fund support with the imposition of a $100 general student charge.

Over the past five years, State and local tax support per Community College student has declined in constant dollar terms by more than 20 percent. Further, the purchasing power of revenues for college operations has declined substantially (about 10 percent) during the past two years, even though State-supported Community College enrollment has been limited.

Local Community College districts have responded to this deterioration in support for college operations in a variety of ways, including:

- increasing permissive student fees;

- using district reserve funds for the support of current operations;

- reducing or eliminating increases for faculty and staff compensation;

- laying off staff or leaving vacant positions unfilled;

- increasing class size by eliminating courses with low enrollments (such as second-year transfer courses in specialized fields) and not providing additional course sections when classes are filled; and

- deferring scheduled expenditures for maintenance, equipment replacement, library acquisitions, and capital outlay.

While these practices have been necessary as single-year responses to budget limitations, their cumulative impact year after year undermines the foundations of a solid instructional program. Colleges cannot always be required to become "more efficient" (for example, by increasing class size and instructional loads, deferring salary increases, or reducing administrative, maintenance, and equipment expenditures) without seriously jeopardizing the quality of the institution.

Restrictions on Access

Because of recent budget limitations, districts have been forced during the current year to restrict access to colleges. Reductions in course offerings of more than 10 percent from the previous year have occurred in over one-fourth of the colleges. One-half of the colleges have reduced course offerings by more than 5 percent from the prior year.

Limits on district enrollment have precluded districts from responding to business and labor requests for new or expanded programs. As one district superintendent indicates:

> Our growth areas are electronics, data processing, health occupations, and business, all leading to immediate employment. Under a no-growth policy of funding, we cannot begin to meet local needs in these areas and mathematics. (We grew 29% in these areas from Fall 1982, to Fall 1983, and are now proud possessors of about 1,200 <u>unfunded</u> <u>ADA</u>.)
>
> The frustrating part is the realization of what we can, and should, be doing to serve our students, our service area residents, business and industry, only to come up against fiscal restraints which preclude that service.

The number of course reductions in individual districts continues to increase. Waiting lists for enrollment in high-demand programs continue to grow. Sections of courses are not added during registration periods to respond to student demand, resulting in "first come first served" enrollment limitations. The exact magnitude of the unmet demand for Community College offerings cannot be determined, yet the evidence is clear that current budget restrictions have closed the "open door" to Community Colleges for tens of thousands of California's citizens.

Impact on Quality

The negative impact on quality of current and projected budget limitations, although impossible to define quantitatively, has been substantial. The Commission stated in its Phase I report that:

> Strategies for assuring quality have long been equally important legislative concerns. High quality in education may be difficult to define with precision, but it is seldom found among crowded classrooms, overworked faculty, inadequate library holdings, and outdated facilities--the inevitable result of cumulative reductions in support for instruction. The Legislature can do little directly to assure effective classroom instruction and rigorous and imaginative research, but it can help assure conditions under which faculty, administrators, and students can achieve quality by such means as (1) fully funding the costs of instructional programs; (2) maintaining reasonable student-faculty ratios; (3) providing stable and predictable constant-dollar funding for enrollments for each of the segments; and (4) maintaining faculty salaries at competitive levels (1982a, p. 6).

Clearly, the level of support for Community College operations in the current year and the proposed budget year do not meet these criteria. More specifically, the Commission's recent survey shows that these budget limitations have resulted in backlogs in deferred maintenance, increased average class size, and reduced or postponed staff salary adjustments. This year, two-thirds of the colleges laid off part-time faculty and one-fourth laid off full-time faculty. In addition, 75 percent of the colleges indicated that faculty replacements were not sought for normal attrition. Scheduled expenditures for library acquisitions were deferred in 61 percent of the colleges reporting. Reductions in student support services staff were reported by 46 percent of the colleges.

Some districts have cut expenditures for supplies necessary to operate instructional equipment or to perform laboratory experiments. Others have eliminated courses with low enrollments, including second-year transfer courses. Other districts are planning to eliminate high-cost programs because funding limitations preclude the purchase of up-to-date equipment and instructional materials. Even where these programs are being retained, many districts observed that students and faculty were "making do" with obsolete or malfunctioning equipment in new technology fields because of limited resources for equipment replacement. All of these actions have serious implications for educational quality and ultimately for the employability of students trained in these Community College programs.

The Commission is convinced that the recent levels of support for Community College operations have diminished both access and quality in the colleges, and that adequate levels of support are essential to the preservation of the quality of these institutions as State educational resources. The Commission believes that stability must be provided in the level and structure of Community College finance. The Commission's statement of principles concerning Community College finance (see Appendix D) recommends policies to achieve these objectives.

IN THE ABSENCE OF OTHER REVENUES, A GENERAL STUDENT CHARGE SHOULD BE IMPOSED TO MAINTAIN ACCESS AND QUALITY

A number of options are available to resolve the crisis of maintaining access and quality in the Community Colleges. Given the variety of these options, an overall structure is needed to evaluate the potential impact on college operations. The assessment of individual or combinations of options should include at least the following four components:

- First, an assessment of the effect on the level and characteristics of student enrollment in the Community Colleges. For example, what would be the overall magnitude of enrollment gains and losses of each option? How would these changes differ among certain groups, such as by income level, credit load, or other student characteristics? How would these enrollment changes relate to State and local educational priorities and to enrollment patterns in other segments?

- Second, an assessment of how these enrollment effects could be modified by the provision of student financial aid. For example, does the proposal provide student financial aid? If so, what groups are targeted for aid? What award structures and delivery mechanisms are proposed? What would be the cost of providing aid, in terms both of added program and administrative costs? How effective would the financial aid proposal be in maintaining access for those who would otherwise leave?

- Third, an assessment of how the levels and uses of revenue relate to overall Community College funding mechanisms. For instance, does the alternative provide adequate funding to meet increased costs for inflation and enrollment demand? If not, what would be its likely effects on access and quality? What are the likely consequences of the option on districts in different fiscal condition and serving different clientele?

- Fourth, an assessment of how each option relates to governance and management of the Community Colleges. What role, for example, would it assign to the Legislature and Governor, the Board of Governors, and local district boards in the determination of (1) the level and structure for student charges, (2) student financial aid, (3) overall revenue levels, (4) allocation of resources, and (5) educational priorities?

The Commission's conclusion is based on its application of these four considerations to eleven options:

> RECOMMENDATION 2. <u>If the choice facing the State is one of severely curtailing Community College enrollments, further reducing levels of support and thereby inhibiting the ability of the State and colleges to provide the conditions under which access and quality can be fostered, or imposing a general student charge, then a modest charge should be imposed and the State should provide sufficient financial aid to offset the impact of the charge on students with demonstrated financial need.</u>

The eleven options that the Commission has examined may be described in two general categories: (1) those that reduce expenditures for Community College operations, and (2) those that increase support for those operations.

Reduce Expenditures

Three major strategies for reducing expenditures are examined in this section: (1) limit State-supported enrollment; (2) fund only high priority programs; and (3) limit State General Fund support.

<u>Limit State-Supported Enrollment</u>: The State could limit the support for Community Colleges by placing a "cap" or ceiling on State-supported enrollment. Under this option, districts would be allowed to determine which courses or course sections to limit. This policy was used in 1975-76 when a 5 percent limit on growth was imposed. More recently, such limits have been much more restrictive. AB 1369 (1981) provided that, within an overall 2.5 percent growth rate statewide, the Chancellor should allocate to each district

a target enrollment, up to which the State would provide funding. For 1981-82, district growth beyond this specified limit equaled about 29,000 full-time students. For 1982-83, State-supported enrollment was reduced 3.2 percent as a result of the $30 million Budget Act reduction, and growth beyond this base level was supported only in designated high technology fields. Because of the part-time nature of many Community College students, a 2 percent general budget reduction in the Community Colleges would require an enrollment decrease of 5 to 6 percent, or more than 70,000 students based on current enrollment levels. In the absence of sufficient revenues the State could allow districts to reduce enrollment to levels where their revenues per student remained the same in constant dollars as for the previous year. For example, assuming a 5 percent inflation rate, districts could be authorized to reduce enrollment by over 10 percent to retain constant dollar rates per student--but reductions of this size likely would result in enrollment losses of more than 130,000 students systemwide.

Fund Only High Priority Programs: Similar limitations on enrollment could be accomplished by the State's identifying program priorities for funding such as in the Board of Governors' action concerning this year's $30 million budget reduction. With limited State support, courses could be moved from State-support to community services on a self-support basis. The ability of districts to pursue this alternative varies with the size of the district, its geography, and the ability of its students to pay community service fees. District experiences with this year's $30 million course reclassification have varied. Students in career-oriented courses such as real estate have been more likely to pay the newly imposed charges than students in courses of more general interest. In districts with large proportions of low-income students the fee-supported classes often have not reached sufficient enrollment to continue the class. Small colleges in remote areas likewise have trouble establishing community service classes with adequate enrollment to make the class self-supporting.

Limit State General Fund Support: As a third option, the Legislature could freeze or reduce the amount of State General Fund support for college operations. Such across-the-board budget limitations or reductions inevitably would result in a variety of responses by local districts, depending on their clientele, fiscal condition, and leadership. As noted earlier, these limitations seriously erode districts' ability to maintain access and quality in their institutions. For the short term, districts that have accumulated large levels of reserve funds are able to maintain levels of programs and services by spending these reserves. Districts without this capacity have attempted to maintain levels of instruction at the cost of deferring scheduled expenditures for salary increases, equipment replacement, library acquisitions, maintenance, or capital outlay.

The ability of local districts to continue such stop-gap measures into the coming budget year varies among the 70 districts. Evidence suggests, however, that many districts are now at the point of having to lay off instruction and support staff in order to meet budget constraints. For example, more than half of the colleges responding to the Commission's recent survey reported larger cuts in the instructional program for the winter and spring terms than had occurred in the fall. Nearly one-fifth reduced their winter and spring instructional offerings by more than 10 percent beyond fall term levels.

This year, two-thirds of the colleges responding to the Commission survey laid off part-time faculty as a result of budget limitations. One-fourth of these colleges laid off full-time faculty. Another year of across-the-board cuts likely will increase the number of such staff reductions.

If districts' general budgets are limited by the lack of funding for inflation or enrollment growth, the loss of purchasing power will require further reductions in support and instructional staff. Such reductions have been evident this year in several of the most financially troubled districts. One urban college was forced to reduce its instructional offerings by 42 percent, resulting in substantial losses of revenue, layoff of 125 part-time faculty, substantial increases in average class size and enrollment losses of over 1,000 students. A rural college reduced its instructional program by 10 percent in order to keep the institution financially solvent, but this reduction in enrollment resulted in the loss of an additional $102,700 in revenues, or a further 3.3 percent reduction of the district's base budget.

All colleges are not yet in such difficult financial circumstances as these two examples. The number of colleges with depleted reserves and pressing needs for maintenance and equipment replacement, however, is growing. If the Legislature institutes further general budget limitations next year, it should do so with the clear recognition that in a number of districts such limitations will mean substantial reductions in the instructional program.

Increase Support

At least eight possibilities exist for the Community Colleges to secure additional support.

Increase Revenues from Existing Taxes: The possibility of strong general economic recovery may provide additional State tax or local property tax revenues. The Governor's Budget, however, is already quite optimistic in its projections of anticipated State tax revenues. The likelihood of substantial amounts of revenue above the levels it anticipates is slight.

Vote New Taxes: Second, new State taxes could be enacted to generate additional revenue. This revenue could be restricted for support of the Community Colleges or higher education generally, or it could be made available generally for all State General Fund expenditures. If the new revenues are unrestricted, Community Colleges would have to compete with other agencies and programs for funds.

Allocate More General Fund Support to the Community Colleges: Third, the Community Colleges could receive a larger share of State General Fund resources than in past years or as proposed in the Governor's Budget. Even without additional State General Funds being available, the Legislature could determine that funding for inflation and growth in the Community Colleges was more important than maintaining proposed funding levels for some other program. Nonetheless, the size of the gap between the Governor's Budget proposal for 1983-84 and funding full inflation and growth with no student charges makes such legislative action difficult. The Governor's Budget sets aside only $150 million for such legislative discretion and contingencies.

Use Existing District Reserves: Fourth, the Legislature could require the use of available district reserves as a one-time offset to State General Fund support. Such a policy was enacted in SB 161 (1978) which provided "bail-out" funding in the fiscal year immediately after Proposition 13 was approved. Pursuing such a policy has several drawbacks:

- District reserves are not a renewable source of revenue. As such, their use as a source of support for current operations must be considered only a temporary stop-gap component of a financial package.

- During recent years, local boards have used district reserves for the support of current operations. Although edited data on reserve levels for the 1981-82 fiscal year are not yet available from the Chancellor's Office, 87 percent of the colleges surveyed by the Commission report utilizing reserve funds for college operations in 1982-83. Thus, available reserves have already been reduced.

- Identification of reserves that are legally available as offsets to State General Fund support presents a third major difficulty in using district reserves.

Increase Permissive Fees: Fifth, existing permissive student fees could be increased. If State and local tax support is insufficient, local districts have limited discretion in raising needed revenue. Local boards are authorized to levy 19 existing permissive fees for specified purposes. During the current year, districts' revenues from these fees increased substantially. A number of districts levied parking or health services fees for the first time. Other types of fees, such as course material fees, also have increased in most districts. Use of student permissive fee revenue, however, is restricted to the purposes for which the fee is levied. The ability of districts to utilize existing permissive fees to offset significant revenue shortfalls is extremely limited.

Seek Alternative Local Taxes: Sixth, local boards could propose alternative taxes (such as local sales and income taxes) for support of college operations. At least two legal problems complicate the ability of districts to implement local taxes. First, new local taxes require legislative authorization. Second, recent court decisions are unclear about the size of the majority vote (simple majority or two-thirds) needed to implement a new local tax. These issues are only now being examined by local entities. In addition, the time necessary for preparing a ballot measure precludes this option from being generally available to districts for 1983-84 funding. While the long-term implications of such local taxing authority may be significant, the current and budget-year fiscal realities are of more pressing concern to the State and local boards.

Seek Increased Private Support: Seventh, local boards can follow the lead of other public and independent institutions in increasing fund raising from private sources--among them, alumni, business and industry, local and regional philanthropic foundations, and public-spirited citizens. In particular, employers of college graduates can be asked to help underwrite programs of special interest to them. Such fund raising, however, will take time to develop, may be restricted to specific uses, and, for public institutions, cannot be expected to cover more than a fraction of operating budgets.

Impose a General Student Charge and Provide Financial Aid: Finally, the Legislature could impose a general student charge in the Community Colleges, provide sufficient financial aid to offset the adverse impact of the new charge on low-income students, and utilize the added revenues from the student charge to support some portion of overall Community College operations. The provision of new State-supported financial aid is essential if any new student charge is not to have a serious impact on low-income students. The use of student charges revenue to improve overall Community College financial support, rather than strictly as an offset to State General Fund support, would provide some protection against further deterioration of the colleges' ability to maintain access to quality education courses and programs.

Establishing any general student charge in the Community Colleges would result in students leaving the system. The magnitude and characteristics of such enrollment losses depend on the level and structure of the student charge and the provision of adequate student financial aid. Appendix E summarizes the revenue and enrollment consequences, both with and without additional financial aid, for a range of student charges.

Student Charges and Financial Aid: A Reluctant Choice

The Commission has assessed the major options for maintaining expected standards of effective instruction and open enrollment. It would probably not recommend any of these options in times of economic plenty. These are not such times. Moreover, some options are less desirable and some less feasible than others:

- Several options probably cannot be implemented for the coming year. A general economic recovery, if it comes, would be too late. So would newly imposed local taxes.

- Other options would not produce enough money to make any difference. Permissive student fees fall into this category along with use of district reserves and possible private support.

- Some options do not provide a statewide solution: new local taxes or permissive fees, for example.

- Three options would disrupt State and student expectations of the Community Colleges. Reducing enrollments, terminating programs, or doing both by an across-the-board cut would leave the colleges with fewer students and fewer offerings.

- The three options that contemplate reduced support for enrollments, programs, or both, would almost certainly dilute effective instruction by overcrowding classrooms, dropping essential but costly programs, or by eliminating vital student services.

- One option is particularly within legislative discretion--giving higher priority to Community College funding than to other programs.

The Commission's goal is to preserve access and quality in the Community Colleges. Additional support from traditional sources would best serve that goal. During times of State fiscal stringency, however, such support is uncertain. If additional support from other sources cannot be found, the Commission believes that revenues from a general student charge can halt deterioration of access and quality. A general student charge is an option that could be adopted in time to assist the colleges in 1983-84. New charges would cause reduced enrollments, but the provision of student financial aid would eliminate much of the adverse impact of the new charge on access. Community College operations would not be disrupted, and local boards would retain their responsibility for meeting community needs. The questions faced by the Commission are those that the Governor and Legislature must answer in the 1983-84 budgetary process. The decisions are not easy.

The Commission emphasizes that the imposition of a general student charge is only one among many options available to the State. It also emphasizes that these options are not mutually exclusive. For example, the imposition of a general charge could be coupled with the appropriation of additional State funds and encouragement of private support. But a general student charge is the option that the Commission has been asked to examine, and one that offers a possibility for maintaining programs and enrollments when State expenditures and revenues are in tenuous balance. For these reasons, the next part of this report describes the Commission's contingency plan for a general charge.

PART THREE

A CONTINGENCY PLAN FOR A STUDENT CHARGE

In its April 1982 report, the Commission recommended that the Board of Governors develop a contingency plan for implementing a statewide charge policy for Community Colleges which would "incorporate procedures (1) to implement charges that are not permissive among districts, and (2) to distribute related financial aid . . ." (1982a, p. 21). This plan was to include recommendations on:

a. the structure of charges, including differentials for part-time students and establishment and adjustment of the level of charges according to the same base and process recommended for the University and State University;

b. differential charges based on either course characteristics, or on whether students are enrolled in an educational program or taking courses on an intermittent basis;

c. the structure and funding level of student financial aid programs to offset the adverse impact of student charges and specifically to assure that at least those students who currently receive aid from need-based public assistance programs; and

d. The relationship between revenues raised by student charges and Community College financing mechanisms.

The Board's response to this charge was a brief statement (reproduced in Appendix F) which addresses the question of access from two perspectives (1982, p. 1):

> The first, a long-range policy perspective which suggests that if financial resources are insufficient to provide access to all programs for all citizens, priorities be established to guarantee access to students enrolled in a program leading to a degree or certificate or to students who have not already taken a number of college-level units. The second perspective addresses the question of access from a short-term emergency viewpoint and is intended to portray those sets of conditions which would minimize the negative impact of any fee/tuition proposal on access to community colleges in the event that the Legislature chooses to impose them in response to the fiscal crisis facing California.

The Board's statement does not respond to the specific request for a contingency plan. The first two sections of this part examine alternative student charge and financial aid structures, and describe the most appropriate structures in the event that a general charge is imposed. The third section discusses the administrative implications of implementing a general charge and expanding financial aid functions. The final section evaluates existing permissive fees in the Community Colleges and calls for basic reform.

A GENERAL STUDENT CHARGE SHOULD BE MANDATORY AND UNIFORM; IT SHOULD RECOGNIZE PART-TIME STATUS AND STATUTORY NONCREDIT EXEMPTIONS; AND THE USE OF REVENUES SHOULD BE UNRESTRICTED

Two questions are central to a student charges contingency plan: Who should be charged? How should the charge be structured?

Who Should be Charged?

Historically, regularly enrolled resident students in the California Community Colleges have been charged neither tuition nor a general fee. All students in the State's other postsecondary institutions pay a general fee, but the diversity of students served by the Community Colleges and the wide range of Community College academic, occupational, remedial, community education, and avocational functions necessitates an adaptation of this policy for these institutions.

RECOMMENDATION 3. If a general student charge is instituted in the Community Colleges, it should be mandatory for all students except those enrolled in State-supported noncredit courses.

3.1 Students enrolled in State-supported noncredit courses in citizenship, English as a second language, adult basic education courses through the eighth grade level, and those needed to complete a high school education taken by students without a high school diploma should be exempt from charges for such courses.

3.2 District governing boards' authority to charge students enrolled in other State-supported noncredit courses should be limited to an amount sufficient to fund the difference between the costs of providing such courses and the amount of general apportionment support received for such courses, as in the K-12 adult schools.

If the decision is made to impose a general student charge in the Community Colleges, the charge should be levied on all regularly enrolled students in a manner similar to the mandatory student charges in the public four-year segments. At the same time, students enrolled in certain categories of noncredit courses offered in some college districts by mutual agreement with local school districts should be exempt from any charge on the grounds of equity. These categories include State-supported noncredit courses in citizenship, English as a second language (ESL), and adult basic education--both courses through the eighth grade level and those needed to complete a high school education taken by students without a high school diploma. Furthermore, students enrolled in the other categories of State-supported noncredit courses--programs for older adults, health and safety, parenting, short-term vocational training, home economics, and classes for handicapped students--should be exempt from the statewide general charge, if any. The exempt categories for Community College students are based on existing statutory exemptions for adults in the public schools, and not on perceptions of State or social priorities.

The four State-supported noncredit course areas identified in Recommendation 3.1 are those which the Education Code currently exempts from fees in the K-12 adult schools. Equity demands a consistent policy on student charges for such courses regardless of whether they are offered by adult schools or Community Colleges. If Community College students in these noncredit courses were subject to a general charge, they would be subject to an inequitable fee policy based on accidents of geography and jurisdiction.

Existing Education Code provisions allow local school districts to charge students enrolled in adult education courses outside of the four exempted areas identified in Recommendation 3.1 amounts sufficient to cover the difference between local districts costs in providing the courses and State support received for these courses. Recommendation 3.2 would apply the same limitation on Community College districts' ability to charge for State-supported noncredit courses not exempted from charges by Recommendation 3.1. Recommendation 3.2 assumes that State support of noncredit courses in the Community Colleges will be maintained at at least current levels.

Neither the Board of Governors' contingency fee statement nor the Governor's Budget fee proposal for the Community Colleges provide any exemptions from a statewide general charge. The Legislative Analyst proposed that all students enrolled in Community College noncredit courses be exempt from any kind of charge. Either proposal would create inequities between students taking similar adult education courses in K-12 adult schools and Community Colleges. The former proposal would charge students taking courses in Community Colleges which are offered at no charge in adult schools while the latter would allow circumstances under which students taking courses in K-12 adult schools could be charged while students taking similar courses in Community Colleges would be exempt from any charge.

Recommendations 3.1 and 3.2 are intended to treat students in adult education similarly with respect to charges regardless of the jurisdiction offering the courses. Currently, two-thirds of the adult education enrollment in California are served by K-12 adult schools. Should State policies with respect to charges for those students be modified, the Commission would urge reconsideration of these recommendations for Community College noncredit courses to assure that students continue to be treated equitably.

Before reaching its recommendation on who should be subject to a general charge, the Commission considered three major options for exempting students enrolled in certain types of courses or students possessing certain characteristics. At least one of them has educational value, but none suffices as an equitable fiscal policy.

The "Matriculation" Option: This first option would charge low or no fees for Community College students who matriculate--that is, who comply with certain application, assessment, and placement procedures related to demonstrating their readiness to profit from the type and level of instruction they seek. Non-matriculated students would be permitted to enroll and would be charged fees.

Several groups currently are considering a number of possible structures and methods for a matriculation model to be used in the Community Colleges. These groups include the Statewide Academic Senate; the Learning, Assessment, Retention Consortium of the California Community Colleges; and the newly appointed Chancellor's Task Force on Quality. The efforts of these groups and local districts to identify and evaluate possible matriculation mechanisms should be supported. More complete information is necessary, however, before statewide matriculation policies could be implemented.

The Board of Governors' statement advocates making matriculation the basis for charging or exempting students if a general charge must be imposed, yet it fails to provide either a detailed plan or analytic justification for making any recommendation at this time. Furthermore, exempting matriculated students from a general charge would produce little additional revenue for the colleges, while the costs associated with implementing a matriculation model could be substantial. The matriculation concept would provide incentives for students to undergo assessment, counseling, and remediation where needed, and could offer hope for improving educational performance and reducing failure related to underpreparation. As such, it constitutes an important educational reform which could improve quality, raise academic standards, and enhance student performance.

If a matriculation policy is adopted, ~~the State~~ and the colleges eventually could consider adjusting a general charge structure to recognize a student's matriculation status. The matriculation process could offer a measure of student intent and indicate the likelihood of student enrollment for academic and vocational reasons. Furthermore, assigning enrollment priority to matriculated students and permitting non-matriculated students to enroll only on a space-available basis could provide a better means than present "first-come first-served" registration procedures when funding limits prevent enrollment of all applicants.

<u>The "70 Unit" Option</u>: The second option is the Board of Governors' proposal that a general charge apply to only those students who have already completed a specified number of semester units of postsecondary education. The concept behind the proposal is that the free public school system of kindergarten through twelfth grade should be extended to the thirteenth and fourteenth grades. While the 70-unit option and its variations have some appeal in concept, the Commission believes they are unworkable as a means of deciding who should be subject to a general student charge. The proposed option would retain free education to lower division students in only one of the State's three segments of public postsecondary education. In addition, the burden of proof in most cases would be placed on the students to be charged, with these students expected to declare that they had already earned the maximum number of fee-free units. The needs of certain groups such as unemployed but educated people who need job retraining would not be recognized. Finally, the number of people subject to charges under this option would be quite small and unless very high charges were imposed, the option would not produce significant revenues.

The "Income-Contingent" Option: The third option considered by the Commission would be to impose a general charge only on students with incomes over a certain level, exempting those having incomes below the threshold. The attraction of this proposal is that it would limit full State subsidy to those who are most in need of it, in a manner opposite to the financial aid process. However, in the course of its examinations of student aid issues, the Commission has found that income is a poor proxy for need. Financial aid procedures require students to document their income and assets only if they wish to qualify for financial aid to offset fees and other expenses. In contrast, this income-contingent proposal would require all students to undergo some type of financial analysis in order to assess charges, the burden of proof falling on those who must submit financial information to demonstrate that they should be charged. A second disadvantage is related to timing and to the necessity of having all applications for admission submitted well in advance of the opening of the term in order to assess and then collect different levels of student charges. More important, it appears that colleges enrolling a large proportion of high-income students probably would obtain a great deal more revenue from student charges than colleges with a large proportion of low-income students, an outcome that appears inconsistent with overall attempts at equalization.

How Should a General Student Charge be Structured?

The way in which a general charge is structured can have as significant an impact on access as does the level of the fee. Both structure and level affect financial aid needs as well as revenue levels, and a general student charge at any level should be structured in a way that least damages access.

RECOMMENDATION 4. If a State-imposed general student charge is instituted in the Community Colleges: (a) the charge should be mandatory in all districts and specified in statute; (b) the level of the charge should be uniform statewide; (c) the charge should contain a differential level for students taking fewer than six units per term; and (d) the revenues from this charge should be treated in the same manner as local property taxes in the apportionment process and not restricted for categorical purposes.

4.1 In the first year of implementation of a general student charge in the Community Colleges, the State should seek to limit the potential revenue losses in individual districts caused by enrollment losses that may result from the imposition of a general student charge.

Recommendation 4 is based on the belief that consistency and equity in the treatment of Community College students require that any general charge be mandatory in all districts. Permitting local districts to decide whether or not to impose a charge on their students would produce serious enrollment and funding disruptions and dislocations, particularly in heavily populated urban and suburban areas served by more than one district. Those districts with large reserves could forego imposing a fee, while other financially troubled districts would have to turn to student charges to augment inadequate budgets. Districts serving affluent students might decide to impose charges to enhance the range and quality of their educational courses and services, while districts serving low-income, educationally disadvantaged areas might be reluctant to impose charges for fear that needy students would be deprived of access to college even though the decision to forego charges might mean further deterioration in instructional quality. The possibility exists that price wars could develop among nearby districts creating an unproductive competition for students. The Commission believes that students' decisions about where to attend college should be based primarily on educational rather than narrow financial considerations.

A charge structure differentiating between enrollment of more than half-time versus less than half-time enrollment has at least three advantages over any alternative structure:

- First, because the differential would charge students taking one or two courses per term a percentage of what other students are charged, it charges the majority of Community College students less than full-time students but not necessarily less per course.

- Second, it reflects the differences in cost inherent in part-time versus full-time study but does so in a manner that (1) does not contain disincentives for taking more units or incentives for taking less, (2) does not tie charge levels too directly or specifically to unit loads, and (3) recognizes both the fixed and variable nature of educational costs in the shares students are expected to pay.

- Third, it recognizes the differences in financial aid eligibility between students taking fewer than six units per term and those taking more.

The Commission considered two major alternatives to a differentiated student charge structure and found that both had more disadvantages than advantages.

<u>The</u> "<u>Flat-Fee</u>" <u>Option</u>: A flat-fee structure would not vary a general charge by student credit load. Although obviously simple to administer, it would have a substantial adverse effect on part-time students, particularly those enrolled for a single course per term. For example, based on its simulation model for estimating the effects of changes in fees, the Commission anticipates that a flat charge of $100 per year would cause over 40 percent more Community College students to drop out or not apply than a differentiated charge of $100 and $60, even if financial aid were provided in both cases. While a flat charge structure might be appropriate at institutions serving predominantly full-time students, it thus seems ill-suited to institutions the Community Colleges where nearly eight of every ten students are enrolled part time.

<u>The</u> "<u>Per-Unit</u> <u>Fee</u>" <u>Option</u>: In constast to a flat fee, a per-unit charge structure would produce a wide and varied range of actual student charges depending on each student's particular credit load. While such a charge structure at first glance would appear to be more equitable than a flat charge, it does not recognize that educational pricing and finance involve both fixed and variable costs--that institutions incur fixed costs, no matter how many units individual students take. Furthermore, judging from the experiences of other states that use a per-unit charge, the disadvantages are significant:

- A per-unit charge contains powerful disincentives against students taking more units and can lengthen the already long time it takes students to achieve their educational objectives or earn degrees.

- In years when a per-unit charge is raised appreciably, students are likely to respond by taking fewer units. Such a response could have a major effect on overall State support levels for enrollment but would not necessarily have the same effect on headcount enrollment and the number of students requiring services. For example, when Nevada switched from a flat to a per-unit charge structure some years ago, the average credit load of students dropped a full unit the first year and has continued to decline steadily every year since then. In Florida, increases in per-unit fees at state university campuses resulted in no appreciable change in headcount enrollment but a 10 percent drop in full-time-equivalent students and a related reduction in overall state support.

- Finally, a per-unit charge structure is expensive to administer in terms of levying charges, collecting them, and providing refunds when students drop courses during any term.

Recommendation 4.1 reflects the Commission's concern about the potential differential impact of a general student charge on different districts' enrollments and revenues even with the provision of financial aid for students with demonstrated financial need. Districts with a higher than average proportion of low-income students or of students enrolled for fewer than six units per term can expect to experience greater enrollment losses than districts with more affluent students or with greater proportions of their students enrolled full time. Serious disruptions could occur in some districts, and these would be further compounded if their state funding were reduced the first year for enrollment losses directly tied to the imposition of charges should those losses exceed a specified threshold. To avoid such problems in the first year, the Commission suggests this hold-harmless provision.

Recommendation 4 is consistent with the recommendation in the Commission's Phase II report that the governing boards of the public four-year segments be permitted to maintain standards of quality and access through the use of revenues from student charges and that general student charge revenues should, in part, supplement other resources in funding those institutional functions that are essential to maintaining these standards (1982b, p. 17). Moreover, this recommendation not only reaffirms the view that local or segmental governing boards are in the best position to determine how to meet their high priority needs, it is consistent with present practice regarding the use of other Community College revenues, in that the use of State apportionment and local property tax revenues is subject to local board decisions about district and college priorities and needs.

THE STATE SHOULD EVALUATE THE IMPACT OF A GENERAL STUDENT CHARGE

In the two earlier phases of its ACR 81 study as well as the present one, the Commission has examined policy options for determining the appropriate level of student charges and the means for adjusting those levels from year to year. The imposition of a charge for the first time in the Community Colleges would be fundamentally different from raising charges in institutions where they have been commonplace for years. Consequently, the process of setting the level in the Community Colleges must be approached somewhat more tentatively, especially in the first year.

> RECOMMENDATION 5. If the State establishes a general student charge in the Community Colleges for 1983-84, its impact on student characteristics, enrollment patterns, financial aid needs, and revenues should be evaluated thoroughly. An initial evaluation of the first-year effects of the new charge should be completed prior to final legislative action on the 1984-85 State Budget, with a final evaluation of the first-year effects to be completed before legislative action on the 1985-86 State Budget.
>
> 5.1 This evaluation should also include an assessment of permissive charges for State-supported noncredit courses (Recommendation 3.2) and a permissive district general charge (Recommendation 7) if these new charges are authorized.

Recommendation 5 reflects the many uncertainties that accompany all efforts to predict in advance the impact of fundamental changes in State policy. The decision to impose student charges for the first time in the Community Colleges may have unanticipated consequences. The actual impact of such an historic decision should be examined carefully before such an important policy change becomes permanent.

A GENERAL CHARGE SHOULD BE SET AND ADJUSTED BY A REGULAR PROCESS

If a general charge is continued beyond the first year, equity and consistency should be established in setting and adjusting the level of the charge. Such a policy should take into account the relationship among levels of charges in the three public segments and the influence of those levels on student enrollment patterns. Increases should be gradual, moderate, and predictable within reasonable ranges to avoid disrupting ongoing institutional programs and student expectations.

> RECOMMENDATION 6. If a general student charge is continued after the first year, its level should be set and adjusted by a regular process that is consistent with the method adopted for use in the University of California and the California State University--that

is, within a specified percentage range of the average of the sum of State General Fund appropriations and property tax revenues for the previous three years for the support of full-time-equivalent students in public postsecondary education.

6.1 The total State general student charges for full-time students in the Community Colleges should be a specified percent of the base described in Recommendation 6. The percentages should be set so that the level of student charges the first year falls near the midpoint of the range.

The process of setting the level of a general student charge for the Community Colleges for the first time will be inherently arbitrary. Nevertheless, the only justification for imposing a student charge is to preserve access and quality within that segment from irreparable harm caused by inadequate funding. The level of any new charge should be moderate, but at the same time sufficient to improve the overall capacity of the Community Colleges to maintain effective instruction.

The Commission's Student Charges Model provides reasonable estimates of the effects of possible charges on enrollments and financial aid needs. Appendix E shows such estimates for hypothetical new charges in $50 increments. The Student Charges Model allows the Commission and others to test specific student charge proposals, but it does not deal with other factors that shape final legislative budgetary decisions:

- Can the State find additional resources for financing the Community Colleges?
- Can or will the State fund additional enrollment growth?
- Can or will the State recognize inflationary cost increases?

As the State Budget develops over the coming months, the Commission will review specific student charge proposals for the Governor and the Legislature.

Recommendations 6 and 6.1 extend the general policy for setting and adjusting charges in the public four-year segments to the Community Colleges. As in its first ACR 81 report, the Commission recommends that students pay charges which are set as a percent of State support per student in postsecondary education. Such a policy relates the level of student charges in each segment to the State's funding commitment. Implementation will provide procedures for adjusting student charges incrementally rather than suddenly and establish a basis for measuring differences in charges among segments. Under such a policy, increases in student charges will remain moderate enough to avoid repetition of the disruptive experiences of other states that have raised fees sharply and irregularly.

THE BOARD OF GOVERNORS SHOULD CONSIDER AND MAKE RECOMMENDATIONS ON A LOCAL DISTRICT MANDATORY CHARGE

The capacity of Community College districts to augment State support by additional revenues from other sources has eroded seriously since the passage of Proposition 13, and the ability of local governing boards to respond to unique problems and priorities has been impaired.

RECOMMENDATION 7. The Board of Governors should consider and report to the Postsecondary Education Commission by June 30, 1983, the advantages and disadvantages of authorizing local Community College districts to (a) levy a district general charge of up to 10 percent of the State general charge, and (b) utilize all revenues derived from such a charge within the district to meet local educational needs of high priority.

Allowing districts a moderate level of discretion in setting total general charge levels would probably not produce substantial interdistrict differences in resources. However, before the State authorizes some local district control over general mandatory charge levels, the effects on enrollment shifts and on existing differences in support among districts should be examined carefully. Furthermore, the Board should examine the advantages and disadvantages of this and alternative proposals to enhance district discretion in accommodating different needs, costs, and levels of service.

THE STATE SHOULD PROVIDE FINANCIAL AID TO OFFSET THE IMPACT OF A GENERAL CHARGE ON STUDENTS WITH THE GREATEST FINANCIAL NEED

The commitment of the Commission to linking financial aid to the imposition of student charges or to increases in those charges is clear and unequivocal. This commitment was expressed clearly in the Phase I report, reaffirmed in Phase II, and to avoid any ambiguity or confusion is reiterated here with reference to the Community Colleges:

RECOMMENDATION 8. If a general student charge is instituted in the Community Colleges, the State should provide financial assistance to students with demonstrated financial need whose ability to attend postsecondary education institutions would be jeopardized by the imposition of a charge or by an increase in student charges. Such assistance should be provided through programs that assure equitable treatment of students with similar resources and needs.

8.1. The State should establish and provide sufficient funding for a new segmental financial aid program to offset the amount of any general student charge for students with the fewest financial resources who do not have the increase offset by Student Aid Commission grants.

8.2 The State should provide sufficient funds to the Student Aid Commission to fund fully the increased aid costs associated with the new charge for eligible Community College grant recipients. If such funds are not provided to the Student Aid Commission, the State should appropriate additional aid to the Community Colleges to meet the increased aid needs of its eligible Cal Grant recipients.

8.3 The State should establish and provide an automatic waiver program to offset a general student charge to those students who currently receive aid from need-based public assistance programs.

8.4 The Board of Governors should develop information about the number of students enrolled for fewer than six units, their responsiveness to fee increases, the level of their financial need as assessed according to accepted needs analysis methodologies, and their educational objectives. This information should be used as a basis for developing future recommendations about whether to provide financial aid to this group of students.

8.5 The amount of financial aid to be provided by the State to offset increases in student charges for students with demonstrated financial need should be based on the Commission's Student Charges Model.

To estimate the amount of State funding required to offset the impact of a general charge for Community College students with the fewest financial resources, the State should use a method which considers (1) the amount of any proposed increase in charges, (2) the number of financial aid recipients already enrolled, (3) the number of additional students who might become eligible with new charges, (4) the amount of additional federal financial aid funds which might partially offset an increase in charges, (5) the ability of the Cal Grant programs to partially offset the higher charges for their recipients, (6) self-help expectations, and (7) whether or not additional aid will offset only increased charges, or both the increased charges and pending federal financial aid cuts.

The State's estimate of additional financial need should also consider (1) the current income distribution of students within each segment, (2) the current proportion of financial aid recipients within each segment, (3) the price responsiveness of students with different income levels, and (4) the availability of federal funds and Cal Grant funds. Additional funds from these sources, if any, should be subtracted from such estimates to ensure that there is no double counting, overawards, or major differences in the way estimates of additional aid needs are made.

Currently, each segment has its own procedures for estimating student financial aid needs. These procedures employ varying assumptions and methodologies and are useful to the segments for internal decisions. The Commission's Student Charges Model was developed to assure greater consistency and the Commission will continue to work with the segments to refine and improve it.

The link between charges and financial aid is critical to the preservation of access in California public postsecondary education. The shift from a low- or no-tuition strategy to a moderate-charge, increased-aid strategy to preserve quality and access in a period of State fiscal constraints has become commonplace throughout the country in recent years. The success of the new approach in maintaining the State's high levels of participation in postsecondary education depends primarily upon the reasonableness of the new fee levels and the provision of adequate financial aid. This will be particularly true in the case of the Community Colleges if a general charge is imposed for the first time on a system with large numbers of low-income students and low current participation levels in existing financial aid programs.

The Commission believes that the financial aid funds provided by the State should be allocated by the Community College Chancellor's Office to local districts on the basis of the current number of need-based financial aid recipients and students receiving forms of need-based public assistance. The campus financial aid offices can then determine which individuals receive the additional aid. Priority should go to those students who are already receiving need-based financial aid or those receiving aid from need-based public assistance programs. Grant amounts should be coordinated so that those receiving grants from more than one source are not overawarded. Those students already receiving need-based financial aid should probably receive their additional State grant offsetting the fee in the form of a cash award. However, those receiving public assistance should probably receive their additional aid in the form of a fee waiver which would have the same effect as a cash grant in offsetting fees without reducing their other benefits.

With the exception of those students who receive need-based public assistance benefits, the Commission's financial aid recommendations for the Community Colleges apply only to students enrolled for six units or more. Generally, the Commission has concurred with financial aid policy studies which indicate that the provision of financial aid to students enrolled for only one or two courses at a time does not constitute an effective use of limited financial aid resources. However, it is concerned about Community College students taking one or two courses at a time towards an academic, occupational or vocational objective who may have financial need but are not eligible to receive aid if their credit load is less than six units. The Board of Governors contingency fee plan assumed that financial aid would be provided to students enrolled for less than six units but provided no information about the number of such students, their responsiveness to fee increases, the level of their financial need, or their educational objectives. Without this kind of information, the Commission has no basis on which to endorse or reject the Board's recommendation for this group of students at this time. Recommendation 8.3 will offset the financial need of the poorest of these students by exempting recipients of need-based public assistance from charges. Recommendation 8.4 reflects the Commission's belief that before a policy change as fundamental as the one assumed by the Board is implemented, data documenting the extent of the problem, if any, should be provided.

THE STATE SHOULD ASSURE ADEQUATE SUPPORT FOR ADMINISTRATION OF ANY NEW STUDENT CHARGE AND FINANCIAL AID

The adoption of a general mandatory student charge accompanied by additional amounts of financial aid in the Community Colleges would have an impact on administrative workloads at each campus. Although virtually all Community Colleges have structures in place for collecting student charges and distributing financial aid, a general charge and the related student aid could increase the volume of administrative work beyond the capacity of existing staff to absorb it.

> RECOMMENDATION 9. <u>The State should assure that resources are available to fund estimated increases in administrative workload that are documented as stemming from the collection of mandatory student charges and the distribution of additional financial aid</u>.
>
> 9.1 The Board of Governors should develop administrative workload formulas which recognize staffing needs related to collection of student charges and distribution of additional financial aid. Relevent national studies as well as information from the University and State University should be considered in the development of these formulas.

The Community Colleges Board of Governors stated in its contingency fee statement that (1982, p. 9):

> Colleges currently collect a variety of fees for both instruction and ancillary services. Consequently, the added administrative costs of a uniform fee should not be significant. Added requirements would include greater security, more supervision, and additional procedures for refunds among other activities.
>
> Failure to cover these added costs would result in further deterioration in community college funding, and therefore, detract from the very purpose for which fees are being considered.

Both the Governor and Legislative Analyst recognize the additional administrative costs of fee collection and distribution of financial aid. The Governor's Budget proposes to allow the districts to retain $2.2 million of the revenues that would be raised by its student charge proposal to cover administrative costs of collecting the charge. The Analyst suggests that while he does "not believe additional funding for administrative costs would be necessary," if an allowance for administrative costs were to be provided, the districts should cover those costs from charge revenues they would be allowed to retain for their own purposes.

The Commission believes that regardless of how the funding is provided, it should be based on documentation of increased workload related directly to fee collection or aid distribution. The Board of Governors' statement is ambiguous about the significance of the additional administrative costs with respect to charge collection and provides no analytic basis for assessing the magnitude or nature of those additional costs. Without such documentation the Commission cannot recommend a particular level of support.

Although less ambiguous, the Board's statement on the need for additional administrative support for financial aid is equally lacking in any analytic basis for assessing what those additional costs might be (1982, p. 8):

> The California policy of low-cost community colleges has contributed to less emphasis on financial aid and financial aid management in these colleges than is the case in most other postsecondary education institutions . . . . Any increase in current levels of financial aid activity brought about by fees and added aid grants will require added support of college financial aid operations. Without such added support, it will not be possible to effectively identify those in need and to distribute any new aid grants.

The staff of the Chancellor's Office has recently initiated efforts to develop workload measures and staffing formulas which could serve as a basis for establishing guidelines for estimating the new administrative costs associated with the distribution of additional financial aid.

The Commission shares the Board's implicit concern that added administrative costs not be funded by shifting resources from instructional or student service functions and for that reason recommends additional resources to cover those new costs, contingent on district estimates of those costs within guidelines established by the Board of Governors. The Commission deliberately stops short of prescribing specific dollar amounts or percentages to be set aside for administrative support.

At least three concerns lead the Commission to this recommendation. First, the few districts that do not impose any of the currently authorized permissive fees tend to be large urban districts for which the start-up costs of developing adequate collection and accounting procedures could be substantial, and for which effective financial aid administration will be essential to preserve access for low-income students.

Second, as the Board of Governors observed, Community College financial aid systems developed under the assumption that the "no fee" system provided the best method of limiting the financial barriers to postsecondary education and therefore have not received emphasis in staffing and other resource support.

Third, the Community Colleges' experience with the rapid growth of federal financial aid programs in the late 1970s created two major problems with award coordination and accountability that could be repeated if new financial aid does not recognize the new administrative burdens:

- Campus financial aid offices are responsible for coordinating the financial aid awards from various sources for each financial aid recipient to assure that (1) the total aid package does not exceed financial need, (2) individual awards from various funding sources do not exceed program limits, and (3) recipients meet program eligibility requirements. An additional aid source will further complicate this complex process.

- Campus financial aid offices are responsible for documenting that the expenditure of federal aid funds meets program regulations. Presumably, receipt of State funds for student aid would require similar compliance procedures. Recently, several Community Colleges in California have had their federal student aid funds frozen as a result of federal program review findings that aid awards were not appropriately documented and that awards were made in violation of federal eligibility standards. Chancellor's Office staff attributes these compliance problems in part to sudden growth in federal financial aid dollars and the related administrative burdens which were not matched by growth in campus financial aid office resources.

THE STATE SHOULD DEVELOP CLEAR POLICY ON PERMISSIVE STUDENT FEES REGARDLESS OF WHETHER OR NOT A GENERAL CHARGE IS IMPOSED

Despite its standing as the only postsecondary education system in the nation that does not charge a general student fee, the California Community Colleges system is not fee free. Three categories of fees are charged at the Community Colleges: (1) non-resident tuition, (2) fees for community service classes and other classes not eligible for State support, and (3) user fees for ancillary student services. Generally, these fees may be characterized as discretionary, since local governing boards determine the levels of the charges in each category within statutory limits and whether or not to charge a fee at all in the latter two categories. This section describes each category of fee more fully, identifies issues raised by current practice with respect to each, and recommends reform in the third and last category.

Non-Resident Tuition

Current State policy does not require general charges of resident students in the Community Colleges, but non-resident students enrolled for more than six units are required to pay a charge equivalent to the full cost of education. This charge varies considerably from district to district, but averages $2,200 per year. (In the University and State University, non-resident tuition currently is $3,150 annually.) Given the current variation in non-resident tuition among districts ($1,170-$2,880 annually), there may be some inconsistencies between State policy and district practice with regard to non-resident tuition.

Charging non-residents higher charges is widely accepted among public postsecondary institutions nationally, as an assurance that resident taxpayers receive the benefits of the subsidy they pay. Community College policies with respect to non-resident charges are consistent with those of the other two public postsecondary segments, but inconsistencies in district practice may require further review. However, policy issues with respect to non-resident tuition are beyond the scope of this report. If changes to non-resident tuition policies or practices are contemplated, they should be considered in an intersegmental context.

Community Service Course Fees

Current State policy allows districts to charge fees sufficient to cover the cost of such courses to students enrolled in community service courses or classes not eligible for State support. This practice permits colleges to offer courses for which local demand is strong despite the unavailability of State support. Districts are not required to offer community service or extension courses, but are precluded from receiving State General Fund support for them. Charges for these courses vary from district to district and from class to class depending on the costs of the courses, and the extent to which other revenues are available.

As with non-resident tuition, the concept of charging students for community service courses or those offered without State support is consistent with practices in the University and State University and is common among postsecondary education institutions nationally. Current policy provides an appropriate mechanism by which districts can respond to local demands for such courses and activities.

User Fees for Ancillary Student Services

In addition to non-resident tuition charges and charges for community service, extension, and other classes not eligible for State apportionments, the Education Code authorizes, but does not require, Community Colleges to levy user fees or charges for 17 other services or activities. These specified activities for which the local Community College districts have the discretion to charge fees generally fall within the category of ancillary services which the 1960 Master Plan identified as appropriately supported by student fees, and are directly analogous to user fees levied in addition to general statewide mandatory charges at the University and State University.

The Education Code specifies maximum charge levels in dollars for five of these activities or services, limits charges for six others to the actual costs of materials or services, and places no limits on charges for six activities or services.

Each local district governing board determines which of these charges they will levy, and within the authorized limits, the level of the charges. The fees are discretionary and thus are charged in some districts and not in others. In addition, because they are user fees based on the cost of the service or activity and are not mandatory, their amount can vary widely in a single institution because the courses and activities of individual students vary. Although total district revenues collected from these 17 fees nearly doubled between 1976-77 and 1981-82, it is unclear what the changes in costs to individual students have been over that or any time period. It is clear that more districts have instituted certain authorized charges, and some districts have increased charges. At the same time, the burden of these charges on individual students depends on their use of services and participation in activities for which charges have been increased.

The Board of Governors of the California Community Colleges is concerned about the the increase in ancillary charges since 1978-79 and the substantial variation in fee levels among districts and recommends (1982, p. 10):

> Equity in the charging of fees for ancillary services should be sought if the Legislature imposes a general fee for education services. The most effective way to accomplish this is to mandate fees to cover costs where ancillary services are provided and to accompany these charges with financial aid for those who can't [afford to pay].

Several points of intersegmental and intrasegmental equity should be considered in light of this recommendation:

1. Community College authorized fees are very similar to user fees or charges for ancillary services at the University of California and the California State University. All University and State University students who use a specific service or activity for which user fees are levied are charged these fees in addition to their general education fees.

2. For the most part, ancillary services, materials, and activities are not used by all students to the same extent and charges for them are therefore not appropriate components of a mandatory general student fee. The Board's recommendation that fees for ancillary services be mandatory should be qualified to indicate that these fees should be mandatory for all users, not for all students. Some examples of recent abuses include:

   - one district reportedly charging all students a parking fee whether or not they use the district's parking facilities.

   - several districts reportedly charging all students at least a minimal fee for instructional materials without evidence that actual materials were distributed in all classes.

3. The Board's recommendation that fee levels should cover the cost of operation for the service or activity seems appropriate. However, a review of Education Code provisions shows that only five fees are limited to fixed maximum amounts. In all other cases, districts have at least the option of charging students the full cost of service.

4. Certain types of services or activities may be sufficiently similar across all districts to justify a uniform charge statewide. For other types of services, costs may vary considerably by district, and the fee level should reflect this difference.

5. The burden of authorized fees on Community College students who use these services in districts which levy a charge for them may have increased in recent years, and no financial assistance specifically addresses these costs. This is true also for students who use such services in the University and the State University.

6. Generally, the student budgets (allowable costs of attendance) which are used to assess financial need for student assistance purposes consider all costs related to postsecondary attendance, including: health care costs (under which a health services fee would be considered), transportation (under which parking and other transportation costs would be

considered), books and supplies (under which instructional materials costs would be considered), as well as general mandatory fees and room and board. In establishing financial need for Community College students, most of these fees would be included in their support budgets as required expenses, just as they are for students at the University and State University.

The Commission agrees that a clear State policy on permissive fees in the Community Colleges should be developed, but believes that policy should not be contingent upon the adoption of a general fee as proposed by the Board of Governors. Therefore, the Commission recommends that:

RECOMMENDATION 10. Charges for ancillary services, activities, and materials should remain user charges that reflect the actual costs of providing specific materials, services, or activities to the students who participate in or use them.

10.1 When these services, activities, or materials are made available by the campus or district, the costs of providing them should be covered by user charges.

10.2 The level of charges for each service, activity, or material should be set so that total revenue derived from the charge does not exceed the cost to the district of providing the service, activity, or material.

10.3 The Board of Governors should determine which user charges should be uniform for all districts and which should vary by district in light of differences in district costs.

10.4 The Chancellor's Office should adopt procedures to implement existing Title V regulations with respect to permissive fees which: (1) specify the instructional materials for which students may be charged, (2) establish procedures for setting the level of fees for specific materials, and (3) preclude districts from charging all students per-class or per-unit fees for materials or supplies.

The Commission is particularly concerned with the increased imposition of mandatory charges for all Community College students for instructional materials. Although the Chancellor stated in a December 1981 letter to district superintendents and presidents that "the instructional materials fee authorization . . . can only be applied to specific [tangible] materials in specific classes, and not on a blanket basis," the Commission's survey of district responses to budget constraints has identified at least 10 districts that are charging all students a flat fee for each course or unit to cover supplies relating to instructional media preparation, class handouts, and class outlines. These practices violate the Chancellor's interpretation of the letter of the law and certainly violate the spirit of the law. Furthermore, the imposition of a mandatory fee for instruction-related supplies is, in effect, a tuition. In March 1983, the Board of Governors adopted Title V regulations which included compliance with statutory provisions with respect to permissive fees among the minimum standards districts must meet in order to qualify for full State funding. The Commission believes that the Chancellor's implementation of these regulations will clarify districts' options with respect to instructional materials fees.

PART FOUR

A TIME FOR DECISION

Are revenues from a general student charge needed to prevent the closing of California's open door to postsecondary education? They may be, either alone or in conjunction with other revenues. Declining constant dollar support and problematic funding of projected inflationary and enrollment costs are fiscal indicators that require close examination of probable Community College response. In 1982-83, college leaders report rejection of applicants, termination of faculty and staff positions, reduction of course offerings, delay of scheduled maintenance, and inability to meet local training needs. If these actions continue into 1983-84, they will, the Commission concludes, deny effective instruction to many California residents.

Not all agree with this conclusion. Some believe that survival for at least one more year without additional support is possible, and, this may be true for certain districts. Others believe that breaking the long tradition of "free" education in the Community Colleges will, in and of itself, close the open door. The Commission believes otherwise. But the ultimate decision must be that of the Governor and Legislature, and the Commission asks that they:

- Recognize that the crisis facing the Community Colleges differs in kind and degree from past, annual budget "crises." The State must directly address inherently subjective and unquantifiable issues of access and quality.

- Review the evidence of the crisis in access and quality that the Commission and others present, with the understanding that the evidence will be convincing at best, never conclusive.

- Assess the options to a general charge and their implications, alone and in combination, for State and student expectations.

A general charge should be imposed if, and only if, as the Commission believes, its probable adverse effects on access and quality are less than those of other options.

Blind adherence to the symbol of free education for some students may mean rejection of others and deterioration of effective instruction. Many Community College students have the ability to share in the cost of their education. A decision to ask them to do so, if coupled with State-supported financial aid to others, can halt erosion of the foundation of California's entire postsecondary education system.

APPENDIX A

Recommendations in the Commission's Two Previous Responses to ACR 81

Pages 45-51 of this appendix list all of the recommendations in the Commission's April 1982 report, Student Charges, Student Financial Aid, and Access to Postsecondary Education, and summarize, where appropriate, the current status of these recommendations. Pages 53-57 list the recommendations in the Phase II report of December 1982.

RECOMMENDATION 1. To the extent that resources are available, and within the policies and procedures recommended in this report, the State and the segments should attempt to achieve the levels of student charges in constant dollars and the relationships of charges among the segments as these levels and differences existed in 1980-81 (page 13).

STATUS: Due to severe State budget constraints, student charges in the University and State University were increased beyond the constant-dollar levels in effect in 1980-81. Community College students continued to be exempt from any statewide mandatory fees, although many districts began charging permissive fees already authorized in statute.

RECOMMENDATION 2. If the choice facing the State is one of curtailing enrollments, inhibiting the ability of the State to provide the conditions under which quality can be fostered, or raising student charges, then charges should be raised and the State should provide sufficient financial aid to offset the increases in charges for students with demonstrated financial need (page 13).

STATUS: This Recommendation was adopted by the Legislature in Supplemental Language to the 1982-83 Budget Act.

RECOMMENDATION 3. The State should establish explicit policies for setting and adjusting student charges. Such policies should assume a continuing combination of State and student financing of public postsecondary education and should establish the basis on which adjustments in student charges will be made (page 15).

STATUS: This Recommendation was adopted by the Legislature in Supplemental Language to the 1982-83 Budget Act.

RECOMMENDATION 4. Student charges in the University and State University should be set and adjusted according to a regular process. The level of charges in each segment should be a percent of the average of the sum of State General Fund appropriations and property tax revenues for the previous three years for the support of full-time-equivalent students in public postsecondary education. Commission staff should work with segmental staffs on an ongoing basis to make refinements and modifications in the calculation of this base, as necessary.

4.1 Total student charges for full-time undergraduates in the University of California should be 40-50 percent of the base described in Recommendation 4.

4.2 Total student charges for full-time undergraduates in the State University should be 10-20 percent of the base described in Recommendation 4.

4.3 Graduate and postbaccalaureate/professional students should pay somewhat higher charges than do undergraduate students. Charge s for graduate and postbaccalaureate professional students should be fixed at between 120 and 130 percent of undergraduate charges in each segment. Student financial assistance should be provided for students whose graduate or professional education would be jeopardized by these charge levels.

4.4 To assure equitable treatment of part-time students and to recognize fixed costs associated with their enrollment, student charges for part-time students should be less than those for full-time students. The actual differential in charges should consider thresholds for financial aid eligibility, mean and median credit loads of financial aid recipients, and actual use of facilities and services by students of different credit loads (pp. 15-16).

STATUS: This Recommendation for University and State University undergraduate fee levels was adopted in Supplemental Language to the 1982-83 Budget Act.

The Recommendation regarding fee levels for postbaccalaureate students was not adopted and the Legislature requested the Commission for further study and recommendations on postbaccalaureate fee levels.

The Legislature took no action regarding fee levels for part-time students. The State University eliminated the existing differential in the Student Services Fee and included a differential for part-time students in the State University Fee.

RECOMMENDATION 5. The State should establish explicit policies to assure a combination of State and student support of Community College programs that, to the extent possible, continue existing no-charge practices for students enrolled in courses and programs that have greatest State priority.

5.1 To assure that only those programs or courses that have greatest State priority are subsidized by the State and to assure equitable support rates for similar courses in different districts, the Legislature should direct the Board of Governors to develop Title 5 regulations: (a) Identifying noncredit courses eligible for State support; (b) applying a uniform support rate of $1,100 per ADA for all courses in adult basic education, high school diploma programs, English as a second language, citizenship, and community education; and (c) determining which avocational, recreational, and personal development courses should be offered as community services classes on a self-supported basis.

5.2 To assure that student support of Community Colleges falls within the policies outlined in Recommendation 5, the Legislature should direct the Board of Governors to establish a contingency plan for implementing a statewide charge policy for the Community Colleges. This plan should be prepared by December 1, 1982, should incorporate procedures (1) to implement charges that are not permissive among districts, and (2) to distribute related financial aid, and should include recommendations on at least the following:

a. the structure of charges, including differentials for part-time students and establishment and adjustment of the level of charges according to the same base and process recommended for the University and State University in Recommendation 4.

b. differential charges based on either course characteristics, or on whether students are enrolled in an educational program or taking courses on an intermittent basis.

c. the structure and funding level of student financial aid programs to offset the adverse impact of student charges and specifically to assure that at least those students who currently receive aid from need-based public assistance programs such as AFDC, SSI, SSP, or who meet the qualifications for EOPS are exempted from charges either through waivers or financial aid offsets.

d. The relationship between revenues raised by student charges and Community Colleges financing mechanisms.

5.3 The contingency plan for a statewide fee policy recommended in 5.2 above should be implemented in 1983-84 or thereafter only if the State is unable (a) to replace one-time revenues used in 1982-83 or thereafter to offset budget reductions for the Community Colleges, (b) to maintain existing levels of revenue per ADA in constant dollars, or (c) to fund reasonable enrollment growth in courses or programs that have State priority (pp. 20-21).

STATUS: Final action on Recommendation 5 is pending the outcome of actions relating to Recommendations 5.1 and 5.2.

The Legislature adopted budget control language which directed the Board of Governors to identify avocational, recreational, and personal development courses which should be offered on a self-support rather than State-support basis.

The Board of Governors agreed to develop the contingency plan called for in Recommendation 5.2 and on December 10, 1982, adopted the statement that is reproduced in Appendix E below.

Action on Recommendation 5.3 depends on legislative and other responses to future budgetary considerations.

RECOMMENDATION 6. <u>If the Legislature requires adjustment to Community College apportionments to generate savings to the State General Fund in 1982-83 and to avoid implementation of a permanent statewide fee policy in 1982-83</u>:

6.1 State apportionments should be reduced by approximately $30 million to reflect expected savings from implementation of Recommendation 5.1.

6.2 State apportionments should be reduced by approximately $50 million as a one-time offset to be taken from district reserves under regulations to be developed by the Board of Governors.

6.3 The Legislature should not impose a charge on Community College students in 1982-83 unless required budgetary savings are greater than those achieved under this recommendation. An interim charge should be considered only as an emergency alternative to impairing access to, or the effectiveness of, courses and programs of high State priority, and provisions for them should (1) assure that the State provide offsetting financial aid or waivers for students receiving need-based public assistance to be distributed according to criteria established by the Board of Governors, (2) be uniform statewide, not permissive among districts, and (3) differentiate between full-time and part-time students (pp. 24-25).

STATUS: The Legislature reduced Community College apportionments by $30 million and directed the Board of Governors to make the reductions in recreational, avocational, and personal development courses.

No action was taken regarding reserves or the establishment of a statewide mandatory fee for Community College students in 1982-83.

RECOMMENDATION 7. The State should provide financial assistance to qualified students whose ability to attend postsecondary institutions is jeopardized by increases in student charges. Such assistance should be provided through programs that assure equitable treatment of students with similar resources and needs (page 29).

RECOMMENDATION 8. Students throughout California should be treated similarly by State financial assistance policies regardless of the institutions which they attend, and the State should use a common and consistent methodology to assure equitable treatment.

8.1 The State should provide sufficient funding to each segment for financial aid to offset the amount of increases in charges between 1981-82 and 1982-83 for students with the fewest financial resources who do not receive Student Aid Commission grants.

8.2 The amount of financial aid to be provided by the State to offset increases in charges for students with demonstrated financial need should be based on the Commission's student charges model, modified to accommodate alternative assumptions about eligibility for additional aid other than the current assumptions based on (federal) Pell Grant eligibility.

8.3 The State should provide sufficient funds to the Student Aid Commission to fully fund charges for University and State University students who are Student Aid Commission grant recipients and who would qualify for full fee grants.

8.4 The State should continue to assist qualified students with demonstrated financial need to attend private colleges and universities, thereby protecting educational diversity and the public interest in the nongovernmental sector of higher education., Protection will require: (1) increases in maximum Student Aid Commission grants for students who attend independent institutions so that grants remain at the same constant dollar levels in 1982-83 as in 1981-82; (2) adjustments to funding levels and number of awards in the Student Aid Commission program to reflect increased student charges in both public and private institutions; and (3) inclusion, to the extent feasible, of issues related to financial aid in the independent sector in the integrated budget review proposed in Recommendation 10 below (pp. 29-30).

STATUS: The Legislature adopted Recommendations 7 and 8 on principle in Supplemental Budget Language and in actions to augment the State University and Student Aid Commission's budgets to partially offset fee increases for students at the University and State University.

Recommendations to increase the maximum Student Aid Commission grants and to adjust the number of awards were not acted on. Decisions by the Student Aid Commission to accommodate State General Fund budget cuts resulted in a reduction in the size of the maximum grant to students who attend independent colleges.

RECOMMENDATION 9. <u>Pending the Commission's recommendations on the use of revenues from student charges as requested by the Legislative Analyst, including analysis of restrictions on the use of charges and their use for student financial aid in the University, no changes should be made in the current uses of these revenues (page 33).</u>

STATUS: No fundamental changes in the uses of student fee revenues were made in the 1982-83 budget year.

RECOMMENDATION 10. <u>The Governor's Budget should (1) display in a single consolidated summary each year the</u>

current and proposed levels of charges for each segment, (2) explain the rationale for any proposed adjustments, and (3) show the current and anticipated funding for student financial aid from all major sources. The legislative fiscal subcommittees should review this information in the same form, examining all three public segments and the Student Aid Commission together during budget hearings. To the extent feasible, implications for the independent sector should be considered. The Legislative Analyst and the California Postsecondary Education Commission should provide comments to the Legislature on the levels of charges and financial aid proposed in the Governor's Budget (page 35).

STATUS: The Department of Finance has requested the Student Aid Commission to provide data related to financial aid to comply with this recommendation.

The following are all of the Recommendations in the Commission's December 1982 report, Student Charges, Student Financial Aid, and Access to Postsecondary Education: A Continuing Dialogue. No legislative action has yet been taken with regard to them.

RECOMMENDATION 1. Student charges in the University and State University should be kept as low as possible within explicit State policies.

1.1 The level of student charges in the University and State University, regardless of the purposes for which the revenues are used, should not exceed the levels authorized under State policy implemented in Supplemental Language to the 1982-83 Budget Act (Item 6440-001-001, subitem 12; Item 6610-001-001, subitem 10).

1.2 Levels of student charges should not be increased because of continuing refinements of the technical calculations required to implement State policy.

RECOMMENDATION 2. If the governing board of the University or the State University finds that State appropriations are not sufficient to maintain standards of quality and access, it should use revenues from student charges to supplement other resources in funding those institutional functions that are essential to maintaining these standards.

2.1 Student participation in the review of segmental decisions about uses of student charge revenues should be continued.

2.2 The Department of Finance should display in the Governor's Budget the amounts and allocations of fee revenues for each segment which charges mandatory fees as a condition of enrollment.

2.3 Any new types of student charges established by the State, the University, or the State University should be expressly subject to State policy limits on charge levels (as stated in Recommendation 1 above) and State policy on the use of charge revenues as set out in Recommendation 2.

RECOMMENDATION 3. Graduate and professional students should pay a moderately higher charge than do undergraduates.

3.1 The University and State University should charge graduate and professional postbaccalaureate students 5 to 10 percent more than resident undergraduate students in the same segment.

3.2 Student charges for professional postbaccalaureate students in the University in selected disciplines should be fixed at between 15 and 20 percent above resident charges for other postbaccalaureate students if the professional field is characterized by (1) significantly higher instructional costs, (2) historically higher average incomes of graduates, and (3) a consistent pattern of higher charges in institutions comparable to the University in other states. Medicine, dentistry, and veterinary medicine currently meet these criteria for higher charges. If students enrolled in these fields are charged the additional differential in 1983-84, the impact should be reviewed prior to January 1, 1987.

3.3 The State should provide sufficient financial aid to students with demonstrated financial need through existing State- and institution-based financial aid structures to offset increases in student charges resulting from implementation of this recommendation.

RECOMMENDATION 4. <u>State financial aid policies for postbaccalaureate students should give highest priority to offsetting increases for students with financial need</u>.

4.1 If the State chooses to provide incentives for public service through the financial aid structure, it should do so by repayment of student loans obtained through existing federal and institutional loan programs. At such time as a decision to provide incentives is made, the Student Aid Commission, in consultation with the Postsecondary Education Commission, should be asked to develop new procedures for implementing and administering the program.

RECOMMENDATION 5. <u>In 1983-84, the State should reaffirm its policy of providing sufficient student financial aid to offset increases in student charges for students with demonstrated financial need</u>.

5.1 Beginning in 1983-84, the State should appropriate sufficient funding to the Student Aid Commission to fully offset student charge increases since 1981-82 for University and State University students who receive Student Aid Commission grants and who would qualify for full fee awards.

5.2 Beginning in 1983-84, the State should appropriate sufficient funding to the University and State University to offset student charge increases for students with financial need who do not receive Student Aid Commission grants.

5.3 Beginning in 1983-84, the State should appropriate sufficient funding to the Student Aid Commission to fund maximum grants for students at independent colleges who receive awards from the Commission at the same constant dollar level that was in effect in 1981-82.

5.4 If a general mandatory fee is adopted for Community College students, the State should appropriate sufficient funding to offset student charge increases for students who demonstrate financial need in that segment.

5.5 The State should act to prevent the inadvertent redistribution of State-funded financial aid. To that end, the California Student Aid Commission should identify and report on the advantages and disadvantages of various options to adjust the number of Commission grants and recommend the adoption of a single option to adjust the number of grants in 1983-84 so that opportunities to attend independent institutions are not reduced as a result of fee increases in the public segments.

5.6 The amount of State funding necessary to implement Recommendations 5.1 through 5.3 should be calculated according to a methodology which considers at least the following factors: (1) the amount of any proposed increase in charges, (2) the number of financial aid recipients already enrolled, (3) the number of additional students who might become eligible with higher charges, (4) the amount of additional federal financial aid funds which might partially offset an increase in charges, (5) the ability of the Cal Grant programs to partially offset the higher charges for their recipients, (6) self-help expectations, (7) whether or not additional aid will offset only increased charges, or both the increased charges and pending federal financial aid cuts, (8) the current income distribution of students within each segment, (9) the current proportion of financial aid recipients within each segment, (10) the price responsiveness of students with different income levels, and (11) the availability of federal funds and Cal Grant funds.

RECOMMENDATION 6. <u>Over time, the State should phase in State General Fund Support of University financial aid programs currently funded by Educational Fee revenues</u>.

APPENDIX B

ACR 81 Advisory Committee

In addition to the Commission's own Ad Hoc Committee on ACR 81 (identified by asterisks on the inside front cover), the Commission established an Advisory Committee consisting of the following faculty members, students, and administrators from the three public segments of California postsecondary education as well as representatives of the Legislative Analyst, the Department of Finance, and the California Student Aid Commission:

William R. Frazer	University of California Systemwide Administration
Robert Connick	University of California Faculty Senate
Gus Guichard	California Community Colleges Chancellor's Office
Michael Webb (Johnson)	University of California Student Body President's Council
Arthur Marmaduke	California Student Aid Commission
Curtis Richards	California State Student Association
Hal Geiogue	Office of the Legislative Analyst
Robert Silverman	California Community Colleges Faculty Senate
Anita Silvers	California State University Faculty Senate
John M. Smart	California State University Systemwide Administration
Jack Kennedy	Department of Finance
Alexei Folger	California Community Colleges Student Government Association

The following observers from independent colleges participated in the discussions of the ACR 81 Advisory Committee:

Paul Kryder	California Association of Independent College and University Students
Morgan Odell	Association of Independent California Colleges and Universities

The Committee met twice: (1) on February 28, 1983, to review the prospectus for the third phase of the Commission's response to ACR 81; and (2) on March 15 to discuss the Commission's preliminary analysis, conclusions, and recommendations.

In addition to providing comments at these meetings, members of the Advisory Committee have been invited to submit written comments to the Commission staff regarding the preliminary response, background papers, and other issues of concern.

The written comments of members of the Committee on the final report will be compiled and distributed to the appropriate legislative committees and to Advisory Committee members. They will be available from the Commission on request.

APPENDIX C

Estimate of the Impact of Inflation on the Real Revenues of the California Community Colleges

It is important to measure the impact of inflation and enrollment growth on the revenues which support the Community Colleges to determine the adequacy of resources provided to them. The proper measure for determining the impact, however, is controversial.

The Chancellor's Office contends that, measured in terms of the Consumer Price Index (CPI), real revenues per unit of ADA have fallen by one-third since 1977. The Legislative Analyst asserts that this overstates the erosion of real resources:

> . . . focusing only on the growth per ADA revenue data can be misleading because:
>
> It does not give adequate recognition to the Legislature's efforts to provide COLA's to the community colleges during this time period . . . . The Legislature provided cost-of-living adjustments to community college apportionments that amounted to 33 percent during the period as a whole [compared to the 15.5 percent revenue per ADA increase since 1977-78].
>
> The low rate of growth in per-ADA revenues is primarily due to the community college finance mechanism which fund [sic] the growth in ADA at a rate that is less than the average cost (including fixed costs per ADA). (Legislative Analyst, 1983, p. 1718.)

After analyzing several measures for the impact of inflation, the Commission decided on the following approach:

1. To use the <u>Higher Education Price Index</u> (HEPI) as the proper measure of inflation. (HEPI is an index which determines the average changes in the prices of goods and services purchased by colleges and universities for their educational and general expenditures. It is more appropriate for the Community Colleges than is the CPI, which is a consumer-oriented index, or the Index for the Purchase of State and Local Goods and Services, which is influenced by changes in salaries paid government workers rather than teachers and professors.)

2. To use <u>revenues per ADA</u>--rather than total revenues--since this will better reflect resource needs in conjunction with enrollment changes.

3. To display the changes each year for <u>at least a decade</u> in order to identify patterns. The following table shows the total revenues per ADA for the Community Colleges and these revenues deflated by the HEPI index.

The following table clearly indicates that real revenues per ADA, as measured by the Higher Education Price Index, grew substantially between 1972 and 1977--from $926 up to $1,156 per ADA (+24.8%). The reasons for such increases were the generous amounts provided for ADA growth under SB 6 and the inflation increases under both SB 6 and SB 1641. The years after Proposition 13, however, dramatically reversed the trend, and real revenues have declined each year, substantially so since 1980. The erosion over the past three years--a decline of 16.9 percent of the revenues per ADA in 1979-80--has required major retrenchment from the support levels before Proposition 13.

State and Local Revenues Per ADA for Support of Current Operations in Community Colleges, 1972-73 to 1982-83

Fiscal	Total Units of ADA[a]	Actual Revenues Per ADA[b]	HEPI Index	Actual Revenues Deflated by HEPI Index	Detail
1972-73	573,593	$926 (+12.6%)	100.0 (5.3%)	$926	The year before SB 6, a major change in finance for the CCC
1973-74	609,459	950 (+ 2.5)	107.1 (7.1)	887	First year under SB 6 which contains incentives for ADA growth
1974-75	695,374	1,112 (+17.0)	116.3 (8.6)	956	The second year under SB 6.
1975-76	722,326	1,302 (+17.0)	124.0 (6.6)	1,050	Year of Gov. Brown's ADA growth "cap". Total ADA = 768,902.
1976-77	721,884	1,418 (+ 8.9)	132.1 (6.5)	1,073	First year under SB 1641 which provided less incentive for growth
1977-78	718,303	1,629 (+14.8)	140.9 (6.7)	1,156	Property Tax revenues grew at an all time high.
1978-79	634,895	1,722 (+ 5.7)	151.8 (7.7)	1,134	Year following Prop. 13 $260 million in State block-grant bail-out fund.
1979-80	670,115	1,848 (+ 7.3)	166.8 (9.9)	1,107	First year under AB 8.
1980-81	727,768	1,905 (+ 3.0)	184.6 (10.7)	1,031	District overenrollment results in 1% loss in total State revenues under formula funding for ADA growth.
1981-82	735,154	1,979 (+ 3.8)	202.9 (9.9)	975	Funding under AB 1626 & 1639 result in 29,000 unfunded ADA.
1982-83 (est.)	716,704	1,944 (- 1.8)[c]	215.0 (6.0)[d]	920	No cost-of-living adjustment or funds for general ADA growth provided.

Notes

a. Includes both credit and non-credit, State-supported ADA.

b. Revenues per ADA include the following:

State	PLUS	Local	MINUS	Capital Outlay
General Apportionments Business Inventory Tax Relief Homeowner's Property Tax Relief Other Tax Relief Subventions Handicapped Services Allowance Extended Opportunity Programs and Services		District, City, and County Taxes		State-funded Capital Outlay District-funded Capital Outlay

These elements represent the best readily available measure of the revenues per ADA for the support of current operations at the Community Colleges. State and local support were obtained from the State Controller's annual report on expenditures of school districts. The capital outlay amounts, which should be subtracted from the Controller's figures in order to obtain revenues for current operations only, were obtained from the annual Governor's Budget.

c. Estimate from the Office of the Legislative Analyst, Analysis of the Budget Bill, 1983-84, p. 1717. Because the kind of data in the Analyst's report are not strictly comparable to those from the Controller, this estimate does not contain the elements listed in the table.

d. Estimated by CPEC.

APPENDIX D

Principles for Financing Current Operations of the California Community Colleges

Financing for the California Community Colleges should:

- promote statewide goals of access to postsecondary education, quality of college instruction and support services, and efficient use of college resources;
- maintain the comprehensive mission of the Community Colleges and reflect statewide and local priorities for funding;
- recognize the shared State and local responsibility for governance of the Community Colleges;
- promote local decisionmaking in the management of college resources;
- provide adequate levels of support from a variety of revenue sources; and
- provide finance mechanisms that: (1) are stable over time and predictable in their allocation of resources; (2) relate levels of support to the costs of college operations; and (3) are equitable among districts.

In order to achieve these goals, the Commission recommends the following policies for long-term finance legislation for the California Community Colleges.

SOURCES OF SUPPORT

Support for Community College education should continue to come from a variety of sources, including federal, State, and local tax revenues, student fees, and contributions from business and labor.

- The State should maintain responsibility for providing for adequate funding of the Community Colleges.
- Property tax revenues should continue to support general apportionments.
- Additional Local revenue sources, such as local sales or income taxes, should be authorized for support of local education needs which are not being met by State funding.
- Contract agreements with business and labor should support Community College instruction in highly specific training programs designed for particular firms.

- Student fee support for State-funded programs should be kept as low as possible.

LEVELS OF SUPPORT

Levels of support for systemwide general apportionments and categorical programs should be:

- determined each year by the Legislature and Governor in the budget process;
- adequate to fund the costs of inflation as well as planned workload and program changes; and
- sufficient to provide an adequate level of district resources for cash flow, contingency, capital outlay, maintenance, and other required future obligations.

RELATION TO COSTS

Financing mechanisms should relate support for college operations to expected costs, yet not restrict expenditure patterns, by providing:

- differential funding based on a limited number of major instruction and support activity categories that most accurately reflect differences in the costs of Community College operations;
- workload measures for each cost category that: (1) best relate to changes in the cost of providing the activity; (2) provide incentives consistent with stated goals and objectives for college operations; and (3) avoid undue collection and verification costs;
- support rates that reflect demonstrated differences in cost; and
- funding for workload change at an incremental or marginal rate that accurately reflects the variable, rather than fixed, costs of such changes and provides adequate support for districts experiencing substantial growth.

STABILITY

Financing mechanisms should provide stability in the support of college operations by providing:

- five-year legislative authorization for the basic support mechanisms;

- phase-in of equity adjustments to district base revenues if significant budget disruptions are faced by local districts;
- use of a base year funding level with adjustments for inflation and workload to determine budget year allocations;
- district target workload estimates with assured support for workload up to budgeted levels;
- an established range in which actual workload may fall below budgeted levels without changes in district revenue; and
- increased district flexibility to maintain support levels in constant dollars in the event that revenues are insufficient to fund necessary inflation and workload.

EQUITY

Financing mechanisms should promote equity among districts by providing:

- equitable levels of support based on differential funding;
- elimination of differences in districts' revenues that are the result of demonstrated past inequities in district wealth, tax support, or funding mechanisms; and
- support mechanisms that are designed to be generally applicable to all districts.

Source: California Postsecondary Education Commission. The Commission's Principles for Community College Finance. Commission Report 83-14. Sacramento: The Commission, March 1983, pp. 29-31.

APPENDIX E

Summary of the Impact on Student Enrollment
and Revenues of a Range of Student Charges
in the Community Colleges

Option 1 Charge All Students

TABLE 1 Summary Report

Category	Level of Annual Charge*					
	$50/30	$100/60	$150/90	$200/120	$250/150	$300/180
WITHOUT AID						
Headcount Loss	62,546	122,588	179,593	234,358	287,101	334,173
Percent Loss	4.4%	8.6%	12.6%	16.4%	20.1%	23.4%
Revenue (Millions)	$ 53.3	$ 101.7	$ 145.7	$ 185.3	$ 220.9	$ 253.8
ADA Loss	29,966	59,095	86,827	113,782	140,097	162,171
WITH AID						
Headcount Loss	42,267	83,616	131,547	178,349	223,481	262,792
Percent Loss	3.0%	5.8%	9.2%	12.5%	15.6%	18.4%
Revenue (Millions)	$ 54.3	$ 105.6	$ 152.9	$ 196.5	$ 236.8	$ 275.2
Aid Costs (Millions)	$ 4.5	$ 9.1	$ 13.6	$ 18.3	$ 23.1	$ 28.3
ADA Loss	16,335	32,559	52,584	72,350	91,560	106,178

*Part-time differential of 60 percent for students taking fewer than six units per term.

TABLE 2 Credit Load Report

Category	$50/30	$100/60	$150/90	$200/120	$250/150	$300/180
WITHOUT AID						
Full-Time						
Headcount Loss	12,505	25,252	37,640	50,171	62,963	72,104
Percent Loss	4.1%	8.3%	12.4%	16.5%	20.7%	23.7%
6.0 - 11.9 Units						
Headcount Loss	20,694	39,960	57,799	74,442	89,958	104,474
Percent Loss	6.0%	11.6%	16.8%	21.6%	26.1%	30.3%
Under 6.0 Units						
Headcount Loss	22,636	44,262	64,928	84,680	103,564	121,624
Percent Loss	3.8%	7.3%	10.8%	14.0%	17.0%	20.0
Noncredit						
Headcount Loss	6,710	13,113	19,227	25,065	30,642	35,972
Percent Loss	3.8%	7.4%	10.9%	14.2%	17.3%	20.3%
TOTAL						
Headcount Loss	62,546	122,588	179,593	234,358	287,101	334,173
Percent Loss	4.4%	8.6%	12.6%	16.4%	20.1%	23.4%
WITH AID						
Full-Time						
Headcount Loss	5,625	11,250	16,875	22,500	28,125	29,532
Percent Loss	1.8%	3.7%	5.5%	7.4%	9.2%	9.7%
Aid Costs (Millions)	$ 3.1	$ 6.3	$ 9.3	$ 12.5	$ 15.8	$ 19.5
6.0 - 11.9 Units						
Headcount Loss	7,296	14,990	30,517	46,104	61,149	75,665
Percent Loss	2.1%	4.4%	8.9%	13.4%	17.8%	22.0%
Aid Costs (Millions)	$ 1.4	$ 2.9	$ 4.3	$ 5.8	$ 7.3	$ 8.8
Under 6.0 Units						
Headcount Loss	22,636	44,262	64,928	84,680	103,564	121,624
Percent Loss	3.7%	7.3%	10.8%	14.0%	17.2%	20.2%
Aid Costs (Millions)	0	0	0	0	0	0
Noncredit						
Headcount Loss	6,710	13,113	19,227	25,065	30,642	35,972
Percent Loss	3.8%	7.4%	10.9%	14.2%	17.3%	20.3%
Aid Costs (Millions)	0	0	0	0	0	0
TOTAL						
Headcount Loss	42,267	83,616	131,547	178,349	223,481	262,792
Percent Loss	3.0%	5.8%	9.2%	12.5%	15.6%	18.4%
Aid Costs (Millions)	$ 4.5	$ 9.2	$ 13.6	$ 19 3	$ 23.1	$ 28.3

TABLE 3 Family Income Report

Category	$50/30	$100/60	$150/90	$200/120	$250/150	$300/180
Low (Under $15,000)						
Headcount Loss	35,381	68,965	100,301	130,138	158,017	184,649
Percent Loss	6.5%	12.8%	18.7%	24.2%	29.4%	34.3%
Mid ($15-30,000)						
Headcount Loss	16,088	31,684	46,697	61,174	75,780	88,205
Percent Loss	3.6%	7.0%	10.3%	13.5%	16.8%	19.5%
High (Over $30,000)						
Headcount Loss	11,076	21,939	32,594	43,048	53,303	61,317
Percent Loss	2.5%	5.0%	7.4%	9.8%	12.1%	13.9
TOTAL						
Headcount Loss	62,546	122,588	179,593	234,358	287,101	334,173
Percent Loss	4.4%	8.6%	12.6%	16.4%	20.1%	23.4%
WITH AID						
Low (Under $15,000)						
Headcount Loss	17,187	33,372	57,027	80,303	101,882	121,954
Percent Loss	3.2%	6.2%	10.6%	14.9%	19.0%	22.7%
Aid Costs (Millions)	$ 3.9	$ 7.9	$ 11.8	$ 15.8	$ 19.7	$ 23.7
Mid ($15-30,000)						
Headcount Loss	14,004	28,305	41,925	54,999	68,296	79,519
Percent Loss	3.1%	6.3%	9.3%	12.2%	15.1%	17.6%
Aid Costs (Millions)	$ 0.6	$ 1.2	$ 1.8	$ 2.5	$ 3.4	$ 4.6
High (Over $30,000)						
Headcount Loss	11,076	21,939	32,594	43,048	53,303	61,317
Percent Loss	2.5%	5.0%	7.4%	9.8%	12.1%	13.9%
Aid Costs (Millions)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
TOTAL						
Headcount Loss	42,267	83,616	131,547	178,349	223,481	262,792
Percent Loss	3.0%	5.8%	9.2%	12.5%	15.6%	18.4%
Aid Costs (Millions)	$ 4.5	$ 9.1	$ 13.6	$ 18.3	$ 23.1	$ 28.3

Option 2 Exempt State-Supported Noncredit Students

TABLE 4 Summary Report

Category	Level of Annual Charge*					
	$50/30	$100/60	$150/90	$200/120	$250/150	$300/180
WITHOUT AID						
Headcount Loss	55,836	109,475	160,366	209,293	256,459	298,201
Percent Loss	3.9%	7.7%	11.2%	14.6%	17.9%	20.9%
Revenue (Millions)	$ 48.2	$ 91.9	$ 131.5	$ 167.1	$ 198.9	$ 228.4
ADA Loss	27,144	53,579	78,739	103,238	127,207	147,039
WITH AID						
Headcount Loss	35,557	70,503	112,320	153,284	192,839	226,820
Percent Loss	2.5%	4.9%	7.9%	10.7%	13.5%	15.9%
Revenue (Millions)	$ 49.2	$ 95.8	$ 138.7	$ 178.3	$ 214.8	$ 249.8
Aid Costs (Millions)	$ 4.5	$ 9.1	$ 13.6	$ 18.3	$ 23.1	$ 28.3
ADA Loss	13,513	27,043	44,496	61,806	78,670	91,046

*Part-time differential of 60 percent for students taking fewer than six units per term.

TABLE 5 Credit Load Report

Category	$50/30	$100/60	$150/90	$200/120	$250/150	$300/180
WITHOUT AID						
Full-Time						
Headcount Loss	12,505	25,252	37,640	50,171	62,963	72,104
Percent Loss	4.1%	8.3%	12.4%	16.5%	20.7%	23.7%
6.0 - 11.9 Units						
Headcount Loss	20,694	39,960	57,799	74,442	89,958	104,474
Percent Loss	6.0%	11.6%	16.8%	21.6%	26.1%	30.3%
Under 6.0 Units						
Headcount Loss	22,636	44,262	64,928	84,680	103,564	121,624
Percent Loss	3.8%	7.3%	10.8%	14.0%	17.0%	20.0
TOTAL						
Headcount Loss	55,836	109,475	160,366	209,293	256,459	298,201
Percent Loss	3.9%	7.7%	11.2%	14.6%	17.9%	20.9%
WITH AID						
Full-Time						
Headcount Loss	5,625	11,250	16,875	22,500	28,125	29,532
Percent Loss	1.8%	3.7%	5.5%	7.4%	9.2%	9.7%
Aid Costs (Millions)	$ 3.1	$ 6.3	$ 9.3	$ 12.5	$ 15.8	$ 19.5
6.0 - 11.9 Units						
Headcount Loss	7,296	14,990	30,517	46,104	61,149	75,665
Percent Loss	2.1%	4.4%	8.9%	13.4%	17.8%	22.0%
Aid Costs (Millions)	$ 1.4	$ 2.9	$ 4.3	$ 5.8	$ 7.3	$ 8.8
Under 6.0 Units						
Headcount Loss	22,636	44,262	64,928	84,680	103,564	121,624
Percent Loss	3.7%	7.3%	10.8%	14.0%	17.2%	20.2%
Aid Costs (Millions)	0	0	0	0	0	0
TOTAL						
Headcount Loss	35,557	70,503	112,320	153,284	192,839	226,820
Percent Loss	2.5%	4.9%	7.9%	10.7%	13.5%	15.9%
Aid Costs (Millions)	$ 4.5	$ 9.2	$ 13.6	$ 19.3	$ 23.1	$ 28.3

TABLE 6 Family Income Report

Category	$50/30	$100/60	$150/90	$200/120	$250/150	$300/180
Low (Under $15,000)						
Headcount Loss	31,449	61,335	89,192	115,756	140,556	164,292
Percent Loss	5.9%	11.4%	16.6%	21.5%	26.2%	30.6%
Mid ($15-30,000)						
Headcount Loss	14,409	28,377	41,812	54,757	67,878	78,863
Percent Loss	3.2%	6.3%	9.3%	12.1%	15.0%	17.5%
High (Over $30,000)						
Headcount Loss	9,977	19,762	29,362	38,782	48,024	55,045
Percent Loss	2.3%	4.5%	6.7%	8.8%	10.9%	12.5
TOTAL						
Headcount Loss	55,836	109,475	160,366	209,293	256,459	298,201
Percent Loss	3.9%	7.7%	11.2%	14.6%	17.9%	20.9%
WITH AID						
Low (Under $15,000)						
Headcount Loss	13,255	25,742	45,918	65,921	84,421	101,597
Percent Loss	2.5%	4.8%	8.5%	12.3%	15.7%	18.9%
Aid Costs (Millions)	$ 3.9	$ 7.9	$ 11.8	$ 15.8	$ 19.7	$ 23.7
Mid ($15-30,000)						
Headcount Loss	12,325	24,998	37,040	48,582	60,394	70,177
Percent Loss	2.7%	5.5%	8.2%	10.8%	13.4%	15.5%
Aid Costs (Millions)	$ 0.6	$ 1.2	$ 1.8	$ 2.5	$ 3.4	$ 4.6
High (Over $30,000)						
Headcount Loss	9,977	19,762	29,362	38,782	48,024	55,045
Percent Loss	2.3%	4.5%	6.7%	8.8%	10.9%	12.5%
Aid Costs (Millions)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
TOTAL						
Headcount Loss	35,557	70,503	112,320	153,284	192,839	226,820
Percent Loss	2.5%	4.9%	7.9%	10.7%	13.5%	15.9%
Aid Costs (Millions)	$ 4.5	$ 9.1	$ 13.6	$ 18.3	$ 23.1	$ 28.3

APPENDIX F

Board of Governors of the
California Community Colleges

Contingency Fee Plan
December 1982

BACKGROUND

In March of 1982, the California Legislature requested that the California Postsecondary Education Commission (CPEC) study the impact of student charges on access to public postsecondary education. CPEC reported its recommendations to the Legislature May 1 and a portion of that report called for the Board of Governors to adopt a "Fee Contingency Plan." Members of the budget committees in both houses of the Legislature reaffirmed the need for such a plan and a special committee of the Board of Governors was appointed in June 1982 for such a purpose. The Board held extensive public hearings in July, August, October, November, and December on this topic with the main focus of its efforts directed at the "The Impact of Student Charges on Access to Public Postsecondary Education." The contingency plan adopted by the Board more specifically addresses the question of access from two perspectives. The first, a long-range policy perspective which suggests that if financial resources are insufficient to provide access to all programs for all citizens, that priorities be established to guarantee access to students enrolled in programs leading to a degree or certificate or to students who have not already taken a certain number of college level units. The second perspective addresses the question of access from a short-term emergency viewpoint and is intended to portray those sets of conditions which would minimize the negative impact of any fee/tuition proposal on access to community colleges in the event that the Legislature chooses to impose them in response to the fiscal crisis facing California. The Board of Governors at its December 10, 1982 meeting adopted the following set of principles. The principles are followed by a brief discussion of each of the major points. Additional details can be found in the appendix.

BOARD OF GOVERNORS OF THE
CALIFORNIA COMMUNITY COLLEGES

CONTINGENCY FEE PLAN

The Board of Governors:

- opposes across-the-board tuition and fees
- recommends as a long-term policy that, if the Legislature decides to impose a new fee on community college students, that fee be charged just to those students who have completed a degree or a certain number of units or who do not matriculate.

The Board of Governors acknowledges the fiscal crisis faced by California community colleges and although the Board opposes across-the-board tuition and fees, if the Legislature decides to impose a general fee on all students in response to a fiscal crisis, that fee should be:

- limited to 1983-84 on an "emergency" basis; such a fee should be as low as possible with the amount set in consultation with the Board of Governors in light of the then-current fiscal situation
- applied uniformly, rather than tied to academic load, for all students in all districts
- accompanied by financial aid for those students unable to pay the added cost (to be distributed through existing campus-based operations, duly noting the added aid distribution costs)
- accompanied also by added support for fee collection costs
- used to supplement, not supplant, tax revenues for general educational purposes to be determined locally
- implemented with a limit on revenue losses in districts with large numbers of low-income students
- accompanied by reform of existing permissive fees.

CONTINGENCY FEE PLAN DISCUSSION

THE BOARD OF GOVERNORS:

- OPPOSES ACROSS-THE-BOARD TUITION AND FEES

California Community Colleges provide a level of access to postsecondary education that is unparalleled across the country. The policy of no or low fees has provided millions of Californians, especially those from groups who have been historically excluded from access to postsecondary education, the opportunity to benefit from a meaningful collegiate experience.

One out of two California adults has attended a California Community College. California Community Colleges enrolled one out of every 12 California adults (or one of every 17 total population) during the Fall of 1980. The average state enrolled only one in every 67 of its population in a community college during Fall 1980. (See Chancellor's Office Analysis of Tuition and Fees, December, 1981.)

Those enrolled in California community colleges are from the same or lower income categories than are those who pay for part of that education through tax subsidies. (See Chancellor's Office Analysis of Tuition and Fees, December, 1981.) The colleges provide a broad distribution of postsecondary education opportunities, the essence of access.

The Board of Governors reaffirms its opposition to across-the-board tuition and fees and reaffirms its support for access to higher education by all citizens of the state, regardless of economic condition. To depart from California's long and proud tradition of tuition-free community college education in order to meet the short-term fiscal problems faced by the State would, in the Board's judgment, be an error. Adoption by the Legislature of a general fee charged to community college students would alter the fundamental nature of these colleges, detracting from the high quality of their programs and the broad accessibility that has characterized their operation.

- RECOMMENDS AS A LONG-TERM POLICY THAT, IF THE LEGISLATURE DECIDES TO IMPOSE A NEW FEE ON COMMUNITY COLLEGE STUDENTS, THAT FEE BE CHARGED JUST TO THOSE STUDENTS WHO HAVE COMPLETED A DEGREE OR A CERTAIN NUMBER OF UNITS OR WHO DO NOT MATRICULATE.

Rather than the imposition of a general fee imposed on community college students, if the Legislature decides to impose a new fee as a long-term policy, the Board of Governors recommends that the fee be charged to just those students whose objectives are primarily personal in nature. This long-term approach will do the least damage to the concept of open access to a meaningful postsecondary education that is currently provided through community colleges.

It is difficult to define and measure what is meant by personal interest as opposed to the public interest. However, it may be possible to identify those students whose objectives are totally or primarily personal. This could be the case where the outcome of a student's education is neither transfer to a senior institution, gainful employment, nor responsible citizenship.

It may be argued that students ought to be "entitled to" a certain amount of tuition and fee-free postsecondary education. After attaining that amount, students would then be charged for the cost of additional education. Applied to community colleges, this principle could be implemented by charging only those students with degrees (A.A., A.S., B.A. or higher) or only those students who have completed a certain number of units.

Another alternative is to charge those students who do not matriculate. Matriculation involves the processing of student transcripts, student assessment, academic advisement, and the provision of other services. The presumption is that students who are unwilling to go through the matriculation process are likely to be pursuing objectives that are more personal in nature.

There are numerous difficulties in administering either of these policies. A policy of charging students who have received degrees or completed a certain number of units combined with a "matriculation" experiment in a few pilot districts could adequately address the "personal benefit" policy. Staff is continuing to analyze these alternatives and to work with the community college field to explore other ways in which students' objectives may be assessed in order to identify those cases where enrollment is primarily for personal benefit.

THE BOARD OF GOVERNORS FURTHER:

o ACKNOWLEDGES THE FISCAL CRISIS FACED BY CALIFORNIA COMMUNITY COLLEGES

Reductions in community college financial support following Proposition 13 (1978) have made it virtually impossible to maintain both access and a stable level of quality programs and services. Course cuts and course fee charges in the 1978-79 academic year resulted in an average daily attendance (ADA) loss of nearly 12 percent. (With normal funding, enrollments most likely would have increased.) These cuts and charges were necessitated by a funding reduction of eight percent in the year following Proposition 13. Besides the enrollment losses, class sizes were increased and support services were reduced significantly. (See Chancellor's Office analysis of the <u>Impact of Proposition 13</u>, January 1980.)

Although enrollments have now increased to about the same level that existed prior to 1978 and some programs and services have been reconstituted, it is clear that had adequate funding been provided much higher enrollments would have resulted. This is especially true under existing economic conditions (when the economy lags and unemployment increases community college enrollments have historically increased). It is also clear that many of the programs and student support services that existed prior to Proposition 13 are no longer in place and that many needed expenditures are being deferred.

In the five years following Proposition 13 (1978), community college buying power (constant dollar revenues per student) has declined nearly one-quarter to one-third (depending on the inflation index) to about the level that existed in 1970. Over the last decade, community college budget reserves have declined by more than one-third when adjusted for enrollment and price changes. (See Appendix A.)

No cost-of-living-adjustment (COLA) was provided for 1982-83 community college funding. In addition, course funding was cut by $30 million (over two percent of total budgets). The combined effect of fewer budget reserves and less annual income puts community colleges in their most precarious fiscal position in over a decade. Such statewide comparisons are of greater concern when it is noted that while a number of community college districts may be relatively secure, about a dozen districts are in extreme difficulty.

The State currently faces a fiscal crisis described by the Legislative Analyst as being "of unprecedented magnitude." While estimates have fluctuated, current figures suggest the 1982-83 State General Fund deficit may run as high as $1.6 billion. When the current year's budget was adopted last summer, a modest surplus was projected for June 30, 1983. A combination of higher-than-expected expenditures and lower-than-expected revenues have transformed the anticipated surplus to an anticipated deficit. Revenues are reduced because the state (as well as the nation) is experiencing its deepest recession since the 1930's. Efforts to balance this year's budget likely will necessitate further cuts in state and local programs.

While the immediate fiscal crisis could ease after next year, the existing tax structure may not produce revenue sufficient to support the cost-of-living and enrollment increases that community colleges anticipate during this decade. If so, efforts should be undertaken to secure all alternative sources of revenue before consideration is given to the use of new student fees.

IF THE LEGISLATURE DECIDES TO IMPOSE A GENERAL FEE ON ALL STUDENTS IN RESPONSE TO A FISCAL CRISIS, THAT FEE SHOULD BE

o LIMITED TO 1983-84 ON AN "EMERGENCY" BASIS; SUCH FEES SHOULD BE AS LOW AS POSSIBLE WITH THE AMOUNT SET IN CONSULTATION WITH THE BOARD OF GOVERNORS IN LIGHT OF THE THEN-CURRENT FISCAL SITUATION.

Despite the current revenue shortfall, policy development must recognize the possibility of future shifts in the economy. The Legislative Analyst, in a recent report to the Legislature on the current fiscal situation, reported that the economic base of the state would be sufficient to fund prior levels of state activity were it not for the recession. The Analyst projects that when California recovers from the recession there will be sufficient revenues to continue prior programs plus a reasonable inflation adjustment. Although there is some debate among economists about the sufficiency of the economic base, there is little question that the major variable affecting California revenues and hence state expenditures is the state's economic condition.

A strong economic recovery and an expanded tax structure could eliminate the need for a general community college fee. Consequently, any general fee policy should be limited to one year. Continuation of the fee policy would depend upon results of a review to be undertaken during the Spring of 1984.

The fee should be set as low as possible, in order to avoid the disruptive impact that even a temporary measure would produce. The lower the fee, the smaller would be the number of low-income students denied the opportunity for postsecondary education.

The speed and degree of the expected economic recovery is very uncertain. Consequently, the precise need for user fees and other budget-balancing mechanisms for 1983-84 probably will not be known until later this fiscal year. If the Legislature does decide to impose fees on community college students during 1983-84, it is recommended that the amount be set in consultation with the Board of Governors in order that the full impact of such a policy can be analyzed and discussed in light of the then-current fiscal situation.

o UNIFORM, RATHER THAN TIED TO ACADEMIC LOAD, FOR ALL STUDENTS IN ALL DISTRICTS

If it becomes necessary to charge a general emergency fee, that fee should be uniform. Review of alternative ways to impose a fee reveals that a uniform fee, particularly if limited in amount, would result in fewer detrimental effects than would a fee that is imposed on a per-unit basis or tied, in some way, to the academic load of students. (See Appendix B.) General fees tied to academic load result in disproportionate losses among full-time students who, often, are from middle and low income backgrounds. A per-unit fee could create incentives for students to undertake less work than they might otherwise be able to accomplish. Only if a general fee is set at a high level, would it be necessary to account for differences in students' academic loads.

A mandatory fee, to be charged by all districts, would appear to be both more equitable and more practical than a permissive fee that would be charged by some districts but not others. A permissive fee would result in some community college students paying for part of their education while other community college students did not, without any apparent rationale. In addition, if neighboring districts employed different fee policies, the resulting changes in student enrollment patterns could pose significant practical problems for planning.

o ACCOMPANIED BY FINANCIAL AID FOR THOSE STUDENTS UNABLE TO PAY THE ADDED COST (TO BE DISTRIBUTED THROUGH EXISTING CAMPUS-BASED OPERATIONS, DULY NOTING THE ADDED AID DISTRIBUTION COSTS)

Any new fee adds to the student's cost of enrollment and, as noted above, must be accompanied by financial aid grants for those unable to pay the fee. Otherwise, access cannot be maintained. Besides the aggregate need for aid grants, attention would need to focus on expanding eligibility criteria to cover low income students who take just one or two courses. Currently, these students are not eligible for financial aid. The need to expand eligibility criteria becomes expecially important if a uniform fee is imposed at a relatively high level.

In order to maintain the Board of Governors' commitment to access, increased financial aid for community college students must accompany increases in the cost of their enrollment. This cost, including books, supplies, fees, transportation and, for some, child care has increased substantially in recent years. Since 1977, the prices of these items have increased by well over 50 percent (See Appendix C). During the same five-year period, financial aid available to community college students has declined by 18 percent and enrollment has increased by 14 percent. While most community college students work, their ability to pay for college from other sources has remained relatively stable. As a result of these several trends, community college students are less able to pay for their education today than was the case five years ago.

Attention by the State to the need for financial aid is particularly important in light of the anticipated continuing decline in federal grants. This decline likely will come about as a result of more rigorous eligibility requirements and smaller federal appropriations.

Financial Aid Grants

Our research shows that a ten percent increase in costs for community college students likely will result in at least six percent decrease in enrollment. (See Chancellor's Office Analysis of Tuition and Fees, December 1981.) Many students will withdraw because they cannot afford to pay the added cost. Observance of the State's long-standing commitment to access requires attention to the financial needs of these students. Existing aid programs will have only a modest impact in this regard. The largest of these programs, Pell Grants, provides aid for not more than half of any fee or tuition increase and for only those students who are enrolled more than half time.

A fee increase affects the enrollment decisions of those students who are low or middle income and can no longer afford the cost of their education. A number of other students, presumably those with upper-middle or high incomes, also will decide not to enroll when a fee is imposed. However, their reason for not enrolling is that the education is no longer "worth the cost," since they are still able to pay that cost. Financial aid should be provided to those who feel that their education is still worth the cost, but can no longer afford to pay that cost. This policy may be approximated by introducing enough financial aid that a fee increase affects students in all income categories in the same way.

A fee of $20 per year would result in an estimated enrollment loss of nearly three percent, largely among low income students who are self-supporting (See Appendix B). A higher fee of, say, $54 per year produces an estimated enrollment loss of nearly seven percent. Again, the loss is concentrated among those students who are low income and self-supporting.

Financial aid offsets from existing sources (primarily from Pell Grants) would not be substantial. At the $20 fee charge, for example, less than $1 million in Pell Grants would be forthcoming (assuming that the $20 increase plus other fee increases exceed the $50 minimum cost increase that can be funded by the Pell program). An additional $4 million in new financial aid would be required to eliminate the income or ability-to-pay differences among students who might enroll. This estimate assumes that aid eligibility is extended to those low-income students who are enrolled less than half-time.

Financial Aid Distribution

Analysis by staff indicates that the use of existing campus-based financial aid mechanisms to distribute additional financial aid would be less expensive and more effective than either a "waiver" or a "Pell Grant" or "Cal Grant B" mechanism.

The use of waivers appears to be the least effective mechanism for accurately determining student financial need because of the documentation required to accurately verify eligibility. In addition, the use of waivers would result in less net fee revenue being collected because some students would forego any added assistance from the Pell Grant program. Finally, a campus waiver process that is implemented separately from existing financial aid programs would result in substantial added administrative costs.

Use of a Pell Grant or Cal Grant B mechanism, where the student applies directly to a source off-campus, would be more effective in identifying student financial need than would the waiver process. However, the off-campus mechanism would be more expensive to administer than would the campus-based effort. In addition, there would still be a need for campus financial aid officers to coordinate and "package" this new source of aid with other existing sources.

Besides being the least expensive and most effective mechanism, campus-based aid may also be the only feasible mechanism if there is very little time to implement such a program after the Legislature takes action on fees.

The California policy of low-cost community colleges has contributed to less emphasis on financial aid and financial aid management in these colleges than is the case in most other postsecondary education institutions. Overall, only one in every ten students enrolled receive financial aid. Twice this number are eligible. For a variety of reasons, many students do not apply and others do not complete the application process. This is due to currently-inadequate federal and state aid levels and delivery systems. The results are lower academic loads, higher attrition rates and significant personal sacrifice.

A 1980 College Board survey of those community college students who were dependent upon parental incomes below $12,000 per year (and generally eligible for aid), revealed that only 57 percent had applied for Pell Grants, 30 percent applied for state scholarships, 27 percent applied for institutional aid, and only six percent had applied for loans.

Any increase in current levels of financial aid activity brought about by fees and added aid grants will require added support of college financial aid operations. Without such added support, it will not be possible to effectively identify those in need and to distribute any new aid grants.

Chancellor's Office staff is continuing to work with college personnel, especially student financial aid officers, to develop a more precise financial aid delivery mechanism in the event that fees are imposed.

o ACCOMPANIED ALSO BY ADDED SUPPORT FOR FEE COLLECTION COSTS

A uniform fee charged to all students would be less costly to administer than a per-unit fee. Colleges currently collect a variety of fees for both instruction and ancillary services. Consequently, the added administrative costs of a uniform fee should not be significant. Added requirements would include greater security, more supervision, and additional procedures for refunds, among other activities.

Failure to cover these added costs would result in further deterioration in community college funding, and, therefore, detract from the very purpose for which fees are being considered.

o USED TO SUPPLEMENT, NOT SUPPLANT, TAX REVENUES FOR GENERAL EDUCATIONAL PURPOSES TO BE DETERMINED LOCALLY

If at all possible, fee revenues should be used to improve educational programs for students: to improve the quality of curriculum and services; to keep pace with cost increases that arise from a changing and possibly more expensive mix of students; or to keep pace with the relatively higher costs of education for emerging and new technologies. Fees should not simply substitute for public tax revenues.

To be most effective, the allocation of revenues from any new fee should be for general educational purposes as determined by the local district. Revenues should be applied to those programs and services where the need for added financial support is greatest.

Restricting fee revenues to support services in order to avoid calling the charge a "tuition" is more semantic than substantive. In fact, restricting the use of general fees to other-than-instructional costs may have an adverse long-term impact on instruction if other revenues are scarce.

- IMPLEMENTED WITH A LIMIT ON REVENUE LOSSES IN DISTRICTS WITH LARGE NUMBERS OF LOW INCOME STUDENTS

If new fees are imposed, the loss of enrollment in some districts could be dramatic. In other districts, unmet demand could result in the enrollment loss of low income students being offset by the enrollment of high income students who have not heretofore attended. This uncertainty along with the existence of a number of "unfunded ADA" in some districts suggests the need for a "safety-net" or controls on the amount of total revenue that may be lost by an individual district.

- ACCOMPANIED BY REFORM OF EXISTING PERMISSIVE FEES

Existing fees for ancillary services have tripled since the passage of Proposition 13 (1978). (See Appendix D.) However, many districts still charge less than they are authorized and there is evidence that tax revenues subsidize these services in many districts. Total fee levels vary substantially from district to district. Students pay for parking in some districts but not in others. Equity in the charging of fees for ancillary services should be sought if the Legislature imposes a general fee for educational services. The most effective way to accomplish this is to mandate fees to cover costs where ancillary services are provided and to accompany these charges with financial aid for those who can't afford the fee.

All but four of the existing fees have a maximum charge stipulated. These limits, in some cases, are less than the cost of the service. None of the limits provide for the costs of collecting and managing the fee. The consequence is that for some fees the cost of collection and management exceeds the revenue derived from the fee.

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Board of Governors of the California Community Colleges. Contingency Fee Plan, December 1982. Sacramento: Chancellor's Office, California Community Colleges, 1982.

California Postsecondary Education Commission. Student Charges, Student Financial Aid, and Access to Postsecondary Education: A Report to the Governor and the Legislature in Response to Assembly Concurrent Resolution 81. Commission Report 82-15. Sacramento: The Commission, April 1982a.

--. Student Charges, Student Financial Aid, and Access to Postsecondary Education: A Continuing Dialogue. A Report to the Governor and the Legislature from Phase II of the Commission's Response to Assembly Concurrent Resolution 81. Commission Report 82-40. Sacramento: The Commission, December 1982b.

Legislative Analyst. Analysis of the Budget Bill for the Fiscal Year July 1, 1983 to June 30, 1984: Report of the Legislative Analyst to the Joint Legislative Budget Committee. Sacramento: The Analyst, February 1983.

The California Postsecondary Education Commission was created by the Legislature and the Governor in 1974 as the successor to the California Coordinating Council for Higher Education in order to coordinate and plan for education in California beyond high school. As a state agency, the Commission is responsible for assuring that the State's resources for postsecondary education are utilized effectively and efficiently; for promoting diversity, innovation, and responsiveness to the needs of students and society; and for advising the Legislature and the Governor on statewide educational policy and funding.

The Commission consists of 15 members. Nine represent the general public, with three each appointed by the Speaker of the Assembly, the Senate Rules Committee, and the Governor. The other six represent the major educational systems of the State.

The Commission holds regular public meetings throughout the year at which it takes action on staff studies and adopts positions on legislative proposals affecting postsecondary education. Further information about the Commission, its meetings, its staff, and its other publications may be obtained from the Commission offices at 1020 Twelfth Street, Sacramento, California 95814; telephone (916) 445-7933.

Assembly Concurrent Resolution No. 81—Relative to student charges.

LEGISLATIVE COUNSEL'S DIGEST

ACR 81, Hart. Student charges.

This measure would direct the California Postsecondary Education Commission to conduct a study of the impact of student charges upon access to public postsecondary education and present its recommendations to the Governor and the Legislature by May 1, 1982.

WHEREAS, The State of California has a long-standing history of tuition-free, low-cost public postsecondary education; and

WHEREAS, Severe state budget constraints necessitate an examination of public postsecondary school finance, including student fees and tuition; and

WHEREAS, There exists no comprehensive state policy concerning the appropriate use of student fees and tuition; now, therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, That the California Postsecondary Education Commission conduct a study of the impact of student charges on access to public postsecondary education; and be it further

Resolved, That the study include recommendations for state policy on these topics and others relevant to the discussion of student charges, including:

(1) The appropriate relationship between individual and public levels of financial support for postsecondary education.

(2) Which costs of university operations are appropriately borne by students, and the proportion of the expenditures for these operations that should be financed by student charges.

(3) The impact of student charges upon each public postsecondary segment's ability to realize its role and mission in the California Master Plan for Higher Education.

(4) The appropriate distribution of student financial aid among all needy California postsecondary students; and be it further

Resolved, That the California Postsecondary Education Commission conduct this study with the advice and participation of: a student from each public postsecondary segment, appointed by the appropriate student organization; a representative from the administration of each of the segments, appointed by the chief executive of each of the segments; a faculty representative from each of the public postsecondary segments, appointed by the faculty governing body of each of the segments; and a representative each from the Legislative Analyst, the Department of Finance, and the California Student Aid Commission; and be it further

Resolved, That the study be presented to the Governor and the Legislature by May 1, 1982.