

ECONOMIC DEMAND

Proposed Investment in Washington's Economic Future - \$95.4 million

Washington needs an educated populace to compete in the global economy. Working age adults must be prepared to enter the workforce and be capable of filling jobs requiring short term training, certificates, credentials and associate degrees, as well as jobs requiring bachelor's degrees and beyond.

As businesses face demands for productivity increases and adaptation to successfully compete, they need employees who enter the workplace ready to work, who are able to quickly acquire new knowledge and skills, and who can adapt to new processes and solve new problems. Responding to surveys, employers' report that they experienced hiring difficulties to fill existing jobs:

- In 2006, 19,000 employers (9 percent) had trouble finding workers with either vocational certificate or two-year degree.
- At the same time, 13,700 employers (5 percent) had difficulty finding workers with a bachelor's, masters or Ph.D. Unmet demand for workers at the baccalaureate-plus level is found in engineering, software, architecture, computer science, medical, and human and protective services.
- Seventeen percent of Washington employers reported that difficulty finding qualified job applicants lowered output or sales, 16 percent said it lowered productivity, and 14 percent reported it reduced quality.

As employers look into the future, they describe their needs this way:

- Nearly 50 percent of new jobs will require at least some college, an associate's degree, or baccalaureate-plus.
- Eighteen percent of current workers need further formal training in community and technical colleges or private vocational schools. Current workers in greatest need of additional training are in construction, services, finance, insurance, real estate, transportation, warehousing, and utilities; and
- About one-third of employers say their need for workers with postsecondary training will increase over the next five years. If nothing is done, employers will only find 79 percent of the workers with the certificates or two-year degrees they need in 2010.

Businesses find it especially difficult to find workers with occupations-specific skills, problem-solving and critical thinking, positive habits and attitudes, and communication and team work skills.

How Can the Community and Technical Colleges Help Meet Economic Demand?

Washington's community and technical colleges (CTCs) enroll 455,000 people each year. Almost one-half of the adult population has taken a course at a state community or technical college over the past 10 years. CTCs are uniquely positioned to help improve individual lives and the state's economy. CTCs are:

- Centers of education in their communities. CTCs are geographically distributed, and help create local responses to community needs.
- Cost effective for students and the state. Low tuition relative to four-year public institutions means that more Washingtonians can afford higher education – 40% of all bachelor degrees produced in the state began with coursework at a community or technical college.
- Diverse. CTCs have more representation from all segments of the state population than other higher education institutions.
- Flexible and responsive. CTCs have a diverse curricula, with many levels of study available from basic skills and literacy for adults to college degrees - more than 3,500 degrees and certificates programs
- Focused on the state’s workforce. CTCs have well-established partnerships with industry, workforce and economic development agencies, and labor, and long, successful experience in entrepreneurial/small business services, as well as customized training solutions for business and industry.
- Focused on seamless education. CTCs have well-established partnerships with universities in producing bachelor’s degrees and long relationships with K12 in helping people finish high school, preparing students for college and helping students earn dual credit, saving money for families and the state.
- Viewed as problem solvers. The CTCs are often asked to be part of efforts to tackle statewide issues such as worker retraining during economic downturns, or implementing welfare reform with its many fundamental program changes, or to implement new approaches to customized training for business.
- Focused on teaching and learning.

Making Education and Training Available - Three Strategies to Meet Economic Demand

The community and technical college system proposes three strategies, centered on college access for students and business, to strengthen Washington’s position in the global economy. Each of the strategies are discussed below:

- Enrollment growth to produce the skilled workers to improve Washington’s economic competitiveness;
- Expansion of customized training for incumbent workers to serve business’ needs; and
- Funding dual credit programs to maintain access and encourage more efficient completion of college level work by young adults in high school.

SKILLED WORKERS NEEDED - ENROLLMENT GROWTH - \$78.8 MILLION Background

The heart of the community and technical college mission is affordable access for every citizen of the state of Washington. The two-year colleges’ enabling statute is clear:

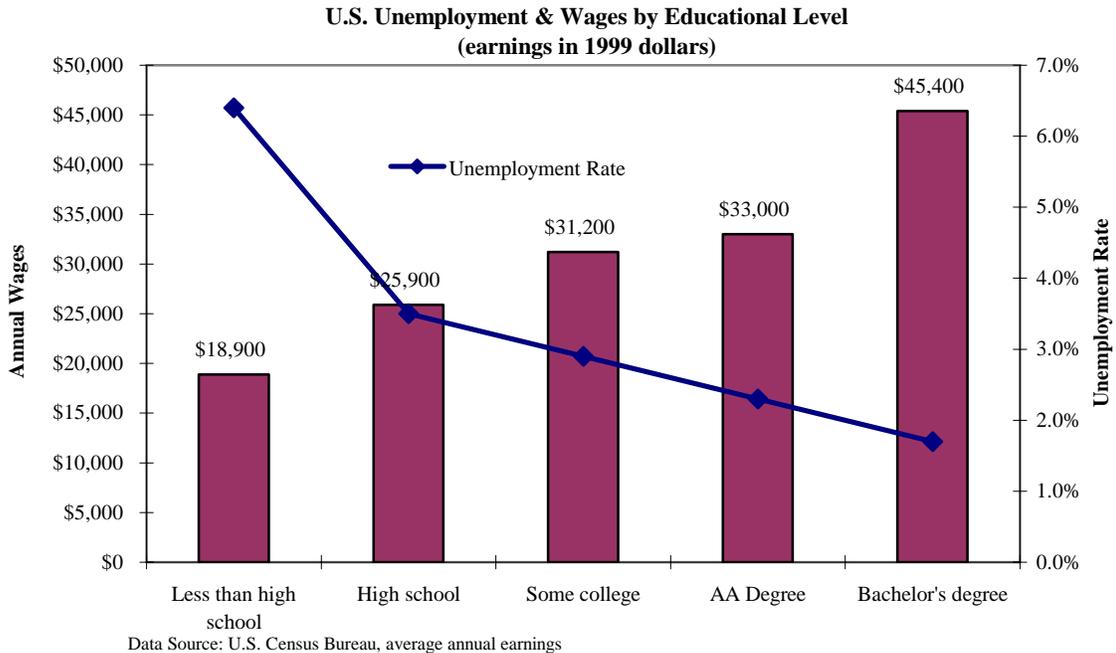
“The purpose of this chapter is to provide for the dramatically increasing number of students requiring high standards of education either as a part

of the continuing higher education program or for occupational education and training, or for adult basic skills and literacy education, by creating a new, independent system of community and technical colleges which will . . . offer an open door to every citizen, regardless of his or her academic background or experience, at a cost normally within his or her economic means.” RCW 28B.50.020

The two-year college system, with its open-door approach, provides a comprehensive slate of programs for students completing high school or pursuing academic studies, working adults seeking to remain current in their professions or seeking career change or advancement, and individuals taking the first step toward a better life by addressing their literacy needs.

The more education one obtains, the higher one’s earnings. As the following charts indicate, students who obtain a high school diploma or GED can expect to earn an additional \$7,000 per year with a lifetime benefit of over \$200,000 in additional earnings. Individuals who obtain a high school diploma or GED are unemployed at half the rate of those without the diploma or GED. Students with a high school diploma or GED who complete even one year of college-level classes achieve a “tipping point” that results in additional earnings of \$5,300 per year with a lifetime benefit of an additional \$300,000.

Over the next 10 years, one-half of new jobs will require at least one year of college. The required skills for these jobs can be obtained through the two-year college system in specialized workforce training and literacy programs. The open-door mission of the two-year colleges provides the critical access to meet individual needs and the demands of the statewide economy.



Enrollment Demand Analysis

To continue to meet the economy's need for workers in high demand fields, enrollment demand over the next two years, to improve basic literacy and English language skills, and to respond to state population growth, the CTCs are requested an additional 7,000 full-time equivalent students – 3,500 each year – for the 2007-09 biennium.

Investment

The Legislature has acknowledged the two-year colleges' inadequate funding base and has addressed this issue in the past four biennial operating budgets. In each of these budgets, the Legislature provided increased funding for growth enrollments at two-year colleges. This request for new enrollments seeks continued, increased state support by providing for the 13% increase in the cost of instruction over the 2005 level, based on projections through the end of the 2007 academic year

Higher funding levels for new enrollments provide the necessary funds to offer higher cost programs as part of the colleges core offerings, and also to reinvest in much-needed instructional services and student services that have been adversely impacted by recent budget cuts. As colleges have worked hard to maintain access and provide instruction in the recent budget-cutting environment, expenditures for student services as a whole - such as counseling and advising - have decreased from 12.3 percent of total expenditures to 11.9 percent of total expenditures. While this may appear to be a relatively small change, it has shifted nearly \$2.8 million away from student services, at the same time demand for career counseling, advising, financial aid assistance and disability accommodations continues to rise with enrollment growth. In addition, some of the underlying student services costs, such as serving students with disabilities, are increasing rapidly beyond the level of inflation.

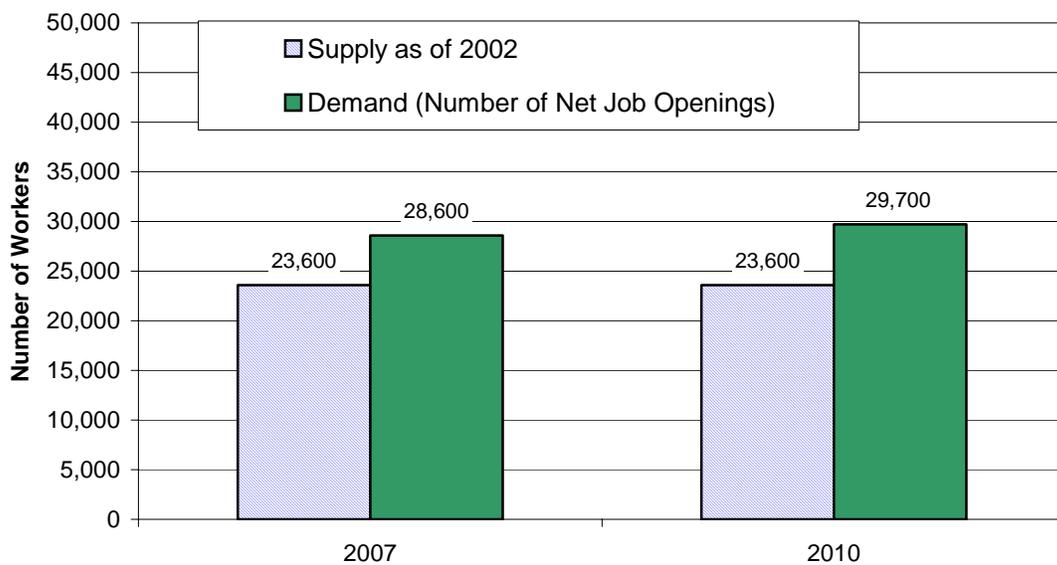
Two-year colleges are at a critical point in their ability to serve the citizens of Washington and promote overall economic development. The community and technical college system has benefited from recent legislative efforts to address its low funding levels, and the system requests that the Legislature continue its efforts to address this critical issue.

The SBCTC requests **7,000 new enrollments at three funding levels** for 2007-09 – 3,500 new enrollments in each fiscal year of the biennium. The State Board has articulated long term goals, and steps for the next two years, that will result in different allocation amounts of funding for high demand, basic skills, and general enrollments (if funded at the request level). College districts will be required to meet separate enrollment targets for each type of enrollment.

High Demand. Provided the Legislature authorizes additional enrollments at **\$10,000 per FTES**, the community and technical colleges will competitively award **2,000** enrollments to the CTCs for high-demand/high-cost programs such as nursing, allied health, information technology, light manufacturing, and other selected fields. These enrollments will include expanded IBEST (integrated basic skills and workforce training) and apprenticeship offerings.

Community and technical colleges supply 80 percent of newly prepared employees for jobs that require one or two years of higher education. The Workforce Training and Education Coordinating Board (WTECB) identifies the need for more postsecondary job training by the community and technical colleges to close the “skills gap” between employer job requirements and skill levels in Washington’s employment pool. It finds more enrollments are necessary to fill the gap between the economy’s need for trained workers and colleges’ current production of those workers. In fact, the WTECB has shown that even with population growth, employer demand will still outpace the available supply of skilled workers.

Gap Between Supply and Demand for Postsecondary Workforce Education



Source: Workforce Training and Education Coordinating Board: *Demand, Supply and Results for Postsecondary Career & Technical Education*.

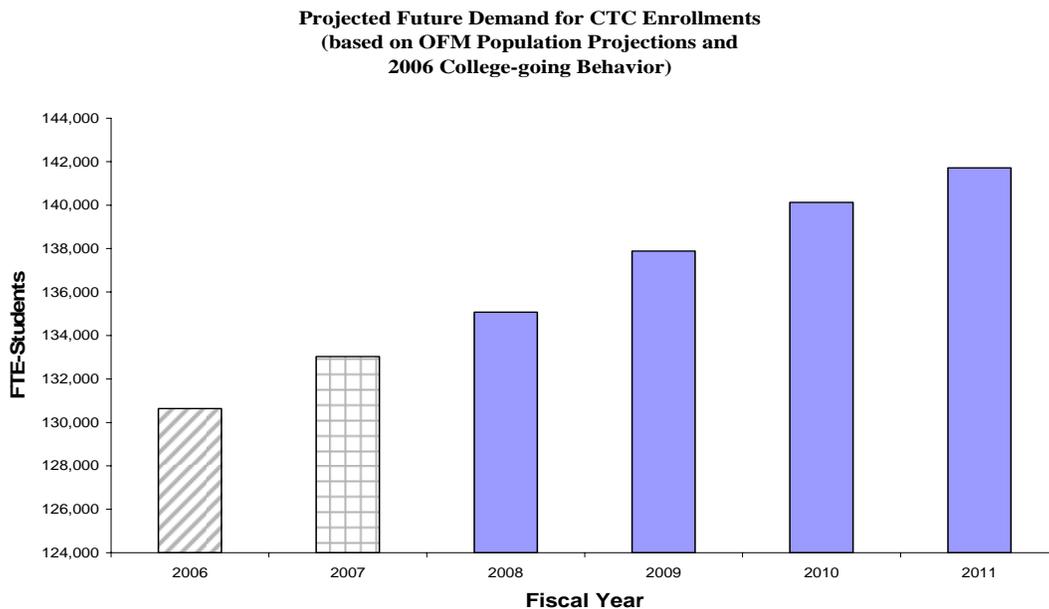
As the chart indicates, the supply of skilled workers will leave an unmet need for employers unless additional people are trained. The WTECB estimates that with natural attrition, and a growing number of workforce students transferring to four-year universities, an additional 2,800 FTES per year are needed in the workforce arena to actually infuse the economy with an additional 6,100 skilled workers by 2010. With the community and technical colleges’ enrollment request, a large share of the employment gap can be filled if two-year colleges continue to enroll nearly 50 percent of new students in workforce education and adult basic education programs.

Adult Basic Education. With funding at the requested level of **\$7,700 per FTES**, the community and technical college system will earmark **2,000** new enrollments for adults who need basic education and literacy training. The state’s economic competitiveness will depend on successfully incorporating these adults into the workforce. Employers are demanding greater levels of knowledge and skills at the same time the population growth is occurring in groups without basic workforce skills. Two-year colleges provide about 90% of the adult basic education and English as a Second Language (ESL) instruction in

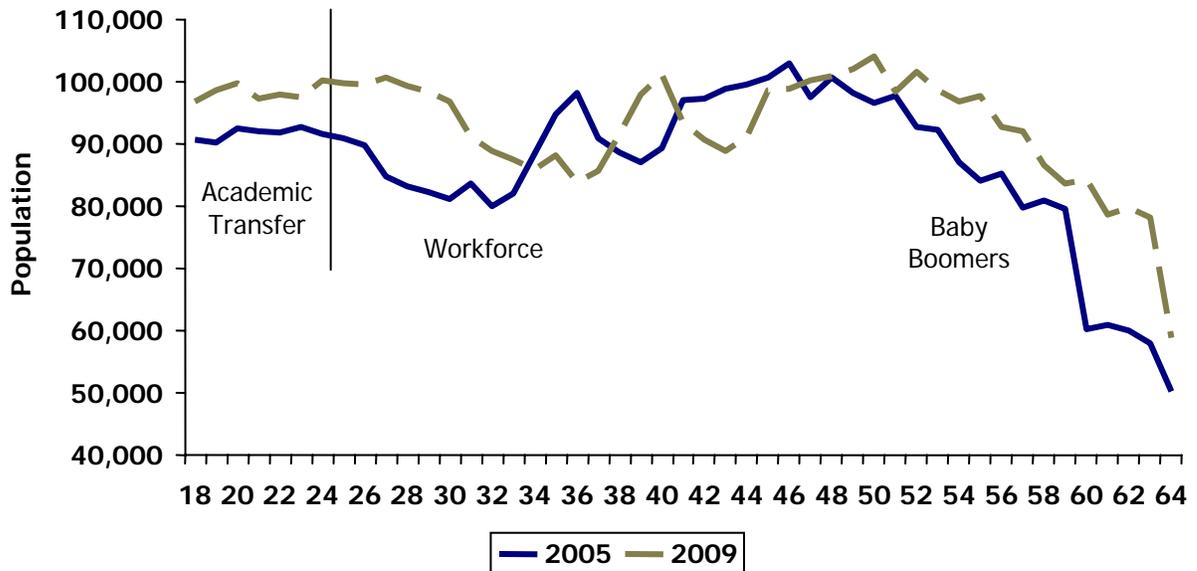
Washington. The number of adults without a high school credential – 500,000 or almost 10% of the state’s population - has remained the same for more than a decade. The non-English speaking population is the state’s fastest growing group, doubling between 1990 and 2000, and projected to more than double again by 2010. Students enrolled in adult basic education are charged nominal tuition to encourage their participation. The requested funding level per FTES includes \$2,000 to replace 75% of foregone tuition for these students.

General Enrollments. While the Board is emphasizing growth enrollments specifically for high demand jobs and basic skills to promote Washington’s economic competitiveness, communities served by the community and technical colleges need access to all forms of instruction and training. The two-year college system requests **3,000** general growth enrollments at **\$5,700** per FTES to meet these needs. The Office of Financial Management population projections anticipate that demand for two-year college enrollments will increase by around 5,000 FTES during the 2007-09 biennium, based upon today’s college-going behavior patterns. This demand could go even higher if these patterns change, such as increased high school graduation rates, the state’s economy (during economic downturns, demand for CTCs goes up), and a number of other factors. Enrollment growth, when funded by the Legislature, will be differentially allocated to colleges based on demographic and economic needs in local communities. This proposal continues the long-standing State Board policy to target the enrollment growth to colleges’ communities based upon expected demand for access.

The distribution of the requested FTES to each college district is attached.



**Washington State Population Projection
Most growth in population 25-35 and over 50**



Outcomes

Given the two-year preparation schedule for two-year college students in academic transfer and workforce programs, the performance measures detailed below are extended through FY 2008 in order to see the full effect of performance outcomes on the 7,000 FTES being requested.

Performance Measure	FY 2005 Actual	FY 2006 Projected/ Actual	FY 2007 Projected	FY 2008 Projected	FY 2009 Projected
Number of academic students eligible to transfer to baccalaureate institutions	17,436	17,266	17,800	18,950	19,850
Number of basic skills students who demonstrate substantive skill gain	20,950	18,150	18,800	19,450	24,212
Number of students prepared for work	23,394	22,800	23,500	24,200	25,910

EXPANDED CUSTOMIZED INCUMBENT WORKER TRAINING FOR BUSINESS – \$12.1 MILLION

Background

To compete in the global economy, Washington’s companies must respond to technological change and continually upgrade production processes. Simultaneously, the state’s workforce must continually upgrade skills and knowledge. A 2006 Workforce Board survey showed nearly one-in-three Washington employers had difficulty finding

qualified applicants. The shortage of qualified applicants resulted in employers hiring less qualified workers and increasing overtime for incumbent employees.

Incumbent worker training is one tool that bolsters the competitiveness of Washington's employers and its workforce. Known as the Job Skills Program in Washington, incumbent worker training is a partnership between educational institutions and employers to provide short-term and job-specific training for new hires, workers needing retraining and those preparing for job upgrades. This type of training helps close the gap between career-oriented education and changing on-the-job performance expectations.

Incumbent worker training can be employed in each of the three core strategies of economic development: *recruiting*, *retention* and *expansion*. The National Governor's Association found that publicly funded incumbent worker training:

- Bolsters the training marketplace and creates efficiencies,
- Prevents worker dislocation,
- Reduces "churning" in the labor market,
- Improves workers' basic and transitional skills, and
- Improves equity of training and creates career opportunities for workers.

State-funded incumbent worker training does not supplant training already provided by employers. Washington's Job Skills Program and most state-supported programs across the country match employer training investments in customized, short-term projects to *increase access to training or provide training that is situational* – responsive to a given economic event that threatens job security and firm competitiveness.

Washington's Job Skills Program (JSP), created by the Washington State Legislature in 1983, supports three types of projects:

- **Training new employees** for facility openings and expansions,
- **Retraining** current employees to prevent worker dislocation and promote employer competitiveness, and
- **Upgrade training** of the current workforce for promotional opportunities, creating vacant positions for new hires.

JSP projects are customized to meet employers' specific needs and training is delivered on-site or in the classroom. Up to 50 percent of the employers' training costs are covered by JSP matching grants. Employers' matches can be cash and/or in-kind. The program is administered by the State Board and overseen by a customer advisory committee representing business, labor and education. Grants are awarded to licensed educational institutions in Washington (public and private postsecondary and apprenticeship trusts). Innovative approaches used in recent JSP projects include coordinated training for industry consortia, knowledge transfers and career ladders. JSP resources are concentrated in expanding industries where there is a shortage of skilled labor to meet employers' needs, economically disadvantaged populations with high unemployment rates, and areas affected by economic dislocation.

Incumbent worker training is a workforce development tool targeted at improving the knowledge and skills of the employed workforce. All states have incumbent worker

training programs, and some have multiple programs. According to two comprehensive surveys, Washington lags the nation in providing state-funded incumbent worker training. In 1998, the National Governor's Association showed Washington 45th in state funding and 47th in funding per capita. A U.S. Department of Labor study in 1999 gave similar results.

The findings of the community and technical college system's economic development study, Workforce Board survey responses and Legislative investments made in employer-based customized training in 2006 indicate a strong need for increased capacity in the community and technical college system to develop and deliver customized, industry-driven training.

Community and technical colleges offer customized, short term training resources to address these skill gaps. However, college capacity to offer responsive and nimble training solutions for business and industry is constrained by a lack of dedicated training capacity.

Investment

This request represents the funding needed to expand and provide stable, predictable, accountable and responsive customized training capacity at each of the 34 community and technical colleges.

In the 2005-07 biennium, JSP is serving more than 3,600 workers. Current JSP projects serve a spectrum of Washington employers, including manufacturing (marine/boat building, aerospace, semiconductors, food processing, value-added wood products), health care, construction, wholesale trade and transportation. The average JSP expenditure per trainee is \$921. Employers are matching every dollar of JSP funding with \$2.12.

The demand for JSP exceeds the resources available. By August 2005 – the second month of the current biennium – there were already unfunded JSP grant requests totaling \$1.3 million that would have trained 1,128 workers. Supplemental funding of \$1 million from the 2006 legislature doesn't appear to be enough to satisfy demand. Requests for nearly \$2.3 million in grants competed in June 2006 for the \$1 million available.

This request for JSP represents the funding needed to bring the program total from nearly \$3 million to \$10 million per biennium. This funding level would allow the program to respond to skill gaps faced by employers by serving 3,000 to 6,000 more workers, in addition to the nearly 4,000 served with existing funds.

Dedicated capacity for customized training means that each college will be equipped to draw from all mission areas of the college to assure that the best resources are assembled to meet the unique short-term training requirements of individual businesses and industries. Locally devised solutions to providing dedicated capacity for customized training will:

- Provide a single point of contact with businesses and industries for their customized training needs;

- Develop local solutions to maximize the impact of integrated instructional models such as IBEST, which combines vocational and basic skills training;
- Work across college mission areas to bring state-of-the-art basic, technical, and academic instruction to employer-based training contracts; and
- Serve as early developer of new and updated curriculum for on-going professional and technical programs.

Outcome

This investment in the state’s economic development capacity will result in trained workers for businesses experiencing skills gaps through:

- Serving targeted industries that have the competitive advantage relative to other states and regions of the world with shortened college response time for customized training requests;
- Increased business satisfaction with direct services provided by colleges;
- Rapid deployment of leading-edge training solutions into college curriculum;
- Industry adoption of integrated teaching techniques.
- Bolstering vulnerable workers and economic regions where employers face unique economic and labor market gaps; and
- Coordinating economic development with local economic development councils and workforce development councils; the Workforce Board; the Department of Community, Trade and Economic Development; Employment Security; and other key agencies and organizations.

ACCESS AND STUDENT EFFICIENCY – DUAL CREDIT PROGRAMS - \$4.5 MILLION

Background

Dual credit programs allow high school students to earn both high school and college credit simultaneously. These programs have many benefits including: cutting education costs for families by providing an efficient way to gain college credit; allowing high school students the opportunity to experience college courses and expectations; and bringing school and college faculty together to align curricula and improve transitions from high school to college.

The **Running Start** program allows high school juniors and seniors to enroll in college classes, and attend classes on college campuses. Running Start students’ cost of instruction is financed through the Basic Education Apportionment (BEA) amount per student established by the legislature and appropriated to OSPI. Statutorily, local school districts retain seven percent of the total BEA amount; the remaining 93 percent is passed through to the college. Running Start students are not charged college tuition; these students are not counted toward CTC enrollment targets. These students do pay for books and certain college fees. The community and technical colleges serve approximately 10,000 Running Start FTE annually. Program enrollments have grown, but the growth is due to population growth – the share of students enrolling has not changed.

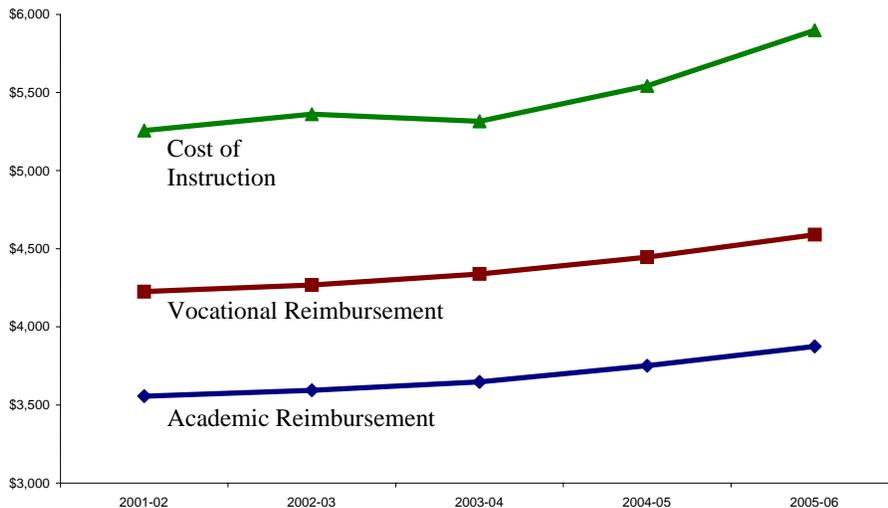
College in the High School programs also allow high school juniors and seniors to enroll in college classes, but these students attend classes on high school campuses. College faculty either provide the instruction directly or they supervise the work of high school teachers who deliver the instruction. Students are not charged tuition, however they do pay fees that average approximately \$300 per 5 credit course. School districts also pay for books. College in the High School students are not counted toward CTC enrollment targets. The community and technical colleges serve approximately 2,300 College in the High School Start students annually.

Investment

This budget request seeks funding to 1) align state support for Running Start growth enrollments with the cost of instruction and 2) pay for the student-financed costs for College in the High School students.

Running Start support currently funds approximately 70 percent of the community and technical college cost of instruction. This request asks that, for Running Start growth enrollments beginning in FY 2008, the remaining 30 percent be offset by additional state support.

Running Start Reimbursements compared to the Average Cost of Instruction



SBCTC requests that the annual additional amount to the two-year college system be calculated at \$2,000 per Running Start growth FTE. We expect growth Running Start enrollments in 2007-09 to total 1,050 FTE. The total budget request for this purpose is \$3.2 million for the biennium.

The total biennial budget request for the two-year college system to pay for student-financed costs for **College in the High School** students is \$1.4 million for the biennium.

Outcome

Funding this request will allow the community and technical colleges to be reimbursed for the efforts expended on Running Start students, and, for College in the High school

students, eliminate student-financed costs, assuring them of similar treatment to Running Start students. In both cases, this funding will improve access to both programs, since colleges and students will have incentives to participate in dual credit programs.

	General Fund State (GFS) (001-1)	Operating Fees (149-6)	Total	FTE
FY 2007-08	\$ 34,051,000	\$ 4,263,000	\$ 38,314,000	296.8
FY 2008-09	<u>\$ 61,350,000</u>	<u>\$ 8,526,000</u>	<u>\$ 69,876,000</u>	<u>593.6</u>
Total Request	\$ 95,401,000	\$ 12,789,000	\$ 108,190,000	445.2

Enrollment Plan

College District	FY 2007 Budgeted Enrollment	FY 2008 Growth			FY 2009 Growth			Total Biennial Growth
		General Enrollment	Adult Basic Education	Total FY 2008 Growth	General Enrollment	Adult Basic Education	Total FY 2009 Growth	
Bates	4,467	52	23	75	52	23	75	150
Bellevue	6,948	157	28	185	157	28	185	370
Bellingham	1,747	16	24	40	16	24	40	80
Big Bend	1,609	12	18	30	12	18	30	60
Cascadia	1,315	69	31	100	69	31	100	200
Centralia	2,132	12	28	40	12	28	40	80
Clark	6,500	191	30	221	191	30	221	442
Clover Park	4,138	51	24	75	51	24	75	150
Columbia Basin	4,632	25	50	75	25	50	75	150
Edmonds	4,839	67	33	100	67	33	100	200
Everett	4,748	78	32	110	78	32	110	220
Grays Harbor	1,761	6	19	25	6	19	25	50
Green River	5,414	63	35	98	63	35	98	196
Highline	5,810	33	47	80	33	47	80	160
Lake Washington	2,873	12	33	45	12	33	45	90
Lower Columbia	2,416	20	25	45	20	25	45	90
Olympic	4,618	54	21	75	54	21	75	150
Peninsula	1,636	8	22	30	8	22	30	60
Pierce	5,363	42	38	80	42	38	80	160
Renton	3,608	37	38	75	37	38	75	150
Seattle District	14,310	68	77	145	68	77	145	290
Shoreline	5,262	-	30	30	-	30	30	60
Skagit Valley	3,699	43	27	70	43	27	70	140
South Puget Sound	3,385	39	21	60	39	21	60	120
Spokane	13,253	118	67	185	118	67	185	370
Tacoma	4,357	61	29	90	61	29	90	180
Walla Walla	2,989	27	38	65	27	38	65	130
Wenatchee	2,402	24	41	65	24	41	65	130
Whatcom	2,229	47	25	72	47	25	72	144
Yakima Valley	3,803	68	46	114	68	46	114	228
College Total	132,263	1,500	1,000	2,500	1,500	1,000	2,500	5,000
High Demand/ System Direction				1,000			1,000	2,000
Total Growth Enrollment Request				3,500			3,500	7,000

