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ABSTRACT

In response to 1983-84 reductions in California community college funding, this report examines financial alternatives in light of different policy objectives. Following a background section on reductions in community college funding over the past 5 years, constraints on districts' flexibility in responding to reduced support are outlined, with focus on limits on instructional and non-instructional budget reductions. The next section considers the implications of five alternative levels of community college funding, i.e., leave Budget Act funding level intact, restore funding to 1982-83 base level, provide a 3% increase in funding for inflation cost increases above the 1982-83 base level, provide a 6% increase in funding for inflation and equalization cost increases above the 1982-83 base level, or fully fund the provisions of Senate Bill 851 calling for inflation cost increases and equalization aid. Next, four alternative sources of additional funding are discussed: the State General Fund, student charges, a mixture of general fund increases and student charge revenues, and additional revenue from other sources. Finally, the report addresses five policy objectives, analyzes the funding alternatives most likely to achieve each, and notes their implications. The objectives are to: (1) avoid additional General Fund expenditures; (2) preserve the current no tuition policy; (3) reduce the size and scope of the community colleges; (4) preserve access; and (5) maximize access and program quality. A summary of the impact of various student charge levels on community college enrollments and an overview of the methods and assumptions used in preparing the report are appended. (LL)

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POLICY ALTERNATIVES FOR FINANCING CALIFORNIA COMMUNITY COLLEGES IN 1983-84

A Staff Report from the CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

JC 830 458

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

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

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

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POLICY ALTERNATIVES FOR FINANCING CALIFORNIA COMMUNITY COLLEGES IN 1983-84

BACKGROUND

Much has been written in recent weeks about the likely impact of the Governor's budget vetoes on the Community Colleges. From any perspective, the reduction in college apportionments must be viewed as severe. The Governor's veto eliminated $124.6 million in funding for inflation, equalization, and enrollment growth costs that were approved by the Legislature in the budget bill and incorporated into this year's Community College finance legislation. In addition, the Governor cut Community Colleges' total apportionment support nearly $105.8 million, or 7.5 percent, below the 1982-83 base budget level with the expectation that the colleges would make up this amount by imposing a general student charge of $50 per semester for students taking 6 units or more and $30 per semester for those taking fewer than 6 units.

These reductions in Community College funding represent the latest is a series of cuts spanning the five years since passage of Proposition 13. The 1982-83 support budget for the colleges contained a $30 million dollar reduction below 1981-82 levels, a cut from $1,441,956,000 in State General Fund and local property tax support for apportionments to $1,402,919,000. If the current impasse over 1983-84 funding is not resolved, college support budgets will be reduced an additional 7.5 percent below 1982-83 levels. Moreover, between 1978-79 and 1982-83, Community College budgets consistently lagged behind inflationary cost increases. As Table 1 shows, college budgets lost nearly 19 percent of their buying power during this period, and the Budget Act level of funding would result in a 28 percent loss in purchasing power since 1978-79.

TABLE 1: State and Local Revenues per ADA for Support of Current Operations, 1978-79 to 1983-84

Fiscal Year	Total Units of ADA	Actual Revenues Per ADA	Revenues Per ADA in Constant Dollars	Percent Change	Cumulative Percent Change
1978-79	634,895	$1,722	$1,722	----	----
1979-80	670,115	$1,848	$1,682	- 2.3%	- 2.3%
1980-81	727,768	$1,905	$1,566	- 6.9%	- 9.0%
1981-82	735,154	$1,979	$1,480	- 5.5%	-14.0%
1982-83	711,250	$1,981	$1,398	- 5.5%	-18.8%
1983-84	711,250	$1,833	$1,238	-11.4%	-28.1%

*Support per ADA in constant dollars based on actual support per ADA deflated by Higher Education Price Index. The 1983-84 figures are based on final levels authorized for apportionment support in the Budget Act.

As the Commission noted in its recent report, Impact of 1982-83 Budget Constraints on the California Community Colleges, budget limitations last year forced districts to restrict access to colleges. Reductions in course offerings of more than 10 percent from 1981-82 levels occurred in over one-fourth of the colleges. One-half of the colleges reduced course offerings by more than 5 percent; waiting lists for enrollment in high-demand programs grew; and the "open door" to Community Colleges closed for tens of thousands of California's citizens. Progress in developing programs in emerging technologies and other vocational areas was restricted by the lack of funds for purchasing and maintaining essential equipment. Moreover, some existing high-cost vocational programs were cut back or dropped for reasons of cost despite an insufficient supply of trained personnel in these fields. Further, the ability of some colleges to provide the courses necessary to continue their transfer function, particularly in the sophomore year, was jeopardized by budget limitations. The Commission report concluded:

> The evidence that [1982-83] budget constraints have threatened the scope and quality of California's Community Colleges is now compelling. Securing resources for inflation increases to college budgets for 1983-84 is of primary importance to prevent their further deterioration.

Limited resources require that difficult decisions be made by the Governor and the Legislature about the allocation and use of those resources. The current condition of Community College budgets adds urgency to that process. The greatest threat to access and quality in the California Community Colleges is leaving the colleges seriously underfunded. No reasonable level of student charges nor General Funds alone can avoid this underfunding. Unless additional resources are provided, California's Community Colleges could be forced to turn away between 100,000 and 160,000 students, to reduce the scope and quality of college offerings, and, in the extreme case, to close several financially troubled institutions.

This report examines the current crisis in Community College finance and the constraints that affect the Community College districts' ability to respond to budget actions. It then analyzes the implications of five alternative funding levels, discusses four alternative sources of funding, and analyzes the implications of the major alternatives available to State policy makers in light of different policy objectives.

CONSTRAINTS ON DISTRICTS' FLEXIBILITY IN RESPONDING TO REDUCED SUPPORT

Limits on Non-Instructional Budget Reductions

The magnitude of underfunding faced by the Community Colleges and the kinds of cuts districts have made in recent years combine to severely limit their ability to cope with the current 7.5 percent reduction through further cuts in their non-instructional support budgets.

- The $105.8 million cut equals one-half of all non-salary costs in the colleges. These costs include such expenses as utilities, insurance, and other fixed costs of operations. Most of these costs have increased steadily in recent years and further economizing in this area will prove difficult.

- For the past several years, college expenditures for deferred maintenance, equipment replacement, and library acquisitions have been reduced or eliminated on the assumption that the budget constraints represented a temporary problem. Such policies cannot be continued indefinitely without seriously threatening the quality of the physical plant, instruction, classroom and laboratory equipment, and ultimately the overall value of a Community College education.

- Although some districts still have reserves that could be used to help cover the reduction in State and local support, in many districts this source of emergency funds is no longer available.

- Finally, although administrative, counseling, guidance, library, and other support staff could be reduced still further at some colleges beyond last year's reductions, at other colleges further cuts will threaten the quality and integrity of the institutions, their programs, and their services.

Limits on Instructional Budget Reductions

Most districts also face significant limitations on their ability to make cuts in their instructional courses and programs.

- First, 87 of the State's 106 Community Colleges have collective bargaining agreements with their faculty that must be honored. In a few instances, these are multi-year agreements, but in most cases they are single-year agreements covering salaries, fringe benefits, and working conditions--teaching loads, class size limitations, and similar features.

- Second, for ADA or other enrollment reductions to produce real savings in the current year, they must be accompanied by reductions in faculty. March 15, 1983, was the legal deadline for districts to notify nontenured full-time faculty of possible layoff or dismissal, and that deadline has long since passed.

- Third, some part-time faculty in districts with collective bargaining agreements have rights of "expected employment" which cannot be violated without proper prior notice. Furthermore, even if the entire part-time faculty in all 70 districts could be laid off before the start of the 1983-84 school year, the resulting salary savings would amount only to about $96 million, or $10 million less than the total needed to offset budget reductions. In addition, part-time faculty accounted for one-third of the total weekly faculty contact hours in 1982-83. Their elimination would require reductions in a wide range of course offerings, including high-demand vocational courses in business, computer science, engineering, and other high-technology fields, for in recent years, increased student demand in these areas has been accommodated by adding part-time, rather than full-time faculty.

- Fourth, fall course schedules have already been set by the colleges, classes have started at a number of them, and at others many students have completed fall registration. If courses cannot be cut this fall, the cutbacks required in the spring term will be severe. Such reductions would not only seriously affect transfer students' ability to complete the courses needed for transfer the following fall to four-year institutions, they would also adversely affect the ability of students with vocational objectives to complete their programs in a timely fashion.

- Finally, average class sizes have increased in recent years as a partial response to reduced funding. For example, the student faculty ratio increased from 25.6:1 in 1977-78, the year before passage of Proposition 13, to 32.5:1 in 1982-83--an increase of 27 percent. Districts can not be expected to continually increase class sizes. For example, laboratory, shop, and technology courses are limited in size by the physical facilities in which they are conducted.

IMPLICATIONS OF ALTERNATIVE LEVELS OF FUNDING

The following paragraphs identify the major implications of five alternative levels of funding for the Community Colleges in 1983-84.

Level 1: Leave Budget Act Funding Level Intact

If no further legislative action is taken on the 1983-84 Community Colleges' general support budget, local property tax and State General Fund support for apportionments will total $1.3 billion. This amount is

15 percent less than the Community College budget adopted by the Legislature and a 7.5 percent cut in funds below 1982-83 levels. This cut would result in substantial reductions in programs and courses offered by the colleges, in further deferring equipment replacement and facilities maintenance costs, in additional cuts in college staff, and in a loss of more than 53,000 in Average Daily Attendance (ADA) or more than 100,000 headcount students if the colleges attempt to maintain the same level of support per ADA in 1983-84 that they had the prior year. Increased utility, insurance, and salary costs make such cost containment unlikely even in the most frugal, tightly managed districts. Thus, when the impact of inflation is included, the enrollment losses probably would exceed 85,000 ADA or more than 162,000 students. (When the colleges experienced similar losses in revenue in 1978-79 after the passage of Proposition 13, they lost more than 160,000 students and ADA declined over 10 percent.)

Level 2: Restore Funding to 1982-83 Base Level

This option would add $105.8 million to the current Budget Act level of funding to restore college budgets to the 1982-83 level. Such a restoration would provide some relief for college budgets, yet expected losses in enrollment would still be substantial and many colleges would experience serious difficulties. Increased fixed costs for utilities and other commitments will require further reductions in staff and programs. Enrollment losses of 4 to 5 percent of total ADA are likely as colleges cut back on course offerings, and headcount losses could approach 60,000 students, even if the $105.8 million were restored without the imposition of a general student charge. Imposing the Governor's proposed $100/$60 per year charge would increase the headcount enrollment losses by about 77,000 additional students, even if financial aid were provided.

Level 3: Provide 3 Percent Increase in Funding for Inflation Cost Increases Above the 1982-83 Base Level

A 3 percent increase over 1982-83 base funding would require additional revenues of about $155 million above the Budget Act level ($105.8 million for the restoration of the base and $50 million for inflation and equalization costs). This level of revenue would not fully fund inflationary costs increases over 1982-83, and a reduction in ADA of at least 1 to 1.5 percent would probably still be necessary. It would provide no support for enrollment growth and would provide approximately 60 percent of the equalization money envisioned in SB 851. The 3 percent increase would, however, halt the continued erosion in colleges' purchasing power, provide some funding for equalization to raise the support rates for the lowest revenue districts, and perhaps stabilize college enrollments although the actual enrollment losses could range from 20,000 to 143,000 students depending on the source of funds.

Level 4: Provide 6 Percent Increase in Funding for Inflation and Equalization Cost Increases Above the 1982-83 Base Level

This option would provide colleges with the level of funding for inflation and equalization that the Legislature provided in the Budget Bill and in the new Community College finance legislation (SB 851). It would require an augmentation of $203.2 million above the Budget Act level. The Commission believed that funding a 6 percent inflationary cost increase for 1983-84 was reasonable, and its survey of the impact of budget constraints suggested that this figure would allow colleges to operate at the level they did in 1982-83 and to maintain enrollment levels but not fund additional enrollment growth.

Level 5: Fully Fund the Provisions of SB 851

This option would restore Community College funding to the level approved by the Legislature in the Budget Bill and authorized in SB 851. It would provide $86.7 million above the 1982-83 base funding level for inflation cost increases and $10.7 million for equalization of support rates among districts. Statewide enrollment growth would be funded to the extent of a 2.1 percent increase in ADA at a cost of $24.1 million. The colleges would be able to maintain existing program effectiveness and still accommodate up to 28,000 additional students. Additional revenues of $230.4 million over those provided in the Budget Act would be required, however, to provide this level of support.

IMPLICATIONS OF ALTERNATIVE SOURCES OF FUNDS

The following paragraphs evaluate the implications of four alternative sources of additional funds for support of Community College operations.

Source 1: The State General Fund

The 1983-84 Budget Bill adopted by the Legislature would have provided the Community Colleges with revenue from the State General Fund for inflation, equalization, and enrollment growth and for replacement of funds the Governor expected to be offset by student charges. This option was rejected by the Governor in his budget vetoes. Additional support from traditional General Fund revenues along with normal local property tax revenues would, if available, be the least disruptive approach to adequate Community College funding because it would not produce the enrollment losses likely from a general student charge.

Source 2: Student Charges

The imposition of a general student charge is a second option for increasing funding for the Community Colleges. Over the past three years, sharp increases in student charges have occurred in the State's public four-year institutions and in the public institutions of most other states in response to reductions in the level of State General Fund support. Such charges offer a means of maintaining programs and enrollments when State expenditures and revenues stand in tenuous balance.

In the case of the California Community Colleges, however, a mandatory general charge does not now exist, and the impact on enrollments of a <u>new</u> student charge is more difficult to estimate than that from an increase in <u>existing</u> charges. Nevertheless, new charges are likely to reduce enrollments even if financial aid is provided to assist needy students. The impact on access and the magnitude of the enrollment loss would depend on the level of the charge, when it was imposed, provisions for financial aid, and the number of prospective students now denied enrollment because of restricted course offerings who might enroll if courses were available. Table 2 on page 9 provides a summary of the estimated impact on Community College enrollment and revenues of a range of funding levels and funding sources, including those discussed in this report, and Appendix A provides a summary of the estimated impact of various levels of student charges on different types of students, overall enrollments, revenue levels, and student financial aid needs.

The Commission believes that if a general charge were imposed, it should be mandatory in all districts. Permitting local districts to decide whether or not to impose such a charge would raise serious equity questions. Enrollment and funding disruptions and dislocations would be inevitable, particularly in heavily populated urban and suburban areas served by more than one district. Local option student charges might permit districts with large reserves to forego imposing a fee. But districts without reserves would have to turn to student charges to augment inadequate State support. Districts serving affluent students might decide to impose charges to enhance the range and quality of their educational courses and services; they would likely realize considerable revenue from such a fee because few students would leave and fewer still would require financial aid to continue. On the other hand, districts serving low-income, educationally disadvantaged areas might be reluctant to impose charges for fear that needy students would be deprived of access to college even though the decision to forego charges would mean further deterioration in instructional quality. For such districts, the imposition of a student charge would not increase revenues proportionally because they would likely suffer disproportionate losses in enrollment without additional financial aid. Providing the needed financial aid funding, moreover, would further reduce net revenue gains unless the aid was supplied by the State and federal governments. Finally, the prospect of some districts imposing a general charge while others did not would compound existing inequities stemming from the current differences in local practice with respect to permissive fees. In multi-district urban and suburban areas it might also produce price wars among districts.

Source 3: Mixture of General Fund Increases and Student Charge Revenues

A mixture of General Fund and student support could produce additional revenues for 1983-84 while also recognizing that the imposition of a general student charge poses potentially serious practical and legal problems this year and might have to be delayed until the second semester to permit sufficient planning and preparation by both the colleges and their students. Under the circumstances, the combination of funding sources would augment revenues expected from the general charge and avoid raising in a single semester all the needed funds by doubling the required charge.

Source 4: Additional Revenue From Other Sources

Other possible sources of additional revenue for the Community Colleges include: (1) increasing revenues from existing tax sources, (2) securing voter approval for new taxes, (3) using any remaining district reserves, (4) increasing permissive fees, (5) seeking alternative local taxes, and (6) seeking increased private support. As the Commission has noted in earlier reports, some of these options are less desirable and some less feasible than others. Several probably could not be implemented in time to affect 1983-84 college budgets; some, like higher permissive fees and private sources of support, would not produce enough money to make any difference; and others, like using district reserves, would not provide a statewide solution. It is doubtful that even if all of these alternatives were eventually implemented they could provide significant revenues to Community College districts in 1983-84 to avoid programmatic reductions and enrollment losses.

Table 2 on page 9 summarizes the likely effects of the five alternative funding levels and the three viable funding sources discussed thus far. The figures in the table were developed using the Commission's student charges simulation model and other analytic tools that are described in Appendix B. A comparison of the major alternatives shows:

1. Moving from lower to higher levels of total support--from the Budget Act level to SB 851--total support is constant at each level regardless of funding sources. Similarly, formal apportionment support per ADA increases at each level but is constant within levels.

2. Accepting the final Budget Act as the basis for Community College funding would result in either a reduction in the support rate per ADA from $1,950 in 1982-83 to $1,833 in 1983-84 or in the loss of over 85,000 ADA and the denial of access to approximately 162,000 students in order to maintain the 1982-83 support rate per ADA in constant dollars.

TABLE 2: *Policy Alternatives for Financing California Community Colleges in 1983-84*

Funding Level Alternative	Funding Source Alternative	Additional General Funds Required[a]	New Student Charges	Total Support[b]	Support Per ADA	Funding Constraints ADA	Estimated Enrollment Losses From Student Charges ADA	Student Charges Headcount	Total ADA	Total Headcount	Actual Support per ADA
Budget Act	General Fund	None	None Authorized	$1,303,571,000	$1,833	85,000	----	-------	85,000	162,000	$2,082
Restore Base	General Fund	$105,766,000	None	$1,409,337,000	$1,981	32,000	----	-------	32,000	61,000	$2,075
	½GF & ½SC	$ 58,813,000	$ 52,542,000[c]	$1,409,337,000	$1,981	32,000	16,000	[illegible]	48,000	100,000	$2,125
	Student Charges	$ 13,536,000	$102,230,000[d]	$1,409,337,000	$1,981	32,000	32,000	78,000	64,000	139,000	$2,177
3% Inflation + Equalization	General Fund	$155,466,000	None	$1,459,037,000	$2,051	11,000	----	------	11,000	20,000	$2,083
	½GF + ½SC	$ 85,598,000	$ 77,728,000[e]	$1,459,037,000	$2,051	11,000	24,000	59,000	35,000	79,000	$2,157
	Student Charges	$ 21,485,000	$147,952,000[f]	$1,459,037,000	$2,051	11,000	52,000	123,000	63,000	143,000	$2,250
6% Inflation + Equalization	General Fund	$203,166,000	None	$1,506,737,000	$2,118	0	----	-------	0	0	$2,118
	½GF + ½SC	$110,155,000	$102,230,000[g]	$1,506,737,000	$2,118	0	32,000	78,000	32,000	78,000	$2,218
	Student Charges	$ 31,736,000	$190,193,000[h]	$1,506,737,000	$2,118	0	71,000	168,000	71,000	168,000	$2,353
Fully Fund SB 851	General Fund	$230,406,000	None	$1,533,977,000	$2,112	(+15,000)	----	-------	(+15,000)	(+28,000)	$2,112

Notes: a. The amount shown under "Additional General Funds Required" also includes the amount of additional money needed to provide financial aid to students with demonstrated financial need. The aid estimates are made using the Commission's student charges model and are listed separately in Appendix A.

b. Total support is State General Fund and local property tax revenue support for apportionments. It does not include categorical funding for Educational Opportunity Programs and Services (EOPS), disabled students, State operations, and apprenticeships.

c. The student charge level in the "half-and-half" restore-the-base option is $50 for students taking 6 units or more and $30 for those students taking 5.9 units or less.

d. The student charge level under the restore-the-base option with student charges is the $50/$30 per term proposal made by the Governor or $100/$60 per year.

e. The student charge level in the "half-and-half" 3 percent option is $75/$45.

f. The student charge level in the full student support for the 3 percent option is $150/$90.

g. The student charge level in the "half-and-half" 6 percent option is $100/$60.

h. The student charge level in the full student support for the 6 percent option is $200/$120.

Source: California Postsecondary Education Commission

3. Restoring the base through equal portions of General Fund support and a $50/$30 student charge the second semester has a significantly less damaging effect on enrollment than accepting the Budget Act funding level. Moreover, it increases the support rate by 15.9 percent per ADA ($2,125 vs. $1,833 per ADA) for 1983-84 above the official level in the Budget Act because of the "hold harmless" provisions of SB 851.

4. Restoring the base entirely with student charges of $100/$60 produces as great an overall loss in ADA and headcount enrollment as does restoring the base and providing 3 percent for inflation and equalization through the use of student charges. In both cases, the ADA loss is about 63,000 and the headcount enrollment loss is about 140,000. The resulting revenues produce a first-year support rate of $2,250 per ADA under the 3 percent option, $2,177 per ADA under the restored-base student-charge option, and $2,082 per ADA in the Budget Act after taking the likely loss of ADA into account.

5. Providing 3 percent for inflation through equal parts of General Fund support and student charges of $75/$45 the second semester results in less than half the enrollment loss that accepting the Budget Act funding level is likely to produce (79,000 headcount students versus 162,000). Moreover, it does not have an appreciably worse impact on access than simply trying to restore the base with General Funds (79,000 students instead of 61,000) and yet offers nearly a 5 percent improvement in the support rate per ADA over the option of restoring base with General Funds ($2,157 per ADA compared to $2,075).

6. Providing 6 percent for inflation and equalization through equal parts of General Fund support and student charges of $100/$60 for the year produces similar ADA and headcount losses as would simply restoring the base with General Funds, and it produces nearly the same ADA and headcount losses as the 3 percent "half-and-half" option. Moreover, this 6 percent "half-and-half" option results in substantially fewer ADA and headcount enrollment losses than accepting either the Budget Act funding level, restoring the entire base with student charges of $100/$60 per year, or restoring it with half General Fund support and half student charges ($50/$30 per year). Furthermore, the resulting support rate under this option would be $2,218 per ADA compared to $2.075 per ADA under the option of restoring the base through General Fund support alone. The cost to the State to fund the two options would be nearly identical.

POLICY OBJECTIVES AND ALTERNATIVES FOR THE LEGISLATURE AND GOVERNOR

This report outlines possible policy alternatives for financing the Community Colleges in 1983-84. Ultimately, the determination of which alternative best meets the needs of the State, its Community Colleges, and its citizens must be based on State objectives: What do State policy makers seek to achieve through California's system of public higher education. Each funding level and each funding source alternative helps to achieve different policy goals. The tradeoffs are clear, and the stakes are high.

Five State objectives can be inferred from recent budget debates on Community College finance:

1. Avoid additional General Fund expenditures;
2. Preserve the current no tuition policy;
3. Reduce the size and scope of the Community Colleges;
4. Preserve access; and
5. Maximize both access and program quality.

These policy objectives are not mutually exclusive. Several of them might be followed at once. For the sake of clarity, however, the following paragraphs discuss each in turn, analyze which alternatives would be most likely to achieve each objective, and note their implications for the Community Colleges and the State.

Objective 1: Avoid Additional General Fund Expenditures

When the performance of the economy and prior tax reductions limit State revenues, this objective can be achieved in public higher education through one of several means: (1) imposing or increasing student charges to replace General Fund support, (2) reducing access through enrollment limitations and program reductions, (3) reducing the cost and quality of existing programs and institutions as State educational resources, or (4) some combination of these techniques.

Accepting the final Budget Act funding level for the colleges would secure this policy objective, but the cost would be quite high. More than 100,000 Californians would be denied access to Community College courses or else the support rate per ADA would drop from $1,950 in 1982-83 to $1,833 per ADA in 1983-84. Moreover, the lack of any increase in the support rate to offset the effects of inflation would threaten educational quality for those students who remained. If both the $105.8 million budget cut and the effects of inflation are considered, the colleges would need to reduce enrollments by more than 85,000 ADA or by 160,000 students just to maintain their 1982-83 rate of support in constant dollars. The loss of enrollment because of underfunding is likely unless some allowance is made for inflationary cost increases. If this were to be accomplished without any appreciable increase in State General Fund support, however, a mandatory student charge of $150/$90 or more per year would be required. The consequent loss of students would probably exceed 140,000 even if financial aid was provided, especially if scheduling and timing problems delayed the imposition of the full charge until the second semester.

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Objective 2: Preserve the Current "No Tuition" Policy

Achieving this objective requires a continuation of the State's historic commitment to fully funding access to quality public postsecondary education through General Fund support and local property tax revenues. It would require the expenditure of at least $200 million more than the final Budget Act provided. Otherwise, attempts to preserve the "no tuition" policy in the face of inadequate funding will either maintain access at the expense of program quality or eliminate access for large numbers of students while preserving program quality for those who remain. For example, maintenance of the "no tuition" policy coupled with the Budget Act level of funding would mean the loss of more than 162,000 students from the Community Colleges and some further erosion in the ability of these colleges to maintain quality programs. Even the restoration of the 1982-83 base funding level for the colleges through the use of General Funds would probably lead to enrollment losses of about 60,000 students.

Objective 3: Reduce the Size and Scope of the Community Colleges

Any funding level below that required to fully fund inflation, enrollment, and equalization would achieve this objective, but would probably do so in a fragmented, ad hoc, and arbitrary manner because of the limited time available. Insufficient funding could reduce access to courses for many students and narrow the current comprehensive mission of the colleges, yet preserve quality. Permanent course or program reductions result from piece-meal reductions and across-the-board cuts or from a more deliberate determination of college priorities and missions. This objective could be achieved at any funding level by encouraging this determination of priorities and mission, but refinements in college goals and functions are not likely to occur when massive cuts are required in mid-year after fall course schedules are set, faculty are hired, and students registered. Instead, decisions about what and where to cut must then be made on an emergency ad hoc basis with little consideration given to the mission, purpose, or role of the colleges in securing the State's future.

Objective 4: Preserve Access

This policy objective seeks to maintain the colleges' "open door", but it can be accomplished in periods of reduced funding only by reducing program cost and threatening quality. Maintaining enrollments without sufficient funds requires increases in average class sizes, faculty workload increases, or a shift in the curricular balance toward less expensive programs regardless of student demand or State priorities. If this is the primary objective of State policy makers, it can be achieved while protecting quality by providing funding for inflation through General Fund apportionments. The costs of such alternatives, however, range from $155 to $230 million.

Objective 5: Maximize Both Access and Program Quality

This objective can be achieved either through (1) an increase in State General Funds to maintain historic levels of support for the colleges, including funding for inflationary cost increases; (2) the imposition of student charges in the absence of sufficent General Fund support; or (3) a mixture of these two funding sources. The actual impact on both access and program quality will depend upon the level of overall funding reached, the level of student charges, and the nature and extent of financial aid. This objective could be secured through adoption of either a 3 or 6 percent funding level supported entirely from General Fund revenues or through a combination of General Funds and new student charges. The 6 percent "half-and-half" option produces no greater loss in enrollments than the 3 percent "half and half option", yet results in a support rate per ADA significantly above current year and SB 851 levels. Both 3 and 6 percent "half-and-half" options pose less of a threat to access and quality than the Budget Act funding level. They reduce enrollment only slightly more than restoring the base through General Fund appropriations, yet cost the State the same amount of money while increasing the support rate per ADA significantly.

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APPENDIX A

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

TABLE 1 Summary Report

	Level of Annual Charge*				
Category	$50/$30	$75/$45	$100/$60	$150/$90	$200/$120
WITHOUT AID					
Headcount Loss	60,064	91,484	117,737	172,462	225,050
Percent Loss	4.4%	6.8%	8.7%	12.7%	16.6%
Revenue (Millions)	$ 51.5	$ 75.3	$ 98.2	$ 140.5	$ 178.7
ADA Loss	30,027	46,781	59,224	87,014	114,033
WITH AID					
Headcount Loss	39,225	58,694	77,663	123,069	167,487
Percent Loss	2.9%	4.3%	5.7%	9.1%	12.4%
Revenue (Millions)	$ 52.5	$ 77.7	$ 102.2	$ 148.0	$ 190.2
Aid Costs (Millions)	$ 4.6	$ 7.8	$ 9.3	$ 14.0	$ 18.8
ADA Loss	15,987	24,027	31,882	51,752	71,393

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

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TABLE 2 Credit Load Report

Category	$50/$30	$75/$45	$100/$60	$150/$90	$200/$120
WITHOUT AID					
Full-Time					
Headcount Loss	12,810	21,258	25,867	38,557	51,393
Percent Loss	4.1%	6.8%	8.3%	12.4%	16.5%
6.0 - 11.9 Units					
Headcount Loss	21,342	31,798	41,211	59,607	76,772
Percent Loss	6.0%	9.0%	11.6%	16.8%	21.6%
Under 6.0 Units					
Headcount Loss	19,769	29,318	38,652	56,693	73,935
Percent Loss	3.8%	5.6%	7.3%	10.8%	14.0%
Noncredit					
Headcount Loss	6,144	9,110	12,007	17,605	22,951
Percent Loss	3.8%	5.6%	7.4%	10.9	14.2%
TOTAL					
Headcount Loss	60,064	91,484	117,737	172,462	225,050
Percent Loss	4.4%	6.8%	8.7%	12.7%	16.6%
WITH AID					
Full-Time					
Headcount Loss	5,760	8,640	11,520	17,280	23,039
Percent Loss	1.8%	2.8%	3.7%	5.5%	7.4%
6.0 - 11.9 Units					
Headcount Loss	7,552	11,626	15,484	31,491	47,562
Percent Loss	2.1%	3.3%	4.4%	8.9%	13.4%
Under 6.0 Units					
Headcount Loss	19,769	29,318	38,652	56,693	73,935
Percent Loss	3.8%	5.6%	7.3%	10.8%	14.0%
Noncredit					
Headcount Loss	6,144	9,110	12,007	17,605	22,951
Percent Loss	3.8%	5.6%	7.4%	10.9%	14.2%
TOTAL					
Headcount Loss	39,225	58,694	77,663	123,069	167,487
Percent Loss	2.9%	4.3%	5.7%	9.1%	12.4%
Aid Costs (Millions)	$ 4.6	$ 7.9	$ 9.3	$ 14.0	$ 18.8

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TABLE 3 Family Income Report

Category	$50/$30	$75/$45	$100/$60	$150/$90	$200/$120
WITHOUT AID					
Low (Under $15,000)					
Headcount Loss	33,899	51,112	66,088	96,099	124,693
Percent Loss	6.6%	10.2%	13.0%	18,9%	24.5%
Mid ($15 - 30,000)					
Headcount Loss	15,477	23,418	30,480	44,912	58,821
Percent Loss	3.6%	5.5%	7.1%	10.5%	13.7%
High (Over $30,000)					
Headcount Loss	10,688	15,954	21,169	31,451	41,537
Percent Loss	2.6%	3.8%	5.1%	7.5%	10.0%
TOTAL					
Headcount Loss	60,064	91,484	117,737	172,462	225,050
Percent Loss	4.4%	6.8%	8.7%	12.7%	16.6%
WITH AID					
Low (Under $15,000)					
Headcount Loss	15,178	22,430	29,468	51,597	73,468
Percent Loss	3.0%	4.4%	5.8%	10.1%	14.4%
Aid Costs (Millions)	$ 4.0	$ 6.7	$ 8.1	$ 12.1	$ 16.2
Mid ($15 - 30,000)					
Headcount Loss	13,359	20,309	27,026	40,021	52,484
Percent Loss	3.1%	4.7%	6.3%	9.3%	12.2%
Aid Costs (Millions)	$ 0.6	$ 1.1	$ 1.2	$ 1.9	$ 2.5
High (Over $30,000)					
Headcount Loss	10,688	15,954	21,169	31,451	41,537
Percent Loss	2.6%	3.8%	5.1%	7.5%	10.0%
Aid Costs (Millions)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
TOTAL					
Headcount Loss	39,225	58,694	77,663	123,069	167,487
Percent Loss	2.9%	4.3%	5.7%	9.1%	12.4%
Aid Costs (Millions)	$ 4.6	$ 7.9	$ 9.3	$ 14.0	$ 18.8

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APPENDIX B

METHODS AND ASSUMPTIONS

1. The total support level is based on State General Fund and local property tax support for apportionments. It does not include categorical funding for Educational Opportunity Programs and Services (EOPS), disabled students, State operations, and apprenticeships.

2. The support rate per unit of Average Daily Attendance (ADA) is computed by dividing the total support for apportionments by the 711,250 ADA authorized in the Budget Act. This is the official support rate and because apportionments are not reduced for ADA losses in the year in which they occur, this official support rate is different from the "actual" or "implicit" support rate per ADA which is derived by dividing the total support for apportionments by the ADA that are actually likely to enroll.

3. Estimates of the ADA losses likely to occur as a result of underfunding are based on the assumption that districts will respond to insufficient funding by reducing their ADA enough to maintain the same level of support per ADA in constant dollars received in 1982-83. Commission staff estimates that the 1982-83 support rate of $1,981 per ADA would have to be increased by 4.5 percent to approximately $2,082 in order to maintain the same level of support in constant dollars.

4. The conversion from underfunding ADA losses to headcount enrollment losses due to underfunding is based on the assumption that the losses would occur among all types of students in the same proportions as they currently enroll. If the same percentage losses occur among students enrolled full time, part time for 6 or more units, and part time for 5.9 units or less, then the present ratio of ADA to headcount students (1:1.905) can be used to convert estimated ADA losses into headcount losses.

5. The projected ADA and headcount losses attributable to the imposition of student charges are based on estimates of the likely losses after additional aid is provided using the Commission's Student Charges Simulation Model. Since the income distribution and aid eligibility of students varies by credit load, the percentage enrollment losses are not identical in all credit load categories. Proportionately more extreme part-time than full-time students would leave if a student charge were imposed and aid provided. As a result, the current ADA to headcount ratio is not a reliable basis for converting headcount loss estimates into ADA losses so the model uses the actual headcount to ADA conversion factors for each credit load category in making estimates of ADA losses from student charges. Table 2 follows that same procedure.

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