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The Downward Spiral of State Funding for Community Colleges, and Its Impact on Rural Community Colleges

A policy brief by the Education Policy Center at the University of Alabama for the MidSouth Partnership for Rural Community Colleges

by Billy C. Roessler, Stephen G. Katsinas, and David E. Hardy

Executive Summary

This issue brief documents a troubling long-term decline in state funding for public community colleges, focusing on how cuts impact rural community colleges:

- In 1980-1981, 16 states contributed at least 60 percent of the total revenues for their community colleges. In 2000-2001, just two decades later, none did.
- In 1980-1981, 22 states with 55% of all U.S. community college enrollments contributed at least half of the total revenues.
- In 2000-2001, just 20 years later, only 7 states enrolling just 8% of community college students did so.
- Tuition costs for community college students and their families have risen sharply, but the large increases have not covered the shortfall in state aid.
- Funding from contracts and grants from federal, state, local, and private sources, including workforce training grants and contracts, rose from 1980-1981 to 2000-2001, but failed to make up for cuts in state appropriations.
- States with local funding tended to have deeper cuts in state funding, and states with no local funding tended to raise tuition more.
- Because of their higher dependence on state funding, state budget cuts hit rural-serving colleges harder than other types of community colleges.

A wide divergence exists in the patterns of revenue for community colleges across the 50 states. The downward spiral of state funding is unmistakable, however. At a time when community college operating budgets should expand to accommodate higher enrollments that follow larger numbers of students graduating from high school and to provide a transfer function that includes both general and technical education, state funding has declined. In an era when rural America needs its community colleges to be active public sector partners in economic development and workforce training, state funding has been cut. Funding from local taxes, if available, and tuition and fees have not made up for state cuts. Workforce training funding has increased, providing many worthy projects for institutions and communities, but these funds are for purposes other than undergraduate instruction, historically supported by state funds.

Introduction

Patterns in state revenue received by community colleges for each five-year period from 1980-1981 to 2000-2001 were analyzed. The new 2005 Basic Classifications of Associate Degree Colleges (2006a, 2006b), released in February 2006 by the Carnegie Foundation for the Advancement of Teaching, were used to allow analysis of differences by major type of community college (rural-, suburban-, and urban-serving). The Carnegie classifications also allow presentation of data by three sub-types within the rural-serving category, small-, medium-, and large-sized colleges. All data analyzed were obtained from the National Center for



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1000 Highway 19 North
Meridian, MS 39307
Wendy Cole, Program Director
601.484.0180
www.midsouthpartnership.org

The MidSouth
Partnership
for Rural Community Colleges



Table 1
Big Three Revenues - State Appropriations, Local Appropriations, and Tuition and Fees
- Ranking as Percent of Total
Revenue for Community Colleges, FY 1981 and 2001

	S. App. FY 81	S. App. FY01	L. App. FY 81	L. App. FY01	T & F FY 81	T & F FY01	Big 3 FY 81	Big 3 FY 01	20 Yr Change
AL	60.6%	43.3%	0.9%	0.5%	14.2%	21.8%	75.7%	65.6%	-10.1%
AR	58.5%	55.1%	0.0%	0.0%	17.6%	12.3%	76.1%	67.4%	-8.7%
AZ	22.1%	15.2%	42.6%	39.1%	13.5%	19.4%	78.3%	73.7%	-4.5%
CA	60.3%	32.9%	19.6%	20.3%	2.7%	5.2%	82.6%	58.3%	-24.2%
CO	40.7%	32.5%	7.7%	9.5%	20.8%	27.5%	69.2%	69.5%	0.3%
CT	67.3%	59.3%	0.0%	0.0%	16.9%	24.5%	84.2%	83.9%	-0.4%
DE	75.6%	56.3%	0.0%	0.0%	9.0%	19.1%	84.7%	75.3%	-9.3%
FL	60.4%	47.5%	0.0%	0.0%	20.7%	22.5%	81.1%	70.1%	-11.0%
GA	57.6%	50.1%	0.0%	0.0%	14.5%	17.4%	72.1%	67.5%	-4.6%
IA	41.0%	29.8%	8.3%	6.8%	18.2%	25.0%	67.4%	61.6%	-5.8%
ID	47.1%	30.1%	16.9%	13.1%	10.8%	16.5%	74.9%	59.7%	-15.2%
IL	27.1%	15.9%	32.1%	29.8%	19.2%	18.9%	78.4%	64.6%	-13.8%
IN	43.5%	40.1%	0.0%	0.0%	33.0%	25.5%	76.5%	65.6%	-10.9%
KS	26.1%	22.5%	38.7%	34.3%	12.1%	16.2%	76.9%	73.0%	-3.9%
MA	60.2%	52.6%	0.4%	0.0%	23.9%	23.5%	84.5%	76.1%	-8.4%
MD	34.3%	26.7%	26.3%	22.2%	21.7%	27.6%	82.4%	76.5%	-5.9%
ME	65.9%	49.6%	0.9%	0.0%	11.9%	21.8%	78.8%	71.4%	-7.4%
MI	35.2%	25.7%	22.4%	23.6%	24.4%	22.2%	82.0%	71.4%	-10.5%
MN	49.4%	44.0%	0.0%	0.0%	25.9%	30.2%	75.3%	74.2%	-1.1%
MO	36.2%	29.0%	22.4%	19.3%	17.5%	18.3%	76.1%	66.7%	-9.4%
MS	47.4%	39.4%	12.1%	7.6%	13.8%	14.4%	73.2%	61.4%	-11.9%
MT	42.6%	25.7%	26.4%	19.4%	9.3%	19.4%	78.3%	64.4%	-13.9%
NC	69.1%	46.9%	10.2%	10.1%	5.8%	13.2%	85.0%	70.2%	-14.8%
ND	47.1%	39.4%	3.5%	0.0%	17.6%	24.9%	68.2%	64.3%	-3.9%
NE	32.5%	44.5%	35.0%	9.7%	13.6%	17.6%	81.1%	71.9%	-9.2%
NH	65.5%	40.1%	0.0%	0.0%	20.7%	44.9%	86.2%	85.0%	-1.2%
NJ	26.3%	19.1%	28.3%	23.4%	24.6%	31.7%	79.2%	74.3%	-4.9%
NM	32.6%	32.9%	34.1%	23.4%	9.7%	7.4%	76.3%	63.7%	-12.7%
NV	65.6%	58.9%	0.0%	0.0%	15.1%	22.6%	80.8%	81.5%	0.7%
NY	36.3%	24.9%	22.4%	14.8%	25.3%	24.5%	84.0%	64.2%	-19.8%
OH	42.4%	37.1%	11.6%	9.9%	26.7%	24.4%	80.7%	71.4%	-9.3%
OK	61.5%	44.4%	5.1%	11.2%	10.2%	13.0%	76.8%	68.6%	-8.1%
OR	28.4%	31.2%	33.6%	14.8%	15.1%	15.5%	77.1%	61.5%	-15.7%
PA	27.9%	26.5%	21.9%	16.2%	31.5%	32.2%	81.3%	75.0%	-6.3%
RI	69.3%	47.8%	0.0%	0.0%	18.0%	27.5%	87.3%	75.3%	-12.0%
SC	51.7%	39.7%	7.1%	8.4%	17.4%	21.9%	76.2%	70.0%	-6.2%
TN	64.2%	49.2%	0.0%	0.0%	16.1%	23.5%	80.3%	72.7%	-7.6%
TX	50.8%	37.3%	13.3%	15.4%	13.2%	19.1%	77.3%	71.8%	-5.5%
UT	54.0%	42.0%	0.0%	0.0%	13.8%	26.3%	67.9%	68.2%	0.3%
VA	69.7%	53.3%	0.0%	0.3%	19.0%	23.9%	88.7%	77.5%	-11.2%
VT	44.6%	10.9%	0.0%	0.0%	29.2%	56.6%	73.8%	67.5%	-6.4%
WA	67.6%	39.7%	0.1%	0.0%	10.6%	22.0%	78.3%	61.8%	-16.5%
WI	21.7%	17.8%	49.1%	45.6%	9.7%	13.3%	80.5%	76.7%	-3.8%
WV	70.9%	45.7%	0.0%	0.0%	6.8%	17.6%	77.7%	63.3%	-14.4%
WY	51.5%	39.7%	22.9%	17.0%	6.8%	14.7%	81.2%	71.4%	-9.7%
All	47.1%	34.0%	17.4%	14.7%	15.6%	19.2%	80.1%	67.9%	-12.2%

Source: Table IV.22, Rössler, 2006.

Notes: (1) Community Colleges are based upon the 2005 Katsinas, Lacey, and Hardy Classification Schema. (2) Only institutions codes with data, including imputed, each time period are included. (3) Only institutions codes reporting each time period are included. (4) Alaska, Hawaii, Kentucky, Louisiana, and South Dakota do not meet requirements for this study. (5) Ranking and 20 Yr Change may appear inaccurate due to rounding.

Conclusions

First, a serious erosion of state support has negatively impacted all types of community colleges between FY1981 and FY2001. Just three states saw an increase in real dollars in state funding, but all three states started at very low levels of state investment. The falloff has been particularly sharp in the mega-states, but is observable in states with and without local funding.

Second, rural-serving community colleges appear to be most vulnerable to cuts in state appropriations. As Table 3 shows, the smaller the size of the rural-serving community college, the greater its proportion of total funding from the state and, therefore, the more hurtful the cuts are as a percentage of total funding received. This explains why in FY2003, when 34 of the 46 reporting community college state directors indicated their states were taking mid-year budget reductions in state appropriations, these same state directors indicated their state's rural-serving community colleges were facing the greatest budgetary strain (*Katsinas and Palmer, 2003*).

These results are consistent with other literature in the field. From fiscal years 1983 to 1987—five of the best years of national economic performance since World War II—J. Leland Johnson found state funding for rural-serving community colleges actually fell (*Johnson, 1999*). Johnson also found the smaller the rural-serving community college, the smaller the dollar amount and percentage share local appropriations comprised of the total budget. The examination of state data from IPEDS over a much longer period of time (20 years) confirms the same general findings Johnson first documents. By college type, all types of community colleges saw a net decline in their operating budget margins from FY1981 to FY2001, yet rural-serving colleges saw the largest net negative change, from 3.2% to 0.4%. In light of the fact that endowment income is largely non-existent at rural-serving community colleges, the net overall effect is fewer revenue streams producing lower levels of unrestricted funds, and an overall much less flexible institution from a budgetary perspective, a point documented in 2003 by Katsinas, Alexander, and Opp, for their Rural Community College Initiative Issues Brief, *Preserving Access with Excellence: Financing for Rural Community Colleges*. Thus, community colleges generally and rural-serving community colleges specifically face an uncertain budgetary future as they struggle to meet the enrollment challenges of Tidal Wave II and to provide regional economic development programs and services through their workforce training function.

Had the cuts been made on a per-FTE basis, Vernon College, a rural-serving college in the Texas panhandle region, would have taken a 41% budget cut. Thanks to the leadership of some enlightened urban- and suburban-serving community college CEOs, including most notably William R. Wenrich, who at that time was Chancellor of the giant Dallas County Community College District, a decision was made to hold the colleges to no more than an 11% budget cut in state funds. This decision effectively prevented college closure for some of Texas' rural-serving community colleges which—had this not occurred—would have been a very real possibility. The challenge of weighing funding for growth versus funding to provide geographic access can probably best be measured in the mega-states during times of budget reduction, for the FY2003 budget cuts coincided with double-digit high school class size growth in the mega-states. Of course, it is worth noting that many of Texas' rural-serving community colleges now enroll substantial Hispanic students. Frank Phillips College in the north Texas panhandle, for instance, has an enrollment that is 37% Hispanic.

Other revenue sources have not made up for the state slippage

Other revenue sources had to make up for the 13.1% state slippage across all classes of community colleges in order for the colleges to continue operation, as Table 3 shows. However, local appropriations decreased as a percent of total revenues, a fact that likely reflects property tax limitation efforts. Workforce development funding support—federal, state, local, and private grants and contracts—increased, but did not offset all state and local appropriation cuts. Students and their families have been forced to make up the rest of the local funding streams, tuition and fees increased more, as community colleges were less able to access such revenues. Finally, it is worth noting that, because the total dollar amounts from tuition were relatively low in FY1981, it would take very large tuition increases indeed to offset state cuts. These increases do not come without negative impacts on state higher education policy goals, particularly if expanding access to higher education is included. The State of Minnesota, for example, was first among all the states in the percentage of 18-24 year olds continuing onto college from high school in 1989. By 2003, however, the state ranked seventeenth. Today, students pay more than \$4,600 in tuition and fees at Minnesota community colleges, well above the maximum annual Pell Grant of \$4,100.

Education Statistics' Integrated Postsecondary Educational Data System (IPEDS) and its predecessor, the Higher Education General Information Surveys (HEGIS). To be included in the analysis, the institution had to report both finance and enrollment data for each and every five-year period. Forty-five of the 50 states had public community colleges meeting this criteria. More than 70% of the IPEDS Units from these 45 states met the criteria to be included. Finally, two additional analyses were conducted, one comparing those 25 states with local funding to those 20 that have little or no local funding, and the other comparing large “mega-states” versus smaller states using the methodology developed by Grapevine at Illinois State University (2006).

The major trend: Increased student enrollments and declining state funding

The mixture of revenue sources has changed significantly. **Table 1** shows that the big three revenue sources—state appropriations, local appropriations, and tuition and fees—combined have dropped by more than 12% from more than 80% of the total to less than 68% over the 20-year period. The data in **Table 2** shows substantial increases in fall semester enrollment and decreasing percentages of students enrolled full-time. All community colleges experienced significant decreases in state appropriations alongside significant increases in enrollment, as well as increases in the percentages of total revenues from tuition and fees. By Carnegie type, rural- and urban-serving community colleges saw greater shifts in the percentages of revenue represented by these categories than did suburban institutions. Small rural-serving institutions, long more dependent on state funding than other types of community colleges, saw a particularly significant decrease in state appropriations. For these institutions, local appropriations decreased as well. Significant changes in constant dollars mirrored changes in percentage of total revenues (Roessler, 2006).

Table 2
Community College Enrollment by 2005 Carnegie Basic Classification,
Fall 1980- 2000

	All community colleges			Urban community colleges			Suburban community colleges			Rural community colleges		
	Fall 1980	Fall 2000	%	Fall 1980	Fall 2000	%	Fall 1980	Fall 2000	%	Fall 1980	Fall 2000	%
FT	1,265,507	1,560,251	23.3%	407,130	491,529	20.7%	340,062	415,817	22.3%	518,315	652,905	26.0%
PT	2,116,503	2,883,036	36.2%	755,901	1,062,754	40.6%	685,620	866,425	26.4%	674,982	953,857	41.3%
Total	3,382,010	4,443,287	31.4%	1,163,031	1,554,283	33.6%	1,025,682	1,282,242	25.0%	1,193,297	1,606,762	34.6%
% FT	37.40%	35.10%		35.00%	31.60%		33.20%	32.40%		43.40%	40.60%	
FTE	1,976,095	2,528,193	27.9%	660,914	848,335	28.4%	570,250	706,708	23.9%	744,931	973,150	30.6%

	All rural community colleges			Small-sized rural community colleges			Medium-sized rural community colleges			Large-sized rural community colleges		
	Fall 1980	Fall 2000	%	Fall 1980	Fall 2000	%	Fall 1980	Fall 2000	%	Fall 1980	Fall 2000	%
FT	518,315	652,905	26.0%	42,759	48,052	12.4%	256,140	320,476	25.1%	219,416	284,377	29.6%
PT	674,982	953,857	41.3%	33,156	48,557	46.5%	265,999	406,863	53.0%	375,827	498,437	32.6%
Total	1,193,297	1,606,762	34.6%	75,915	96,609	27.3%	522,139	727,339	39.3%	595,243	782,814	31.5%
% FT	43.40%	40.60%		56.30%	49.70%		49.10%	44.10%		36.90%	36.30%	
FTE	744,931	973,150	30.6%	53,891	64,354	19.4%	345,446	457,075	32.3%	345,595	451,721	30.7%

Source: Table IV.2 and IV.3, Roessler, 2006.

Notes: (1) Full-time, part-time, and percent of total fall enrollment enrolled full-time are denoted by FT, PT, and %FT respectively. (2) Only institutions codes with data, including imputed, for each of the fiscal years 1981, 1986, 1991, 1996, 2001 are included. (3) Fall FTE is calculated based on formula $FTE = FT + .335737 * PT$, where FT and PT denote full-time and part-time enrollments respectively. (4) denotes change. (5) Any comparisons of enrollment to revenues should be done with the understanding that revenue data represent one full year while the fall enrollments only represent one semester (part of the enrollment for one year).

Table 3
Share of Community College Budgets by major source of funds, FY1981- 2001

	Urban community colleges		Suburban community colleges		Rural community colleges		All community colleges	
	FY81	FY01	FY81	FY01	FY81	FY01	FY81	FY01
State appropriations	48.1%	37.3%	47.0%	31.8%	45.4%	31.8%	48.1%	37.3%
Local appropriations	15.6%	11.8%	17.4%	13.8%	20.3%	20.4%	15.6%	11.8%
Tuition and fees	14.2%	18.2%	16.0%	19.1%	17.1%	20.4%	14.2%	18.2%
Workforce Training	9.4%	22.2%	9.4%	27.0%	7.0%	20.9%	9.4%	22.1%
Other	11.2%	9.8%	10.2%	8.3%	10.2%	10.6%	12.6%	10.7%

	All rural community colleges		Small-sized rural community colleges		Medium-sized rural community colleges		Large-sized Rural community colleges	
	FY81	FY01	FY81	FY01	FY81	FY01	FY81	FY01
State appropriations	48.1%	37.3%	51.8%	39.4%	47.8%	38.4%	47.8%	35.5%
Local appropriations	15.6%	11.8%	13.8%	10.1%	14.2%	10.3%	17.5%	13.8%
Tuition and fees	14.2%	18.2%	11.7%	16.7%	14.6%	19.0%	14.3%	17.6%
Workforce Training	9.4%	22.2%	8.8%	23.3%	9.2%	21.8%	9.8%	22.2%
Other	11.2%	9.8%	13.9%	11.5%	14.2%	10.4%	10.6%	10.8%

Source: Table IV.8, Roessler, 2006.

How does the state slippage from 1980-81 to 2000-01 relate to the enrollment increase over that same period, and how has it impacted different states and different types of community colleges?

Wide differences exist amongst and between the various funding patterns for public community colleges regarding revenue streams, but one common characteristic can be observed: the significant decline in state investment, as Table 1 shows. In 1980-81, 16 states contributed 60% or more of the total budgets for their community colleges (Alabama, California, Connecticut, Delaware, Florida, Maine, Massachusetts, Nevada, New Hampshire, North Carolina, Oklahoma, Rhode Island, Tennessee, Virginia, Washington, and West Virginia). No state did so by 2000-01. Nationally, the percent of total revenues from state appropriations fell by more than 13%, from more than 47% in FY1981 to 34% by FY2001 (see Table 3). Only New Mexico, Oregon, and Nebraska experienced small increases, as 42 other states saw declining state appropriation percentages of revenues, with Vermont having the sharpest decrease of more than 33%. It is important to note that states started at vastly different places in FY1981: Oregon, for example, had the seventh smallest share of state funding in FY1981, prior to passage of Proposition 5, which eliminated local taxes for education by substituting state appropriations. Nationally, while fall semester FTE enrollments rose by nearly 28%, state appropriations increased at a greater percentage in terms of constant dollars. Yet, because IPEDS only collected FTE data in the fall term for all years involved in this analysis, one term's enrollment cannot be compared to a year's worth of funding without understanding that the enrollment represents only one semester while the funding represents the full year. Table 4 shows the revenue in constant 2001 dollars per Fall FTE for the five revenue types in Table 3. If a full-year FTE existed, the dollars per FTE would greatly be decreased, but the decrease would be uniform across the revenue types since each is divided by the same FTE. Despite the FTE limitation, Table 4 further shows how the state appropriations did not keep pace with enrollment increases and also the differences among the types of community colleges. Non-credit continuing education enrollments are also not

Table 4
Revenue per Fall FTE by Major Source of Funds with 20-year Percent Change, FY1981- 2001

	All community colleges			Urban community colleges			Suburban community colleges			Rural community colleges		
	FY 1981	FY 2001	%	FY 1981	FY 2001	%	FY 1981	FY 2001	%	FY 1981	FY 2001	%
	T&F	\$959	\$1,973	105.7%	\$968	\$2,003	106.9%	\$977	\$1,939	98.4%	\$937	\$1,970
St. App.	\$2,898	\$3,494	20.6%	\$2,845	\$3,327	16.9%	\$2,603	\$2,944	13.1%	\$3,169	\$4,039	27.5%
Lo. App.	\$1,074	\$1,506	40.2%	\$1,050	\$1,446	37.7%	\$1,164	\$1,889	62.2%	\$1,027	\$1,281	24.7%
W-force	\$538	\$2,292	325.8%	\$567	\$2,825	398.6%	\$401	\$1,507	276.2%	\$618	\$2,397	287.7%
Other	\$688	\$1,012	47.0%	\$618	\$867	40.3%	\$583	\$986	69.2%	\$830	\$1,156	39.2%
Total	\$6,157	\$10,276	66.9%	\$6,048	\$10,468	73.1%	\$5,728	\$9,265	61.7%	\$6,582	\$10,843	64.7%

	All rural community colleges			Small-sized rural community colleges			Medium-sized rural community colleges			Large-sized rural community colleges		
	FY 1981	FY 2001	%	FY 1981	FY 2001	%	FY 1981	FY 2001	%	FY 1981	FY 2001	%
	T&F	\$937	\$1,970	110.3%	\$923	\$2,077	125.1%	\$1,004	\$2,126	111.8%	\$872	\$1,797
St. App.	\$3,169	\$4,039	27.5%	\$4,086	\$5,196	27.2%	\$3,289	\$4,290	30.4%	\$2,906	\$3,621	24.6%
Lo. App.	\$1,027	\$1,281	24.7%	\$1,091	\$1,335	22.4%	\$977	\$1,155	18.2%	\$1,068	\$1,401	31.2%
W-force	\$618	\$2,397	287.7%	\$694	\$3,076	343.2%	\$631	\$2,433	285.7%	\$594	\$2,264	281.1%
Other	\$830	\$1,156	39.2%	\$1,093	\$1,512	38.3%	\$976	\$1,157	18.6%	\$644	\$1,104	71.3%
Total	\$6,582	\$10,843	64.7%	\$7,887	\$13,195	67.3%	\$6,876	\$11,160	62.3%	\$6,084	\$10,187	67.4%

collected by IPEDS; thus the real relationship between numbers of students served by these institutions and the dollars they collect (and spend) for instruction cannot be fully explained.

In 1980-81, 55% of all U.S. community college students were enrolled in one of the 22 states where the state invested 50% or more of total funding. Only 8% of US community college students enrolled in states that did so by 2000-01 (Roessler, 2006).

Enrollment Growth versus Geographic Access in the Mega-States

The Grapevine methodology defines nine states as "mega-states" (California, Florida, Illinois, Michigan, New York, North Carolina, Ohio, Pennsylvania, and Texas) that together comprise more than 50% of all appropriations for U.S. colleges. These same nine states account for 58% of all U.S. community college enrollments. A greater decline in state funding for rural-serving community colleges was documented in these nine mega-states than in the 36 more rural non-"mega-states." It would appear state higher education policy related to access in states with dramatic increases in high school graduation class size may place greater focus on funding institutional growth than geographic access, showering a smaller state pot over ever-larger numbers of students. Nearly all of the nine mega-states are also high Hispanic in-migration states.

The implication of this for rural-serving community colleges in the mega-states is not at all good. In Texas, for example, state funding declined from 50.8% in FY1981 to 37.3% in FY2001. During the same period, local funding only increased as a percentage of total revenues from 13.3 to 15.4%. In FY2003, when 34 state community college systems reported taking mid-year budget cuts in state funding, Texas community colleges were asked by the Governor, the House Speaker, and the Senate President to return 7% of their state funding in early February 2003, the seventh month of the state fiscal year. This represented a 15% cut in state funds for the final months of the fiscal year, cuts made permanent by the Texas Legislature the following year.

The political question to be decided by the member college presidents of the Texas Association of Community Colleges was whether or not to spread the cuts evenly on a straight per-FTE basis, or on some other formula.