



**California Community Colleges
Board of Governors**

2010-11 System Budget Proposal

September 2009



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**CALIFORNIA COMMUNITY COLLEGES
2010-11 SYSTEM BUDGET PROPOSAL**



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INTRODUCTION

Education Code section 70901(b)(5)(A) directs the California Community Colleges Board of Governors to prepare and adopt an annual system budget request, using the Consultation process established under state law. The System Budget Proposal for fiscal year 2010-11 was prepared in the context of California's worst fiscal crisis since the Great Depression. This crisis, rooted in a worldwide economic collapse, has resulted in California's State General Fund expenditures declining by \$19 billion or roughly 18 percent since 2007-08. This massive decline in resources has taken a toll on all sectors of state government, including the community colleges, and will likely continue to present a major threat for the next several years.

Major revisions to the state budget, adopted in July 2009, contained nearly \$840 million in funding cuts and revenue shortfalls for the community colleges for the 2008-09 and 2009-10 fiscal years, combined. The budget revisions also provided a total of \$115 million in new revenues—\$35 million in one-time federal funds and \$80 million in ongoing student fee revenues—to help mitigate budget cuts. For the community colleges, the net impact of these changes in 2009-10 is a funding reduction of \$637 million, or 10.2 percent. While districts are still finalizing budget plans, it is clear that budget cuts of this magnitude will result in significant cutbacks in student support services and the number of course sections offered. In recognition of the state's severe fiscal crisis, the Budget Proposal is limited to restoring the baseline funding needed for the colleges to meet the core missions in the areas of career and technical education, transfer, and basic skills education.

While this Budget Proposal is intentionally limited in scope in order to minimize the burden on the state, we believe it is critical for state leaders to recognize how investment in the California Community Colleges is the key to expediting the state's economic recovery. The community colleges have an unparalleled track record of delivering a wide range of education and training programs designed to meet local student and employer needs. The community college system's size and geographic distribution make it the only segment of higher education capable of delivering education and workforce training on the large scale needed to assist in the state's economic turnaround. In 2008-09, the community colleges provided education and training to over 2.9 million students (unduplicated headcount) at 110 colleges, making it the largest higher education system in the world. Only the community colleges have the educational infrastructure required to serve millions of Californians, at all stages of their educational and professional careers, in the timeframe necessary to address the state's current economic challenges.

The *System Budget Proposal for 2010-11*, contained in this document, would provide the community colleges with the funding needed to meet California's substantial educational needs.

CALIFORNIA COMMUNITY COLLEGES

2010-11 Budget Overview

The California Community Colleges System Budget Proposal was developed in accordance with the Consultation process established under state law. A budget workgroup, comprised of members and designees of the Consultation Council, other college representatives, and Chancellor's Office staff, met to discuss funding priorities and work on details of the budget request. The workgroup's budget proposal was then discussed at the August meeting of the Consultation Council where it received the general support of that body.

The System Budget Proposal is based on the following assumptions:

- In light of the state's current budget crisis, it is necessary to prioritize funding to support core programs and services, including restoration of funding cut in the *2009-10 State Budget*. Without resources to meet these base needs, the capacity of the colleges to deliver education and training is significantly compromised. No funding for new initiatives or program expansions is being requested in this proposal.
- California's economy is in crisis and will require large scale workforce training in order to restore our economic competitiveness. The state's economic recovery will depend upon workers being trained or retrained in many new fields, such as "green" technologies, advanced manufacturing, and health professions. The community colleges are uniquely positioned to help California prepare workers for jobs in the recovering economy. Our expertise in education and training delivery and our presence in communities across the state make us an integral part of the solution to this economic crisis.

The recommended increase in the system budget for 2010-11 totals \$808 million to address three core areas: restoration of categorical funding reductions; cost of living adjustment (COLA); and enrollment growth. These recommended funding increases are described in further detail in the next section, *2010-11 Budget Narrative*.

2010-11 BUDGET NARRATIVE

In recognition of the state's fiscal crisis, this budget request focuses on the resources necessary for the colleges to maintain core educational services. Deep funding cuts of 10.2 percent in 2009-10 have forced community college districts to grapple with a range of difficult choices including reducing course sections, laying off classified staff, not renewing part-time faculty, keeping positions vacant, reducing the availability of student services, and preparing for additional layoffs for the following year. Many districts have elected to use budget reserves to temporarily postpone a portion of the cuts in order to allow more time for planning and implementation of budget reductions. At the time this Budget Proposal was drafted, many districts were still in the process of finalizing budget decisions for 2009-10, so it is too soon to know with any certainty what the impacts of these funding reductions will be. In the coming months, the Chancellor's Office will gather additional information to quantify the impacts that budget cuts are having on students and colleges in order to advocate in the state legislative budget process.

Based on initial reports from districts, it is clear that the community colleges will implement a significant reduction in course sections in order to bring expenditures into alignment with available funding. News reports across the state describe community college students facing closed course sections, long waiting lists, and overcrowded classrooms. Student support programs are also being significantly reduced, resulting in less availability of counseling, orientation, and tutoring. In the long run, it seems clear that these changes will undermine the ability of students to access courses and complete their educational programs.

This System Budget Proposal seeks to alleviate some of these negative outcomes for students and colleges. The three areas for which the community college system requests additional funding are: restoration of categorical funding; COLA; and enrollment growth. Details on each of these areas is provided below.

Restoration of Categorical Program Funding (\$313,142,000) The revised 2009-10 budget reduced ongoing funding for categorical programs by \$313 million or an average of 42 percent. (\$10 million in new revenue from increased student fee revenues was provided to partially offset an initial cut of \$323 million.) Cuts varied by individual program and ranged from no cut to total elimination (see Table I for a complete display of recent categorical program cuts). Many of these categorical programs provide crucial support services to students, such as counseling, orientation, and tutoring. Other categorical programs provide funding to support specific instructional programs such as basic skills and career and technical education. The *2009-10 State Budget* provided \$35 million in *one-time* federal funds intended to partially offset these cuts; however, these federal funds will not be available again in 2010-11. In order to preserve core student support services and instructional programs, we therefore request restoration of the \$313 million that was cut from categorical programs in 2009-10.

COLA (\$298,768,000) Historically, the community colleges have received annual COLA increases. However, due to the deteriorating economic situation, the state did not provide a COLA to colleges for fiscal years 2008-09 and 2009-10. The price index specified by law for the community college COLA calculation is identical to that specified for K-12 education, the state and local government price deflator published by the federal government. For 2008-09, the

statutory COLA was 4.94%, and for 2009-10 the statutory COLA was 4.25%. Cumulatively, the state's failure to provide these adjustments represents a loss of 9.4% in purchasing power for the colleges over the two-year period.

As the purchasing power of the colleges erodes, so too does their capacity to serve students. When not addressed through a COLA, nondiscretionary cost increases in areas such as staffing, employee health benefits, and utilities diminish colleges' spending power and force budget cuts in other areas. The resulting budget cuts have negative impacts on students, including decreases in the number and variety of courses offered, reduced ability to develop new curriculum in response to changing workforce needs, and fewer counselors being available to assist students. At the time this request was prepared, no COLA estimate was available for the 2010-11 fiscal year. This Budget Proposal seeks a 5 percent COLA in order to address rising costs in 2010-11 and also to partially restore spending power lost in recent state budgets. We request that the remainder of the unfunded COLAs be restored in future years as the state's fiscal condition improves, as is the practice with K-12 schools.

Enrollment Growth (\$196,482,000) Education Code section 84750.5 states that the annual statewide enrollment growth request shall be based on, *at a minimum*, the sum of:

- 1) The annual statewide percentage change in the adult population; and
- 2) The statewide unemployment rate in excess of five percent. This factor is capped at two percent.

Based on the most recent data, the annual increase in the adult population is 1.4 percent and the unemployment rate is 11.9 percent. Using these two factors, the statutory minimum enrollment growth rate would provide the colleges with 3.4 percent enrollment growth funding in 2010-11, allowing an additional 41,000 full-time equivalent students (FTES) to be served throughout the state.

Recent experience corroborates the need for enrollment growth funding of at least this level as college campuses have seen a trend of strong growth in student demand for additional courses. In 2006-07, the system grew 44,000 FTES, or 4 percent, over the prior year. The robust growth experienced in 2006-07 continued into 2007-08 with statewide growth coming in at 33,000 FTES, or 3.2 percent. Unfortunately, due to a shortage of enrollment growth funding in the state budget, not all eligible growth was funded in 2007-08. This was the first time since 2003-04 that the state was not able to fully fund enrollment demand. Then again in 2008-09, the system experienced unfunded growth, totaling more than 52,000 FTES for which colleges did not receive funding.

Our forecast for 2010-11 anticipates a continuation of strong enrollment demand based on the following circumstances:

- A struggling economy will force displaced workers to return to school to acquire additional job skills.
- Increasingly, currently employed workers will need to update technical skills in order to remain competitive in the workplace.

- Fee increases and restricted admissions at the University of California and the California State University will lead more students to begin their four-year college education in the community colleges.

Failure to sufficiently fund enrollment growth would impede access to higher education by limiting the ability of the community colleges to meet California's pressing education and workforce training needs. This would be a matter of concern, especially during a time of high and rising unemployment throughout the state. California's most cost-effective strategy for meeting the higher education access needs of its citizens within constrained state resources is to place the maximum possible emphasis on access to the community colleges, given the far lower costs to the state of the community colleges compared to any other segment.

Based on recent growth trends and the factors noted above, we propose the state fund enrollment growth of 3.4 percent in 2010-11.

BUDGET REQUEST SUMMARY

Restoration of Categorical Program Funding	\$313,142,000
Cost of Living Adjustment: 5 %	\$298,768,000
Enrollment Growth: 3.4%	\$196,482,000
Total Funding Request	\$808,392,000

TABLE 1: 2009-10 Categorical Program Funding Cuts

(dollars in thousands)

Categorical Programs	2008-09 Budget Act	2009-10 State Allocation¹	Change
Student Financial Aid Administration ²	\$ 51,269	\$ 52,884	\$ 1,615
Foster Care Education Program	\$ 5,254	\$ 5,254	\$ 0
Fund for Student Success	\$ 6,158	\$ 3,793	\$ (2,365)
CalWORKs	\$ 43,580	\$ 26,695	\$ (16,885)
Student Success - Basic Skills	\$ 33,100	\$ 20,037	\$ (13,063)
Nursing Support	\$ 22,100	\$ 13,378	\$ (8,722)
Disabled Students	\$ 115,011	\$ 69,223	\$ (45,788)
Extended Opportunity Programs & Services	\$ 122,291	\$ 73,604	\$ (48,687)
Telecom & Technology Services	\$ 26,197	\$ 15,290	\$ (10,907)
Academic Senate	\$ 467	\$ 317	\$ (150)
Childcare Tax Bail Out	\$ 6,836	\$ 3,351	\$ (3,485)
Equal Employment Opportunity	\$ 1,747	\$ 767	\$ (980)
Economic Development	\$ 46,790	\$ 22,930	\$ (23,860)
Apprenticeship	\$ 14,641	\$ 7,175	\$ (7,466)
Part-time Faculty Office Hours	\$ 7,172	\$ 3,515	\$ (3,657)
Part-time Faculty Health Insurance	\$ 1,000	\$ 491	\$ (509)
Part-time Faculty Compensation	\$ 50,828	\$ 24,908	\$ (25,920)
Transfer Education and Articulation	\$ 1,424	\$ 698	\$ (726)
Matriculation	\$ 101,803	\$ 49,176	\$ (52,627)
Physical Plant /Instructional Support	\$ 27,345	\$ 0	\$ (27,345)
Career Technical Education ³	\$ 58,000	\$ 48,000	\$ (10,000)
One-Time Block Grant ⁴	\$ 10,000	\$ 0	\$ (10,000)
Total Categorical Program Funds	753,013	441,486	(313,142)

¹ In addition to the amounts shown in this column, the *2009-10 State Budget* also provides \$35 million in one-time federal funds from the American Recovery and Reinvestment Act.

² Funding for Financial Aid Administration was augmented in 2009-10 to support an increase in the number of students receiving BOG fee waivers. This increase is not factored in with the total program reductions.

³ Career Technical Education received a \$10 million cut when all funding sources are considered.

⁴ One-Time Block Grants authorized in the Quality Education Investment Act were eliminated and the funds redirected to Career Technical Education.

TABLE 2: Budget Comparison 2008-09 to 2009-10
(dollars in thousands)

BUDGET ITEMS	2008-09	2009-10
	Budget Act- February	Budget Act- July
<u>General Apportionment</u>		
State General Fund	2,830,717	2,673,006
Local Property Taxes	2,053,507	1,946,940
Student Fee Revenue	299,440	367,176
Miscellaneous Revenue	9,226	10,795
COLA	0	0
Growth for Apportionments	113,500	0
Subtotal General Apportionment	5,306,390	4,997,917
 <u>Categorical Programs</u>		
Subtotal Categorical Programs	753,013	441,486
Deferral Funds	540,000	703,000
Total State Apportionment*	6,599,403	6,142,403
 Property Tax Shortfall		 -58,000
Student Fee Shortfall		-21,000
 Reduction		 \$536 million or 8.1%

* The year-to-year decline in community college funding totals \$536 million. Of this amount, \$457 million is displayed in the budget comparison chart above. In addition, another \$79 million revenue shortfall is being applied to community college budgets resulting from a combination of property tax and student fee revenue shortfalls not being backfilled with state general fund dollars.