EDUCATION COMMISSION OF THE STATES
Your education policy team.

Response to information request

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Your Question:

You wanted to know which states have postsecondary institutions that have taxing authority. Specifically, you were interested in what the differences are between two- and four-year institutions.

Our Response:

Taxing authority has primarily been a tool for community and technical colleges to supplement remaining institutional financial need while four-year institutions are availed broader funding streams, and are less likely to use this as a complimentary fiscal strategy. The below response provides further context, examples, and benefits of the use of taxing authority across states and sectors of postsecondary education.

Additional Resources

- State Funding for Community Colleges: A 50 State Survey (ECS)
- State-by-state lists of the types of special purpose districts that are authorized in each state (Census Bureau)
- Community and Technical College Governance (NCHEMS)

Governance Structure

Governance structures are closely related to funding streams, though both governance structure and funding mechanisms vary greatly from state to state. Community and Technical colleges are typically characterized by 3 types of governance structures:

(1) System governing boards with high authority within the jurisdiction,
(2) state-wide coordinating boards with responsibility for resource allocation, assessment, and strategic vision but individual colleges function with autonomous authority, and
(3) state regulatory agencies that regulate locally governed community colleges and hold limited function and authority.

State-wide or system governing boards are more likely to have a combination of funding streams; while, a local governance structure would be more likely to be supported by local tax resources only. Colleges that have significant levels of funding from local tax revenue are generally governed by local boards; whereas, colleges that receive most of their funding from state appropriations are commonly governed by a system board.

Funding Mechanisms

Community Colleges are typically funded in two ways:

(1) Combination of state appropriations and local tax resources (most often derived from mill levies in taxing districts/local governments)
(2) State appropriates without local tax supplemental funding

According to a 2014 analysis from the National Center for Higher Education Management Systems (NCHEMS), approximately **25 states use local tax revenue as at least one funding source.** State appropriations and student tuition and fees are the other principle revenue sources.

State Examples

In **Texas**, just over 40 percent of funding for public two-year institutions comes from local revenue sources. The remaining funding is divided between tuition and fees (26 percent) and state appropriations (34 percent). Texas can establish "independent school district junior college districts," commonly known as community college districts, upon voter petition, state approval, and referendum. The school district may create a separate board. After voter approval, these districts may levy maintenance and bond taxes and issue bonds.

In contrast, **Colorado's** public 2-year institutions receive just 11 percent of their funding through local revenue sources and the majority of community and technical institutions do not receive local support. Tuition and fees provide the largest portion of funding (87 percent), while state appropriations are low (3 percent). Junior college districts may be organized in areas meeting certain criteria and approved for organization by the state board of community colleges and occupational education. Establishment requires voter petition to the county or the secretary of state, and voter approval. These districts may levy ad valorem taxes, but ultimately are a part of the state system of higher education and do not have autonomy.

Benefits of local tax appropriations

Funding community and technical colleges through local property tax can serve as a recruitment and retention tool for students. At some campuses, local residents are offered reduced tuition rates if they are a resident of the tax district. This incentivizes students to enroll at their local institution, where their cost of attendance will be offset by the contribution they are already making to the operating budget of the institution through their local tax contributions.