IN THIS ISSUE

State Tax Support for Community Colleges ....................... 3243, 3245-3246
by James C. Palmer

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AVAILABLE SOON

STATE HIGHER EDUCATION APPROPRIATIONS 1994-95

Annual Summary of Grapevine Data
Overview of Fiscal Year 1994-95
National Tables and Comparative Measures
Appropriations Per Capita and Per $1,000 Personal Income
Local Tax Appropriations to Support Higher Education
Table of Appropriations to Institutions for Each State

Order from:  State Higher Education Executive Officers
707 Seventeenth Street, Suite 2700, Denver, CO 80202-4327
Telephone: (303)299-3686       FAX: (303)296-8332

Cost: $15.00 (Prepayment preferred). Make check payable to SHEEO.

GRAPEVINE
Edward R. Hines, Editor

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Table 1. APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF STATE-ATED COMMUNITY/JUNIOR COLLEGES FOR FISCAL YEARS 1992-93, 1993-94 AND 1994-95, WITH PERCENTAGES OF GAIN OVER THE MOST RECENT TWO YEARS. (In thousands of dollars)

<table>
<thead>
<tr>
<th>States</th>
<th>Year 1992-93</th>
<th>Year 1993-94</th>
<th>Year 1994-95</th>
<th>2-Year Gain</th>
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<td>(3)</td>
<td>(4)</td>
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<td>644,871</td>
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<td>257,124</td>
<td>266,817</td>
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<td>Michigan</td>
<td>240,000</td>
<td>240,000</td>
<td>247,800</td>
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<td>89,570</td>
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<td>118,809</td>
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<td>128,102</td>
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<td>124,817</td>
<td>127,996</td>
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<td>114,388</td>
<td>114,388</td>
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<td>87,573</td>
<td>97,801</td>
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<td>90,305</td>
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<td>75,947</td>
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<td>49,993</td>
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<td>42,892</td>
<td>44,469</td>
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<tr>
<td>Arkansas+</td>
<td>33,065</td>
<td>37,650</td>
<td>37,994</td>
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<td>35,047</td>
<td>34,903</td>
<td>35,766</td>
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<tr>
<td>Colorado**</td>
<td>15,266</td>
<td>15,267</td>
<td>15,308</td>
<td>0</td>
</tr>
<tr>
<td>Idaho</td>
<td>8,741</td>
<td>9,201</td>
<td>10,239</td>
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<tr>
<td>New Mexico**</td>
<td>4,195</td>
<td>5,600</td>
<td>7,718</td>
<td>84</td>
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<tr>
<td>Montana</td>
<td>3,900</td>
<td>4,211</td>
<td>4,126</td>
<td>6</td>
</tr>
</tbody>
</table>

Totals 4,001,955 3,725,598 3,878,498 3

Weighted average percentage of gain

*States having both "local" and "state" community colleges.
**Includes State Community College in East St. Louis which does not receive local tax support.
***For FY1995, received a one-time appropriation: $21,100,000.
+Due to reorganization, some of the data are not comparable.

Appropriations to All Community Colleges, with Percentages of Gain over Two Years. (In thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State aided</td>
<td>4,001,955</td>
<td>3,725,598</td>
<td>3,878,498</td>
<td>-3</td>
</tr>
<tr>
<td>State</td>
<td>2,666,862</td>
<td>2,813,309</td>
<td>2,969,785</td>
<td>11</td>
</tr>
<tr>
<td>Totals</td>
<td>6,668,817</td>
<td>6,538,907</td>
<td>6,848,283</td>
<td>3</td>
</tr>
<tr>
<td>St-Aided-w/o CA</td>
<td>2,482,579</td>
<td>2,619,317</td>
<td>2,762,482</td>
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</tr>
<tr>
<td>State</td>
<td>2,666,862</td>
<td>2,813,309</td>
<td>2,969,785</td>
<td>11</td>
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<tr>
<td>Total</td>
<td>5,149,441</td>
<td>5,432,626</td>
<td>5,732,267</td>
<td>11</td>
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</tbody>
</table>
STATE TAX SUPPORT FOR COMMUNITY COLLEGES
By James C. Palmer

Recent trends in state tax support for public community colleges show that gains outpaced decreases, reflecting the nation's recovery from the recession of the early 1990s. On average, community college systems that derive revenues almost entirely from state coffers (Table 2) enjoyed an 11% gain in state tax appropriations from 1992-93 to 1994-95. Systems in which revenues derive from a mix of state and local sources (Table 1) registered a 3% decline, due largely to the 27% two-year drop experienced by California; the 3% decline turns to an 11% increase when California is factored out of the analysis. But even in this beleaguered state there is positive news—though tax allocations to the California community colleges declined over the two year period, they actually rose by approximately 1% between 1993-94 and 1994-95.

Changes in property tax receipts are an important backdrop to the state data reported here, especially for those systems listed on Table 1. Increases in state tax allocations may be offset by declining revenues from other sources. California, which accounts for a large proportion of the nation's community college students, is a case in point. As McCurdy (1994) notes, some of the increase in state appropriations for 1994-95 was prompted by an unanticipated and precipitous decline in property tax revenues experienced during 1993-94. By June 1994, property tax revenue to the community colleges had dropped to $120 million below projections, approximately 4% of the system's operating budget, causing many colleges to dip into their reserves. This $120 million decline comes on the heels of an $80 million shortfall in property tax receipts during 1992-93. The boom and bust of sections of the California real estate market have added considerable uncertainty to the budgeting process, "forcing [community] colleges to rely more heavily on the state general fund, which many other state agencies also depend on for their revenue" (McCurdy, 1994, p. 26).

But a more important theme underlying discussions of financial support lies in the growing debate about the meaning of open access and the community college's comprehensive curriculum in the 1990s. Diminished public confidence in government agencies and the increased pressure on state leaders to achieve greater efficiencies with limited tax monies favors more constrained rather than expansive approaches to the formulation of college roles. This has been hard for many in the community college movement to accept. For example, enrollment declines effected in California through state-mandated enrollment caps and reduced state tax appropriations have been viewed as appropriate downsizing by some, an abhorrent limitation of opportunity by others. The key issue is whether policies that prioritize who shall be served—usually degree-seeking students over lifelong or occasional learners—violates the provisions of the state's master plan for higher education, which stipulates that community colleges shall admit all who can benefit. McCurdy states the matter succinctly:

At the heart of the access issue is an emerging fundamental difference between state officials and college leaders that is rarely, if ever, discussed openly. By their deeds, California governors and legislators over the last 15 years have demonstrated a conviction that there is a limit to how many community college students the state can afford, regardless of demand. But [community] college leaders tend to interpret the Master Plan

(Continued on page 3245)
Sources


literally, assuming that the state should pay its share for all who want to go to college because education is the best investment the state can make in its own future. (McCurdy, 1994, p. 7)

It would be foolish to make generalizations on the basis of this observation, using it to characterize the fiscal dynamics of community colleges nationwide. California is an extreme case, and the resurging tax allocations registered in Tables 1 and 2 reflect continued public support of the two-year sector. Nationwide, "community college leaders have not taken direct actions to limit enrollments" despite a growing consensus that funding has lagged behind enrollments; instead, "they are selecting limitation strategies that do not alter the institution's admission criteria" (Leitzel, Morgan, & Stalcup, 1993, p. 494).

But the fiscal ups and downs experienced by community colleges during the past two decades have led some to question the effectiveness of these limited strategies and even the intentions of college leaders who put them into effect. For example, Levin, Perkins, and Clowes (in press) review the effects of reduced state funding on the Virginia Community College System during the 1980s, concluding that a commitment to comprehensiveness may be more wishful thinking or pretense than reality. "We suspect," they write,

that many community colleges, like those in the VCCS, have already chosen (overtly or covertly) to reduce access and reduce quality in order to maintain mission. Colleges must now, most for the first time, seriously address mission. Whether they choose to focus on a junior college model, a technical training model, or some other model, they probably should focus on doing less, doing it more efficiently, and doing it better than they have in the past. (Levin, Perkins, & Clowes, in press).

Judith Eaton (1994) is more emphatic, arguing (more for educational than for fiscal reasons) that community colleges should emphasize the collegiate curriculum, relegating other functions (such as remedial education or sub-baccalaureate vocational training) to secondary roles. She asserts that the stated commitment of community college leaders to comprehensiveness is misleading even in the best of fiscal times: "It implies a philosophical or ideological unity that, in actuality, is lacking among community colleges, and it masks a failure to make decisions about the special educational role of individual community colleges" (Eaton, 1994, p. 114).

The identity crisis currently facing the community college has been a long time in the making. In 1973, John Lombardi observed that the "golden age of community college financing [had] peaked in the mid-sixties" and that "the seventies have become a critical decade for the two-year college, one in which it is facing its most serious crisis since the Great Depression" (Lombardi, 1973/1992, p. 30). Limited resources, he declared, would necessitate "a great deal of soul searching" and a reexamination of institutional roles and practices (p. 31). Twenty years later, that painful "soul searching" can no longer be avoided. Continued public support of the community college, evident in the tax increases reported here, will likely depend on the results.
Table 2. APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF STATE COMMUNITY COLLEGES FOR FISCAL YEARS 1992-93, 1993-94 AND 1994-95, WITH PERCENTAGES OF GAIN OVER THE MOST RECENT TWO YEARS. (In thousands of dollars)

<table>
<thead>
<tr>
<th>States</th>
<th>Year 1992-93 (2)</th>
<th>Year 1993-94 (3)</th>
<th>Year 1994-95 (4)</th>
<th>2-Year Gain (5)</th>
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</thead>
<tbody>
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<td>479,330</td>
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<td>177,877</td>
<td>200,982</td>
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<tr>
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<td>176,829</td>
<td>185,865</td>
<td>7</td>
</tr>
<tr>
<td>Tennessee</td>
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<td>140,994</td>
<td>150,984</td>
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<td>Massachusetts**</td>
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<td>113,368</td>
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<td>87,116</td>
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<td>76,325</td>
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<tr>
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<td>2,813,309</td>
<td>2,969,785</td>
<td></td>
</tr>
<tr>
<td>Weighted average percentage of gain</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Although some support comes from local funds, the colleges receive most of their funds from the state; therefore, they are included here (Vincennes U in Indiana)

**Does not include salary increases or fringe benefits or other appropriations that are reported as a lump sum.

***States having both "local" and "state" community colleges.

PERCENTAGES OF TWO-YEAR GAIN IN APPROPRIATIONS FOR COMMUNITY COLLEGES AND FOR ALL HIGHER EDUCATION OPERATING EXPENSES*

<table>
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*These data do not take into account revisions which may have occurred after they were originally reported in Grapevine.