Facing the Future:
State Funding of Community Colleges

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FOREWORD

With the aging baby boomer population comes the well-documented enrollment decline in many of our two- and four-year institutions of higher education. The rapid decrease in this major revenue source is compounded by the dramatic impact of state "disinvestments" (i.e., funding cuts) of community and technical college budgets across the United States.

Nimble institutions recognize the importance of being adept at life-saving entrepreneurial and partnering opportunities to offset these exigencies. In *Rising to the Challenge: Lessons Learned from Guilford Technical Community College,* Roueche and Roueche (Eds., 2012) conclude we are ". . . living in the future we create" (p. 107). However, such creativity is only possible when college leaders successfully foster innovative solutions. "…Practices thrive in a culture that consistently raises the bar for high performance and achievement standards" (p. 109). Leaders are apt to put their own careers at risk to position their respective institutions to sustain the current political and funding dynamics. "Creative leaders take risks that others may not" (Roueche, Richardson, Neal, & Roueche, 2008, p. 246).

We commend George Lorenzo for his in-depth research and analysis, and his ambitious and successful quest to identify common challenges and viable solutions. Recognizing that "one size does not fit all," Lorenzo explores the variations in financing patterns and trends, while examining local innovations to share with the field.

Serving as both a community college budget primer, and an advanced compilation of funding policies and supports, Lorenzo takes the reader through a compendium of the fiscal constraints, promising but conflicting practices, preventive measures, and creative strategies to offset the slippery slope of state funding models. As community college leaders consider mission, vision, values, and goals, Lorenzo's *Facing the Future: State Funding of Community Colleges* offers a "must read" for CEOs, boards, and executive teams to help navigate the pot-holed terrain. Never could collaborating, partnering, and innovating be more critical. Entrepreneurial enterprise will rise to a new standard in positioning community colleges for the ride ahead.

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We hear a lot about community colleges frustrated by state funding cuts that cause lasting and detrimental effects on their progress and sustainability, but getting a clear and full understanding about state funding on a national level is a difficult undertaking.

It is challenging to produce a complete, easy-to-understand, condensed synthesis that outlines all the details relative to state funding of community colleges on a national level. There are simply too many variations among all 50 states regarding how constantly fluctuating state funds are managed, allocated, and dispersed.

Because of such vast differences among community colleges, the notion of providing one-size-fits-all solutions that community college leaders can shadow for effectively dealing with state funding disinvestment is next to impossible. However, there are a good number of single institution and collaborative practices across the community college landscape that may help bring some relief from state disinvestment.

This report attempts to describe, in layman's terms without being overly reductionist, what most community colleges across the country are facing in terms of state funding practices fraught with a wide variety of complex, economic hurtles that need to be overcome. In addition, this report provides an overview of the scholarly literature on this topic.

Complex Picture of Governance and Finance

For a succinct picture of how state funding practices are governed at public two-year institutions across the country, and an informative starting point into this topic, see "Community College Systems Across the 50 States," published on January 28, 2014 by the National Center for Higher Education Management Systems (NCHEMS) for the Nevada Legislative Committee to Conduct an Interim Study Concerning Community Colleges.

The NCHEMS brief delineates a variety of community college governance models at both state and local levels. It outlines how "state-level structures vary as widely as the origins and governing arrangements for community colleges." [1] Nevada, for instance, is a state among several other similar states that has developed consolidated governing boards for four-year and two-year institutions. Other community colleges have more limited state oversight committees and boards, developed under their own unique systems, such as colleges that evolved through local issues, and colleges that have evolved from branch campuses linked to state universities. Other states have seen the proliferation of two or more of such governance structures, "resulting in highly fragmented networks." At the local level, forms of governance in some states have locally elected boards, while others have boards that are appointed. Still other states do not have any local governing boards.

In addition, there are wide variations in financing patterns and other trending influences in community college governance, depending on the state. Another section of the NCHEMS brief addresses "mission distinction between community colleges and universities," noting that differing missions is a perennial issue with tensions extending through numerous community college challenges, including open access, affordability, faculty reward systems, links with K-12, adult education practices, transfer, career readiness, dual credit policies, assessment policies, and more.[2]

The Basics of State Budgets

In 2013, the Center of Budget and Policy Priorities (CBPP) published a two-page "Policy Basics" report titled "The ABCs of State Budgets." This document is another good starting point for getting an understanding of how state funding works at community colleges. It begins with a brief overview of state budget calendars, which are typically based on fiscal years, from July through June of the following year, except for several states such as New York (FY starts April 1); Texas (starts September 1); and Alabama, the District of Columbia, and Michigan (start October 1). State budgets are funded primarily through both general sales taxes and corporate and individual income taxes. Some states, however, have no personal state income taxes, such as Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming. Other states do not have any sales taxes, such as Alaska, Delaware, Montana, New Hampshire, and Oregon. In addition to revenues allocated for educational purposes, from K through 20, state funds go toward many other important issues, such as health care and benefits, transportation, corrections, pensions, assistance to low-income families and the disabled, economic development, environmental protection, law enforcement, parks and recreation, and aid to local governments.[3]

Under a section headlined "States Face Historic Challenges," the CBPP Policy Brief lists "a number of disturbing problems that make their revenue systems weak and vulnerable." These include:

- The Great Recession of 2007-08 "was the worst downturn for states in 70 years," bringing damage to state budgets that many states are still feeling ten years later.
- The rise of untaxed ecommerce has had an overall negative effect on state sales taxes.
- The federal government, which, on average, provides one-quarter of all state funds, enacted deep spending cuts in 2011, resulting in the lowest levels of federal funding to schools in 40 years.
- Some states have pushed for even larger cuts "that would further undermine state revenues, with potentially dramatic consequences for public services."[4]

Another Policy Brief by CBPP, published in 2017, shows, on a national-average level, where state funds are allocated overall, citing the National Association of State Budget Officers State Expenditure Report for FY 2015. Higher education (covering two-year, four-year, and vocational education institutions) is 13 percent of the total of state spending budgets, accounting for about $156 billion in FY 2015.[5]

For the latest segmented national data on two-year institutions relative to total postsecondary revenues by source, see "The Condition of Education 2015," published by the U.S. Department of Education, National Center for Education Statistics.[6] Government grants, contracts, and appropriations (total federal, state, and local allocations, including Pell grants) in 2012-13, totaled 71 percent of total revenue sources at two-year, public institutions.[7]

SHEEO's State of State Funding

For a deeper analysis of what's happening from a numbers/economics standpoint in all 50 states, see the most recent annual State Higher Education Executive Officers (SHEEO) association's report on higher education enrollment and funding data for 2016, which details "state and local support, tuition revenue, and enrollment trends for the most recently completed fiscal year."

One of the first attention-grabbing statistics inside this report shows how 17 states reduced funding support per student last year while

33 states either increased or maintained their support. However, a closer look at total state and local appropriations on a national scale reveals an overall 1.8 percent reduction in state and local funds for public colleges and universities in 2016. How can that be the case when considering that almost twice as many states increased or maintained their support compared to those states that did the opposite? The simple answer: Illinois.

> State and local support per student averaged $6,954, down from the 2015 level of $7,082. This decrease was due entirely to the precipitous drop in support in Illinois, which has the fourth largest student enrollment in the country. Without Illinois, public support would have increased by 3.2 percent, which is still smaller than the overall increase of 5.2 percent per student seen between 2014 and 2015.[8]

There are significantly complex, multi-faceted questions and answers to explore when looking deep into the details of state funding for community colleges. The more complex questions and answers take on parameters that frequently paint an unfavorable and worrisome picture concerning the future economic sustainability of our nation's two-year institutions, despite the aforenoted increases in actual dollar amounts in 33 states.

As noted earlier, the Great Recession that started in 2007 generated unprecedented state funding disinvestments. But ten years later, as we pull out of recessionary woes, we still have not yet reached pre-recession levels of state support at community colleges.

An April 2017 article published by Inside Higher Education reports that:

> Public support has generally yet to recover from a high point in 2008, the year before the Great Recession devastated state budgets. Just five states offered more public support per student in 2016 than in 2008. Institutions are still collecting more dollars per full-time enrollment thanks to higher tuition revenue, however. In 2008, educational appropriations per full-time-equivalent student averaged $8,380, while net tuition was $4,644. In 2016, educational appropriations per student were $6,954 and tuition was $6,305.[9]

Secondly, enrollments with accompanying tuition dollars are an obvious major source of revenue (more than 50 percent of total educational revenue in half of all states, according to SHEEO), but enrollments have been declining in recent years at community colleges. Data from the National Student Clearinghouse Research Center's Spring report on Spring 2017 enrollment estimates reveal a 4.8 percent drop in community college enrollments in Spring 2015, a 3.3 percent drop in Spring 2016, and an estimated 2.5 percent drop in Spring 2017.[10] This is on the heels of a dramatic increase in community college enrollments (some of which was due to the recession) that occurred from 2000 to 2010, when "FTE enrollments at community colleges grew by over one-quarter (from 5.7 million to 7.2 million enrollees each fall semester [U.S. Department of Education, 2013]."[11]

SHEEO's reporting focuses primarily on national trends of all public colleges and universities, with a partial emphasis on two-year institutional data and analysis. Parsing out some of the SHEEO report's accounting relative to two-year institutions on a national level, includes the following mixed bag of data:

- Associate degree programs saw one of the largest increases in completion rates among all higher education institutions from 2005 to 2015.
- Since 2011, two-year institutions have seen a 15 percent drop in FTE (but this figure does not account for seven states that make up 10.5 percent of national totals).
- From 2009 to 2012, two-year institutions saw an 8 percent increase in state support per FTE, while four-year institutions saw a 2 percent decrease in state support (not including RAM/Research – Agricultural - Medical) per FTE.
- The total revenue available to two-year institutions (net tuition plus state and local support) decreased 7 percent during the Great Recession from 2009 to 2012, but increased 13 percent overall from 2009 to 2016.
- Two-year institutions experienced more volatility than four-year institutions in state support from 2009 to 2016.[12]

The SHEEO report also features an interesting comparative compilation that reflects interstate "differences in wealth, population characteristics and density, enrollment rates, the relative size of the public and independent higher education sectors, student mobility, and numerous other factors."

For example:

> Per capita support for higher education averages $283 nationally and ranges from $93 in New Hampshire to $705 in Wyoming. When measured relative to personal income, support for higher education per $1,000 of personal income varies from $1.66 in New Hampshire to $13.21 in New Mexico. Nationally, state and local support for higher education per $1,000 of personal income was $5.90 in 2015.[13]

In poor states, per capita support is lower than national averages, but may exceed the national average per $1,000 of personal income. Additionally, some low-population states exceed both national average and per $1,000 personal income. SHEEO also notes that "tuition revenue frequently (but not universally) has increased when state and local sources of support have not kept pace with enrollment growth and inflation."

Other factors also come into play, especially when explaining stresses that state budgets face, in general, such as the pressures experienced by some colleges due to higher enrollment rates, increased demands from K-12, and rising Medicaid costs. Even online shopping [as noted earlier] has had an important negative effect on state tax revenues that normally are allocated toward higher education.[14]

This is the tip of the iceberg, so to speak, on the topic of state funding at community colleges. Additional resources on this topic that can help unpack all the nuances related to state funding at community colleges are widely published in well-researched reports from numerous non-profit higher education organizations and education publishers. Many are referred to in the remainder of this report.

How to Possibly Stabilize Funding

A brief published by the Midwestern Higher Education Compact, (MHEC) written by Sandy Baum, senior fellow for the Urban Institute, offers four effective policy directions that are designed to strengthen higher education financing systems at the state level.

The MHEC brief notes how "most states have been unsuccessful in designing higher education financing models that yield stable funding streams." The four policy directions are presented as areas state policy makers can learn from. They are "year-to-year stability of funding, the balance between appropriations for institutions and student aid, the growing interest in tuition-free community colleges, and the allocation of funds across public colleges and universities," outlined below.[15]

Year-to-Year Stability of Funding

State funding fluctuates to varying degrees by state, depending on a variety of state revenue flows and pressures on those flows, as well as a state's emphasis on various priorities. Fluctuations bring obvious highs and lows. The resulting challenge questions how an institution can smooth out revenue flows over the long haul. One answer entails a common sense financial-savings strategy:

> This could involve allowing "rainy day funds" at either the state or institutional level. It is very difficult for institutions to plan their educational offerings when they are uncertain about future funding levels and for families to plan their budgets when tuition changes are so difficult to predict.[16]

Balance Appropriations for Institutions and Student Aid

This strategy is a much more complex than establishing rainy-day funds. It entails a trade-off between state grant appropriations for all students vs. state grant appropriations for low-income students, resulting in either high aid and

high tuition vs. low aid and low-tuition. This trade-off is different across the country, with most state appropriations based on need-based financial circumstances and other states focused on academic/merit-based aid. For example, in New Jersey, 98 percent of state grant aid is need-based, while in South Carolina it is only 17 percent, yet both states have relatively high tuition and high aid. In New Hampshire, where there are no state grants, the result is high tuition and low aid, which is noted as "the combination least conducive to increasing access and success."

The MHEC brief also showed that among Midwestern states, Indiana's tuition was lower than the national average and need-based grant aid was higher, indicating "a clear effort to improve educational opportunity." However, focusing only on low tuition or the elimination of tuition - at the expense of increasing need-based aid - is not the answer. Baum cites from several economists who support more grants for low income students, while at the same time advocating for a student loan system in which repayment is based on earnings. "This would be a better policy than holding tuition down by exacting more revenues from tax payers whose incomes are, on average, lower than those of the college educated."

Additionally, by focusing "only" on low or non-existent tuition at the expense of need-based aid programs, there is a lack of understanding concerning extenuating financial burdens beyond tuition and fees that low-income students face, such as living expenses and the basic struggle of work-academic study balance. All this really means is that need-based aid is more important than ever. Also, "if institutions are forced to maintain extremely low tuition rates, they may not have adequate revenues to support students." Finally, as part of harmonizing appropriations, MHEC suggests that "balancing moderate tuition levels, and the avoidance of sudden and dramatic price increases with student aid targeted to those whose outcomes are most likely to be affected should be a goal for all states."[17]

Tuition-Free Community College

At the time of this writing in the Fall of 2017, "state legislatures in Arkansas, Hawaii, Nevada, New York, and Rhode Island passed versions of free college legislation. Other statewide programs are established in California, Delaware, Indiana, Kentucky, Louisiana, Missouri, Montana, Oregon, Tennessee, and Minnesota."[18] In addition, local and city free-tuition programs have been implemented in San Francisco and Boston, and at Texas State University.[19]

The newly minted growth of state-funded, free-tuition enterprises – or what is often referred to as "Promise" programs – does not come with its own set of unique and varied challenges and opinions. "The principal objection to the policy of free community college is not that is ineffective but that it fails to efficiently allocate taxpayer dollars," Baum claims in the MHEC brief, adding that "even if free community college is effective in promoting access, it is less clear whether it can enhance student success." In short, free community college comes with a set of questions, such as:

- Will two-year institutions have enough resources to adequately support the likely increase in enrollments that come from free-tuition policies?

- Does free-tuition cause students to stay enrolled for longer periods of time before actually completing their education?

- Will students shift from four-year to two-year institutions and reduce their proclivity to earn a four-year degree?

- Due to the attraction of free tuition, will more affluent students who typically attend selective four-year, public institutions crowd less affluent students out of two-year institutions? [20]

Another issue, as noted in a November 2016 report on free community college policies published by the Education Commission of the States, claims that most state-level free-tuition proposals unfairly exclude non-traditional-aged students. "For example, 18 of the proposed or enacted polices across the country [for free community college] restrict eligibility by age, commonly barring students who are 26 years old or older from participation." The Commission advocates for building free-tuition policies that include the clear majority of adults in need of a credential, and that free-tuition awards be made after other sources of aid are applied.[21]

For consistently updated comprehensive information about College Promise programs, see the College Promise Campaign website at www.collegepromise.org. This site includes research and toolkits on how to design and launch a Promise program.

Allocation of Funds across Public Institutions

State funding policy implementations are vastly different from state to state and are typically enacted based on institutional categories, such as two-year vs. four-year, or research vs. teaching colleges. Moreover, funding patterns within such categories are often based on the individual characteristics of institutions, including allocations based on enrollment numbers, need, performance metrics, and other priorities. One troubling aspect of such factors, according to the Urban Institute, is that "differences in funding across types of institutions are stark. In 2013-14, public two-year colleges received on average of $5,210 per FTE student in state and local appropriations. Public four-year universities received on average of $7,110 – 36 percent more." [22]

This kind of imbalance raises questions about proper equilibrium of state funding allocations between institution types.

> Research universities engage in some important and expensive activities that are not part of the community college mission, but community college students, who come disproportionately from low- and moderate-income backgrounds, are shortchanged by the funding systems in many states. Modifying this reality is a key element of strengthening access to educational opportunity.[23]

Looming Federal Cuts

In addition to the four policy directions just described, an October 2017 CBPP brief presented several more steps policymakers can take to strengthen tax systems and reserves, as well as protect revenues in the future. Many of these steps are based on an unfortunate expectation that, in addition to state disinvestment realities, federal support for higher education under the current White House administration will also be substantially reduced, creating a double whammy effect.

The estimated total of federal grants to states is about 31 percent of state budgets, and these federal funds are at risk of being cut because of new and relatively unclear and complex tax reduction proposals currently being promoted by congressional Republicans.[24]

As noted in the October CBPP brief, the proposed tax changes at the federal level "could also have major state revenue implications" that will further slow down community college revenues. CBPP suggests that state policymakers can respond in five ways:

1. Avoid ineffective tax cuts and incentives that would deplete revenues and worsen budget problems.
2. Avoid depleting budget reserves while the economy continues to grow and, if possible, build budget reserves to protect investment and limit damage from recessions.
3. Begin now to plan for revenue replacements to offset the potential future loss of federal support.
4. Reject artificial spending limits.
5. Address structural problems in state revenue systems.[25]

The American Association of Community Colleges has a proactive letter-writing effort aimed at preventing federal grants from being cut, sending out two letters in November 2017 – one to the Senate Committee on Finance and another to the House of Representatives, voicing their concerns with the current Tax Cuts and Job Act that "severely curtails tax benefits for college students." [26]

Over a Decade of Woes

While all of these efforts attempt to rectify a very possible unfortunate future, the bottom line is that state funds at public two-year and four-year institutions by the end of the school year in 2017 were below 2008 levels, after adjusting for inflation.

> The funding decline has contributed to higher tuition and reduced quality on campuses as colleges have had to balance budgets by reducing faculty, limiting course offerings, and in some cases closing campuses. At a time when the benefit of a college education has never been greater, state policymakers have made going to college less affordable and less accessible to the students most in need.[27]

As noted in a University of Virginia Miller Center report prepared for the National Commission on Financing 21st Century Higher Education, state support for higher education has been under assault for decades.

> From 2008 to 2016, all but four states experienced reductions in state spending per student after adjusting for inflation, and the reductions have been staggering in a number of states, the top five being Arizona (−55.6 percent), Louisiana (−39.1 percent), South Carolina (−37.0 percent), Alabama (−36.2 percent), and Pennsylvania (−33.3 percent). However, the trend of declining state appropriations has been happening much longer than just the past decade. Since 1980, state and local appropriations to higher education have declined from being 50 percent of revenue for public, degree-granting institutions to only 37 percent by 2000. This decline suggests that current trends should not be viewed as an abnormal dip caused by a bad recession but rather a more permanent shift in the role of states in financing higher education.[28]

Strategic Movements

What are the implications? In addition to more effective policy directions institutions, state legislative bodies, and stakeholders can take under consideration, what else can community college leaders do to maintain stability and growth when one of its largest sources of funds continues to drop?

> For states to sustain investment in higher education and promote college affordability and quality, state tax and budget choices over the coming years must recognize the importance of investing in human capital and quality education. A slow economic recovery and the need to reinvest in other services that states have also cut deeply mean that many states will need to raise revenue to rebuild their higher education systems. At the very least, states must avoid shortsighted tax cuts that would make it much harder for them to invest in higher education, strengthen the skills of their workforce, and create the jobs of the future.[29]

For community colleges, improving student persistence rates is a good place to start on this path because often such rates help to determine where, from an institutional category perspective, the bulk of state funds are allocated. For example, first-year persistence rates for students who started in fall 2015 at four-year public institutions was 81.7 percent. At two-year public institutions for the same term, the persistence rate was 62.7 percent.[30] While four-year institutions have obvious differences in finances than two-year institutions, as well as different admission policies that bring in different student levels of academic preparedness, this factor of low persistence rates at community colleges has unfair and seemingly unwise negative implications on the decision-making processes concerning state funding allocations. In other words, as community colleges get less, the persistence challenges grow larger because state funds are not there for helping to improve persistence rates.

> By having fewer resources to devote to instruction and academic support, however, it is incredibly difficult to move forward on the goal of improving certificate and degree completion. Given the large numbers of students that community colleges serve, including many teetering on the edge of success or failure depending on the resources and support available to them, it is imperative that states devote more funding to these institutions and their students if serious progress is going to be made toward improving educational attainment in the United States.[31]

However, "from 2001 to 2011, instructional expenditures [at community colleges] per FTE student fell 12 percent after accounting for inflation, and expenditures on student services and academic support fell 7 to 17 percent, respectively."[32]

Outcomes-Based Funding

One strategy that is growing in popularity with state funding policy makers centers on the practice of targeting more aid directly toward at-risk students through an outcomes-based funding performance approach, also commonly referred to performance-based funding (the two terms are interchangeable with performance-based funding being the older of the two terms). Herein we will use the term outcomes-based funding (OBF).

"If the goal is to make gains in educational attainment in the future, then we must pay greater attention to where problems exist now and redouble efforts to address them." [33] This sentence from a University of Virginia Miller Center report encapsulates the basic essence of outcomes-based funding. However, asking whether outcomes-based funding is working is a question that, in general, has yet to be answered.

OBF FAQs

To get an essential start on the definition of OBF, see the Lumina Foundation's FAQ section on this topic. The FAQ is an overview on different levels. In its introductory remarks, Lumina explains how OBF is meant to target students who will more than likely drop out and wind up in debt, without viable job opportunities for a better life. OBF is offered as a better alternative for state funding of such at-risk students, as opposed to funding models based primarily on enrollment numbers. OBF is all about completion. It utilizes key metrics to determine whether an institution is graduating students effectively and on time. Lumina adds that the design of OBF is vitally important.

> To ensure sustainability, outcomes-based funding should be a part of each institution's funding base and should not be an "add-on" that can disappear during periods of political change or economic recessions. Outcomes-based funding also should include incentives to graduate underrepresented students. In addition, such funding should recognize year-over-year increases in the numbers of students each institution graduates.[34]

The Lumina FAQ continues with a good number of additional points and sound advice relative to the successful implementation of OBF, starting with a brief segment on how OBF can safeguard students' needs. For example, newly minted, at-risk college students typically need assistance with registering for courses, choosing their educational pathway, preparing academically both prior to and during their college careers, understanding transfer policy and processes, and managing their finances. OBF addresses such challenges by employing a variety policies and procedures that can alleviate potential problems, such as extending registration periods, opening up new sections for needed courses, revamping student advising and counseling services, streamlining financial aid procedures, boosting aid for low-income students, mandating first-year courses that can help place students on the appropriate academic ladder to success, and by adopting alert-system technologies geared toward notifying students when they are falling behind academically.

Additional incentives for promoting completion include having flat-rate tuition plans that encourage students to enroll in a full-load of credits each year, as well as by offering summer tuition discounts that help students maintain continuous enrollment and move them closer toward graduating.

Lumina than asks how colleges are responding to OBF, explaining how research points toward effective OBF models that entail spending more on instruction and academic support; changing student service policies, such as removing graduation fees; and by relying more pointedly on operative data collection to recognize and create more effective overall pathways that result in completion. Some examples offered include how state of Washington community colleges eliminated certificate and diploma fees, improved their developmental education efforts, and identified students who had completed enough credits to earn a degree but never officially graduated. Other states implemented changes to instructional techniques to be more in line with students' needs.

The implementation and distribution of institutional financing of OBF initiatives are explained as follows:

> Most outcomes-based funding models deal with only a portion of state funding. . . The remainder of state funds for higher education institutions continue to be distributed through enrollment-based models. . . Implementing outcomes-based funding does not necessarily change how much a state spends on higher education. In fact, no new money is needed, but outcomes-based funding changes how those public funds are divided among campuses. The total level of funding may increase or decrease regardless of the results of an outcomes-funding model.[35]

The OBF Conundrum

Despite many positive implications culled from the research, OBF is still a controversial issue with its share of contrary points of view, primarily because OBF has not yet been fully proven to be effective. Nevertheless, its acceptance among state funding priorities is growing fast across the country. A February 2017 report by the Center for Postsecondary and Economic Success at CLASP estimates that "more than two-thirds of states use or will soon use some form of outcomes-based funding." [36]

What this basically means is that the percentage of state funds directly tied to OBF models will increase. However, educators are very concerned about the possibility of OBF models creating inequality in student selectivity issues relative to admissions and student support services policies and procedures.

> When done right, OBF can motivate institutions to target resources to underserved populations. But without proper safeguards, OBF may lead to reduced student access and/or cut the budgets of the open

access institutions, like community colleges, that serve these students, exacerbating the already low per student funding levels at such institutions. Likewise, the burden of these reduced investments can translate to increased levels of unmet need for low-income students.[37]

The CLASP report covers "equity measures" relative to OBF, referring to performance measures that serve as counteractions to any designs that may increase choosiness, as well as suggesting what kinds of measures can serve at-risk students who need more success and completion-oriented services. CLASP classifies such measures along four dimensions: priority population, type of equity measures, optionality, and weighting.

Priority population means identifying incentives that serve population groups labeled differently among the states, such as "under-represented minorities (URMs)" in Massachusetts and Pennsylvania, "underserved" in Colorado, Nevada, Montana, Utah and Virginia, "at-risk" in Illinois, Indiana, Massachusetts, and Mississippi, or "focus populations" in Tennessee. Other identifiers include Pell grant recipients, first generation, adults 25 or 30 plus, African American, Hispanic, American Indian, and developmental/remedial students.

CLASP lists six types of equity measures, under outcomes, inputs, and progress, with the following examples:

- Direct outcome measure – Certificate or degree completion by low-income students.
- Bonus outcome measure – Adult students who graduate.
- Direct input measure – Pell student enrollees.
- Bonus input measure – Enrollees who are students of color.
- Direct progress measure – Progress of remedial students.
- Bonus progress measure – Low-income student course completers.

Optionality addresses how institutions utilize optional equity measures versus required. For example, in Indiana, at-risk degree completion measures are mandatory, and, in Arkansas, minority credentials, non-traditional credentials, and remedial are optional. Wisconsin Technical Colleges have nine different optional equity measures, and, in Kansas, community colleges can utilize their own specific measures that address students who are not college ready.

CLASP posits that required equity measures are more effective than optional, offering the following admonition: "Allowing institutions to choose their own unique measures seems problematic, as data should be comparable across schools to the extent possible, and selecting one's own measure opens up too much opportunity to game the system." [38]

Weighting means assigning percentage values for funding related to various direct and bonus OBF measures. It's important to note that, in the first place, every state is different in how much state funding is tied directly to OBF measures. In Ohio, 100 percent of state community college funds are allocated through OBF measures, whereas in Illinois it is only 0.5 percent. In Kansas, all new state funds are awarded through OBF, and in Nevada it was 5 percent in 2015 with increases slated to increase to 20 percent by FY18.

The Community College Research Center is another source for in-depth information about OBF. The Center's website features a special section on this topic with links to numerous reports that have looked deep into OBF.[39] A January 2015, 2-page CCRC Policy Brief, titled "Increasing Institutional Capacity to Respond to Performance Funding: What States Can Do," based on CCRC's thorough research and reporting on this topic, succinctly addresses key strategies states and institutions can take to effectively implement outcomes-based funding policies and measures. To deal with any prospectively new demands that may occur as a result of implementing OBF, CCRC proposes the following:

- Improve IT capacity – In addition to institutions, CCRC suggest that states themselves should also build up IT infrastructure for data gathering purposes.
- Improve institutional research capacity – This is a perennial challenge for community colleges that typically do not have adequate funds to invest in institutional research. States, therefore, should consider allocating funds to institutions or to themselves that increase the hiring and/or training of skilled researchers or groups that provide such services, whereby more effective analyses can become commonplace.
- Help institutions consider avenues for change – For example, states can sponsor more interactions/meetings/conferences between institutional leaders of OBF initiatives, as well as promote the building of communities of practice.
- Increase funding for new programs – "Improving student outcomes costs money, as does evaluating their effectiveness."
- Include time for institutions and states to adjust to new expectations – Phase in gradually.[40]

Finally, on OBF, a must-read April 2016 report, published in The Russel Sage Foundation Journal of the Social Sciences, further elaborates what's happening with OBF overall. Titled "Looking Inside the Black Box of Performance Funding for Higher Education: Policy Instruments, Organizational Obstacles, and Intended and Unintended Impacts," this report is a mixed bag of ideas and designs, highlighting both the positive and negative consequences of state-funding-related implementations of OBF measures.

The Black Box report drew from CCRC research and a large amount of additional scholarly research along with data from three early-adopter states: Indiana (2007), Ohio (1995), and Tennessee (1979). Examinations of nine unnamed community colleges and nine universities in the three states were included in the research results, along with in-depth interviews with 261 state officials, state-level political actors, and administrators and faculty from all 18 institutions. Additional information from public agency reports, newspaper articles, and academic research studies was also included in the research results.

Some of the findings among many in this report pointed to what kinds of changes in policies, programs, and practices related to academics and student-services have transpired at the universities and community colleges studied after these institutions adopted OBF, most of which had different measures in place. The following changes were noted:

- Developmental education – One community college in the study implemented preterm remedial courses, whereby students could attend summer classes prior to attending during the fall term. Other community colleges allowed students to enroll in both remedial and regular, credit-bearing courses during the same terms. Most, however, had developmental education measures implemented and incentivized separate from their OBF measures.

- Course articulation and transfer – Improvements that supported transfer between community colleges and universities became an OBF metric in Ohio and Tennessee.

- Advising and counseling – Every institution in the study made changes to their advising and counseling services through various means, including the staffing of more advisors and counselors, having faculty play a greater role, and by adopting early alert warning systems.

- Tutoring and supplemental instruction – New tutoring centers were created, more online tutoring services were implemented, and faculty were required to meet with students at some of the institutions.

So, after all this, and much more highlighted throughout the extensive and thoroughly researched Black Box report, what was the bottom-line effect on our key word here: "outcomes?" In other words, was there any significant improvement in student outcomes?

> . . . we do not have as yet conclusive evidence that performance funding does indeed improve student outcomes in any significant way. Moreover, we have evidence that it may produce troubling unintended impacts such as a weakening of academic standards and restrictions in the admission of less prepared and less advantaged students at a time of rising inequality in higher education. Clearly, performance funding deserves close attention both from policymakers and from researchers.[41]

Growing Criticism and Concern

As educators and state legislative bodies grapple with OBF, community colleges are obliged to continue creating institutional dynamics that clearly address a data-oriented completion agenda in conjunction with such never-ending issues as leadership development, developmental education concerns, and workforce development, regardless of funding losses. This kind of rational was addressed in an article published by Inside Higher Education on October 17, 2017, headlined "More Scrutiny for Community Colleges." Education Journalist Ashley A. Smith's opening sentence clearly states that "community college systems are finding they're under more scrutiny than ever before, especially when it comes to whether their students complete programs and graduate."

Smith then points to a recent, highly critical report published on September 11, 2017 by the Joint Legislative Audit and Review Commission (JLARC) about the state of Virginia's community college system. The report refers to poor completion rates, the struggles of workforce and program development efforts, the challenges being faced through dual-enrollment and transfer issues, a lack of advisory services, and the problems students face because of excess credits they had unfortunately taken.

David Baime, senior vice president for government relations and policy analysis for the American Association of Community Colleges, is quoted in the article, saying that, "in many places, we are seeing state legislatures getting more involved with decisions that might normally be expected to be made by campuses or even the state systems." [42]

Change is Necessary

Such reporting sounds like a very loud warning bell for community college leaders. It simply cannot be ignored how state disinvestment, guided by results-oriented data analysis at community colleges throughout the country, is real. In some states the trends can be labeled as immediately draconian. Arizona, Illinois, North Carolina, and California, for instance, have gone through numerous fiscal challenges in recent years, suffering great declines in state funding almost overnight without ample warning. In answer to such declines, community colleges are being forced to become much more business oriented.

In a November 2016 Community College Week editorial, co-authors Rufus Glasper, president and CEO of the League for Innovation, and Carrie B. Kisker, director, Center for the Study of Community Colleges, explained how community college leadership needs to change in order to thrive.

> For many in the administrative hierarchy of community colleges, the breadth of new challenges appears enormous, especially if compared to challenges faced by our peers from the mid-1960s, when community colleges were growing at a rate of one per week, and from pre-recession 2008, when student enrollment growth was steady.

Glasper and Kisker went on to say that community colleges are just starting to really understand the implications of state disinvestment realities, and they concluded that currently “the learning ecosystem is in a flux.” However, all is not necessarily lost, provided that today’s community college leaders learn quickly how to serve as multi-talented educators, communicators, fundraisers, entrepreneurs, and mediators, “all while striving to minimize the fear of declining state investments and providing a vision of empowerment, knowledge, and control of the institution’s destiny.” [43]

Pushing to do more through active, multifaceted leadership skills includes further discussions and implementations along the lines of meaningful collaborations with their communities, more training programs for business and industry,

more work for adults in which tuition and cost-of-living expenses can be reimbursed, an increase in the possibility of new fundraising mechanisms, and much more.

While the research, implementation and general overall attention placed on OBF at community colleges, and its relationship to state funding allocations continues to be cultivated, under the pretext of a more effective completion agenda, what else can institutions do to increase revenues to offset state disinvestment? The short answer: become more entrepreneurial and find alternative revenue sources.

The Slow Growth of Charitable Foundations at Community Colleges

For example, some community colleges are forming foundations that can possibly bring in donations. However, community colleges in this arena have a long way to go before they even come close to catching up with their four-year counterparts.

At LaGuardia Community College, which serves more than 50,000 students annually, many of whom are living at the poverty-level, President Gail O. Mellow put together a charitable foundation board more than 10 years ago. As covered in a November 2014 New York Times article - headlined “How Can Community Colleges Get a Piece of the Billions That Donors Give to Higher Education?” - board members include former

LaGuardia graduates who have become successful business professionals. In 2014, they were asked to give or raise $5,000 each, up from the $1,000 they were asked to give or raise five years previous, which is much lower than the typically minimal $20,000 to $50,000 individual charitable foundation board members raise at four-year institutions.

It was also explained in the NYT piece that two-year Clark College in Washington State has the largest endowment in the country of more than $47 million, which is 676th in the overall ranking of all college endowments – two-year and four-year – nationally. "The average endowment of private four-year college is approximately $230 million, or 50 times the $4.6 million that is average for community colleges." The NYT article also noted that:

> The development office at LaGuardia employs four people; the analogous operation at Williams College, which has 2,000 students and an endowment of $2 billion, has a staff of close to 50. The money that comes into the LaGuardia foundation's fund, which currently has $3.37 million, is spent quickly, not on endowed professorships or improving aquatic facilities but on scholarships and meeting the students' immediate needs for books, tutoring, transportation costs and whatever emergencies might arise.[44]

Overall, any effort to establish a successful charitable foundation, while worthwhile, takes decades to accomplish, which is another reason why community colleges must continue to consistently exert themselves to be more entrepreneurial for sooner-rather-than-later results.

Rise of Community College Entrepreneurship as State Funds Decrease

Community colleges that engage in entrepreneurial activities is not a new development. In 2005, the American Association of Community Colleges (AACC) published "The Entrepreneurial Community College," edited by John E. Roueche and Barbara R. Jones. Then President of the AACC George Boggs wrote in the foreword that "the best community colleges will be those that are the most flexible and adaptive," adding that it is not so much about fundraising as it is about "how to expand the capabilities of the institution."

The book showcased best practices at more than one dozen community colleges across the country that have reduced costs and increased revenues. In chapter one, "Setting the Stage of Action: Entrepreneurship at Work," Suzanne L. Flannigan, Thomas G. Greene, and Jones broadly lay out a good number of familiar strategies for success, with examples, such as "sharing partnerships, profit-generating initiatives, and other innovative ways to use resources and generate additional funds, including strategic alliances, business and industry training, programming, foundations, fundraising and friend raising, outsourcing, and legislative lobbying."

Less Reliance on State Funding Brings Transformation

In a section about how to deal with the future, Roueche and Jones clarify how community colleges that have made the greatest strides toward change are those who have reduced their reliance on state support, and that this kind of progress requires colleges to undergo a deep transformational process. In this scenario, familiar, traditional bureaucracies are replaced by an agile, "flexible, organic, supportive culture of healthy fanaticism," where employees are freed from "restrictive rules and red tape so that they can creatively and collaboratively act in the best interests of their colleges." This kind of environment lives on risk and uncertainty.

> Institutional planning exists, but on a much shorter, more responsive cycle that is intended to prepare for, not predict, the

future. Employees feel grounded in intuition, able to step outside of their comfort zones and exercise initiative, creativity, and chutzpah to overcome obstacles, recognize opportunities, and pursue new, untested solutions. Risk taking serves as the wellspring of innovations and is the defining characteristic of entrepreneurial organizations.[45]

GTCC's Story

Guilford Technical Community College (GTCC) in North Carolina is one institution among many in America that embodies this kind of thinking and doing. In "Rising to the Challenge: Lessons Learned from Guilford Technical Community College," published by AACC in 2012 and edited by John E. Roueche and Suanne D. Roueche, GTCC is presented as an institution whose best practices are "worthy of consideration for adoption and adaptation elsewhere."

"Rising to the Challenge" includes a portrait of President Emeritus Donald Cameron, who served as GTCC president for 20 years and developed a strong reputation as a transformational leader who forged effective partnerships with local industries and academic communities. The book also features information and examples relative to effective leadership succession planning, encouragement of student success initiatives in the developmental education arena, building healthy relationships with the P-16 education community, expanding programs that support local workforce training needs, and nurturing totally new programs to attract more students.

Cameron was profiled as a leader who took risks; had a persistent, well-articulated vision for GTCC's growth; cultivated advice from problem seekers and solvers throughout the college and community; always listened intently to faculty, staff, and students; welcomed change; enabled others to lead; employed humor and humility in his daily work; and was quick to recognize the

contributions of others.

In a chapter titled "Preparing for Leadership Succession," Martha Ellis explained how GTCC took well-planned-out steps, through the establishment of committees and task forces, that increased the institution's commitment toward leadership development of its employees by investing in resources "even in lean financial times, to prepare leaders in all areas of the college."

In "Pursing Student Success," John and Suanne Roueche described how GTCC faced the challenges of its completion-oriented agenda through a wide variety of initiatives that addressed such concerns as how to collect meaningful data, better engage GTCC leadership and staff in substantial "courageous conversations," develop a smoother and better organized enrollment process, and implement "trial-and-error road tests" that can address students' individual needs.

In "Establishing Relationships for a Healthy P-16 Pipeline" Melinda M. Valdez-Ellis covered the perennial issue of college readiness, beginning with a 1985 quote from H.L. Hodgkinson: "If people begin to see the educational system as a single entity through which people move, they may begin to behave as if all of education were related. The time has come to implement change with the emergence of P-16" – P meaning pre-school and 16 meaning earning a bachelor's degree. At GTCC, such initiatives as early-college high school, a college tech workforce development program, and a high school advisory initiative were implemented to build relationships with the entire education community to ensure students receive the preparation they need all through the education pipeline."

In "Soaring at Full Throttle: Economic Development," Valdez-Ellis showed how GTCC connected with the local aviation and transportation industries to further expand existing programs to support workforce needs, which, in turn, helped to secure additional revenue streams by "involving all stakeholders in assisting with the acquisition of funding." Through President Cameron's personal commitment to local economic and social transformation, which included both formal and informal interactions with the community at large, GTCC was able to patiently create successful industry partnerships for positive economic development.

Valdez-Ellis also wrote about how Cameron and staff brought into fruition a now popular, highly sophisticated, one-of-a-kind program that fills up its quota of enrollees every year and attracts students from across the country - The Larry Gatlin School of Entertainment Technology.

In the book's conclusion, titled "Living in the Futures We Create," John and Suanne Roueche extrapolate GTCC's lessons learned into the following (in brief) broader contexts:

- Taking calculated risks is a smart strategy if the overall institution accepts that it is driven by a culture in transition, all with common goals.
- Stellar leadership requires hard work that addresses human relationships that take time and financial wherewithal that frequently keep leaders up at night.
- Leadership must execute great ideas and possess a strong ability to envision, manage, and advance logistical details.
- Everyone must recognize that the college experience is more than a financial investment for students to enhance their career goals. In other words, community colleges must also realize that they are humane organizations and their community's friend. This, in turn, builds a stronger alumni support system down the road.
- Partnerships with local industry as well as with major grant-funding organizations are vital and must be aligned with student-related possibilities and actions that will make a difference in their lives.
- Leaders should emphasize and live in the future vision of their institution and not in a future the institution would otherwise inherit if they were not proactive.[46]

In Conclusion

More collaboration; cooperation; consolidation; and partnering with business and industry, school systems, and healthcare systems; more outreach and innovation – these are all important initiatives for community colleges to further develop to survive through the continuation of an ill-fated period of state and federal disinvestment.

However, there is a negative reaction promulgated by a faction of the U.S. population who believe taxpayer investments in higher education are nothing more than an enormous waste of money. This was brought out in an interesting November 25, 2017 Washington Post feature article by Senior Correspondent Kevin Sullivan and National Correspondent, Washington, D.C., Mary Jordan.

Sullivan and Jordan begin the article by quoting former Green Beret and former Arizona state legislator Frank Antenori, who emphatically proclaimed that higher education is an overly liberal environment that provides "ridiculous" classes that indoctrinate students "who hang out and protest all day long and cry on our dime."

The article, creatively headlined "Elitists, crybabies and junky degrees," reports that since 2008, for example, red state lawmakers in Arizona have cut higher education investments by 54 percent, causing tuition to increase, bringing more student debt and a larger and continuously growing challenge for low to middle income students to earn degrees. Furthermore, it was pointed out that a recent Pew Research Center study revealed that 58 percent of Republicans and GOP-learning independents (up from 37 percent in 2015) have no faith in our country's colleges and universities.[47] Additionally, a recent Gallup poll showed only one third of Republicans had confidence in universities.[48] Democrats in both the Pew (75 percent) and Gallup (56 percent) studies held much more positive opinions about our higher education system overall.

The Post article further explained what Antenori believed:

> Taxpayers should help pay only for degrees, such as those in engineering, medicine or law, that lead directly to jobs. If a student wants to study art or get a junky degree in diversity studies or culture studies, they should go to a private school . . . You want to create someone who's going to be a contributor, not a moocher. Go out and generate revenue; that's what it's all about.

As a counter-argument, Sullivan and Jordan interviewed Steve Farley, a current Democratic Arizona state senator who is running for governor:

> Farley said music and art are critical to education, invention and creativity "that can lift us from all these problems that we seem surrounded with these days." He noted that Apple founder Steve Jobs credited a college calligraphy course with helping spark the design of the first Macintosh computer. Farley worries that the withdrawal of public funds to colleges is widening the class divide. Public universities have long been the surest route to a degree for those who are not wealthy. But as tuition rises, they are beyond the reach of more people.[49]

Such obvious struggles and divides can be alleviated if, as explained in an Inside Higher Education opinion piece by Christiane Warren, community colleges stay true to their core during a time when enrollments and revenues are waning, especially at urban community colleges. Warren advises community colleges to focus more on completion efforts through cost-efficient campus-wide collaborations that use resources that institutions already have. She supports advising reforms supported by new education technologies and streamlining degrees through the elimination of too many electives, as well as sliming departments and degrees into four meta majors that have a few majors within each meta category.

Warren also backs the establishment of closer partnerships with four-year institutions to create more seamless transfer agreements. In addition, offer increased support services for nontraditional students, she says, adding that "community colleges should consider strengthening career and technical education internships and advisory boards, prior learning assessment credits, and competency-based education credentialing."

More support for first-generation students is also advised, along with getting involved with initiatives such as the widespread Achieving the Dream membership network and having recruiter and advisors work more closely with high school guidance counselors and teachers. "And to improve completion and graduation rates, standardized placement tests should be replaced by multiple data points for admissions and placement decisions, which would minimize the time that students spend in developmental education and English as a Second Language classes." [50]

In short, community colleges must keep doing what they have always been doing with more focus, determination, and togetherness. To do otherwise, especially under the current federal and state disinvestment climate, would only spell decline.

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