Tapping Local Support To Strengthen Community Colleges

By Marcella Bombardieri October 2020

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Introduction and summary

Community colleges are inherently more local in mission and impact than most four-year colleges. They respond to local labor market needs, and their graduates tend to stay close by, contributing to their region as workers, civic leaders, and parents raising the next generation.[1] This vital local role filled by community colleges, though often taken for granted, could point to part of the solution for the chronic underfunding of these institutions.

About 4 in 10 undergraduates in the United States attend community colleges—including many of the students of color and low-income students who face the steepest uphill climb to economic security in this country.[2] These two-year public colleges are credited with helping half of the people in the United States who eventually earn a bachelor's degree.[3] Yet they receive little more than half as much revenue as public four-year colleges, depriving their students of $78 billion in support each year compared with their university peers.

If community colleges are to combat rising inequality and build strong local workforces that will help this country recover from the COVID-19 pandemic, all levels of government must fund them better. States and federal leaders alike need to accept more responsibility for supporting community colleges. But there is a third layer of government—the local level—that should be recognized more widely as part of a healthy diversity of funding sources for public higher education, particularly community colleges.

In 24 states, $11.5 billion in local tax appropriations, mostly from property taxes, contributes to supporting community colleges. In those states, these appropriations provide an average of $2,725 per student—a significant amount considering that community colleges bring in only about $8,600 per student from all sources. Thirteen states lack local funding for any type of public colleges. In the remaining 13 states, most community colleges do not receive local appropriations, but either a few do receive them or four-year colleges or nondegree granting entities such as technology institutes and career centers have local revenue. (see Figure 1)

Tackling the pressing gaps in postsecondary education outcomes in the United States will require addressing the resource disparity faced by community colleges. A crucial on-ramp to higher education will continue to end short of a degree for too many students if more is not done to ensure these institutions have the revenue they need to fully support everyone who walks in their doors, whether that means hiring more full-time faculty, expanding advising and tutoring, or helping students with basic needs such as food and housing.[4] Achieving resource equity will require strategies to boost spending on community colleges from the federal, state, and local levels.

This report focuses on the potential that local appropriations have to help close resource gaps for community colleges. To do this, the Center for American Progress compared the resource equity gap—the shortfall in revenue that community colleges face compared with public four-year colleges—in each state to what local governments in those states already collect in property, individual income, and corporate income taxes. Overall, CAP found that 24 states could entirely close the resource gap with an increase in local tax collections of these types of 10 percent or less. These states include 14 that currently lack widespread local appropriations for their community colleges, as well as 10 additional states that already have local appropriations. (see Table 1)

The gap is 5 percent or less in eight states lacking local appropriations, including most of New England—Massachusetts, Connecticut, Rhode Island, New Hampshire, and Maine—as well as Montana, South Dakota, and Utah. The same is true for four states where local support for community colleges is already the norm: New York, Pennsylvania, Maryland, and Colorado.

In some states, the resource equity gap is too big, in comparison to existing local tax collections, to envision realistically closing that gap through local taxes alone. For example, in California, local support is already one of community colleges' funding sources, but it would still take a 23 percent increase in local taxes to close the revenue gap with four-year colleges. Still, local support could be a valuable piece of the puzzle in any state that is seeking to better its economy and quality of life by strengthening community colleges.

Equitable local tax structures will be key to pandemic recovery and long-term prosperity

Importantly, a commitment to improving resource equity between two- and four-year institutions must not come at the expense of other dimensions of equity. This is no simple matter, given the wealth disparities among communities in any given state and the many imperfections in how taxes—and in particular property taxes—are structured today.[5] States should ensure either that funds collected locally are distributed equitably across the state or that state funds fill in the gaps for less wealthy communities. It is also crucial that any additional local taxes, such as property taxes, are designed in a progressive fashion, assessed and enforced equitably, and do not harm low-income households. Support for community colleges also should not come at the expense of public K-12 education, which depends heavily on about $316 billion in local revenue each year.[6]

One factor that ameliorates some of the potential inequities between wealthy and low-income localities is that community colleges draw mostly low- and middle-income students even when they are situated in wealthier areas—a contrast to K-12 education, where uneven community wealth is a huge source of inequity.[7]

Some of the best community college reforms started with local inspiration

It is telling that some of the most promising ideas for improving community college attainment have arisen as local initiatives—from large urban centers to small rural communities. Kalamazoo, Michigan, a city of only 75,000 people, pioneered the free community college model in 2005 with The Kalamazoo Promise.[8] And arguably the most effective program ever identified to support community college students is the City University of New York's Accelerated Study in Associate Programs (ASAP) model. The model, which was developed with funding from an initiative of then-New York City Mayor Michael Bloomberg (D), has proven to nearly double the graduation rates of participants.[9] A recent Center for American Progress project on boosting rural college attainment highlighted the role of local civic leaders, including a philanthropic foundation and an economic development agency, in spurring the development of a comprehensive community college in central Louisiana, one of the largest regions of the country that lacked one.[10]

Discussions of local funding should not be interpreted as letting states or the federal government off the hook for allowing community colleges to operate for decades without the revenue they need. The federal government should provide more financial aid to low-income students and incentivize better state funding by offering matching dollars through a federal-state partnership.[11] As for states, because they by and large are required to balance their budgets, they will likely have to consider painful cuts to their funding for higher education if the economy continues to suffer from the pandemic and the federal government fails to provide needed aid.[12] Even before the coronavirus crisis, many states had created artificial scarcity by failing to tap progressive revenue sources, such as wealthy individuals and corporations, in order to invest in students in ways that will benefit everyone in the long run.[13]

At the same time, local leaders should feel a sense of responsibility and agency to help support and improve the community colleges that have a huge impact on the workforce, health, and economic security of their population. The economic fallout from the COVID-19 pandemic will likely be the largest crisis that communities all over the country have faced in several generations. These localities should have the opportunity to help their community colleges make the investments they need to meet this moment and to set them up for success long after the pandemic is over.

About the data

For simplicity, this report defines community colleges as all public two-year degree-granting institutions, even though some of these are officially designated as technical colleges.

Data on local appropriations and other revenue sources come from the Integrated Postsecondary Education Data System (IPEDS) for the 2016-17 academic year and are self-reported by colleges.[14] This analysis draws on that of a recent CAP report, "The $78 Billion Community College Funding Shortfall."[15] However, unlike that report, this report excludes from the dataset two-year, nondegree-granting postsecondary institutions.

In order to focus more closely on community colleges, this report adopts a categorization, absent from the earlier report, that is designed to distinguish between states where local funding for community colleges is widespread, states with no local funding for any public higher education, and states where it is either found rarely in the community college sector—at fewer than six colleges—or available only to postsecondary institutions in other sectors. (see Figure 1)

Data on the revenues that local governments collect come from the U.S. Census Bureau's 2017 Census of Governments.[16] Those figures are compared with IPEDS data on local appropriations by state to assess how much of an increase in local taxes would be needed to achieve resource equity. Resource equity is calculated by the author as the difference in what a state's four-year and two-year colleges receive in revenue, per full-time equivalent (FTE) student, multiplied by the number of FTE students attending community college in a given state. Because a state may have more community college students or more four-year college students, this number may differ from the overall gap in spending between these two sectors. While it is not ideal to compare numbers from two data sources, the expenditure numbers in the Census Bureau data reflect money raised from tuition and other sources outside local governments' tax revenues.[17]

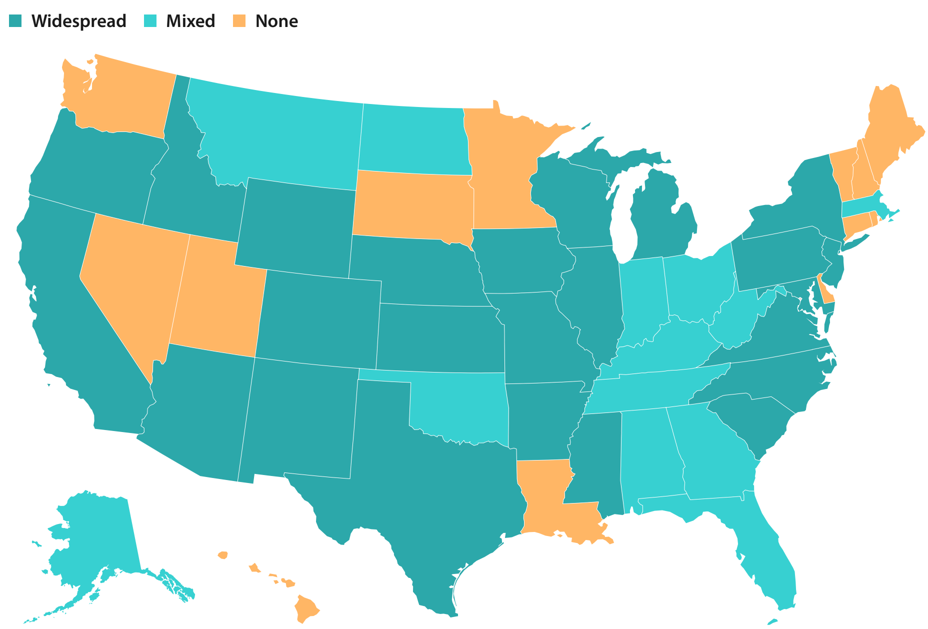
How local funding for community colleges works

Altogether, community colleges in the United States received $11.8 billion from local appropriations in the 2016-17 academic year, with all but $266,000 of that going to colleges in the 24 states where local appropriations for community colleges are generally the norm. In those states, institutions received as little as 0.2 percent of revenue—$18 per full-time equivalent student—in Virginia to up to as much as 61 percent of revenue, $5,422, in Arizona, which has largely abandoned its role in supporting these institutions. The remaining dollars go to scattered community colleges that receive local appropriations in a handful of other states.

FIGURE 1

In 24 states, local appropriations are part of the funding picture for community colleges

13 states devote no local appropriations to any public higher education, while in the remaining 13 states, the picture is mixed



Notes: Alaska has only two two-year public colleges; one nondegree-granting institution has no local appropriations, while one tribal college is largely supported by local appropriations and receives no state funding. Indiana, Kentucky, North Dakota, and Tennessee have no local appropriations for community colleges, but they do for public four-year colleges. Florida and Massachusetts have local appropriations for nondegree-granting postsecondary institutions only. Alabama, Georgia, Montana, Ohio, Oklahoma, and West Virginia have local funding at a minority of their community colleges—six institutions or fewer.

Source: Calculations by Victoria Yuen and the author based on data from the 2016-2017 academic year from the National Center for Education Statistics, "Integrated Postsecondary Education Data System Survey Components: Finance," available at https://nces.ed.gov/ipeds/use-the-data.

Even though local appropriations are only part of the picture for community colleges in about half of states, they still add up to nearly one-quarter of the total $51 billion revenues of two-year public colleges. In the 24 states with robust local funding for this sector, community colleges receive $2,725 per student from local appropriations, 31 percent of their total $8,915 in revenue. They get $3,624 from tuition, fees, and noninstitutional grants and scholarships—and $2,566 from state appropriations, or 41 percent and 29 percent of their revenue, respectively.

While the drastic funding variations for community colleges across the United States may be surprising, the differences can be traced back to the early beginnings of the institutions in each state. Over the first half of the 20th century, community colleges arose in very different ways in response to specific local and state needs. In general, the states that lack local funding for community colleges tended to develop their public two-year sector with more state coordination and control, while other states with a major component of local funding developed stronger local oversight—for example, with locally elected boards of trustees.[18] Some community colleges arose out of and were funded by K-12 districts, which depend heavily on local appropriations.[19]

When community college systems were developed in some states, policymakers intended that funding should be split according to certain proportions—for example, with 40 percent each from state and local governments and 20 percent from tuition, as in Nebraska.[20] As states have cut back their funding, the percentage coming from tuition and local support has risen in many states: In Texas, for example, local funding rose from 28 percent to 50 percent from 2000 to 2018, according to the Texas Association of Community Colleges.[21] In Nebraska, local funding has grown from 39 percent to 51 percent since the Great Recession, according to the *Lincoln Journal Star*.[22]

This trend can be seen at the national level. From 2008 to 2018, overall local funding for higher education, adjusted for inflation, rose 10.5 percent—from $9.8 billion to $10.8 billion—while state support fell 9 percent, from $93.8 billion to $85.3 billion, according to the State Higher Education Executive Officers Association. Over the quarter-century from 1993 to 2018, local funding rose 64 percent and state funding rose 15 percent. Tuition revenue, meanwhile, went up 48 percent over 10 years and 148 percent over 25 years, to $74 billion.[23]

Depending on the state, local appropriations may be used by community colleges for general operating expenses, for construction projects, or both. In some cases, building projects are treated as primarily a local responsibility, to be paid for by locally issued bonds, sometimes with a matching state element.[24]

The problem of community wealth disparities

A major concern about local funding for community colleges is the extent to which it can vary based on the wealth of a given community. In Texas, for example, state law requires property tax support for every community college, but differences in property values translate into dramatically varying levels of local support. For example, rural Clarendon College on the Texas Panhandle receives less than $300 per full-time equivalent student, while Del Mar College in Corpus Christi, a port city where oil refineries contribute to property taxes, receives $7,500 per student.

This sort of chasm explains why researchers have raised concerns about inequity in local funding for community colleges. For example, a 2013 study of community colleges in California found that institutions with more underrepresented students of color receive less local funding than those with lower proportions of students of color.[25]

Some states, however, have mechanisms to address this type of inequity.[26] In Oregon, a state-funded Community College Support Fund (CCSF) fills in the gaps for colleges that receive less from local property taxes, so that each community college receives roughly the same resources per student. According to Oregon's Higher Education Coordinating Commission, "The primary principle guiding the CCSF distribution formula is equitable distribution of public resources per student, with public resources defined as state resources plus local property tax."[27]

While several community colleges sued the state unsuccessfully over this policy in 2003, state officials say it has not been subject to much controversy in the years since, likely because property taxes in Oregon have been severely constrained since the 1990s.[28]

Wisconsin and Illinois have similar policies of making equalization grants to colleges in localities with less property tax wealth.[29] In practice, these policies are often imperfect. The Civic Federation, an Illinois think tank, faulted the formula in that state for not taking into account tax caps that limit what can be raised by community colleges in some localities to a certain level of annual growth. Essentially, the formula assumes that some colleges receive more property tax revenue than they really do, a problem that has deprived the City Colleges of Chicago of millions of dollars that they would have otherwise received as equalization grants.[30]

Some attempt at statewide equalization is the norm for primary and secondary public education, with most states targeting at least some funds toward less affluent communities.[31] However, in nearly half of all states, wealthy K-12 districts still receive more state and local funding from state and local governments than lower-income districts.[32]

Sources of local revenue

Local property taxes are overwhelmingly the main source of local funding for community colleges. There are a variety of other mechanisms, including sales, payroll, and utility and motor vehicle taxes, as well as allocations from local school districts and elected officials.[33] Some communities have in recent years looked for new ways to raise revenue. Today, officials in Erie County, Pennsylvania, who are seeking to establish a new community college are planning to fund the institution with casino gaming revenues from the Presque Isle Downs & Casino.[34] One of the largest community colleges in the country, Miami Dade College, sought approval to levy a sales tax in 2014 but was rebuffed by the Florida Legislature.[35]

Because the topic is so little studied at the national level, it is unclear what proportion of appropriations for two-year colleges comes from property taxes versus other sources. It is possible, however, to glean what percentage of local appropriations in each state goes toward community colleges by comparing U.S. Census Bureau data on local revenues to the appropriations dollars reported by local colleges.

On the national level, the $11.8 billion in local appropriations for community colleges amounts to 2.2 percent of the $545.6 billion in property, corporate, and individual income taxes that local governments collect, although this amount varies a great deal between states. On the high end, community colleges in Arizona and New Mexico receive 12 percent and 10 percent, respectively, of those local revenues.

Texas' system for funding community colleges

While the rules governing local appropriations differ significantly from state to state, Texas is a useful example of the ways in which community colleges raise local revenue, often based on detailed state strictures. This is not meant to suggest Texas as a model for other states to follow, because declining state support has forced local communities to shoulder too much of the burden; Texas' local tax revenues per student are therefore among the highest in the United States. The state also does not shore up the funding in lower-income communities that cannot generate as much property tax revenue.

Historically, the state of Texas provided funding for instruction, while local communities supported the construction and maintenance of facilities. Each college's elected board is required by law to levy taxes in the college's official "taxing district" for maintenance and operations.[36] As state support has declined, this revenue has increasingly been used for purposes beyond facilities, such as core academic operations.[37] College boards also have the option of levying a separate, smaller tax for repaying bonds used for capital projects such as new construction.[38]

In 2019, the average for those two taxes combined was about 18 cents per $100 of property value. There are exemptions for Texas property taxpayers that lower the obligation for those who live in the home they own, senior citizens, veterans, and other groups.[39] So a hypothetical owner of a property valued at $200,000 might be taxed based on $175,000 in value (due to a homestead exemption), and thus pay $315 per year toward their community college.

Students living inside the taxing district also pay significantly lower tuition. The state average tuition and fees for a full-time semester in spring 2020 was $1,132 for students living in the district and $1,814 for out-of-district students.[40]

If the district's board expects tax revenues to grow by more than 8 percent, it must seek voter approval in an election. A new Texas law passed last year limits property tax growth much more severely. While the law was under consideration in the legislature, community colleges argued it would force them to raise tuition, and ultimately they were exempted.[41]

Another challenge Texas community colleges face is that they often have official service areas that are far larger than their taxing districts.[42] If colleges want to be able to raise revenue from communities outside that district, they have to get approval from voters in the area of proposed expansion. So-called annexation elections have not fared well in recent years, however. For example, Ranger College, in a small town west of Dallas, lost spectacularly in 2017, when voters in three counties rejected joining the taxing district at rates of 96 percent or higher.[43] Austin Community College found more support in an

Austin suburb it tried to annex the following year yet still failed on a close vote.[44] (School districts that are in a community college's service area but not its taxing district have authority to raise taxes for that college, but this option is seldom used.)[45]

Today, local appropriations comprise 37 percent of Texas community colleges' revenues, with 24 percent coming from the state and 39 percent from tuition and grants, according to CAP's analysis. It would take a 9 percent boost in local property taxes to close the revenue gap between two-year and four-year colleges. But clearly, local communities in Texas are already bearing too much of the burden. It would be preferable, once the economy recovers from the pandemic, for the state to reinvest in community colleges to help close the resource gap and allow these institutions to see their students to greater success. The fact that Texas has no income tax makes this all the more difficult.[46]

Harnessing local funding to close resource equity gaps

To understand the potential that local revenues have to help address revenue gaps in higher education, CAP compared the differences in revenue between two-year and four-year public colleges in each state to local tax revenues in each state. This analysis included property taxes, which are collected in all 50 states, along with local individual income taxes, collected in a dozen states, and corporate income taxes, collected in seven, according to the 2017 Census of Governments. It does not include sales tax, which is more regressive than these other categories.

The revenue gap between two-year and four-year public colleges reflects state and local appropriations, along with tuition—the latter of which is the biggest component of higher four-year revenues. While it is highly problematic that tuition has grown so dramatically at four-year colleges, it is important not to look to boosting tuition as the answer to raising revenues for two-year colleges; their mission is to maintain the broadest possible access, and they serve large numbers of low-income students who would struggle to pay higher tuition.

This comparison, depicted below in Table 1, identified how much of an increase in local taxes would be needed to close the gap in each state.

TABLE 1

A moderate increase in local taxes could close the gap in resources between four-year colleges and community colleges in some states

Even when the resource equity gap is too large to close through local appropriations alone, local funding could still be part of the solution to better support community colleges

State	Percentage of community college revenue from local appropriations	Local appropriations per FTE student	Amount needed to achieve resource equity	Local revenue from property, individual income, and corporate income taxes	Percent of local taxes already going to community colleges	Percent boost in taxes needed for resource equity for community colleges
AK	96.8%	$26,627	-$5,095,227	$1,447,639,000	0.9%	-0.4%
AL	0.5%	$41	$706,366,538	$2,565,053,000	0.1%	27.5%
AR	6.7%	$612	$238,307,162	$1,090,226,000	2.6%	21.9%
AZ	61.4%	$5,422	$1,351,349,683	$6,754,467,000	12.3%	20.0%
CA	35.4%	$2,907	$13,710,937,583	$60,623,913,000	5.6%	22.6%
CO	17.7%	$1,331	$387,896,442	$8,668,571,000	1.1%	4.5%

TABLE 1 CONT'D

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CT	0.0%	$0	$543,659,502	$10,791,807,000	0.0%	5.0%
DE	0.0%	$0	$101,465,546	$883,217,000	0.0%	11.5%
FL	0.0%	$0	$3,207,207,731	$27,898,256,000	0.0%	11.5%
GA	0.0%	$1	$979,901,092	$11,100,658,000	0.0%	8.8%
HI	0.0%	$0	$295,223,787	$1,759,711,000	0.0%	16.8%
IA	21.1%	$1,891	$718,381,413	$5,233,154,000	2.8%	13.7%
ID	18.2%	$1,481	$138,796,631	$1,749,307,000	1.7%	7.9%
IL	45.0%	$3,531	$3,277,278,110	$28,561,414,000	3.9%	11.5%
IN	0.0%	$0	$1,072,923,736	$7,543,640,000	0.0%	14.2%
KS	40.0%	$3,391	$575,595,121	$3,799,745,000	6.7%	15.1%
KY	0.0%	$0	$772,716,081	$4,626,756,000	0.0%	16.7%
LA	0.0%	$0	$402,883,559	$4,140,829,000	0.0%	9.7%
MA	0.0%	$0	$605,827,047	$16,707,378,000	0.0%	3.6%
MD	33.6%	$4,157	$504,410,231	$14,337,004,000	2.7%	3.5%
ME	0.0%	$0	$117,834,692	$2,816,274,000	0.0%	4.2%
MI	33.3%	$3,775	$1,211,907,783	$12,489,700,000	4.5%	9.7%
MN	0.0%	$0	$840,227,647	$8,046,732,000	0.0%	10.4%
MO	26.0%	$1,927	$468,787,401	$6,796,921,000	2.3%	6.9%
MS	11.7%	$900	$724,317,510	$3,011,935,000	2.3%	24.0%
MT	14.5%	$1,260	$48,936,228	$1,397,069,000	0.7%	3.5%
NC	13.0%	$1,312	$2,052,932,748	$10,004,705,000	2.4%	20.5%
ND	0.0%	$0	$77,255,887	$1,244,690,000	0.0%	6.2%
NE	45.5%	$4,615	$299,957,025	$3,753,984,000	4.5%	8.0%
NH	0.0%	$0	$66,321,714	$4,058,992,000	0.0%	1.6%
NJ	20.4%	$1,496	$2,001,951,831	$29,113,234,000	0.7%	6.9%
NM	31.4%	$2,761	$631,962,116	$1,576,034,000	10.2%	40.1%
NV	0.0%	$0	$319,011,032	$2,706,976,000	0.0%	11.8%
NY	23.7%	$2,387	$3,090,418,860	$75,153,763,000	1.1%	4.1%
OH	11.9%	$1,061	$1,447,632,162	$21,258,702,000	0.8%	6.8%
OK	14.6%	$1,110	$429,364,476	$2,872,432,000	2.1%	14.9%

TABLE 1 CONT'D

A moderate increase in local taxes could close the gap in resources between four-year colleges and community colleges in some states

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State	Percentage of community college revenue from local appropriations	Local appropriations per FTE student	Amount needed to achieve resource equity	Local revenue from property, individual income, and corporate income taxes	Percent of local taxes already going to community colleges	Percent boost in taxes needed for resource equity for community colleges
OR	29.0%	$2,546	$695,670,798	$6,230,274,000	4.1%	11.2%
PA	10.7%	$1,043	$1,012,868,719	$24,978,211,000	0.5%	4.1%
RI	0.0%	$0	$93,021,471	$2,540,396,000	0.0%	3.7%
SC	10.1%	$979	$716,030,957	$5,994,118,000	1.2%	11.9%
SD	0.0%	$0	$29,631,684	$1,415,251,000	0.0%	2.1%
TN	0.0%	$0	$757,612,868	$5,880,901,000	0.0%	12.9%
TX	36.8%	$3,115	$4,786,740,383	$53,017,470,000	3.6%	9.0%
UT	0.0%	$0	$143,790,026	$3,219,661,000	0.0%	4.5%
VA	0.2%	$18	$1,547,267,777	$13,956,226,000	0.0%	11.1%
VT	0.0%	$0	$78,204,149	$610,703,000	0.0%	12.8%
WA	0.0%	$0	$2,152,154,348	$9,024,561,000	0.0%	23.8%
WI	33.0%	$5,459	-$239,831,855	$9,454,270,000	4.6%	-2.5%
WV	0.4%	$32	$149,539,333	$1,714,786,000	0.0%	8.7%
WY	20.4%	$2,551	$242,340,272	$992,640,000	4.5%	24.4%

Sources: Calculations by Victoria Yuen and the author based on data from the 2016-2017 academic year from the National Center for Education Statistics, "Integrated Postsecondary Education Data System Survey Components: Finance," available at https://nces.ed.gov/ipeds/use-the-data; calculations by the author based on data from the U.S. Census Bureau, "2017 State and Local Government Finance History Datasets and Tables," available at https://www.census.gov/data/datasets/2017/econ/local/public-use-datasets.html (last accessed September 2020).

Comparing states with and without local appropriations for community colleges

States where community colleges draw on local funding are not necessarily doing a better job investing in those institutions. Even a state such as Oregon, which has an equity-minded policy to fill in the gaps for less property-tax-rich communities, is not immune to the dangers of disinvestment. At its low point after the Great Recession, Oregon's state funding for community colleges fell 51 percent per student, a combination of deep budget cuts and higher enrollment. The state eventually recovered what was lost since the last recession but remains below historic levels.[47]

Similarly, states with low funding gaps are in many cases states that simply have low overall revenue for their colleges and universities. A high revenue gap in many cases reflects the fact that that state is doing a better job than many others funding their four-year colleges—whether through healthier state appropriations, high tuition, or a combination of both. It's much harder to find states with robust revenue for their two-year public colleges.

Community college revenues are just slightly higher overall in states with widespread local appropriations, with a median of about $8,800 per full-time equivalent student, compared with $8,400 per student in states with little or no local funding. On the other hand, the resource equity gap is also slightly wider in states with local funding, at a median of $8,782 per student, compared to $8,313 in other states. These numbers have not been adjusted for cost of living.

Even though local appropriations for community colleges are commonplace in only about half of states, 78 percent of community college students already attend a college that itself receives local appropriations and is in one of the 24 states where local funding is widespread. This reflects the fact that many of the most populous states, including California, Texas, and New York, have a local funding component. Seventy-three percent of Black students, 72 percent of white students, and 92 percent of Latinx students at public two-year colleges attend an institution that receives local appropriations and is also in one of those 24 states.

Options for expanding local funding

There is no single road map to expanding local funding for community colleges because the rules and traditions for raising local revenue differ dramatically from state to state. In some states, cities or counties would already have the discretion to add or increase a tax, or to reallocate existing tax revenues to community colleges. Sometimes it would take a referendum to gain voter approval to raise additional appropriations for the local community college. In other states, it would take potentially controversial legislative or state policy changes to allow localities to use tax revenues for community colleges and to set up a system to fill in the gaps for less wealthy communities.[48] However complex a task it may be, it's more than worthwhile for policymakers at the state and local levels, as well as local foundations and economic development officials, to explore creative ways to better support the community colleges that in turn support the labor market and quality of life in their region. They should do so as long as any tax increase is structured in a progressive way and additional dollars for community colleges do not come at the expense of support for public primary and secondary schools.

Ensuring equity in local funding

States that are committed to supporting access to community colleges in every community need to consider equalization funding if they do not already have it in place. While this type of redistributive policy may attract opposition from wealthier communities that would get less from the state, it can be approached thoughtfully and in ways that will be not seen as disincentives for local communities to invest their own resources. Equalization funding would ideally be structured as state-local partnerships, in such a way that when a locality adds revenue, the state agrees to raise its own funding as well.

Local leaders and taxpayers may be understandably concerned that their contributions to community college funding might tempt state legislators or governors to reduce their own funding. One way to guard against this would be to establish a pact between local and state governments that each will provide a certain level of revenue. City or county governments would have the option to reduce their tax contributions to the local community college if the state did the same.

However, the lack of an equity strategy at the state level does not mean that localities should not do the best they can for their own community colleges—which overwhelmingly serve low-income and middle-class students—no matter where the institutions are located. Those in wealthy communities often draw students from far afield.[49] Wealthy students, for better or worse, are much less likely to take advantage of their local community college, often opting to attend four-year institutions. Unless a particular community college suffers from serious governance or quality problems, offering general operating support to a local community college is categorically supporting the common good. Colleges could also contribute to regional equity by offering communities outside their official district the "in-district" tuition rates that can be considerably lower than out-of-district rates.[50]

Options for raising local revenue for community colleges

The following considerations may be helpful regarding types of local funding. Property taxes are already community colleges' main source of local revenue, but policies that constrain these taxes and disproportionately burden lower-income Americans present challenges to an equitable and progressive expansion. Raising funds for community colleges through local individual income or corporate income taxes would be much more of a departure from the norm, but these avenues offer fertile ground for local and state leaders to explore.

Property taxes

Property taxes are a bedrock source of support for all types of local services, such as K-12 education and emergency services. They have historically been more stable than income or sales taxes, according to the Center on Budget and Policy Priorities. If they do decline due to recessions, they tend to do so with a lag, as other revenue sources are recovering.[51] In that way, they contribute to a healthy diversity of government revenue streams.

Unfortunately, many states have limited property taxes over the past several decades, contributing not only to higher community college tuition but also to more reliance on sales taxes and fees that primarily affect the poor, such as court fees, and the neglect of other important services—such as the public health departments that have been so overwhelmed during the pandemic.[52] Last year, when the Texas Legislature considered a law that would further constrain property taxes, community colleges warned that they would have to raise tuition.[53]

Existing property taxes are too often not progressive enough—for example, when they lack protections for borrowers whose incomes do not match their properties' assessed value.[54] There is also a history of racist tax assessments that have forced Black homeowners to pay more than white homeowners.[55] However, it is possible to structure property taxes in more progressive ways—for example, with a "homestead exemption" that shields a certain amount of property value from taxation, tiers by which homes with values above a certain threshold are taxed at a higher rate, or "circuit breakers" that offer relief to homeowners if their property taxes rise above a certain percentage of their income.[56]

Individual income

Local communities collect individual income in 12 states, according to census data. These are more progressive than a sales tax simply because they are based on income. And they can be made even more progressive, for example, with graduated rates or exemptions for low-income taxpayers.[57] While they are uncommon today, individual income taxes are worth local leaders' consideration in states where they have discretion to impose or increase them.

One downside, however, is that income taxes are less stable than property taxes and more subject to swings in the economy, which could add to the volatility in funding that community colleges experience at the state level.

Corporate taxes

While businesses pay property taxes, local corporate income tax is collected in only seven states; there are excellent reasons to expand it. For one thing, a corporate income tax would be well-targeted at major beneficiaries of any community college—the employers in that college's region. Today, workforce training programs are a major part of many community colleges' offerings. In an earlier era, much of that training would have been provided by employers. Unfortunately, the business sector has grown much less likely to invest in workers as job tenures have shortened, gig work has replaced many traditional jobs, and unions have lost strength.[58]

Conclusion

For decades, policymakers at the state and federal levels have failed to provide adequate resources for community colleges to do their crucial work supporting the economy and social mobility. These leaders still have a responsibility to better support and fund community colleges, no matter what role local appropriations play. Local funding is not a panacea. That said, local cities, towns, counties, and regions have a huge stake in the strength of these institutions and should have the chance to help make them better.

Introducing local appropriations for community colleges for the first time or expanding existing local appropriations in ways that are equitable for college students and taxpayers alike will be a complex task. But the potential benefits are well worth exploring this option. Few community colleges in the United States today receive sufficient resources. Providing them those resources will produce more and better-prepared graduates, who will contribute all the more to their local economies and civic life, help raise healthier and more educated children, and build a richer future for their region.[59] For these reasons, investing in community colleges would also be one of the most powerful ways to help the United States emerge stronger in the years after the pandemic.

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