Analysis of CCCS finances

How to fund HB 14-1154: The Community College Pay and Benefits Equity Act of 2014

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NOTE: Colorado's Community College System finances have been the subject of a seminal and exhaustive study conducted by two of the nation's premier experts on higher-education finance: Rudy Fichtenbaum, Ph.D. and Howard Bunsis, Ph.D. Fichtenbaum is Professor of Economics at Wright State University. Bunsis is Professor of Accounting at Eastern Michigan University. Both have authored scores of articles and contributed to as many books on the topics of higher-education finance, labor relations, discrimination, and other topics related to higher education.

Fichtenbaum is President of the American Association of University Professors (AAUP). His testimony (below) was the highlight of the initial hearing of HB 14-1154 before the State Affairs Committee on Feb. 3. at the Colorado State Capitol. His report indicates funding for most of the Community College Pay and Benefits Equity Act of 2014 is already available within CCCS revenues.

Bunsis is President of the AAUP Collective Bargaining Congress. He presented his portion of the analysis of CCCS finances to the Colorado Conference of the AAUP annual meeting in December 2013. His findings, indicating that CCCS finances are in a stellar position, were verified a few weeks earlier by Colorado's own Joint Budget Committee.

Testimony of Rudy Fichtenbaum, Ph.D.
President of the American Association of University Professors
Before the House State, Veterans, and Military Affairs Committee
Representative Su Ryden, Chair
February 3, 2014

Good morning Chair Ryden, Vice Chair Salazar, Minority Caucus Chair Conti and distinguished Committee members. Thank you for giving me the opportunity to testify before your Committee on this important matter. The purpose of my testimony this morning is to speak in favor of HB14-1154, The Community College Pay and Benefits Equity Act of 2014.

Before I offer my testimony, I want to share with you some information about my background. I am currently the President of the American Association of University Professors (AAUP). I hold the economics Ph.D. from the University of Missouri and am a Professor of Economics at Wright State University. I am a labor economist and have published more than forty-five articles in journals and chapters in books, dealing primarily with race and sex discrimination, changes in income distribution, the impact of unions on wages and benefits, and the effect of occupational structure on earnings. Since 1999 I have also worked as a consultant analyzing the finances of colleges and universities for AAUP and have presented numerous workshops for faculty on understanding university and college finances.

For those of you unfamiliar with AAUP, our organization was founded in 1915 by Arthur Lovejoy – a Professor of Philosophy at Johns Hopkins University – and John Dewey – our great American philosopher, psychologist and educational reformer. The incident that prompted Lovejoy and Dewey to found AAUP was the firing of a labor economist at Stanford because a member of the Board of Trustees did not like his views on immigrant labor and railroad monopolies.

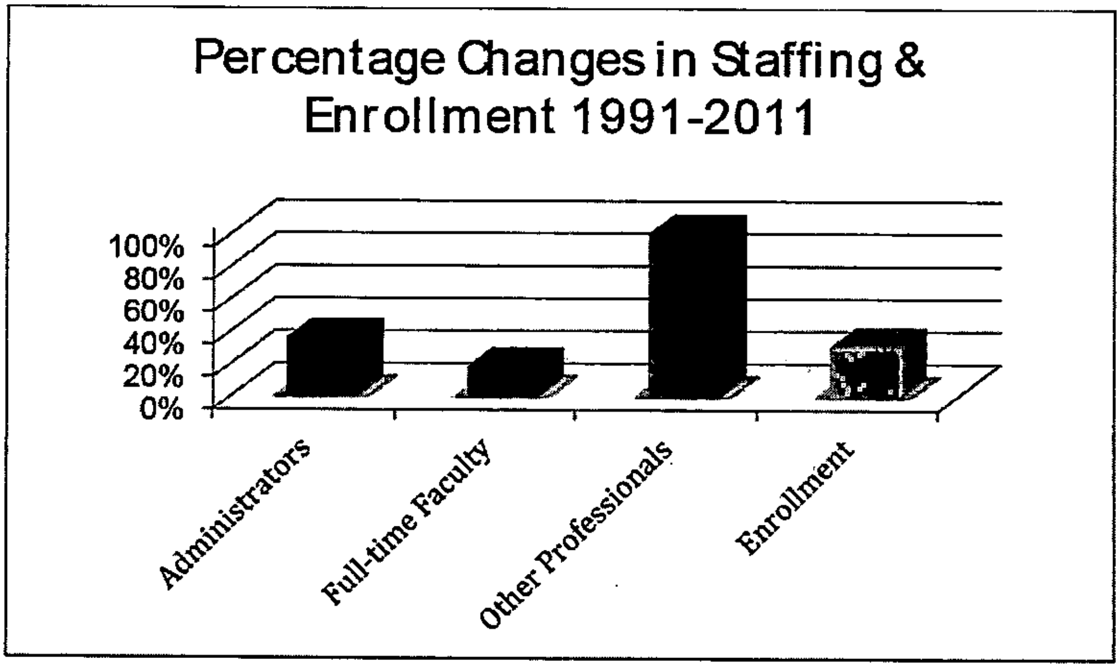
The mission of the AAUP is to advance academic freedom and shared governance; to define fundamental professional values and standards for higher education; to promote the economic security of faculty, academic professionals, graduate students, post-doctoral fellows, and all those engaged in teaching and research in higher education; to help the higher education community organize to make our goals a reality; and to ensure higher education's contribution to the common good.

Before I speak about the specifics of HB14-1154, I would like to speak about some general trends in higher education. One of the more troubling trends has been the increasing use and exploitation of part-time faculty. Between 1980 and 2011 the percentage of full-time faculty in all institutions of higher education declined from 65.6% to 50% according to the 2012 Digest of Educational Statistics (DES2012 Table 290).

In 1991, 42.9% of the faculty members at public two-year institutions were employed full-time while 95.2% of executive/ administrative/ managerial employees (high level administrators) were full-time and 76.0% of other professionals were full-time (DES1995 Table 216).

At public two-year institutions in 2011, just 30% of faculty members were full-time. In contrast, 97.5% of high-level administrators were full-time and 74.9% of other professionals were full-time (DES2012 Table 286). So the percentage of full-time high-level administrators has remained virtually unchanged and the percentage of full-time other professionals has barely changed. But at our public two-year institutions, the percentage of faculty members employed full time has decline 12.9 percentage points.

Moreover, between 1991 and 2011, the number of full-time high level administrators at public two-year institutions grew from 19,771 to 26,869, a 35.9% increase, and the number of full-time other professionals increased from 25,938 to 52,000, a 100.5% increase. In contrast, the number of full-time faculty increased from 95,563 to 113,241, only an 18.5% increase. In the mean time, enrollment at public two-year institutions increased 31% (DES2012 Table 223). Clearly this should raise concerns; enrollment growing by 31%, while the number of full-time faculty grows just 18.5%, and in the mean time, we see a 36% increase in upper level administrators and a 100% increase in other professionals. The following graph summarizes these disturbing trends.



So what we have seen over the last twenty years is the growth of administrative bloat and the relative shrinking of the full-time faculty. Why is all of this administrative growth needed, growth I might add that far outstrips the growth in enrollment? Why do students enroll in college? I think the answer is to complete courses and work toward getting a degree, to get some particular training and possibly to earn a certificate or complete courses needed to transfer to a four-year institution. Last time I looked, no students were enrolling at one of our two-year institutions because they wanted to meet administrators. Of course academic professionals play an important role at our institutions, but the faculty carries out the primary mission of our institutions, and the growth of other professionals is far out of proportion to the growth in students.

Why is having such a high percentage of our faculty employed on a part-time basis a problem? According to a 2012 study entitled A Portrait of Part-Time Faculty Members based on a survey done in 2010 and put out by the Coalition on the Academic Workforce (CAW), part-time faculty taught 52.1% of all classes at public two-year institutions. The same report found that the median pay for faculty members in 2010, teaching at two-year public institutions, was just $2,250 per course. On an annualized basis, this would be $30,000 a year. Compare that to $43,140 earned by the average full-time male high school graduate in 2010, or to $32,227 earned by the average full-time female high school graduate in 2010 (2012 Statistical Abstract, Table 703). This is truly a sad state of affairs, when one stops to realize that the overwhelming majority of faculty holds advanced degrees in their fields.

According to the CAW study, most of these faculty members work under terrible conditions. At two-year institutions, according to the study, only 4% had their own office. Moreover, 29.5% report having no office space at all. Among this group of faculty, 73.4% report getting no regular salary increase and only 3.2% get priority for tenure-track openings. Only 6.9% report having access to a single-user computer, 42.5% report having no telephone access in an office, 76.4% report having no secretarial assistance, and 27.6% report having no department-supported copying. Most have no employer provided health insurance, and few have any type of pension or retirement plan.

It is hard to meet with students and provide them with assistance when multiple faculty members must share an office. How can students make an appointment to see a faculty member when they cannot call a faculty member on a phone? Without secretarial assistance, all handouts, assignments and exams must be typed and duplicated by the faculty member. How does one duplicate exams without access to copiers? Moreover, the time a faculty member spends performing these other functions take away from time they could be spending with students.

The bottom line is that faculty members' working conditions are students' learning conditions. Thus, we must reach the inescapable conclusion that with the growth of part-time faculty, particularly at two-year public institutions, learning conditions for our students have deteriorated. This deterioration has nothing to do with the qualifications or dedication of part-time faculty. Rather it stems from a system which has misguided priorities, a system that does not make instruction its top priority.

HB14-1154, The Community College Pay and Benefits Equity Act of 2014, is a means for beginning to shift priorities at the Colorado Community College System (CCCS), by providing equal pay for equal work. The bill would provide a single salary and compensation scale, and ultimately require that part-time faculty receive pay and benefits at the same rate as full-time faculty, both in proportion to a full-time workload. The impact of this bill would be to eliminate the incentive to provide part-time work to faculty, and wherever possible to provide full-time work and full benefits to faculty teaching in the Colorado Community College System.

In addition, HB14-1154 would provide every faculty member notification in writing in the event of a dismissal or non-renewal, and provide an appeals process. Such a system, which guarantees a certain level of job security, is the foundation of academic freedom, a bedrock principle of the AAUP. The American system of higher education is considered among the finest in the world, and at the core of our system of higher education is academic freedom. Without academic freedom, the ability of faculty to teach is impaired and the quality of education deteriorates.

Using data from a variety of sources, including the Integrated Post-Secondary Education Data System (IPEDS) of the U.S. Department of Education, the audited financial statements of the CCCS, information on benefits from the CCCS, PERA, and a Fiscal Note written by Colorado Legislative

Council Staff, I have developed an independent estimate of the cost of HB14-1154. My estimate shows that the difference in cost per section taught between full-time faculty members and part-time faculty members is approximately $2,993. Of the 40,340 sections currently being taught, approximately 72%, or 28,874, are being taught by part-time faculty. Therefore, the total cost of implementing HB14-1154 is approximately $86.4 million. This is approximately $200,000 more than the estimate of the Colorado Legislative Council Staff (CLCS). A relatively small change in any one of the several assumptions that underlie our estimates can cause much larger swings in the estimated cost; thus, I would characterize my estimate as being substantially the same as the estimate produced by the CLCS.

However, there is one substantial area in which I differ with the analysis of the CLCS, and that is with regard to the size of the appropriation that would be needed to fund this bill. The CLCS assumes that the entire amount would need to be appropriated to fund this legislation.

I believe that the CCCS has the funds in its current budget to fund a substantial part of the cost of this legislation. First, in the most recent fiscal year with available data (FY 13), the CCCS spent only 27.7% of its entire operating expenses on faculty salary and benefits. Therefore, only 27.7 cents of every dollar goes to salary and benefits for the individuals who teach CCCS students. Given that the primary mission of the CCCS is teaching students, one might easily argue that more of the system's resources should be going to support the individuals directly responsible for the primary mission of the colleges.

Let me share some facts with you to illustrate how changing priorities can provide a substantial portion of what is needed to fund this legislation. Between FY2008 and FY2013:

- Enrollment in the CCCS increased at an annual rate of 6.2%.
- Spending on academic support – which consists largely of dean's offices and a variety of centers only tangentially related to teaching, the name "academic support" notwithstanding – increased at an average annual rate of 6.0%
- Spending on student services exploded, increasing at an average annual rate of 12%
- Spending on institutional support, which is pure upper-level administrative spending, increased at an average annual rate of 5.1%. Importantly, a substantial amount of spending for administrative purposes is a fixed cost and therefore does not need to increase proportionately with enrollment.

Spending on auxiliary enterprises has also grown dramatically. In FY2008, revenues in auxiliary operations exceed expenses by $1.6 million. Auxiliary operations are business activities that are not related to the primary mission. Among these are parking, bookstores, food service, vending, and athletics. Auxiliary revenues and expenses are listed separately in the financial statements because there is an expectation that these operations should, at a minimum, be self-supporting. In FY2013, the CCCS lost $4.8 million on its auxiliary operations. Revenues from auxiliary operations have grown at an average annual rate of 1.1%, while expenses have grown at an average annual rate of 4.4%.

Finally, the CCCS has run cash operating surpluses ranging from a low of $22.7 million in FY2009 to a high of $94.6 million in FY2011. Between FY2008 and FY2013, the average operating cash surplus has been $47.4 million. In FY 2013, the CCCS had an operating cash surplus of $33.8 million, giving it a cash flow margin (cash surplus divided by total revenues) of 5.9%. A margin of 2.5% is considered a very healthy margin in higher education.

The table below shows how reallocating expenses so they are more in line with the primary mission of the colleges and a reduction in cash operating surpluses can fund a substantial portion of the cost of HB14-1154.

	Actual growth rate	Proposed growth rate	Savings
Academic Support	6.0%	4%	$3,634,009
Student Services	12.0%	6%	$15,343,159
Institutional Support	5.1%	3.5%	$6,019,747
Auxiliary operations	4.4%	2.0%	$4,871,326
	Average Margin	Proposed Average Margin	
Operating margin	8.6%	4.8%	$20,000,000
Total			$49,868,241

Through the reallocation of resources and judicious use of cash operating surpluses, the actual appropriation need to fund this bill for FY 2014-15 would be approximately $36.6 million.

None of the proposed change in spending or the reductions in cash surpluses entails the use of reserves. The CCCS has more than adequate reserves, and under my proposed reallocation, it is likely that those reserves would continue to grow, albeit at a slower rate.

The CCCS also claims that it would have to create 14 new positions to implement the law. Under HB14-1154, the CCCS would actually be reducing the number of employees, as it converted part-time jobs into full-time jobs. Having a more stable workforce will reduce hiring and training costs and the need to mange a workforce that is constantly changing.

I would like to thank the Committee for giving me the opportunity to testify on this important bill. I would be happy to answer any questions.