State Funding for Community Colleges: A 50-State Survey

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State Funding for Community Colleges: A 50-State Survey

Center for Community College Policy
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GENERAL FINANCE ISSUES

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From the early part of the 20th century to the present, there have been significant shifts in the sources of financial support for community colleges.In 1918, local funds made up 94% of the support for junior colleges, with the remaining 6% provided by tuition and fees (Cohen & Brawer, 1996).By 1992, local support to community colleges dropped to 18%, state support increased to 46%, and student tuition and fees covered 20% of the sources of revenue provided to two-year colleges. Federal and other sources made up 16%.

While colleges in 26 states still collect support from a local tax base, the trend for the past three decades has been for states to assume an increasing percentage of community college operating costs.This trend has been further driven by property tax limitation efforts in California,Arizona, Colorado, Hawaii,Illinois,Oregon and Washington (Cohen & Brawer, 1996). Colorado has an unusual mixed system, where 13 of the 15 community colleges are governed under the Colorado Community College and Occupational Education System Board, which receives the bulk of its revenue from the state.The other two Colorado community colleges heavily rely on their local tax base and receive a much smaller percentage of state dollars.

Beyond property tax limitation, another factor in the shift toward increased state funding has been concerns about the significant variations in the ability of small communities to support local colleges. Dramatic differences in property tax valuations across a state can lead to large disparities in tuition rates between wealthier communities and poorer districts, because poorer districts may be forced to raise tuition and fees to meet their basic budgets.

The findings from this survey about general finance issues suggest a number of policy questions that state leaders may consider as they review the funding of two-year institutions in their states.

Policy Questions for Consideration:

- How can states manage the mix of state appropriations and other revenue sources to ensure higher education vitality?
- To what extent does a strong reliance on local property taxes subvert the goal of providing equal access across the state?
- Does a shift away from local property taxes to state funding undermine a tradition of local control that has been common to community colleges?

Breakdown of General Operating Funds

2.1

As mentioned earlier, there has been a significant shift in the breakdown of general operating funds for community colleges over the past several decades, with an increase in the percentage of support coming from the state and a far greater reliance on student tuition and fee revenue.As Table 7 suggests, however, significant variations exist across the country. For example, Vermont's community college system collects only 14% of its operating funds from the state, compared to North Carolina's system which collects 75%.

Table 7

Percentage Breakdown of General Operating Funds for 1998-99

State	Federal*	State	Local	Tuition & Fees	Other**
AK	0.60%	44.40%	16.90%	15.20%	22.90%
AL	22.04%	47.24%	9.71%	21.01%	
AR		71.00%	3.00%	22.00%	4.00%
AZ	1.00%	21.00%	57.00%	20.00%	1.00%
CA	3.80%	50.90%	44.50%	0.80%	
CO	16.00%	42.00%	1.00%	24.00%	17.00%

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State	Federal*	State	Local	Tuition & Fees	Other**
CT		71.00%		19.00%	10.00%
DE	5.00%	57.00%	11.00%	17.00%	10.00%
FL	0.25%	68.51%	0.02%	23.06%	8.00%
GA	10.00%	63.00%	14.00%	13.00%	
HI	2.70%	61.80%		16.80%	18.70%
IA	3.21%	45.66%	5.89%	38.97%	6.27%
ID		46.20%	30.10%	17.80%	5.90%
IL	0.08%	25.77%	43.24%	26.93%	3.97%
IN		62.30%		37.70%	0.00%
KS	2.00%	24.00%	40.00%	16.00%	18.00%
KY	15.61%	54.15%	0.01%	17.60%	12.63%
LA	17.00%	55.00%		21.00%	7.00%
MA	18.00%	42.00%		24.00%	16.00%
MD		26.90%	33.40%	35.70%	3.94%
ME	4.00%	46.00%		22.00%	28.00%
MI	0.30%	26.50%	25.00%	23.20%	25.00%
MN		62.40%		36.50%	1.10%
MO	2.00%	41.00%	26.00%	24.00%	7.00%
MS	5.09%	52.25%	12.48%	18.43%	11.75%
MT		43.00%	23.00%	20.00%	14.00%
NC	3.20%	75.20%	12.90%	8.20%	0.50%
ND		49.00%	23.00%	28.00%	
NE		35.00%	37.00%	21.00%	7.00%
NH	13.00%	47.00%		40.00%	
NJ		24.00%	30.00%	42.00%	4.00%
NM	1.80%	59.60%	25.30%	13.20%	0.10%
NV	7.78%	63.30%	0.28%	23.05%	5.59%
NY	5.70%	29.00%	31.30%	34.00%	
OH	2.71%	45.29%	16.73%	32.21%	3.05%
OK	0.20%	59.70%	11.90%	19.80%	8.40%
OR	11.50%	39.90%	19.90%	16.20%	12.50%
PA	6.20%	35.70%	18.30%	35.70%	4.10%
RI		63.00%		34.00%	3.00%
SC	19.00%	45.00%	10.00%	24.00%	3.00%
TN	0.60%	66.50%		29.90%	3.00%
TX	14.40%	37.90%	17.90%	19.90%	9.80%
UT	0.00%	52.00%		25.00%	23.00%
VA	7.80%	57.7%	0.40%	30.70%	3.40%
VT	0.30%	14.00%		81.30%	4.40%
WA	5.00%	59.00%		17.00%	19.00%
WI	4.00%	21.00%	53.00%	16.00%	
WV	22.00%	51.00%		21.00%	6.00%
WY		63.00%	18.00%	19.00%	

*Includes all Perkins funds.
**Includes federal financial aid and restricted funds other than Perkins.

Local Revenue

The Center for Community College Policy asked respondents a series of questions concerning the varied sources of revenue that support community colleges in their states.Analysis of the data indicates the following:

- Twenty-six states use local tax revenue as a funding source.(Colorado has two colleges that collect local tax revenue; the balance of colleges receive the bulk of their support from the state. See Table 8.)
- Eighteen states do not have access to local tax revenue,including Alabama, Connecticut,Delaware,Florida, Georgia, Hawaii, Indiana,Louisiana, Massachusetts,Maine, Nevada, Rhode Island,South Carolina, Tennessee, Texas, Utah, Washington and West Virginia.

Tables 8 and 9 further explain how local tax revenue is generated for and allocated to two-year institutions,as well as the types of local revenue available other than property taxes, such as redevelopment funds,utility taxes,timber or mineral severance taxes,and motor vehicle taxes.

Table 8

Processes for Generating and Allocating Local Tax Revenue

State	Process Description
AK	[An example from one community college in Alaska]. Annual grant requests from City of Valdez as a Community Service Organization to its city council for allocation.
AR	Local tax may be generated through local millage or city or county sales tax.
AZ	Local community college districts levy primary and secondary property taxes.
CA	Districts receive a portion of the 1% countywide property tax based on their proportional share of property tax revenue received from their county prior to tax control (Prop. 13, 1978).
CO	Recently acquired two local-district junior colleges into the state system. These colleges still receive some local tax dollars that exclusively stay with those two colleges and are not allocated or spent at any other college.
IA	Each community college receives 20-25% tax levy, based on assessed valuation. Additionally, each community college may levy for projected needs, such as early retirement, equipment, unemployment, etc.
ID	Budget request generated and applied against the tax levy.
IL	Process is handled at the local board level in accordance with statutory requirements.
KS	Local board of trustees raises local taxes as determined by law. Only local boards may raise taxes from the taxing district. The local board determines how the local funds will be allocated within the institution's budget.
KY	Property taxes and/or specific allocation.
MD	Local governments, with input from community colleges, generate and allocate funds. State funding formula, however, requires current year local appropriations to be equal to or greater than [the] prior year to be eligible for increased state funds.
MI	College boards of trustees are authorized to submit millage requests to the voters in their legal college district. They are allowed to collect property tax revenue on the approved millage.
MO	Passing levies through local referendum.
MS	The community and junior colleges have a ceiling of three mills and a floor of one mill, which is set by state statute.
MT	Local property tax in the community college district.
NC	Counties must provide funds for plant operations and maintenance.
NE	Local boards set local levies in the budget approval process based upon limitations in state statute.
NJ	Colleges have annual negotiations with county government. All county dollars are property tax dollars.
NM	Branch campuses of universities legally must assess one mill in their taxing district and "independent" community colleges two mills. Each has the authority to tax up to five mills in a district pending voter approval. Contiguous taxing districts can be added with voter approval. The minimum levy is taken as a credit against the state allocation. All else approved above the minimum amount is available for the budget. In some instances, the extra millage is voted on for a special purpose, such as tuition reduction, and it is used for that purpose.

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State	Process Description
NY	Locally controlled process whereby the county legislature (or legislatures for colleges representing multiple county jurisdictions) determines the local budget share ("sponsor share") for the community college. The community college local budget share is included in the county budget the same as other county agencies, including operating-budget line items.
OH	Board of trustees of community colleges may request that the question of levying a tax on all taxable property in the community college district be placed on the ballot. The levy can be used to provide funds for the acquisition, construction or improvement of property, and for operating costs. If a majority of the electors in the district approve the measure, the county auditor in the applicable county or counties places the levy on the tax duplicate, and the revenue is allocated to the community college. The board of trustees is required to establish a special fund for all revenue derived from any tax levy.
OR	The county tax assessors determine the property taxes that go to particular community colleges.
PA	Local sponsors (county or school district) determine the amount they will contribute. In the case of some of the colleges that are school district sponsored, the amount is determined by the number of residents who attend from the school districts.
VA	Certain expenses of the community colleges must be paid for by local revenues (not specifically tax revenues); there is, however, no legislative or legal mandate for the localities to provide such revenues and there is no fixed amount that is to be provided. The presidents of the colleges must work closely with the local governments to sustain the willingness of the local governments to support the college.
WI	Wisconsin Technical College System district boards each levy local property tax, up to a limit of 1.5 mills for operating cost. They also can levy for long-term debt payments.
WY	Four mills in each college district by board action; one optional mill in each college district by board action; five optional mills in each college district by vote of the people

Table 9

Alternative Local Revenue Sources Other Than Local Property Tax

State	Revenue Description
AR	City or county sales tax
AZ	Monies paid in lieu of taxes from utility company
CA	Redevelopment funds
IL	Corporate Personal Property Replacement Tax revenue
MD	Payroll taxes and utility taxes
MO	Private gifts, private and federal contracts
MT	Interest, tuition, carry-forward funds
NC	Bonds
NM	Revenue bonds, general obligation construction bonds
NY	Sales tax (primarily)
OR	Timber severance or privilege taxes
PA	All counties and school districts utilize the property tax; others utilize occupational assessment taxes and income taxes
WY	Motor vehicle taxes in each college district

2.3 Capital Outlay

Like general operating support, sources of funding to support capital construction projects for community colleges are varied across the country. In many states, such projects are wholly a local matter and are planned, approved and funded by local sources. Other states require that all higher education capital infrastructure projects go through a state "building board" prioritization and approval process prior to being funded through a state-issued bonding process.

State respondents were asked if allocations of state funds for capital outlay require local matching funds.Analysis of their responses indicate the following:

- Eleven states require matching funds: California, Illinois, Kansas, Maryland, Missouri, North Carolina, New Jersey, New York, Oregon, Pennsylvania and Virginia.
- Twenty-eight states do not require matching funds, including Alaska, Alabama, Arkansas, Arizona, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Iowa, Idaho, Indiana, Kentucky, Louisiana, Mississippi, Nebraska, New Mexico, Nevada, Ohio, Rhode Island, South Carolina, Tennessee, Utah, Washington, Wisconsin, West Virginia and Wyoming.
- Maine and Massachusetts require matching funds "sometimes."

When asked if general state appropriations can be used for capital construction, respondents answered in the following ways:

- Twenty states may use general appropriations for capital construction, including Alabama, Alaska, Arizona, California, Florida, Georgia, Kansas, Louisiana, Maine, Maryland, Mississippi, New Mexico, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Utah, Virginia and Wyoming.
- Twenty-two states may not use general appropriations for capital construction: Arkansas, Colorado, Connecticut, Delaware, Hawaii, Idaho, Iowa, Illinois, Indiana, Kentucky, Massachusetts, Michigan, Missouri, North Carolina, Nebraska, Nevada, New Jersey, New York, South Carolina, Washington, Wisconsin and West Virginia.

Because support for capital outlay can vary greatly from year to year, respondents were asked to give a five-year average percentage breakdown of the different sources available in their state, calculated from 1994-99. Responses are presented in Table 10 below. They have been ordered according to the percentage reliance on local versus state funds.

Table **10**

Average Percentage Breakdown of Sources of Capital Outlay

State	Local Taxes/Bonds	State Taxes/Bonds	Other
MT	100.00%		
NE	100.00%		
TX	100.00%		
WI	100.00%		
WY	100.00%		
IA	95.00%		5.00%
LA	95.00%		5.00%
SC	71.00%	27.00%	2.00%
MS	60.00%	40.00%	
NC	59.00%	41.00%	
AK	50.00%	50.00%	
MI	50.00%	50.00%	
NJ	50.00%	50.00%	
NY	50.00%	50.00%	
PA	50.00%	50.00%	
MD	37.30%	62.70%	
NM	27.60%	58.60%	13.80%
CA	10.00%	90.00%	
OK	4.00%	6.00%	90.00%
CT		100.00%	
DE		100.00%	
FL		100.00%	

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State	Local Taxes/Bonds	State Taxes/Bonds	Other
HI		100.00%	
IN		100.00%	
MA		100.00%	
MN		100.00%	
NV		100.00%	
WV		100.00%	
WA		95.00%	5.00%
CO		93.80%	6.20%
UT		80.00%	20.00%
ME		80.00%	20.00%
VA		65.00%	35.00%
ND		63.00%	37.00%
GA		55.00%	45.00%
TN		47.00%	53.00%