

All Staff Remarks April 01, 2009

I simply want to give you a status report on the state budget; the impact on Lane; the framework for balancing the budget; and the process and timeline for decisions.

I don't think I have to tell you how dire the budget situation is--

- Nationally, globally, and of course, in the state.
- Unemployment -5th highest unemployment rate in the country.
- In Lane County – 12.3%. Obviously, fewer people paying taxes affect state revenues.
- If you saw the Oregonian, you will know that the PERS system has an \$18 billion deficit.
- Realization that we are serving more and more students with fewer and fewer resources.

As for the state budget, we simply don't know the numbers. Usually by this time we have the co-chairs' budget, but not this year. On April 15, they will publish some budget scenarios. These scenarios will be what they are calling "shock and awe." Perhaps one that is an across the board cut; another that may set some priorities. Then they will go on a budget hearing tour the last two weeks of April to get reaction to the scenarios. By the way, we are trying to get them to come to Lane. Then there will be a new forecast on May 15. Following that, the co-chairs will release a budget. However, it is thought that the revenue picture will continue to get worse and that there may be a special session in September to take back some of the allocation.

It is thought that legislators may be setting the stage for tax reform, i.e. tax increases. There may be some tax increases — sin taxes like wine, beer, cigarettes; corporate minimum without referral — but any significant reform will end up in a referral to the voters. However, the polls that have been done are not showing support for tax increases, and there does not appear to be the political leadership for the kind of effort that it would take to pass tax reforms.

So what do the numbers look like?

- In December there was a 1.2 billion deficit from the essential budget level.
- By February it had grown to \$3 billion.
- Last week the Governor's office was predicting a \$5 billion shortfall.

To put a \$5 billion shortfall in perspective, the entire state budget is about \$16, so it's about a 30% reduction. Last week we had to submit to the state the impact of a 30% cut. There is about \$1.8 billion in federal stimulus if we don't spend more this year so that would take the deficit to \$3.2 billion or 20% reduction.

So what does this mean for Lane?

The Governor's budget was \$485 million. As things worsened, I asked Greg to develop a projection at \$460 and \$440. We have been using the \$440 level for budget planning because we believed that this was the floor created by the rules of the federal stimulus. We also looked at \$428 because we believe that is the maintenance of effort level required by the federal stimulus. During finals week, we were informed by the Governor's office that we should build our budget on \$412 million.

What does it mean for us?

A decrease in the range of \$4 million to \$8 million. I had hoped we would have an updated projection to share, but we have not received the CCWD workbook yet so it will be next week before we have an updated projection.

How are we going to deal with it?

First and foremost – I have said this before and will say again, my goal is to keep as many people working as possible. That will depend on what we decide to do collectively, but that is my ultimate goal. It is my goal for a number of reasons - more on that later.

I should talk a little about the future and planning for that.

Vision and mission is cornerstone. We are not planning on giving up on the comprehensive mission. Why?

- Our course offerings are inextricably linked – giving up health care programs affects science and general education
- We need transfer courses to help fund Career and Technical Education (CTE)
- No one else in Lane County does amount of CTE Lane does – there is community demand
- Continuing education is low cost FTE and needed in the community
- Remedial courses are the pipeline to college

We may have to roll back pieces of the mission or, to put it another way, enhance pieces of the mission. This is reflected in our priorities approved by the board.

Over the last few years we have been working diligently to develop methods for generating revenue that will make us less reliant on public funds. These things do not happen overnight, but we have made progress and they will come to fruition as we move forward.

Examples:

- Long term strategies
- International Education
- Endowment
- Strategic grants agenda to build systems – Dental Hygiene – full impact when we have more partners
- DTC – revenue generating
- Campus perimeter planning – enterprise activities
- Partnerships –exporting our programs to other colleges

A couple of years ago, I laid out an agenda for fiscal sustainability that included leveraging technology, instructional redesign and process improvement, and that work has been going on. Some examples include: group advising; student retention – the whole Title III initiative – keeping students - persistence; moving students from developmental education to college level work; instructional redesign in respiratory therapy, auto tech using a learning Management System; CIT

And then there's the whole area of Strategic Enrollment Management that has made our classes much more efficient – fewer sections & more seats filled.

So a great deal of work has gone on to move us toward fiscal sustainability. This has only happened because of the great work that all of you are doing.

Part of our future will be to bring these long term strategies to fruition and to continue to implement the short term strategies.

However, in the meantime, we must balance the budget for next year. As I have said, we do not know what the final state figure is, so it's quite difficult to plan. We will probably develop a tiered approach – \$440 million, then if we have to go to \$428 what that would look like, and finally \$412. The budget deficit range is \$5-8 million. The Budget Development Sub-Committee has developed a framework to do this.

Revenue options are tuition, fees, growth, and ending fund balance. Cutting expenses would mean program and service reductions, layoffs, adjustments to compensation – as furloughs, which is still a pay cut. Contrary to what you may have heard, I am not opposed to a progressive approach. In fact, I told the board last month that I would be first in line to do my part.

This framework definitely results in shared pain and sacrifice. Nothing on the menu is appetizing - it's a set of very hard choices.

The elements of this comprehensive framework are inextricably linked. For example, we can't increase the growth factor if we are simultaneously cutting enrollment.

As I have said, my goal is to preserve jobs. Why?

1. Jettisoning anyone into this economy is very tough.
2. If we can preserve our programs and service and continue to grow enrollment, we can see a way to fiscal sustainability.
3. We can do a better job for students and the community – we will be here when they need us.

However, preserving jobs does require some trade-offs, and I can't unilaterally decide what the compensation levels will be, whether we do furloughs or not. Each of us has an individual and collective decision to make – sacrifice the few through lay-offs (which I need to say will in the long run sacrifice all of us because our enrollment will be impacted) or share the pain.

I recognize that reducing wages/furloughs is not sustainable in the long run, but we are also living in unprecedented times, and at least for the next biennium if we stick together we have a chance of coming out the other end of this recession — though when it will end is unknown.

While the bargaining is going on, unfortunately we need to also focus on budget reductions and lay-offs because those are things the board can act on without agreement.

The time line looks like this:

- April 8 board meeting – presenting the framework
- April 15 aggregate information on potential budget reductions
- April 15-20 Inform faculty and staff subject to lay-off
- April 20 – Proposed lay off list made public.

Finally, I want to encourage all of us not to turn on one another, nor to start pitting one employee group against another.

I could argue on behalf of each employee group all the things that you are dealing with that overburden you, feel unfair, look like another group is doing better, and so on. And there are systems to deal with those things. However, it is imperative that we do not turn against each other in a personal way.

I urge you to engage in conversations, ask questions, and seek information. Critical discussions impacting our budget will need to reach conclusion in the next few weeks. I hope we all want to be part of Lane's future and will do what we can to secure it.