Response to information request

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Your Question:

You asked for information about other states with local funding for community colleges.

Our Response:

Alongside state appropriations and tuition, local revenue is a vital source of funding for community colleges in many states. Indeed, as state appropriations have **steadily decreased** over the past few decades, coupled with institutional attempts to remain competitive by maintaining **lower tuition rates** relative to **four-year universities**, researchers argue that local revenue sources are key to **provide financial stability** amidst declining enrollment. **Historically**, local revenues have been primarily derived from property taxes in community college districts or service areas; however, sales taxes and utility fees have been used by a small number of states as well.

According to a **recent report** from the Center for American Progress, all but 13 states have local funding for community colleges. The overall percent of revenue community colleges receive from local sources ranges significantly. In states like **South Carolina** and **Pennsylvania**, community colleges only receive 10% of revenue from local sources; in **Alaska** and **Nebraska**, it's 96% and 46% respectively.

The wide variation in the percent of local revenue is attributable to the creation and **governance** of state community college systems: some state community college institutions **emerged out** of K-12 school districts whereas others **originated from** locally elected boards of trustees. In addition, local revenues may be used for general operating expenditures or capital outlays, depending on the state. This response highlights a few state examples of local funding for community colleges to demonstrate the variety of approaches. However, these examples do not constitute a full 50-State Comparison of current state policies.

State Examples

Arizona

Property taxes are the **largest revenue source** for community colleges in Arizona, accounting for more than 49% of total revenue. There are two types of property taxes: primary taxes that are levied for operating costs and secondary taxes levied for capital outlay costs (**Ariz. Rev. Stat. Ann. § 15-1461**; **§ 15-1462**). Community colleges set primary and secondary property tax rates annually. State statute limits the amount community colleges may increase property taxes to no more than 2% annually (**Ariz. Rev. Stat. Ann. § 42-17051**). Any increase over 2% requires a mill levy election except in the instance of a district forgoing increases in previous years and is making a consolidated increase.

Montana

State statute enables the creation of community college districts, which may span one or more counties. A recent state law created a bifurcated revenue system for districts created before and after 2021 (**Mont. Code Ann. § 20-15-311**). For districts created before 2021, local revenues include the following:

- A mandatory mill levy on the community college district's property (**Mont. Code Ann. § 15-10-420**).
- A retirement levy (**Mont. Code Ann. § 20-9-501**).
- A levy for employer contributions to group benefit plans (**Mont. Code Ann. § 2-9-212**).

- An adult education levy subject to the approval of the state superintendent of public instruction (**Mont. Code Ann. § 20-15-305**).
- Any optional mill levy adopted after a mill levy election (**Mont. Code Ann. § 15-10-45**).

Community college districts created after 2021 only have a single, unified operating district levy that a district may impose after voter approval (**Mont. Code Ann. § 20-15-316**). Subsequent mill levy elections are required if a district wants to exceed the levy limit defined in statute.

Oregon

The **funding sources** for the 17 community colleges are state funding, tuition revenue and local property tax revenue. The **Community College Support Fund (CCSF)** distribution is the state's primary public support for Oregon's community colleges, comprising 37% of all funding in the 2017-18 fiscal year. Oregon's community colleges also receive a small amount of timber tax funds, around $50,000 to $80,000 annually. The CCSF distribution is based on student enrollment determined by community college district enrollment reports. This distribution is also affected by the amount of local property tax imposed by each college. Due to **Measures 5/47/50**, property has an assessed value and a market value that created permanent rate limits for property tax rates. In Oregon, voters can elect to exceed property tax rates in two ways:

- A local option levy can increase the base rate for any property tax to fund operations, such as community colleges. These levies are to be approved every five years.
- Bond levies can increase property taxes to bond for capital projects. This common method meets the constitutionally required match for **Article XI-G** bonds (**ORS 286A.848**). Bond levies do not fall under the rate limits of **Measures 5/47/50**. Article XI-G bonds must be matched dollar for dollar by local revenues.

There are areas in Oregon that are represented by a community college district. These counties and municipalities do not pay property taxes for the operation of a community college. Some counties receive community college services through out-of-district (CODs) agreements.

Other Resources:

- **Tapping Local Support to Strengthen Community Colleges** — Center for American Progress (2020)
- **Budget Briefing: Community Colleges** — Michigan House Fiscal Agency (2020)
- **Policy Strategies for Pursuing Adequate Funding of Community Colleges** — The Century Foundation (2018)
- **Funding Issues in U.S. Community Colleges: Findings From a 2007 Survey of the National State Directors of Community Colleges** — American Association of Community Colleges (2007)
- **State Funding for Community Colleges: A 50-State Survey** — Education Commission of the States (2000)