

**Comments from the Community College System on the discussions and draft recommendations of the Sustainability Subcommittee:**

With respect to “Higher Education Funding Scenarios”:

- Fairly extensive polling should be conducted on both the partners and the financing options before deciding to move forward with one or a combination of several of the options listed.
- A property tax increase is politically untenable in the near future due to the current housing woes, the likely competition from K-12 school districts’ mill levies proposals, and the political unpopularity of the tax. It will be difficult for business, educational and government leaders to fight to defeat propositions 60, 61, and 101 during the current election cycle—and then turn around the next election cycle and propose to *increase* property taxes by 4 mills. It is difficult to imagine the business community supporting this. There is no way to get a ballot initiative of this sort passed statewide without business community support.
- The surcharge on extraction and a potential sales tax increase seem the most likely set of funding options to be able to garner both the support of key constituencies and not generate well funded opponents — **if discussions and support from key impacted constituencies can be negotiated up front. It is critical to hold discussions with impacted constituencies upfront.**
- Higher education cannot successfully go it alone. Higher Education does not poll well enough and requires partners in the business community, state government, and educational community to be successful. This will likely mean either sharing revenue with other groups or reducing a requested revenue increase to the public.

With respect to the “Draft Sustainability Recommendations”:

- The overall base number of \$760 million may be adequate if the expectation is the provision of current levels of service, quality and outcomes. If the state wants increased levels of service, quality and/or outcomes (including performance funding), the number to ask for from the voters needs to be significantly higher.
- Providing a “matching state fund” to encourage localities with colleges in their county to pass a mill levy increase appears to be a reasonable idea. However, there is no way to guarantee matching fund availability unless a revenue stream is set aside upfront. The most likely source being state income or sales tax. Carving existing revenue away from existing sources creates a negative financial impact for the rest of state government agencies and creates built-in opposition. Also, this would rely on each county to individually pass property tax increases but have a state-determined redistribution formula to equalize the revenue sharing. This would be an extremely complicated formula that would be difficult to explain to voters. Such a model could also create a rift between property-dense urban counties and rural counties in the value and impact of the local initiative. For example, it may make sense for voters in county X to vote to increase property taxes if they are getting a 20 to 1 match from the state. It would be a much more difficult sell for county Y to vote for anything if they are getting only a, for example, 50% match on the funds generated. Again, any property tax increase request will be very difficult to pass. Finally, any ballot measure has to be considered very carefully. Higher Education will likely only have one opportunity to go to the voters; a failure could set us back a position worse than we are in today.