

## THE LANDSCAPE OF LOCAL FUNDING SOURCES FOR COMMUNITY COLLEGES IN THE UNITED STATES

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### Introduction

As open-access institutions, community colleges serve as the premier workforce development providers for local economies and offer a variety of academic programs for any student seeking to improve their lives through higher education.<sup>1</sup> Despite the critically important role of community colleges in American society, they remain underfunded when compared to four-year institutions. Local appropriations can help to alleviate the substantial gap in total state funding between community colleges and four-year institutions.<sup>2</sup> However, policymakers have been limited in their ability to make evidence-based decisions on how to equitably and effectively fund community colleges across localities due to a lack of data on local funding sources, such as local property taxes or local income taxes. This policy brief addresses a central question: What are the specific types of local funding sources appropriated to public community colleges?

To date, the Integrated Postsecondary Education Data System (IPEDS) has been the only source of data on the amount of local funding colleges receive, but it does not provide data on the varying types of local funding sources. To address this data issue, the *InformEd States* research team spent over two years constructing a novel dataset consisting of detailed information about local funding sources

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<sup>1</sup> Cohen, A. M., Brawer, F. B., & Kisker, C. B. (2014). *The American community college* (6th ed.). San Francisco, CA: Jossey-Bass.

<sup>2</sup> Yuen, V. (2020). The \$78 billion community college funding shortfall. Washington, DC: Center for American Progress. Retrieved from <https://www.americanprogress.org/issues/education-postsecondary/reports/2020/10/07/491242/78-billion-community-college-funding-shortfall/>

across the population of community colleges in the U.S. Our sample included all public community colleges located in the U.S. between the academic years of 2016-2017 and 2020-2021.<sup>3</sup>

We used various methods to collect financial data on the amounts of local appropriations, operating and nonoperating revenues, and other revenues received by each college in each of the panel years. These data were primarily accessed from publicly available financial statements, such as financial statements published on college’s websites, state auditor’s websites, and the Federal Audit Clearinghouse. After gathering data from these sources, we attempted to obtain missing data by searching for colleges’ annual budgets and corresponding directly with the appropriate community college personnel at each institution.

Table 1 outlines and categorizes the local tax sources used to fund community colleges. The first column contains the four broad types of local taxes for community colleges—property, consumption, income, and other taxes. These broad types of local taxes appropriated to community colleges included a wide variety of specific taxes referred to by different terms across the thousands of financial and legislative documents, including local sales tax, local gambling tax, local hotel tax, local tobacco or cigarette tax, local alcohol tax, local fuel or gas tax, local entertainment tax, and more. We condensed the large number of terms to 14 different subtypes of local taxes for community colleges, which are outlined in [Table 1](#) and visualized to capture the frequencies of each tax subtype in [Figure 1](#).

[Figure 2](#) displays the locations of all community colleges with each college shaded by whether it received local funding during any of the five years included in our study. The blue dots represent community colleges that did not receive local funding while the red dots indicated colleges that were funded by local tax revenues. While prior research has identified states in which local funding policies exist, Figure 2 reveals variations in the receipt of local funding within states. In total, 16 states (Alabama, Arkansas, Colorado, Idaho, Kansas, Missouri, Montana, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Wisconsin, and Virginia) had some community colleges that received funding from local taxes while other community colleges within the same state did not.

In [Figure 3](#), we show the distribution of local tax sources among community colleges during the five-year period of our study. These maps indicate that community colleges within the same states may receive local funding from different types of local tax sources. For example, numerous community colleges in Oregon received revenues from local property taxes, but only one Oregon community

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<sup>3</sup> Observations included community colleges from all states except Alaska, which did not have community colleges.

college received funding from some other type of local tax. In Maryland, community colleges received local funding from each of the four broad types of local tax sources.

Although local property taxes were a funding source in all states with local funding policies, the other three broad types of local taxes were found in fewer states. In addition, local income and other types of local taxes were almost exclusively found in states along the eastern region, suggesting that motivating factors leading to the use of local income taxes or local business taxes to fund community colleges may have some geographic similarities. Findings from this policy brief reveal the complex landscape of local funding sources for community colleges in the United States and offer a starting point for future research and policymaking devoted to identifying optimal and equitable strategies for local appropriations to community colleges.

Many community colleges rely on local property taxes to be able to educate their students. Localities and states that tie local funding to property taxes will, by design, allocate more funding to community colleges in high-income areas and less funding to community colleges in low-income areas. The uneven distribution of local funding to public community colleges can be mitigated when local appropriations are redistributed at the state level to ensure more-equitable local funding allocations or drawn from alternative local revenue sources, such as local sales tax or local income tax. This policy brief outlines the other types of local taxes that have been levied to fulfill community colleges' funding needs and provides an overlay of the specific local funding strategies that can be used as a supplement to state taxes or local property taxes.

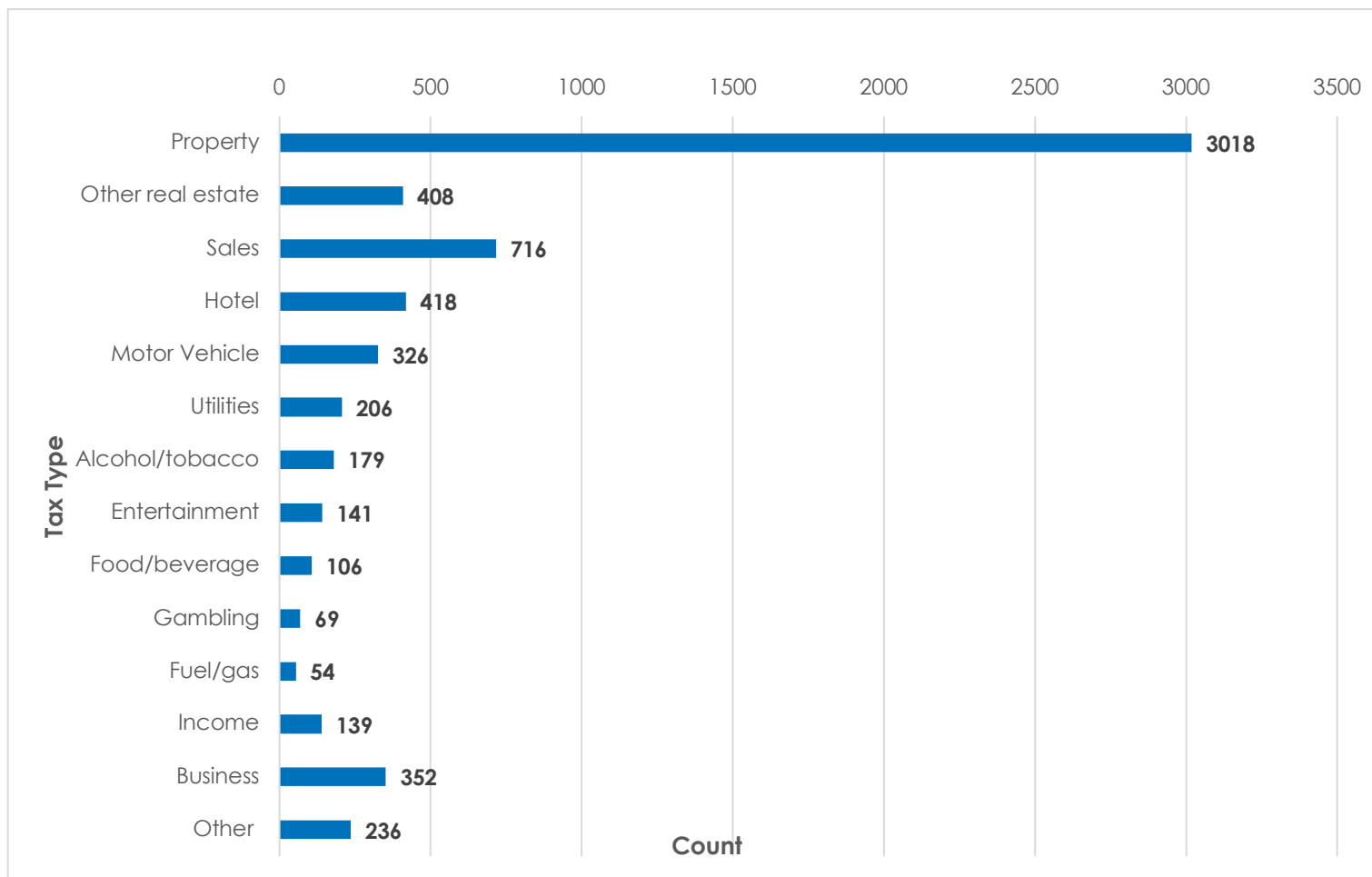
*This policy brief is based on research funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.*

**Table 1. Types of taxes revenue sources**

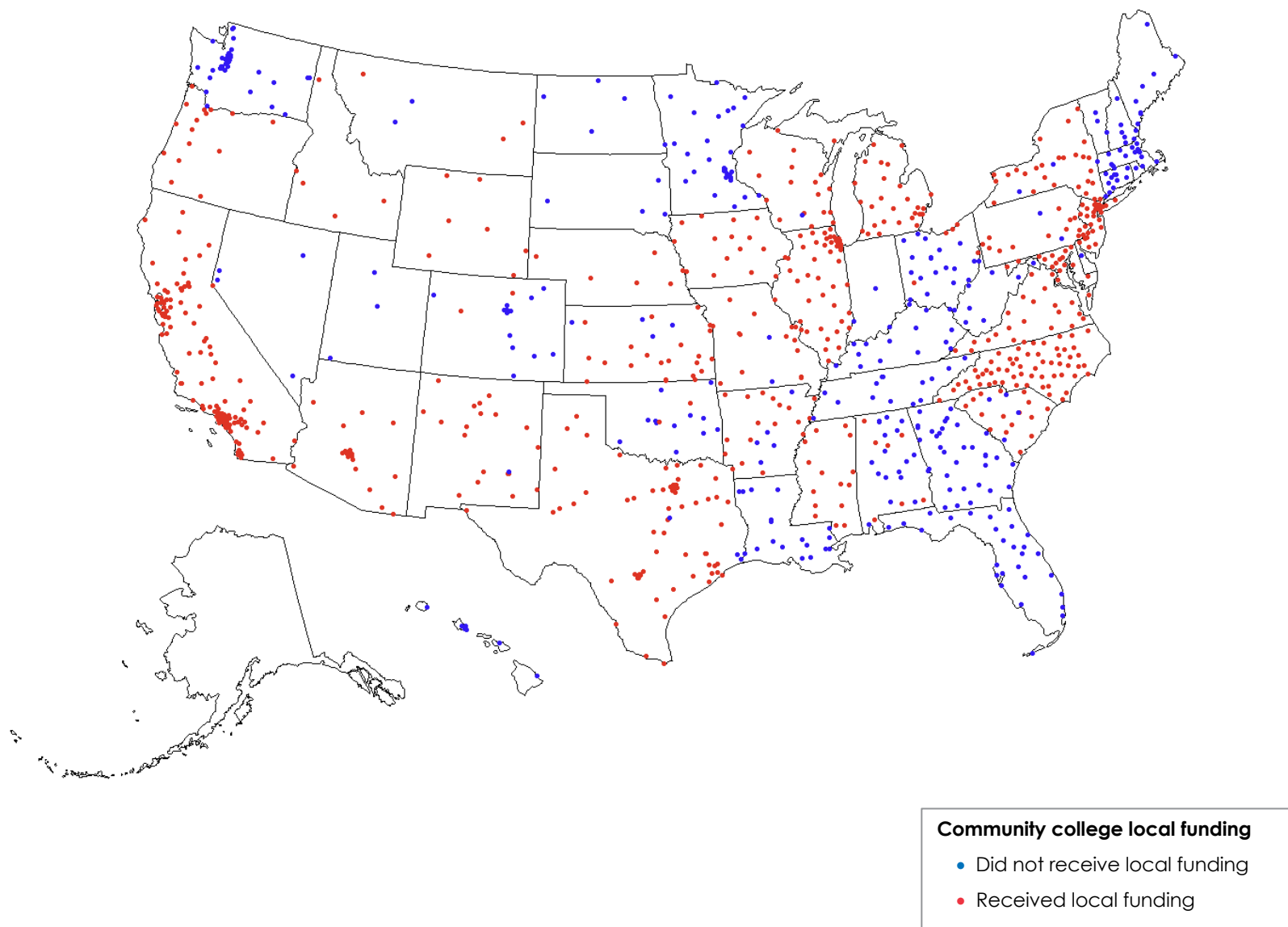
<b>Tax Type</b>	<b>Definition</b>	<b>Subtypes</b>	<b>Example</b>
<b>Property</b>	<i>Taxes associated with owning or transfer of property</i>	Property	Santa Rosa Community College - "Local Property Taxes" (p. 17; Sonoma County Junior College District Santa Rosa, California Financial Statements with Independent Auditor's Report Year Ended June 30, 2017)
		Other real estate	Anne Arundel Community College - "Recordation & Transfer Taxes" (p. 18; Anne Arundel County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017)
<b>Consumption</b>	<i>Taxes on the items individuals buy</i>	Alcohol/tobacco	Mountain Empire Community College - "Cigarette tax" (p. 111; City of Norton, Virginia Annual Comprehensive Financial Report Year Ended June 30, 2018)
		Entertainment	College of Southern Maryland - "Admissions and Amusement Tax" (p. 38; Charles County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017)
		Food/beverage	New River Community College - "Restaurant food taxes" (p. 96; Financial statements City of Radford, Virginia Fiscal year ended 2017)
		Fuel/gas	Anne Arundel Community College - "Fuel" (p. 128; Anne Arundel County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017)
		Gambling	Community College of Alleghany County - "Gaming local share assessment" (p. 223; County of Allegheny, Pennsylvania Comprehensive Annual Financial Report for the Fiscal Year ended December 31, 2017)

		Hotel/lodging	"Hotel-motel" (p. 128; Anne Arundel County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017)
		Motor vehicle	"Motor vehicle license taxes" (p. 101; City of Harrisonburg, Virginia Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017)
		Sales	Anne Arundel Community College - "Local sales taxes" (p. 128; Anne Arundel County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017)
		Utilities	Anne Arundel Community College - "Electricity" (p. 128; Anne Arundel County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017)
<b>Income</b>	<i>Taxes on individuals' employment earnings</i>	Income	Anne Arundel Community College - "Local income taxes" (p. 128; Anne Arundel County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017)
<b>Other</b>	<i>Taxes that do not fit into other categories</i>	Business	Trident Technical College - "Franchise Tax" (p. 38; County of Charleston, South Carolina Statement of Activities for the Year Ended June 30, 2018)
		Other	Western Piedmont Community College - "NC Unauthorized substance abuse tax" (p. 62; Burke County, North Carolina Financial Statements, Management's Discussion and Analysis, Supplemental Schedules, Independent Auditors' Report and Single Audit Reports for the Year Ended June 30, 2019)

**Figure 1. Frequencies of local funding sources**

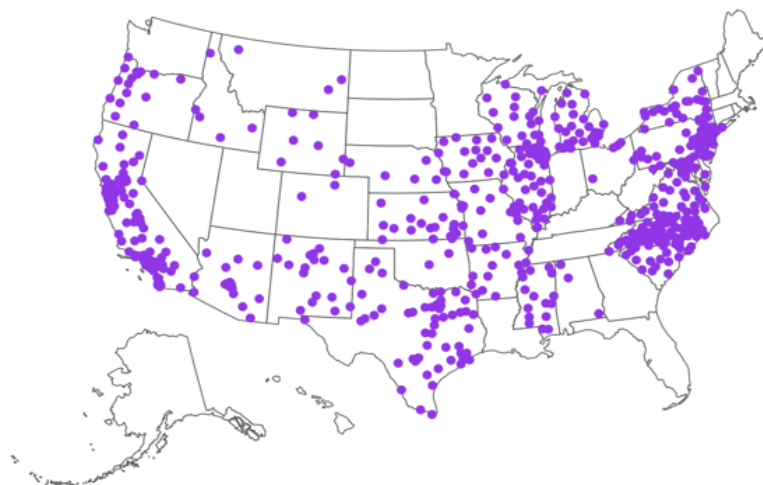


**Figure 2. Map of community colleges by local funding receipt**



**Figure 3. Distribution of local funding sources by state**

Property Tax



Consumption Tax



Income Tax



Other Tax

