Lane Community College℠

Budget Message
Fiscal Year 2009-2010

Presented April 29, 2009

Budget Message

Strategic Directions through Fiscal Year 2009-2010

The proposed budget for fiscal year 2009-2010 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.
- Principles, criteria, data elements, priorities and strategies.

Economic Crisis and Fiscal Uncertainty

Fiscal year 2009-2010 is the first year of the next biennium and there is still considerable uncertainty regarding the amount of public funding that will be provided. The Legislature is still in session and the Ways and Means budget proposal will not be available until May 17 or later. In addition, the economic climate continues to decline with increasingly worsening news about unemployment and state revenue. Unfortunately, all likely scenarios fall significantly short of what is necessary to serve students and the community, keep education affordable and accessible, maintain compensation levels for employees and meet other operating requirements of Lane Community College. This situation is the result of dramatic reductions in state revenues anticipated over the next biennium. At the same time revenue is decreasing, we have not seen a loss in demand for our programs and services. Conversely, the demand for our services has significantly increased as unemployed workers return to school to better prepare themselves for the next economy. Unfortunately, most of our revenue is based on public resources and dependent on tax revenue that has been significantly reduced by economic events creating a double economic burden of a need to meet increased demand with significantly less resources. This presents the strategic choice of 1) Increasing revenue, 2) Maintaining service levels at lower cost, or 3) Downsizing the college and student opportunities to match the reduced public support, or a combination of all. None of these choices is attractive. Raising revenue through higher tuition and fees shifts the burden of lost public support to the students. Despite inclusion of items in the Recovery Act that positively impacts students, this presents an economic challenge to them at a vulnerable time in their life and challenges our value of a low cost public education as a public good. Reducing cost is a worthy and ongoing objective with which we have had some success but with 80 percent of our costs in staff compensation this shifts the burden of decreased public support to the employees. Downsizing the college through layoffs is not a good option as it diminishes our ability to meet student demand when we are most needed, as well as place our employees into a very bad economy with little chance of finding work. As a result, one of our goals throughout this process is to keep as many employees working as possible.

Unknowns for FY 2010

1. Amount of CCSF appropriation.
2. Board approval of additional proposed tuition and fees.
3. Increase in health care costs/OPE rate
4. Resolution of economic reopener negotiations with both employee associations.

Fiscal Year 2009-2010 Budget Strategies:

1) Continue enrollment growth.
2) Reduce cost rather than capacity.
3) Hold as many positions vacant as possible.
4) Constrain M&S and capital investment costs.
5) Use differential fees to partially offset higher cost programs.
6) Leverage technology for work processes, and instruction, to be more efficient.
7) If necessary consider tuition increases more than inflation.
8) If necessary eliminate whole functions rather than across the board reductions.
9) Ensure transparency and accountability for fiscal results.

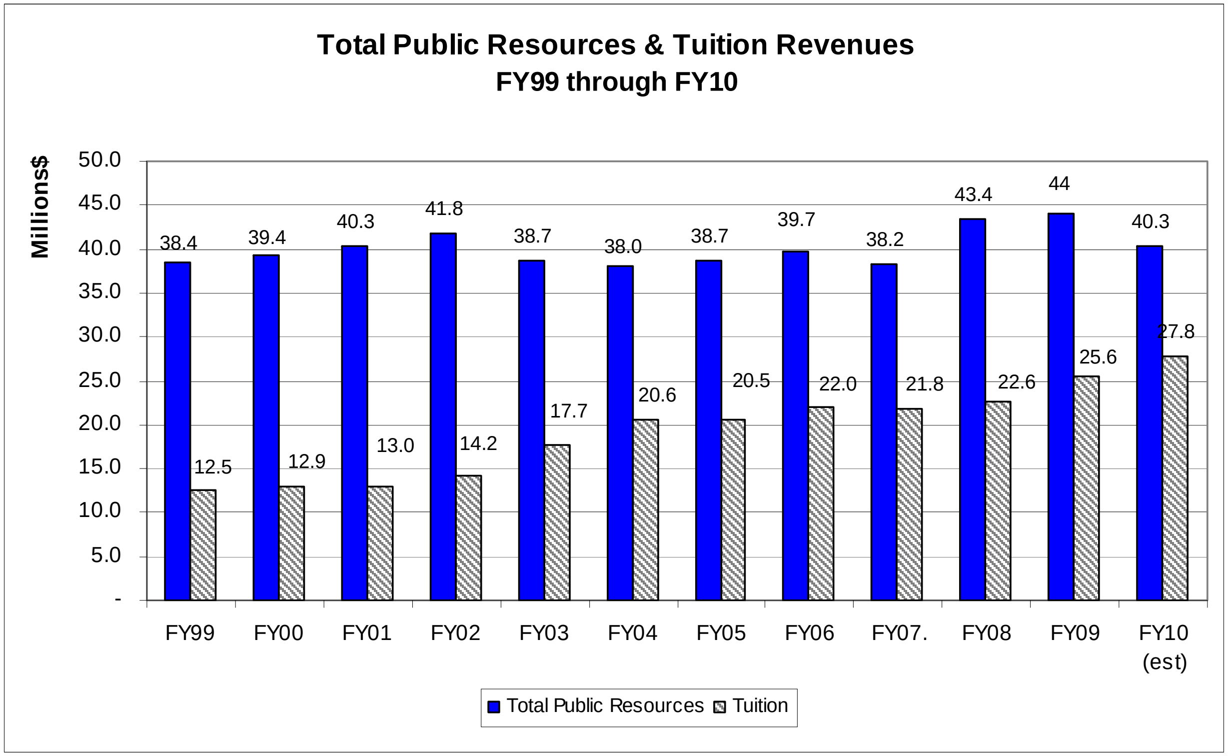
Budget Assumptions

Despite the uncertainty of the actual amount in the CCSF (Community College Support Fund) appropriation for the coming biennium, we must prepare a balanced budget based on realistic expectations. The public support revenue assumption is based upon the state model projections for Lane Community College at an appropriation level of $428 million. This model assumes that the college's share of total enrollment relative to other colleges will remain stable and preliminary indications are consistent with that assumption. Other revenue assumptions have been made that require approval from the board.

1. CCSF funding at $428 million
2. Increase in differential fees
3. 3% increase in salary schedule
4. $3 tuition surcharge
5. $2 increase in technology fee
6. $500K contribution from ending fund balance

Transparency

We continue to upgrade our budget programming abilities by improving a future year budget model that forecasts our revenues and expenses using the latest information. 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 We have also expanded training and data 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.



Ending Fund Balance

One of the focuses of last year's budget was to restore the ending fund balance. Restoration of the ending fund balance was essential to maintain the college's credit rating as well as to ensure fiscal stability. I'm happy to report that positive results for last year and year to date indicate that we will be fully compliant with board policy at the end of this fiscal year. This is fortunate as we will be receiving a new credit rating in May in preparation for the first increment of bond issues in June. To keep the interest costs to county taxpayers as low as possible we must maintain fiscal discipline and an adequate fund balance. This is critical to retain our rating and ability to issue the remainder of bonds as the current projects are completed in three to four years. We also have grave concern that state revenue will continue to decline after the state has adopted a budget. It is essential that we have ending fund balance to cover additional mid year cuts so that we are not forced to make unplanned reductions to programs and services. While restoration of the fund balance to meet minimum board requirements is very good news, we still have no true reserves or the fiscal flexibility we need. For example, we cannot cash flow our operating requirements for the last quarter of the biennium when the last quarterly payment is deferred into the next fiscal year. This requires short term borrowing and places us at the mercy of the credit markets. Funding the last quarter after the fact is likely a continuing characteristic of our state funding for the long term and it would be more prudent to have the reserves to meet that regular requirement. We also are unable to completely fund internal commitments. The ending fund balance is not idle cash. It is comprised of working capital already allocated and in use throughout the college. Examples include the accounts in the restricted portion of the general fund (fund 9), fees charged to students for class materials, student government accounts, faculty professional development funds owed the faculty association, etc. However, given that the minimum balance requirements are expected to be met by year end and the extraordinary reductions in public funding, this budget proposes using $500 thousand of the ending fund balance to reduce the shortfalls in other areas. It should be noted that this is a one time strategy we cannot repeat often.

Enrollment Growth

Plans for fiscal year 2008-2009 included efforts to increase both enrollment and productivity. I'm also happy to report that we have observed both significant enrollment increases and productivity gains. We expect to see a 10% or greater increase in total enrollment for the current year. This has yielded both additional revenue and productivity as classes have fewer empty seats. Generally tuition and fees only account for about 36% of our revenue and the greatest benefit of increased enrollment comes from additional state support for the increase in FTE. However, in the current environment all colleges have seen similar significant gains so it is not realistic to expect that we will be able to do more than maintain our share of a significantly reduced community college support fund in the next biennium. The budget projects the net benefit of the additional enrollment to continue into next year and assumes an additional increase of 5% next year.

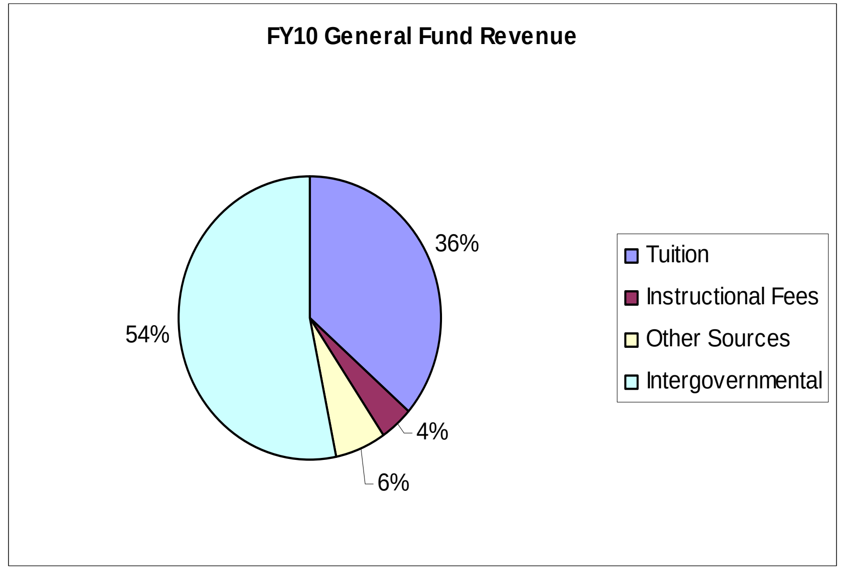
Compensation and Benefits

We are currently in negotiations with both LCCEF and LCCEA regarding compensation for next year. Managers have already proposed a salary freeze for next year. To our knowledge, 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 2009-2010 proposed budget does not include any additions for insurance increases but the actual requirement is still in negotiation with bargaining units. Preliminary information indicates that cost for medical coverage will continue to increase in FY 2009-2010 and that additional costs will need to be assumed by the college, employees, or both.

Affordability and accessibility for students continue to be high priorities for the college. The long-term disinvestment in Oregon public education threatens college values of affordability and accessibility. Purchasing power of public funds allocated has declined in recent years but the dramatic effect of the recession on state revenues presages equally dramatic reductions in state support for FY 2009-2010. 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.

General Fund Budget for Fiscal Year 2009-2010

Until recently the college was able to insulate employees from the decline in funding levels and maintained steps and cost of living increases according to contractual agreements even if doing so required tapping reserves. Unfortunately, as mentioned earlier there are no longer any reserves and funding has further declined. We remain committed to providing competitive salary and benefits but revenue has not kept pace with increasing costs. In FY 2008 manager salaries were frozen (no COLA salary schedule adjustments and no step equivalent awards), classified employees received days in lieu of a cost-of-living along with a full step for all classified staff, and contracted faculty agreed to a .86% increase with full steps while part-time faculty received the bargained COLA salary schedule adjustment and steps. In FY 2009 all employees received one-half of normal levels of step increases and flat 1.0 % salary adjustments along with various one-time payments. This budget hasn't sufficient funding to support current levels of compensation for COLA and steps even presuming significant additional tuition and fee increases beyond normal inflation which adversely affects students.



Our future budget planning must recognize the reality of a forced transition from public funding 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. We are recommending a budget package that balances the budget by decreasing employee expense and holding vacancies open along with temporary surcharges in tuition and fees that will increase student costs. As in past years we will also continue significant reductions below normal levels of maintenance, materials and services, and equipment replacement. Spending in each if these areas is below levels seen five years ago. Revenue assumptions in preparing this budget include CCSF funding at $428 million, an approved tuition increase linked to inflation of $2.50, yet to be approved proposals for differential fees, a tuition surcharge, increase in the technology fee, and use of some fund balance. Expense assumptions include a 3% increase for salary expense, reductions in materials and services, and holding capital expenses to a minimum. Again we must be cautious of using one time nonrecurring sources such as vacancies and temporary surcharges to fund recurring obligations.

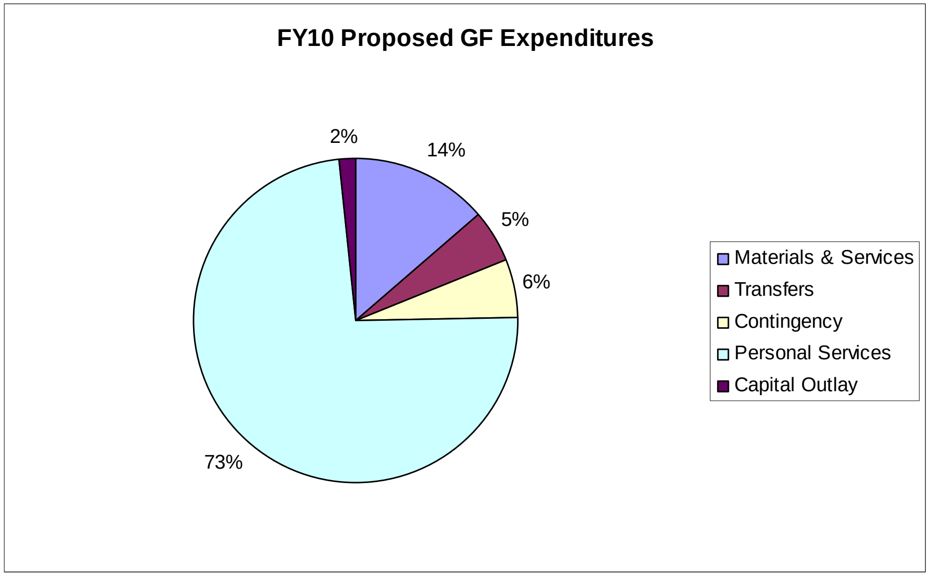
Resources

The proposed General Fund budget revenue for fiscal year 2009-2010 is $76 million, a 0% increase from the 2007-2008 adopted budget. This should be seen as a starting place that will require review and approval of a number of revenue and expense levers to achieve a balanced budget. Revenues from total public resources for fiscal year 2009-2010 include an estimated $26,337,000 from the state Community College Support Fund and $14,000,000 in property taxes for a total of $40,337,000 This represents an decrease of $3.8 million from the current fiscal year. This estimate is based on CCSF appropriation of $428 million for the next biennium. The exact amount of the appropriation will not be known for several weeks and contingency plans need to be made for both higher and lower levels of funding. This amount anticipates that our share of total state enrollment will be stable 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 2009-2010 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) and further proposes an additional temporary surcharge for tuition and fees be considered to replace lost funding. At the anticipated level of funding we recommend a two dollar increase in the Technology Fee and a temporary three dollar per credit increase in tuition to partially offset the reduction in state funding. 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 and expands differential fees in fiscal year 2009-2010 for selected Career/Technical programs. Revenue increases from proposed differential fee increases are expected to total $442,000.

Expenditures

The General Fund personal services budget has increased by $2.2 million or 3% from fiscal year 2009–2010. The increase is due to additional part time faculty hired to accommodate increased enrollment, and a 3% salary schedule increase net of reductions from vacancies. In addition, the materials and services budget has increased by $300 thousand net of reductions due to mandatory cost increases and budgeted capital outlay is unchanged. Transfers out to other funds decreased by $15 thousand due to actual expense results in other funds.

Other personal expense (OPE) rates are likely to change to cover increases in medical costs yet to be determined, a lower salary base to spread fixed costs due to unfilled vacancies, and increases in other benefits. 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, and maintenance contracts.



Special Revenue- Administratively Restricted Fund (Fund IX)

The proposed budget for Special Revenue Administratively Restricted Fund IX increased by $1.6 million due to increased student fees for the medical clinic, student activities, transportation, and a proposed increase in the technology fee compared to fiscal year 2008-2009. Fund IX is composed of administratively restricted activities of the general fund. Budget projections used for 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 2009-2010. Some revenues and expenditures have been re-categorized within funds for this fiscal year. There are several changes for next year to increase budget authority for several other funds. The Financial Aid fund budget authority is increased for additional federal financial aid expected because of increased enrollment, increased entitlements, and increased need. The Capital Projects budget authority is increased to allow for spending related to bond projects, state funded deferred maintenance projects, and construction of the new health and wellness building. The Special Revenue fund has increased budget authority to allow for additional grant activity. None of this additional activity creates any new requirements or revenue from the general fund.

TOTAL BUDGET: ALL FUNDS

General Fund (I)	$79,828,519
Internal Services Fund (II)	1,660,662
Debt Service Fund (III)	3,569,800
Capital Projects Fund (IV)	40,108,000
Financial Aid Fund (V)	65,504,455
Enterprise Fund (VI)	12,574,527
Special Revenue Fund (VIII)	13,091,000
Special Revenue: Admin Restricted (IX)	11,427,824
Total All Funds	**$ 227,764,785**

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 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 2009-2010 Budget Document is submitted herewith for your consideration and action. Due to the uncertainty this year and the number of budget elements that are still unknown, the final budget is likely to differ substantially from what is presented herein. However, it will give the Budget Committee the opportunity to fully discuss the elements of the budget and advise the Board accordingly. The staff and I are ready to assist you in the important task of reviewing this document.

Respectfully,

Gregory L. Morgan
Budget Officer/ Chief Financial Officer