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ABSTRACT

This paper explores the ways in which community colleges in the United States are financed. It offers a historical overview of community college financing in the U.S., arguing that from their inception, they have operated on the premise of providing wide access to higher education through public funding at little or no cost to students. The paper stresses that any discussion of funding should differentiate between public and private or independent colleges. Most of the growth in the two-year college sector has been on the part of the public institutions. The average tuition for independents in 1997-1998 was $7,536--almost 6 times the average public college tuition. Tuition and fees account for only about 21% of the revenue of public community colleges. But even this low figure is a relatively recent development. For instance, in 1975, California's institutions were tuition-free. Because local control is a basic tenet of community colleges in the United States, there is no single model for financing. The second major source of revenue for community colleges is money appropriated by state legislatures. The percentage of community college income acquired from appropriations ranges from a high in Nevada of 66% to a low in Vermont of 15%. Public colleges are the only segment of higher education that receives revenue from local taxpayers. (NB)

THE FINANCING OF UNITED STATES COMMUNITY COLLEGES: NATIONAL, STATE, AND LOCAL PERSPECTIVES

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The Financing of United States Community Colleges: National, State, and Local Perspectives

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Introduction

Just as form follows function, the financing of community and junior colleges in the United States mirrors the underlying principles on which these institutions were established. From their inception at the dawn of the 20th century, public, two-year colleges have been designed to provide access to higher education to those segments of the population for whom this door of opportunity was previously closed. The challenge of keeping this door open, and opening it even wider, has molded the ways in which the colleges are funded.

"Access" is the key word, and in the context of this paper it is synonymous with "opportunity," which for many years was extremely limited. Higher education in the United States began much on the European model. Universities were designed to train members of the elite to take their places in the professions –law, medicine, and especially in the clergy. They were self-governing and largely self-supporting.

Gradually, the scope of higher education expanded. Governance by lay boards, rather than by the professorate, was imported from Scottish universities. After the nation won its independence from Great Britain, individual states established universities as the concept began to take root that higher education was of such importance that it should be financially supported by federal and state governments. The number of state universities expanded rapidly after 1862 when Congress made large grants of public land to support higher education. Some of the most prestigious U.S. institutions –Cornell, Purdue, Ohio State, and the Massachusetts Institute of Technology– are numbered among the "land-grant" universities.

The Question of Access

Even so, most people did not have access to higher education – access in three different connotations:

- Physical access: As the United States expanded across the North American continent, many people lived in areas remote from cities in which colleges and universities were located. Higher education simply was unavailable unless one was free to relocate –difficult or impossible for working people.

- Educational access: With the expansion of universal, mandatory education and free public schools, the number of high school graduates seeking higher education rose dramatically. Because of the wide differences in the quality of public schools, however, many graduates – though highly able– were unprepared for the rigors of college work.

- Financial access: State-supported colleges and universities were more within the means of most people than private institutions, but they still were expensive –an impossibility for hundreds of thousands, including immigrants and ethnic minorities, but also including many members of the middle class.

For millions of people in the United States over the last century, the answer to the challenge of access to higher education has been the community or junior college. Indeed, Adolphe Mayer and Robert R. Lawson in their article on the history of American higher education, say that establishment and expansion of junior colleges constituted "probably the most significant change" of the century in higher education. Perhaps a brief historical review is in order.

A Historical Overview

The person generally given credit as the father of the junior college movement is William Rainey Harper, president of the University of Chicago from 1890 until his death in 1906. He believed that the first two years of college were much more akin to high school than to the university experience. J.L. Ratcliff wrote that Harper believed that "the last years of secondary school and the first years of college were periods of personal exploration and citizen development. It was best not to confuse university studies (research, advanced studies in a specialized subject) with the general education which was prerequisite to it."

In 1892 Harper divided the University of Chicago into upper and lower divisions. The lower division departments were known initially as the "academic colleges," but in 1895 Harper coined a new term –"junior colleges." His plan went much further, however, envisioning a network of free-standing junior colleges affiliated with universities. Transferability of junior college courses to their affiliate universities would be guaranteed.

At first, Harper's vision of free-standing, two-year colleges went unrealized. Instead, some high schools that had formed articulation agreements with the University of Chicago asked permission to offer college-level courses on their own. The first high school to expand from four to six years –the last two years consisting of college-levelcourses– was at Joliet, Illinois. These courses were first taught to six students in 1901. Fifteen years later, this "postgraduate" division was separated from the high school and renamed Joliet Junior College, considered by most authorities to have been the first public junior college in the United States.

The development of junior and community colleges as upward extensions of high schools, rather than downward extensions of universities, had major consequences for the manner in which they were –and still are– financed. The high schools existed on the precept of public support with no cost to students in the form of tuition, while universities catered almost exclusively to the well-to-do. The early junior colleges charged little or no tuition. Goshen, Indiana, High School charged students $30 per year in 1904. Fresno, California, High School courses were free to residents of the school district, $4 per month to non-residents. Thus, from the very outset, junior and community colleges in the United States operated on the premise of providing wide access to higher education through public funding and little or no cost to students.

During the early decades of the 20th century, there were many more private two-year colleges in relation to public junior colleges than today. Most of these institutions were then, as now, church-affiliated, and their values were reflected in a 1918 survey of junior colleges in which administrators were asked to list their most important functions. Among these were to keep children near home, to provide segregation of the sexes, and to provide for religious education – all indicating the influence of church-related colleges.

That same survey, however, yielded other results far more meaningful when examining community college financing as it exists in the United States today. Among the other primary components of the junior college mission cited in 1918 were:

- To meet specific local needs,
- To compensate for geographical remoteness from a senior college or university,
- To compensate for financial difficulties,
- To provide vocational training, and
- To provide educational opportunities for those students unable to qualify for university admission.

These principles, articulated more than eighty years ago, formed and have remained the kernels of the mission of the comprehensive community college. The three key elements that would shape future financial models were (1) local control, (2) public funding, and (3) lowest possible cost to student. From these elements would come the pattern of funding found in the United States today.

The National Scene

Independent Colleges

Any discussion of community college funding patterns in the United States should differentiate between the public and theprivate, or independent colleges. Most of the phenomenal growth in the two-year college sector has been on the part of public institutions. Private colleges accounted for 74 percent of two-year colleges in 1921. By 1960 this had fallen to 13 percent and in 2000 stands at 12.1 percent with 137 independents among the 1,132 members of the American Association of Community Colleges.

The funding pattern of independent community colleges closely parallels that of their private university counterparts. The average tuition for independents in 1997-98 was $7,536 –almost six times the average tuition for a public community college. As at private universities, tuition and fees constituted a far greater percentage of income –61.7 percent as compared to 21.4 percent for public colleges. Also mirroring the private university model is the extent of financing from private sources –gifts and grants from individuals, corporations, and philanthropic foundations. These sources accounted for 10.8 percent of private college revenue but only 1.1 percent at public colleges.

Because of their higher tuition, and hence the greater financial need of their students, independent colleges receive proportionally more federal financial aid than do public colleges.

The average full-time private community college student receiving financial aid received $5,385 in 1995-96 while their public college counterparts received an average of $2,086. For the purposes of this discussion, however, financial aid income is not considered in the funding mix since it goes primarily to individual students and not toward operational expenses.

Fifty States: Fifty Systems

With local control a basic tenet of community colleges in the United States, it stands to reason that there is no single governing body for public institutions and no single model for financing. Indeed, the models vary widely among the 50 states and there are allowances for considerable variation even within some individual states.

The states also display a wide variety of governance models. In some states, all public community colleges are part of a single, statewide system. Some of these statewide systems are independent of the universities, their governing boards appointed by and reporting to the governor of the state, as in Connecticut. Other statewide systems are incorporated under the state university system, as in Hawaii, with a single board of appointed regents governing all levels of public higher education.

Alabama's community colleges, on the other hand, are directed by a single chief executive officer who reports to a state Board of Education. Educational programs, however, are approved by a separate body, and day-to-day governance is provided by eight regional boards whose members are elected by popular vote. In Texas, each of the state's 50 community college districts has its own popularly elected governing board, each of which appoints the chief executive officer –the president in the case of single-campus colleges or the chancellor for those districts with multiple campuses or colleges, each of which has its own president, appointed by the chancellor. Coordination and approval of educational programs, however, lies with an 18-member Coordinating Board appointed by the governor.

In sum, no two of the 50 United States have exactly the same model for governance of their public community colleges. It follows, then, that no two of the states have exactly the same funding, and such is the case. The basic components of funding, however, are much the same from state to state –state appropriations, local tax revenue, and tuition and fees.

Tuition and Fees

When universities were first established in Europe, the two primary methods of financing them were endowments from the wealthy or the nobility and fees collected from students. Ironically, these two sources of income have been the ones least employed by public community colleges in the United States. From the first, the public school roots and the egalitarian spirit of community colleges argued against making the end user –students– the bearers of the burden of the cost of their education.

In 1996-97, according to the American Association of Community Colleges, tuition and fees accounted for only about one-fifth –21.4 percent– of the revenue of public community colleges.

This figure has steadily risen –up from 19.9 percent only five years previously, reflecting the upward pressure on tuition and fees generated by rising costs and level or declining state support.

Even today's relatively modest contribution of tuition and fees toward operational costs is far higher than in past decades. In 1975, annual tuition and fees at about 55 percent of the nation's public community colleges were less than $300. There was no tuition, in fact, at California's institutions. Gradually, however, economic pressures forced students to bear more and more of the cost. By 1968, only 18 percent of California's community colleges were tuition-free and by 1996-97 the national average annual tuition and fees for a full-time public community college student was $1,283.

Tuition and fee structures vary widely from state to state. California, although no longer tuition-free since 1983, had the lowest – an average of $371 per year in 1996-97. Other states with very low rates were New Mexico ($689), Arizona ($782) and Hawaii ($789). Among the highest were New Hampshire ($2,784) Maine ($2,558), Massachusetts ($2,342), Indiana ($2,331), and Minnesota ($2,219).

Tuition and fee amounts can be deceiving because of differences in the cost of living among the states. Another way of looking at the level of student costs is to state them as a percentage of average family income. On the whole, and not surprisingly, states with low tuition rates tend to be those that rank as the most affordable when this standard is applied. California remains the lowest, its average tuition and fees amounting to 0.7 percent of the average family income in that state. Others in the low range are Hawaii (1.4 percent), Arizona (1.8 percent) and New Mexico (1.7 percent). Conversely, the states with the highest tuition rates were the ones in which community college costs took up more of a family's income –Maine at 5.3 percent, New Hampshire at 4.9 percent, Indiana at 4.4 percent.

Wide disparities also exist in the percentages of community college income generated by tuition and fees. While the national average is 21.4 percent, students pay less than 15 percent of costs in six states (California, 8 percent; North Carolina and New Mexico, 11; Wyoming, 13; Mississippi and Idaho, 14). And in another six states students contribute more than 30 percent of the total income (Vermont, 55 percent; New Hampshire, 47; New Jersey, 34; Massachusetts, 33; Rhode Island and Pennsylvania, 31).

Even though they have risen considerably over the decades, however, tuition and fees at public community colleges are far more affordable than at public universities. In 1995-96, the average tuition and fees for a full-time community college student was $1,283 compared to $2,986 for a full-time student at a public university.

State Appropriations

The second major source of revenue for community colleges in the United States is money appropriated by state legislatures. Community colleges depend on this source of revenue more than any other, 43.3 percent nationwide coming from such appropriations in 1996-97. Again, however, there is considerable disparity among the various states.

In five states, appropriations constitute more than 60 percent of community college income. Nevada is the highest at 66 percent, followed by Connecticut (64 percent), North Carolina (63 percent), Georgia (62 percent), and Hawaii (61 percent). The lowest contributions by states are found in Alaska (18 percent) and Vermont (15 percent).

In contrast to tuition, state appropriations have declined as a percentage of community college revenue. The 43.3 percent of 1996-97 is down from 46.2 in 1991-92.

Local Revenue

Public community colleges are the only segment of higher education in the United States that receives revenue from local taxpayers. Again, this practice derives from their beginnings as outgrowths of the public schools. The most common form of taxation of community college districts is the property tax in which a tax rate is applied to the value of the property (normally real property) of an individual or a business.

This property tax is known as millage and is sometimes expressed in terms of so many mills (one-thousandth of a U.S. dollar) per dollar's worth of property. In other states, the tax rate is expressed in terms of a set amount of tax per a set amount of property. For instance, a tax rate of 25 cents for each $100 of property would yield $250 for property valued at $100,000 (100,000/100 = 1,000 x 25 cents = $250).

Fifteen states have no sources of local revenue, deriving all of their tax revenue from state appropriations. These are states that are divided into community college districts in such a manner that every part of the state is served by a college, state appropriations being divided among them according to enrollment. In other states, however, not all areas are included in community college districts. Local taxes are levied within the individual districts, and persons residing in the districts pay tuition at a lower rate than do others who live in the state but not in the taxing district. A still higher rate is paid by persons from other states and from other countries.

Local funds account for an average of 19 percent of the revenue of public community colleges in the United States. There is a wider disparity in this category of funding, however, than in any other. In addition to the fifteen states that have no local revenue, many others have local revenue contributions of less than five percent. Other states, however, put a large burden on local taxpayers – 42 percent in Alaska and Wisconsin, 35 percent in Kansas, 34 percent in Nebraska and California, and 32 percent in Illinois.

The Public Funding Factor

Disparities in the various rates of local funding cannot be properly evaluated without looking at the corresponding disparities in state appropriations. The more accurate picture of public community college funding is realized by comparing the total local and state contributions to that

provided by tuition and fees. In other words, how much do the taxpayers – both state and local – pay and how much do the students pay?

When the two sources of public funding –state appropriations and local taxes– are combined, they account for an average of 62 percent of public community college funding from state to state. This figure is not at all consistent with only 14 of the 50 statesfalling 5 percentage points on either side of the average.

Indeed, as in all other funding scenarios, there are exceptions on either end of the scale. Three states provide more than 70 percent of public community college funding from state and local sources. The greatest public contribution is found in North Carolina with a combination of 74 percent, followed closely by Delaware (73 percent) and California (72 percent). The lowest percentages are found in Vermont (15 percent), North Dakota (31 percent) and Montana (36 percent).

Other Sources of Revenue

According to the American Association of Community Colleges, federal funds –those from the central government of the United States– account for 5.4 percent of public community college revenue. These funds are chiefly those allocated for special projects and special categories of training. Federal grants are available, for instance, to aid in the recruitment of minority students and to provide education in specific technical disciplines. The bulk of federal funds are earmarked for specific purposes and cannot be used for general operating and educational expenses and therefore do not figure prominently in this discussion.

Likewise, revenue from private sources –gifts, bequests, grants from foundations– is not a major factor, accounting as it does for only 1.1 percent of public community college revenue nationally. This source of revenue, however, is growing rapidly. In 1987, 53 percent of public community colleges had established foundations to raise outside funds. A 1997 survey showed that 88 percent had active foundations while another 4 percent were planning to establish a foundation. Revenue from foundations, however, is much like that from the federal government. It is not usually expended on routine operations, but instead is used for student scholarships and "enhancement" activities such as rewards for faculty excellence and the funding of faculty and staff development.

National Summary

From the foregoing it can be seen that the bulk of funding for most public community colleges in the United States comes from public sources, both state and local. This is in keeping with the community college credo of providing access to higher education in one way by keeping the cost to the student as low as possible. As pressures on public sources of revenue have increased, however, the cost to the student has risen but still remains the best bargain in United States higher education.

A State Perspective: Texas

Historical Overview

Junior and community colleges have a long, proud history in the state of Texas. In 1897, influenced by William Rainey Harper's vision, three four-year, church-affiliated colleges voluntarily underwent "decapitation," becoming two-year colleges. In 1908Burleson College was founded as a two-year college, part of a statewide Baptist network.

The first public junior colleges in Texas were JohnTarleton College in Stephenville and Grubbs Vocational Institute in Arlington, both taken over by the state in 1917 and managed by Texas A&M College (now Texas A&M University) to provide agricultural training. The state was in the forefront of the public junior college boom in the 1920s, with 17 such institutions founded between 1922 and 1927.

In 1941, Texas began appropriating funds directly to community colleges. From then on, the financing of public junior colleges in Texas has followed the normal pattern –low tuition with the bulk of funding coming from a combination of state appropriations and local tax revenue. In what has since been referred to as a "gentlemen's agreement," since it was not written into law, local tax revenue was to go for constructing and maintaining facilities while state appropriations were to fund the cost of education –administration, faculty salaries, equipment, etc.

State appropriations were allocated in two ways. Funding for academic courses were allocated directly to each institution based on fall semester enrollment. No attempt was made to equate these appropriations with the actual costs of the various programs offered by the college. This discouraged colleges from offering academic programs with high costs, such as nursing and engineering. Funds for vocational programs were allocated as a block to the Texas Education Agency, which in turn passed them along to the colleges with actual program costs taken into account.

This dual method of funding was changed in the late 1960s to an approach known as formula funding. Under the formula funding system, the average cost of instruction in each discipline – both academic and vocational– was calculated on a statewide basis and expressed in terms of a dollar figure per contact hour. A contact hour was defined as an hour of instruction in a classroom or laboratory, and it is on that basis that public community colleges are funded in Texas while universities are funded according to semester hour enrollment.

The amount of contact hour reimbursement varies with the cost of individual programs. A program that requires a smaller faculty-to-student ratio or one that calls for expensive equipment will have a higher formula than one that can be taught in a larger class setting and with little equipment. Currently, the average contact hour reimbursement in Texas is about $3.75.

Texas: State Appropriations

The Texas Legislature meets every two years. Prior to this meeting, the Texas Higher Education Coordinating Board will compile enrollment statistics, apply the formulas to the individual disciplines, and recommend that total amount to the Legislature. Unlike appropriations to

universities, the community college appropriation is a single amount to be divided among the 50 community college districts on the basis of contact-hour enrollment.

The difficulty is that the Texas Legislature has never funded the state's community colleges at the full formula rate. For the two-year period of 1995-97, the appropriation was at 59 percent of full formula funding. Through the diligent efforts of community college administrators, working through the Texas Association of Community Colleges, the statewide association based in the capitol and funded by the member colleges, this percentage was increased to 64 percent for 1997-99 and to 71 percent for 1999-2001. The goal of the Texas Association of Community Colleges is to reach full formula funding by 2007. When the Texas Legislature convenes in January 2001, it will be asked by community colleges to raise the funding level to 81 percent.

Along with other state agencies, Texas community colleges are in competition for appropriations. State revenue is insufficient to fund all agencies at the desired level, so each legislative session evolves into a contest to see which agencies can convince legislators of the merits of their funding requests. Community college leaders are at somewhat of an advantage in this process since they are united in promoting the single, block allocation of funds. Universities, on the other hand, are each funded separately and must argue their own individual cases. Also beneficial is the sheer number of community college districts in Texas. Each of the state's 31 senators and the vast majority of the 135 members of the House of Representatives have community colleges located in their districts and thus are receptive to entreaties by "their" colleges.

Texas is close to the national average in the level to which it funds public community colleges. In 1996-97, state appropriations accounted for 43.3 percent of public community college revenue nationwide. In Texas, the figure was 40.8 percent. In that same year, the average amount appropriated per state resident was $15.91, while in Texas the amount was $15.87.

Texas: Local Tax Revenue

Most community college districts in Texas levy two tax rates. One –the maintenance and operations, or M&O rate– raises revenue for general operating expenses. The other –the debt service or sinking fund rate– generates income to pay off interest on bonds sold to finance construction projects or for major capital outlay purposes. The remainder of this discussion will deal only with the maintenance and operations tax rates.

The level of state funding of public community colleges in Texas has not kept pace either with enrollment growth or with the cost of educational programs. To make up the difference, Texas colleges have had to increase their dependence on their two other sources of revenue –local taxes, and tuition and fees. The average M&O tax rate in 1999-2000 was $14.684 cents per $100 worth of property, an increase of 7.4 percent from the average only two years before.

Maintenance and operations tax rates vary widely among Texas community colleges. They are based on two factors – the amount of revenue necessary and the wealth of the community college district in terms of taxable property. The colleges with a clear advantage are those whose districts contain large numbers of heavy industries since the land on which these industries sit is

much more valuable than if occupied with residences. A district with a very high property valuation is able to raise its needed revenue at a much lower tax rate than some "poorer" district.

It is no surprise, therefore, that the districts with the lowest M&O tax rate tend to be those in large, urban, industrialized areas. The Dallas County Community College District's rate, for instance is one of the lowest at 5 cents per $100 in property. The highest is that of Western Texas College –31.43 cents. Property in Dallas County, however, has a total value of $109 billion, while that of the Western Texas College District –largely farm and ranch land– is $586 million.

Texas community colleges are very cautious when raising their tax rates, taking care to articulate clearly the need for added revenue. State law provides that any district proposing a tax rate that would generate 8 percent more revenue than in the previous year could face an election in which the voters could reject the proposed rate. In that event, the rate would revert to that of the previous year.

Texas: Tuition and Fees

As do most colleges and universities in the United States, community colleges express cost to individual students in terms of two categories –tuition and fees. Tuition in Texas is an amount paid per semester hour, the amount of tuition depending on the number of courses taken by the student and the nature of those classes. Most semester-length lecture courses count for three semester hours of credit. Many courses, such as those in the sciences, that have both lecture and laboratory are four semester hours. Other courses can carry more or less credit.

There are various types of fees paid by students. Some are associated with specific courses, such as laboratory fees for science courses or those requiring extensive materials. Others are for specific services, such as a transcript or a parking permit or a graduation fee. Still others are of a general nature and are paid by every student. These charges may be labeled "building use fee" or "student services fee" or "publications fee" or any of a wide variety of fees authorized by state law. Most are charged on a per-semester hour basis and are therefore largely indistinguishable from tuition to the student.

Just as state appropriations and local taxes should be considered together to make comparisons between states, both tuition and fees should be considered in comparing the cost to students in different community colleges. A low tuition rate may be offset by a higher-than-average fee structure. Tuition at Galveston County College in Texas, for instance, is the state minimum of $8 per semester hour, but its fees are among the highest.

Five three-hour courses –15 semester hours– is considered a full academic load, and average tuition figures are normally based on this 15-hour load. The Texas Association of Community Colleges, however, bases its comparisons on 12 semester hours, an academic load much more typical of the average community college student than 15 semester hours. The average tuition and fees paid by a public community college student in Texas taking 12 semester hours in 1999-2000 was $377, an increase of 10.8 percent over the last two years. In Texas, therefore, upward

pressure brought about by falling state funding levels have had more effect on tuition and fees than on tax rates.

Tuition and fees are fairly uniform throughout Texas' public community colleges. Students at half of the state's 50 districts paid between $350 and $400 in 1999 for a 12-semester-hour load that includes one laboratory course. College of the Mainland in Texas City was lowest at $222, and Texas Southmost College in Brownsville was highest at $706. As they do nationwide, however, public community colleges present the student's most affordable option. The average annual cost of $754 compares with $2,022 for the average state university and about $12,000 at private universities.

Local Perspective: Tarrant County College

Historical Overview

The Tarrant County College District is typical of the urban comprehensive community colleges founded during the 1960s. It was created by the citizens of the county out of a perceived need for an institution of higher education that would provide affordable educational programs –both academic and technical. Like most of its sister colleges it grew rapidly, from 4,700 credit students at the outset in 1967 to more than 20,000 by 1980. This fall, TCC has 26,000 students enrolled in credit classes. Over the course of a calendar year, the College will serve more than 75,000 people in credit and non-credit classes.

Tarrant County College comprises four comprehensive campuses located strategically throughout its 900-square-mile district. Credit enrollment ranges from 9,230 at the Northeast Campus to 4,145 at the Northwest Campus. The students tend to be older than those in universities, with an average age of 27. About half of the students are married, and 80 percent are employed at least 20 hours per week.

The pattern of funding at Tarrant County College also has been typical of its counterparts in Texas. The campuses were constructed and renovated with funds provided by general obligation bonds approved by the voters of the county. Under the general obligation bond system, large financial institutions provide funds to the College and these funds are repaid, with interest, over a period of time, normally 20 years. Tarrant County College has had four bond elections in its 35-year history, all of which have been approved by large margins.

Tarrant County College: State Appropriations

The total budget of Tarrant County College for 2000-2001 is $141.7 million –$129.9 for maintenance and operations and $11.8 for debt service to retire bonds. The College derives the bulk of its operational funds from the same sources as other public community colleges in Texas –state appropriations, tuition and fees, and local tax revenue. And, just as elsewhere throughout the state, the cost to local taxpayers and students has risen dramatically as state funding has decreased. In 1985, state funds accounted for 70 percent of the College's income. In the current year, that percentage has fallen to 30 percent.

The 30 percent figure is deceiving because of a large increase in local tax revenue that will be discussed below. The actual numbers have increased –from $32.5 million in 1997-98 to $39.5 million out of a total 2000-2001 operational budget of $129.9 million, but the level of funding still has not kept pace with the cost of instruction.

Tarrant County College: Tuition and Fees

The decline in the level of state funding has brought about a corresponding rise in tuition and fees at Tarrant County College. As late as 1984, the tuition rate for credit classes was $4 per semester hour. Tuition was increased in 1985 for the first time in the history of the College and has gone steadily upward. Tuition and fee revenue makes up 19 percent of the College's revenue for 2000-2001.

Tuition at Tarrant County College is set by the Board of Trustees, acting on a recommendation by the chancellor. Before making the recommendation, the chancellor receives a recommendation from a tuition committee, first formed in 1998. This committee, the majority of the members students, studies tuition trends at other colleges and universities as well as the financial needs of the College. Credit course tuition at Tarrant County College is $28 per semester hour for residents of Tarrant County, the taxing district. Residents of other Texas counties pay a $12 per semester hour out-of-district fee, and the tuition for students from other states and for international students is $140 per semester hour.

Credit students also pay a facilities use fee of $6 per semester hour. This brings the combined tuition and fees paid by every student to $34 per semester hour for county residents, $46 for residents of other counties, and $146 for out-of-state and international students. In addition, there are incidental fees for laboratory courses and a student services fee of $1 per semester hour with a maximum of $10. The total tuition and fee bill, therefore, for a county resident taking 12 semester hours, including one laboratory course, is $442, above the state average but still less than half the cost of a state university.

Non-credit fees are established on a course-by-course basis. Most fees are intended to recover the cost of teaching the courses, plus some administrative overhead. Some technical and vocational non-credit programs, however, receive state funding in the same manner as credit programs and are thus priced below actual costs.

One segment of Tarrant County College's student population deserves special mention in terms of tuition. As do most states that border Mexico, Texas has a significant number of "undocumented" residents who are not United States citizens and have no formal immigration status. Many have lived in Texas and in Tarrant County for years, if not all their lives, and have graduated from Tarrant County high schools. In many cases they or their parents have owned property and paid taxes in the county –including theTarrant County College District tax.

While courts have ruled that undocumented residents must receive the same free public education as United States citizens, state regulations mandate that they be classified as non-residents for purposes of tuition at state colleges and universities. In order to extend the benefits of higher education to this segment of their communities, however, Tarrant County College has

joined with the Dallas and Houston community college systems in a plan whereby undocumented residents in these districts pay the same tuition as do other county residents.

The State of Texas has agreed to this practice as long as the contact hours of these students are not submitted for state funding. The Texas Association of Community Colleges, however, argues that the benefits to the state of providing higher education to this segment of the population are such that the regulations should be changed. Accordingly, the TACC will seek legislation in 2001 to extend state funding for undocumented residents in state colleges and universities.

In summary, tuition and fees likely will continue to rise at Tarrant County College. Similar upward pressure, however, will continue to be exerted on state universities, as well. As a result, Tarrant County College student costs will continue to be well below that of the state universities.

Tarrant County College: Local Taxes

Tarrant County College's maintenance and operations (M&O) tax rate, like that of many of Texas' public community colleges, has increased in recent years. One reason has been the necessity to raise more revenue to offset a leveling off of state funding. The other reason, however, is part of an important and innovative change in the College's method of funding construction and major capital outlay expenditures.

For many years, the College had one of the lowest combined tax rates (M&O plus debt service) in the state. As recently as 1994, this combined rate was about 4.6 cents per $100 of property, the 47th lowest of the 50 community college districts. The rate climbed about 1 cent in 1995 after passage of a bond issue to build the newest campus. From 1995 to 1997 the M&O rate was increased to generate more operational revenue, and the 1997 combined rate was about 5.8 cents.

In 1998 the Board of Trustees, on the chancellor's recommendation, approveda M&O rate of 9.011 cents per $100 –a 131 percent increase over the 1997 rate. At the same time, some existing bonded indebtedness was paid off, causing the debt service rate to fall from 1.8 cents to 1.6 cents. The new, combined rate, therefore, was 10.641 cents, more than double the previous year's rate.

At the heart of the increase was a basic change in the philosophy of funding construction and major capital projects. The chancellor, in outlining his plan to the Board of Trustees, argued that, with bonded indebtedness, approximately only 66 cents of every dollar spent by the College actually went toward construction and/or purchases. The rest went to pay the interest on the bonds.

He proposed, instead, a "pay-as-you-go" approach in which such projects would be funded from maintenance and operations revenue. These monies, collected from year to year, would be placed in reserve to fund purchases of major equipment, building renovations, new construction and the other categories of expenditure heretofore funded from bond funds. The plan has two major advantages. First, it provides a secure method of funding major projects in that the

College does not have to go repeatedly to the voters for authorization. Second, no interest is paid, meaning that every penny of every dollar goes for actual expenditures.

In a public hearing on the proposed rate increase, required by state law, more citizens spoke in favor of the increase than against it. The local newsmedia, satisfied that it would provide a far more effective and efficient method of funding major projects, endorsed the plan editorially.

In 2000 the chancellor expanded on the "pay-as-you-go" approach. Acting on his recommendation, the Board of Trustees enacted the funding method as official policy and called on the chancellor to prepare a five-year plan, to be updated each year, outlining the projects to be funded. This approach to major projects funding is thought to be the only one of its kind in Texas and perhaps in the nation.

Even with the dramatic increase, however, only 15 Texas colleges have a combined tax rate lower than Tarrant County College's 10.641 cents. The rate also is one of the lowest levied by any taxing entity in the county. The average public school district tax rate, for instance, is about $1.38 per $100 of property. The average value of a home in Tarrant County is $93,171. The owner of a home valued at this figure would pay $99.14 this year in Tarrant County College taxes.

The "pay-as-you-go" approach to capital project funding has had an important side effect. In addition to providing an efficient method of financing such projects, it has vastly increased an ancillary source of revenue, interest on funds held in reserve. Government agencies in the United States –including public colleges and universities, public school districts, and municipalities– consider it good practice to keep funds in reserve. The ideal amount recommended by agencieswho rate governmental bodies according to their fiscal stability is three months of operating expenses. Since Tarrant County College has set aside reserve funds not only for basic operations, but also for capital projects, the reserve is much larger than is usual and thus yields more interest when invested. The budgeted interest income for the College in 2000-2001 is $4.1 million –3 percent of total revenue anticipated– compared to $1.7 million in 1997-98.

In summary, Tarrant County College expects the amount of maintenance and operations revenue it collects from local taxes to continue to increase. This increase, however, may not be reflected in a corresponding increase in the total tax rate. One reason is that, as bonds are retired, the debt service rate will decrease. Another reason is that, as property values in Tarrant County continue to increase, more revenue can be realized with no change in the M&O rate.

Community Colleges: Some Benefits

No discussion of the financing of community colleges in the United States should be undertaken without at least brief mention of the benefits to community college students as a result of the educational opportunities afforded them as well as the benefits to their communities – both financially and otherwise. Some of these benefits are difficult to quantify – feelings of self worth on the part of students, many of whom are the first in their families to attend college, increased participation in the life of the community by being better educated and better informed.

Other benefits are more tangible. The United States Bureau of Labor Statistics has estimated that the holder of a community college degree will earn on average $21,048 per year and that the holder of a community college certificate of completion in a technical program will earn $16,500. These figures compare with $12,720 earned by the worker with only a high school diploma.

These earnings figures clearly benefit individual students, but they also have a profound impact on the economy of the local community. Tarrant County College did calculations on the economic impact of the degrees (1,500) and certificates (349) awarded in 1996-97. The extra income earned by our graduates, multiplied by seven (the number of times money is calculated to circulate through the local economy in a year) multiplied by the number of degrees and certificates yield an annual positive economic impact of $96.6 million. Figured over the 30-year work life of these graduates, the total is $2.9 billion.

Economic and societal impacts similar to that above are echoed in every area of the United States fortunate enough to have a community college. These institutions face financing challenges – namely how to curtail rising tuition and fee costs– but remain devoted to the twin missions of rendering service to students and service to community through educational opportunities.

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