CONTINGENCY FEE PLAN DISCUSSION

OPPOSE TUITION AND GENERAL FEES

Since its organization in 1968, the Board of Governors of the California Community Colleges has opposed the use of a general tuition or fee. The policy of low cost education along with open admissions has enabled California to achieve the objective of access or equal opportunity for postsecondary education.

California community colleges provide a level of access that is unparalleled across the country. California community colleges enrolled one out of every 12 California adults (or one of every 17 total population) during the Fall of 1980. The average state enrolled one in every 67 of its population in a community college during Fall 1980. (See Chancellor's Office Analysis of Tuition and Fees, December, 1981.)

Those enrolled in California community colleges are from the same or lower income categories than are those who pay for part of that education through tax subsidies. (See Chancellor's Office Analysis of Tuition and Fees, December, 1981.) Therefore, the colleges provide what can be termed a "progressive" redistribution of postsecondary education opportunities, the essence of access. Opportunities are provided to those low income individuals who, traditionally, have not obtained a postsecondary education.

INCREASE FINANCIAL AID

In order to maintain the Board of Governors' commitment to access, increased financial aid for community college students must accompany increases in the cost of their enrollment. This cost, including books, supplies, fees, transportation and, for some, child care, has increased substantially in recent years. Since 1977, the prices of these items have increased by well over 50 percent (See Appendix A). During the same five-year period, financial aid available to community college students has declined by 18 percent and enrollment has increased by 14 percent. While most community college students work, their ability to pay for college from other sources has remained relatively stable. As a result of these several trends, community college students are far less able to pay for their education today than was the case five years ago.

Financial Aid Grants

Our research shows that a ten percent increase in costs for community college students likely will result in at least six percent decrease in enrollment. (See Chancellor's Office Analysis of Tuition and Fees, December 1981.) Many students will withdraw because they cannot afford to pay the added cost. Observance of the Board's commitment to access requires attention to the financial needs of these students. Existing aid programs will have only a modest impact in this regard. The largest of these programs, Pell Grants, provides aid for not more than half of any fee or tuition increase and for only those students who are enrolled more than half time.
A fee increase affects the enrollment decisions of those students who are low or middle income and can no longer afford the cost of their education. A number of other students, presumably those with upper-middle or high incomes, also will decide not to enroll when a fee is imposed. However, their reason for not enrolling is that the education is no longer "worth the cost," since they are still able to pay that cost. Financial aid should be provided to those who feel that their education is still worth the cost, but can no longer afford to pay that cost. This policy may be approximated by introducing enough financial aid that a fee increase affects students in all income categories in the same way.

A fee of $20 per year would result in an estimated enrollment loss of nearly three percent, largely among low income students who are self-supporting (See Appendix B). A higher fee of, say, $54 per year produces an estimated enrollment loss of nearly seven percent. Again, the loss is concentrated among those students who are low income and self-supporting.

Financial aid offsets from existing sources (primarily from Pell Grants) would not be substantial. At the $20 fee charge, for example, less than $1 million in Pell Grants would be forthcoming (assuming that the $20 increase plus other fee increases exceed the $50 minimum cost increase that can be funded by the Pell program). An additional $4 million in new financial aid would be required to eliminate the income or ability-to-pay differences among students who might enroll.

Financial Aid Distribution

Analysis by staff indicates that the use of existing campus-based financial aid mechanisms to distribute additional financial aid would be less expensive and more effective than either a "waiver" or a "Pell Grant" or "Cal Grant B" mechanism.

The use of waivers appears to be the least effective mechanism for accurately determining student financial need because of the documentation required to accurately verify eligibility. In addition, the use of waivers would result in less net fee revenue being collected because some students would forego any added assistance from the Pell Grant program. Finally, a campus waiver process that is implemented separately from existing financial aid programs would result in substantial added administrative costs.

Use of a Pell Grant or Cal Grant B mechanism, where the student applies directly to a source off-campus, would be more effective in identifying student financial need than would the waiver process. However, the off-campus mechanism would be more expensive to administer than would the campus-based effort. In addition, there would still be a need for campus financial aid officers to coordinate and "package" this new source of aid with other existing sources of aid.
Besides being the least expensive and most effective mechanism, campus-based aid might also be the only feasible mechanism if there is very little time to implement such a program after the Legislature takes action on fees.

The California policy of low-cost community colleges has contributed to less emphasis on financial aid and financial aid management in these colleges than is the case in most other postsecondary education institutions. Overall, only one in every ten students enrolled receive financial aid. Twice this number are eligible. For a variety of reasons, many students do not apply and others do not complete the application process. This is due to currently-inadequate aid levels and delivery systems. The results are lower academic loads, higher attrition rates and significant personal sacrifice.

A 1980 College Board survey of those community college students who were dependent upon parental incomes below $12,000 per year (and generally eligible for aid), revealed that only 57 percent had applied for Pell Grants, 30 percent applied for state scholarships, 27 percent applied for institutional aid, and only six percent had applied for loans.

Any increase in current levels of financial aid activity brought about by fees and added aid grants will require added support of college financial aid operations. Without such added support, it will not be possible to effectively identify those in need and distribute any new aid grants.

FISCAL CRISIS

There may not be sufficient tax revenues to provide community colleges a reasonable cost-of-living adjustment (COLA) for 1983-84. If not, and if efforts to secure and use alternative sources of financial support (including state and local taxes and district reserves, among other sources) are not adequate, there will be a further decline in the quality of community college programs.

Community college buying power (constant dollar revenues per student) peaked in 1977-78. (See Appendix C.) In the five years following Proposition 13 (1978), this buying power has declined nearly one-third to about the level that existed in 1970. Over the same decade, community college budget reserves have declined by more than one-third, when adjusted for enrollment and price changes.

The combined effect of fewer budget reserves and less annual income puts community colleges in their most precarious fiscal position in over a decade. Such statewide comparisons are of greater concern when it is noted that while a number of community college districts are relatively well-off, about one to two dozen districts are in extreme difficulty.
These difficulties are compounded further by the fact that today’s students require more college resources than did the students of ten years ago. Today’s students are less prepared (therefore requiring more high-cost remediation) and are more often enrolled in high-cost occupational programs.

No cost-of-living-adjustment (COLA) was provided for 1982-83 community college funding. Current estimates point to a possible $1 billion State General Fund budget deficit during 1982-83. If taxes aren’t increased and if this deficit is applied evenly across those programs supported by the General Fund in the second half of the fiscal year, community colleges could face a reduction in current-year funding of as much as eight percent.

A reduction of this magnitude followed by a second-year (1983-84) without a COLA would produce an intolerable decline in program quality for community colleges.

While the immediate fiscal crisis could ease after next year, the existing tax structure may not produce revenue sufficient to support the cost-of-living and enrollment increases that community colleges anticipate during this decade. If so, efforts should be undertaken to secure all alternative sources of revenue (including state and local taxes and district reserves, among other sources) before consideration is given to the use of new student fees.

New Fees

If, however, the Legislature decides to impose a new fee, the Board of Governors recommends that the fee be charged to just those students whose objectives are personal and not in the public interest.

It is difficult to define and measure what is meant by the public interest. However, it may be possible to identify those students whose objectives are totally or primarily personal. This could be the case where the outcome of a student’s education is not either transfer to a senior institution, gainful employment, or responsible citizenship.

In order to approximate the personal interest, it may be argued that students ought to be "entitled to" a certain amount of tuition and fee-free postsecondary education. After attaining that amount, students would then be charged for the cost of additional education. Applied to community colleges, this principle could be implemented by charging only those students with degrees (A.A., A.S., B.A. or higher) or only those students who have completed a certain number of units.
Another way of approximating the personal interest is to charge those students who do not matriculate. Matriculation involves the processing of student transcripts, student assessment, academic advisement, and the provision of other services. The presumption is that students who are unwilling to go through the matriculation process are likely to be pursuing objectives that are not in the public interest.

There are numerous difficulties in administering either of these policies. A policy of charging students who have received degrees or completed a certain number of units combined with a "matriculation" experiment in a few pilot districts could adequately address the "personal benefit" policy. Staff is continuing to analyze these alternatives and to explore other ways in which students' objectives may be assessed in order to identify those cases where enrollment is primarily for personal benefit.

Consistent with the Board's commitment to equal access, there also is a need to insure that students who enroll have the opportunity to develop those skills necessary for the successful completion of college work. This commitment to quality demands greater attention to the assessment of skills, academic advisement, and counseling of students. These services are costly, but necessary if the California community colleges are to most effectively utilize the public support provided by taxpaying Californians.

Less desirable is a general fee. However, if the Legislature enacts a general student fee, that fee should be limited to 1983-84 with a Spring 1984 review of the need for continuing the fee.

Despite the current revenue shortfall, policy development must recognize the possibility of future shifts in the economy.

The Legislative Analyst, in a recent report to the Legislature on the current fiscal situation, reported that the economic base of the state would be sufficient to fund prior levels of state activity were it not for the recession. The Analyst projects that when California recovers from the recession there will be sufficient revenues to continue prior programs plus a reasonable inflation adjustment. Although there is some debate among economists about the sufficiency of the economic base, there is little question that the major variable affecting California revenues and hence state expenditures is the state's economic condition.

A strong economic recovery and an expanded tax structure could eliminate the need for a general community college fee. Consequently, a general fee policy should be limited to one year. Continuation of the fee policy would depend upon results of a review to be undertaken during the Spring 1984.
If it becomes necessary to charge a general emergency fee, that fee should be limited and uniform. Review of alternative ways to impose a fee reveals that a uniform fee, particularly if limited in amount, would result in fewer detrimental effects than would a fee that is imposed on a per-unit basis or tied, in some way, to the academic load of students. General fees tied to academic load result in disproportionate losses among full-time students who, often, are from middle and low income backgrounds. A general fee should not create incentives for students to undertake less work than they might otherwise be able to accomplish. A uniform fee also would reflect the cost of processing applications and registering students, a cost that is about the same regardless of their academic load. Only if a general fee is set at a high level, would it be necessary to account for differences in students' academic loads.

A mandatory fee, to be charged by all districts, would appear to be both more equitable and more practical than a permissive fee that would be charged by some districts but not others. A permissive fee would result in some community college students paying for part of their education while other community college students did not, without any apparent rationale. In addition, if neighboring districts employed different fee policies, the resulting changes in student enrollment patterns could pose significant practical problems for planning.

Use of Fee Revenue

To be most effective, the allocation of revenues from any new fee should be for general educational purposes as determined by the local district. Revenues should be applied to those programs and services where the need for added financial support is greatest.

Restricting fee revenues to support services in order to avoid calling the charge a "tuition" is more semantic than substantive. In fact, restricting the use of general fees to other-than-instructional costs may have an adverse long-term impact on instruction if other revenues are scarce. Using student fees to support student financial aid (i.e., other students' costs) is quite different in concept than using fees to support institutional costs, and raises certain equity questions.

If at all possible, fee revenues should be used to improve educational programs for students: to improve the quality of curriculum and services; to keep pace with cost increases that arise from a changing and possibly more expensive mix of students; or to keep pace with the relatively higher costs of education for emerging and new technologies. Fees should not simply substitute for public tax revenues.

If new fees are imposed, the loss of enrollment in some districts could be dramatic. In other districts, unmet demand could result in the enrollment loss of low income students being offset by the enrollment of high income students who have not heretofore attended. This uncertainty along with the existence of a number of "unfunded ADA" in some districts suggests the need for controls on the amount of total revenue that may be lost by an individual district.
Financial Aid

Any new fee adds to the student's cost of enrollment and, as noted above, must be accompanied by financial aid grants for those unable to pay the fee. Otherwise, access cannot be maintained. Besides the aggregate need for aid grants, attention would need to focus on expanding eligibility criteria to cover low income students who take just one or two courses. Currently, these students are not eligible for financial aid. The need to expand criteria becomes especially important if a uniform fee is imposed at a relatively high level.

Fee Collection

A uniform registration fee charged to all students would be less costly to administer than either a per-unit fee or the surcharge described above. Colleges currently collect a variety of fees for both instruction and ancillary services. Consequently, the added administrative costs of a uniform fee should not be significant. Added requirements would include greater security, more supervision, and additional procedures for refunds, among other activities.

The costs of administering a surcharge for those having completed a given number of units or for those not matriculating would be substantial. Either policy requires the collection of transcripts. Analysis of transcript collection and processing for another recent proposal indicated that the approximate first-year workload would total over $3 million statewide. Second-year and ongoing annual costs were estimated to be about two-thirds of first-year costs since computer software would be in place and since transcripts would be on hand for continuing students.

Other services that relate to matriculation, such as individual counseling, assessment, advising, and requiring official applications of all students would add to costs if these services are part of a proposal and are not now being performed.

Failure to cover these added costs would result in further deterioration in community college funding, and, therefore, detract from the very purpose for which fees are being considered.

REFORM EXISTING FEES

Existing fees have tripled since the passage of Proposition 13 (1978). (See Appendix D.) However, many districts still charge less than authorized and there is evidence that tax revenues subsidize these services in many districts. Total fee levels vary substantially from district to district. Students pay for parking in some districts but not in others. Equity in the charging of fees for ancillary services should be sought if the Legislature imposes a general fee for educational services. The most effective way to accomplish this is to mandate fees to cover costs where ancillary services are provided and to accompany these charges with financial aid for those who can't afford the fee.

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All but four of the existing fees have a maximum charge stipulated. These limits, in some cases, are less than the cost of the service. None of the limits provide for the costs of collecting and managing the fee. The consequence is that for some fees the cost of collection and management exceeds the revenue derived from the fee.