BUDGET MESSAGE
FISCAL YEAR 2008-2009

Presented April 9, 2008

Budget Message

Strategic Directions through Fiscal Year 2008-2009

The proposed budget for fiscal year 2008-2009 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 2008-2009

As fiscal year 2008-2009 is the second year of the current biennium the amount of public funding is known, but it falls significantly short of what is necessary to increase compensation levels for employees and purchasing power for operating requirements of Lane Community College. This situation is the result of declining state support as a proportion of total requirements since fiscal year 2000-2001 and modest enrollment growth since FTE losses from program reductions and tuition increases in fiscal years 2002 through 2004. We have based this budget proposal on the level of funding forecast in the state funding model. This model assumes that the college's share of total enrollment relative to other colleges will remain stable. During the past year we have upgraded our budget programming abilities by improving a five year budget model that forecasts our revenues and expenses with the latest information on projected revenues and expenses. This strengthens our ability to do "what if" analyses of various alternatives and provide impact information on changes in key variables such as the level of state appropriations. We have also invested in transparency of financial results to the college community by creating a "dashboard" that provides a quick summary of financial metrics from a database that is updated with the posting of each payroll, and expanded training and access to empower more users of financial information.

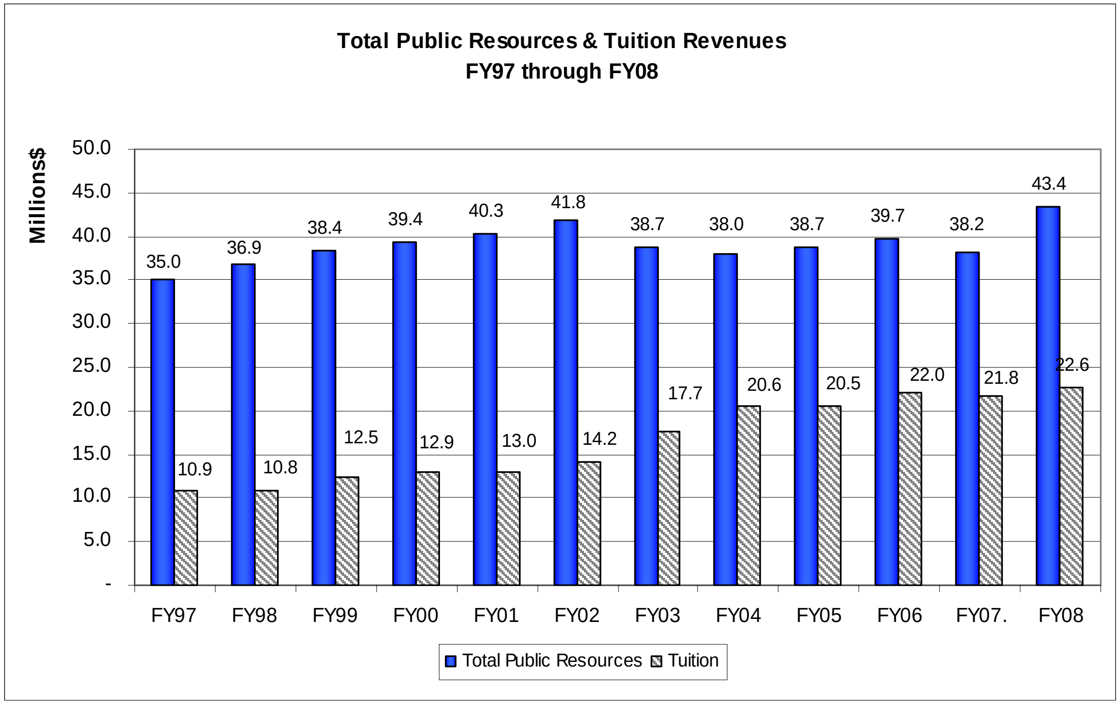
We believe these actions will aid understanding and management of college funds. We intend to better connect our long term analysis to long term planning and processes such as labor negotiations to better inform all stakeholders in the college's future.

The budget for fiscal year 2008-2009 will require reductions from normal levels of expenditure or limitations in compensation increases to ensure a balanced budget and to restore the ending fund balance. Restoration of the ending fund balance is critical to maintaining the college's bond rating and ability to issue capital improvement bonds in the future, as well as to ensure fiscal stability. Plans for fiscal year 2008-2009 include continued efforts to increase enrollment despite an overall reduction in the number of sections to be offered. Achieving enrollment growth under these circumstances will require increases in productivity and efficiencies. We must create student opportunity without adding to cost.

Fiscal Year 2008-2009 Budget Strategies:

1) Targeted enrollment growth.
2) Restore ending fund balance.
3) Redesign of work processes, instruction, and improved technology systems to make instruction and support more efficient.
4) Ensure transparency and accountability for fiscal results.

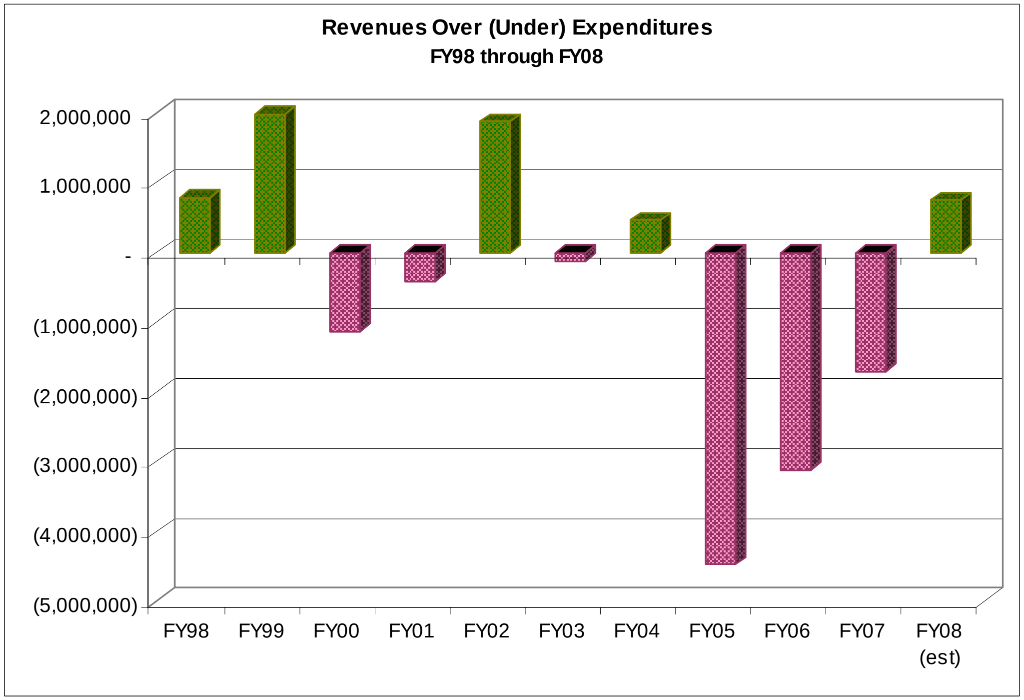
Lane Community College is the only school district in Oregon that has not set a limit on employer contributions to health care. The fiscal year 2008-2009 budget assumes that the college's responsibility for health care will continue at the current level of expense but the actual requirement is still in negotiation with bargaining units. Lane's investment in wellness and primary health care services to employees has had a positive impact on health insurance premiums in the past. However, costs for medical coverage continue to increase. The proposed budget includes continued funding for employee wellness and primary health care at the clinic which, in addition to lowering employee primary care costs, results in less time lost from work for primary care visits. The increasing cost of health care is a national problem not unique to Lane Community College but we must limit employer liability as have most other public employers as part of our strategy to achieve financial sustainability while assuring a competitive benefit package for employees. To put this particular problem in perspective, almost one of every two dollars in tuition will be required to cover the college's liability for 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. The long-term disinvestment in Oregon public education continues to be a major concern for the future financial stability of the college. Purchasing power of public funds allocated is well below past funding levels.

General Fund Budget for Fiscal Year 2008-2009

Increases in personal services expenditures account for most of the deficits in the last three fiscal years. The college has intentionally tried to insulate employees from the decline in funding levels. We remain committed to providing competitive salary and benefits but revenue has not kept pace with increasing costs. This reality is reflected in our financial experience over the last several years. Hoping that the legislature will bridge the gap is not a viable long term strategy and we haven't reserves to wait longer. On the other hand, large tuition increases clearly reduce enrollment and public support tied to levels of enrollment. We cannot abandon our commitment to provide an affordable education for the community but we clearly cannot afford to operate at a loss with depleted reserves.

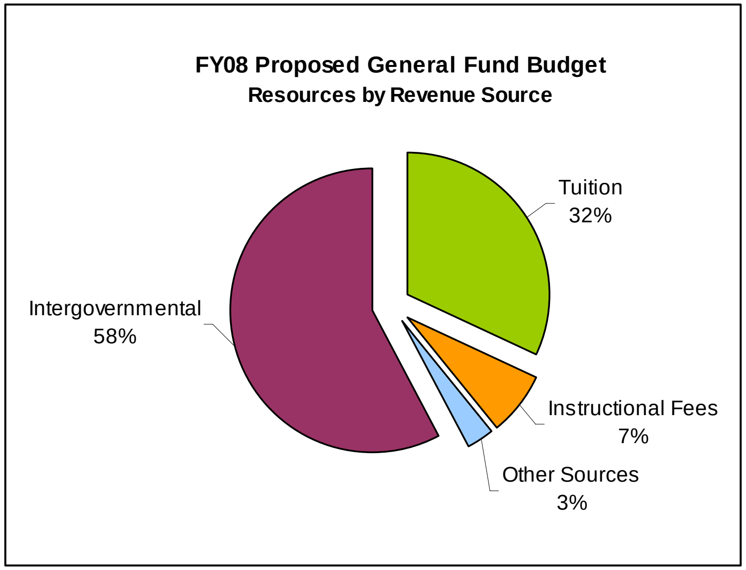


Our future budget planning must recognize the reality of a forced transition from public education to a combination of public and private funding sources. Our expenses in the future must be firmly linked to and limited by revenue. We must create a financially sustainable model to provide the reliable and comprehensive access to education our community needs. The guidance of the Board of Education and the Budget Committee will be essential as we work toward this mutual goal. The administration is recommending a budget package that balances the budget by decreasing major maintenance, decreasing materials and services, and holding vacancies open. In addition, we must either hold compensation at near current levels or make other reductions.

Resources

The proposed General Fund budget for fiscal year 2008-2009 is $76 million, a 3.5% increase from the 2007-2008 adopted budget. Revenues from total public resources for fiscal year 2008-2009 include an estimated $30, 831,000 from the state Community College Support Fund (CCSF) and $14,871,000 in property taxes for a total of $45,702,000, This represents an increase of $1.9 million from the current fiscal year. The CCSF allocates more funds in the second year of each biennium to cover increases in operating costs. The increase also reflects enrollment gains of last year and anticipates that our share of total state enrollment will not decrease during the next year. Because the funding distribution formula includes 100% of Lane's property taxes, State and property tax revenues must be considered together in budget development. Property taxes and State revenues are combined in the "Intergovernmental Resources" line.

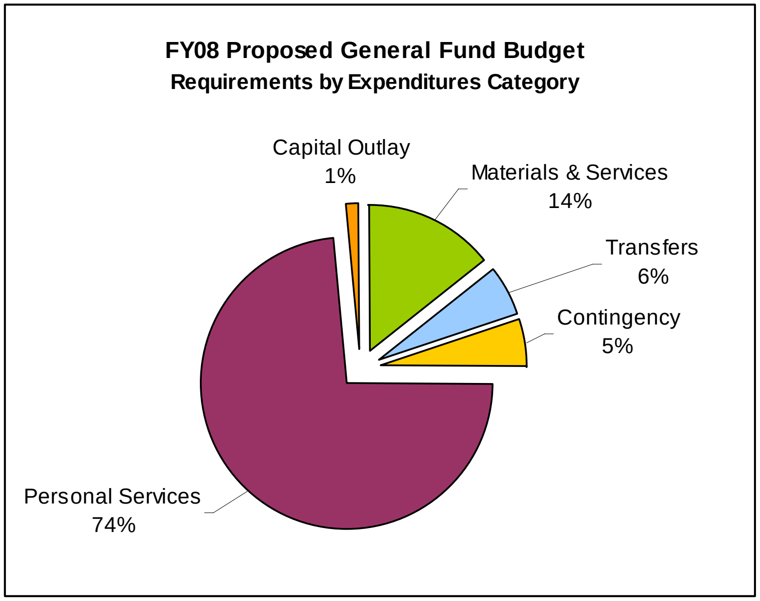
The 2008-2009 Budget includes a $2.50 per credit (or 3.4%) inflationary adjustment in tuition as previously approved by the Board of Education according to Board Policy D.110 (Tuition). Differential pricing was introduced in fiscal year 2003-2004 when the college began charging higher fees tied to class clock hours for certain Career`/Technical programs. The proposed budget extends differential pricing into fiscal year 2008-2009 for selected Career/Technical programs and health disciplines. Final enrollment data are not yet available for fiscal year 2007-2008 but enrollment through winter term indicates total reported student FTE for the college will be down approximately 2% compared to fiscal year 2006-2007. Early FTE projections for 2008-2009 show no significant increase compared to the current year.



Expenditures

The General Fund personal services budget has increased by $3 million or 5% from fiscal year 2007–2008. Personal services accounts for approximately 76% of the budgeted expenditures in 2008-2009. In addition, the materials and services budget has increased by $837 thousand and capital outlay has increased by $355 thousand. Transfers out to other funds increased by $600 thousand.

Other personal expense (OPE) rates are budgeted in fiscal year 2008-2009 at 51.3% for full-time and 34.2% for part-time employees. These rates are consistent with historical trends. 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.



Special Revenue- Administratively Restricted Fund (Fund IX)

The proposed budget for Special Revenue Administratively Restricted Fund IX increased by $350 thousand from fiscal year 2007-2008. Budget projections that drive budget development combine the General Fund and Fund IX.

Additional Important Information

Because budget laws require total resources and expenditures to balance, the budget document includes budget expenditure authority for all reasonably anticipated resources in fiscal year 2008-2009. Some revenues and expenditures have been re-categorized within funds for this fiscal year. 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.

TOTAL BUDGET: ALL FUNDS

General Fund (I)	$76,071,000
Internal Services Fund (II)	1,892,000
Debt Service Fund (III)	10,404,000
Capital Projects Fund (IV)	3,259,000
Financial Aid Fund (V)	46,532,000
Enterprise Fund (VI)	11.128,000
Special Revenue Fund (VIII)	12,091,000
Special Revenue: Admin Restricted (IX)	9,824,000
Total All Funds	**$ 171,201,000**

The format and summarization are consistent with the Oregon Accounting Guidelines for Community Colleges. This budget expresses the basic and essential fiscal requirements of Lane Community College as set forth by the Board of Education. The 2008-2009 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,

Gregory L. Morgan
Budget Officer/ Associate Vice President for Finance