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Department of Educational Administration and Foundations
Illinois State University, Normal, Illinois 61761-6901

Grapevine

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TIMELY DATA CIRCULATED WHILE CURRENT

Reports on state tax legislation; state appropriations for universities, colleges and community colleges; legislation affecting education beyond the high school.

IN THIS ISSUE

Commentary on state support for community colleges was written by Dr. Richard Erzen of the faculty in the Department of Educational Administration and Foundations at Illinois State University. Dr. Erzen is a former community college president who has had extensive experience in business as well as education at all levels.

The replies to the survey of readers' opinions were summarized by Carl Teichman, Administrative Assistant to the President of Illinois Wesleyan University, and advanced graduate student in higher education at Illinois State University.

special report, originally written by John H. Adams, which appeared in the November/December 1987 issue of Tax Features, published by Tax Foundation, One Thomas Circle, N.W., Suite 500, Washington, D.C. 20036.

Table 64. APPROPRIATIONS OF STATE TAX FUNDS TO STATE-AIDED PUBLIC COMMUNITY/JUNIOR COLLEGES FOR OPERATING EXPENSES, FISCAL YEAR 1988 AND TWO PRIOR FISCAL YEARS, IN THOUSANDS OF DOLLARS.

States	Year 1985-86	Year 1986-87	Year 1987-88	2-yr gain Percent
(1)	(2)	(3)	(4)	(5)
California	1,172,165	1,199,057	1,259,347	7
Florida	356,133	392,662	421,526	18
Texas	443,411	406,257	413,584	-7
New York*	258,759	275,530	295,460	14
Michigan	176,748	186,722	198,080	12
Illinois**	191,632	203,240	193,008	1
Maryland	96,708	98,143	99,149	3
New Jersey	77,515	83,765	92,865	20
Pennsylvania	77,529	78,217	81,505	5
Iowa	57,767	60,003	75,343	30
Ohio	69,837	78,243	74,426	7
Oregon	57,235	59,571	60,486	6
Mississippi	57,656	50,196	57,014	-1
Arizona	57,410	59,905	56,793	-1
Missouri	47,782	51,845	56,417	18
Wyoming	32,979	32,979	34,272	4
Kansas	27,695	27,449	29,351	6
Nebraska	22,447	22,110	22,285	-1
Arkansas	22,941	20,335	21,131	-8
Indiana***	14,652	15,747	16,577	13
Colorado*	10,087	10,831	11,713	16
Idaho	5,677	5,815	6,155	8
Montana	3,145	3,063	3,051	-3
New Mexico*	907	908	887	-2
Oklahoma*	508	457	457	-10
Totals	3,339,325	3,423,050	3,580,882	
Weighted average percentage of gain				7

*One of four states having both local and state community colleges.

**Includes State Community College in East St. Louis which does not receive local tax support.

***For Vincennes University, a two-year community college supported primarily by the state but partly by the county.

STATE SUPPORT FOR COMMUNITY COLLEGES

by Richard Erzen

It is difficult to generalize or make comparisons with respect to the funding of public community/junior colleges due to the variety of organizational patterns that exist among the states or, in many cases, even within a particular state. Two-year institutions that depend primarily on state support must rely on their state's financial condition or generosity unless they have the option of adjusting tuition. In recent years, several states have decreased their support of higher education because of their depressed economy. As a result, colleges in these states have found it difficult to adequately support their programs or maintain the desired level of services.

In other states with a depressed economy in which public community/junior colleges are funded with a combination of state funds, local taxes and tuition, it would appear that decreases in state funding would not be as detrimental since they have the option of reverting to increased local funding. However, many colleges in states faced with a depressed economy and high unemployment have found it difficult to raise their tax rates. Persons who are unemployed or who have experienced a reduction in their income are not inclined to vote for an increase in their taxes. Thus, in many cases, such colleges are no better off than their fully state-supported counterparts.

It is obvious that there is no single best plan for financing community colleges. Formula funding, which may be employed by states that fully or partially fund their colleges and which typically is enrollment driven, has been favored by many as the best method of financing community/junior colleges. However, even a state which has derived an "ideal" formula that is efficient and equitable to all of its institutions cannot always generate the money required to adequately fund its system.

This issue of GRAPEVINE illustrates some of the vagaries of public community/junior financing. Table 64 shows that, on the average, state-aided public community/junior colleges had a seven percent increase in funding between FY1986 and FY1988. While not a substantial increase, it is at least positive. However, it should be noted that changes in funding ranged from -10% in Oklahoma to +30% in Iowa, a difference of 40 percentage points. Furthermore, eight of the 25 states actually experienced a decrease in state funding over the past two fiscal years. In contrast, from fiscal years 1985 to 1987, this same group of states experienced an increase of 11% with only four states showing small decreases (-1% to -4%) in support. (GRAPEVINE, January-February 1987)

State public community/junior colleges fared somewhat better with an increase in funding of 12% between FY1986 and FY1988. (See Table 65) However, the range in the change in funding over this two-year period (-11% in Alabama to +29% in Connecticut), or 40 percentage points, was exactly the same as for the state-aided public community colleges, yet only four of the 20 states in this group suffered a decrease in funding during this period of time.

For the period from FY1985 to FY1987, state public community/junior colleges showed an increase of 14% in state support and none experienced a decrease in state funding, although the amount of increase varied substantially from 1% for New Mexico to 51% for North Dakota.

Based on these comparisons, it is obvious that state support from FY1986 to FY1988 was not as generous as for the previous two fiscal years. In fact, during this more recent period, many colleges experienced a decline in state support. Also, in both two-year periods, the state community/junior colleges fared better than those that were state-aided. For the two-year period FY1985 to FY1987, state-funded colleges showed an increase of 14% while state-aided colleges had an 11% increase. Comparable figures for FY1986 to FY1988 were 12% for state community colleges and 7% for state-aided community colleges. One might assume that in those states where community/junior colleges are aided, there is less reluctance to reduce state support because it may be assumed that those colleges can revert to local taxation in order to compensate for any deficiencies. As mentioned earlier, however, attempts to increase revenue by raising local tax rates have not been too successful.

LOTTERIES AS REVENUE RAISERS
Excerpted from Tax Features by Gwen Pruyne

The table in the adjacent column shows that in FY1986 the net income from lotteries was small when compared with total state revenues. However, within the last year, in addition to the 22 listed, six more states have started lotteries and other states are debating the issue. State-owned and operated lotteries have become the fastest growing form of public betting in the U.S.,

Lotteries brought in more revenues than tobacco and alcohol sales taxes in ten states--a trend closely watched by state finance officers who are worried about the future of tobacco/alcohol sales and their prospective declines as sources of revenue.

Opponents to the lotteries argue that they are regressive, bearing hardest on low-income players least able to pay; encourage "gambling fever" which creates more compulsive gamblers; foster a breakdown of public morality and spread criminal influences in a state's economy and politics. Supporters argue that the public will gamble one way or another; that people like lotteries; that participation is voluntary and that the money goes for good causes like education.

A Federal national lottery? The idea keeps cropping up that maybe a national lottery could bring billions of dollars into the federal treasury to reduce the deficit and to be used for worthy causes. So far there has been no large support for any of the proposals.

NET LOTTERY INCOME

States with Lotteries	(In $millions) Lottery Sales	After Prizes, Expenses	As % of All State Taxes (Property, Income, Sales, etc.)	As % of All Own-Source State Revenue†
AZ	121.0	42.3	1.3%	††
CA(1)	1,765.6	692.7	2.2	1.5
CO	111.3	28.4	1.2	††
CT	429.1	190.9	5.0	3.7
DE	40.9	16.7	1.9	1.2
DC	118.7	35.9	2.1	N.A.
IL	1,284.2	540.2	5.5	3.9
IA(2)	81.7	25.9	1.0	††
ME	38.8	11.8	1.0	††
MD	718.3	323.8	6.9	4.8
MA	1,397.9	439.8	5.7	4.8
MI	999.4	415.1	4.4	3.1
MO(3)	81.1	207.0	2.2	4.0
NH	33.8	10.7	2.2	1.0
NJ	900.1	418.2	5.0	3.2
NY	1,317.0	607.9	2.7	1.6
OH	940.0	383.6	4.2	2.6
OR	87.4	26.5	1.4	††
PA	1,320.0	539.2	5.0	3.3
RI	56.9	21.6	2.4	1.3
VT	12.4	3.3	0.1	††
WA	181.2	73.0	1.4	††
WV(4)	53.0	21.0	1.1	††

(1) Lottery began October 1985
(2) Lottery began August 1985
(3) Lottery began January 1986
(4) Results for period of April 1985 (when lottery began) through June 1986
† Excludes Federal grants, "Intergovernmental" transfers
†† Less than 1%

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Edward Hines, Director and Editor
M.M. Chambers, Founding Editor
Gwen B. Pruyne, Managing Editor

READER EVALUATION OF GRAPEVINE
by Carl Teichman and Gwen Pruyne

In an effort to communicate with readers of GRAPEVINE, several months ago, a questionnaire was sent to all persons and agencies who are on the mailing list. About a quarter of those on the list (25.5%) responded. While this rate of return is not sufficient enough to permit valid generalizations to the approximately 1000 readers of GRAPEVINE, the replies may be of general interest as GRAPEVINE moves into its thirtieth year of publication.

Who Responded? Of the 255 who replied, about 60% were university administrators or faculty; about 22% were state higher education agency personnel or state budget officers; the others included legislative staff, gubernatorial staff, librarians, consultants, academic specialists, news organizations and retired university faculty and administrators. Approximately 77% of them had received GRAPEVINE for longer than five years.

Utility of GRAPEVINE Data: Clearly, most use the data as a source of information about appropriations in other states and for interstate comparisons. "To provide information on state tax appropriations in my state" was next, but to a lesser degree. Statewide totals were indicated to be more useful than campus-to-campus comparisons, and few used the data for lobbying purposes. Ninety-three percent of the respondents found GRAPEVINE to be either extremely or moderately useful. Respondents noted that annual summaries, including the 50-state tables, two-year and ten-year comparisons, and trend analysis, were particularly useful. While campus data, including tables of multi-campus universities, are of limited utility, a small number of respondents indicated that more information about community colleges would be helpful. In regard to the timeliness of GRAPEVINE, 85% felt that it was of moderate to great importance.

Contributed Articles: Sixty-five percent found the contributed articles to be interesting. Some indicated they used the articles as a source of new ideas or as a discussion tool in classes or meetings. Suggested topics for future articles included: funding trends of community college systems, the issue of minorities in higher education, accountability in higher education, practical policies of budgeting, ratio of student/state support, relationship of higher education funding to the total state budget, public vs. private funding, sources of support of higher education other than taxes, and state efforts in the area of "value added budgeting."

Revenue Sources in Addition to State Taxes: Although three-quarters of the respondents indicated they would like GRAPEVINE to include information on sources of revenue other than state tax funds, all of the options (federal sources, student tuition, local taxes) received about equal ratings. Other sources of interest included lottery funds, auxiliary funds from self-supporting operations, fees, capital spending, local tax support for community colleges, grants, and endowments.

Major Issues in Higher Education Finance: Respondents felt the topics of greatest importance facing the states in higher education finance were: inadequate funds, tax reform, too many campuses, student aid, declining state revenues, tuition levels, salaries, rising costs in general, support to private institutions, formula inadequacies, capital funding, assessment and accountability, public expectations of the role of higher education, tax caps, and changes in student demographics.

Other: In regard to possible options for funding GRAPEVINE, 84.7% would pay a $10.00 subscription fee, and 52% would support a $20.00 charge. Less than 15% would support a one-time contribution. (At least for the present, GRAPEVINE will continue to be free of charge.)

Thanks for your interest and response. We appreciate hearing from our readers.

Table 65. APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF STATE COMMUNITY COLLEGES FOR FISCAL YEAR 1988, AND TWO PRIOR FISCAL YEARS, IN THOUSANDS OF DOLLARS.

States	Year 1985-86	Year 1986-87	Year 1987-88	2-yr Gain Percent
(1)	(2)	(3)	(4)	(5)
North Carolina	261,588	304,873	323,594	24
Washington	202,656	214,106	219,326	8
Virginia	132,839	148,353	156,242	18
Massachusetts	123,386	130,524	134,658	9
New York*	84,304	84,799	93,070	10
South Carolina	84,425	86,085	87,814	4
Minnesota	60,164	61,486	65,923	10
Oklahoma*	71,580	64,366	64,366	-10
Tennessee	55,289	58,986	63,961	16
Georgia	58,727	65,663	63,454	8
Alabama	66,088	58,550	58,869	-11
Connecticut	40,183	46,839	51,898	29
Colorado*	43,535	44,733	48,507	11
Rhode Island	19,858	21,380	22,914	15
Delaware	20,070	21,472	22,285	11
Nevada	17,412	18,924	21,565	24
Utah	13,921	14,634	15,338	10
West Virginia	10,141	10,388	9,921	-2
New Mexico*	5,723	5,454	5,729	0
North Dakota	4,679	4,679	4,449	-5
Totals	1,376,568	1,466,294	1,533,883	
Weighted average percentage of gain				12

*One of four states having both local and state community colleges.