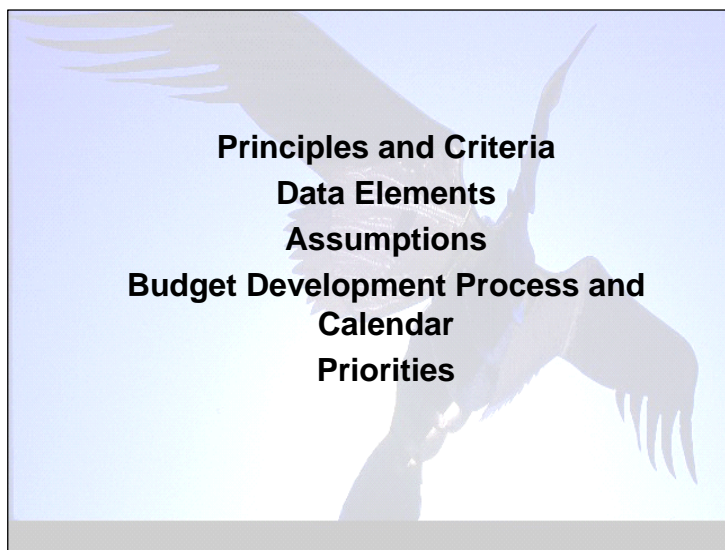




Hi everyone. Thank you for coming today. This will be the first in a series of opportunities to engage with the budget development process. Today, I simply want to lay out where we are at this point in time and what will happen next.

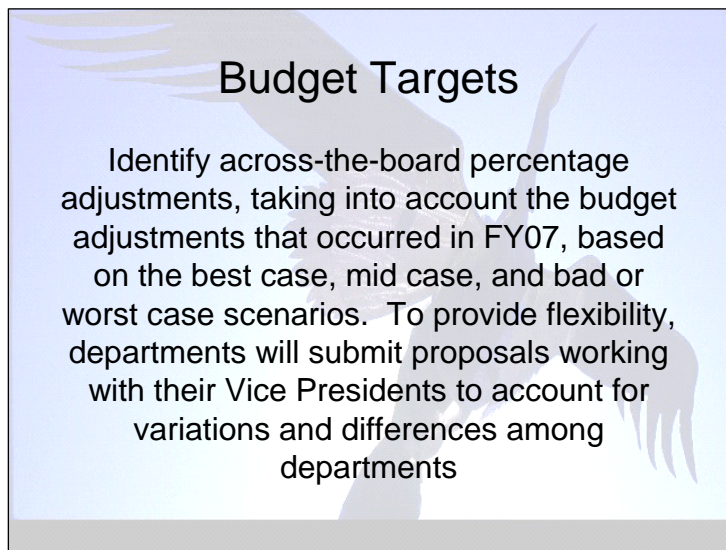
First, College Council has been working diligently on the budget development process. The Council has developed and approved several documents that will be used in the budget process:



These have been approved by the board. In the e-mail I sent a couple of weeks ago, I attached some of these documents and they are all posted on the budget development website.

College Council has also decided on an approach to the budget, and I'll talk more about that a bit later. College Council has also tried to come up with targets for each division/department to work with. People have been clamoring for a number to work with. Certainly, managers would like a range to work within, but I'm told that faculty and staff have also said that they wanted a number first. This was a very difficult conversation for College Council, but we finally settled on this statement regarding targets:

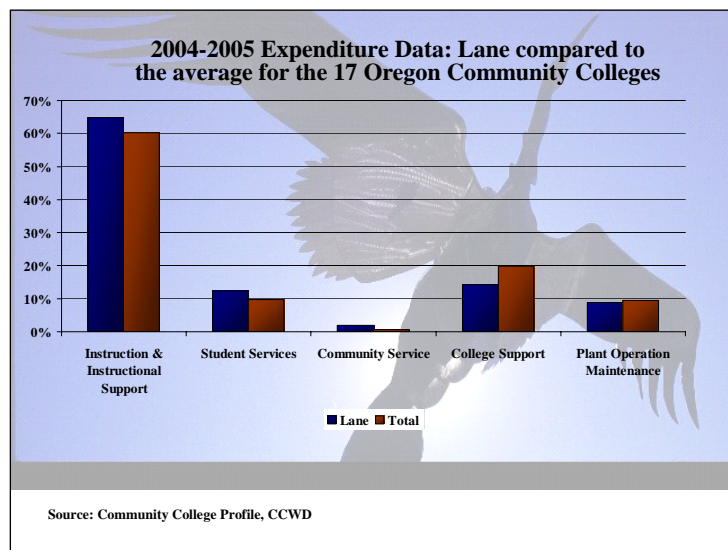
Identify across-the-board percentage adjustments, taking into account the budget adjustments that occurred in FY07, based on the best case, mid case, and bad or worst case scenarios. That's one way to look at it, but it's a bit simplistic; one of our strategies is to grow lower-cost enrollment so across the board reductions do not make much sense so we also said that to provide flexibility, departments will submit proposals working with their Vice Presidents to account for variations and differences among departments. Each branch is developing their own process to deal with this.



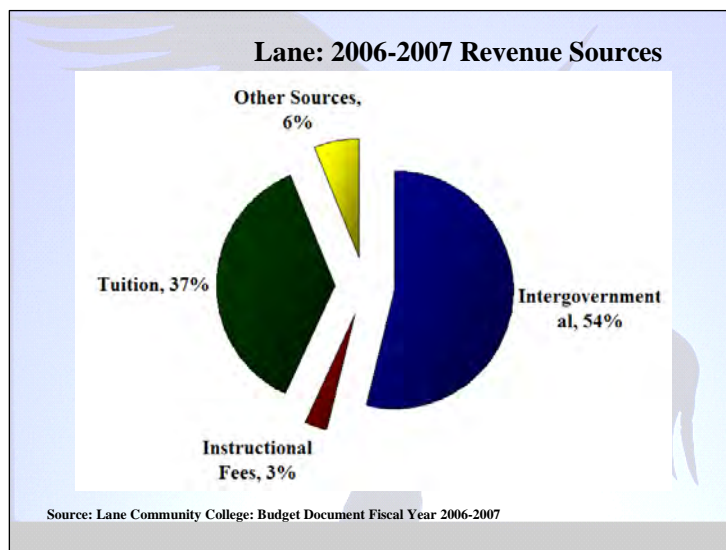
This should be on the web by tomorrow.

College Council has reviewed preliminary projections and the several "unknowns" we are dealing with, and I will share that with you in just a moment.

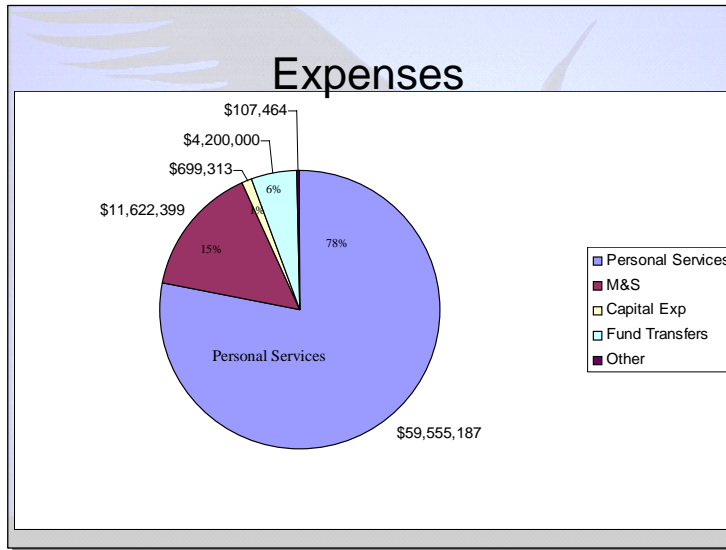
First, though, let me share with you some figures at the macro level:



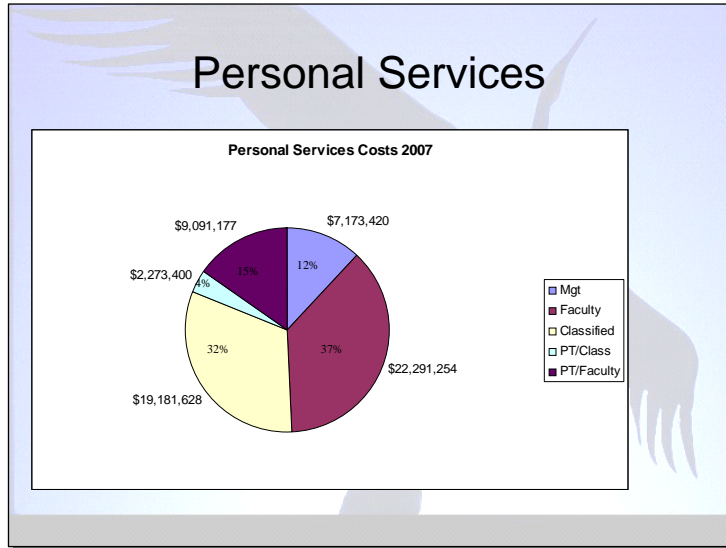
Expenditures on different branches of the college compared to other colleges in Oregon. For 2004-05, the last data available.



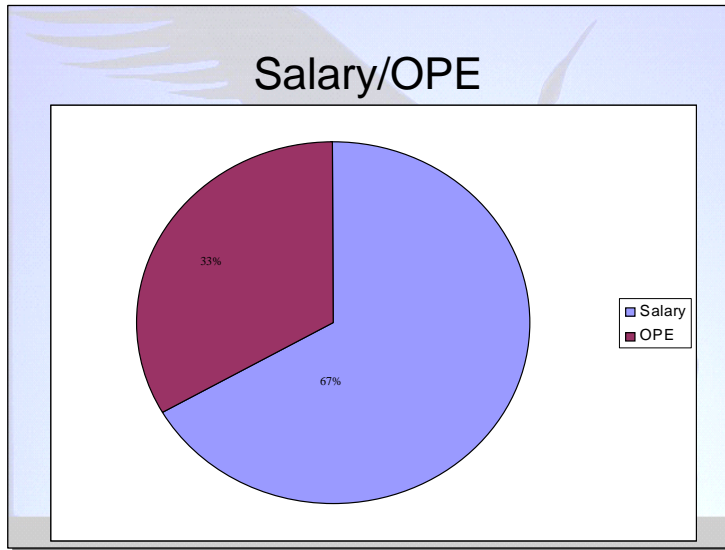
Revenue sources



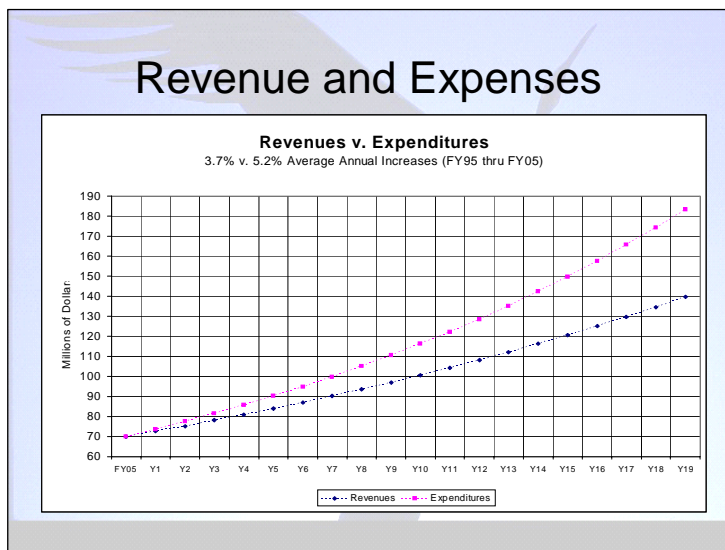
Expenses – 78% Personnel



This is how our personnel services are broken out



This is a breakdown of salary to other personnel expense

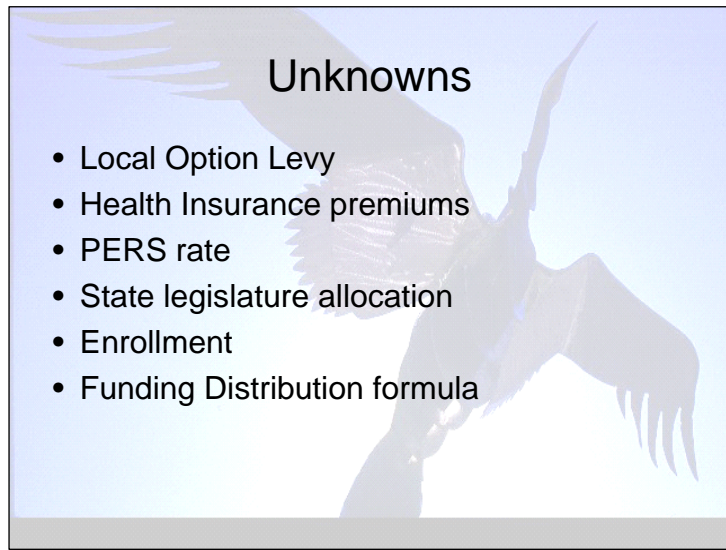


The % increases in revenue and expenditures are average increases from FY95 thru FY05. Starting year on the graph is 2005, and the lines trend out from there by years past FY05.

I don't have a slide for this but just to demonstrate, our salary increases amount to over \$3 million each year. In FY 06-07, the compensation increase amounted to over \$6.7 million. I would point out that this is more than we cut. Now, this is a choice we have made collectively – that we were not going to take the state budget shortfalls out on our employees. But I have to say that this is not sustainable when we are not receiving any more money from the state than we are. And even if we get a good boost this next legislative session, we can't expect double digit increases over the long term.

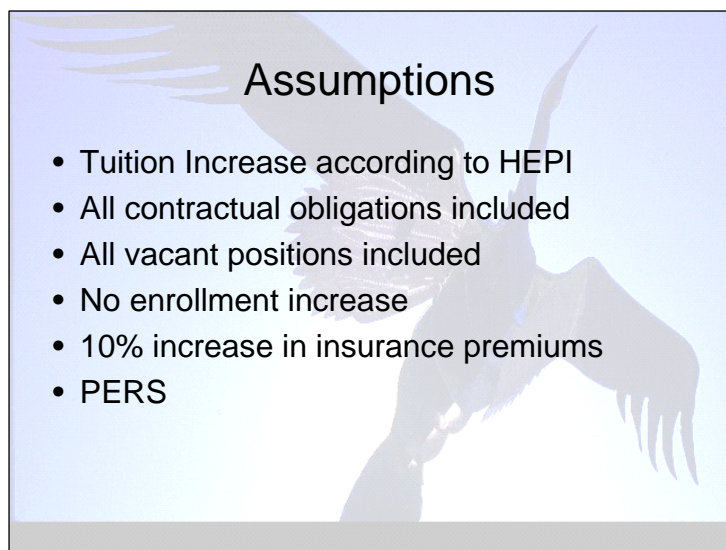
It is very difficult to develop good projections because of the number of unknowns we are dealing with. I need to say that projections are just that. They are good guesses of where we might end up. We are using a new, more dynamic budget projection model so that we can create different scenarios. What we are trying to do is be as accurate as possible regarding the things we do know and to the extent possible keep these constant and then develop a number of scenarios around the unknowns. In other words, what you are going to see right now is a number of If....then scenarios. **If** this happens with one of the scenarios, **then** this is the impact.

Let me list the unknowns:



So let's start with simply rolling over the budget and see where we are.

The assumptions in this model are:



View projections. You can see that simply rolling over the budget gives us a \$7.7 million dollar shortfall. Now I see this as very unlikely unless, of course, things like Ballot Measures 41 and 48 pass. In that case, all bets are off, get your resumes out. In my opinion the impact will be devastating. But let's not go there right now.

Let's assume that our local option passes and Governor Kulongoski is elected. He has already promised to increase our community colleges allocation to \$470M. If both of these things happen, then this is what our bottom line would look like.
-\$4.4 million

Now, the state board has requested \$529M; a 23% increase and \$59M more than the governor is talking about. This is what it would look like. -\$619,000

Prevailing wisdom from our friends in Salem suggests that a likely scenario might be that we do better than the Governor's budget but fall short of the state board request. So, what if the legislative appropriation was \$500M? This is what it would look like. -\$2.499 Million

Let's take this scenario and play with some of the other variables:
What if our health insurance costs were flat? It would reduce our OPE rate from X percent to X percent, and this is the impact it would have on the bottom line.

What if the changes the PERS board is likely to make were applied? What if we did not replace the vacant positions we currently have?
We have about 36 vacant positions, very few of which are filled by special appointments at a value of \$ 2.3 million.

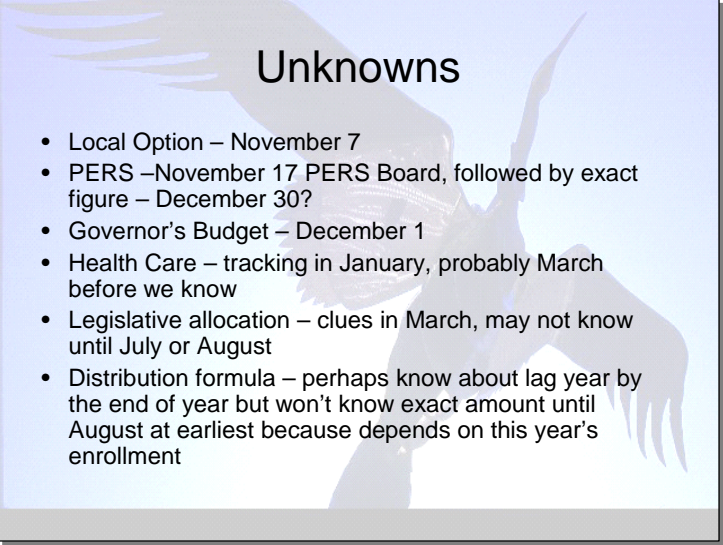
What if we all took four days unpaid leave? I recognize that this is a bargaining issue, but I just want to demonstrate the impact.

Okay, that's the expense side.

Let's look at the revenue side for a minute.

What if we increased enrollment by 1%? What if we increased by 5%?
What if the distribution formula is changed to eliminate the lag year?

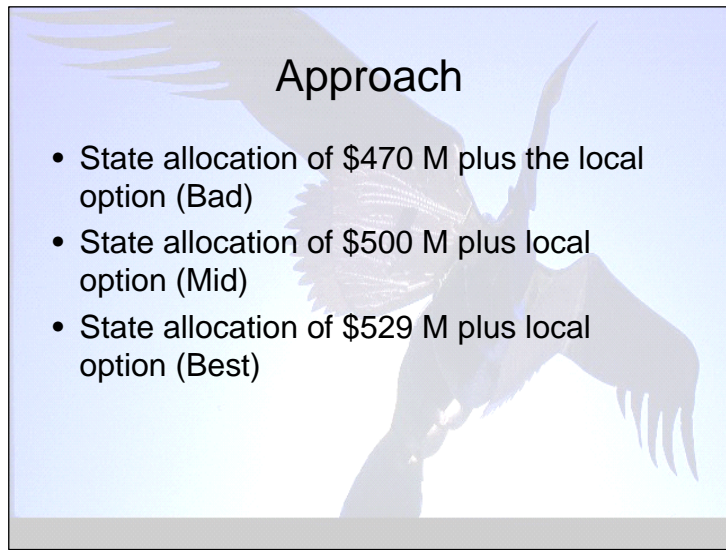
I hope you can see that there are many scenarios, and we won't be able to nail down one scenario until some of these things fall into place.



Unknowns

- Local Option – November 7
- PERS –November 17 PERS Board, followed by exact figure – December 30?
- Governor's Budget – December 1
- Health Care – tracking in January, probably March before we know
- Legislative allocation – clues in March, may not know until July or August
- Distribution formula – perhaps know about lag year by the end of year but won't know exact amount until August at earliest because depends on this year's enrollment

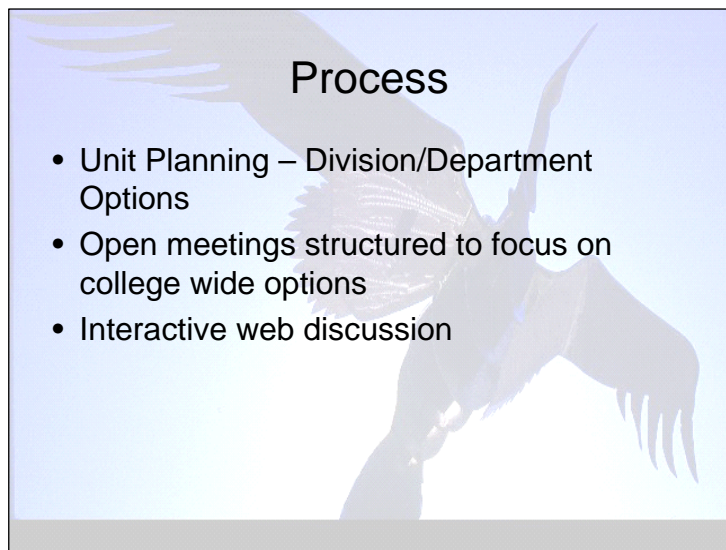
So, as a result of the many unknowns, the approach that College Council is recommending is to take a tiered approach around three scenarios:



We will develop a budget package based on each of these figures with the best case, of course being 529M with much less impact all the way up to 470M with the greatest impact.

I am not fixing on a final target today because with the election only a week away, we will wait to see the outcome of the election and then set the figures to the extent we can.

Now, let me briefly turn to the budget process.



In your divisions and departments you should be having conversations about unit planning. The College Council sub committee on planning – which includes Sonya Christian and Sheila Broderick – have continued to refine the unit planning process and this year have included a section (Section 3) where each department and division will make their recommendations for revenue enhancements and budget reductions. The first iteration of that is due around November 15 – November 30.

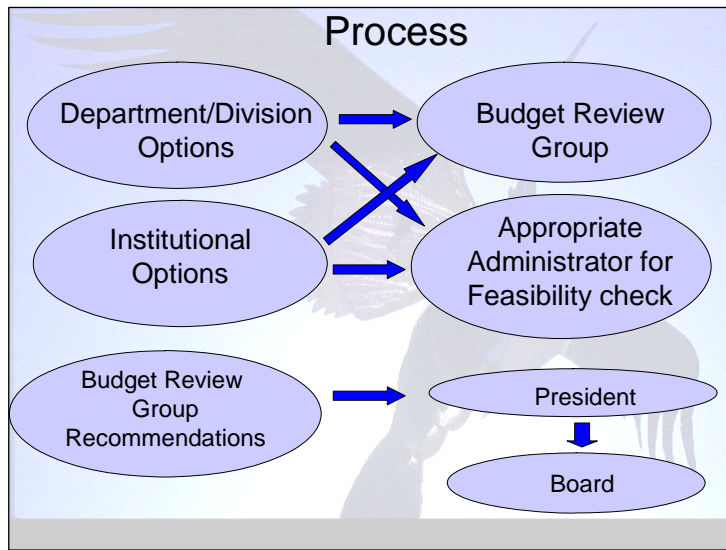
I hope you will engage in those conversations, but I want to repeat what I said at the all-staff gathering. Choosing not to participate will not hold the division harmless necessarily, and we will be requiring the managers to submit a plan.

At the same time, over the next two to three weeks we will be holding open meetings where groups of up to 40 can engage in an interactive process to think together about budget options that are more institutional in nature. In other words, you will have an opportunity to engage both at your department/division level and at the institutional level.

We will also have an interactive web site where you can go to suggest institutional options.

All of this will go to two places. It will go to the budget review group. This year we are charging a representative group to review all the plans submitted and develop a set of recommendations that will come to me.

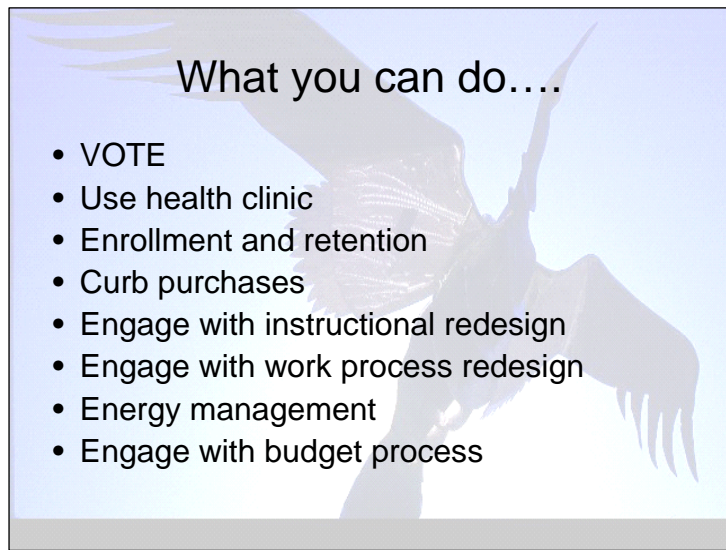
All of this will also go to appropriate administrators, Sonya, Patrick, Donna, Tim, Mike, etc. They will be assessing the feasibility of the options. There will be a great deal of interaction between the responsible administrators and the Budget review group instructional redesign group.



By sometime in March we should be close to having a set of recommendations that will be published.

Regarding access to information – we have had some requests for access to Banner data, and we are willing to grant that access. A couple of caveats, however. There are lots of data in Banner, but it is not information. We are in the process of using the ODS data warehouse to turn those data into information. We already have a number of reports completed. If you would like to access Banner data directly, you can do so but you first need to go through a short tutorial on what you will find. That is the prerequisite for access.

What you can do.....



How many of you have voted? Please vote.

Use the health clinic. Participate in wellness activities. Anything we can collectively do to improve our experience rating on our medical claims will have a positive effect on our bottom line.

Think about what you can do to increase enrollment and retention.

Make only absolutely essential expenditures, and think again before you purchase.

Engage with the instructional redesign process.

Engage with the work process redesign that is beginning to happen.

Turn off your computer and printer; turn off the lights in empty rooms; individual refrigerators, space heaters and microwaves.

Above all, I ask you to be civil as we go through this very difficult process. We may disagree with the approach and some or all of the outcomes, but we can engage with that without assassinating the characters of our colleagues. We are all in this together; we all care about this place and our students. Let's act that way. Please let's not get into a classified versus faculty struggle or faculty versus management. It won't help. It simply will not help get us to a reasonable outcome.

I am often asked to talk about leadership traits and my flip answer is and my number one leadership principle is - Don't be a jerk! Seriously, because we care about this place it is reasonable to expect that there will strong opinions about how to proceed. There is a place to air those opinions in this process, but please do it with respect for everyone's profession and expertise. There is a lot of agreement here. Everyone agrees we want to be a stable, quality institution.

Yes, this is a difficult time, but let's not shoot ourselves in the foot. We need to balance the reality of the budget challenges with all the great things that go on here every single day for students. We do not want to cover up or sugar coat where we are financially, but we also don't want to chase away the community or prospective students. We are a beacon of hope for so many in the community. If we sound hopeless, why would students want to come here?

So please be judicious and be mindful of your impact on your neighbor, the grocery store cashier, that person who just might be thinking about coming to Lane. There are great things going on here every single day. Heck, it took me 55 minutes in our all-staff gathering reprising the wonderful stuff that went on last year.

It is testimony to your good work that in spite of the budget we are still serving students so well. We need to remember that and think about the story we are telling. Let it not be just the "ain't it awful?" story, but rather, "yes we have challenges, but this is still a great place for students." We need to let people know that.

Questions?