

LANE COMMUNITY COLLEGE 2005-2006 BUDGET MESSAGE

Strategic Directions Through Fiscal Year 2007-2008

The proposed budget for Fiscal Year 2005-2006 was developed according to the approved Strategic Directions of the college. These Strategic Directions are as follows:

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.

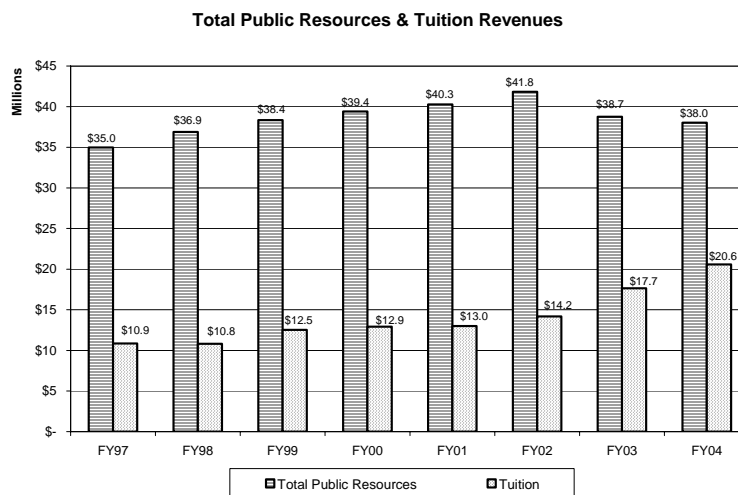
Issues and Strategies for Fiscal Year 2005-2006

The recommended budget for Fiscal Year 2005-2006 includes continued focus on stabilization of the college's finances and new efforts to stimulate enrollment growth. There are signs that enrollment losses over the last four years have slowed and plans for 2005-06 include aggressive efforts to increase enrollment in targeted areas. Most of this enrollment growth must be in lower cost programs and in programs where there is capacity for growth without adding significantly to costs.

At the beginning of this budget development cycle, we were deeply concerned about the possibility of large increases in employee health insurance costs and increased costs for

unfunded liabilities for the Oregon Public Employees Retirement System. While the trends in these two areas remain concerns for the future, Lane made key decisions over the last two years that appear to be at least partly, if not primarily, responsible for smaller increases in employee costs than originally expected. In 2003, Lane sold taxable pension bonds to fund part of its PERS liability; good market returns since then have paid off in smaller PERS rate increases for the college. Lane's investment in employee wellness and the decision last year to offer primary health care services to employees appear to have had a positive impact on health insurance premiums. In addition, three years ago employees agreed to significant changes in health care benefits that increased costs for employees thereby reducing costs for the college. The proposed budget includes continued funding for employee wellness and primary health care.

Affordability and accessibility for students continue to be high priorities for the college. Upward pressure on tuition rates threatens not only affordability and accessibility but quality as well. Even though total public tax resources are expected to increase for the first time in four years, the long-term disinvestment in Oregon public education is still a major concern for the future financial stability of the college.



Finally, we anticipate that public funding for the second year of the Biennium (FY07) will be significantly under that necessary to maintain current service levels for Lane. This situation is the result of severe funding shortfalls over the last four years, steep tuition increases, and enrollment losses from program reductions. Therefore, it is even more important that Lane invest in stabilization and targeted enrollment growth.

Proposed General Fund Budget for Fiscal Year 2005-2006

For the first time in several years, revenues exceeded expenditures in the 2003-2004 Fiscal Year. Projections for the current year show revenues and expenditures will be roughly balanced. The proposed Fiscal Year 2005-2006 (FY06) budget anticipates another year in which to stabilize finances. The administration recommends no major

expenditure reductions, rather this budget merely maintains the current level of programs and services.

Because of the large uncertainties in state funding, PERS cost increases and health insurance premium increases, the Board approved a budget development time schedule that moved final budget decisions much later than in past years. The administration anticipates presenting the Budget Committee with additional recommendations (i.e., changes to the proposed budget) as uncertainties are resolved in the next few weeks.

Resources

The total recommended General Fund budget for Fiscal Year 2005-2006 is \$81.0 million, a 2.2% increase over the 2004-2005 adopted budget. The proposed budget is best described as a “status quo” budget; if the current Legislative Session results in higher appropriations to community colleges, the administration expects to propose additional strategic “investments” to bolster Lane’s financial position going into the second year of the Biennium; however the college must limit additional expenditures to non-recurring activities because of an anticipated shortfall in the second year of the Biennium.

At the time of the writing of this Budget Message, the 2005 State Legislature is in session and has made no appropriation for community colleges. Oregon’s economy has improved significantly since the last time the Legislature met and we are expecting a larger allocation for community colleges. This budget is built on the assumption that the state appropriation for the Community College Support Fund (CCSF) will increase from approximately \$402 million in the 2003-05 Biennium to \$416 million. We believe that this is a conservative estimate of the state funding level and this figure will be updated as the current legislative session progresses.

The distribution formula for the Community College Support Fund has changed significantly since last fiscal year. Major changes are as follows:

- 100% of district property taxes imposed is included in the distribution formula.
- The formula is built on a State Board of Education policy to achieve complete “equalization” of total public resources in six years. In other words, by Fiscal Year 2009-2010 the distribution of state resources plus property taxes will be equal on a per-FTE basis for all community colleges.
- Since 2001, enrollment (FTE) has been “frozen” for the purposes of the distribution of funds; the new formula transitions into a three-year weighted average for FTE.

At the time of this budget message, the new formula and accompanying OAR have not been finalized. We expect finalization by the end of May.

Because the new funding distribution formula includes 100% of Lane’s property taxes, state and property tax revenues must be considered together (as Total Public Resources) in budget development; however these revenues will show as separate line items under

General Fund Resources. Using the assumptions stated above, Total Public Resources for FY06 will be \$171,000 (0.4%) less than in FY05.

The proposed budget includes a \$2.50 per credit (or 4.0%) inflationary adjustment in tuition as previously approved by the Board of Education according to Board Policy D.110 (Tuition). Differential pricing was introduced in FY04 when the college began charging higher fees tied to class clock hours for some Professional/Technical programs and some Physical Education classes. The proposed budget extends differential pricing into FY06 for these programs

Expenditures

The Personal Services expenditure budget has increased by \$2.8 million or 5.2%. Personal Services accounts for approximately 81.5% of the budgeted expenditures (exclusive of Transfers Out) in FY06. Salary Provision (expected increases in employee compensation and benefits costs) is budgeted at \$2.35 million.

The Oregon Supreme Court struck down some of the provisions in the PERS reform package passed by the 2003 Legislature. However, the PERS Board has decided not to add to the scheduled 1.8% PERS employer rate increase effective July 1, 2005. Instead, rate increases resulting from the court decision are expected in July 2007.

Employee health insurance premiums increased 4.2% (approximately \$1.4 million), much less than previous projections of double-digit percentage increases. OPE rates will increase in FY06 to 55.6% for full-time and 42.8% for part-time employees. The FY05 rates were 53.0% and 39.6% respectively.

The following adjustment has been made to comply with Board Policy:

- Increase in the Unappropriated Ending Fund Balance from \$2,130,000 to \$2,220,000

In addition, adjustments – both increases and decreases – have been made for expenditures that are primarily beyond the control of the college. These “mandatory adjustments” include such items as facilities leases, utilities, property/liability insurance premiums, maintenance contracts, and essential professional services. The total increase in mandatory adjustments for FY06 is \$147,744 or 2.9%.

Special Revenue-Administratively Restricted Fund (Fund IX)

The proposed budget for Special Revenue Administratively Restricted Fund IX increased by \$3.9 million, approximately \$3 million of which is a PERS Reserve authorized by the Board of Education. Budget projections that drive budget development combine the General Fund and Fund IX.

Additional Important Information

Because budget laws require total resources (including the Beginning Fund Balance) and Expenditures to balance, the Budget Document includes budget expenditure authority for all reasonably anticipated resources in Fiscal Year 2006. Some Revenues and Expenditures have been recategorized within funds for FY06. These changes are not specifically noted in the Budget Document.

This budget document is consistent with the budget laws of the State of Oregon and other applicable policies. The budget is prepared on a modified accrual basis of accounting (revenues reported when earned; expenditures reported when the liability is incurred; taxes accounted for on a cash basis). The result is that carryovers of financial obligations from year-to-year are precluded and projections of anticipated revenue are not inflated.

The format and summarization are consistent with the Oregon Accounting Guidelines of Community Colleges. This budget expresses the basic and essential fiscal requirements of Lane Community College as set forth by the Board of Education. The 2005-2006 Budget Document is submitted herewith for your consideration and action. The staff and I are ready to assist you in the important task of reviewing this document.

Respectfully,

Marie Matsen
Budget Officer/Vice President for College Operations