

All Staff Email Sent January 16, 2009

Colleagues,

Though I am reluctant to send out a "bad news" e-mail right before the weekend, this news will likely be in the media today or tomorrow so I want you to know the potential impact on Lane. I was in Salem this morning where the state economist announced further reductions to the state revenue forecast. He is estimating an additional **\$300-600 million decrease in the current year** (that's on top of the \$150 million announced in November) and an additional \$1 billion for next biennium, bringing the shortfall for next biennium to \$2.2 billion, based on essential budget levels.

The November forecast resulted in an across-the-board decrease to all state funding of 1.2% in the current year- that was over \$700k for Lane. I recommended to the board that we not make any cuts this year because we could handle this level of decrease through increased revenue from enrollment growth (net revenue approximately \$450k) and constraining expenses.

At this time we do not know the impact of the new forecast but we can draw some early conclusions. At the state level, resolution of the current biennium budget deficit will require either dipping into the existing rainy day funds or across-the-board budget reductions or state revenue enhancements or a combination of two or more of these solutions. Any one or any combination of these solutions is going to be painful.

At the local level at Lane, for example, if there is an additional \$300-600 million reduction at the state level and the legislature decides to do across-the-board cuts this would mean an additional reduction for Lane of \$1.4 to \$2.8 million in the remaining five months of the year. I do not see how we could cover this kind of reduction without making changes to our program and service levels or increasing revenue. (The only major revenue resource we have local control over is tuition.)

Of course, we will be aggressively working at the legislature to convince them to be more strategic and that they should not cut community colleges while we are seeing a high level of growth.

We will be monitoring closely how the legislature is going to deal with this latest development. I will let you know as the story unfolds.

Thanks.

Mary.

Hi again,

I do want to mention that we are carefully monitoring what is going on with both the federal and state economic stimulus packages. At the federal level the House version was released yesterday. There is over \$100 billion in funds to backfill state reductions in education (including community colleges and Medicare etc) as well as workforce development and public works funds. Oregon's share of federal allocation is generally about 1.5%.

Of course, we have yet to see President (almost) Obama's proposals and, if passed in mid-February, we don't know how much or when Oregon might receive funds, but it is a ray of hope.

More on that later.

Thanks. Mary.