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Public Higher Education Funding, Budget Drivers, and Related Issues: The State Community College Director Perspective

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Introduction and Background

This article presents results from the 2012 National Survey of Access and Finance Issues conducted by the National Council of State Directors of Community Colleges (NCSDCC), an affiliated council of the American Association of Community Colleges, and includes a comparison of survey results from previous years dating back to 2003, with the exception of 2005 and 2006 when the survey was not conducted.[1] This survey highlights critical access, system capacity, and funding challenges faced by public community colleges, regional universities, and flagship universities.

The survey instrument consists of several components. The first focuses on the fiscal year just completed, asking respondents if midyear budget cuts were taken by the education sector (elementary and secondary (K-12) education, community colleges, regional universities, and flagship universities); and what were the major budget drivers across all of state government in the legislative session just concluded. The second focuses on predictions for the year following the survey with regard to increases or decreases in state operating budgets, tuition, and state-funded need-based and merit-based student financial aid. Additional survey items added since 2007 relate to system capacity include capacity to serve high school graduates and older returning adults and facilities.

A third component, referred to as special sections, is more narrowly drawn to focus on key issues of concern to community colleges. The first special section in 2007 was on facilities, and the 2008 special section was on state student aid, tuition policy, and the budgeting process, with a focus on policy alignment between state appropriations, tuition, and state-funded student aid needed for a high tuition-high aid model to work. In 2009, as the severity of the recession became more apparent, a special section dealt with federal American Recovery and Reinvestment Act (ARRA)[2] stimulus funds.

Survey Instruments are reviewed by a panel of NCSDCC members, community college scholars. and practitioners. There are 51 members of the NCSDCC. Because Georgia has a dual system, responses are obtained from both the University System of Georgia and the Technical College System of Georgia. Responses from Arizona, Maryland, Nebraska, New Jersey, New Mexico, and Pennsylvania come from each state's respective community college association. New York's response is from the State University of New York system office.

Response rates have been robust. Forty-six of 51 National Council of State Directors of Community Colleges (NCSDCC) members responded in 2003; 50 in 2004; 49 in 2007, 2008, and 2009; 51 in 2010 and 2011; and, 49 in 2012.

Survey Results

In this section, survey results are presented in five areas: Capacity, fiscal challenges, facilities, fiscal challenges, tuition and financial aid, and the special problem of financing rural community colleges. Results presented are respondents' perceptions.

Concerns over Capacity

In the 2009 survey, respondents were asked if the public flagship universities in their states had capped their enrollments. Twenty-eight respondents indicated that they had not done so, with 12 reporting that it had occurred in their states, as follows: California, Colorado, Connecticut, Delaware, Florida, Illinois, Indiana, New York, Texas, Vermont, Washington, and Wisconsin. With regard to public regional universities, 29 respondents indicated they had not capped enrollments. However, 7 had done so: California, Connecticut, Florida, Illinois, New York, Washington, and Wisconsin. To place this information into perspective, the 12 states reporting enrollment caps at public flagship universities included the nation's 5 most populous states, while the 7 states reporting enrollment caps at public regional universities included 4 of the nation's 5 most populous states.

Beginning in 2007, respondents were asked if community colleges in their states had sufficient capacity to serve current and projected numbers of high school graduates and older and returning adults. Between 2007 to 2012, the number of respondents in agreement that sufficient capacity existed to serve traditional-age students increased with the exception of 2008, during the recession. (See Figure 1.) However, in 2012, respondents indicating disagreement included California (which enrolls one-in-four community college students), New York, and Georgia. With regard to sufficient capacity to serve older and returning adults, those in disagreement included many large states, those with fast-growing Latino populations such as Arizona and Nevada, and Midwest states with high unemployment rates like Michigan.

Fiscal Challenges

The decline in state tax revenues for public higher education predates the 2007-2009 recession. In Fiscal Year (FY) 1981, 16 states contributed 60% or more of community colleges' revenues, but, by FY2001, none did.[3] Furthermore, in FY1981, 22 states contributed at least 50% of community colleges' revenues, accounting for 55% of community college enrolments. By FY2001, only 7 states contributed at least 50% of community colleges' revenues, accounting for 8% of community college students.

Figure 2 illustrates the number of states where education suffered state-imposed midyear fiscal cuts between 2007 and 2012. The last year of the 2007-2009 recession saw the largest number of states in this category: community colleges in 34 states; flagship universities in 33 states; and regional universities in 31 states were affected. Least affected over this

Figure 1 | **Number of Respondents Indicating Community Colleges in Their States Have Sufficient Capacity to Serve Current and Projected Numbers of High School Graduates and Older and Returning Adults: 2007-2012**

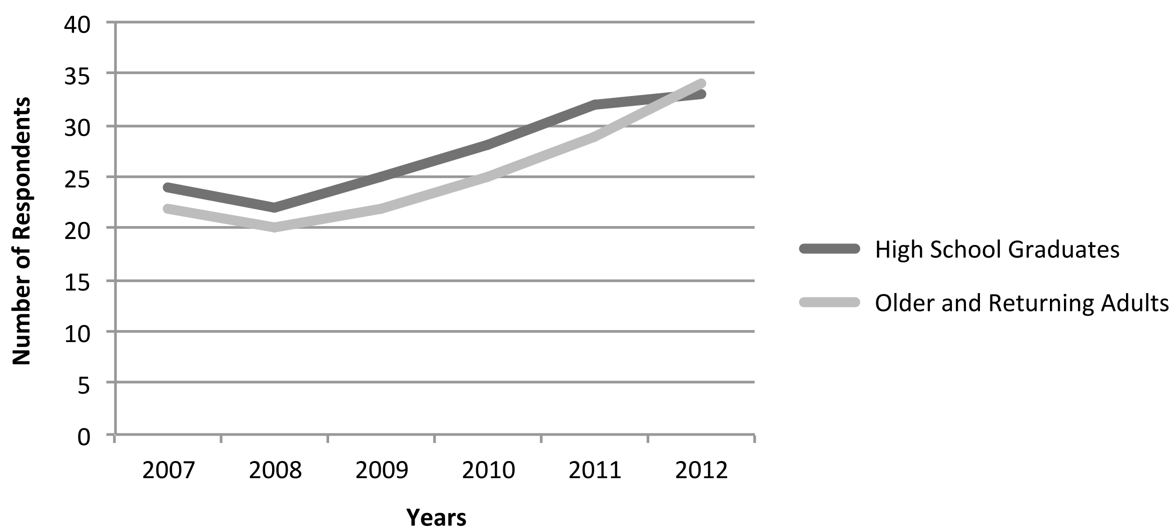

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Figure 2 | **Number of States Where Education Experienced Midyear Budget Cuts: 2007-2012**

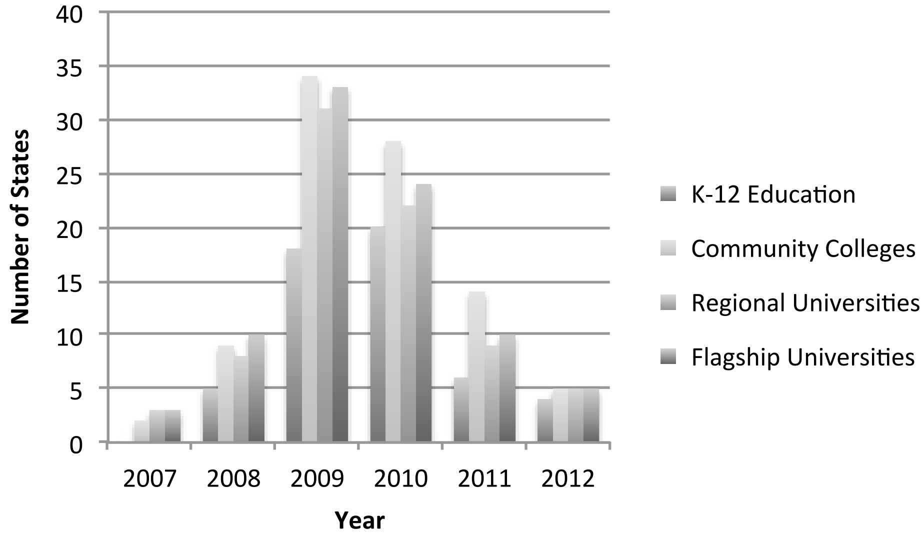
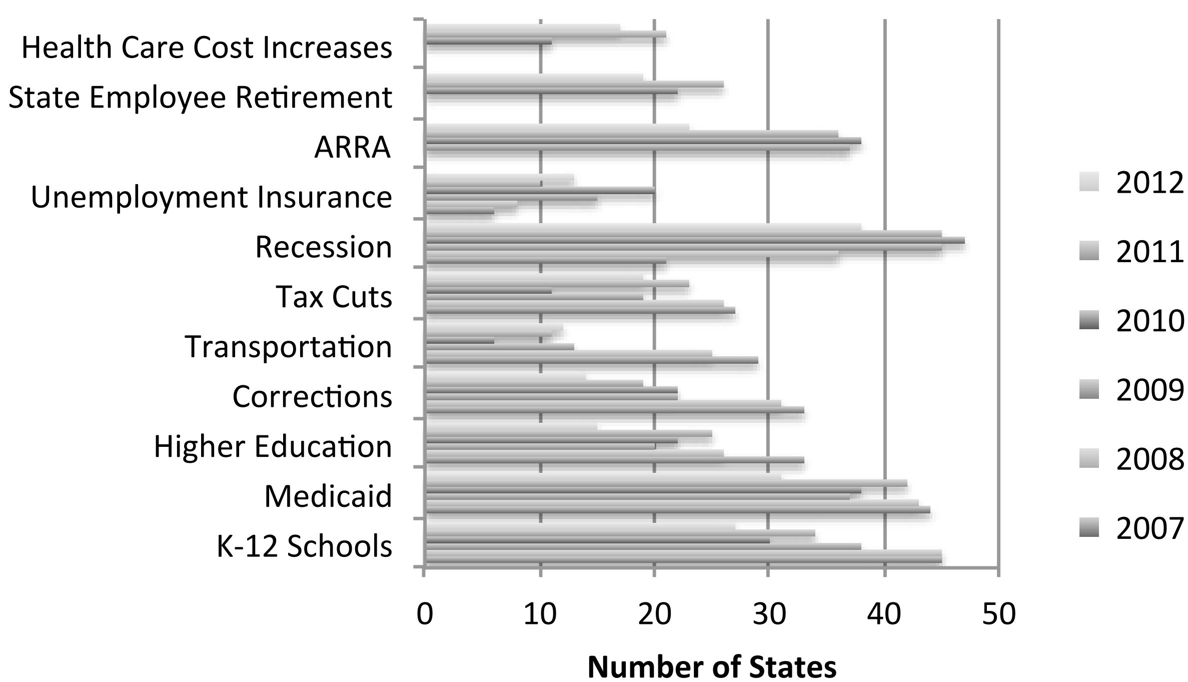


Figure 3 | **Major State Budget Drivers by Number of Respondents: 2007-2012**



time period was K-12 education, although 18 states made midyear fiscal cuts in 2009, and 20 did so in 2010. Far fewer states made midyear education fiscal cuts in 2011 and 2012. This may have been due to a number of factors, including more robust state economies and the impact of ARRA funding.

The Facilities Crunch

The 2007 survey included a special section on facilities. When respondents were asked if deferred maintenance at community colleges in their states had changed in the past 5 years, 34 reported increases, and 12 reported it stayed about the same. Seven of 8 respondents from the nation's 10 largest states indicated significant increases. No respondent reported a decrease in deferred maintenance over the past 5 years. In each annual survey conducted since then, strong majorities have indicated that facilities funding is a major need and federal funds would be helpful to address the backlog.

In 2011, respondents were asked if there existed a long-term state plan to finance capital needs in order to increase the numbers of adults with college degrees. Only 3 responded affirmatively, while 40 disagreed. When respondents were asked to respond to a list of strategies to deal with budget gaps, deferring maintenance topped the list in 2010, 2011, and 2012.

Figure 4 | **Top State Budget Drivers: 2007-2012**

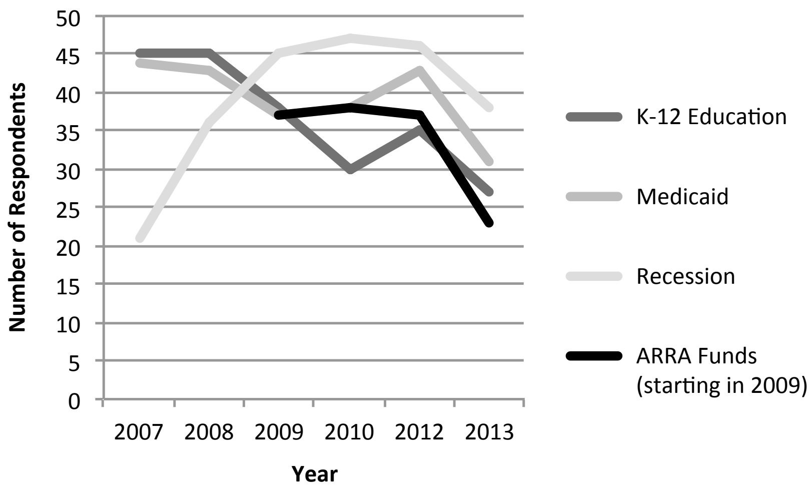
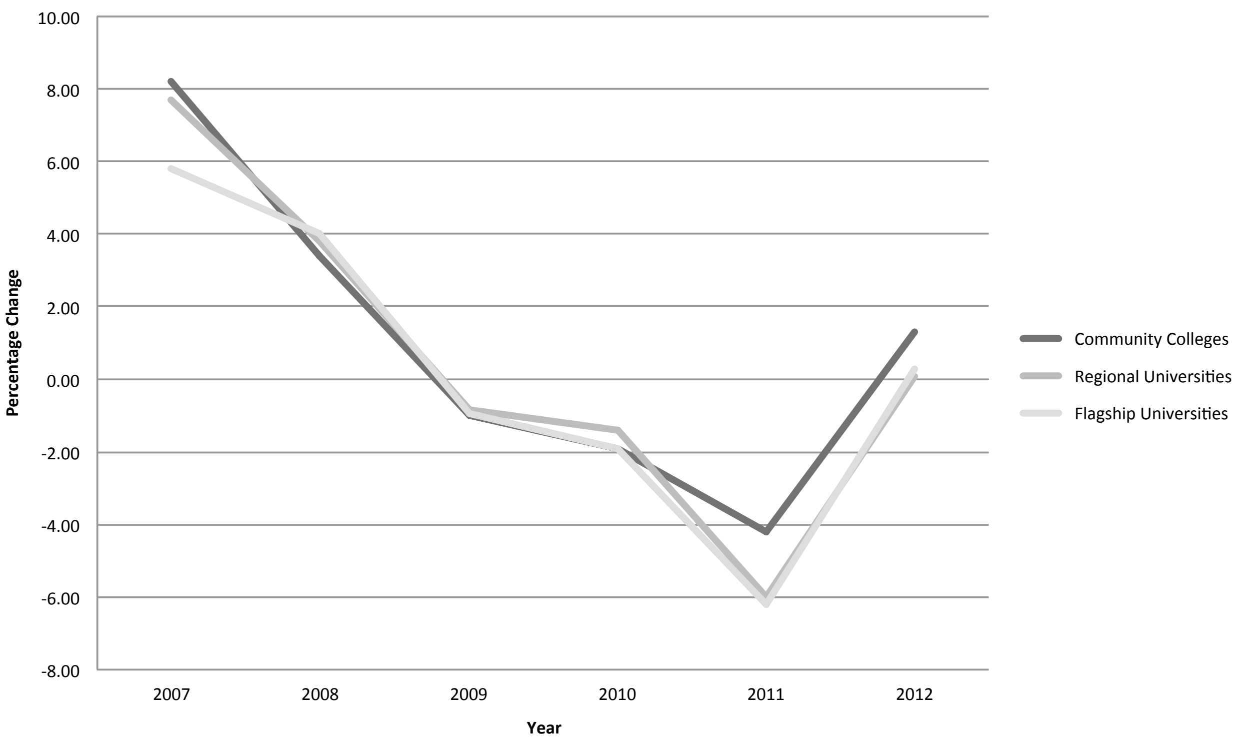


Figure 5 | **Predicted Changes in State Operating Budget Support by Public Higher Education Sector: 2007-2012**



State Budget Drivers

Respondents have been asked each year to identify major budget drivers in the state legislative session just concluded. (See Figure 3.) Initially, in 2007, they identified the recession, K-12 education, higher education, Medicaid, corrections, and unemployment insurance as major drivers. Over time, more were added: transportation/highways, tax reductions/local property tax relief, the ARRA, unfunded state retiree pension obligations, and health care cost increases tied to federal health care legislation.

Figure 4 presents the top 4 state budget drivers, 2007-2012: K-12 education, Medicaid, the recession, and the ARRA, the latter beginning in 2009. In 2007 and 2008, K-12 and Medicaid were the top state budget drivers identified. Beginning in 2009, the recession was to the top state budget driver, and continued to be so in subsequent years, 2010-2012.

Figure 5 shows the percent changes in state operating budget support for community colleges, public regional universities, and public flagship universities predicted by respondents.[4] In 2007, predicted increases ranged from 5.8% to 8.2%, followed by sharp declines 2009-2011, i.e., during and

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Figure 6 | **Median Percentage Tuition Changes: 2008-2012**

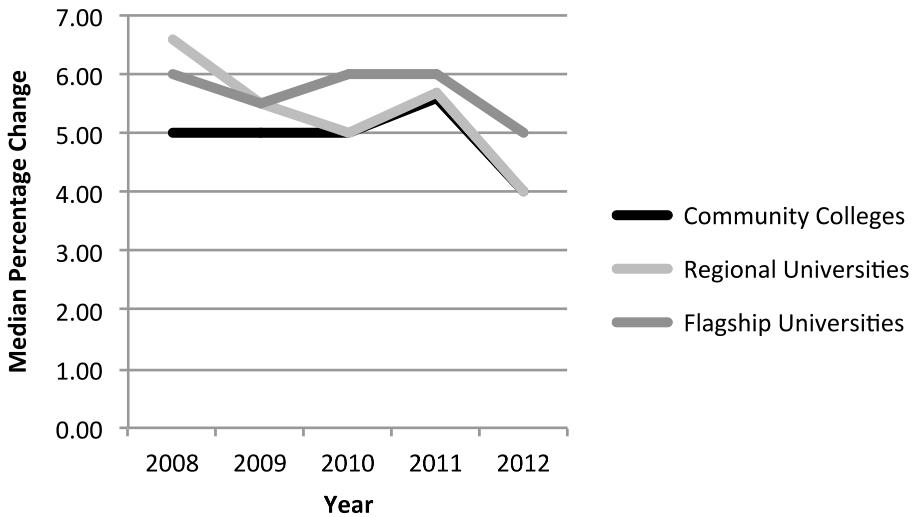
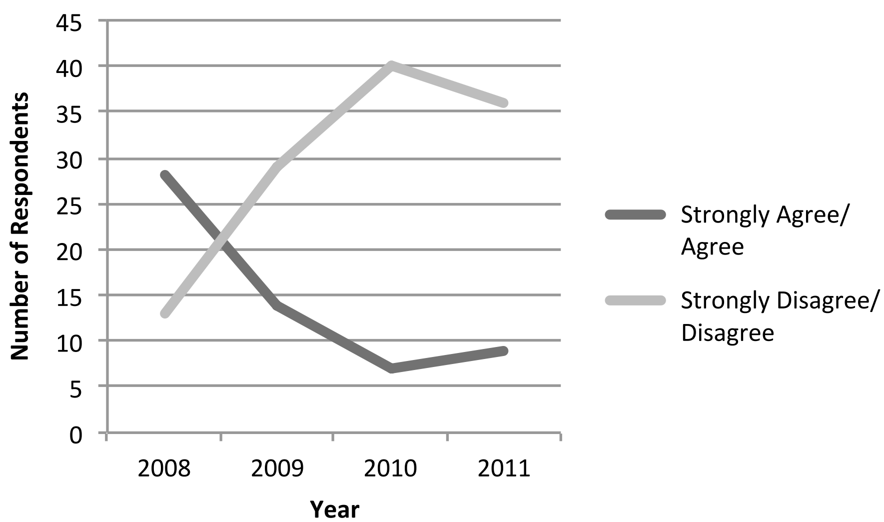


Figure 7 | **Responses to Survey Item: Did Investment in State-Funded Need-Based and Merit-Based Student Aid Keep Up with Tuition?**



after the recession. For 2012, respondents predicted modest increases between 0.08% and 1.30%.

Tuition and Financial Aid

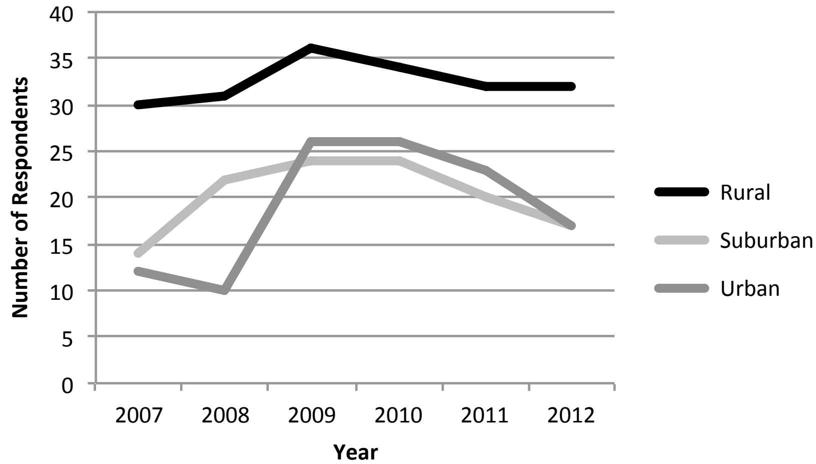
Respondents were asked to provide median percentage changes in tuition increases for their states' public community colleges, regional universities, and flagship universities 2008-2012. (See Figure 6.) For community colleges, median tuition increases decreased from 5.0% in 2008 to 4.0% in 2012, although there was a 0.6% increase to 5.6% in 2011. Median tuition increases fell most dramatically for regional universities, from 6.6% in 2008 to 4.0% in 2012, although there was a 0.7% increase to 5.7% in 2011. Median tuition increases showed the least variability for flagship universities. However, their median tuition increases also fell between 2008 and 2012, from 6.0% to 5.0%.

On 2008-2011 surveys, respondents were asked, "In the most recently approved budget, did state investment in state-funded need-based and merit-based student aid keep pace with tuition increases?" In 2008, respondents from 28 states agreed or strongly agreed while 13 disagreed or strongly disagreed. (See Figure 7.) Over time, these number reversed, such that in 2011 only 9 respondents agreed and 36 disagreed.

The Special Problem of Financing Rural Community Colleges

The Carnegie Foundation for the Advancement of Teaching 2005 Basic Classification, released in February 2006, for the first time organized the associate degree college sector using a geographically-based classification reflecting how states formally assign urban, suburban, and rural service delivery

Figure 8 | **Types of Community Colleges Predicted to Have Greatest Fiscal Stress: 2007-2012**



regions to community colleges. The February 2011 updated edition showed the nation's 178 urban-serving, 208 suburban-serving, and 575 rural-serving community colleges enrolled roughly a third each of the nation's 10.5 million community college students.[5] Figure 8 shows that each year between 2007 and 2012, rural community colleges were predicted to face the greatest fiscal strain compared to their suburban and urban counterparts. Respondent comments indicated that low property tax wealth in rural areas was a major reason for the greater fiscal strain.

Implications from the Survey Results

Four implications can be drawn from the survey findings discussed here. First, public higher education is vulnerable to competing state priorities as a means to balance state budgets, especially in difficult economic times. Community colleges, public access regional universities, and flagship universities seeking to maintain affordability are all affected. Second, a lack of state facilities funding coupled with increases in deferred maintenance may threaten public higher education institutions' capacity to produce more earners of first certificates, as well as associate's and bachelor's degrees.[7] However, the political reality is that capital resources may not be forthcoming. Third, affordable tuition and adequate state-funded student financial aid are essential because increasing numbers of future jobs will require postsecondary education.[8] Finally, many of the challenges described here may be compounded by geography, particularly for community colleges in rural areas with low property wealth.

Endnotes

[1] See Appendix for a list of previous year's survey reports.

[2] Public Law 111.5, 111th Congress, February 27, 2009.

[3] Billy C. Roessler, Stephen G. Katsinas, and David E. Hardy, *The Downward Spiral of State Funding for Community Colleges, and Its Impact on Rural Community Colleges* (Tuscaloosa, AL: Education Policy Center, University of Alabama, 2006), 1.

[4] It should be noted that there were some differences in response rates. At least 49 respondents provided predictions for community colleges each year, 2007-2012, while between 40 and 45 respondents provided predictions for their public flagship universities, and between 35 and 40 respondents for their public regional universities. Some states, e.g., Wyoming, do not have public regional universities.

[5] Carnegie Foundation for the Advancement of Teaching, *Basic Classification of Associate's Degree Colleges* (Stanford, CA: Carnegie Foundation for the Advancement of Teaching, 2011).

[6] Stephen G. Katsinas, King F. Alexander, and Ronald D. Opp, *Preserving Access with Excellence: Financing for Rural Community Colleges* (Chapel Hill, NC: MDC, 2003), 1–22.

[7] Perhaps some of these issues would have been addressed by a fully-funded American Graduation Initiative (AGI). To achieve 5 million more community college graduates by 2020, President Obama proposed spending $2.5 billion dollars to create a $10 billion revolving fund to renew and build community college facilities. See, White House, Office of the Press Secretary, "Remarks by the President on the American Graduation Initiative at Macomb Community College," news release, July 14, 2009, http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-on-the-American-Graduation-Initiative-in-Warren-MI. The AGI revolving facilities fund did not pass.

[8] Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, *Help Wanted: Projections of Jobs and Education Requirements through 2018* (Washington, DC: Center on Education and the Workforce, Georgetown University, 2010).

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Appendix | **Previous Survey Reports**

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