Submitter: Jeff Shaffer

On Behalf Of:

Committee: Joint Committee On Ways and Means Subcommittee On Education

Measure: HB5025

Dear Co-Chair Frederick, Co-Chair McLain, and Members of the Committee,

I am writing to you to express my strong support for HB 5025, to increase funding for our community colleges.

As the CFO at Clackamas Community College, and the Chair of the finance officers of the 17 community colleges in Oregon, I want to let you behind the curtain on a few key pieces of information I've learned over my years as a leader in Oregon's public agency financing.

First: In 1991, Measure 5 was written into the Oregon constitution committing the State's General Fund to replace lost revenues that resulted from the property tax limitations to K-12 & Community Colleges in Oregon, which it has. From the late 90s to the 07-09 biennium, the State had remained consistent, committing around 4% of its General Fund (GF) budget to community college support funding (CCSF) from those lost revenues resulting from Measures 5/50. Even with increased CCSF allocations recently, there is still a significant disinvestment from 2009 to 2023 as the current CCSF is only 3.1% of the State's GF allocations in the current biennium. If it were allocating at its historical 4% of GF for community colleges, the CCSF would be closer to $1 billion instead of $775 million in HB 2025.

Second: In 2003 PERS reform stabilized PERS rates for public employers at roughly 12.5% - 14.5% of payroll costs. But after litigation has overturned much of this reform, first in 2009 then again in 2015 with the State v. Moro, the rates ballooned to self-adjust to the current rates of roughly 26% of payroll for public agencies. That's nearly double the amount going into the PERS system, none of which are current staff, faculty or students seeing the benefits of today in the way of increased levels of services. Meanwhile, when 85% of operating expenses go to pay personnel costs, it is impossible to maintain existing service levels to operate a community college – even if funded proportional to the rate of inflation.

Lastly: It's important to note that community colleges have one element that make them unique compared to other educational structures (such as K-12 or four-year universities). That is that the costs to provide the services are primarily fixed costs - regardless to the changes in enrollment. While K-12 can change their boundary alignments, adjust the composition of grades/classes, or universities can adjust 10 sections of Algebra or Business courses to 8 sections on different days/times of the week, they both have mechanisms to shift costs commensurate with drops in enrollment. Community colleges cannot. They often have three options for courses, evenings and weekends for working students, remote/hybrid for students with childcare & transportation issues, and in-person for students who need to learn in a classroom setting. Additionally, community colleges work primarily in cohorts, where regardless of enrollment, classes are still happening in a specialized building, and are simply being taught with 15 students instead of 20 when their enrollment is down 25%. Thus, the costs remain roughly the same, regardless of enrollment.

With overall FTE enrollment & tuition revenues being down 28% for the combined 17 community colleges since 2019, community colleges clearly are not going to add this proportionally as tuition increases to make up for lost revenues. And with property taxes capped due to Measure 5/50 limitations, the only revenue source left is State funding to keep community colleges operating. Combine this with PERS expenses skyrocketing over the last 6 years & the State's investment in community colleges going from 4% of GF revenues down to the current 3%, it is more important than ever to ensure we can keep meeting the needs of our most vulnerable young adults, and providing an opportunity to make dreams come true for those who never thought it was possible.

In conclusion, I urge you to support House Bill 5025. Thank you for your time and consideration.

Jeff Shaffer