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Access Threatened: A Comparison of the 2003 and 2009 Recessions

by
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Based upon data presented in April 2010 at the 37th Annual Meeting of the National Center for the Study of Collective Bargaining in Higher Education and the Professions

Introduction

State-level community college coordination and governance structures are highly varied across the 50 states. Some states have two separate governing boards, one for community colleges and another for the other public higher education institutions; others have one higher education governing and/or coordinating board for all public higher education institutions. A few states have one statewide board that coordinates elementary and secondary education and also coordinates community colleges. (Tollefson, Garrett, Ingram, & Associates, 1999).

Despite these significant differences in structure and governance, members of the National Council of State Directors of Community Colleges (NCSDCC) are well-positioned to comment on issues of funding and access in their own sectors specifically, and other sectors of education including elementary and secondary, public regional universities, publicly controlled Historically Black Colleges and Universities (HBCUs), and public flagship universities as well. No sector of the American postsecondary system serves more students who are the first generation in their families to be enrolled in higher education, more racial and ethnic minorities, and more low income families than do the nation’s community colleges (American Association of Community Colleges website, 2010).

Funding issues at the state level for community colleges are never considered in a vacuum. Alone among education sectors, community college receive appropriations from both
state and local appropriations (typically from ad valorem taxes on real property). They often apply for and obtain significant federal workforce training funding through programs financed by federal and state matching funds, and administered through non-education–related state cabinet agencies. According to Grapevine, in 25 states local appropriations exceed 10 percent of total revenues from all sources for public community colleges, and in 25 states they are lower than 10 percent (often approaching zero). Interestingly, seven of the nine largest states have local funding, and just two—Florida and Georgia—do not (Palmer, 2008).

**Methodology**

Since 2003, the authors have been involved with surveys of state directors of community colleges. Terrance A. Tollefson has assisted with each survey, while James C. Palmer assisted with the initial years. Janice Friedel was involved with the initial survey as the NCSDCC member/state director in Iowa. This paper reviews key similarities and differences for community college funding at the state level across and between the two most recent recessions. Three research questions are examined: (1) How is the current recession both similar and different from the FY2003 recession in terms of community college funding? (2) Did funding from the American Recovery and Renewal Act (ARRA) make a difference in the FY2009 and FY2010 budgets, and if so, how? (3) Can access be expanded to achieve President Obama's goal of expanding US adult baccalaureate degree attainment in times of severely constrained resources?

*The 2003 Survey*
Our first survey was created in 2003 by James C. Palmer, Terrence A. Tollefson, and Steve Katsinas. A long-time state director suggested that the authors conduct a survey of the membership of the National Council of State Directors of Community Colleges (NCSDCC). A survey was approved by the Institutional Review Board at UNT; students enrolled in Steve Katsinas’ Community College Finance and Administration graduate class in the Spring 2003 term at the University of North Texas’ Dallas Campus had responsibility to call the state directors and to encourage them to respond to the survey. And respond they did: Among the 51 NCSDCC members, 46 (90%) responded, an outstanding rate of participation. Only Alaska, Connecticut, and Delaware chose not to respond. South Dakota, which has no community colleges, also did not respond. New York’s response was from the State University of New York, but not the City University of New York. The response for Arizona was from the Arizona Association of Community Colleges because the state board there had recently been abolished. Responses for Puerto Rico are listed in the notes after each survey item.

This initial survey was conducted between March and April of 2003, when many states were in the middle or at the end of their legislative budget cycles. Thirty-four (74%) of the 46 respondents reported mid-year budget cuts in the current budget year (Fiscal Year 2002-2003); all 46 respondents predicted tuition increases, and just under half reported cuts in their state student aid programs (Katsinas distinctly remembers one state respondent calling him, fearful that since their state was doing well while nearby states were being cut, that the legislative response would be to cut their state funding too). Tracking investments in state-funded student aid was seen as particularly important, as proponents of the high tuition-high aid model of student financial aid argue that, for the program to work, every time tuition is raised at historically public access institutions, so must state student financial aid (Pedersen). The
relatively flat federal Pell Grant in the decade prior to 2008 increased the importance of the states' role in funding both need- and merit-based student financial aid programs, particularly as related to tuition increases. Some commentators have suggested merit-based aid was funded at the expense of more needy students.

The 2004 Re-administration of the 2003 Survey.

The results of the initial 2003 survey were not formally published until its second administration in 2004. At this time, the author asked two nationally-recognized experts, James C. Palmer at Illinois State University, the director of the annual Grapevine studies of state higher education finance, and Terrance A. Tollefson, perhaps the nation's leading authority on state community college system governance, to assist in examining preliminary results prior to their release. The timing of the 2004 survey was changed to be administered starting in July, and an expert panel of National Council of State Directors of Community Colleges members critiqued survey items. Three main points of the survey emerged: (1) Survey items asking what happened in the budget year just concluding; (2) survey items predicting what would happen next year (especially operating budgets, tuition, and state-funded student aid), and (3) "hot topic" issues.

Thus, the 2004 survey asked questions about the year just concluded (2003-2004) and for predictions on what would happen in fiscal year 2004-2005 (Katsinas, Palmer, and Tollefson, 2004).

The 2007, 2008 and 2009 Surveys

The 2007 survey saw the first special section on a key topic of concern to state directors, the understudied issue of facilities (Katsinas, Tollefson, and Reamey, 2007). The special section
of the 2008 survey was on student aid and tuition issues (Katsinas and Tollefson, 2008); in 2009, it covered federal issues (including federal stimulus funding, the Dream Act, and the impact of the Pell Grant increases), workforce training, the recession, and community colleges (Katsinas and Tollefson, 2009). All of the special sections deal with issues raised by the state directors group.

The response rates have continued to be outstanding. Among the 51 members of NCSDCC listed at their website (http://www.statedirectors.org/directors/ncsdcc.htm), 46 (90.1%) responded in 2003, 50 (98%) in 2004, 49 (96%) in 2007, 49 (96%) in 2008, and 50 (98%) in 2009. A special effort was made to obtain as many responses from the 9 "mega-states" as defined by Grapevine; these “mega–states” receive over half of all state tax appropriations for community colleges, and enroll nearly 58 percent of U.S. community college students. These states are: California, Texas, New York, Illinois, Florida, North Carolina, Ohio, Michigan, and Pennsylvania (so badly has state investment in public higher education fallen in Michigan, that Georgia replaced the Wolverine state among the top 9 mega-states in 2008—see Palmer 2008). The surveys are typically administered beginning in July through August (the 2009 survey period was July 5th through August 12th).

The annual surveys of NCSDCC members are offered as a good barometer for community college funding and access both in describing the current situation and future prospects. It is important to note that the next year's predictions by NCSDCC members are perceptions; that said, NCSDCC members have a wealth of high-level higher education administrative and policy experience, and their perspective on state issues goes well beyond the community college sector.

The 2009 survey was administered at a time of unprecedented national interest in
community college issues. This started with passage of the American Recovery and Renewal Act (ARRA) in February of 2009, which provided substantial support to the states to stanch the deep declines in state tax revenues due to the recession. Additional interest was spurred by the new Pell Grant funding increases included in ARRA, and by President Barack Obama’s dramatic speech to a Joint Session of the Congress in late February 2009, in which he called for America to regain its #1 ranking as a percentage of our adult population with a baccalaureate degree (Obama, February 24, 2009). On July 14, 2009, President Obama announced his American Graduation Initiative (AGI), to be funded by cost-savings in the student loan program as the nation converted to direct lending. The AGI called for half a million new community college graduates by 2020, and included the establishment of a $10 billion revolving loan fund to support community college facilities construction and renewal. “All too often," President Obama said in his announcement at Macomb Community College (Michigan), "community colleges are treated like the stepchild of the higher education system; they’re an afterthought, if they’re a thought at all.” (The White House, 2009). Facilities have continued to be a major issue of concern to NCSDCC members, as evidenced by their responses to the 2007 Special Section.

The severe cuts in state tax appropriations for community college operating budgets has prompted heightened concern about the immediate short- and long-term future and stability of state investments in higher education. We must ask: What are the implications for access and community colleges, and what are the prospects for the future? An expert panel reviewed the 2009 survey instrument, and approval was obtained from the University of Alabama's Institutional Review Board prior to its administration.

Limitations to the data
Survey responses should be interpreted in light of several limitations. First, the 2003 survey did not ask how the current funding cycle turned out, and nearly every state’s legislature was still in session at the time the survey was administered, which may or may not have skewed the responses. Second, for all of the surveys, state directors or their designees could choose whether or not to respond to each item. Thus, variations in the response rates for different survey items exist. Third, related directly to the second point, the wishes of those not wanting to respond to specific questions were respected. And fourth and perhaps most important, predictions about the next year are perceptions and not actual measures. The 2009 surveys were collected from July 5th to August 12th using the NCSDCC member listing from the American Association of Community Colleges' website. It should be noted that two responses were obtained from Georgia (the University System of Georgia, and the Technical College System); state associations provided responses for Nebraska, New Jersey, and New Mexico. Arizona abolished their state association and had yet to create its new state council; at the suggestion of AACC President George Boggs, Maricopa Community Colleges (with 65% of total state enrollment) responded. Only South Dakota, with less than 0.3% of community college enrollments, chose not to reply.1

Context for the Analysis: The 2009 Crisis and Past Recessions

It is very important to note that significant cuts in state funding for community colleges preceded the last two recessions. State health expenditures over the past four decades have crowded out public expenditures in education at all levels, from elementary and secondary education to public higher education, including community colleges (Katsinas, 2005). Billy G. Roessler has documented that the "Big Three" revenue sources for community colleges -- tuition

1 The authors express their thanks to Terry Tollefson and Melissa Tarrant for their help with aspects of the 2009 survey.
and fees, state appropriations, and local appropriations -- fell from 80.2 to 68.2 percent between Fiscal Year 1980-81 to 2000-01. During this period, state appropriations fell from 48.3 to 34.7 percent, tuition and fees rose from 14.5 to 18 percent, and local appropriations fell from 17.4 to 15.5 percent. State funding fell so severely that increases in tuition and fees could not make up for them. Roessler further documents that in 1980-81, 16 states funded 60% or more of total funding for their community college operating budgets, and by 2000-01, none did. In 1980-81, 55% of all US community college students enrolled in one of the 22 states where the state provided 50% or more of total revenues. By 2000-01, 8% enrolled in just 7 states did so. (Roessler, 2006).

State spending for health care has increased as a percentage of total state spending, while the proportion of state funding for public elementary and secondary education and public higher education, including community colleges has declined. In the State of Ohio in the 1969-71 biennia, K-12 education, public higher education, and health accounted for 37, 18, and 8 percent, respectively. In the 1996-97 biennia, those percentages were 23, 11, and 19 percent, respectively (Katsinas, 2005). Nationally, by 2007 state spending on elementary and secondary education fell to 25 percent of state spending; health was about 23 percent, and higher education about 11 percent. A December 2009 report by the National Association of State Budget Officers found that for the first time, health and K-12 expenditures were exactly the same, at 23 percent.

Until the 2010 health bill, states had no flexibility to reduce costs for Medicaid; yet in most states the state match still came off the top. (Kaiser Commission, 2009). Yet then as now, public higher education remains the largest discretionary budget item in state budgets. This means that public higher education, which has been reduced by roughly half as a percentage of total state spending over the past four decades, is still the first place to look for budget cuts when
state revenues decline (Katsinas, 2005).

It is important to note that the 2009 recession differed from the 2003 recession. It was much deeper and in particular, the decline was much steeper. According to an August 2009 Henry J. Kaiser Family Foundation analysis of quarterly state tax revenue from 1999 to 2009, state tax revenues fell into negative numbers in the first two quarters of 2003, but began to recover by the second quarter of 2003, when our first survey was administered. By the first quarter of 2006, state tax revenues were up by 15.9 percent. In contrast, in the second quarter of 2008, state tax revenues fell modestly from 6 to 5 percent…and then fell nearly off the table by an unprecedented 7 percent in each of the next two quarters. Such declines were unprecedented in the decades that these data have been collected (Kaiser Commission on Medicaid and the Uninsured, August 2009).

From the third quarter to the fourth quarter of 2008 as state tax revenues fell by 7 percent, the Congress passed and President George W. Bush signed the TARP legislation that buttressed the nation's banking system and funded efforts to ameliorate the foreclosure crisis that had put so many homeowners below water. It was in the fourth quarter of 2008—during which time state tax revenues fell by another 7 percent--that President-Elect Barack Obama and Vice President-Elect Joseph R. Biden met with the governors of the fifty states at Independence Hall; increasing the federal match for Medicaid was agreed to at their December 2008 meeting. This became part of the ARRA package in February 2009 (Katsinas and Tollefson, 2009). Part of the rationale for increasing the federal match to the states for Medicaid was that the steep recession produced much greater pressure on states to increase health expenditures, even as state revenues were falling. In August 2009, the Kaiser Family Foundation published a report that showed that each percentage point increase in the national unemployment rate leads to a decline in state revenues
of 3 to 4 percent, while Medicaid and CHIP enrollment rises by 1.0 million and the number of uninsured grows by 1.1 million. (Kaiser Commission on Medicaid and the Uninsured, August 2009). From August 2008 to April 2009, more than 6 million Americans lost their health insurance and the governors of nearly every state save South Carolina encouraged the incoming Obama administration to avoid deflationary cuts in employment and education by increasing the federal match to Medicaid and aid for education. These were two of the key components in the American Recovery and Renewal Act (ARRA) package that passed Congress in February 2009.

Survey Findings

Attention is now turned to address the three key research questions:

Research Question #1: How is the current recession both similar and different from the 2003 recession in terms of community college funding?

In FY2003, 34 of 46 responding states reported mid-year cuts in community college operating budgets. In FY2004, 38 did so. In FY2004-2005, community colleges saw deeper cuts than did other public higher education sectors. By FY2006-2007, significant budget recovery could be observed, with just two states reporting mid-year cuts.

In recent years, the trend of many states treating community colleges almost the same or exactly the same as other public higher education sectors can be observed. This is true not only for mid-year budget cuts, but also for predicted operating budgets in the next fiscal year, and tuition increases as well.

For three different reporting measures---mid-year operating budget cuts in the year just concluded, predicted operating budget increases in the coming fiscal year, and predicted tuition increases in the coming fiscal year, community colleges, public regional universities, and public
flagship universities are increasingly being treated the same. In FY2009, the average predicted increases or decreases in operating budgets and tuition were within a percentage point for all three public higher education sectors in nearly half of the reporting states.

Each survey conducted has asked NCSDCC members to assess which budget drivers were most important in their state's budget process for the year just concluded. Six potential budget drivers have been included in each of the surveys: Corrections, elementary and secondary education, higher education, Medicaid, recession (producing a decline in revenue), and unemployment compensation. When originally developed as a class project during the FY2003 recession, it was theorized that perhaps unemployment compensation might have an important claim on state funding due to recession and the lobbying power of unionized workers. In addition, we anticipated K-12 education would fare better, since that priority is constitutionally-mandated in nearly every state. Added to the list of major state budget drivers starting in FY2007 were tax cuts and transportation, and in FY2009 federal ARRA stimulus funding. Unfunded pension liabilities are likely to be added as a budget driver in the FY2010.

For each year of the survey, Medicaid has been ranked at or near the top among key budget drivers, with recession ranking at the top in FY2003 and again in FY2009. Elementary and secondary education also has ranked at or near Medicaid among the top budget drivers nearly every year, and ARRA entered as a top budget driver in its first year of reporting, FY2009. What is interesting is that higher education never ranked above corrections in any budget year, and that even as state revenues steeply declined in FY2009 tax cuts still ranked nearly as high as higher education. This clearly bodes poorly for public higher education, and indicates the difficulty most states will have in passing short-term tax increases to ameliorate budget cuts as the current recession continues.
This analysis also shows that the high tuition/high aid model does not work to fund needy students at access institutions such as community colleges. Since the survey began, community college state directors have been asked to report on the status of state funded student financial aid (both need- and merit-based). Given the flat Pell Grant, which held constant for roughly eight years (as tuition rose dramatically), if the so-called “high tuition/high aid” model was to work, state student aid has to be increased each time tuition is increased. In 2003, all 46 reporting states indicated tuition increases, while under half – 17 of 37 reported cuts or flat-funding of their state student aid programs. By FY 2006-07, a relatively good budget year, 90% of the states indicating a response reported increases in student aid. In sharp contrast, by FY 2008-2009, among 43 responding states, 30% reported increases, 49% flat-funding, and 21% reported cuts in their state student aid programs.

Thus, when comparing the current recession to the FY03 recession, there is no question that the current is much worse. Since the first survey was conducted in 2003, elementary and secondary education and Medicaid have been the top two budget drivers every year except the recession years of 2003 and 2009. Tuition increases (often at two to three times the rate of inflation) are the predominant method for states to meet budget shortfalls. States often treat different sectors of public higher education the same. Further analysis has revealed differences among the 25 states with no local funding; these states had higher tuition increases and deeper state cuts when compared to the states with local funding. While some budgetary recovery clearly occurred following the end of the recession that started in 2002, the 2.3 million new students enrolled in the US community colleges (Hardy, Katsinas, and Bush, 2007) far exceeded the modest funding recovery that followed the end of the FY03 recession.

Similarities between the current and FY03 recessions in terms of how community
colleges fared in terms of funding include: (1) The current recession is occurring at a time of steep increase in traditional aged students in need of public higher education (DeMonBrun and Katsinas, 2010, forthcoming); (2) this recession is far too deep for state budgets to be balanced on the back of public higher education by a combination of tuition increases and deep budget cuts; (3) by nearly a 4:1 margin, state directors indicate “a structural deficit exists in their state’s budget process that will hurt higher education in the long-term, and community colleges specifically” means the “twin towers” of structural deficits –Medicaid and pension funds identified by the late Hal Hovey, Denis Jones, and other experts-- loom large… even with ARRA funding (Hovey, 1999; Jones, 2003).

Differences between the current and 2008 recession for community college funding include the following: (1) This recession finds the most public higher education friendly President and Congress in office than for any of the five recessions that have followed the end of America's involvement in Vietnam (1973-4, 1979-82, 1990-91, 2002-3, and now); (2) thanks to the ARRA, public higher education avoided deep cuts in its most important asset--its human capital--and the mass layoffs normally associated with a steep negative economic downturn; (3) the ARRA's requirement that states accepting funds must curb tuition increases dampened the normal state policy response of either formally sanctioning tuition increases, or looking away as boards did the deed; (4) the record increases in Pell Grants will help more economically disadvantaged students access higher education, precisely because of ARRA's curbs on tuition increases, even in a deep recession; and (5) states made much deeper cuts in one area of higher education investments not covered by ARRA, state student aid programs. In FY2003, just under half of the states cut their state student aid programs while all 46 responding states reported higher tuition. In FY2009, while tuition increases were moderated to just over 5% instead of
nearly 10%, 30 of 41 states (73%) reported cuts in their state student aid programs, including deep cuts in some of those historically most generous, such as Illinois.

**Research Question #2: Did funding from the American Recovery and Renewal Act (ARRA) make a difference in the FY2009 and FY2010 budgets, and if so, how?**

In 2009, NCSDCC members were surveyed extensively on aspects of the ARRA package, including what difference, if any, it made in the budget year just ended (FY2008-2009), predictions on the use of ARRA funding in the coming FY 2009-2010 budget year, and future concerns.

It is clear that in the year just concluded, (FY2008-2009) federal stimulus funds were used for the purpose for which they were intended: To backfill revenue shortfalls in state tax revenues. When asked if "In FY2008-2009, were ARRA funds used for one-time purposes/investments in your state?" 32 (65%) states responded "strongly disagree" or "disagree," while 2 (4%) were neutral, and 15 (31%) indicated "strongly agree" or "agree." Among the 9 largest mega-states, California, Florida, Georgia (University System), and Illinois indicated "strongly disagree," while Georgia (Technical Colleges System), North Carolina, New York, and Ohio indicated "agree," and Texas was neutral. When asked if in FY2008-2009, were federal stimulus funds (ARRA) used to backfill shortfalls in revenues in their states, most states (39 of 49 or approximately 80%) "strongly agreed" or "agreed." Clearly, in large part ARRA stimulus funds were used to backfill revenue shortfalls in state revenues (their intended purpose), and not for one-time innovations or investments; just seven (14%) respondents indicated "disagree" or "strongly disagree."

There is less certainty regarding the uses of ARRA funding for next year, however. When
asked between July and early August of last year if ARRA funds would be used the next year (FY2009-2010) "...to backfill shortfalls in state revenues so community college budgets will not be cut." 23 states indicated "strongly agree" or "agree," 4 were neutral, and 21 indicated "disagree" or "strongly disagree." When asked at this same time if ARRA funds would be used next year (FY2009-2010) "...to backfill shortfalls in state revenues so that community college budgets will not be cut further," 29 (60%) indicated "strongly agree" or "agree," 3 (6%) "neutral," and 16 (33%) "disagree" or "strongly disagree." Division exists in predicting whether or not ARRA funds will prevent cuts in state student aid programs, including six of nine of the megastates reporting. Serious concerns exist as to whether ARRA funding can make up for steeply declining state tax revenues next year (24 or 50% strongly agree/agree [including 6 of 9 reporting megastates] and 13 or 27% disagree/strongly disagree). Most believed that community colleges were fairly treated in distribution of ARRA funds in their respective states (56% strongly agreed or agreed, while 17% disagreed or strongly disagreed, and 27% were neutral).

The obvious, overwhelming concerns expressed pertain to the FY2010-2011 budget. When asked “I am concerned a potential shortfall in the 2011 base budget for community colleges may occur in my state when the one-time ARRA funds are gone," 40 (80%) of the respondents indicated "strongly agree/agree," 9 (18%) "disagree/strongly disagree," and 1 (2%) was neutral. Exactly half of the respondents predicted that mid-year budget cuts would occur in the next fiscal year (FY2009-2010), and the comments provided by the state directors indicate that unless state revenues recover significantly, the future would be challenging.

Thus, when assessing the question, if ARRA funding is predicted to make a difference in FY2009-2010 funding of community colleges in the states, and if so, how, the following conclusions can be made: First, nearly half of states predict mid-year budget cuts this year,
despite ARRA; nonetheless, ARRA prevented a bad situation from becoming much worse. Second, for FY2009-2010, ARRA funding did what it was supposed to do: Backfill holes in state spending due to deep cuts in state revenues.

It is important to note that ARRA funds were never designed to help community colleges finance new programs to serve all-time record enrollments. Community college operating budgets were already strained prior to the recession. The ARRA funds did not ameliorate that budgetary strain, as evidenced by (a) the much greater fiscal strain reported for their rural, suburban, and urban colleges, compared to FY2006-2007, and (b) 31 (64.5%) states reported increased unemployment was stressing their college workforce training capacity. This pessimism about sufficient state investments was reinforced when half the states predicted the recession will "overwhelm ability of ARRA funds to make up steep declines in state tax revenue."

The structural deficits caused by Medicaid and pensions will continue to loom over state decision making processes for higher education funding even with federal ARRA assistance. The ARRA funds did not provide the facilities funds needed to serve the 1 million additional 18-24 year olds and the 3 million additional 25 to 34 year olds who will be in the US population between 2009 and 2013: whether or not community colleges and other public institutions of higher education receive sufficient funding to serve them, again an issue ARRA funding was never designed to address.

**Research Question #3: Looking ahead--Can access be expanded in times of constrained resources?**

The role of community colleges in providing both pathways to the baccalaureate and retraining for older, returning adult students is not as well valued as it should be. In his remarks announcing the American Graduation Initiative at Macomb Community College in Michigan,
President Barack Obama said, “All too often, community colleges are treated like the stepchild of the higher education system; they’re an afterthought, if they’re a thought at all.” (Obama, July 14, 2009).

On February 24, 2009, President Obama pledged to commit America to regain its #1 ranking among developed nations in adult baccalaureate degree attainment. 1960 -1980 had been an era of unprecedented commitment on the part of governments at the federal, state, and local levels, enabling the United States to rank #1 among developed nations in adult baccalaureate degree attainment. By 2008, the US ranking among OECD nations in adult baccalaureate degree attainment had fallen to 8th (Obama, 2009, February 24).

It is worth noting that research documents an increasing demand for access to higher education. An unpublished analysis by DeMonBrun and Katsinas (2010, forthcoming) reveals that between 2009 and 2013, there will be 1 million new 18-24 year olds and 3 million new 25-34 year olds in the American population (the DeMonBrun and Katsinas projections do not include the potential impact of potentially 5 million undocumented aliens who could achieve citizenship (and federal and state student aid, and in-state tuition) if the proposed Dream Act is passed. Whether or not community colleges and other institutions of higher education are financially resourced to serve them will become a matter of increasing performance as well.

In 2009, the special section of the survey asked if the Pell Grant increases passed by Congress "will significantly help low-income students access community colleges, to which 87% of those who responded to the item indicated "strongly agree" and "agree." When asked if the Pell Grant increases were "… large enough to cover likely community college tuition increases, 89.5% indicated "strongly agree" or "agree," 2 (4.2%) were "neutral," and 3 (6.3%) indicated "disagree" or "strongly disagree." When asked if the increase in Pell grants "…was large enough
to cover state cuts or flat-funding in the state student aid program," the results were much more mixed: 16 (33%) indicated "strongly agree" or "agree," 18 (38%) indicated "neutral," and 14 (29%) indicated "disagree" or "strongly disagree."

When asked if policies for appropriations, tuition, and state financial aid are closely aligned in their state, 28 (58%) indicated "no," 11 (23%) said "yes," and 9 (19%) were "neutral."

When asked between July and early August of 2009, "What is the likelihood of mid-year budget cuts in operating funds for community colleges in your state next year (FY2009-2010)?" 25 (50%) indicated "very high" or “high," 11(22%) "neutral," and 14 (28%) "low” or “very low”.

At the precise time of record enrollments, enrollment caps have been imposed at many of the nation's public flagship and public regional universities. When asked if enrollment caps had been imposed at public flagship universities in their states, 28 responded "strongly disagree" or "disagree," 8 "neutral," and 12 indicated "agree" or "strongly agree." Yet the 12 indicating agreement (California, Colorado, Connecticut, Delaware, Florida, Illinois, Indiana, New York, Texas, Vermont, Washington, and Wisconsin) included all five of the nation's most populous states. Similarly, when asked if enrollment caps have been imposed at public regional universities in their states, 29 responded "disagree" or "strongly disagree," while 8 were "neutral," and 7 indicated "agree" or "strongly agree." Yet the 7 indicating agreement (California, Connecticut, Florida, Illinois, New York, Washington, and Wisconsin) included four of the nation's five most populous states. Given the enrollment caps reported in the nation's largest states at their public flagship and regional universities, the substantial short- and long-term state budget deficits, the real mid-year cuts last year (34 states reported mid-year cuts in FY2009), and anticipated mid-year cuts in FY2010 (25 of 50 states predict this), it is not at all unrealistic to expect that many state community college systems face severe challenges in meeting
unprecedented, all time record enrollments. When asked if the community colleges in their states currently have sufficient capacity to meet current and projected numbers of high school graduates, 25 responded "strongly agree" or "agree," 7 "neutral," and 16 indicated "disagree" or "strongly disagree." Among the 16 states indicating disagreement were 3 megastates: California, which enrolls one in four US community college students, New York, and Georgia’s University System; the others are Arizona, Connecticut, Delaware, Indiana, Kentucky, Massachusetts, Maryland, Maine, Michigan, Nevada, Oregon, Tennessee, and Utah. When asked if the community colleges in their states currently have sufficient capacity to meet current and projected numbers of older and returning adult students, a plurality of 22 responded "strongly agree" and "agree," 5 "neutral," and 20 indicated "disagree" or "strongly disagree." Among the 20 indicating disagreement were 5 megastates—California, New York, North Carolina, and both of Georgia’s systems (University System and Technical Colleges)—and many with fast-growing Latino populations such as Arizona and Nevada, and states with high unemployment such as Michigan.

Conclusions

The following conclusions can be drawn about community college funding in economic recessions by comparing the results of the surveys conducted of the members of the National Council of State Directors of Community Colleges (NCSDCC) from last year to those coinciding with the recession years earlier this past decade.

First, in terms of commonalities, both recessions saw significant reductions in state funding as measured by mid-year budget cuts and reductions in state funding for operating budgets (34 states in both 2003 and 2009). A second striking similarity is that both recessions occurred in an era of expanding populations desirous of accessing community college education
(DeMonBrun and Katsinas, 2010, forthcoming). Both periods witnessed high unemployment and permanent displacement of workers from jobs placing greater emphasis on the community college resourcefulness and responsiveness to deliver relevant, just-in-time and technologically current job training and career and technical education. In the current 2009-2010 recession, the flagship and regional universities enrollments in many states had been capped, further straining the delivery systems of the community colleges. President Obama’s call for the United States to become the country with the largest proportion of its adult population with a baccalaureate degree places special emphasis on the community college capacity to increase access; success is unlikely to occur if states are unable to make significant increases in public higher education operating budgets.

During the 2003 recession, tuition increases were used as a means to partially compensate for the decreases in state aid. The assumption that tuition increases could compensate for the decreases in state aid did not work out; indeed, the states’ cuts in student aid, the balancer for tuition increases, create greater peril for those students most in need. A major difference between the current and FY2003 recessions are the deep cuts in state student aid. Cuts in state direct grant student aid are the norm (30); only 12 states increased student aid higher than the inflation rate. These are much deeper cuts than those that occurred earlier in this decade.

In the current recession, the ARRA restricted the flexibility of the states in using increased tuition and fees to compensate for the decline in state aid; thus the states responded by trying to reduce costs by restricting access to higher education to the flagship and regional universities. This is occurring at a time when unemployment is high and American corporations and industries are in need of workers with new skills sets and training. And as the Kaiser Family research indicates, each percentage point increased in the national unemployment rate leads to a
decline in state revenues of between 3 and 4 percent (Kaiser Commission on Medicaid and the Uninsured, 2009). As the current recession is deeper and steeper than the earlier recession of FY2003, it will require a longer recovery; the resiliency of the economy in terms of generating new jobs may well be contingent largely on the community college capacity to develop new and deliver new job training and retraining programs.

Thus, the much greater severity of the current recession likely means community college funding will not be able to keep pace with fast-growing student demand; this will likely to translate into unmet student and employer needs. The commonality of large increases in enrollment juxtaposed with reduced state investments for community college operating budgets is both striking and disturbing. To cut state investments in community colleges at the precise time the nation needs them properly resourced, to serve the greatest enrollment bulge since the "baby boom" of the 1960s, suggests that the national goal of achieving higher rates of baccalaureate degree completion by 2020 will be very difficult to meet.

Higher education is only one of a multitude of factors driving state allocation of resources. Dramatic increases in state funding for health have crowded out investments in public education, including elementary and secondary education, and higher education including public community colleges. The ARRA provided a temporary fix by providing backfill revenue shortfalls in state tax revenues; the state directors reported that it was used for the purposes intended and was not utilized for one-time innovations or investments. Now the challenge comes: While the ARRA provided external pressure on states and institutions to keep student tuition and fees increases down, what will happen now that this incentive is removed? As we see many institutions enacting double digit tuition increases in advance of the end of ARRA funding, we note that ARRA’s provisions to hold down tuition increases did not apply to state student
financial aid programs (the 2009 survey found that many states made deep cuts in previously generous state student aid programs). Such actions do not bode well for the future.

What happens in FY2011 after ARRA funding runs out? Half of the state directors predicted mid-year budget cuts this year. There continues to be national pressure from the President and national coalition of foundation and think tanks regarding a refocus of higher education away from access to four-year degree completion. Will the long term effects of these initiatives negatively impact the comprehensive mission of our nation’s community colleges and workforce development, job training and job retraining? NASBO reports in 2002 and 2003 predicted Medicaid cost increases for the remainder of the decade—one prediction that sadly did come true; what happens if the historic Health Care and Education Reconciliation Act of 2010, with its year-round Pell Grants, fails to hold down increases in health care costs over the long term? Will double-digit tuition increases to make up for steep cuts in state funding cover the increases in the Pell Grant program for low income students? There is much reason to be concerned. Stay tuned.

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