Lane Community College FY 2015-16 Budget Committee

Responses to Committee Questions and Information Requests

May 20, 2015

1. **Please provide detail of the Sales of Good and Services line item in Fund IX.**

KLCC underwriting	$ 700,000
Specialized Support Services contracts	1,274,681
Student restaurant (Renaissance Room)	12,000
Regional Technical Education Center (RTEC) rent, advising fee and other services	62,000
Health Clinic lab & other services	51,000
Torch advertising	9,500
Mechanical Services car servicing	250
Aviation Academy books	7,240
Athletics concession sales	10,000
Energy Management contracts	56,000
Total	**$ 2,182,671**

2. **Please provide detail of the Non-Departmental line items in Student Services, Fund IX.**

   For FY 2012-13 the $104,066 Non-Departmental actuals contain health clinic expenditures that should have been coded to College Services and materials and services charges that should have been coded to Instruction.

3. **Please provide detail of the Technology Fee line items in Student Services, Fund IX.**

   Technology Fee funds are used to support technology used in classrooms, labs and direct service to students. Funds are allocated to various programs at the beginning of the year from the main technology fee budget in Instruction.

   The Student Services Technology Fee allocations for FY 2012-13 of $55,564 include materials and services for Counseling, Student Life & Leadership Development, the Center for Accessible Resources, and Athletics. The allocations for FY 2013-14 of $177,841 include audio visual equipment, software, and maintenance contracts for Counseling, the Veterans Program, the Center for Accessible Resources and TRIO STEM.

4. **How many veterans have enrolled in the Auto Body and Electronics programs?**

   Over the past three years, ten student veterans have enrolled in the Auto Body and Fender program and eighteen student veterans have enrolled in the Electronic Technology program.

5. **What is "Swirl"?**

   The Budget Office reviewed ten years of contracted salary budgets and actual expenditures in Funds I and IX and uncovered a consistent trend of 2% savings over planned, budgeted contracted personnel expenses due to reductions in teaching assignment (faculty members on Article 41.6 teach out), leaves of absence, mid-year attrition, and recruitment timing. We recommend this factor, which we call the contracted salary swirl, be factored into the budget as an offset to contracted salary expenditures.

   For the current 2014-15 fiscal year, the swirl is estimated to be 2.2%. We expect an additional non-recurring increase in the swirl factor in the coming year as additional faculty take advantage of the postretirement teach out option (sun-setting June 30, 2015), and increased recruitment work due to the classified early separation incentive.

   Based upon the May 13, 2015 position list and proposed budget balancing options, a 2.5% swirl factor is $ 932,900.

6. **Are the Proposed Budget Balancing Options in priority order? Can a budget committee member make recommendations to adjust the priority?**

   The proposed balancing options are not presented in priority order, but all savings are needed to balance the budget. A committee member can make recommendations regarding prioritization and can also suggest other options. The options presented reflect the administration's recommendations to balance the budget, consistent with the college's budget development principles, criteria and data elements.

7. **Please provide detail on the Special Instructional Projects line item in the General Fund.**

   There was an accounting change beginning in FY 2014-15 for part-time faculty salary budgets. Past budgets had placed approximately 60% of budget authority in departments and the remaining 40% in Special Instructional Projects (SIP) for distribution as needed throughout the course of the academic year.

   In the FY 2015-16 revised Proposed Budget, full part-time faculty budget authority has been distributed to departments. The $1,258,560 in SIP includes a reserve that provides additional authority in the case of enrollment growth, vacancies, leaves, etc.

8. What data was used to justify the projected enrollment decline of 7%? Please provide yearly enrollment figures for the past five years.

The recent declines in overall student enrollment pose financial implications to higher education institutions with regard to short-term revenues and long-term viability.

Lane Community College Enrollment Trends

Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 Projected
FTE	15,424	15,445	14,015	12,312	10,031	9,329
% (=/-)	3.1%	0.1%	-9.3%	-12.2%	-18.5%	-7.0%
Compared to FY12	-0.1%	0.0%	-9.3%	-20.3%	-35.1%	-39.6%

Currently, Summer Term 2015 registrations are down 24.6% compared with Summer 2014. The College is projecting a 7% enrollment decline for FY16 to 9,329 FTE. This approximates the FY95 enrollment FTE of 9,328.

Factors that may or are contributing to this decline include:

- Mounting student loan debt
- Changes in Pell Grant and Stafford Loan awards (impacts to qualification, amount, and length of grant)
- Decreasing high school graduation rates
- Perception of declining dollar value for a college degree
- Increasing market saturation for degree-holders
- Under-prepared graduates for the ever-changing job market
- Rising cost of tuition
- Increasing employer costs
- Evolving for-profit education sector
- Flattening state support for public institutions
- Improving economy and job market

9. **Please provide a list of all contingency accounts in the General Fund along with projected balances for FY 2015-16.**

General Fund Contingencies and Reserves, FY 2015-16 Proposed Budget:
Contingencies and reserves are included in financial projections only to the extent that they are expected to be expensed. *In most cases, these line items reflect budget authority only.*

<u>Administrative Contingency: $700,000</u>
Used for unanticipated costs such as major facilities repair or new activities.
- Current year (FY15) expenditures: $3,000 for workforce development transition
- Projected FY16 expenditures: $0

<u>Board Contingency: $350,000</u>
Budget authority for the Board of Education.
- Current year (FY15) expenditures: $0
- Projected FY16 expenditures: $0

<u>Reserves for Special Projects: $140,000</u>
Budget authority for special projects- all programs
- Current year (FY15) expenditures: $36,475 for various items including spring conference speaker, CCSSE high impact practices institute, microscopes to support increased class sizes, laptops for the dental clinic and sabbatical luncheons
- Projected FY16 expenditures: $40,000

<u>Capital Outlay Reserves: $700,000</u>
Budget authority for capital expenditures in academic, student affairs and college services departments. Note: This allocation has been withheld the past two years, creating a significant backlog of needs.
- Current year (FY15) expenditures: $0
- Projected FY16 expenditures: $700,000

<u>Reserve for Restricted Carryover: $750,000</u>
Budget authority carried over from prior year for items that did not get completely expensed in the prior year.
- Current year (FY15) expenditures: $433,388 for professional development, accreditation, marketing, and energy management.
- Projected FY16 expenditures: $400,000

<u>Part-Time Faculty Reserve: $737,000</u>
Budget authority for instruction due to changes in enrollment, vacancies and leaves
- Current year (FY15) expenditures: $318,023
- Projected FY16 expenditures: $325,000

Part-Time Classified Staff Reserve: $150,000

Budget authority for services due to changes in enrollment, vacancies and leaves

- Current year (FY15) expenditures: $82,023
- Projected FY16 expenditures: $80,000

10. Were other programs evaluated? Could the Budget Committee please have the annual review of program criteria and data elements?

It is part of the division's regular work to review programs and services. In this budget cycle when applying the criteria of enrollment demand, program cost, retention, utilization, essential courses required for degree, availability of jobs, wages and job placement, three programs were moved forward for further review: Medical Office Assistant, Auto Collision and Refinishing, and Electronic Technology.

11. Please provide information about the balancing information included in the proposed document.

FY 2015-16 Proposed Budget Balancing Options

May 13, 2015

FY 2015-16 Projection		**$ (4,694,700)**
Adjustments and Balancing Options:		
1.	Contracted Salary "Swirl"	932,900
2.	Allowance for Salary Provision	(808,900)
3.	OPE Rate Update	(488,000)
4.	Ending Fund Balance	2,500,000
5.	Early Separation Incentive	678,900
6.	Holding Vacant Positions Open	770,600
7.	Part-Time Reductions	438,400
8.	Classified Staff Reassignment	229,200
9.	Program Reductions	195,100
10.	M&S, Miscellaneous Other	246,500
Total Adjustments and Balancing		$ 4,694,700

Option 1: Contracted Salary "Swirl"

The Budget Office reviewed ten years of contracted salary budgets and actual expenditures in Funds I and IX and uncovered a consistent trend of 2% savings over planned, budgeted contracted personnel expenses due to reductions in teaching assignment (faculty members on Article 41.6 teach out), leaves of absence, mid-year attrition, and recruitment timing. We recommend this factor, which we call the contracted salary swirl, be factored into the budget as an offset to contracted salary expenditures.

For the current 2014-15 fiscal year, the swirl is estimated to be 2.2%. We expect an additional non-recurring increase in the swirl factor in the coming year as additional faculty take advantage of the post-retirement teach out option (sun-setting June 30, 2015), and increased recruitment work due to the classified early separation incentive.

Based upon the May 13, 2015 position list and proposed budget balancing options, a 2.5% swirl factor is $ 932,900.

Option 2: Allowance for Salary Provision

The FY 2015-16 planning projection for Funds I & IX was based upon the March 2015 position list and current salary schedule. With the faculty contract roll-over, resulting in full steps for all eligible faculty employees, the administration has factored in a step/salary schedule adjustment provision for all employee groups, as a placeholder until the Board of Education provides bargaining parameters for classified staff and managers.

Based upon the May 13, 2015 position list and vacancy fill plans, the costs of steps for eligible employees are calculated as follows:

Classified Staff	$ 186,200
Contracted Faculty	$ 233,600
Part-Time Faculty	$ 141,900
Managers	$ 98,600
Subtotal	$ 660,300
Less 2% "swirl"	$ (13,200)
Total	$ 647,100
w/ Direct OPE	**$ 808,900**

Option 3: OPE Rate Update

The initial OPE rate estimate for FY 2015-16 assumed current caps on employer health insurance premium increases would be continued. With the rollover of the faculty contract, the college is required to absorb the entire 8.05% health insurance premium increase for faculty. OPE rates have been recalculated to reflect the known faculty premium increase and provide an allowance for additional increases for classified staff and managers (the initial Pacific Source estimated increase for 2015-16 is 9.2%); a $1,050,000 health insurance premium increase over the current year.

The college is continuing to benefit from early retirement actuarial savings, although we project these costs will rise significantly in FY 2016-17 as we expect the actuarial report will reflect additional contribution requirements. The recent Supreme Court ruling reversing PERS reforms enacted in 2013 will not have an impact on the college's PERS contribution rates until 2017. The Board of Education prudently established a PERS reserve that will be used to smooth out rate increases in the coming years.

The OPE rates for FY 2015-16 are 64% for contracted employees, 38% for part-time employees, a 1% increase for both categories over the initial rate estimate. The net effect of the rate increase is an additional expense of $ 488,000 for Funds I & IX.

Option 4: Ending Fund Balance

In November 2014, the Board of Education reviewed and revised Board Policy BP 245: Ending Fund Balance, increasing the target ending general fund balance from 5% to 10%, in keeping with recommended financial practices and standards. The Board acknowledged that it might take some time to work up to this target level; the target was met, however, at the close of fiscal year 2014. The Board expressed an interest in using some of the fund balance as a one-time resource to support FY 2015-16 balancing as the college continues to adjust to declining enrollment levels and uncertain state funding. The estimated ending fund balance for FY 2014-15 is $10 million, just over 10% of the general fund budget. If the college uses $2.5 million as proposed to support FY 2015-16 balancing, we will need to develop and implement a plan for bringing the balance up to the 10% target within two years.

Option 5: Early Separation Incentive

In March 2015, the college and classified employee union signed an early separation incentive memorandum of agreement that provided a one-time incentive for contracted classified employees hired prior to July 1, 2010 to voluntarily separate from the college. Employees participating in the incentive program receive a one-time stipend of $9,000 or one year of contributions to employee-only health insurance premiums. The deadline for employees to notify the college of intent to participate is Friday, May 15; as of today, 21 staff have provided notice of early separation.

Projected savings from this program come from new employee placement lower on the salary schedule, plus holding positions open. The current estimated savings from this program, including OPE are $ 678,900.

Option 6: Holding Vacant Positions Open

Executive Team members, Deans and Directors have been reviewing the vacancy list and identified an additional ten positions to hold open during the 2015-16 academic year. The college wide impact of holding these and early separation incentive positions open is reduced capacity across all employee groups. This reduced capacity, coupled with continued reductions in part-time staffing, will require departments to think in new ways about how to most efficiently and effectively serve students, faculty, staff and our community.

Projected savings from holding additional vacant positions open, including OPE: $ 770,600

Option 7: Part-Time Faculty and Classified Staff Reductions

Due to the extraordinary work of Deans and Directors in adjusting to a 35% enrollment decline over three years, part-time faculty and staff expenditures are down $5 million (29%) over the 2012-13 high. With enrollment estimated to drop another 7% in the 2015-16 academic year, part-time expenditure projections were reduced $582,500 in the FY 2015-16 planning projection. Deans and Directors have identified additional part-time savings opportunities as follows:

Part-time faculty reductions*	$ 322,100
Part-time classified staff reductions	$ 116,300
Total^	$ 438,400

* Net of enrollment attribution adjustment
^ Includes OPE

Option 8: Classified Staff Reassignment

This category includes classified staff members who voluntarily reduced their FTE/assignment and classified staff who will be reassigned to a funded vacant position that presents a greater need for the college overall. Projected savings with OPE are $ 229,200.

Option 9: Program Reductions

After conducting an annual review of program criteria and data elements as outlined in the college's Long Range Financial plan, the administration is recommending elimination of the Auto Collision and Refinishing and Electronic Technology programs. The Board of Education will be voting on this recommendation at the May 13, 2015 meeting.

Projected savings- Auto Collision and Refinishing program elimination	$ 97,700
Projected savings- Electronic Technology program elimination	$ 97,400
Total	$ 195,100

Recurring savings projected for the 2016-17 academic year forward, following a one year teach-out for each program are $ 612,000.

Option 10: Materials & Services, Miscellaneous Other

This category includes reductions in information technology service contracts, increased revenue from the college's Fitness Education Center expanded hours, revenue from the health clinic, and use of Visiting Scholars Funding to support academic programs. Net projected savings are $ 246,500.