Proposition 92

Community Colleges. Funding. Governance. Fees.
Initiative Constitutional Amendment and Statute.

SUMMARY

This measure makes major changes to the State Constitution and state laws relating to the California Community Colleges (CCC). As shown in Figure 1, the measure affects CCC funding requirements, fee levels, and system governance. Each of the measure's key provisions is discussed in more detail below.

Figure 1

Proposition 92: Main Provisions

✓ **Education Funding Level**

- Changes current minimum education funding requirement into two separate requirements: one for K-12 schools and one for community colleges.

✓ **Student Fees**

- Lowers community college education fees from $20 per unit to $15 per unit.
- Significantly limits the state's authority to increase fee levels in future years.

✓ **Governance**

- Formally establishes the community colleges in the State Constitution.
- Increases the size of the community colleges' state governing board and the board's administrative authority.

BACKGROUND

California Community Colleges provide instruction to about 2.5 million students annually. The CCC system is made up of 109 colleges operated by 72 districts throughout the state. The system provides a number of educational programs, including:

- Academic instruction at the lower division (freshman and sophomore) collegiate level.
- English as a Second Language courses.

- Vocational education (such as nursing and automotive technology).
- Recreational courses (such as golf and cooking classes).

The CCC system spends over $8 billion in public funds annually. About two-thirds of the funding that supports community college programs comes from the state General Fund and local property taxes. The remaining one-third comes from other sources (such as student fee revenue and federal funds).

EDUCATION FUNDING LEVEL

Current Law

Each year, the state must provide at least a minimum level of funding for elementary and secondary schools (K-12) and the community colleges (together called K-14 education). This requirement, adopted by voters in 1988 through Proposition 98, is met using both state General Fund and local property tax revenues. Each year, the Proposition 98 formula calculates a new K-14 minimum amount of financial support by adjusting the previous year's level based on changes in the economy and K-12 attendance. (Community college enrollment is not a factor in calculating the minimum K-14 funding level.) An additional requirement specifies that K-14 education must receive at least a specified percentage (about 40 percent) of General Fund revenues each year.

Each year, the state allocates Proposition 98 funding between K-12 schools and community colleges. In recent years, community colleges have received between 10 percent and 11 percent of total Proposition 98 funds.

Proposal

As noted above, existing law guarantees a certain minimum amount of annual financial support for K-14 education. Proposition 92 replaces this single requirement with two: one for K-12 education and one for community colleges. These new minimum funding requirements would take effect in 2007-08 and be based on spending in 2006-07.

The new K-12 funding formula would use the same year-to-year growth factors as under current law. The same would be true for the new CCC funding formula, with one important exception. Specifically, in place of K-12 attendance, a new growth factor based primarily on the young adult population would be used for calculating the community college minimum funding level. This population growth factor uses the greater of two population growth rates: (1) state residents between 17 and 21 years of age or (2) state residents between 22 and 25 years of age. The growth factor is further increased in any year that the state's unemployment rate exceeds 5 percent. (The state unemployment rate exceeded 5 percent in 13 of the past 15 years.) However, the measure limits the total community college population growth factor to no more than 5 percent in any year.

Unlike the K-12 funding guarantee, the community college funding requirement would not be adjusted to reflect how many students are actually served. That is, there would be no direct relationship between required CCC funding levels and actual student enrollment.

The measure would not change the existing requirement that roughly 40 percent of General Fund revenues be spent on K-14 education. Consequently, Proposition 92's new funding formulas would not apply in years when K-14's share of General Fund spending was less than this level. In these years, the existing single minimum funding requirement would apply and the state would continue to have discretion over how to allocate funds between K-12 schools and community colleges.

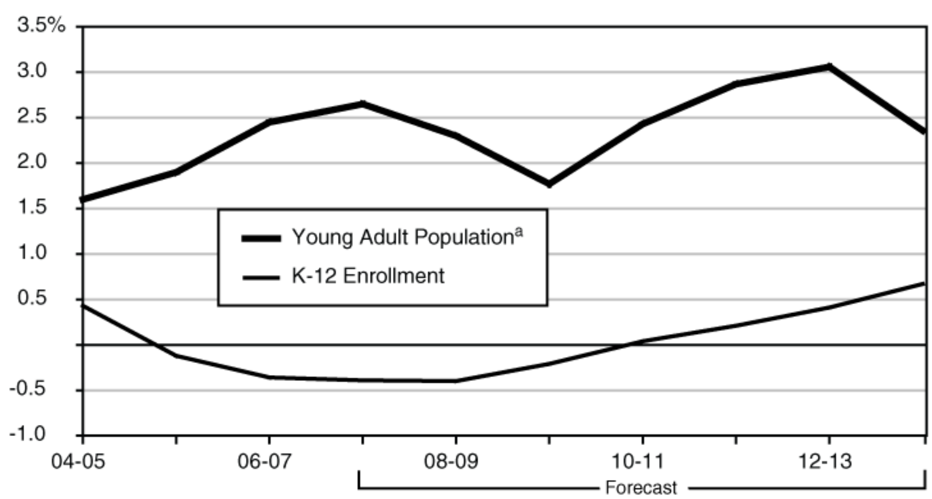
Fiscal Effect

From 2007-08 through 2009-10, we estimate the initiative would require the state to spend more for K-14 education than under current law—an average of around $300 million per year. This is primarily because the measure's student population growth factor under the new CCC funding requirement (the state's population of young adults) is forecast to grow faster than K-12 attendance. As shown in Figure 2, K-12 attendance is expected to experience declines for the next few years. By contrast, the young adult population is forecast to grow between 2 percent to 3 percent for the next several years.

Figure 2

Young Adult Population Is Expected to Grow Much Faster Than K-12 Students

(Annual Percentage Change)



[a] Greater of growth rates of state residents between 17 to 21 years old and 22 to 25 years old. This rate would help determine growth in community colleges' minimum funding guarantee under Proposition 92. This rate would be increased further when state unemployment exceeds 5 percent.

In the initial two years that the measure would be in effect (2007-08 and 2008-09), we estimate it would allocate roughly one-half of the increased funds to K-12 schools. (This results from the interaction between this measure and recent legislative action on K-12's budget.) Then, in 2009-10, it would direct most new funding to community colleges. Starting in 2010-11 and continuing for the near future, we do not expect that the new funding formulas established by Proposition 92 would be in effect. This is because the measure's combined minimum funding levels for K-12 schools and community colleges would most likely fall below the roughly 40 percent of state General Fund revenues to be spent on K-14 education. As noted earlier, the measure does not apply under such conditions. Instead, the minimum funding requirement for K-14 education would be calculated as it is under current law. Thus, there would be no net fiscal effect for the state in these years. In addition, the state would have the authority to allocate funding between K-12 education and the community colleges however it chose.

It is unclear when the formulas would again require the state to spend more than the required share of state General Fund revenues on K-14 education. When they did, the fiscal effect would depend on the performance of the economy as well as the relative growth rates between K-12 attendance and the CCC student population growth factor.

STUDENT FEES

Current Law

As discussed above, Proposition 98 funds (General Fund and local property taxes) provide the major source of support for CCC. In addition, most students pay education fees that contribute to the community colleges' overall funding. Fee revenue is available to the community colleges for the same general purposes as Proposition 98 funding. These fees cover a small portion (less than 10 percent) of resident students' total educational costs. In 2007-08, student fees provide about $285 million in revenue to the community colleges.

California's community college fees, which are set by the state, have consistently been the lowest in the country. Prior to 1984, the state did not charge a fee at all. In the past decade, fee levels have fluctuated between $11 and $26 per unit. The current per-unit fee is $20, which means that a full-time student taking 30 units per academic year pays $600.

About one-quarter of all CCC students do not pay any educational fees. This is because current law waives the fees for resident students who demonstrate financial need. Most of these students are low- to middle-income. Generally, a community college student living at home, with a younger sibling and married parents, could have annual family income up to roughly $65,000 and still qualify for a fee waiver.

Proposal

This measure reduces student fees to $15 per unit beginning in fall 2008. Thus, total annual fees for a student taking a full-time load of 30 units during the 2008-09 academic year would be $450, which is $150 less than the current level. (This fee reduction would have no direct impact on needy students because fees are already waived for all students who demonstrate financial need.)

The measure also significantly limits the Legislature's authority to increase fees in subsequent years. Any fee increase would require a two-thirds vote of both houses. In addition, the measure limits annual fee increases to the lower of:

- 10 percent.
- The percentage change in per capita personal income in California (which typically averages about 4 percent).

For example, at $15 per unit, a 4 percent growth in per capita personal income (the lower of the two formulas) would allow for an increase of 60 cents. However, since the measure also requires the rounding down of any fee increase to the nearest dollar, the fee level would remain at $15. The measure would require a simple majority vote in the Legislature in order to *reduce* fees.

Fiscal Effect

If the measure passes, it is likely that fees would remain at or near $15 per unit for many years. This is because at this level the Legislature could only increase the fee if per capita personal income exceeded 6.7 percent in any given year. (This has occurred just once in the past 20 years.)

The revenue impact of a fee reduction under this measure would depend on the fee level that would have existed without this measure. If the fee level would have otherwise remained at its current amount ($20 per unit), the community colleges would collect about $70 million less in annual student fee revenue as a result of this measure.

GOVERNANCE

Current Law

The State Constitution currently references the community colleges in various financial contexts (such as their eligibility for Proposition 98 funds), but it does not formally establish or define the community colleges. This has been done instead through laws adopted by the Legislature. Under current laws, the community colleges are operated by districts that are governed by locally elected Boards of Trustees. The state provides these governing boards with significant autonomy in matters such as:

- Determining course offerings.
- Hiring and compensating campus staff.

- Managing district property.

The Board of Governors (BOG) of the California Community Colleges oversees the statewide system. Key functions of BOG include:

- Setting minimum standards for districts (such as student graduation requirements).
- Coordinating statewide programs.
- Providing technical assistance to the districts.
- Appointing a chancellor to run day-to-day operations and make recommendations on policy matters. (The chancellor's executive staff—deputy and vice chancellors—are appointed by the Governor.)

The BOG consists of 17 members (16 voting and 1 nonvoting). The Governor appoints these members to terms of either two or six years. Currently, the Governor is required to select 5 of the 17 members from lists of persons approved by specified community college organizations (such as faculty and staff groups).

Proposal

The measure amends the State Constitution to formally recognize the CCC system. For example, it specifies in the Constitution that the community college system is a part of the state's public school system, and is made up of districts that are governed by locally elected boards.

Proposition 92 makes a number of changes affecting BOG. For example, it amends the Constitution to increase the number of members to 19 (all with voting rights). In addition, the measure amends statute to require the Governor to appoint *all* BOG members from lists provided by specified community college organizations.

The measure also gives BOG more control over its staff and its budget. For example, it authorizes BOG (rather than the Governor) to appoint and set compensation levels for executive officers. Moreover, the measure gives BOG "full power" over how to spend funds appropriated for its administrative expenses in the annual budget.

Proposition 92 does not change the current responsibilities of BOG or its authority over community college districts.

Fiscal Effect

This measure would not change the state's authority to appropriate funding for the BOG's administrative budget. As a result, it would not have any direct impact on state costs. The proposition, however, would give BOG more control over whatever funds are provided to it.