

## Revisions in Community College Finance

The Assembly Higher Education Committee met on Tuesday, December 9, 2003, to review the existing California Community Colleges (CCC) finance mechanism. The objective of the hearing was to understand (1) the strengths and weaknesses of the existing approach to funding the CCC, and (2) the options available for revising and improving state level finance policy for the CCC.

The major strength of the current approach to funding the CCC is that it has been used and built upon for several years. The major weaknesses of the current approach are:

- Funds are not generated with sufficient sensitivity to the real costs of providing instructional services;
- Extensive bureaucratic restrictions are placed on the expenditure of funds;
- Unjustifiable differences exist in revenues among the districts;
- Local districts have limited flexibility to raise additional revenue;
- While the student fee revenue is kept by each of the community college districts, this revenue serves as an offset to General Fund apportionment funding rather than as an enhancement; and
- The state-level statutory mission of the community colleges is so broad that the institutions, by necessity, are underfunded.

Given the significant weaknesses in the existing community college funding mechanism, it is clear that legislative action should be initiated to revise and strengthen the policies that guide community college finance. A comprehensive reform effort should address the following issues:

1. State priorities -- current statute does not clearly express state priorities among the several elements of the community college mission. It is difficult to determine appropriate State funding levels for the community colleges without a clear understanding of the State priorities. In short, State policy makers need to specify the highest State priorities and direct the limited State resources to the achievement of these priorities.
2. Integrate the community colleges with the CSU and the UC, as equal partners in the public system of California postsecondary education -- many of the statutory provisions that regulate the operations of the community colleges are a carry-over from the K-12 educational system. In addition, the detailed provisions of the community college funding mechanism are more similar to K-12 funding than the approach used to fund the public universities. Existing statute for the community

colleges should be reviewed and revised as needed to facilitate the operation of the community colleges as equal partners with the CSU and UC.

3. Cost Sensitivity -- the costs of providing various educational programs vary greatly. For example, programs in nursing and other health care disciplines are considerably more expensive than liberal arts programs in Political Science and English. Currently, since all programs are funded at the same level, there is little fiscal incentive at the campus level to initiate high cost programs. The formula should provide different amounts of funds per student for different kinds of programs.
4. Equalization -- instructional activities should be funded at similar rates at community colleges throughout the State. Equal revenues for equivalent activities should be a central tenet of State funding for the community colleges.
5. Review and eliminate inefficient and excessive statutory provisions -- the existing statutory structure for the community colleges is a carry-over from K-12 education, with many inconsistencies and unnecessary restrictions that limit the flexibility needed by public postsecondary institutions.
6. Student fee policy -- Currently, community college student fees are the lowest in the country, by a large margin. However, the existing "boom or bust" approach to setting fee levels assures that students in bad economic times experience dramatic increases in the price of attendance.

The community colleges and their students would be served much more effectively by (1) establishing a statewide fee level for all credit students, (2) adjusting this amount annually based upon increases in the Consumer Price Index (CPI), and (3) allowing each district to charge additional program fees to support local community priorities. All student fee revenue should remain with the districts and not be used as an offset to the State appropriation. In addition, student financial aid should be available for all low-income students to ensure that the cost of attendance is not a barrier to enrolling in the community colleges.

7. Proposition 98 -- This Constitutional Amendment established a formula for calculating the minimum funding level for K-14 education. Statutory language was added in 1989 specifying that the community colleges would receive approximately 11% of the Proposition 98 funding. Since 1989-90, the annual State Budget Act has included "in lieu" language, resulting in a reduction of the community college share to approximately 10% or less of the Proposition 98 allocation.

Proposed Committee action for 2004 -- Introduce an Assembly Resolution on this issue, identifying the areas where changes are needed, and proposing a work plan to address and resolve these issues.