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ABSTRACT

Designed to provide a technical context for discussions of student charges, student financial aid, and educational access in California's community colleges, this report presents three papers clarifying options related to student fees and financial aid. The first paper considers three questions related to charges in the California community colleges: (1) Who should be charged? (2) How should charges be structured? and (3) How should the level of charges be determined? For each question, a number of possible options and alternative structures are discussed. The second paper examines existing financial aid programs that may be necessary, given the imposition of a general student charge in the California community colleges. The final paper reviews policies and structures for student charges and student financial aid in community colleges in six states, and discusses differences among the states as they relate to possible options for California. The Board of Governors of the California Community Colleges' statement on contingency fees and the California Community Colleges Resolution on Matriculated Students are appended. (LAL)

BACKGROUND PAPERS ON STUDENT CHARGES, STUDENT FINANCIAL AID, AND ACCESS TO POSTSECONDARY EDUCATION: OPTIONS FOR THE CALIFORNIA COMMUNITY COLLEGES

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

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

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 98514; telephone (916) 445-7933.

BACKGROUND PAPERS
ON STUDENT CHARGES, STUDENT FINANCIAL AID, AND ACCESS TO POSTSECONDARY EDUCATION: OPTIONS FOR THE CALIFORNIA COMMUNITY COLLEGES

A Supplement to the Report 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 83-13

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PREFACE

The three papers contained in this document were prepared by the staff of the California Postsecondary Education Commission during the development of the Commission's report Student Charges, Student Financial Aid, and Access to Postsecondary Education: Options for the California Community Colleges. Drafts of these papers were circulated to members of the Commission's ACR 81 Advisory Committee and other interested persons. Together, the papers provided a technical backdrop for Committee discussions and for the recommendations in the Commission's report. Publication of revised versions of the papers in this supplement to the report should serve to provide a more complete context for continuing discussions of these recommendations.

The first paper examines a number of options for student charges in the Community Colleges. It identifies and revises several possible options in three areas:

1. Who should be charged?

2. How should charges be structured? and

3. How should the level of charges be determined?

The second paper describes existing financial aid programs available to Community College students and examines possible clientele, program structures, and funding levels for new financial aid programs that may be necessary, given the imposition of a general student charge in the Community Colleges.

The final paper reviews policies and structures for student charges and student financial aid in Community Colleges in six states and discusses differences among the states as they relate to possible options for the California Community Colleges.

The staff of the Commission hopes that these papers will contribute to clarification and resolution of at least some of the policy dilemmas confronting California's Community Colleges.

ONE

COMMUNITY COLLEGE STUDENT CHARGES OPTIONS

INTRODUCTION

This paper considers three questions that are central to discussions of student charges in the California Community Colleges:

1. Who should be charged?

2. How should charges be structured?

3. How should the level of charges be determined?

For each of these questions a number of possible options are examined.

The purpose of this paper is to describe alternative structures for Community College student charges, rather than to develop recommendations on whether or not a general charge snould be instituted, or on the exact structure and level of such charges.

WHO SHOULD BE CHARGED?

Among the many options that face Community College and State officials regarding student charges in the Community Colleges, the following several are receiving particular scrutiny. These alternatives are not mutually exclusive, in that several deal with separable issues. Likewise, they clearly are not the only student charge options open to policy makers. These alternatives reflect, however, a wide range of proposals that have been discussed during the development of the Board of Governors' Contingency Fee Plan.

1. CHARGE ALL REGULARLY ENROLLED STUDENTS A FEE

All students whether resident or nonresident and whether enrolled in regular courses or community service and extension courses, could be charged a fee for attending a Community College. Deciding on such a fee would not by itself clarify the nature of the fee, what it would be used for, how it would be structured, or what its level would be; and the impact of such a fee on access and quality would depend on its nature, use, structure, and level.

If the Community Colleges were to institute a general charge for all regularly enrolled students, all three public segments of higher education in California would then charge general fees, since students at the University and State University already pay required fees of $1,300 and $505, respectively. A general required fee in the Community Colleges could take a number of forms. It might be a registration fee to cover some of the costs of registration, record keeping, and associated administration. It might be tuition, covering a portion of the costs associated with providing instruction. It might be a service fee covering all or a portion of the costs of providing student services. It could even be a general charge whose revenues were not explicitly linked to specific uses.

The Board of Governors' Contingency Fee Plan proposes that, if the Legislature decides to impose a general student charge in the Community Colleges in light of the current fiscal situation, the charge should be applied uniformly to all students in all districts. Likewise, the Governor's proposal for establishing student charges in the Community Colleges would require all students to pay a charge, with students taking fewer than six units being charged 60 percent of the general $100 per year charge.

2. CHARGE A NEW FEE OF ALL STUDENTS EXCEPT THOSE ENROLLED IN CERTAIN TYPES OF COURSES

Two types of courses might be considered for exemption from a new fee:

2.1 Exempt Students in Adult Basic Education and Citizenship Courses

The Education Code presently prohibits both Community Colleges and local school districts from charging fees for adult basic education and citizenship courses. Even if this prohibition were repealed for the Community Colleges, institution of a general fee for such courses would create a differential fee structure based on accidents of geography or jurisdiction, since students enrolled in such courses in districts where the Community College has the responsibility for providing them would be charged a fee while those in other districts where the K-12 schools have the responsibility would not be charged.

In general, adult basic education is defined in Education Code 8511 as "communication and computational skills to and including the twelfth grade level, including English as a second language and citizenship." Adult basic education is the responsibility of high school and unified school districts except in those instances where, by mutual agreement, the responsibility has been assigned to a Community College district (Education Code 8530). Several Community College districts in California are responsible for adult basic education in their respective geographic areas.

Existing statute provides that the high school diploma program is the responsibility of the high school and unified school districts, but courses leading to a high school diploma may be offered by a Community College district by mutual agreement (Education Code 8531) as can vocational and occupational training programs (Education Code 8532) and adult continuing education in parent education, consumer education, civic education, education in special fields, and education in the arts and humanities (Education Code 8533). On the other hand, Community College districts are responsible for programs for adults involving 13th and 14th grade-level course content (Education Code 8534).

At the K-12 level, adult schools may be established "for the purpose of providing instruction in civic, vocational, literacy, health, homemaking, technical and general education" (Education Code 52501). An exception is that no classes for adults in dancing or recreational physical education may be maintained for State support by any district (Education Code 52518).

The governing board of any school district maintaining an adult school may, with the approval of the State Department of Education, establish a prescribed course in elementary subjects appropriate to the needs of adults (Education Code 52516). In addition, there is a specific set of statutes regarding adult English classes stipulating that if 20 or more people over 18 years of age who cannot speak, read, or write English to a degree of proficiency equal to that required to complete eighth grade so request it, classes in English for these individuals may be established by the district (Education Code 52540).

Any student enrolled in a class for adults through a school district may be required to pay a fee for such a class, unless it is a class in English and citizenship for foreigners or a class in an elementary subject for which no charges of any kind can be made. In addition, no charge can be made for a class for which high school credit is granted when such a class is taken by a person without a high school diploma.

Just as in the K-12 segment, Community College districts may establish classes for adults "for the purpose of providing instruction in civic, vocational, literacy, health, homemaking, technical and general education" (Education Code 78401), and no classes for adults in dancing or recreational physical education can be maintained for State support by any Community College district (Education Code 78451).

An adult enrolled in a noncredit course in a Community College is not required to pay a charge of any kind for a class in English and citizenship for foreigners, a class in an elementary subject, a class designated for high school credit when taken by someone without a high school diploma, or any class offered by a Community College district pursuant to statutes 8531, 8532, 8533, and 8534 which are noted above (Education Code 78462). A student enrolled in a class offered by a Community College district which is not eligible for state apportionments may be required to pay a fee (Education Code 78462.5).

Clearly, whatever decision the State reaches about its priorities for such courses, it should maintain a consistent policy of fees for these courses regardless of who offers them and fund them accordingly.

2.2 Exempt Students in Noncredit Courses

The Office of the Legislative Analyst has indicated that it believes serious consideration should be given to exempting students enrolled in noncredit courses from a general student charge. This exemption would be far broader than the previous option, in that students enrolled in noncredit vocational, remedial, and continuing education courses would be exempt from charges for such courses. Students enrolled in similar courses in the credit program would be subject to the general student charge.

In 1981, AB 1369 established nine "protected" categories of noncredit courses:

1. Parenting, including parent cooperative preschools, classes in child growth and development and parent-child relationships, and classes in parenting.

2. Elementary and secondary basic skills and other courses and classes such as remedial academic courses or classes in reading, mathematics, and language arts.

3. English as a second language.

4. Citizenship for immigrants.

5. Education programs for substantially handicapped.

6. Short-term vocational programs with high employment potential.

7. Education programs for older adults.

8. Education programs in home economics.

9. Health and safety education.

Any noncredit course or class outside of these nine categories does not receive State apportionment. Their costs are either absorbed by the Community College district or covered by a fee charged to the student. Workload adjustments for courses within the nine categories receive funding at a rate of $1,100 per ADA, slightly below the statewide average in credit courses of $1,300.

As noted in the previous section, existing statutes concerning the exemption of student charges in Community College noncredit courses applies to a wider range of courses than in the K-12 adult schools.

2.3 Exempt Students in Transfer, Vocational, or Remedial Courses

Exempting resident students enrolled in any transfer, vocational, or remedial course would continue current practice whereby only nonresident students are charged tuition and only resident students enrolled in community service and extension courses are charged fees. But exempting students enrolled in one or two of these three course areas from fees or charging them differential amounts depending upon the area would require a clear decision about State priorities for different types of Community College instruction and would demand precise definition of the courses included in each area.

Such a differential fee system not only could influence student enrollment decisions in a variety of ways that could have adverse effects for them as well as the job market but also would be extremely difficult to administer. Students often take courses in more than one area during a term, and prorating such fee differentials would produce many combinations of prices for attendance that would complicate institutional planning, fee collection, and financial aid administration.

3. EXEMPT STUDENTS ACHIEVING MATRICULATED STATUS

The "matriculation option" would call for no or low fees for Community College students 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. Nonmatriculated students would be permitted to enroll on a space-available basis, with fees and conditions similar to those set for today's nonresident or community services students.

Background: California Community Colleges have open-admission policy which permit all high school graduates and most others who are at least 18 years of age to enroll in the institution and often in the courses and programs of their own choosing except in cases of course or program impaction. Assessment, counseling, and placement programs that were commonplace and often mandatory when these institutions were junior colleges and when their transfer, occupational, and remedial functions were dominant have become voluntary and even inoperative on many campuses as large numbers of older, culturally diverse students with more personal objectives have enrolled and the curriculum has diversified.

At the same time, students were in a sense granted the right to fail courses for which they were not adequately prepared and grading practices were modified to allow for their easy withdrawal without penalty from courses in which they could not succeed or lost interest. Thus by the mid-1970s, that part of the return on the State's investment in Community College students which is expressed as the ratio of credit earned to ADA generating enrollments declined to a new low. Since then, grading policies have again been modified to discourage withdrawal from courses and some campuses have instituted new assessment and placement programs for incoming students.

Description of the Option: The matriculation option would provide incentives to students to undergo assessment and remediation, where needed, and offer hope for reducing failure related to underpreparation. It should not be construed as punitive or as a series of obstacles to the enrollment of otherwise qualified students.

Under this option, applicants wishing to enroll for no or low fees would be required to demonstrate their readiness to undertake the courses they seek and, if not ready, make up their deficiencies before enrolling in these courses. Readiness might be demonstrated in various ways, including submission of high school or college transcripts, assessment at the time of admission, submission of standardized test scores or work samples, or some combination of these indicators. Students with earned college degrees might simply submit proof of graduation.

Applicants who did not wish to submit transcripts or be otherwise assessed, or who refused to participate in remedial programs or courses recommended by their counselor, might be permitted to enroll on a space-available basis in courses of their choosing upon paying a community services fee.

Comparable Models: The California State University through its extension division makes provision for the enrollment of nonmatriculated students in credit courses on a space-available basis with permission of the instructor and by payment of an extension fee. Some University of California campuses make similar provisions.

New York State's community colleges did not have an open-admissions policy until the late 1960s, when pressures for opportunity for postsecondary education for all youth became strong. The public two-year colleges were then encouraged to admit all high school graduates who wanted to enroll on the condition that they (1) be counseled with respect to their abilities to undertake college-level work, and (2) follow the advice of counselors with respect to the kinds of courses and programs they enrolled in. The colleges' admission procedures had always involved assessment by means of transcripts and tests which resulted in the exclusion of educationally disadvantaged students on the basis of various criteria and standards. Their reluctance to move toward open admissions was combatted with financial incentives from the state to do so. As a result, new programs were established to assist students who formerly had not been admissible.

State-Level Positions on the Option: A matriculation option is included in the Board of Governors December 1982 Contingency Fee Plan, with the following comments: "[The Board] recommends as a long-term policy that, if the Legislature decides to impose a new fee on Community College students, that fees be charged just to those students who have completed a degree or a certain number of units or who do not matriculate." The Board follows this recommendation by suggesting that fees be charged only to students whose objectives are primarily personal in nature (neither transfer, employment, nor "responsible citizenship"). The Plan discusses the matriculation option involving assessment and counseling and an "entitlement" option which would waive fees for students with fewer than some number of accumulated units or earned degrees. The Board calls attention to difficulties likely to be encountered in administering either option, and suggests that exploration be done of ways to assess students to identify those enrolling for primarily personal benefit.

The statewide Academic Senate of the California Community Colleges adopted at its Fall 1982 meeting the resolution relating to matriculated status for students reproduced in Appendix B. The resolution does not address the question of fees for matriculated students or the treatment of nonmatriculated students.

Pros and Cons: The primary advantage resulting from the matriculation option would be better student advisement and placement, leading to a higher rate of course and program completion with satisfactory grades, lower rates of withdrawal and failure, and thus potential savings to all concerned. However, the option would do little to alleviate the Community College revenue problem, especially since it would increase costs at most colleges for services to students who are willing to matriculate. These increased costs might be offset at least in part by differentiated fees charged both matriculated and nonmatriculated students (thus freeing up State support for use in serving the newly matriculated group).

In sum, although the matriculation option would not solve the problem of fiscal constraints in the State Budget, it merits careful attention as part of the Board of Governors current examination of Community College mission and priorities.

4. CHARGE STUDENTS WHO HAVE COMPLETED AT LEAST 70 SEMESTER UNITS

The "70-unit" or "entitlement" option derives from the presumption that each California resident is entitled to the equivalent of two years of fee-free public higher education in a California Community College. Thus, students who have earned fewer than 70 semester units would be exempt from fees and, conversely, those with more than 70 units would be charged. The Community College would be the designated institution in the option because of its definition in statute as part of the public school system (grades K-14) and its long tradition of providing low-cost educational opportunities to the residents of its community at local taxpayer expense until the passage of Proposition 13.

Variations of the Option: One variation of the option would limit charges to students holding an associate, baccalaureate, or higher degree. Its rationale rests in part on the ability of such students to pay for further education, rather than on the notion of entitlement. (The entitlement rationale might well include any California resident who had not earned 70 units of fee-free education in a Community College, whether they were degree holders from other public or private colleges and universities in California or elsewhere.)

A second variation would limit charges to students enrolling for primarily personal benefits, most of whom would presumably be older, better educated, and often better able to pay fees than recent high school graduates with more traditional objectives. One problem with this variation is that personal benefits or objectives are difficult to define operationally. The course classification system probably could not be used extensively in the definition, since students with widely differing objectives enroll in the same kinds of liberal arts and occupational courses.

Description of the Option: Applicants would qualify for the option if they had not yet completed 70 semester units in a California Community College. Others would be expected to disqualify themselves by complying with the institution's request for an accounting of their previous educational history on its application form, with some statement to the effect that falsification of the information might lead to expulsion. The option would be complex to apply, even for students in continuous attendance at a particular Community College since, because of withdrawals and failures, students might attempt as many as 90 units before accumulating 70 units of credit.

The "personal benefit" variation would also require students to declare an objective as part of the application process. Students with more personal objectives than transfer, occupational preparation, associate degree, or citizenship would presumably be required to pay fees or a higher level of fee than other students.

Analogies: The 70-unit option might be compared with fee systems in which students at the graduate level or in professional schools are charged a higher fee than undergraduate students. A second analogy is provided by fee systems of universities in some other states where lower division students are charged less than upper division and graduate students.

Board of Governors Position: The Contingency Fee Plan approved by the Board in December 1982 includes references to this option and variations thereon in suggesting that students with more than 70 units or personal objectives, or both, be required to pay fees. Various Community College administrators have also supported the option of limiting new fees to students who have completed a certain amount of college or university work.

Pros and Cons: The 70-unit option and its variations are attractive in concept but largely unworkable as a means of deciding who should be assessed fees. The burden of proof in most cases would be on the students to be charged, with these students expected to declare that they had personal objectives or had already earned the maximum number of units of fee-free postsecondary education. In addition, it has the weakness of failing to recognize the need of certain groups for exemption from fees--for example, unemployed but educated people needing retraining for jobs.

5. CHARGE STUDENTS BASED ON OTHER STUDENT CHARACTERISTICS

5.1 Age

Community College fees might vary with the age of the student, with students in some age group(s) exempted from or paying a different level of fees than other students. The most common implementation of this option exempts "senior citizens" who have reached a certain age (60, 65, or 70) from fees, sometimes with the condition that space is available in the classes they want after fee-paying students have registered. For several years, the Legislature has funded the State University so as to enable that segment to enroll a limited number of older persons outside the regular matriculation process, with such students not counted in its budgeted FTE.

Another variation of the fee option related to age is the exemption from fees of students at or below a particular age--probably 18 or 21, on the grounds that they are completing their public school education which has been free through the twelfth grade. The fee exemption would be restricted to students who were enrolled in a program leading to a degree, certificate, or transfer, and making satisfactory progress toward that objective.

5.2 Family Income

An applicant to a Community College would be required as part of the admissions process to submit a copy of an appropriate State income tax return for use in assessing his or her fees, with higher fees charged those with a higher income level and those below a certain income level exempted from fees. This is in a sense the reverse of student financial aid, where students must document their income only if they wish to qualify for aid to offset fees and other expenses. Independent students (in terms of student aid classification status) would submit a copy of their own tax return or, when they are not required to file such a return, some financial aid statement.

The disadvantages of basing fee levels on family or student income are primarily administrative. First, all students would be required to undergo some type of financial analysis in order to assess fees, in contrast with options where the same level of fees is charged all students and financial analysis is needed for only those seeking aid. Second, family and other income changes frequently and adjustments in fees would be needed at least once a year and perhaps more often for students whose income declined during the academic year. A third disadvantage is related to timing and 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 fees. Finally, it would appear that colleges enrolling a large proportion of high-income students would obtain a great deal more revenue from fees than colleges with a large proportion of low-income students.

6. CHARGE STUDENTS REVISED USER FEES

The Education Code authorizes Community Colleges to levy user fees or charges for 20 services or activities and, in most instances, establishes a maximum level for these fees (Table 1). These specified services generally fall within the category of "ancillary" services which the Master Plan for Higher Education in California identified as appropriately supported by student fees, and their fees are similar to user charges at the University of California and the California State University.

Within this permissive fee structure, two types of authorized charges are based on the cost of instruction (i.e., tuition) rather than as user charges for ancillary services. First, the California Community Colleges require no general charges of resident students but charge nonresident students tuition equal to the full cost of instruction (Education Code Section 76140). This charge varies from district to district, but averages $2,200. (In the University and the State University, nonresident tuition currently is $3,150.) This practice of nonresident differentials is widely accepted among the states, and some type of nonresident tuition differential is likely to be maintained in the Community Colleges as well as the other segments, regardless of whatever decisions are reached about Community College fees for resident students.

Second, Community College students enrolled in community service classes (Education Code Section 78305) or courses not eligible for State apportionment (Education Code Section 78462.5) are charged fees to cover the cost of such courses. This practice permits the colleges to offer courses for which local demand is strong despite their low State priority, and no change in the practice seems likely or necessary.

The Education Code specifies maximum fee levels in dollars for only five fees--late application ($2), program change ($1), health services ($7.50 per semester or $5 per quarter), parking and transportation subsidy (each $20 per semester or $40 per year). The limit on the health services fee was recently raised from $5 per term or $10 per year (Chapter 930; Statute of 1981). The limit on nine other fees is the actual cost of materials or services, and no limit is specified for the remaining six fees. In only one area--child care services and centers--are districts prohibited from using State allocations for their support. Use of local revenues is, of course, at the discretion of the districts. None of the authorizations provide for the administrative costs of collecting the fees.

The Board of Trustees for each of the Community College districts determines the type and, within the authorized limits, the level of these fees. 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 varies widely among students in the same institution because the courses and activities of individual students varies.

Revenue Generated From User Fees: The Association of California Community College Administrators (ACCCA) has surveyed the districts on the authorized fees levied in their districts in 1981-82 and again in 1982-83. The 1982-83 survey asked districts for actual fee revenues and expenditures for 1981-82

TABLE 1 California Community Colleges Student Fee Authorizations

Authorized Fee	Authorized Fee Level
Instructionally Related Fees	
Nonresident tuition	Current cost of education
Community services classes	Cost of providing classes
Classes not eligible for State apportionments	Cost of providing classes
Eye protection devices	Actual cost of device
Field trips	None specified
Instructional materials	Actual cost of materials
Materials fee for adult classes	Actual cost of materials
Sale to students of their art projects	Actual cost of materials used to fabricate
Use of nondistrict physical education facilities	None specified
Administrative	
Late application	$2
Program changes	$1
Student record	Actual cost of furnishing copies
Other Services	
Child care centers	None specified; no State funding
Dormitories	None specified
Health services	$7.50 per semester, or $5 per quarter
Insurance for field trips	None specified
Insurance for college athletes	None specified
Parking	$20 per semester or $40 per year
Transportation subsidy	$20 per semester or $40 per year
Transportation expense for adult students	Actual cost of service

Source: California Education Code.

as well as estimated revenues and expenditures for 1982-83 in the 20 categories. Among the 50 districts responding, the only fee charged by all of them is nonresident tuition, with a range from $39 to $104 per semester unit. While the maximum level of tuition charged increased $8 from the 1981-82 level, projected total tuition revenue declined 5.9 percent in 1982-83. The next most commonly levied fees are:

Fee	Percent of Districts
Instructional Materials	84%
Community Services Classes and Activities	84%
Student Records	80%
Health Services	68%

Those added by the largest number of districts in 1982-83 were:

Fee	Number of New Districts
Parking	12
Late Application	7
Program Change	7
Instructional Materials	6

Table 2 summarizes changes in the number of these 50 districts levying fees and the percent change in average revenue expected per district between 1981-82 and 1982-83.

For the 50 districts, total fee revenues are estimated to increase by $10 million in 1982-83, but expenditures are likely to increase by a similar amount. Parking, instructional materials, and health services are expected to generate the largest increases in fee revenues. When the number of districts levying the fee is controlled, the largest percent increases are estimated to occur in parking, classes not eligible for State apportionments, late application, field trips, and instructional materials.

According to the ACCCA Finance Committee survey results from 50 districts, the following fees generated revenues equal to or greater than expenditures in 1981-82. (The following data should be viewed as suggestive because some districts could not identify expenditures by specific fee category.)

Fee	Revenue as Percent of Expenditures
Health services	101.2%
Materials for adult classes	115.0%
Nonresident tuition	126.0%
Late application	100.0%
Use of nondistricts' physical education facilities	112.0%
Program changes	125.9%
Sale of student products	100.0%
Student records	132.1%

On the other hand, revenues from the following fees were less than expenditures:

TABLE 2 Change in Number of Districts Levying Student Fees and Percent Change in Estimated Revenue, 1981-82 to 1982-83

Authorized Fee	Number of Districts[a] 1981-82	1982-83	Change	Percent Change in District Estimated Revenue
Nonresident tuition	50	50	0	- 5.9%
Community services classes	38	42	+ 4	+ 15.6%
Classes not eligible for State apportionments	16	17	+ 1	+ 87.0%
Eye protection devices	0	0	--	--
Field trips	15	15	0	+ 63.2%
Instructional Materials	36	42	+ 6	+ 50.3%
Materials fees for adult classes	17	15	- 2	+ 14.0%
Sale to student of their art projects	3	3	0	+ 19.0%
Use of nondistrict physical education facilities	10	9	- 1	- 5.7%
Late application	5	12	+ 7	+ 83.2%
Program change	7	14	+ 7	- 29.0%
Student records	40	40	0	+ 5.2%
Child care centers	23	23	0	+ 3.0%
Dormitories	7	7	0	+ 20.3%
Health services	33	34	+ 1	+ 34.7%
Insurance for field trips	0	0	--	--
Insurance for college athletes	6	7	+ 1	+ 15.6%
Parking	18	30	+12	+101.0%
Transportation subsidy	3	3	0	+ 21.4%
Transportation expense for adult students	0	0	--	--

a. Based on information from 50 districts.

Source: Association of California Community College Administrators.

Fee	Revenue as Percent of Expenditures
Child care centers	52.8%
Community services classes and activities	60.6%
Classes not eligible for ADA	81.2%
Dormitories	89.3%
Field Trips	60.4%
Instructional Materials	56.0%
Medical Insurance for Athletes	19.1%
Parking	87.8%
Transportation	91.0%

Except for parking and transportation, none of the authorizations for these latter fees preclude the districts from charging sufficient fees to cover costs. In the areas of parking and transportation, there is no information presented to show that costs could not be covered by authorized fee levels if maximum levels were established by the districts.

Examination of historical information provided by the Chancellor's Office on authorized fee revenues puts recent changes in fee revenues in a broader perspective. Total fee revenues more than doubled since 1976-77 and the most substantial increase occurred as an aftermath to Proposition 13. Table 3 summarizes revenue by fee type from 1976-77 to 1981-82. It reports fee revenue generated by nonresident tuition, health services, parking, classes not eligible for State support, and community services classes separately and total revenues from all other fees in the final column. While variations in districts reporting may make specific comparisons invalid, several estimates of trends in fee revenues for this period can be made: (1) fees revenues from community services, classes not eligible for State support, and parking have shown consistent increases; (2) revenues from nonresident tuition appear to have peaked in 1980-81; and (3) revenue from health and other fees have fluctuated over this period.

Proposed Changes in Authorized Fees: In the Contingency Fee Plan adopted by the Board of Governors, the Board recognized the substantial increase in ancillary fees since 1978-79 and the substantial variation in fee levels among districts. They recommended that:

> 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 the fee (p. 10).

Several points of intersegmental and intrasegmental equity need emphasis 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 are charged user fees in addition to their general educational fees.

2. For the most part, ancillary services and activities are not used to the same extent by all students and thus would not be appropriate components of a mandatory general student fee. Thus, the recommendation that fees for ancillary services be mandatory must be qualified to indicate that these fees should be mandatory for only student users, not for all students. Anecdotal evidence of a different interpretation of these fee authorizations includes:

TABLE 3 California Community Colleges Revenue From Authorized Student Fees, 1976-77 to 1981-82

Fiscal Year	Fee for Classes (EC78462.5)	Community Services (EC78305)	Nonresident Tuition (EC76140)	Health Services (EC72246)	Parking (EC72247)	All Other Fees
1976-77	1,381	1,748	11,491	3,303	1,540	2,540
1977-78	1,034	1,785	13,633	3,789	1,580	3,175
Percent Change	-25.1	+ 2.1	+18.6	+14.7	+ 2.6	+25.0
1978-79	2,321	2,362	17,826	5,964	1,806	4,516
Percent Change	+124.5	+32.3	+30.8	+57.4	+14.3	+42.2
1979-80	2,404	4,011	22,560	5,434	2,189	5,798
Percent Change	+ 3.6	+69.8	+26.6	- 8.9	+21.2	+28.4
1980-81	4,771	N/A	32,378	6,576	3,108	4,877
Percent Change	+98.4		+43.5	+21.0	+41.9	-15.9
1981-82	6,891	N/A	29,753	5,821	4,120	4,405
Percent Change	+44.4		- 8.1	-11.4	+32.6	- 9.7

Source: California Community Colleges Chancellor's Office.

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

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

3. The recommendation that fee levels should cover the cost of operation for the service or activities 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 the same across all districts to justify a uniform charge, such as nonresident tuition, student records charges, program changes, and medical insurance for athletes. For other types of services, costs may vary considerably by district, and the fee level should reflect this difference. Such fee may include parking, dormitories, transportation, physical education facilities use, and instructional materials.

5. Given the user nature of these fees, it would be difficult to design a financial aid mechanism, other than waivers, to provide assistance for those who cannot afford to pay them. In establishing financial aid need for Community College students, these fees would be included in their support budget as required expenses, just as they are for students at the University and State University.

In summary, the burden of authorized fees on Community College students who use these services in districts which levy a charge for them has increased substantially in recent years, and no financial assistance specifically addresses these costs. This is also true for students who use such services in the University and the State University. Because the types and levels of fees vary substantially from district to district, "equity in the charging of fees for ancillary services should be sought" regardless of the Legislature's action on a general fee.

HOW SHOULD CHARGES BE STRUCTURED?

If it is determined that at least some students should be charged a new fee, the question of appropriate fee structure must be addressed. Three basic structures might be used:

1. CHARGE ALL AFFECTED STUDENTS A FLAT AMOUNT

A "flat fee" structure would not vary the fee by student level or credit load. The University of California's Registration Fee, the State University's Student Services Fee, and other general registration charges are all examples of a flat-fee structure. (Although the Registration Fee at the University does vary slightly from campus to campus, it does not vary for students on any particular campus.) The University's nonresident tuition is another type of flat charge that is independent of the student's credit load, but the State University's nonresident tuition is a variable per-unit charge rather than a flat amount.

The assumption underlying a flat-fee structure is that the amount charged is independent of the amount of education or services received by any particular student. Such a fee structure is most appropriate for noninstructionally related services and activities and less appropriate for tuition levies except at institutions serving predominantly full-time students. A flat-fee structure is simple to administer. On the other hand, it raises serious equity questions and has important enrollment consequences for part-time students, particularly those enrolled for only a single course or two courses per term.

2. CHARGE ALL AFFECTED STUDENTS A PER UNIT FEE

This type of fee structure produces a wide and extremely variable range of actual tuition or fee charges depending on each student's particular credit load. While such a fee structure at first glance appears to be more equitable than a flat-fee structure, it ignores the fact that educational pricing and finance involve both fixed and variable costs. As such, it generally undercharges extreme part-time students and overcharges full-time students for the actual costs associated with their enrollment and use of services.

Judging from the experiences of other states that have used a per-unit fee structure, the disadvantages of such a fee structure outweigh its advantages:

- First, from the perspective of California, relating charges so directly to the amount of instruction consumed would make the charge appear to be tuition rather than a fee for ancillary or student services.
- Second, basing a fee entirely on the number of units taken ignores the fixed costs of education that institutions incur no matter how many units individual students take.
- Third, such a fee structure contains powerful disincentives against taking more units.
- Fourth, in years when the charge per unit is raised, students are likely to respond by taking fewer units. Such a response could have a major effect on ADA levels and thus on overall State support levels, but would not necessarily have much effect on headcount enrollment and the number of students requiring services. For example, when Nevada institutions switched from a flat- to a per-unit fee 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 FTE and related state support per FTE.

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

3. CHARGE STUDENTS ONE OF TWO AMOUNTS DEPENDING UPON WHETHER THEY ENROLL FOR FEWER OR MORE THAN SIX UNITS PER TERM

A differentiated-fee structure based on more than half-time/less than half-time enrollment would be similar to the present structure of the State University's State University Fee, which charges students taking more than six units $214 and those taking fewer than six units per term $70 per year. At the same time, both full-time and part-time students in that system are charged other flat fees which when combined with the State University Fee mean that those students taking more than six units pay $505 per year and those enrolled for less than six units per term pay $360 per year.

The size of the actual differential as well as the level of total charges could vary if such a fee structure were implemented in the Community Colleges. This fee structure would reflect the fixed and variable costs associated with all students' enrollment, would not contain disincentives for taking more units, and would recognize the part-time nature of most Community College students' enrollment. Such a fee structure is most appropriate for institutions that, like the Community Colleges, enroll large numbers of part-time students or for institutions that charge tuition, a single general fee, or a general fee and one or more smaller activity or special purpose fees.

HOW SHOULD THE LEVEL OF CHARGES BE DETERMINED?

At least four major possible policies exist for setting the level of any new fee, and two of the four have alternatives within them:

1. BASE CHARGES ON ANTICIPATED DEFICITS IN SEGMENTAL BUDGETS

This approach has been used in California in recent years and is even more common in other states. It means that students pay the difference, or some portion of the difference, between the amount the Governor, the Legislature, and the governing boards believe is required and the level of support the State decides to provide.

This method may be justified in an emergency, such as the current-year budget reductions imposed by the Governors in the two most recent budget years. The result is a series of "one-time" surcharges that simply become part of the subsequent year's fee increase. Thus it is an approach which allows maximum flexibility to the State and to the governing boards.

However, the approach offers no rational or predictable basis for the actual levels of student charges and no substantive basis for the establishment of those levels. Moreover, it divorces what a student is expected to pay from what the student receives, especially when the fee increases are accompanied by other program and budget cuts and the revenues from fees are diverted into the General Fund for other uses.

2. BASE CHARGES ON A PREDETERMINED PRECENTAGE OF AN AGREED-ON BASE.

Three alternatives are possible here:

2.1 Set Charges as a Percentage of the Cost of Instruction

This method of setting tuition and/or required fees is used by 17 states for all undergraduates and, in some instances, graduate students. In addition, New Hampshire uses the method for setting nonresident charges; Michigan and Minnesota use variations of it for setting both resident and nonresident student charges at some of their public institutions; and at least five other states are considering adopting it.

As currently practiced, the cost-of-instruction method is really a variety of different methods. In general, it requires a precise specification of all the components of an institution's budget. At the very least, it involves distinguishing between instruction-related costs and other costs, such as research and public services. Computing these costs requires uniform accounting procedures at all of the state's public institutions and some agreed-on procedures for assigning costs. This consensus is difficult to achieve, however, even in a state with only a few public institutions of higher education, not to mention one with 70 separate community college districts and 106 community colleges. Moreover, the costs of securing the needed data increase dramatically with the level of detail and sophistication of the cost accounting system.

The cost-of-instruction method can be fairly objective in determining costs, but the determination of the percentage of those costs that students should pay is inherently arbitrary. One of the method's main virtues is that it relates student charges to one of the major individual benefits students receive from higher education--instruction. One of its major deficiencies is its complexity and its cost to implement and administer. Generally, the cost-of-instruction method is based on the premise that the cost of providing postsecondary education should be shared in an equitable manner by all students through tuition and by the State through direct institutional subsidies and financial aid. Under such a fee-setting system, student charges typically increase annually or biennially as a result of inflation and other factors which increase instructional costs. Yet, at the same time, it links such increases to benefits received and largely eliminates attempts to use student fee increases as a mere budget balancing mechanism.

2.2 Base Charges on a Predetermined Percentage of Some Other Base Such as the One Outlined for Public Four-Year Institutions in the Commission's First ACR 81 Report

The concept here is that fees should be set within some predictable range and adjustments to those fees should be gradual, moderate, and predictable. The Commission rejected the cost-of-instruction method as too complex and cumbersome in its March 1982 report on Student Charges, Student Financial Aid, and Access to Postsecondary Education, and it suggested as several other states have done that appropriations provide a reasonable proxy for overall state support. The percentages assigned to each segment for setting its fees are inherently arbitrary, as they are in all such fee-setting methods, but the precentage corridors permit some segmental and conceivably some institutional or district flexibility in setting fees within a general range.

The acceptance of the base and the percentages outlined in ACR 81 will depend upon tests of reasonableness and common sense adjustment, not on any clear mechanical link between the percentages and explicit student share or state subsidy levels. The percentages vary much more widely than those used by other states in the cost-of-instruction method or the individual segmental appropriations base method, but the pattern envisioned in ACR 81 could be extended beyond the University of California and the California State University to encompass the Community Colleges as well.

2.3 Base Charges on a Predetermined Percentage of Student Services Costs but Continue to Require the State to Fund Instruction

This is the method currently used in the University and State University to set student fees. Generally, students are supposed to pay the full costs of certain specified student services, but in practice the particular services included and the actual percentage paid by students appears to vary widely by segment and from year to year. This method has failed to restrain the rate or magnitude of student fee increases in recent years and has become subject to considerable manipulation under legislative pressure to balance budgets and shift more of the costs of education to students. The current Governor's Budget essentially proposes to continue this approach and extend it to the Community Colleges for the first time.

3. SET AND ADJUST CHARGES ON THE BASIS OF SOME OTHER INDEX

At least two alternatives exist here:

3.1 Base Charges on the Average Student Charges of an Agreed-On Set of Comparison Institutions in Other States

This approach is more appropriate for developing a frame of reference than for actually setting levels of student charges. The procedure is fairly simple and straight-forward, once the list of appropriate comparison institutions is agreed upon. Such agreement is difficult to achieve, however, and the use of such an index in California is questionable.

One such comparison suggests that the University of California's resident undergraduate charges are quite similar to those at its public comparison institutions even though the University does not charge "tuition" and all its comparison institutions do. The comparisons show that the State University charges only about one-half to one-third as much as the vast majority of its comparison institutions charge resident undergraduates and that California Community Colleges charge no general fees while community colleges in comparable states charge $400 or more per year. At the same time, California's pattern of student charges is not the product of oversight or inadvertence, but of conscious decisions by state political and educational leaders to try to preserve a low- or no-fee system of public higher education.

California's University and Community College systems are different from their counterparts in other states, but it is not clear from such comparisons whether California could achieve its educational objectives by imitating the fee policies at public institutions in the rest of the nation.

3.2 Base Fees on Historical or Other Levels and Then Adjust Them by Indexing Them to Inflation

This is the method used currently with varying degrees of formality or informality in most states including California. For example, the University's Registration Fee is adjusted periodically to reflect the effects of inflation on the cost of providing student services, and the State University's Student Services Fee is adjusted for inflation in a similar manner.

Only Illinois uses an inflation index (the Higher Education Price Index--HEPI) to adjust total fees in that state annually. As with most other formal, budget-driven mechanical approaches, however, the finished product often gets modified or distorted in the political process so that it barely resembles what the method suggests fees should be. For example, the recession prompted Illinois to ignore the changes between 1981-82 and 1982-83 in the HEPI index, which increased modestly, so that fees could be raised to help offset the effects of the current recession on state revenues. Then, as the economy worsened, an additional $100 surcharge was imposed on resident students at mid year and a $300 surcharge on nonresident students.

In short, tying fee increases to some inflation index requires not only agreement on the appropriate measure of inflation to use, but produces a fee-setting mechanism that is not always sufficiently flexible to meet genuine institutional needs or protect student concerns.

4. BASE CHARGES ON PROGRAM PRIORITIES

Setting student charges on the basis of state funding goals or priorities for different types of courses or programs could cover a wide variety of different fee-setting priorities. For instance, it might be determined that even if all students were to be charged fees, those taking certain types of courses or enrolled in certain types of programs should be charged either more or less than students enrolled in other courses or programs. Such a course- or program-specific fee structure, however, would probably prove both unworkable and expensive, creating administrative problems of major proportions and affecting educational decisions in a wide variety of unpredictable ways.

On a more simple scale, it might be determined that the first year of college or all lower division instruction is a right for all Californians interested in and capable of benefiting from it and thus that first-year or lower-division students should pay little or no fees regardless of which public segment they attended. Similarly, it might be determined that remedial instruction, because of its compensatory nature, should not have as high a fee level as other instructional areas.

Either option would require a more explicit set of state priorities than are currently in force, and both would involve serious costs as well as some possible benefits. Obviously, under the first example, the State would have to assume a much greater share of the costs of providing freshman or lower division instruction than it does now, otherwise educational quality would suffer from the loss of current levels of student fee support. Further, there would likely be little increase in access to higher education under such a policy, although slightly more University- and State University-eligible students might enroll there instead of in the Community Colleges. Yet, the loss of this portion of the future transfer student population from the Community Colleges might further diminish their capacity and willingness to strengthen their historical, but recently fading, transfer function.

5. LOCAL DISTRICT DETERMINATION OF CHARGES

Two basic alternatives exist in this area: (1) local boards having the discretion to charge a general fee in their district; or (2) local boards having some flexibility to determine the level of a general charge within a specified range.

5.1 Local Board Determines

This option would allow the 70 local governing boards in the State to determine whether or not to charge students enrolling in their district a general fee. Such a policy would promote local decision making concerning the tradeoffs between the overall levels of district revenue and student access to the college(s) in their district. This option would not allow student charges revenue to be part of an overall Community College finance mechanism, in that the levels of revenue from student charges could vary considerably among districts. More importantly, this option raises questions concerning equity to students in the assessment of charges among districts and given free-flow provisions, present serious problems concerning the predictability of levels of student enrollment among neighboring districts.

5.2 Local Board Flexibility to Charge Within a Specified Range

This option is a more limited proposal concerning providing district flexibility in determining overall revenue levels by setting student charges for their district. The extent of the flexibility to districts depends upon the range that is established in which local boards must determine the student charge. Wide ranges would produce the same student equity questions as were indicated in discussion of the previous option. Expectations of revenues from student charges could be included as part of an overall financing structure by setting expected revenue at some point within the specified range.

This flexibility could be provided either to a general charge or to charges for specific student services provided by the district. Many states with local community college governing boards provide some flexibility to individual districts to determine levels of student charges. Certain elements of general student charges are determined at the local campus level in the University of California. In addition, more flexibility is provided to the University and State University in the determination of local user fees.

TWO

COMMUNITY COLLEGE FINANCIAL AID OPTIONS

INTRODUCTION

The commitment of the California Postsecondary Education Commission to linking financial aid to any fees or fee increases is clear and unequivocal. In its Phase I report on ACR 81, the Commission recommended:

> 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 (p. 29).

Clearly, if general fees were instituted in the California Community Colleges, the Commission would insist that sufficient financial aid be provided to meet the increased costs of education for students with demonstrated financial need. At the same time, the job of providing assistance is complicated by the long-standing no-fee tradition of the Community Colleges, their service to a preponderantly part-time commuter population, and their dependence on federal Pell Grant, Guaranteed Student Loan, and work-study funds along with categorical Educational Opportunity Program and Services State funds to meet the financial needs of their students. The imposition of a general fee would therefore create special financial aid problems for them that have not developed in the two four-year public segments.

Some of these special problems will be spelled out later in this paper. At this point, it is sufficient to observe that the current financial aid operations of the colleges, the large number of low-income students who would be adversely affected by fees, the specific provisions of current State aid programs that limit participation by Community College students, and other factors create a series of significant short-term problems that must be considered in determining the most appropriate structure for financial aid in the colleges if a general fee is imposed. The various alternatives need to be examined and judged in terms of how effectively they are likely to be in maintaining access and the ease with which they can be implemented and administered.

WHAT IS THE RELATION OF FINANCIAL AID TO ACCESS?

In the past, most legislatures, including California's, have adopted the low- or no-tuition strategy as the best means of insuring access, but in recent years financial pressures and the rising public cost of providing quality higher education have led to a reappraisal of this strategy. In its report on Tuition Policy for the Eighties, the Southern Regional Education Board observed, "In an era when 'access' is a key concept in the assessment of adequacy in public higher education, it is commonplace to couple recommendations for increases in tuition levels with measures aimed at stepping up financial aid to offset the financial barrier of increased tuition" (1981, p. 11).

The shift to a moderate-fee, increased-aid strategy to preserve quality and access recognizes that there are at least two price systems in higher education which affect student enrollment demand. The first one is the posted or full price--the student cost of attendance that every student faces initially. Many students, however, do not actually pay the full posted price because they receive financial aid. The second price system is that of the net price. "This revised price--cost of attendance minus student financial aid--is the net price many students actually pay to attend . . . . The result is that the distribution of aid alters the price many students actually pay to attend" (1979, p. 13). Consequently, it follows that in evaluating the likely impact of increased charges on enrollment behavior, both posted price and net price must be considered.

In recent years, the search for alternative strategies to preserve both access and quality in a period of constrained state revenues, more and more state legislatures are coming reluctantly to agree with Michael McPherson's conclusion:

> In principle a cheaper way to maintain high college enrollment or to raise it is to target low tuition (or student aid) on those groups that are most sensitive to price in their enrollment decisions. The most readily identifiable group consists of low-income students . . . . This finding supports the general presumption that subsidies should be targeted on low-income students and specifically suggests that the policy in most states of using government funds to keep tuition low at public institutions is hard to defend on access grounds (McPherson, 1978, p. 182).

Whatever position one takes on this argument or on the question of imposing or raising student charges, two points must be kept in mind. First, the available evidence suggests that it is the magnitude of the student charge, not the name attached to it or the purposes for which it is used, that determines its likely impact on student enrollment behavior. Second, student price responsiveness to increases in student charges depends more on the magnitude of the net price increase after factoring out financial aid offsets than on the size of the increase in posted price. Further, the effectiveness of financial aid in offsetting the adverse impact of student charges depends upon who receives it, what form it takes, and how it is allocated or administered.

WHAT SOURCES OF FINANCIAL AID SHOULD BE TAPPED?

The three principal sources of student financial aid are: the federal government, state government, and general student fees.

1. FEDERAL FINANCIAL AID FUNDS

The two most significant federal financial aid programs from the standpoint of the Community College, State University, and University of California students are the Pell Grant program and the Guaranteed Student Loan program. Other campus-based sources of federal financial aid are Supplemental Educational Opportunity Grants, College Work Study, and National Direct Student Loans.

If a general fee were imposed in the Community Colleges, the additional financial need created would be offset only partially by an increase in Pell Grant funds. Indeed, even under optimum conditions with no further cuts by the Reagan Administration in funding or program eligibility, the State could not expect that any more than one-half of the additional financial need of full-time undergraduate recipients from low-income families would be offset by Pell Grant monies, and even then this offset would apply only to those recipients who were not already receiving the maximum grant. Until 1982-83, most full-time undergraduates from middle-income families with incomes below $25,000 were eligible to receive at least a minimum grant, but most of these same students' grants did not increase at all even when student charges increased dramatically. In 1982-83, many of these students are no longer eligible for Pell Grants and the rest will not see their grants increase appreciably when educational costs increase. Moreover, most part-time undergraduates regardless of their families' incomes, could not count on much, if any, additional financial aid from federal grant programs. (Federal loan programs are discussed at a later point in this paper.)

In estimating the amount of additional State aid needed to offset the impact of a fee increase, the amount of Pell Grant money provided to eligible students must be taken into consideration to avoid double counting needy students and increasing State aid costs above needed new levels. The possibility that federal financial aid cuts proposed by the Reagan Administration may reduce the amount of federal aid available to California students is a genuine source of concern, but estimates of what impact this type of change would have on aggregate financial aid needs in the State should be kept separate from estimates of the amount of additional aid required to offset fee increases or new fees for students with demonstrated financial need.

2. EXISTING STATE FINANCIAL AID FUNDS

Three major State financial aid programs currently provide aid to certain needy students in the three public segments and selected independent colleges and universities. None of these programs, however, is likely to significantly assist Community College students in the event of a general fee.

Cal Grant A

Cal Grant A provides grants to a limited number of financially needy, high ability students in all four segments. The size of each grant is limited to financial need, tuition and required fees, or $3,300, whichever is less. Since the Community Colleges do not charge tuition or general fees, Community College students do not actually receive Cal Grant A awards. Approximately 3,000 Community College students are "reserve winners" each year, but they do not receive their grants until or unless they transfer to a participating four-year public or independent California college or university.

The imposition of a modest general fee in the Community Colleges would not make Community College reserve winners eligible for a Cal Grant A award to cover the fee because the program's minimum grant threshold is $200. Moreover, few Community College students would benefit from the program even if the fee were more than $200, since by law the number of total first-time Cal Grant A awards is limited to 14,900 awards annually. With nearly 90,000 applicants for new awards at present, most of whom can demonstrate financial need, the awards are distributed on the basis of high school grade point average, with the cutoff in 1982-83 about 3.1. Community College students would not likely fare well in such a competition. Even if they did, the total number of new awards available would scarcely begin to make a dent on the number of Community College students who would need financial assistance if fees were implemented.

Cal Grant B

Cal Grant B provides awards to a more financially and economically disadvantaged population and at least half of all new recipients must be Community College students. Nevertheless, it would not be any more likely to meet the financial needs of these Community College recipients than Cal Grant A if fees were imposed. The reason is that the Cal Grant B program provides both subsistence grants and tuition and fee grants, but recipients receive only subsistence grants in their first year. Thus, out of the 8,706 Cal Grant B recipients in the Community Colleges in 1982-83, only about half--the sophomores--would have had any of their fees covered.

Cal Grant C

Cal Grant C is a small program for vocational students that provided grants to only 1,298 Community College recipients in 1982-83. A major portion of the grant covers tuition and required fees, but recipients comprise less than 1 percent of the Community Colleges' current aid recipients, and the program would do nothing for the remaining 99 percent.

The funds that should be provided to the Student Aid Commission to offset the impact of fee increases for its eligible recipients must be kept separate from estimates of additional aid needed by other financially needy students. Again, the major issue is one of double counting and potential overfunding, but other practical considerations involve making sure that Cal Grant B first-year recipients (among the most needy aid recipient group in the State) have the amount of the fee increase met from some source, since the Cal Grant B program itself does not provide such assistance. The Commission's student charges model, therefore, provides separate estimates of the amount of segmental aid needed (including all Cal Grant A reserve winners and first-year Cal Grant B recipients and other current need-based aid recipients) and Cal Grant aid needed (Cal Grant B renewals). This way, the two estimates can be added together without any danger of duplicate counting to determine the total amount of additional grant aid needed.

3. STUDENT-SUPPORTED FINANCIAL AID

Both the Commission, in its first ACR 81 report, and the Legislature, through legislative intent language, are on record as supporting the concept that student aid is a State rather than a student responsibility, and that funds required for aid should be provided from public sources.

The University of California's use of approximately $400 of the $1,300 that each student pays in fees to provide financial aid to other financially needy University students is one current practice which runs counter to this intent.

Even if the Legislature eventually buys out this Educational Fee aid program at the University and assumes the responsibility to provide all its needed financial aid to offset fee increases, the difference may be more semantic than actual: Estimates of revenue needs, financial aid needs, and the revenues derived from fee increases typically subtract the costs of providing the additional aid, so that net revenues raised match revenues needed. The same practice would probably be followed in the event that fees are levied in the Community Colleges. Whatever the actual direct or indirect source of the aid funds, the most important policy to follow is that of not imposing or raising fees unless reasonable provision is made for financial assistance for needy students.

WHO SHOULD RECEIVE ADDITIONAL FINANCIAL AID?

The different target groups outlined in the following paragraphs are not mutually exclusive, but neither are they interchangeable.

1. STUDENTS WITH FINANCIAL NEED

"Financially needy students" is perhaps the most universal definition of an appropriate target group for financial assistance. It could include all students theoretically eligible for aid under either the standard Uniform Methodology definition used by the College Scholarship Service (CSS) or the Pell Grant definition of financial need. The CSS definition of need is broader and more inclusive of a wide range of dependent and independent Community College students than the Pell definition, but in either case, the theoretically needy group includes large numbers of Community College students who do not presently receive aid or even to apply for aid.

For example, according to the Student Expense and Resource Survey, 38.4 percent of the dependent Community College students from families with incomes under $12,000 did not apply for financial aid in 1979-80, and more than half of the dependent students from families with incomes between $12,000 and $18,000 failed to apply (California Student Aid Commission, 1980). Even with respect to the Pell Grant program which targets most of its aid to low-income students, 42.6 percent of the California Community College dependent students from families with incomes under $12,000 failed to apply, and 57.1 percent of those in the $12,000 to $18,000 range did not apply, even though almost all of them could have demonstrated financial need.

These facts suggest that for several reasons, the theoretically "needy" population of Community College students is probably too broad an appropriate target group for additional aid. First, even if fees were instituted, the available evidence suggests that perhaps a fourth or a third of the potentially eligible students would not feel a need for aid. Second, not only would the dramatic increase in applications from this broad group place serious strains on the capacity of campus financial aid offices to process and administer aid, the costs would be high and, as will be discussed later, an appropriation based on this definition would involve considerably more money than is actually needed to protect access.

2. LOW- AND MIDDLE-INCOME STUDENTS

Beyond the problems of what is meant by "low" and particularly "middle" income, this second possible definition of the appropriate target group for new aid suffers from the same basic problems as the first: It is too broad in its definition of need, and implementation of an aid program based on such a large aid applicant and recipient population would be well beyond the current capacity of Community College campus aid offices or the California Student Aid Commission.

According to the SEARS data, 37.6 percent of the dependent students in the California Community Colleges come from families with incomes of less that $15,000 and an additional 31.6 percent comes from families with income from $15,000 to $29,900. At the same time, approximately 55 percent of all Community College students are independent or self-supporting and many of these have annual incomes below $6,000.

Many of these low- and middle-income students may be eligible for financial aid, but a number of factors besides income affect the determination of financial need and aid eligibility. The size of the student's family, the number of family members enrolled in college, home equity and other assets, and the student's credit load all affect the size of the student's and parent's expected contribution toward meeting school costs, the student budget, and thus the student's demonstrated financial need. Moreover, students enrolled for less than six units per term (42.2 percent of all Community College students in California) are ineligible for aid under all State and federal programs. Those enrolled for more than six but less than twelve units per term (24.1 percent) and those enrolled in State-supported, non-credit courses (12.4 percent) are only marginally eligible for most aid programs. The result is that probably not more than 20 percent of all Community College students are even theoretically eligible for financial aid on the basis of demonstrated financial need, and less than 10 percent currently receive need-based financial aid.

3. CURRENT FINANCIAL AID RECIPIENTS

This is probably a more appropriate definition of the target group for any new financial aid program for the Community Colleges. This definition of the target group would place the least strain on existing aid office capabilities and resources; it would be one of the easiest to administer; its size is well known; and its financial need is already documented. Financial aid officers would have to process the applications of new first-year aid recipients, but they are required to do so each year anyway. Moreover, if aid were provided in certain ways, the number of first-year applicants would not increase greatly in response to a general fee.

One argument against this type of target group definition is that the imposition of a fee could prompt significant portions of the theoretically eligible population to apply for aid for the first time, and if their increased numbers were not taken into consideration in advance in determining how much additional aid money to appropriate, funds might be insufficient to meet both new and existing need.

While plausible, this argument neglects the likelihood that the present Pell Grant program would more than cover the full needs of any theoretically Pell-eligible students who were motivated to apply in the face of general fees. In short, while the Pell program provides a mechanism which covers only half of any fee increase for its most needy recipients, students who are eligible but have not previously applied would have more than the full amount of any likely Community College fee increase covered by their new Pell Grant. For example, current low-income Pell recipients would have their grant increased from $762 to $812 if a $100 fee were imposed, but new first-time, fee-induced Pell Grant recipients would have their financial aid increased from $0 to somewhere between $145 and $812--or by more than enough to cover the added burden of a $100 fee.

For such new recipients, the State would not need to make any provision to provide them with financial aid the first year. Moreover, the demands on campus financial aid officers from the Pell Grant applicant process would be minimal. These new Pell recipients would become part of the "current financial aid recipient" base for estimating financial aid needs in subsequent years, since this definition of financial need--current recipients--provides for the automatic updating of the recipient base each year and the use of the updated base for estimating subsequent year aid that the State needs to provide. Finally, this definition would keep the distribution of financial aid where it belongs--with campus financial aid offices--rather than placing it in some other office or agency. As such, it would ensure consistency of treatment among aid recipients and consistent definitions of need.

4. EOPS STUDENTS

Educational Opportunity Programs and Services (EOPS) students would be another alternative target group for new aid involving different definitions of need. The advantage of this definition is that EOPS recipients are already defined and their number is known. As a result, it would be fairly easy to implement a first-year aid program by using the 72,000 EOPS-eligible students as the basis for estimating aid needs and distributing aid.

The disadvantage of this definition is the way in which financial aid is determined for EOPS, which is quite different from the way it is determined for all other campus, State, and federal financial aid programs. Moreover, only full-time students are eligible for EOPS grants. Thus, restricting aid to the EOPS population of 72,000 would mean that not all current aid recipients--the 130,000 receiving aid under State and national student aid standards--would receive aid to offset a general fee. Furthermore, EOPS programs are administered through offices which are separate from campus financial aid offices, and the administration of a new aid program based on EOPS criteria would make coordination of aid as well as assessment of need difficult.

5. STUDENTS OR STUDENTS FROM FAMILIES RECEIVING PUBLIC ASSISTANCE

Students receiving Aid to Families with Dependent Children (AFDC) or other forms of direct public assistance would be another alternative target group for new aid. The advantage of this definition is that such students and/or their families have already undergone an extensive verification and documentation process to demonstrate their financial need, and it appears almost vindictive to have them undergo yet another proof of need process in the event of a general fee. At the same time, there are several complications involved in the use of such a target group. First, because of current provisions attempting to coordinate aid and public assistance benefits, any extra student financial aid would result in an equivalent reduction of public assistance benefits unless the aid was provided in the form of a fee waiver. Second, and more serious, the use of this definition of the appropriate target group would need to be linked to some other more inclusive definition of financially needy students or only a small portion of the Community College student population requiring further financial assistance would receive it.

6. FULL-TIME, PART-TIME, AND NON-CREDIT STUDENTS

This fifth possible definition differs from the first five because the targeting of aid or eligibility for aid on the basis of students' credit load normally is done regardless of how one defines need. In other words, some aid programs provide aid only to full-time students. For example, EOPS and, for the most part, the Cal Grant A and B programs are designed for full-time students. Part-time students are eligible for the Cal Grant programs only if they are enrolled for at least a half-time load, as are those qualifying for aid from campus-based aid programs and the Pell Grant program. No State or federal financial aid program currently provides aid to students enrolled for fewer than six units per term--less than half time. The Student Financial Aid Policy Study Group and others who have reviewed the extreme part-time student aid issue all have reached the same conclusion: providing aid to students taking fewer than six units per term does not constitute a wise or effective use of limited financial aid resources.

Given the large number of part-time students attending the California Community Colleges, some provision should be made to provide aid for those enrolled on at least a half-time basis if they can demonstrate financial need. Most of these 6- to 11-unit-per-term students are working part-time and attending college part time. Depending upon whether they are self-supporting or using the proceeds from their jobs to supplement family contributions toward the cost of their education, they may or may not be able to demonstrate financial need. The assumption generally made is that part-time students with earnings can normally be expected to make a larger contribution toward meeting the costs of their education than a full-time student from a family with similar financial resources. As a result, the amount of financial need part-time students can demonstrate and the size of the aid package they need are typically less than those of full-time students. The exception to this pattern is the self-supporting, part-time student who is either married or divorced with dependent children.

Limiting any new financial aid program in the Community Colleges to students who are enrolled at least half time would simplify any problems of coordinating awards or assembling aid packages and avoid the problem of providing aid through a new program on a basis that is more generous than that in all existing programs.

HOW SHOULD FINANCIAL AID REQUIREMENTS BE ESTIMATED?

In its first ACR 81 report, the Commission was quite explicit in its discussion and recommendations regarding making financial aid estimates. It stated:

> In order to estimate the amount of funding which the State should provide to offset the impact of charge increases for 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 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, 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, over awards, or major differences in the way estimates of additional aid needs are made (pp. 30-31).

A method already exists that incorporates all these factors into its aid assessment and estimation procedures, that has been negotiated and agreed to by parties in the University and State University, and that holds promise of consistent and equitable estimation procedures should fees be imposed on the Community Colleges or raised in the University and State University. As the original ACR 81 report recommended:

> 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 (p. 30).

Those modifications have now been made, and the student charges model can provide enrollment, financial aid, and revenue estimates for any proposed fee increase in any one of the three public segments. Already, its estimates have served as the basis for the Legislature's appropriation of \$3.4 million to the State University for 1982-83 to offset the anticipated impact of the \$100 fee increase imposed on State University students.

WHAT TYPES OF FINANCIAL AID EXIST?

At least three types of aid can be distinguished:

1. GRANT AID

Grants are one of the most common forms of financial aid and, along with work aid such as College Work Study and loan aid, form one of the major components of most aid packages. Furthermore, several studies have shown that of all forms of aid, grants are the most effective in minimizing the enrollment effects of increased fees. That is, grant assistance to students with demonstrated financial need is more likely than any alternative form of assistance to convince them to enroll or remain enrolled.

The Commission's student charges model currently uses grant aid as the basis for its estimates of additional segmental and Cal Grant aid needed. It does so only after subtracting any aid that would be provided students through the Pell Grant program and only after making certain inflation, non-grant aid, or self-help adjustments.

From both the standpoint of the student aid recipient and the State, the amount of grant aid required to maintain access does not vary whether grants are provided in the form of actual cash awards or in the form of fee waivers. That is, the enrollment and revenue implications are identical, even though the administrative procedures of the two forms of aid could vary considerably.

2. WAIVERS

One of the major attractions of waivers is their apparent simplicity to implement once the criteria for granting the waiver are determined. Waivers also appear attractive because they can be limited to the amount of any fee and thus not encourage students to apply for other forms of financial assistance for which they might be eligible but not actually need. The same result can be accomplished, however, if grant aid is structured along the lines of the State University Grant Program--that is, if the size of grants is limited to the size of the fee or fee increase minus any Pell funds received or self-help required. The application process for waivers can build on existing student financial aid application materials already on file in the campus aid office or it can be as simple as requiring those requesting waivers to bring in a tax form showing that their income is below a specified amount.

The major disadvantage of the waiver approach is that for simplicity reasons it might rest on a definition of need that failed to conform with other definitions of need used in institutional, State, and federal aid programs.

Coordination could become a problem if the waivers were administered by some office other than the financial aid office, where they might be handed out on a variety of less than desirable bases.

3. WORK AID

Offers of work assistance, such as the College Work Study program, are somewhat less effective in offsetting price increases. Moreover, while one study suggests that work assistance is particularly effective in promoting persistence, the need to hold part-time jobs either on or off campus in order to help finance their educations can slow up students' progress toward their degrees by forcing them to reduce their unit loads.

4. LOAN AID

Offers of loans at below market interest rates have played an increasingly important role in financing the educations of middle- and higher-income students, but they appear less effective in offsetting price increases than either grant or work aid for low-income students. There appear to be two primary reasons for this: (1) many low-income students, perhaps because they are often also high risk students, appear reluctant to assume a large debt burden to finance their educations, and (2) many banks appear reluctant to make low-balance, particularly single-year loans to Community College students, especially those with little collateral and few assets, because of the difficulty of finding secondary markets for such loans.

Eligibility for federally guaranteed student loans has become restricted in recent years by requirements that students from families with incomes above $30,000 demonstrate financial need and that students pay a 5 percent loan origination fee which is subtracted from the loan disbursement amount but does not reduce the student's total loan obligation. Nevertheless, loan aid is likely to continue to be a significant source of financial assistance for middle-income Community College students--those who are not eligible for College Work Study or grant assistance.

Since the Guaranteed Student Loan program is as much of an entitlement program as the Pell Grant program, at least for those eligible and willing to participate, no special provision needs to be made at this time by the State to either provide or ensure the availability of interest-subsidized loans. Nevertheless, the availability of such loans and the ability of Community College students to secure them should be watched closely.

HOW SHOULD AID BE ALLOCATED AND DISTRIBUTED?

The two questions that must be addressed here are: who should determine how aid is allocated and how should new aid be distributed?

1. WHO SHOULD DETERMINE HOW AID IS ALLOCATED TO CAMPUSES?

For at least two reasons, the question of who should determine how aid should be allocated to campuses does not really involve making a choice among statutory, Chancellor's Office, or Student Aid Commission allocation.

First, as an earlier section indicated, current Student Aid Commission programs provide little assistance to Community College students, are not designed to aid all or even a majority of the financially needy students in any segment, and are not likely to be suited to providing the bulk of the aid needed if new or higher fees are imposed on students in any segment.

Second, some State statute would be necessary if the State is to take its responsibility to provide additional aid seriously, but it would be undesirable for that statute to define with great precision just how the aid should be allocated. While the statute should, of course, contain general guidelines and priorities for the aid program, specify the general form the aid should take, and contain provisions for determining how much financial aid should be provided, the exact basis for the allocation of aid to campuses should probably be left to the different systemwide segmental offices--in the case of the Community Colleges, the Chancellor's Office. In turn, the Chancellor's Office should specify the general target population and distribution provisions to ensure equity of treatment of financially needy students among the various colleges and consistency in definitions of need and award levels, but the actual determination of which individual students should receive the aid should probably be left to campus aid officers.

The University and State University use the number of Pell Grant recipients on each campus as the basis for their allocation to individual campuses, primarily because the Pell recipient population is the most needy target group and its numbers are less subject to funding limitations or variations in application deadlines, student budgets, and self-help expectations. The campuses then determine which students receive aid, with campus aid offices normally using the Uniform Methodology, not the Pell Grant Eligibility Index, to determine actual eligibility and unmet need.

2. HOW SHOULD NEW STATE AID BE DISTRIBUTED?

In the short run at least, the distribution of any new aid in the Community Colleges should probably be handled through campus financial aid offices. The nature of the legislative process is such that any decision on fees would be made late in the year, with little time available to allocate and distribute the required financial aid. The Student Aid Commission sets early deadlines for applications, employs lengthy application evaluation and award procedures, and would not be likely to be able to implement a new aid program and distribute awards in time to preserve access.

Even college aid offices would be faced with major difficulties in implementing a new aid program and distributing the funds to needy students in time, but they are probably the only ones who have a chance of doing so at all in the short run. The performance of such offices on campuses of the University and State University over the past several years, when fee decisions have been made late in the year and new aid provided at the last minute, suggests that until a more orderly and predictable process of fee setting and providing financial aid can be developed, a campus-based distribution system has the best chances of succeeding. The one major disadvantage of extending this procedure to the Community Colleges is that the haste with which the money must be distributed makes it difficult to achieve equity across the segments, colleges, and recipients. The key to minimizing this problem is to ensure that the methods used to estimate each segment's financial aid need be consistent and coherent, and employ common assumptions.

THREE

STUDENT CHARGES AND FINANCIAL AID AT COMMUNITY COLLEGES IN SELECTED OTHER STATES

The 1983-84 Governor's Budget proposes the establishment of a statewide mandatory student fee of $50 per semester for full-time students and $30 for part-time students in California Community Colleges. The Governor emphasizes that the proposed fee "is substantially less than the $500 annual national average fee charged by comparable two-year public institutions" (p. E133). Community College comparisons are particularly difficult because of the diversity among colleges' mission and functions, not only in California but also in and among other states. Despite these difficulties, examples of Community College fee structures and the uses of fees in other states illustrate California's distinctive no-fee policy.

No comparison group of two-year institutions has been developed for the California Community Colleges similar to those for the University and the State University used by the Commission for faculty salary studies. The Governor's Budget provides 1981-82 fee information for "selected large states." For this report the Commission staff has obtained information from Community College officials in six states--Florida, Illinois, Michigan, New York, Texas, and Washington. These states were selected because they have the largest Community College enrollments after California and because their Community Colleges have missions and functions very similar to those in California.

COMMUNITY COLLEGE GOVERNANCE AND FEE SETTING IN THE SIX STATES

Of the six states, three have no separate state-level community college board. Community colleges come under the SUNY Board of Trustees in New York, under the Department of Education in Michigan, and in Texas under the College and University System. Florida and Illinois have state coordinating boards with governance responsibilities limited to review and recommendation. Thus, the Illinois State Community College Board is responsible for establishing standards at the state level, reviewing academic programs, and distributing state funds to the colleges, but governance remains primarily local with district boards. In Washington, the central governing board--the State Board for Community College Education--is both a coordinating and governing agency, sharing authority with local governing boards.

In all of the states surveyed except Washington, local governing boards set the rates for tuition and fees. In Michigan, boards have full discretion in setting these rates. However, four states place restrictions upon the boards. In Florida, the Board of Education establishes a per-semester credit-hour range within which each board sets its own rates. In Illinois, tuition cannot exceed one-third of instructional costs or the state college tuition rate. In Texas, the Legislature sets parameters within which tuition and three discretionary fees can be set. And in Washington, the Legislature sets fees. Currently, the sum of Washington's two mandatory fees--the Dedicated Building Fee and the Operating Fee--is 23 percent of the total education costs, including allocated overhead, of the State's 27 community colleges for the previous two-year period.

STRUCTURE OF COMMUNITY COLLEGE FEES

Of the six states, only Washington has a uniform student fee schedule for all community college mandatory fees. Even there, local boards set the level of discretionary fees for student services and activities up to a maximum amount established by the Legislature. Although fees are not uniform in the other five states, three of the five specify ranges or limits to them. The Florida Board of Education establishes a per-credit-hour range within which each local board sets its rates; Michigan sets a range; and Texas has a minimum tuition charge. Only Illinois has no parameters on fee levels.

Four of the six states charge tuition of state residents. Tuition is mandatory in New York and Texas, and although it is a discretionary charge in Illinois and Michigan, all their community colleges now charge it.

Florida and Washington both have general mandatory fees. The former has a matriculation fee for all credit courses, and Washington, as noted earlier, has both a Dedicated Building Fee (referred to as tuition) and an Operating Fee. The other four states have no general mandatory fees and New York does not permit its community colleges to charge general fees.

All six states have permissive fees which the local boards may or may not charge. They are most often student services and activities fees or student user fees for such things as laboratories, parking, and computer usage.

VARIATIONS IN COMMUNITY COLLEGE CHARGES

The six states differentiate charges by type of student. All states charge tuition of nonresidents--and at a rate considerably higher than for resident students. In Washington, nonresidents pay 100 percent of their educational costs. In New York, nonresident tuition can be three times resident tuition.

In Michigan, out-of-district students pay higher tuition than in-district students. This is not the case in Florida, New York, or Washington, where the rates are the same; but in New York, the students' sponsorship area pays back a share of the cost. Out-of-district students in Illinois and Texas may or may not pay higher fees with practices varying by district.

Florida and Michigan base their fees on a per-credit-hour charge, and thus part-time students pay less as a function of their lower credit load. New York, Texas, and Washington have fee differentials for part-time students, but Texas requires them to pay its minimum semester rate regardless of load. Both New York and Texas consider 12 hours to be full-time loads, while Washington considers 10 hours full-time. Illinois colleges may or may not charge a differential, depending on the district.

The six states also differentiate fees by type of program. For example, all six charge different fees for credit and noncredit courses. In Illinois and Michigan, noncredit course fees must cover the costs of these courses. In these two states as well as in Florida and New York, avocational courses must be self-supporting. In Texas, the district determines rates for noncredit and avocational courses, and in Washington fees for avocational courses may or may not be different. (Washington, like California, has a problem deciding what is avocational, and what is not.) Only Texas charges slightly different fees for academic credit and vocational credit courses as a result of charging students in vocational courses on a contact hour and those in academic courses on a credit hour or semseter basis.

DETERMINATION OF THE LEVEL OF COMMUNITY COLLEGE FEES

Before the current fiscal crisis, some states had specific formulas for state funding of community colleges. Today, however, most of the states have no clear-cut formulas. State funding is generally based on the cost of the programs, cost of instruction, and full-time equivalent (FTE) enrollment or some variation of these factors. For example, Florida does a cost analysis of courses, programs, disciplines and the number of students and computes a figure of total need for each district from which expected student revenues are deducted. Michigan and Illinois have similar processes but also an equalization factor for districts with low tax assessments.

Because of the fiscal crisis, revenues from student charges have made up a larger proportion of community college operating budgets in many states. In 1980-81, student charge revenue contributed support to community colleges' operating budgets in a range from a low of 14 and one-half percent in Texas to a high of 28 percent in Michigan and New York. In Florida and Illinois, students contributed 21 percent and 23 percent in Washington. State and local taxes made up the majority of the remainder of the operating budgets.

Although some states have had to decrease their funding of community colleges, only two of the six directly control community college enrollment. The Florida Legislature specifies how much full-time equivalent enrollment will be funded for the total system, and the Washington Legislature contracts to fund a certain number of students over a two-year period. Enrollment is not controlled in Texas, Illinois, or Michigan, although in the latter two states, if state funds are insufficient for 100 percent FTE funding, grants to its colleges are prorated. New York indirectly controls enrollment because it funds its community colleges on a rolling three-year average, weighted 50 percent for the previous year's FTE enrollment, 30 percent for the year previous and 20 percent for the year before that.

DISPOSITION OF STUDENT REVENUES AND RESTRICTIONS ON THEIR USE

Student charge revenues are retained by the colleges in five of the six states, with Washington the exception. There the Operating Fee is treated as general revenue to the state's General Fund, and tuition goes to the state's Community College Construction account of the General Fund to liquidate bonded debt for capital construction. Washington's colleges retain only student services and activities fees and have no restrictions on their use.

Of the remaining five states, Florida and Texas place no restrictions on the use of student charges revenues. Michigan prohibits tuition from being used for capital outlay, but fees such as for parking may be so applied. In Illinois, the State Board of Higher Education must approve the use of revenues for capital facilities. In New York, the use of student services fees is restricted to certain purposes, and although the use of tuition is not restricted, it is used mainly for operating costs and not for capital outlay.

FINANCIAL AID FOR COMMUNITY COLLEGE STUDENTS

All six states offer at least one need-based financial aid program for which community college students are eligible. However, four of the six states restrict eligibility to full-time students. Only Texas and Washington make allowance for part-time students, and they require that these students be enrolled for a minimum of six hours.

All six states also have some sort of local financial aid program, although wide variation exists among them. In Florida, each college has its own financial aid program based on funds from private sources. In New York, districts may or may not have financial aid programs, depending on the availability of funds from private sources. In Illinois, some districts that have private sources of funding can give merit scholarships and loans.

Texas and Washington are the only two of the six that have a policy of using student fee revenues for financial aid programs. Texas funds its local aid by requiring each college to set aside one-sixteenth of its tuition revenue for this purpose. The college may award these funds to students as grants, or transfer them to the Coordinating Board where they are matched and returned to the institution. In Washington, 5.5 percent of student revenue goes to financial aid. Three percent is used for tuition waivers and 2.5 percent for student loans. If fees are increased, the amount of money going to financial aid is thus correspondingly increased.

In addition to Washington, three other states among the six--Texas, Michigan, and Illinois--provide tuition waivers. Illinois leaves the decision up to the districts, which are free to give merit scholarships, loans, or waivers. Texas provides fee waivers in accordance with legislative enactments that restricts them to certain categories of persons, such as veterans who have exhausted their educational benefits. In Michigan, local boards can waive tuition and these waivers are referred to as "local board scholarships." In 1981-82, Florida community colleges granted fee waivers on an unrestricted basis--financial need was not a prerequisite. The Florida Legislature was concerned that waivers were being used simply as a recruitment or enrollment-building device and restricted fee waivers to 5 percent in 1982-83 and eliminated them in 1983-84. A proposal to levy a $1 per credit unit fee designated for financial aid is pending in Florida. In all states except Washington, when local boards give tuition waivers, they are not reimbursed for these waivers by the state. In all cases, however, the students given waivers are counted for apportionment purposes.

APPENDIX A

Board of Governors' Statement on Contingency Fees

APPENDIX B

California Community Colleges
Academic Senate Resolution on Matriculated Students

MATRICULATED STUDENT	DISPOSITION
1. M/S/C (R. Logan, Santa Monica/N. Ochoa, Ventura; M. Dowd, LA Mission; R. Silverman, Santa Monica; A. Stiles, Sequoias)	BOG Chancellor's Office Academic Senates/CIO's Local Senates CPEC

Be It Resolved that the Academic Senate propose to the BOG that students be classified into matriculated and non-matriculated categories, and that to obtain matriculated status, a student must:

1. Submit a completed application with a complete (high school and all previous college) set of transcripts. An appeal process should be developed to settle disputes which may arise.

2. Have career and academic advisement.

3. Declare one of the following goals:
   a. Transfer (liberal arts)
   b. Associate Degree
   c. Vocational Certificate

4. Be assessed in English and mathematics competency

To maintain matriculated status, a student must:

1. Show progress towards the stated goal by meeting at least one of the following:

   a. Satisfactory completion of at least one course applying to the declared major each academic term.
   OR
   b. Satisfactory completion of at least one general education course each academic term.
   OR
   c. Satisfactory completion of at least one prescribed compensatory course each academic year to overcome the diagnosed academic deficiencies.

2. Maintain satisfactory academic status as delineated in the minimum standards for grading policy and the student progress policy adopted by the Board of Governors.

3. Maintain continuous enrollment with not more than two lapses of one semester in enrollment (not including summers).

Be It Further Resolved that with the institution of the matriculated student plan, additional funding shall be provided to the local districts for the carrying out of the included assessment and advising processes.

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McPherson, Michael S. "The Demand for Higher Education" in David Breneman and Chester E. Finn, Jr., editors, Public Policy and Private Higher Education. Washington, D.C.: The Brookings Institution, 1978, pp. 143-196.

Southern Regional Education Board. Tuition Policy for the Eighties. Atlanta: The Board, 1981.

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.