DRAFT

Long-Range Financial Plan (Through FY07)
Lane Community College
April 2004

Appendices

Appendix 1

Lane's Vision, Mission, Core Values and Strategic Directions

Vision

Transforming lives through learning

Mission

Lane is a learning-centered community college that provides affordable, quality, lifelong educational opportunities that include:

- Professional technical and lower division college transfer programs
- Employee skill upgrading, business development and career enhancement
- Foundational academic, language and life skills development
- Lifelong personal development and enrichment, and
- Cultural and community services

Core Values

Learning

- Work together to create a learning-centered environment
- Recognize and respect the unique needs and potential of each learner
- Foster a culture of achievement in a caring community

Diversity

- Welcome, value and promote diversity among staff, students and our community
- Cultivate a respectful, inclusive and accessible working and learning environment
- Work effectively in different cultural contexts to serve the educational and linguistic needs of a diverse community

- Develop capacity to understand issues of difference, power and privilege

Innovation

- Support creativity, experimentation, and institutional transformation
- Respond to environmental, technological and demographic changes
- Anticipate and respond to internal and external challenges in a timely manner
- Act courageously, deliberately and systematically in relation to change

Collaboration and Partnership

- Promote meaningful participation in shared governance
- Encourage and expand partnerships with organizations and groups in our community

Integrity

- Foster an environment of respect, fairness, honesty, and openness
- Promote responsible stewardship of resources and public trust

Accessibility

- Strategically grow learning opportunities
- Minimize financial, geographical, environmental, social, linguistic and cultural barriers to learning

STRATEGIC DIRECTIONS OF THE COLLEGE

Transforming Students' Lives

- Foster the personal, professional, and intellectual growth of learners by providing exemplary and innovative teaching and learning experiences and student support services.
- Commit to a culture of assessment of programs, services and learning.
- Position Lane as a vital community partner by empowering a learning workforce in a changing economy.

Transforming the Learning Environment

- Create a diverse and inclusive learning college: develop institutional capacity to respond effectively and respectfully to students, staff, and community members of all cultures, languages, classes, races, genders, ethnic backgrounds, religions, sexual orientations, and abilities.

- Create, enhance, and maintain inviting and welcoming facilities that are safe, accessible, functional, well-equipped, aesthetically appealing and environmentally sound.

Transforming the College Organization

- Achieve and sustain fiscal stability.
- Build organizational capacity and systems to support student success and effective operations.
- Promote professional growth and provide increased development opportunities for staff both within and outside the College.

Appendix 2

Board Budgeting Policies

POLICY NUMBER: A.040

POLICY TYPE: EXECUTIVE DIRECTIONS

POLICY TITLE: FINANCIAL PLANNING AND BUDGETING

Financial planning for any fiscal year or the remaining part of any fiscal year shall reflect the board's end priorities, avoid fiscal jeopardy, and shall be derived from a multi-year plan.

Accordingly, the president shall assure budgeting that:

1. Complies with Oregon Local Budget Law.
2. Contains sufficient information to enable credible projections of resources and expenditures as presented in the Budget Document in accordance with Oregon Local Budget Law.
3. Discloses planning assumptions.
4. Limits expenditures in any fiscal year to conservatively projected resources for that period.
5. Maintains current assets at any time to at least twice current liabilities.
6. Complies with budget and financial policies contained in Section E.

ADOPTED: November 9, 1998
REVISED: April 12, 2000
REVISED: January 14, 2004

POLICY NUMBER: A.050

POLICY TYPE: EXECUTIVE DIRECTIONS

POLICY TITLE: FINANCIAL CONDITION AND ACTIVITIES

With respect to the actual, on-going financial condition and activities, the president shall avoid fiscal jeopardy and assure that actual expenditures reflect board priorities as established in ends policies.

Accordingly, the president shall:

1. Not expend more funds than have been received in the fiscal year to date, except as approved by the board.
2. Not use any long-term reserves that are not budgeted and appropriated for expenditure.
3. Settle payroll and debts in a timely manner.
4. Assure that tax payments or other government-ordered payments or filings be on time and accurately filed.
5. Make no single purchase or commitment of greater than $75,000 without board approval, except in extreme emergencies.
6. Acquire, encumber, or dispose of real property only with board approval, except in extreme emergencies. s.
7. Pursue receivables aggressively after a reasonable grace period.
8. Comply with budget and financial policies contained in Section E.

ADOPTED: November 9, 1998
REVISED: May 12, 1999
REVISED: April 12, 2000
REVISED: January 14, 2004

POLICY NUMBER: A.070

POLICY TYPE: EXECUTIVE DIRECTIONS

POLICY TITLE: ASSET PROTECTION

The president shall assure that assets are protected, adequately maintained, and not placed at risk.

Accordingly, the president shall:

1. Insure against theft and casualty losses and against liability losses to board members, staff, and the organization itself in an amount similar to the average for comparable organizations.
2. Prevent uninsured personnel from access to material amounts of funds.
3. Assure that plant and equipment are not subjected to improper wear and tear or insufficient maintenance.
4. Assure that the organization, its board, or staff, are not unnecessarily exposed to claims of liability.
5. Assure that every purchase (A) includes normally prudent protection against conflict of interest; and (B) of over $75,000 includes a stringent method of assuring the balance of long-term quality and cost.
6. Protect intellectual property, information, and files from loss or significant damage.
7. Receive, process, or disburse funds under sufficient controls to meet the board-appointed auditor's standards.
8. Invest or hold operating capital in excess of daily requirements in accordance with ORS 294.035.
9. Not endanger the organization's public image or credibility, particularly in ways that would hinder the accomplishment of its mission.
10. Not name a building, substantial parts of buildings, or significant landscape features of Lane Community College without prior approval of the board; and, when a building has substantial support from a donor, without prior involvement of the Foundation.

ADOPTED: November 9, 1998
REVISED: April 12, 2000
REVISED: December 13, 2000
REVISED: September 10, 2003
REVISED: January 14, 2004

POLICY NUMBER: B.060

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD DUTIES AND RESPONSIBILITIES: BUDGET MAKING

The board of education has the responsibility to:

1. Adopt the annual budget before July 1 of the budget year.
2. Act as the levying board in the budget process.
3. Assist in presenting the needs of the college to the public and assist in the adoption, through the formulated budget process, of a budget that will address these needs.
4. Appoint the seven members with whom they shall serve jointly as the budget committee.
5. Review student tuition rates annually.

ADOPTED: November 9, 1998
REVISED: December 10, 2003

POLICY NUMBER: B.090

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BUDGET PREPARATION AND ADOPTION

At the direction of the board of education, the president shall study budget needs and prepare recommendations on programs and services for budget committee consideration. The recommendation of advisory committees and interested citizens and organizations within the college district shall be considered by the president in developing the budget document.

The college budget shall be prepared and adopted in compliance with Oregon Local Budget Law [ORS 294].

ADOPTED: November 9, 1998
REVISED: December 10, 2003

POLICY NUMBER: B.080

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BUDGET OFFICER

The president or designee shall serve as budget officer. The budget officer shall be responsible for preparation and maintenance of the budget document in compliance with Local Budget Law [ORS 294].

ADOPTED: November 9, 1998
REVISED: December 10, 2003

POLICY NUMBER: C.040

POLICY TYPE: BOARD-PRESIDENT LINKAGE

POLICY TITLE: BORROWING

The board may authorize borrowing for the college, in compliance with state laws, by resolution stating the upper limit to be obligated at any one time. The president or designee may initiate emergency borrowing prior to board approval should a quorum of the board not be available to authorize borrowing.

ADOPTED: November 9, 1998

POLICY NUMBER: D.110

POLICY TYPE: MISCELLANEOUS

POLICY TITLE: TUITION

In order to maintain a constant tuition rate relative to inflation:

Each December, the board will adjust the per credit tuition rate to reflect changes in an appropriate index for two-year public colleges since the last tuition adjustment. The rate will be rounded to the nearest half-dollar and become effective the following academic year (Summer Term).

For other adjustments:

Periodically and as needed, the board will review Lane's tuition rates to ensure: a) that tuition revenues are appropriate for the needs of the district and, b) that Lane's tuition is comparable with other Oregon community colleges.

This policy shall be in effect until the end of the 2004-05 academic year, at which time the board may review the policy with students and staff, and determine whether a) to continue the policy or b) to revise the policy.

ADOPTED: November 13, 2002

POLICY NUMBER: E.010

POLICY TYPE: BUDGET AND FINANCIAL

POLICY TITLE: DEFINITION OF A BALANCED BUDGET

The board directs the president to develop annual budget recommendations that are in accordance with the college's strategic plan and conform to the requirements of Local Budget Law (ORS 294.326). The budget shall provide for:

- Annual operating expenditures not to exceed projected revenues (Expenditures shall be budgeted according to the college's strategic priorities.)
- Debt service, both current (due in less than 12 months) and long term
- Reserves for maintenance and repairs to its existing facilities
- Reserves for acquisition, maintenance and replacement of capital equipment.
- Reserves for strategic capital projects
- Funding levels to fulfill future terms and conditions of employment, including early retirement benefits
- Allocations for special projects related to the strategic directions of the college.
- Allocations for contingencies (unforeseen events requiring expenditures of current resources)
- Ending Fund Balances (according to policies set specifically for that purpose)

Lane has a further responsibility to:

- Plan how it will spend any "onetime" unanticipated revenue, allocating it strategically and prudently between:
    - The restoration of any shortfall to targeted ending fund balances,
    - Currently unfunded projects in the strategic plan, and/or
    - Holding some or all of it in reserve during financially volatile periods.
- Permanently stabilize its finances in their entirety (operating budget, reserves, contingencies and ending fund balances) when it perceives a long term change (increase or decrease) to its available future recurring resources

ADOPTED: January 14, 2004

POLICY NUMBER: E.020

POLICY TYPE: BUDGET AND FINANCIAL

POLICY TITLE: UNAPPROPRIATED ENDING FUND BALANCE

The president shall assure budgeting that maintains the estimate of unappropriated ending fund balance at no less than three percent of the general fund operational expenditure budget.

ADOPTED: January 14, 2004

POLICY NUMBER: E.030

POLICY TYPE: BUDGET AND FINANCIAL

POLICY TITLE: ENDING FUND BALANCE

Lane Community College shall maintain an "unrestricted" General Fund Ending Fund Balance equal to approximately 5% of total budgeted expenditures. This amount shall be considered a "target" and the target range may fluctuate up to 1% above or below the target from year to year depending on financial conditions and the needs of the college.

The Ending Fund Balance target shall include the Unappropriated Ending Fund Balance (UEFB) as set by board policy E.020. When the Ending Fund Balance falls to 4% or less, the college shall adopt a plan to replenish the Ending Fund Balance to 5% within two years. When the Ending Fund Balance exceeds 6%, the excess shall be set aside for investment in one-time expenditures.

If the total Ending Fund Balance (including restricted) falls to levels that require short-term borrowing, the levels set by this policy shall be automatically reviewed and adjusted as necessary.

ADOPTED: January 14, 2004

POLICY NUMBER: E.040

POLICY TYPE: BUDGET AND FINANCIAL

POLICY TITLE: STABILIZATION RESERVE FUND

The board may require the president to establish a separate “reserve fund” (as described in ORS 341.321 and ORS 294.525) for the purpose of providing short-term stabilization in anticipation of possible shortfalls in revenue.

A stabilization reserve fund may be established under one or more of the following circumstances:

- State budget appropriations for community colleges are not approved by the time the college budget is approved and adopted.
- A situation exists where significant changes in enrollment are possible but not reasonably predictable.
- When any major revenue source has a reasonable possibility of decreasing after the college budget is approved and adopted.
- When any operating expenditure that is beyond the control of the college could reasonably be expected to increase after the college budget is approved and adopted.
- Any other situation in which the board determines that there is a reasonable expectation that major shifts in revenue or expenditures could occur during the budget year.

Stabilization reserve levels:

- Minimum reserve levels shall be at the discretion of the board under advice from the budget committee and the president.
- Maximum reserve levels shall be no more than the maximum reasonably estimated shortfall at the time of the adoption of the budget.

Stabilization reserves will be reviewed annually as part of the budget development process. The stabilization reserve fund shall be closed out when the board determines that the precipitating threat to revenues and/or expenditures no longer exists. As long as the conditions exist that caused the fund to be established, the funds shall be kept in reserve for the purpose intended. If and when the fund is closed out, any remaining balance shall be released for use as a resource in the General Fund.

ADOPTED: January 14, 2004

POLICY NUMBER: E.050

POLICY TYPE: BUDGET AND FINANCIAL

POLICY TITLE: CAPITAL RESERVE FUNDS

The college shall establish and maintain separate "reserve funds" (as described in ORS 341.321 and ORS 294.525) in Capital Projects Fund IV for the following purposes:

To replace capital equipment that is broken or beyond its useful life as determined by the Capital Assets Replacement Forecast;

To maintain and repair college facilities according to the Major Maintenance Schedule;

To maintain and upgrade the college's information/telecommunications system according to planning schedules maintained by Information Technology;

To build new instructional facilities and/or to purchase property that facilitate planned long-term growth of the college.

Appropriate levels of funding for reserves will be determined using existing college decision-making structures. The president will make recommendations to the Board of Education for approval to establish and fund these reserves.

Optimal funding levels will be determined using benchmarks, professional standards and best practices from other colleges and adapting these to Lane's specific situation. It is expected that full funding of these reserves will take place over a number of years and that annual transfers to these reserves will be budgeted from the General Fund and other sources as appropriate.

As required in ORS 294.525, the board shall periodically review the reserve fund "and determine whether the fund will be continued or abolished." While ORS 294 allows review to take place every 10 years, reserve funds established under these policies shall be reviewed (a) annually by the president; and (b) at least every three years or more frequently as determined by the board.

As allowed in ORS 294.525, the board may determine at any time that a reserve fund is no longer necessary or that some or all of the reserves may be transferred to the General Fund.

ADOPTED: January 14, 2004

POLICY NUMBER: E.060

POLICY TYPE: BUDGET AND FINANCIAL

POLICY TITLE: BUDGETING OF NON-RECURRING RESOURCES

Non-recurring resources are resources that are not part of an annual revenue stream. Non-recurring resources include but are not limited to such categories as:

- Fund balances (i.e., "carryover")
- Reserves
- One-time grants or awards of money
- Funds withheld from annual budget allocations (e.g., funds held back from annual General Fund transfer to Capital Repair & Improvement)
- Special allocations from the state (e.g., allocations from the Emergency Board)
- Other special allocations (e.g., "seed money" for a project)

Non-recurring resources shall not be budgeted for ongoing recurring expenditures.

Non-recurring resources may be allocated for one-time expenditures including but not limited to the following:

- Capital equipment
- Capital construction
- Investment in a new program or service that will move to recurring funding sources after a specified trial period
- Projects related to the strategic directions of the college.

However, the college shall not rely on non-recurring resources for funding ongoing needs such as major maintenance and equipment replacement.

ADOPTED: January 14, 2004

POLICY NUMBER: E.070

POLICY TYPE: BUDGET AND FINANCIAL

POLICY TITLE: GENERAL FUND CONTINGENCY

Board Contingency:
The annual budget shall set aside approximately one-half percent (0.5%) of the budgeted revenues each year for Board Contingency. Use of Board Contingency shall be at the discretion of the Board of Education and shall be allocated by formal approval of the board according to its policies.

Administrative Contingency:
Administrative Contingency shall be approximately one percent (1%) of the budgeted revenues each year. Administrative Contingency shall be allocated by approval of the president.

ADOPTED: January 14, 2004

POLICY NUMBER: E.080

POLICY TYPE: BUDGET AND FINANCIAL

POLICY TITLE: INTERFUND TRANSFERS

All transfers between funds shall be in conformance with ORS 294.361. The Budget Document shall clearly show for each fund the amounts, origin and destination of each transfer. Accompanying documentation shall list the specific purposes for each transfer.

Transfers from the General Fund to other funds (except Fund IX-Special Revenue Admin Restricted) shall be for the following purposes:

- Debt service on an obligation incurred as a part of normal operations of the college;
- Goods and services provided to General Fund units by units in other funds;
- Construction, maintenance and acquisition of facilities and/or real property used by the college in support of its mission;
- Acquisition of capital equipment for use by the college in support of its mission;
- Matching funds for grants and contracts;
- Operation of certain financial aid functions and matching funds required for financial aid grants;
- Contractual and legal obligations to employees and retirees for compensation and benefits;
- Other needs as deemed appropriate and necessary by the board for fulfilling the obligations of the college.

Since Fund IX contains units that could be considered general operations of the college, the boundary between the General Fund and Fund IX is more “permeable.” While units in Fund IX primarily rely on designated revenues, transfers from the General Fund may be used to augment the resources for any or all of these units. The level of funding through General Fund transfers to Fund IX is at the discretion of the board under advice from the Budget Committee and the president.

ADOPTED: January 14, 2004

Appendix 3

Budget Projection Assumptions for FY05
Executive Summary

I. REVENUES

A. State Sources

1. The college relies on state projections based on the biennial allocation of funds to the community colleges.
2. ***The projections for FY05 are based on the "new" funding formula and include $10.7M expected for allocation by E-Board for FY05. The new funding formula maintains a cap on enrollment.***
3. Projections for FY06 and FY07 are based on maintaining final revenue received from the state in FY04/FY05 plus an inflationary adjustment of 2%.
4. ***A ballot measure to repeal HB2152 (income tax surcharge) would lower Lane's state revenue by approximately $900,000 for the current biennium. The projections assume passage of such a ballot measure.***

B. Local Property Taxes

1. Property tax revenues are projected using statistical trend analysis based on historical data.

C. Tuition

1. Tuition revenues are projected based on enrollment projections developed by Institutional Research, Assessment & Planning
2. Tuition revenue projections are based on total tuition assessed. Tuition waivers and uncollected tuition are reported as expenditures.
3. Tuition revenues include tuition generated by Fund IX instructional units.
4. ***Projection of FY05 tuition revenue uses rates adjusted for inflation using the Higher Education Price Index (HEPI) for 2003 (per Board Policy D.110).***
5. ***$453,000 has been added to projections for differential pricing revenues in FY04. On full implementation of differential pricing in FY05, the revenues are increased to approximately $586,000. Revenues from differential pricing are increased by the same percentage as tuition increases for FY05 and beyond.***
6. For FY06 and beyond, future inflation adjustments use the average annual percentage increase in the HEPI since FY97.

D. Instructional Fees

1. Projections for instructional fees use predicted expenditures based on historical trend analysis.

2. Projections assume that all fees collected at 100%. Uncollected fees are reported as expenditures.
3. All instructional fees are administratively restricted revenue. That is, fees are tied to specific expenditures.
4. Technology Fee revenue is classified as an instructional fee and is a restricted revenue in Fund IX.

E. Investment Income

1. The estimated rate for annual return on investments in FY04 is 1.5%. The rate for FY05 is estimated at 2.0%. Rates are estimated based on historical returns and current economic indicators. The average amount invested is estimated at approximately $19 million for FY04. The rate and average investment amount will be adjusted throughout the year to match existing conditions.

F. Sale of Goods and Services, Administrative Recovery, all other sources:

1. These revenues are projected based on historical trend analysis.

II. EXPENDITURES

A. Personal Services

1. Personal Services expenditures for FY04 are based on actual position lists.
2. Budgeted figures are used for part-time compensation projections in FY04.
3. Personal Services expenditures for FY04 and beyond use “steps” plus estimated COLA increases each year. Projection scenarios will vary COLA rates to determine the effects of different possible compensation increases.
4. ***OPE rate is recalculated every year using projected actual costs of benefits. Calculated rate for FY04 is 49.9% for full-time and 32.3% for part-time employees. The calculated rate for FY05 will vary with different scenarios. However, benefit calculations for FY06 and beyond include an estimated annual increase in health premium costs of 10%.***

B. Materials & Services

1. Projections use historical trend analysis to predict M&S expenditures for FY04 and beyond.

C. Capital Outlay

1. Projections use historical trend analysis to predict Capital Outlay expenditures after FY04. Because spending on Capital Outlay was curtailed deliberately in FY02 and FY03, the FY04 projection for Capital Outlay has been adjusted upwards to compensate.
2. ***In FY04, $200,000 recurring was added to Capital Outlay for equipment replacement. For FY05, FY06 and FY07 an additional $350,000 recurring is added each year to the projection based on needs identified in the Capital***

Assets Replacement Forecast. (Note: Equipment needs will be reviewed and documented in the unit planning process taking place this year.)

D. Contingency

1. By Board Policy, the Unappropriated Ending Fund Balance (UEFB) is set at 3% of budgeted General Fund expenditures.
2. According to Local Budget Law, the UEFB budgeted for the current year may not be expended except under extraordinary circumstances and therefore will be part of the total Ending Fund Balance and a resource for the ensuing year (Net Working Capital Unrestricted and part of the Beginning Fund Balance).
3. On the projection spreadsheets, the UEFB amount is added back to the projected Ending Fund Balance as “Minimum Fund Balance (not available for appropriation).”
4. ***Expenditures of current year Board and Administrative Contingency are included in trend analysis for Personal Services, Materials & Services and Capital Outlay expenditures. (Note: this is a significant change from previous years.)***

III. OTHER FINANCING SOURCES

A. Transfers In and Out are projected using historical trend analysis.

B. In FY04, $300,000 was added to the budgeted Transfer Out for major maintenance and $150,000 was subtracted for the LTD bus pass subsidy now covered by the Transportation fee.

C. In FY05, $426,000 is estimated for an additional recurring major maintenance allocation. An additional $426,000 recurring is added for both FY06 and FY07. These numbers are in accordance with the proposed plan to phase-in adequate annual allocations for facilities maintenance and improvement.

D. In FY05, $400,000 is added to Transfers Out for LASR debt service according to the Board approved budget for LASR. In FY06, the debt service for LASR drops to $200,000.

E. Intrafund Transfers are projected each year as a result of rebalancing the M&S portion of the Restricted Ending Fund Balance.

IV. BEGINNING/ENDING FUND BALANCES (Net Working Capital)

A. For the purposes of projecting future budgets, it is assumed that restricted resources, including Net Working Capital Restricted, are expended according to historical patterns.

B. All projected carryover (Ending Fund Balance) is “on the table” during budget development. For the current fiscal year (FY04) the Beginning Fund Balance was budgeted at $6,574,682 on the resource side. The actual Beginning Fund

Balance on 7/1/03 was $6,930,589 or $355,907 above budget. ***(Note: These are estimates pending final audit figures.)***

C. ***The FY05 projections include $810,000 for "Deferred Maintenance Catch-up." FY06 and FY07 show $350,000 each year for maintenance catch-up. These amounts are non-recurring and will be used to fund a backlog of approximately $2.2 million. Since these are non-recurring expenditures, they are shown as an offset to the ending fund balance. In reality, these funds would be budgeted as a transfer out to Capital Projects Fund 4.***
D. ***Projections for FY06 and FY07 include $460,000 each year to establish a Facilities Capital Reserve Fund. These are shown as an offset to the ending fund balance (see explanation for C).***

Fund IX-Administratively Restricted

Fund IX was created in the FY03 budget to separate from the General Fund those units that rely entirely or primarily on resources other than state revenues, local property taxes and other general use revenues. For the purposes of maintaining historical trends and in order to properly monitor these units, Fund IX revenues and expenditures are included in budget projections spreadsheets under the "Restricted" column.

Appendix 4

OREGON STATE OFFICE OF ECONOMIC ANALYSIS

EXECUTIVE SUMMARY

March 2004

Oregon Economic Forecast

The fourth quarter initial estimate of job growth was a 1.7 percent annual rate over the third quarter. This is an improvement from the 0.9 percent decline in the third quarter. The past year has seen two positive and two negative quarters of job growth. On an annual average basis, the year 2003 finished with job loss of 0.6 percent, the third consecutive year of job losses. On a year-over-year (Y/Y) basis, jobs declined in the fourth quarter by 0.5 percent. The last Y/Y growth was recorded in the fourth quarter of 2002. Y/Y growth should return by the second quarter of 2004.

The Oregon economy experienced a jobless recovery through 2003. As the U.S. economy builds strength in 2004, Oregon should follow the same path. The jobless recovery will slowly become a job generating recovery with jobs regaining their pre-recession levels in early 2005. OEA forecasts employment to grow 1.6 percent in 2004 and 2.2 percent in 2005.

Manufacturing will improve in 2004 with an annual increase of 2.1 percent. The sector will continue to grow in 2005 with an increase of 1.1 percent. Job growth is expected to level out in the outer years with 1.0 percent growth in 2006, then a slight declining trend in the outer years.

Wood products had a great finish to 2003 and should fare well in 2004 with a growth rate of 1.7 percent. This will not turn back the secular decline this industry has faced since the early 1980s.

Computer and electronic products, which contains semiconductors, should increase 1.4 percent in 2004, 2.7 percent in 2005, and 2.4 percent in 2006. Beyond this time, the national forecast calls for declines in this industry and Oregon's more mature high tech sector may follow suit.

Construction will turn the corner and add jobs into 2004. While single family residential construction may slow a little, the slack will be more than made up through the office and industrial markets coming into 2005 and 2006. Job gains will be 2.0 percent in 2004, 4.0 percent in 2005, and 2.8 percent in 2006.

Population growth is expected to be slightly higher than the U.S. average, but slower than the growth experienced in the mid-1990s. Slower growth will prevail over the next three years, with increases of 1.1 percent in 2004 through 2006.

Forecast Risks

Most economists believe that the economic recovery is in place. The only missing element is the job market. Industrial production has picked up and is efficiently handling the increase without more workers. But GDP turned in a whooping 8.2 percent increase in the third quarter of 2003 followed by a healthy 4.0 percent growth in the fourth quarter. Will this increased growth be enough to create more jobs? Oregon will be pulled along with a stronger U.S. economy, but Oregon's slower growth may provide very little relief to the unemployment situation in the state.

The major risks now facing the Oregon economy are:

- Geopolitical risks. Although the combat phase of the war is over, uncertainty still surrounds the transition in Iraq, tensions with North Korea, and code orange security alerts all weigh heavily on businesses and consumers. Disruptions on travel, oil supplies, and consumer confidence could be severe. Oregon will not receive many direct funds from an increase in defense spending. The drop in business activity could be deeper if this uncertainty persists or if the transition out of war goes badly for the U.S. There is also an upside risk that transition issues are settled quickly and the stimulus to recovery is stronger than forecast.
- Falling U.S. Dollar. As the dollar depreciates against other foreign currencies, U.S. exports are promoted. Oregon's manufacturing sector has a large dependency on international markets. If the U.S. dollar falls too quickly, this could harm Oregon's trading partners, weakening their economies and lowering their demand for Oregon products. A controlled lowering of the U.S. dollar is most beneficial to the Oregon economy.
- A further sharp and major stock market correction. This would further slow already dampened consumer spending. Lower stock prices could also limit the ability of businesses to raise necessary capital in the equity markets.
- A possible collapse of the housing market. The extremely low interest rates have caused a boom in home refinancing. As this activity matures and interest rates begin to rise, the added boost to consumer spending may also slow. Any drop in home price appreciations coupled with a large drop in mortgage refinancing could slow down consumer spending. Continued gains in personal income will be needed to keep consumer spending from falling.
- Rising regional energy prices. More businesses may slow production and lay off workers. Natural gas prices have risen the past few months adding to production costs. Oil prices are stubbornly staying around $30 per barrel. Electricity prices related to natural gas powered turbine engines could also go up. Rate hikes have been in place since October 1, 2001. Bonneville Power Administration may lower rates but the latest contracts negotiations have fallen apart.
- Budget shortfalls at state and local governments. The federal stimulus packages in the works could be countered by the fiscal drag from state and local governments. Estimates place the shortfalls for state governments at around $78 billion for fiscal year 2003. Oregon has seen a deeper drop in its revenues compared to most states. To the extent that spending cutbacks hit education and public infrastructure, the state could suffer longer-term impacts.
- The recovery for semiconductors, software, and communications could be much slower than anticipated. Continued outsourcing of manufacturing could slow growth in this region. Recent commitments to move research out of the country would be very harmful to Oregon's high technology sector.
- With the discovery of mad cow disease at a Washington dairy, the beef industry in the state could see some difficult times. Unknown is the impact of the bird flu which is sweeping Asia. This segment of the agricultural sector is facing serious challenges during what should be a good recovery period.

Demographic Forecast

The Census 2000 enumerated 3,421,399 persons in Oregon on April 1, 2000. This is an increase of 579,000 persons or 20.4 percent from the 1990 Census. Oregon ranked as the eleventh highest in the nation based on the rate of growth between the two censuses. In recent years, however, the population growth rate has slowed due to the struggling economy. Oregon's July 1, 2003 estimated population was 3.542 million, an increase of 1.05 percent over the 2002 population. The state's population is expected to reach 3.894 million in the year 2011, with an annual rate of growth ranging from 1.0 to 1.3 percent.

During the 2003-2011 period, the fastest growth in the age groups will show the effects of the baby-boom generation and continued positive, although weak, net migration of working age population and elderly retirees. Age groups 45-64 and 65 and over will have very high growth rates due to the continued entry of baby-boomers in 45-54 age group and increasingly larger cohorts reaching the retirement age. Young adult population in age group 18-24 will grow at slower than state total population growth rate. This will ease the pressure on public spending on college education. Children under the age of 5 will grow moderately while the K-12 population in the 5-17 age group will show a very slow growth. The population 25-44 age group will start to increase after several years of decline due to exiting baby-boom cohort. This age group will see a positive growth starting in the year 2003. Also, after a period of slow growth, elderly population growth rate will exceed the State's overall growth rate.

Revenue Forecast

On February 3, 2004, Oregon voters rejected temporary and permanent tax law changes originally passed by the 2003 Legislative Assembly and signed by Governor Kulongoski as House Bill 2152. The total impact on the 2003-05 General Fund revenue forecast is $777.9 million. Along with tax law changes, House Bill 2152 included $544.6 million in automatic disappropriations in the event that the changes were overturned. The net impact – reduced revenues less the reduction in expenditures – is a shortfall of $235.4 million directly attributable to the result of the Measure 30 vote.

The forecast for General Fund revenues received during the 2003-05 biennium is $10,084.2 million, a $44.3 million increase from December after adjusting for Measure 30's defeat. Agencies had until December 31, 2003 to expend 2001-03 appropriations. Unspent funds, known as reversions, totaled $76.0 million and raise the beginning balance for the current biennium to $133.1 million. Total projected resources available in 2003-05 equal $10,217.4 million. The projected ending balance for the current biennium is $20.7 million.

The forecast for General Fund revenues for the 2005-07 biennium is $11,240.4 million. This constitutes a drop of $617.5 million from the December forecast, with approximately $353.0 attributable to the defeat of Measure 30. For the 2007-09 biennium, General Fund revenues increase 11.9 percent to $12,575.4 million. The latest forecast is $648.9 million below the prior forecast.

Projected Lottery earnings for the current biennium equal $711.4 million, a $10.5 million increase over the December 2003 forecast. Total available resources, which include beginning balance and interest earnings on the Economic Development Fund, increased $4.6 million to $722.8 million. Table B.9 in Appendix B presents a detailed statement of 2003-05 Lottery resources and distributions.

Several revisions in the long-term assumptions, including average jackpot levels for Powerball resulting from a recent game change, increase sales forecast for future biennia. In 2005-07, earnings on Lottery sales will equal $728.3 million while available resources increase to $730.2 million. Earnings and available resources total $$767.6 million and $770.1 million, respectively, for the 2007-09 biennium.

Appendix 5

Summary of Capital Assets Replacement Forecast

Summary of Capital Assets Replacement Forecast: 7-Year Plan

(Source: FY04 Banner data)

	Assets minus Computers	
Total value of assets	$ 13,562,122	
Total value of assets to be replaced	9,891,865	
Value of assets already beyond useful life	**4,436,708**	***** backlog *****

	FY04	FY05	FY06	FY07	FY08	FY09
Assets due for replacement ** does not include backlog*	**902,290**	**771,167**	**1,063,448**	**619,012**	**875,544**	**646,583**
Average annual cost spreading backlog over 7 years	633,815	633,815	633,815	633,815	633,815	633,815
TOTAL ANNUAL NEED	**1,536,105**	**1,404,982**	**1,697,263**	**1,252,827**	**1,509,359**	**1,280,398**
***Draft proposed allocation plan*	*500,000*	*700,000*	*900,000*	*1,100,000*	*1,300,000*	*1,500,000*

Notes:
Does not include buildings, grounds, improvements, remodels
Does not include computer items under $5,000
Includes all other assets on inventory (cost = $5,000 and greater)
Includes only those items flagged by departments as items that will be replaced
Does not include purchase of equipment that is in addition to existing equipment

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Appendix 6

Lane Community College

Capital Asset Replacement Schedule For FY 05

Prepared by: Stan Barker
March 11, 2004

TAG	DATE	Year	DESCRIPTION	TYPE	ORG	Life	Cost	Age
Equipment to replace in 2005								
000036414	4/1/95	1995	SKYJACK SJP PERSONNEL LIFT	P1	220020	10	6,408.00	9
000036552	9/1/95	1995	3/4 TON PICKUP-HIGH SIERRA (E194947)	P1	220050	10	5,020.00	9
000037590	12/1/95	1995	1995.5 TRUCK W/LIFTGATE (LIC E196977)	P1	220120	10	22,772.00	9
000037596	12/1/95	1995	COPIER-20 BIN SORTER	F1	270001	10	7,469.00	9
000041695	12/1/00	2000	POLICE DATA MANAGEMENT SYSTM	E1	275001	5	6,185.00	4
000041699	12/1/00	2000	SERVER P111 800 256/2-18GB	D1	275001	5	9,299.00	4
000037515	11/1/95	1995	STEAM DRYER 110 LB.	H1	295001	10	6,235.00	9
000040923	1/1/00	2000	SERVER P111 500 2256/4-9.1GB	D1	310001	5	7,245.00	4
000040945	1/1/00	2000	NETWORK INFRSTRUCTURES UPGRADE	D1	310001	5	84,379.00	4
000040987	2/1/00	2000	20 PRO CURVE SWITCHES	D1	310001	5	33,380.00	4
000041417	8/1/00	2000	PROLIANT SERVER P111 866	D1	310001	5	10,604.00	4
000041228	6/1/00	2000	PROLIANT ML370 SERVER	D1	310200	5	11,105.00	4
000041229	6/1/00	2000	PROLIANT ML370 SERVER	D1	310200	5	11,105.00	4
000041230	6/1/00	2000	PROLIANT ML370 SERVER	D1	310200	5	11,105.00	4
000041231	6/1/00	2000	PROLIANT ML370 SERVER	D1	310200	5	11,105.00	4
000041232	6/1/00	2000	PROLIANT ML370 SERVER	D1	310200	5	11,105.00	4
000041254	7/1/00	2000	MAC SERVER G4 500 128/2-18GB DVD	D1	310200	5	6,672.00	4
000041255	7/1/00	2000	MAC SVR G4 500 128/2-18GB DVD	D1	310200	5	6,672.00	4
000041647	12/1/00	2000	PMAC G4 500 128/2*36GB DVD ZIP	D1	310200	5	6,193.00	4
000041693	12/1/00	2000	SERVER P111 800 256/2-18GB	D1	310200	5	9,299.00	4
000041694	12/1/00	2000	SERVER P111 800 256/2-18GB	D1	310200	5	9,299.00	4
000041717	12/1/00	2000	21 PROCURVE SWITCHES	D1	310200	5	30,660.00	4
000036563	9/1/95	1995	LITEPRO 580 PROJECTION SYSTEM	H1	420001	10	6,995.00	9
000041211	4/1/00	2000	8-MECHANICAL SUITE V.4	E1	420001	5	5,992.00	4
000041052	4/1/00	2000	PMAC G4 500 512/36GB SERVER	D1	505110	5	5,830.00	4
000036471	6/30/95	1995	BOOKWISE/EDGE SYSTEM	H1	525001	10	6,040.00	9
000036578	1/1/95	1995	LIBRARY BOOKS 94/95	Q1	525001	10	104,344.00	9
000036579	1/1/95	1995	LIBRARY PERIODICALS 94/95	Q1	525001	10	35,765.00	9
000037239	2/1/95	1995	MICROFICHE/MICROFILM MACHINE	H1	525001	10	5,000.00	9
000035497	1/1/95	1995	COLOR LASERJET PRINTER	H1	611001	10	6,628.00	9
000037585	11/1/95	1995	LITEPRO 580 SYSTEM LCD PROJECTOR	H1	611001	10	6,900.00	9
000040918	1/1/00	2000	50 STATION CNC SIMULATION	E1	611001	5	5,750.00	4
000041696	12/1/00	2000	MASTER CAM-1ST/2ND COPIES	E1	611001	5	5,508.00	4
000038526	10/1/95	1995	1990 CHEV	R1	611200	10	5,000.00	9
000030210	1/1/90	1990	ELECTRONIC WHEEL BALANCER	I1	611300	15	5,499.00	14
000037223	2/1/95	1995	RE CHARGING/STORAGE SYSTEM	H1	611300	10	5,689.00	9
000010325	1/1/80	1980	ENGINE 6CYL AIRCRAFT	O1	611400	25	5,504.00	24
000037678	12/1/95	1995	NAV/COMM RAMP GENERATOR	H1	611400	10	8,036.00	9
000037679	12/1/95	1995	AM/FM 1200S	H1	611400	10	8,815.00	9

000037476	4/1/95	1995 CABLE ASSEMBLIES	P1	612900	10	7,800.00	9
000036566	8/1/95	1995 FLIGHT TRAINING DEVICE	H1	613001	10	141,455.00	9
000037225	2/1/95	1995 BODY & LINING ASSEMBLY	H1	621301	10	6,950.00	9
000037174	1/1/95	1995 VIDEO TAPE RECORDER VHS	H1	621900	10	7,720.00	9
000041026	3/1/00	2000 ROUTERS/PORTS/105 7EACH	D1	641001	5	18,924.00	4
000041083	4/1/00	2000 P111 550 2-256/2-18GB SERVER	D1	641340	5	5,011.00	4
000041084	4/1/00	2000 P111 550 2-256/2-18GB SERVER	D1	641340	5	5,011.00	4
000041621	12/1/00	2000 DATA CARD ID EXPRESS	G1	671201	5	6,545.00	4
000031400	10/1/90	1990 BASKETBALL SCOREBOARD	I1	678000	15	5,295.00	14
000041264	9/1/00	2000 SERVER P111 866 128/5-18.2GB DAT	D1	691001	5	9,845.00	4
						771,167.00	

Appendix 7

Desktop Replacement Proposal
August 2003
(Excerpts)

Purpose

The purpose of this proposal is to present the outline of a plan that will create stability in the replacement of staff desktop hardware and software. Reasons for establishing a regular schedule for replacement include:

- **General staff productivity:** current equipment is faster and will run the newest versions of standard Lane productivity software.
- **Technical staff productivity:** newer equipment requires less maintenance, older equipment takes a disproportionate amount of maintenance effort and staff time.
- **Budgeting**: creates a predictable and stable funding requirement in each budget cycle.
- **Staff morale**: old equipment is more than just slow and balky with attendant frustration; it is a constant message to staff that they are not worth spending money on.

This proposal does not address lab or classroom equipment. The technology fee is designed to allow for regular replacement and upgrade of student technology.

Replacement schedule

For many years now, a 3-year replacement cycle for desktop equipment has been the accepted norm. Recently, the cycle has shown signs of lengthening. The 2002 EDUCAUSE Core Data Survey (618 higher education respondents) showed that over 60% of respondents replace desktops on a greater than 3-year cycle. Gartner Research recommends a 4-year replacement cycle. I recommend we adopt a 4-year cycle.

Once Lane is stable on a 4-year cycle we would be replacing about 240 desktops per year (this number comes from the 906 workstations inventoried on main campus, plus an allowance of 50 for other sites).

The Help Desk Team is recommending that we replace 247 workstations immediately. This number, and the associated cost, is very close to the number (240) and cost that a 4-year cycle requires. The Help Desk Team also recommends that we upgrade 394 workstations immediately at a cost of $53,000.

Getting into the rhythm of a 4-year cycle will require a little planning and it may take 2 or 3 years before the college is fully settled into the rhythm. It is essential that we commit an annual budget allocation sufficient to achieve and maintain the 4-year replacement cycle. If we start and then stop, staff will lose faith that their equipment will be updated and we will fall back into excessive staff time lost working with and maintaining older equipment….

Annual cost

Summary of estimated annual budget allocations necessary to support this proposal:

- Recurring workstation replacement $260,000
- One-time upgrade 60,000
- Recurring disposal cost nnnnnnnn
- Microsoft Campus Agreement (General Fund) 25,000
- Microsoft Campus Agreement (Tech Fund) 25,000

- Total General Fund Recurring nnnnnnnn
- Total One-time 60,000
- Total Technology Fee Recurring 25,000

Recommendations

In summary, this proposal recommends:

- Adopt a 4-year replacement cycle for desktop systems
  - Purchase rather than lease
  - Manage the program centrally
  - Adopt the FIFO method of replacement for staff workstations
- Research the Microsoft Campus Agreement
- In FY04
  - Replace 247 workstations
  - Upgrade 394 workstations
- In FY05 and beyond
  - Adopt an annual budget for equipment replacement and disposal

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Appendix 8

FACILITIES MAJOR MAINTENANCE FUNDING PLAN

	Current Actual Budget		Proposed				
Proposed Facilities Funding	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**
Capital Improvement	725,000	605,000	605,000	605,000	605,000	605,000	605,000
Major Maintenance	-	300,000	300,000	570,000	840,000	1,110,000	1,380,000
Deferred Maintenance annual allocation	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Seasonal maintenance employees		120,000	129,600	139,968	151,165	163,259	176,319
Parking Lot maintenance & improvement	-	150,000	150,000	150,000	150,000	150,000	150,000
Total Maintenance & Improvement before additional annual allocations	**845,000**	**1,295,000**	**1,304,600**	**1,584,968**	**1,866,165**	**2,148,259**	**2,431,319**
Proposed Additional Recurring Allocations							
*Phased in Major Maintenance allocation		-	270,000	270,000	270,000	270,000	270,000
Total Proposed Recurring Allocation			**1,574,600**	**1,854,968**	**2,136,165**	**2,418,259**	**2,701,319**
Proposed Additional Non-recurring Allocations							
Deferred maintenance non-recurring catch-up		-	810,000	250,000	250,000	250,000	250,000
Facilities Capital Reserve phase in	-	-	-	300,000	300,000	300,000	300,000
Total Proposed Annual Allocation			***2,384,600***	***2,404,968***	***2,686,165***	***2,968,259***	***3,251,319***

**Estimates using Current Replacement Value method*