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Establishes New Tax Base for Portland Community College (District Measure 26-12) -- Ordinance Repealing Multnomah County Motor Vehicle Fuel Tax (Multnomah County Measure 6) and Repeal of County Fuel Tax (Washington County Measure 7)

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Report on
ESTABLISHES NEW TAX BASE FOR PORTLAND
COMMUNITY COLLEGE

(District Measure 26-12)

Question: "Shall Portland Community College have a new tax base of \$22,000,000 to maintain the quality and level of classes?"

Explanation: "PCC provides low-cost, convenient education for all residents. It educates more than 67,000 students of all ages in a five-county district. It offers classes at five campuses and other locations. It provides job training, job upgrading, job placement, aid to small businesses, remedial education, freshman and sophomore college courses, and community interest classes.

"More funds are needed to continue quality education throughout the district, assure weekend and evening classes, and maintain buildings. This measure will authorize a \$22,000,000 base pursuant to Article XI, Oregon Constitution, starting fiscal year 1986-87. The current base is \$14,897,227. With the new base PCC's operating costs per student will still be among the lowest for colleges in the state.

"Residents of the PCC District now pay 58 cents per \$1,000 assessed property value. Passage would add about 27.5 cents per \$1,000 assessed property value."

To the Board of Governors,
The City Club of Portland:

I. INTRODUCTION

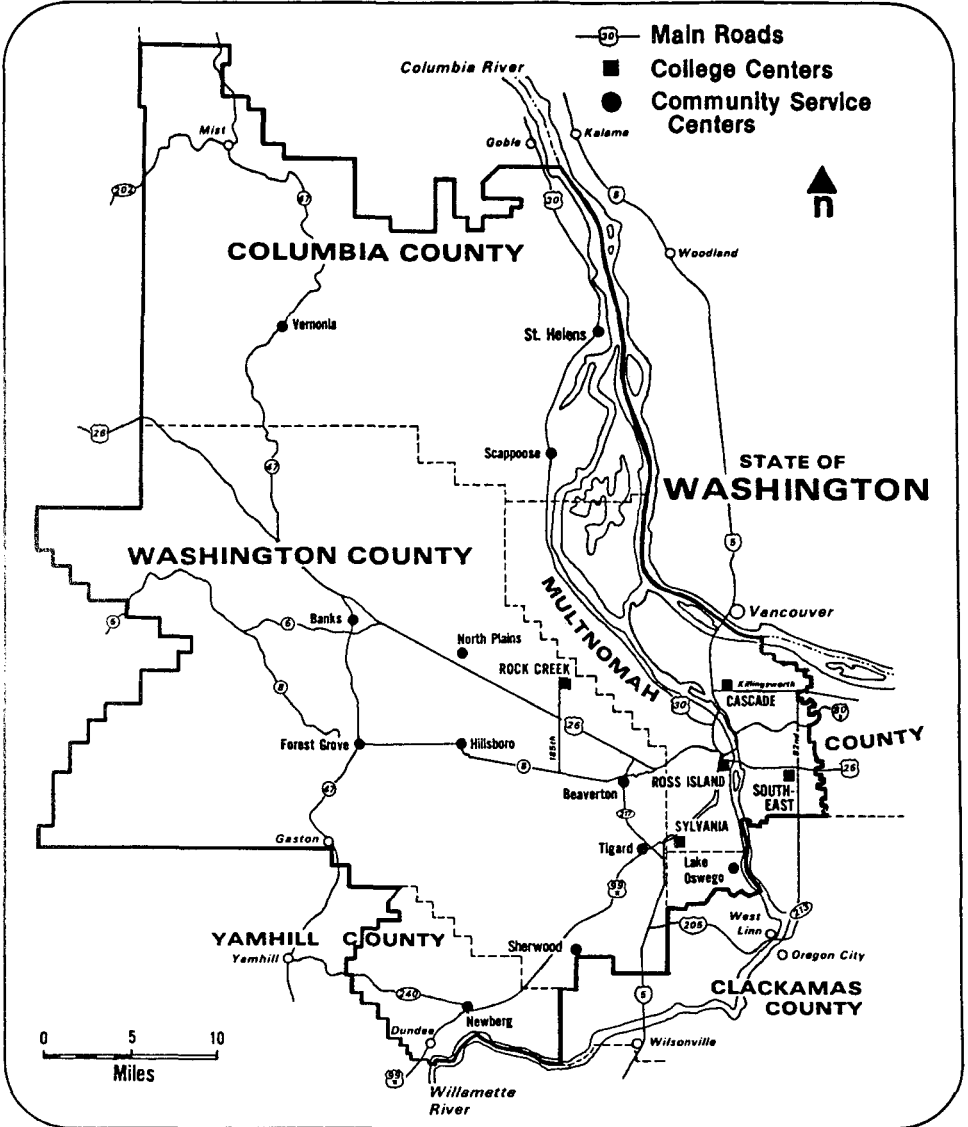
On May 20, 1986, voters in the Portland Community College (PCC) District will be asked to vote on a new tax base for the district.* (See map of PCC District below.)

II. BACKGROUND

PCC's first tax base was established in 1969, at \$4,123,711. The Oregon Constitution permits a tax base for any taxing district to increase by 6% per year without a vote of the people, and PCC's tax base increased accordingly, until it reached \$7,829,029 in 1981. In that year, District voters approved a new tax base of \$11,800,000.

* The options the College considered are: (1) a tax base - a fixed amount of property taxes which can increase 6% a year; (2) a one-year operating levy - extra income above the existing base, usable for operations only; (3) a two-ten year serial levy - usable for operations if not more than three years, otherwise for capital expenditures; and (4) a three-year serial levy - a fixed amount per \$1000 property value.

PORTLAND COMMUNITY COLLEGE DISTRICT



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The "Explanation" of District Measure 26-12 states that the college "...educates more than 67,000 students...". Specifically, 78,832 individual students took courses administered by PCC in the academic year 1980-81 (at the College Centers, Community Service Centers, and other locations in the Portland Community College District). Oregon State statute defines "full time equivalent student (FTE)" to be 45 credit hours per academic year. In 1980-81 this was 14,784 FTE. This year, 1985-86, the numbers are 58,740 students, and 12,360 FTE, respectively.

We note that this decline of student population probably is not a steady trend, but, rather, a temporary swing in the demographics of the young adult population. Colleges generally expect larger enrollments in the coming, and future, years.

PCC had a record high enrollment in 1980-81, and the combination of the new tax base, increased tuition, and increased state funding tied to the high enrollment left the District in a very good financial position, so that, by 1983-84, the District had a surplus of \$5 million. Since 1982, however, enrollment has declined by 14%, and declining tuition revenues have led to budget deficits each year. The District now has less than \$1 million in reserve.

In May 1985, District voters rejected a three-year serial levy of \$3.5 million.

The revenue sources for funding PCC have changed dramatically since its tax base was established in 1968:

| | <u>1969-70</u> | <u>1980-81</u> | <u>1985-86</u> |
|-----------------------|----------------|----------------|----------------|
| State General Funding | 49% | 42.1% | 32% |
| Tuition | 15% | 21.1% | 22% |
| Local Property Tax | 16% | 23.1% | 41% |
| Other* | 20% | 13.7% | 5% |

*Investment earnings, rental of facilities, mineral rights, transcripts, net working capital, etc.

The proportional reduction of State funding increases reliance on other sources; property taxes, in particular.

Tuition rates have gone from \$60 per term for full-time students in 1967 to \$210 in 1985-1986, and they are scheduled to increase by 3.3% in 1986-1987 even if the new tax base is adopted. Of the fifteen community colleges in the State, four have higher tuition than does PCC.

In 1961, the legislature established the level of state support for community college operations at \$433 per full-time student. By 1984, that figure had risen to \$1,097 per FTE, which is consistent with general inflation.

III. ARGUMENTS ADVANCED IN FAVOR OF MEASURE

1. Current program levels must be maintained and the requested tax base increase would do this. It would not fund any program expansion.

2. The overall educational program provided by PCC needs to be maintained to serve a definite need of the populace. It plays a vital role in educating persons for service vocations, in an increasingly service-oriented society.
3. The tax base increase is necessary to allow PCC to continue to provide technical education in areas not served by other institutions of higher education in the State, and several local businesses rely heavily on cooperative industry/PCC programs.
4. The money from the tax measure would provide the community value for the tax dollars spent.
5. Because the community college program in the U.S. is unique among the nations of the world and provides an affordable education to thousands of persons of low and moderate income, this measure has a high priority among revenue measures on the ballot.
6. The new tax base will encourage PCC to make the availability of its programs known to a wider segment of our community, particularly persons of low and moderate income.

IV. ARGUMENTS ADVANCED IN OPPOSITION TO MEASURE

Your Committee heard no significant argument against the measure from the people interviewed. However, the Committee believes that resistance to increased taxes of any kind will cause many voters and some organizations to oppose this measure.

V. DISCUSSION

Measure 26-12 would raise the current tax base for PCC to \$22 million, an increase of \$7,102,773. Since state law allows an automatic 6% annual increase (\$893,833) the actual increase in the tax base effected by the measure will be \$6,208,940. Based on past records of delinquent tax payment, it is expected that only 90% of this, or \$5,588,046, would be collected in the first year.

The \$5,588,046 would be spent next year as follows:

| | |
|---|----------------|
| Salaries | \$2,137,459 |
| Repairs and maintenance | 2,650,000 |
| Equipment, supplies and book purchases | 466,000 |
| Miscellaneous - curriculum development, student help, contingency fund | <u>334,587</u> |
| | \$5,588,046 |

Although Measure 26-12 would raise PCC's tax base, the new revenues would be used only to maintain the current level of programs and the existing physical plant, not to expand them. The items listed above are expenses which will recur in subsequent years. For instance, the apportionments of the salaries, and repairs and maintenance figures for 1986-87, are indicated in Appendix C, which also lists proposed reductions in case the measure fails.

As noted above, the District in recent years has used up most of the surplus it generated in 1981, and it will have to cut back on its programs and defer needed maintenance work if the new tax base is not adopted. Deferred maintenance exposes the physical plant to damage and deterioration costing far more to correct in the future. PCC chose the option of a tax base increase because it would provide an assured long term source of monies.

If the new tax base is not adopted, the contingency plans of the College include (for detail see Appendix C):

1. Several full and part-time faculty positions will be eliminated, and there will be significant cut-backs in such programs as mathematics, developmental education, data processing, and computer field service.
2. Repairs and maintenance of buildings will be deferred.
3. Purchases of some equipment, supplies and books will be eliminated.
4. Salaries of faculty and administration will be reduced 3%.
5. Tuition will increase by an additional 3.3% over and above the already scheduled 3.3%, so the total increase for 1986-1987 would be 6.6%.
6. The College will begin an immediate cutback of all services, including reductions in several curriculum areas. These cutbacks will have a compounding effect, for a reduction in services will result in a loss of students which, in turn, will result in a loss of state and federal matching funds.

Two important concerns not specifically related to the tax measure were expressed to your Committee. One was a concern that PCC might drift away from its traditional and valuable role as a provider of vocationally-oriented education, and become more like a university, thereby duplicating the services that are already provided by several public and private institutions in western Oregon. Your Committee believes that the time may be right for a long-range study of the role of community colleges in Oregon, to update the City Club's 1967 report, but it could find no evidence that Measure 26-12 is intended to mark any change in the vital role that PCC currently fills in our community.

The other concern was that PCC students could be asked to pay higher tuition to cover a larger portion of the college budget. Failure to pass the tax base measure could thwart the college's intent to keep tuitions low.

VI. CONCLUSIONS

Your Committee believes that cutbacks indicated in the contingency plan would be undesirable. PCC is not an ordinary educational institution; its programs have enabled thousands of people to improve their lives through education and training in a variety of fields. For many people, it has been the single most important factor in determining whether they remain in low-paying, uninspiring jobs, or instead advance to challenging careers.

At the same time, it has provided a source of skilled and motivated employees for the high technology industries that are so important to Oregon's economy. The fact that no organized opposition to Measure 26-12 has developed may be attributable to the fact that all segments of society perceive PCC to be a good thing.

VII. RECOMMENDATION

Your Committee recommends the City Club support a YES vote on Measure 26-12 at the May 20, 1986 Primary Election.

Respectfully submitted,

Sandra Decker
Charles F. Hinkle
James A. Nelson
Dee Jay Wolfe
Lloyd Williams, Chair

Approved by Research Board on April 10, 1986 for transmittal to the Board of Governors. Received by the Board of Governors on April 21, 1986 and ordered published and distributed to the membership for consideration and action on May 16, 1986.

APPENDIX A

Persons Interviewed

Ray Phillips, Oregon Taxpayers Union (by telephone)
Dr. James Van Dyke, Acting President, Portland Community College
Dr. Amo DeBernardis, former President, Portland Community College
Dr. Joseph Blumel, President, Portland State University (by telephone)
Dr. Paul Bragdon, President, Reed College
Professor William Long, Reed College and Portland Community College Board Member
Herb L. Cawthorne, Chief Executive Officer, Urban League of Portland (by letter)
C. Norman Winningstad, Chairman of the Board, Floating Point Systems, Inc. (by telephone)
Roy L. Lindsay, Vice-President for Administrative Services, Portland Community College

APPENDIX B

Bibliography

Report on Community College Program in Oregon, Portland City Club, March 31, 1967, Vol. 47, No. 44

PCC Budget Message 1985-86 and related financial data.

APPENDIX C

Portland Community College - Recommended Reduction
Should Tax Base Increase Not Be Approved

| | |
|--|----------------|
| Full-time Faculty | |
| 3 positions eliminated | \$ 110,046 |
| 7 positions to part-time faculty | <u>140,344</u> |
| | \$ 250,390 |
| Part-time Faculty | \$ 108,700 |
| Loss of 136 sections in Mathematics, Developmental Education, Professional Crafts, Physical Education, Data Processing, Computer Field Service, ARE/GED, Government Services | |
| Full-time Administrators | |
| 5 positions | \$ 162,204 |
| Library Improvements | \$ 203,324 |
| 3 librarians - 1 classified | |
| \$95,000 periodicals and books | |
| Full-time Classified | |
| 1 position to part-time | \$ 4,000 |
| 11 positions eliminated | <u>205,603</u> |
| | \$ 209,603 |
| Part-time Classified | |
| 35 equivalent positions (all in areas) | \$ 420,000 |
| Micro-electronics to an evening upgrading program | \$ 60,000 |
| 1 full-time faculty - 1 3/4-time classified | |
| Vocational Music (eliminate) | \$ 117,061 |
| 2 full-time faculty - .75 part-time faculty | |
| Instructional Equipment | \$ 120,000 |
| Non-Instructional Equipment | \$ 175,000 |
| Materials and Supplies | \$ 76,000 |
| Conferences and Travel (Staff Development) | \$ 60,000 |
| Student Help | \$ 100,000 |
| Salaries all employees | \$ 701,177 |
| (To avoid additional cuts for 1986-87) | |
| Curriculum Development | \$ 25,000 |
| Contingency Fund | \$ 139,587 |
| Capital Projects | \$2,650,000 |
| Roof Repairs | \$1,173,000 |
| Renovation and Upkeep | 311,500 |
| Equipment | 350,000 |
| Roads and Parking Lots | 163,000 |
| Cascade Science Lab | 206,000 |
| Air Conditioning Replacement (computer lab) | 50,000 |
| Contingency | 137,000 |
| Ending Fund Balance | 250,000 |