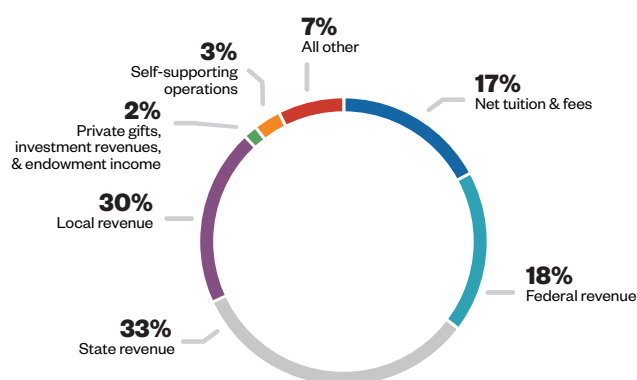


Public Funding of Community Colleges

Community colleges receive much less funding per student than public four-year institutions, even though they serve a greater proportion of students who are underrepresented in higher education and who may need additional programs and supports to be successful. Research shows that per-student spending by colleges is directly related to student outcomes and that a lack of resources is a major impediment to community college effectiveness.¹ Better resourced institutions have higher retention and attainment rates, among Black and Latinx students in particular.^{2,3} But community colleges often lack the resources to implement reforms that research has shown lead to better and more equitable outcomes.

There is wide variation in state policy contexts, governance structures, and funding mechanisms among community colleges. More than half of their public funding comes from state and local governments, and while federal funding has increased in recent decades, state funding has fallen.⁴ The large infusion of federal dollars during the pandemic—as well as debate over increasing the federal role—has made effective federal funding policy even more critical.

Total Revenue for Community Colleges, by Source, Fiscal Year 2017



WHAT THE RESEARCH TELLS US

Community colleges operate with substantially fewer resources for core academic and student support functions than public four-year institutions.

- Public two-year colleges⁵ receive less than half the revenue for education-related purposes per full-time-equivalent student of public four-year colleges (\$8,700 vs. \$17,500).⁶
- Community colleges that serve the most disadvantaged populations receive the fewest dollars per student.⁷

Although the federal government invests heavily in higher education, the lion's share of this funding does not flow to community colleges.

- In fiscal year 2017, community colleges received 18% of their revenue from the federal government, 33% from the state, 17% from tuition and fees, 20% from local sources, and the rest from self-supporting operations and other sources.⁸
- Most federal funding for higher education goes toward financial aid to students and research grants, not operating funds.⁹ Many community colleges get no federal grants.¹⁰

- In fiscal year 2017, federal spending on major higher education programs, including student aid, totaled \$75 billion. State spending was \$87 billion, and local funding (mostly to community colleges) was \$10.5 billion.¹¹
- Community colleges receive about 19% of the Title III funding allocated to Minority Serving Institutions (MSIs), including Historically Black Colleges and Universities (HBCUs) (\$114 million of the total \$590 million), though nearly 40% of MSIs are community colleges.¹² Community colleges receive 42% of the Title V funding for Hispanic-Serving institutions.¹³
- Public two-year colleges receive \$329 million of about \$1 billion in funding from the Department of Labor for workforce and apprenticeship programs.¹⁴

COVID-19 relief funding has helped community colleges continue to operate during the pandemic. The funding formula has evolved to better account for the population of students at community colleges.

- Higher education institutions and their students have received substantial help from the federal government through the CARES Act (March 2020), the Coronavirus Response and Relief Supplemental Appropriations Act (December 2020), and American Rescue Plan Act (March 2021).¹⁵ In total, the three relief packages provide \$76.2 billion to higher education institutions to defray COVID-19 related expenses, carry out student support activities, and provide financial grants to students.¹⁶
- About \$19.3 billion of this federal support has been allocated to public two-year colleges; about \$34.7 billion has been allocated to public four-year colleges. Under CARES, public two-year colleges were allocated about 31% of the total for public colleges; under CRRSA and ARP, they were allocated about 37%.¹⁷ About 38% of undergraduates at public colleges attend two-year colleges.¹⁸
- The CARES Act funding formula used full-time-equivalent (FTE) students to measure the size of the student population (and low-income student population), depressing funding levels for community colleges relative to four-year colleges, as community colleges serve many more part-time students. The funding formula for the second and third relief packages counted full- and part-time students, boosting funding for community colleges.¹⁹

KEY CONSIDERATIONS FOR FEDERAL POLICY

- Allocating funding by the number of low-income students and by the number of both part-time and full-time students, as was done under the CRRSA and American Rescue Plan Acts, can be a model for providing federal funding to community colleges in the future.
- The federal government should consider grant opportunities that help community colleges make improvements to core instruction and student services functions that are backed by evidence.

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Endnotes

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- ³ Melguizo, T. (2008). Quality matters: Assessing the impact of attending more selective institutions on college completion rates of minorities. *Research in Higher Education*, 49, 214–216. <https://doi.org/10.1007/s11162-007-9076-1>
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- ⁵ Federal data sources define public two-year colleges as colleges that offer associate degrees but not bachelor's degrees. States have a wider definition of community colleges that includes public two-year colleges and another 100 or so colleges that primarily offer associate degrees but also offer some bachelor's degrees.
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- ⁸ CCRC calculations using IPEDS data based on an analysis for all public colleges found in Stauffer et al. (2019).
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- ¹¹ Stauffer et al. (2019).
- ¹² CCRC calculations using data on Title III programs from the U.S. Department of Education, Office of Postsecondary Education (n.d.-a: *Programs*. <https://www2.ed.gov/about/offices/list/ope/programs.html>). To the extent possible, Title III fund categories that community colleges are ineligible for were excluded.
- ¹³ CCRC calculations using data on Title V programs from the U.S. Department of Education, Office of Postsecondary Education (n.d.-a) and from the U.S. Department of Education, Office of Postsecondary Education (n.d.-b: *Eligibility designations and applications for waiver of eligibility requirements*. <https://www2.ed.gov/about/offices/list/ope/idues/eligibility.html>).
- ¹⁴ CCRC calculations using data from the U.S. Department of Labor, Employment and Training Administration (n.d.-a: *Grants awarded*. <https://www.dol.gov/agencies/eta/grants/awards>) and from the U.S. Department of Labor, Employment and Training Administration (n.d.-b: *H-1B Skills training grants*. <https://www.dol.gov/agencies/eta/skills-grants/h1-b-skills-training>).
- ¹⁵ Funding authorized by these three pieces of legislation are administered by the U.S. Department of Education, Office of Postsecondary Education, through three respective Higher Education Emergency Relief Funds, HEERF I, II, and III.
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- ¹⁸ U.S. Department of Education, National Center for Education Statistics. (n.d.). *Trend generator. Student enrollment: How many students enroll in postsecondary institutions in the fall?* <https://nces.ed.gov/ipeds/TrendGenerator/app/build-table/2/3?rid=1&cid=14>
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