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ABSTRACT

New York State's 36 community colleges have operated under serious financial constraints since the beginning of the last recession in 1990, which diminished state funding and induced program cuts and higher tuition. New York's community college system was established based on a funding model of one-third each by State aid, local support, and tuition revenues, but the State has dropped its share below one-third since 1992, causing tuition revenues to exceed its one-third share. Tuition and fees at New York community colleges now average nearly $2,600, exceeding the national average ($1,500) by nearly 70%. Following an executive summary and recommendations offered for consideration in budget planning, this report discusses the following issues: (1) community college role and structure, including its history as a cost-effective point of access; (2) funding, specifically state, local, and student support; tuition levels; Hope scholarships; and capital development; (3) governance, with a focus on budget setting and the lack of priority often accorded to the community colleges by the State University of New York system board; (4) workforce development, including skills upgrading and retention, employer-specific skills training, community colleges as economic development agencies, and the Workforce Investment Act of 1997; and (5) opportunities for change. Appended are 1997-98 actual net costs and revenues for SUNY community colleges. (AS)

New York State's Community Colleges:

Cost-Effective Engines of Educational Access and Economic Development

H. Carl McCall
State Comptroller

March 1999

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A Message from State Comptroller H. Carl McCall

Last September I issued a report generally critical of the way higher education is approached in this State. Its fundamental conclusion — that New York State needs to adopt a strategic approach for higher education — is as relevant as ever. For the State's 36 community colleges it is particularly relevant, because the historical policies for funding them, even though included in statute, have been "notwithstood" (i.e., ignored) by annual budget legislation for a number of years. The State has not kept its commitment.

New York State's community colleges play a vital role in broadening access to higher education and in stimulating the economy. They were created on a model of one-third funding from the State, local sponsors and students. Later, in the 1970's, community colleges were asked to serve as "full opportunity colleges," admitting any person with a high school diploma or the equivalent, and they were promised a higher percentage of State aid for doing so — 40 percent. Although all of the colleges have met these requirements for many years, State aid reached 40 percent only once, in 1975, and since 1992 it has fallen below even the original one-third commitment.

We should immediately act to restore funding, and the $150-per-student increase requested by the State and City University Trustees will get us very close to restoring a one-third share. Over the longer term, I believe that State support should be increased to the 40 percent level promised in the 1970's by establishing an appropriate aid formula permanently in law. If State support were at the 40 percent level today, with students and sponsors providing a 30 percent share, annual tuition would be more than $400 below current levels and property taxes could be lower by $30 million.

New York State now has the second highest community college student charges in the nation, nearly $2,600 compared to a national average of $1,500. Although tuition at other public colleges in the State also exceeds national averages, the differential is much greater for community colleges. In fact, we ask community college students to pay a much higher proportion of their costs than we do students at prestigious graduate centers. This is neither fair nor wise on the State's part: if we want robust economic growth in an increasingly technology driven economy, we must ensure broad participation in higher education.

The general and technical training that community colleges can provide is essential to promoting growth, something businesses have known for some time, as evidenced by a recent survey from the Business Council. I think we should further strengthen community college involvement with business, and I support increased funding for the contract course program, as well as exploring other options for the productive involvement of business in the State's workforce training initiatives.

New York's community colleges currently enroll about 250,000 students — half of the students at public colleges and universities and one-quarter of enrollment at all post-secondary institutions in the State. And yet, many observers believe that community colleges suffer from a lack of priority within the public university systems and from their local sponsors. I believe that these community college concerns, like many other higher education issues, need to be focused on by State policy makers.

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Executive Summary

- Although they provide effective, low-cost education and demonstrate remarkable flexibility in meeting local needs, New York State's 36 community colleges have operated under serious financial constraints since the beginning of the last recession in 1990, with diminished State funding causing program cuts and higher tuition.

- New York's community colleges were established based on a funding model of one-third each by State aid, local support and tuition revenues, but the State has dropped its share below one-third since 1992 — causing student revenues to exceed their one-third share.

- This has happened despite the Education Law's stipulation that tuition and fees charged to community college students shall not exceed one-third of operating costs. This provision has been suspended by language in budget bills since 1991 — initially under emergency circumstances during a recession — but continuing today despite economic improvement.

- Additionally, under legislation passed in the 1970's, State support was to have been increased to 40 percent of operating costs for community colleges that provided open admissions. All community colleges have met these requirements for many years, but State support reached 40 percent only for one year in the 1970's, and has since fallen even below the one-third level. If State support today was at the full 40 percent promised, with students and sponsors providing 30 percent each, annual tuition would be more than $400 below current levels and property taxes could be lower by $30 million.

- Tuition and fees at New York's community colleges now average nearly $2,600, exceeding the national average ($1,500) by nearly 70 percent, and only Vermont has higher student charges. For other public colleges and universities the differential is less, with New York State charges exceeding national averages by 39 percent. Thus, community college tuition represents a higher proportion of tuition at 4-year public colleges in New York than nationally.

- New York's community colleges currently enroll more than 140,000 full-time, plus nearly 110,000 part-time students, for a total of 250,000. This represents approximately half of the students at public institutions and 25 percent of total enrollment at all post-secondary degree-granting institutions in the State.

- New York State provides approximately $500 million annually to community colleges — about one-fifth of the amount it expends on the 4-year and other colleges in the public systems. Together with local funding and student revenues, including tuition, fees and student aid payments, total expenditures for community colleges are close to $1.5 billion.

- Many observers believe that community colleges suffer from a lack of priority within the public university systems and from their local sponsors. This condition stems from a combination of lower academic prestige and more diffused financial and political support.

- ➤ Future economic growth requires a workforce that can adapt to changes brought on by technological change, globalization and other factors. Community colleges already play a vital role in this area, and their contribution could be even greater with appropriate support.

Recommendations:

The recommendations offered here are provided in the context of the Comptroller's finding in a report last fall that New York State should thoroughly review its policies and adopt a strategic approach to higher education issues. Two recommendations, however, are offered for immediate consideration by the Legislature in enacting the 1999-00 budget:

- ✓ The Legislature should increase community college aid by $150 per student as requested by the State and City University Boards of Trustees. This $28 million increase would bring the State's share to 32 percent, nearly restoring the one-third level originally provided.

- ✓ Additional funding should be provided for employer-specific training through the community college contract course program, which should be restored from a $2 million program to at least the $10 million level it operated at previously.

A number of other recommendations are offered for the longer term, to be considered as part of a comprehensive review of higher education policy issues:

- ✓ State support for community colleges should be increased to the 40 percent level promised in the 1970's by establishing an appropriate aid formula permanently in law. This is as much a positive goal now as it was then, and probably more so, given the increasing necessity of post-secondary education in a technologically driven economy.

- ✓ Aid should be sufficient to allow community college tuition levels to be held significantly below those at the four-year colleges, reflecting at least the differential in cost between the two types of institutions. Community college students should not be asked to pay a higher proportion of their costs than students at other public institutions.

- ✓ A review of the role of community colleges in economic development should be undertaken to explore ways to further improve their contribution to workforce training. For example, Iowa, Florida, North Carolina and Texas channel workforce development efforts through community colleges. Also, a broader review of economic development policies should consider ways to provide a greater role for business in directing training.

- ✓ The current governance systems for community colleges should also be reviewed to ensure that community college programs and priorities receive necessary support. Many believe that for the community colleges outside of New York City, this may require changes in their current organization. Also, the regional model currently in use at two community colleges should be considered for use elsewhere.

Community College Role and Structure

The significant and expanding educational and economic development roles played by the community colleges have gone largely unrecognized for the past several decades, although there has been a resurgence of interest in these institutions in recent years, particularly at the federal level. However, New York State's 36 community colleges have operated under serious financial constraints since the beginning of the last recession in 1990, and the diminished shares of State and local funding have resulted in program cutbacks and higher student tuition. Many observers believe that community colleges suffer from a lack of priority within the public university systems and from their local sponsors.

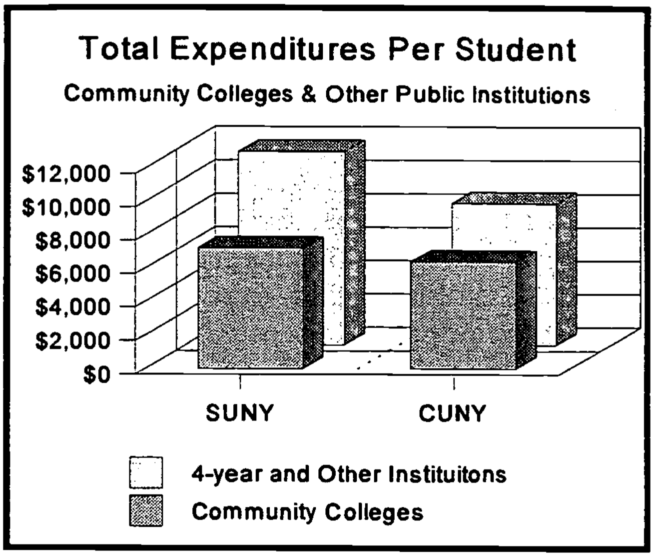
History

A great surge in demand for college-level educational opportunities in the period following World War II drove the creation and expansion of public institutions nationwide, including state colleges, universities and community colleges. In New York, a Temporary State Commission on the Need for a State University recommended in 1948 that the State's teachers colleges be broadly expanded and transformed into a public university system. It was concluded by this group that both the State and local governments would have to support low-cost public education to meet the burgeoning demand, particularly among those segments of the population that had not traditionally participated in higher education. As part of an overall plan to meet the new demand, the Commission called for the establishment of state-assisted, locally administered community colleges, offering two-year programs of general education and technical training, and also providing courses to part-time students and adults.[1] Legislation enacted shortly after the Commission's report established the State University system, including a system of community colleges. Although there are differences in their structure, both State University of New York (SUNY) and City University of New York (CUNY) community colleges are governed by the Article 126 of the Education Law, which was enacted following the Commission's report.

A Cost-Effective Point of Access

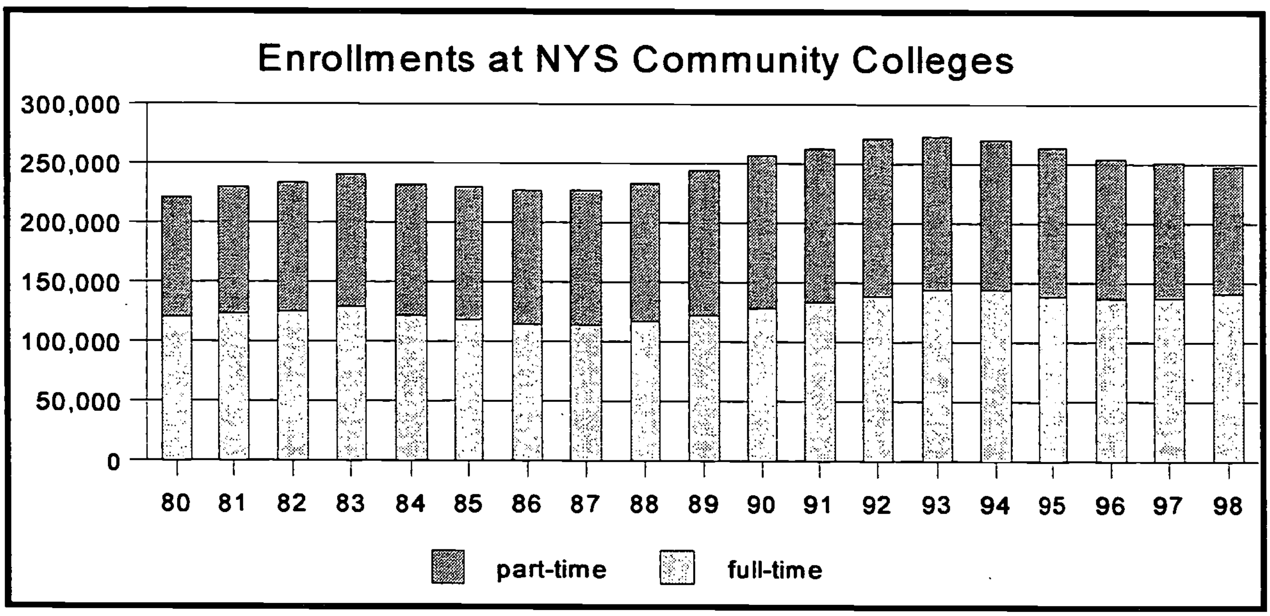
Community colleges provide effective, low-cost education and demonstrate remarkable flexibility in meeting local needs and training requirements. Typical offerings include general education, remedial education, technical and other vocational programs, and training programs designed to meet the special needs of businesses and government agencies. Community colleges are "full opportunity" institutions — meaning that they admit any student in their geographic area with a high school diploma or the equivalent. New York's community colleges are a vital source of access, providing a low-cost point of entry to higher education. They also help to serve the special needs of New York's immigrant population. Collaborative programs such as College Now at CUNY help students at the secondary level successfully prepare for college entry.

[1] The Temporary State Commission on the Need for a State University was created in 1946 at the behest of Governor Dewey, and was chaired by Regent Owen D. Young. The description here is largely taken from the *Report of the Chancellor's Task Force on Community Colleges*, State University of New York, March 1996.



Community colleges provide services at a relatively low cost per student. For example, in 1995-96, expenditures per full-time-equivalent student totaled $7,187 at SUNY community colleges compared to $11,566 at the other SUNY institutions. At CUNY community college expenditures per student were $6,377, compared to $8,478 at the senior colleges.[2]

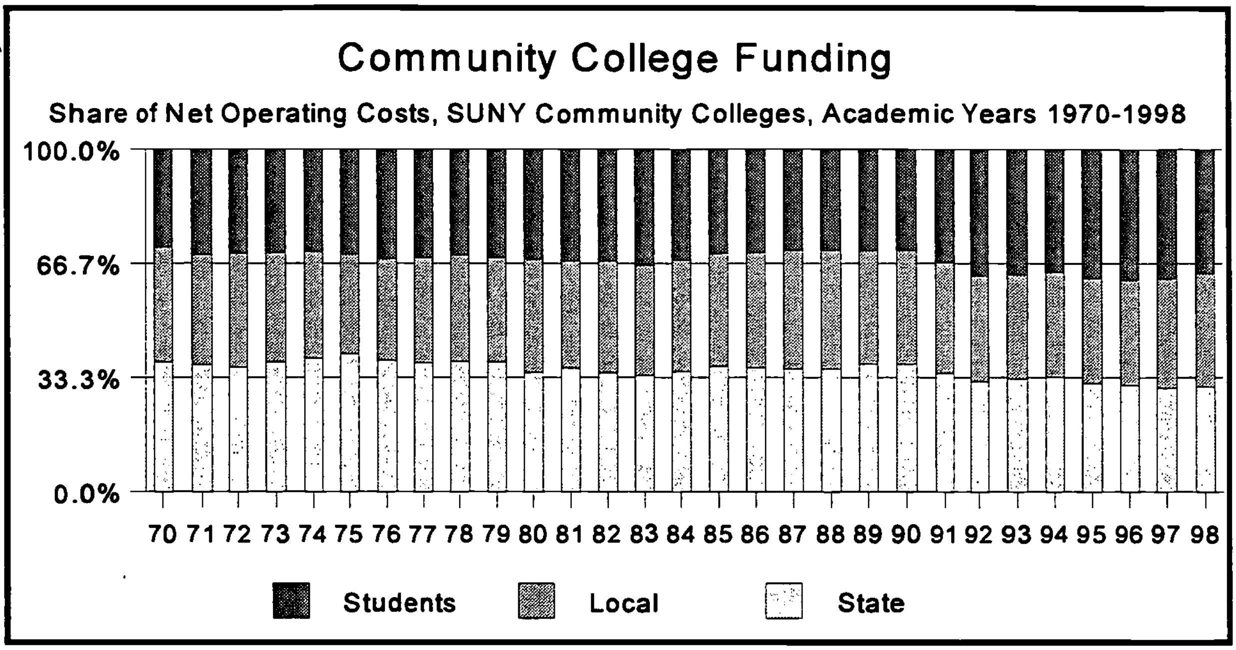
New York's community colleges currently enroll more than 140,000 full-time, plus nearly 110,000 part-time students, for a total of 250,000. This represents approximately half of the students at public institutions and 25 percent of total enrollment at all post-secondary degree-granting institutions in the State. Enrollment at the community colleges tends to increase during economic recessions as the unemployed or under-employed seek new skills, and during more prosperous periods enrollment tends to decline. Community colleges were designed to help meet the needs of part-time students, which make up nearly half of their enrollments. In comparison, less than 20 percent of enrollments at other SUNY institutions are part-time, and about one-third of enrollments at other CUNY institutions.



[2] As calculated by the State Education Department, based upon student related expenditures as reported on the federal IPEDS database. Note that due to definitional differences for expenditures and FTE students, the IPEDS data do not match the net operating expenditures published in Community College Annual Reports.

Funding

New York State provides approximately $500 million annually to SUNY and CUNY community colleges. The largest portion of this assistance is operating assistance ($407 million); aid is also provided for opportunity and other categorical programs, capital and debt service. Together with local funding and student revenues, including tuition, fees and student aid payments, total expenditures for community colleges are close to $1.5 billion.



State, Local & Student Support

New York's community colleges were established based on a funding model of one-third each by state aid, local support and tuition revenues. State aid was paid at a one-third rate from 1948 through 1969, but the proportion State funding fulfills has varied significantly since that point in time. The colleges are jointly administered by the State and a local sponsor, usually a county, but in some cases a group of counties, or by the City of New York. The ability of the local sponsors to support community colleges varies significantly around the State, and it is sometimes the case that the areas most in need of additional educational investments are least able to afford them.

Tuition rates, contributions from local sponsors, and student enrollments vary from year to year and among the colleges themselves. Nevertheless, broad patterns in the proportional shares are identifiable. State support for SUNY community colleges has fallen from levels approaching 40 percent in the 1970's to about 30 percent in recent years. Local support has also fallen to about 30 percent of revenues from the one-third share originally envisioned (and maintained for the greater part of the 1970's and 1980's). An increase in aid of $150 per student last year raised the State's share to approximately 31 percent of costs at SUNY community colleges. Both the SUNY and CUNY trustees have asked for another $150 per-student increase this year which would raise the State's share to about 32 percent for the SUNY institutions, almost reaching the one-third share originally provided.

It should be noted that the statistics referenced above are *totals* for the SUNY community colleges, and the proportional shares vary significantly among these institutions. For example, in 1997-98 the statewide share for student tuition was 37.8 percent, but this represented a broad range including 48.5 percent at Jefferson compared to 30.2 percent at Sullivan. Also, the guarantees originally placed in the Education Law apply to individual institutions, but the State's performance in meeting this guarantee has generally been discussed in terms of the overall percentage funded at SUNY community colleges.

State aid in recent years has not been sufficient to meet the originally provided one-third share at most SUNY community colleges. There is in fact an even higher share of expenditures promised in the Education Law. This provision stems from a comprehensive review of community colleges in the early 1970's which led to the development of the Engler or "limitations" formula, which included base aid as well as a number of other aid components. The plan at the time was to increase State support to 40 percent of operating costs for all community colleges that provided open admissions (also known as full opportunity colleges). Although all community colleges have met the full opportunity requirements for many years, State support reached the full 40 percent funding level for only one year, 1975-76, and there has since been a substantial retreat from this goal as State funding has fallen even below the one-third level. As the chart above shows, when the State's commitment has slipped, student revenues have most often made up the difference. Student revenues have exceeded a one-third share since 1992 — the same period during which State support has been below one-third (shown by the State and student shares crossing the 33.3 and 66.7 percent lines).

Technically, State aid allocations for both SUNY and CUNY colleges are controlled by the regulations of the State University Board of Trustees within statutory guidelines. In reality, however, the permanent statutes have been superceded by language in budget bills and the general level of aid is determined as part of the State budget negotiations because the Trustees cannot appropriate funds and their aid regulations must also be approved by the Governor's Division of the Budget.

Revenue Shares for CUNY Community Colleges

	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
State Aid	36.0%	38.3%	36.4%	34.6%	36.7%	32.6%	33.9%	34.4%
City Support	42.4%	27.2%	23.9%	24.0%	24.3%	22.6%	23.0%	23.2%
Tuition/Other	21.5%	34.4%	39.8%	41.4%	39.0%	44.8%	43.1%	42.4%

Since SUNY and CUNY community colleges are aided under the same formula, data on CUNY community college revenue shares show a similar pattern of change in some respects. However, the CUNY community colleges as a group have lower expenditures and higher tuition than

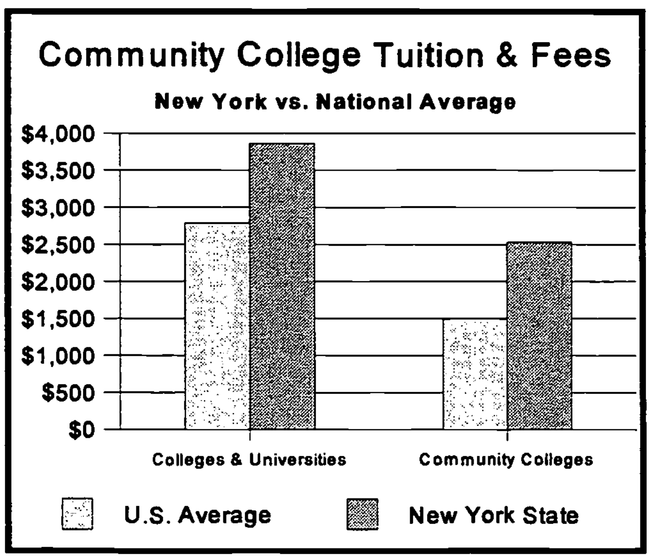
SUNY community colleges, and thus the State and student shares are higher and the local share is lower, as shown in the table above. Additionally, New York City's local contribution was dramatically reduced as a result of the early 1990's recession (being about $50 million lower today than it was then). During this period City support dropped from 42 to 23 percent and student tuition increased from 22 to 42 percent.

The 1970's Engler formula reforms — in addition to calling for a 40 percent state share — specified that community college aid was to be based on a number of elements, including per capita base aid, a millage aid component recognizing local tax effort, disadvantaged student aid, supplemental aid for certain business and technical programs, and reimbursement of 50 percent of space rental costs. Most of these formula elements were in use until 1993-94, but today only the per capita base aid and the reimbursement for physical space remain. The formula therefore no longer targets aid to local areas based upon their proportion of higher cost disadvantaged students or relative local tax effort: all colleges are considered to be equally able to finance their own programs.

In 1990-91 base aid per student was $1,725, and a series of other aids were provided including disadvantaged aid ($212 per eligible student), technical aid ($195 per eligible student) and business aid ($82 per eligible student). Comparisons going back to this period which are based solely on a base aid per capita figure can be misleading. That is, although per capita base aid increased from $1,750 in 1990 to $2,050 today, the 19 percent increase between these figures (before inflation) does not take into account the elimination of the other categories of aid described above. Additionally, there have been other reductions outside of the formula. For example, non-credit community service and vocational courses, which had been eligible for State aid, lost such eligibility in 1990-91 and 1991-92 respectively at an annual cost to SUNY colleges alone of about $7.5 million.

Tuition Levels

Over the past decade, reduced State and local tax support has led to rapidly increasing tuition levels at community colleges. From 1990 to 1997 average annual tuition and fees increased by over 73 percent to nearly $2,600 (the increase in the consumer price index for the same period was less than 23 percent).



New York State now has the second highest community college student charges in the nation (only Vermont is higher). Some observers point to New York State's tuition assistance program as a mitigating factor in comparisons, but the comparisons are fairly stark: the national average for the 1997-98 academic year was just below $1,500 whereas in New York State tuition and fees are close to $2,600.[3] The differential between community college tuition and tuition at a 4-year public college or university is also very different. Community college tuition in New York is 69 percent higher than the national average, whereas for public colleges and universities the differential is less, 39 percent. Thus, community college tuition represents a higher proportion of tuition at 4-year public colleges in New York than nationally.

Tuition rates are generally linked to state support, as noted above, and it has long been a State policy to keep charges low at the community colleges. Article 126 of the Education Law specifies that tuition and fees charged to students shall be fixed so as not to exceed one-third of the operating costs of the community college. Since 1991, however, this provision has been suspended by language in the annual appropriations bills. This language was used initially under emergency circumstances, owing to the severe impact of the early 1990's recession on State revenues, but it is still in use despite the economic improvements since that time.

In effect, New York's community college students are providing a substantial subsidy to State and local governments. If State support were simply maintained at the one-third level, the situation would be ameliorated. If State support were at the full 40 percent intended by the Engler formula and the remaining needs were split equally between student revenues and local sponsors, annual tuition would be more than $400 below current levels and property taxes could be lowered by $30 million.

Because New York State does not have a formal policy for setting and revising public college tuition levels they tend to increase rapidly when the State's economy is sagging, and may not increase at all in more prosperous times. Tuition at the State-operated SUNY institutions and CUNY senior colleges is generally set (although indirectly) as part of the State budget process. SUNY and CUNY trustees are nominally responsible for setting tuition rates at their institutions, but they are generally driven to alter tuition rates in accord with legislative and executive plans, because the budget appropriations are based on estimates of overall spending, including a specific assumption about the tuition levels necessary to raise the budgeted amounts.

At the community colleges, the situation is somewhat different, owing to the involvement of a local revenues and decisions in the process. For example, at SUNY, the statewide Board of Trustees sets a cap for the community colleges, currently $2,500, applying to tuition only (not fees). The tuition levels at individual SUNY community colleges are set by their local boards of trustees, based on their expenditure needs, local support and State aid. Individual colleges can also exceed the cap with permission from the SUNY board, as some have in recent years (last year's $150 per capita increase allowed five institutions then exceeding the cap to go back below it). This issue will be of high priority in the coming budget, and if additional aid is not provided it is expected that the SUNY Board of Trustees will raise the tuition cap.

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[3] As measured by the Washington State Higher Education Coordinating Board and published in *Undergraduate Student Charges in Institutions of Higher Education*, NYS Education Department (April, 1998). Note that the interstate comparison data shows the NYS average for 1997-98 to be $2,532, whereas the figures compiled by SED for SUNY and CUNY individually are $2,559 and $2,596.

Student fees are another mechanism for raising revenues which is not limited by the tuition cap (although fees are included in the Education Law's annually "notwithstood" prohibition against student charges exceeding one-third of operating costs). For example, it is noteworthy that average of student tuition and fees at SUNY community colleges is $2,559 in 1997-98 — slightly in excess of the $2,500 "cap." Tuition and fees vary among campuses, ranging from $2,164 at Adirondack to $2,895 at Jamestown. At CUNY all community colleges have the same tuition, currently $2,500, which is set by the CUNY Trustees; tuition and fees together averaged $2,596 in 1997-98 at CUNY community colleges.

There is no explicit requirement that community college tuition be maintained at a reasonable level in comparison to tuition levels at the higher-cost 4-year colleges and universities. From 1987 to 1990 this resulted in community colleges, public four-year colleges and university centers all having nearly equal tuition charges. This situation ended with the imposition of large increases in tuition for students at 4-year SUNY and CUNY colleges in the early and middle-1990's. Tuition at SUNY four-year colleges is now $3,400 and $3,200 at CUNY senior colleges, compared to a $2,500 maximum at the community colleges. However, it should be noted that the differential between tuition at the two classes of institution is less than the differential in costs, and community college students are therefore paying a higher proportion of the cost for their education than are their peers at four-year public colleges.

Since 1991-92, a maintenance of effort provision has been in place for the local sponsors. The provision is contained in annual budget bills together with the waiver of permanent law's prohibition against tuition and fees exceeding one-third of costs. Essentially the maintenance of effort clauses have prohibited any local sponsor from lowering their contribution both in total and on a per-student basis. It applies to all institutions where tuition and fees are exceed the one-third share, i.e., most of the upstate institutions, and the New York City community colleges (which are considered as a whole for purposes of maintenance of effort). The provision was added at a time when it was accepted that tuition increases at community colleges would be necessary, and it was thought that sponsors should not be allowed to exacerbate the problem by reducing their contribution.

The maintenance of effort provisions have been at particular issue in New York City, partly because there was a large reduction in City support just prior to their imposition in 1991-92. In recent years moreover the City budget has provided funding just adequate to meet the minimum maintenance of effort requirements. Maintenance of effort provisions are designed to set a minimum local contribution — a "floor" in other words — but many have noted that in the case of City contributions to CUNY they also appear to be serving as a ceiling.

Hope Scholarships

The federal Tax Relief Act of 1997 included a variety of higher education provisions, including the Hope Scholarships. The proposals were based on a policy choice to broaden opportunities for post-secondary education, with a particular focus on community colleges and other 2-year programs. The Hope Scholarships will provide a substantial subsidy for two years of study beyond high school. Although referred to as a "scholarship," they are actually a tax credit (a reduction in tax liability) available either to independent students or parents of dependent students. The credit can be claimed for up to $1,500 for qualified tuition and expenses (calculated as 100 percent of the first $1,000 spent and 50 percent of the second $1,000). Other provisions of that Act, such as the Lifetime Learning Credit may also spur additional participation in community colleges. The Lifetime Learning Credit may apply to students beyond their first two years of college and is targeted to those returning to school to upgrade skills or change careers.

Capital Development

Responsibility for funding new buildings, renovations, and rental space at the community colleges is shared equally by the State and local sponsors, with each providing 50 percent of the cost. This means that administrative and legislative approvals have to be obtained from a county or counties (or the City of New York) and the State at the same time for such construction to be authorized. The result is that the most conservative of the levels of approval prevails and it can take a very long time for new projects to be approved no matter how badly they are needed. The perverse result of this system is that in the more economically depressed areas of the State, where job training and other community college services are most needed, capital development is least likely to be approved.

In the 1997-98 budget the State provided substantially increased funding for public higher education capital in a five-year plan totaling $3 billion, including both hard dollar appropriations and projected bonding levels. The State provides direct capital funding for maintenance projects as well as funding debt service for bonded capital projects. For 1998-99 direct capital obligations are funded at $5 million for SUNY community colleges and $1 million for CUNY community colleges; State-funded debt service payments total $35 million at SUNY and $43 million at CUNY. The five-year capital plan approved last year outlines bonded capital spending at community colleges totaling $285 million ($175 million at SUNY and $110 at CUNY). Although last year's plan creates opportunities for community colleges, local sponsor approval will still be an obstacle in many cases. The capital appropriations represent an upper limit of funding potentially available, not likely funding.

Governance

The sources of overall policy control and governance in the SUNY and CUNY systems for all levels of institutions are their respective boards of trustees as well as the chancellors and other senior administrators they appoint. SUNY trustees other than the student and faculty representatives are appointed by the governor. Similarly, the CUNY board consists of one student and one faculty representative plus ten trustees chosen by the governor and five chosen by the mayor. The chairs of both boards are selected by the governor.

In a broad sense, educational policies at both SUNY and CUNY community colleges are governed by their respective system-wide boards, and ultimately by the State Board of Regents. However, the SUNY community colleges each have an individual college board, appointed partially by the local sponsor(s) and partially by the governor. Most institutions have 10-member boards with five members chosen by local sponsor(s) and four by the governor, plus a student representative. These boards report to the local sponsors as well as the State University Board of Trustees, and they have real power, including budgetary power (which the corresponding campus councils at the state-operated institutions do not have).

The CUNY community colleges are very different from SUNY institutions in that they have only advisory boards or foundation boards and the City University Board of Trustees acts for all institutions in the system.

Budget Setting

CUNY has a single local sponsor for its six community colleges so the process of establishing budgets is uniform across the system. The overall CUNY community college budget is prepared by staff in CUNY central administration. The budget is then submitted to both the State and the City of New York. Normally, the State budget decisions are made first; the City budget then defines the City contribution. The total State and City funding and projected student revenues are apportioned among the community colleges based on criteria set by the CUNY Trustees.

There are variations in the procedure for arriving at the annual budget, but the following steps are typical. After the college produces its internal budget based on guidance from the local sponsor, the community college board, and the SUNY Trustees, the budget is submitted to the local sponsor and is subject to county approvals. In effect, the community college is treated as an agency of county government for budget preparation purposes. In the event of disagreement between the community college board and the local sponsor the SUNY chancellor or his designee attempts to mediate a mutually acceptable budget. The final budget is submitted to the SUNY Trustees for approval and, in the aggregate, the college budgets become the basis for the SUNY budget request to the State on behalf of the community colleges.

There are 30 community colleges in the SUNY system with 20 having a single county as local sponsor and 9 with multiple local sponsors; the Fashion Institute of Technology in Manhattan is a special case, being sponsored by the New York City Board of Education. All community colleges educate a mix of students from within the local sponsorship area and from neighboring counties. For students from outside the sponsor's area, a "chargeback" fee is charged to the county of residence.[4]

A Lack of Priority

From a financial and political perspective community colleges may suffer because they have an additional funding source that the State-operated campuses do not — local tax revenues. Thus,

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[4] At the Fashion Institute of Technology (FIT) — which is unique in mission, as well as in being a State University community college in New York City that attracts a great number of students from the surrounding metropolitan counties — the charge-back fees are picked up by the State. State funding of the FIT chargeback is proposed to be eliminated in the Executive Budget.

the governor or legislature may choose not to provide increased financial support for them in the budget or even to cut state funding, assuming that some combination of student and local revenues will make up the difference. The combination of lower academic prestige and more diffused financial and political support has often cost the community colleges in the final stages of budget negotiations.

Both the CUNY and SUNY system boards are responsible for issues covering graduate and professional education, baccalaureate institutions, and technical schools as well as community colleges. For a variety of reasons, when policy and priorities are being determined for the systems as a whole the needs of community colleges often receive inadequate attention. Within the academic community, recognition among peers usually accrues primarily to graduate and research programs, less to undergraduate programs, with community colleges lowest on the scale. Faculty and administrators who have the most direct influence on university policy and priorities will usually encourage trustees to protect and expand those high visibility programs first and support lower priorities only when resources are ample.

New York State's system of two public university systems controlling separate groups of community colleges may be unique among the states. Also, in most other states community colleges are independently represented by some organization other than the public university system. A number of observers, including educators, legislators, community college trustees and presidents find that the community colleges as a whole would be better served if they were organized in a system distinct from the SUNY system.

This issue is very different at SUNY system community colleges than it is at the City University community colleges, given their relative proximity to each other and their single local sponsor. The SUNY community colleges are of necessity independently governed, whereas the CUNY community colleges are not, and there are many advantages perceived by CUNY community colleges from remaining in a unified system with a single governing board, including their commonality of mission with each other, and with the senior colleges of the CUNY system. Others point to the greater racial and socioeconomic stratification that has occurred in other major urban public systems where the community college system is split from other public institutions.

It is noteworthy as well that the CUNY community colleges do not experience the problems that occur in the SUNY system with articulation between the community colleges and their 4-year institutions. Although the SUNY trustees have official policies that seek to guarantee seamless transfer and acceptance of credits earned at community colleges by other SUNY institutions, problems often arise and this remains an important issue and area for improvement.

In 1995, partly in response to the SUNY community colleges dissatisfaction with their representation by the system as a whole, then SUNY Chancellor Thomas Bartlett convened an internal task force on community college issues. In a 1996 report that group issued a series of recommendations relating to the organization and structure of SUNY community colleges. Many of their recommendations have since been implemented, but others have not. For example, the task force recommended that the SUNY Trustees formally recognize the organizations representing the community college boards of trustees and presidents and that a trustees committee be formed to focus on community colleges. Although both of these changes have taken place, many observers continue to feel that community college issues need greater recognition. Other recommendations have not been implemented, such as that SUNY System Administration offices dealing with community colleges be adequately staffed.

The task force also recommended that legislation be enacted to provide a mechanism for any existing SUNY community college now sponsored by a county to become a regional college, covering multiple contiguous governmental units, either counties, cities or school districts. Two community colleges are already functioning in this manner under recent legislation: Corning and Jamestown. At those institutions the budget is approved solely by the community college trustees. The municipal governments have no direct role, although they do appoint trustees to represent their interests (the boards consequently are larger). In the regional model, all local funding is provided through the "chargeback" mechanism that now applies at other community colleges to students attending from beyond the boundaries of the sponsorship area.

The regional approach can help to ease administrative difficulties that can be particularly severe if more than one county or local sponsor is responsible for funding approvals. However, some observers have noted that it does not make financial problems simply disappear — the two regional community colleges now operating continue to operate under the conditions of fiscal stress they faced before converting to a regional model.

It should be noted that there has always been some degree of tension between the community colleges and the local sponsors, with the former preferring more independence from county governments and the latter preferring more direct control. The recent "Part C" legislation provided SUNY community colleges with greater flexibility in the execution of expenditures within the context of college budget approval by their local sponsors. However, community college interests continue to desire greater autonomy from their sponsoring local governments. For example, the SUNY community college task force recommended that legislation be enacted to designate each community colleges board of trustees as the sole employer of all faculty and staff hired by the college (removing the counties from any control). The task force also recommended additional legislation to provide colleges with greater operational freedom from their sponsors and reduce encroachment through the budget process on the administrative authority of the college boards of trustees. Counties generally take the opposite position, desiring more control over college activities and hiring.

Workforce Development

The State's workforce is a critical economic resource that is generally enriched through investments in education and training. Future economic growth requires a workforce that can adapt to changes brought on by technological change, globalization, interstate competition and other factors. Community colleges already play a vital role in this area, and many observers believe their contribution could be even greater with appropriate support from the State level.

A new Clinton Administration report on the benefits of investing in education and training projects concludes that eight of the 10 fastest growing jobs will require a college degree or long term training. The report also concluded that adults with a post-secondary education were more likely to have job stability, and that dislocated workers with an associate or higher degree were better able to re-enter the labor force.[5] The recent federal education initiatives such as the Hope Scholarships, it should be pointed out, are predicated on a model of almost universal participation in education for a minimum of two years beyond the secondary level.

Community colleges are also proving highly successful in providing training individuals who are endeavoring to leave the welfare rolls. However, according to CUNY officials, the number of community college enrollments made up of welfare recipients has dropped from nearly 27,000 in 1995 to about 10,000 last fall. It is not clear if the causes are changes in student aid programs, changes in welfare policy or some combination of the two. Regardless of the explanation, it would seem that making community colleges more accessible to welfare recipients would speed their transition from tax-consumers to taxpayers.

Skills Upgrading and Retraining

Skills upgrading and retraining have also become an important element in workforce development. In a seminal study on workforce training, a survey of American business found that between 21.1 percent and 31.6 percent of American workers required some type of additional training. This study found education and training needs covered a large spectrum — from computer skills to English as second language. Technological change accounted for 32 percent of the increased need for education and training, and there was a perceived demand for both credit and non-credit courses. Importantly, community colleges were preferred by business because they were seen as being cost-effective, convenient, and able to provide customized training.[6] An earlier study concluded that 75 percent of the existing American workforce will need significant job training in the next decade, and 80 percent of the new jobs created would require at least two years of post-secondary education.[7]

Studies specific to New York State show the importance of workforce skills development. For example, a survey by the Center for Government Research found that 60 percent of business

[5] "Gore Convenes Summit, Announces Initiatives," *Community College Times*, January 26, 1999, (www.aacc.nche.edu).

[6] John W. Quinley, "Survey of Employers", in Tony Zeiss & Associates, *Developing the World's Best Workforce: An Agenda for Community Colleges*, American Association of Community Colleges, 1977, pp. 35-58.

[7] A. K. Dilcher, *Learning that works: The provision of workplace education by community colleges*, American Association of Community Colleges and Southport Institute of Policy Analysis, Washington in *Developing the World's Best Workforce: An Agenda for Community Colleges.*

surveyed felt that the lack of quality labor was a major barrier to growth in New York State.[8] The New York State Business Council also identified low worker skills as one of the most important problems confronting business in a recent survey.[9] Their study found that 44 percent of New York employers felt that high school graduates lacked appropriate skills for the job; however, only 14.5 percent and 5.5 percent felt that about community college and four-year graduates respectively. The survey also found that there was a "moderate" to "severe" gap between newly hired workers' skills and employer needs — both among those hired directly from school and among experienced workers. Both small and large companies appeared to perceive this gap in New York's workforce. Significantly, community college graduates ranked much higher in a range of skill areas than high school graduates. In the Business Council survey, 50 percent of business surveyed had used community colleges for training and retraining, and 70 percent rated New York's community colleges as good or excellent

Across the country, including in New York, businesses are increasingly using community colleges for training and retraining of workers. Benefits from new technological investment, central to increased productivity and innovation in the economy, would not have been possible without a complementary improvement in workforce skills. A good example of this relationship is found in the recent collaboration of the computer microchip industry and community colleges to develop curricula appropriate for training production-level workers in this vital and expanding industry. Seven community colleges in New York have adapted their course offerings to meet industry standards and are now offering degree programs certified by the industry as meeting their requirements.

Researchers have identified the reasons for community colleges' success as being: (1) their history of providing vocational, technical, and career training in skill areas relevant to local conditions; (2) relationships with local business; (3) experience with adult students; (4) curriculum diversity and (5) physical location.[10] Few other local training institutions have these characteristics. Community colleges provide service to four distinct groups: the emerging workforce, the existing workforce, the transitional workforce, and the entrepreneurial learner — groups which are in varying degrees all important to the economy.[11]

The funding emphasis, however, particularly for the existing and transitional workforce groups, has not reflected needs in the economy. Much of the funding for these purposes is channeled to training resources other than community colleges. Over the last decade, the State spends nearly $1 billion annually on workforce training outside of community colleges. Many observers believe

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[8] Center for Governmental Research Inc., *Barriers to Small Business Growth in New York State: A Barometer of Opinions*, November, 1998.

[9] New York State Business Council, Inc., Press Release, May 11, 1998.

[10] *Developing the World's Best Workforce: An Agenda for America's Community Colleges*, p. 3.

[11] *Developing the World's Best Workforce: An Agenda for America's Community Colleges*, p. 5.

that these funds have only marginally assisted workers to find long-term employment or employers to hire adequately skilled workers. For example, Comptroller's audits of New York State's training programs have shown that training programs have not been effective in placing people in jobs.[12] Efforts to rationalize training programs and make them more relevant to the needs of both workers and business have so far failed. As a result, the workforce training system has not been able to meet the needs of either workers or employers. A major reason often identified for this is that workers have been trained for jobs that often do not exist in the local economy.

Employer-Specific Skills Training

Although the concept of employer-specific skill training has many adherents, New York State has not supported it in a meaningful way (see the discussion of contract course funding below). However, despite a lack of funds for providing workforce training with programs run directly through the community colleges, these institutions have been able to tap into a myriad of other funds provided for training. With or without State-provided explicit program funding, however, many businesses and individuals use community colleges to upgrade skills, and they are therefore very much involved in workforce development.

The State government has provided funding through the "contract course" program, which was eliminated in 1991, but recently partially restored. That program provided nearly $8 million in subsidized job training for employers working with SUNY community colleges in 1991. CUNY participation was substantially less, most likely because CUNY community colleges serve a different clientele and there was less demand for such services in the New York City economy.

The 1997-98 State budget restored funding for contract courses at the level of $1 million each for SUNY and CUNY, but a further increase in 1998-99 was vetoed. The new program includes a provision requiring a contribution from participating businesses — the earlier program did not have such a provision and was criticized as being overly generous to business interests because there often was no contribution. The contract course program, however, is generally acknowledged to be a powerful economic development tool. In 1997-98, with state funding of only $1 million, 25 SUNY community colleges joined with 58 companies to provide training — it is estimated that this partnership resulted in the creation of 775 new jobs at a State cost of $1,200 per new job, and there were more proposals than available funding.[13]

Employer-specific or otherwise customized training systems that are designed with business input can be extremely productive economic development tools, as demonstrated by the contract course program. Business both small and large are the institutions that have the most knowledge on the types of skills (and jobs) available or likely to be available. The Business Council has called for

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[12]A review of these audits may be found in *New York State's Job Training and Job Creation Programs: Prospects for Welfare Reform*, State Comptroller's Office (November 1996).

[13]Testimony of Chancellor Ryan before the joint legislative hearing on the Executive Budget, February 9, 1999.

a $50 million program for employer specific training that would be run through consortia of businesses, educational institutions and economic development organizations, and delivered at the local level.

Community Colleges as Economic Development Agencies

Although community colleges have historically had relationships with local business and communities, they have not received adequate recognition as an important element in the State's economic development agenda. One reason for this is that community colleges are not perceived by policy makers to be part of the economic development system. This view is appropriate in many respects because they are primarily educational institutions. However, unlike other institutions of post-secondary learning, community colleges are more directly involved in a range of training activity and other relations with the business communities that directly impact the economy. Through their close linkages with the local community, these colleges have developed institutional knowledge relevant to pursuing economic development policies at the local level.

The State should consider a review of the role of community colleges in economic development and explore ways in which these institutions can enhance the State's economic development efforts, particularly they relate to workforce development. Iowa, Florida, North Carolina, and Texas, for example, channel workforce development efforts through community colleges.

Workforce Investment Act of 1997 (WIA)

The passage of the Workforce Investment Act of 1997 (WIA) provides an opportunity to enhance the role of community colleges in workforce development. WIA completely overhauls the Job Training Partnership Act of 1982 (JTPA), and assigns a central role to community-based resources. Community colleges are to be represented on the governing bodies at the state and local levels under the legislation, and their unique perspective and resources will thus be included in statewide workforce policy in the future. The shift away from JTPA's contract-based system delivery system to one based on individual training accounts or vouchers may also enhance their role in delivering training services because WIA emphasizes accountability from programs and job training service providers. WIA will replace JTPA on July 1, 2000.

Opportunities for Change

This report is presented in the context of the Comptroller's conclusion, as presented *New York State's Higher Education Policy Vacuum* published last fall, that the State must focus its attention in a positive manner on higher education in order to reach its full economic and social potential. The description presented of the existing and potential contributions of community colleges as well as the environment in which they operate is intended to stimulate interest in their preservation and advancement. It is hoped that the Legislature will respond positively to the SUNY and CUNY trustees modest request for additional funding.

Over the longer term, a specific and appropriate community college aid formula should be defined in law as part of a comprehensive State policy for investing in higher education. Community colleges should receive a high priority in these efforts because they are the most cost-effective of New York's higher education institutions and are well positioned to address some of the State's most critical social and economic needs.

State aid must be reconsidered in the context of more clearly defined higher education policies. An phased increase in the State support to at the 40 percent level is as much a positive goal now as it was in the 1970's, and probably more so, given the increasing necessity of post-secondary education in a technologically driven economy. Aid should be sufficient to allow tuition levels to be capped at a level significantly below those at the four year colleges.

Increasing State funding for community colleges would reduce reliance on less equitable local real property taxes and allow tuition levels to fall to a level more consistent with those across the nation. It may also be advantageous to deliver aid in a manner more sensitive to varying local fiscal capacity.

The current approach to funding public higher educational systems and setting tuition levels is unacceptable. Decisions are made on an ad hoc basis with planning limited to a single budget year. This makes planning difficult for students and their parents, and also does not serve the State's long-term interests. Community college students are currently asked to pay a much higher proportion of their costs than their peers at 4-year and other public institutions.

The current system of governance for community colleges should also be reviewed to ensure that community college programs and priorities receive necessary support. For the SUNY community colleges some observers believe that an organizational structure apart from the State University system would be helpful. This and other governance issues should be part of any comprehensive review of higher education policies.

Appendix: 1997-98 Actual Net Costs & Revenues for SUNY Community Colleges

	Net Operating Costs	State Operating Aid		Student Tuition Revenue		Local Revenues		Student Enrollment
	Total	Amount	% of total	Amount	% of total	Amount	% of total	(FTE)
Total (30 colleges)	$881,341,171	$267,117,077	30.3%	$333,100,624	37.8%	$281,123,469	31.9%	137,159
Adirondack	13,467,802	4,675,800	34.7%	5,307,790	39.4%	3,484,212	25.9%	2,342
Broome	25,017,162	7,974,320	31.9%	9,654,118	38.6%	7,388,724	29.5%	3,979
Cayuga County	12,349,787	3,793,480	30.7%	4,858,286	39.3%	3,698,021	30.0%	1,890
Clinton	7,755,242	2,341,530	30.2%	2,873,272	37.0%	2,540,439	32.8%	1,160
Columbia-Greene	8,418,321	2,193,170	26.1%	2,677,545	31.8%	3,547,606	42.1%	1,147
Corning	20,013,816	5,938,512	29.7%	7,959,728	39.8%	6,115,576	30.5%	3,100
Dutchess	26,613,055	7,940,857	29.8%	9,960,844	37.4%	8,711,354	32.8%	4,179
Erie	55,239,560	19,387,504	35.1%	22,755,490	41.2%	13,096,566	23.7%	9,451
Fashion Institute	77,216,891	15,980,830	20.7%	21,663,570	28.1%	39,572,491	51.2%	8,466
Finger Lakes	17,950,266	5,700,221	31.8%	7,223,579	40.2%	5,026,467	28.0%	3,183
Fulton-Montgomery	9,327,041	2,883,190	30.9%	3,282,957	35.2%	3,160,894	33.9%	1,582
Genesee	16,758,466	5,764,604	34.4%	7,321,790	43.7%	3,672,073	21.9%	2,862
Herkimer County	11,585,338	4,118,490	35.5%	4,782,387	41.3%	2,684,461	23.2%	2,203
Hudson Valley	39,447,510	13,464,920	34.1%	17,632,533	44.7%	8,350,056	21.2%	7,000
Jamestown	16,831,557	5,535,348	32.9%	6,752,809	40.1%	4,543,400	27.0%	2,691
Jefferson	11,679,425	4,642,803	39.8%	5,668,588	48.5%	1,368,035	11.7%	2,409
Mohawk Valley	24,848,116	8,031,696	32.3%	10,374,448	41.8%	6,441,972	25.9%	3,970
Monroe	59,616,459	20,278,418	34.0%	27,568,922	46.2%	11,769,119	19.8%	10,402
Nassau	116,542,139	31,021,280	26.6%	39,235,869	33.7%	46,284,991	39.7%	16,207
Niagara County	24,404,755	7,977,870	32.7%	9,255,922	37.9%	7,170,964	29.4%	4,183
North Country	5,513,859	1,723,755	31.3%	1,893,961	34.3%	1,896,143	34.4%	806
Onondaga	33,421,110	10,646,479	31.9%	14,360,144	43.0%	8,414,487	25.1%	5,732
Orange County	26,995,633	7,218,545	26.7%	8,894,058	32.9%	10,883,030	40.4%	3,748
Rockland	34,563,293	9,239,048	26.7%	11,461,958	33.2%	13,862,287	40.1%	4,624
Schenectady County	12,130,112	4,394,491	36.2%	5,876,566	48.4%	1,859,055	15.4%	2,428
Suffolk County	85,669,253	25,730,160	30.0%	32,192,430	37.6%	27,746,664	32.4%	12,962
Sullivan County	10,175,444	2,947,850	29.0%	3,072,453	30.2%	4,155,141	40.8%	1,365
Tompkins-Cortland	13,898,645	4,058,831	29.2%	5,260,159	37.8%	4,579,655	33.0%	2,086
Ulster County	12,879,092	3,608,665	28.0%	4,240,302	32.9%	5,030,125	39.1%	1,707
Westchester	51,012,025	17,904,414	35.1%	19,038,149	37.3%	14,069,462	27.6%	9,299

Source: *1997-98 Annual Report Summary — Revenues, Expenditures and Fund Balances Statistical Analysis*, State University of New York Community Colleges

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