Report to the Board of Education on FY 2014-15 Budget Balancing Measures

Lane Community College

May 13, 2015

The 2014-15 budget approved by the Budget Committee and Board of Education included several categories of balancing measures designed to bridge a projected $12.6 million shortfall in Funds I and IX. This report presents preliminary results of the effectiveness of these measures[1] and recommendations for the FY 2015-16 budget.

I. Tuition & Fee Revenue

The base projection for FY 2014-15 included a $2 HEPI-indexed tuition increase and assumed a 12% enrollment decline. To support balancing, tuition was raised an additional $3 per credit, with $120,000 of the revenue raised going into a student success fund. This balancing measure was estimated to bring in additional net revenue of $804,000. Actual enrollment in FY 2014-15 is tracking 18.5% below FY 2013-14 levels.

Projected additional revenue:	$ 804,000
Actual additional revenue:	($ 2,178,500)

The FY 2015-16 proposed budget includes a $1.50 Board-approved tuition increase indexed to the HEPI and assumes an additional enrollment decrease of 7% in the 2015-16 academic year.

II. Administrative Recovery and Transfers

Over the past several years, the college has looked to enterprise and auxiliary funds to provide financial relief to the general fund. Budget staff and the Executive Team analyzed base administrative recovery and transfer levels and proposed the following to support FY 2014-15 balancing:

Balancing Item and Narrative	Budgeted Savings	Actual Savings
1. Capital Outlay Allocation Capital outlay funds items such as instructional equipment, computer servers and workstations, operational equipment, and vehicles. This balancing measure withheld the general fund capital outlay allocation to departments for a second consecutive year. Contingency and materials and services budgets were tapped to address urgent facilities and information technology needs during the year, resulting in the college not achieving the full savings goal. *It is recommended that the full $700,000 general fund capital outlay allocation be reinstated for FY 2015-16.*	$ 500,000	$ 323,300

[1] Actuals based upon May 13, 2015 FY 2014-15 year end estimate.

Balancing Item and Narrative	Budgeted Savings	Actual Savings
2. Major Maintenance Transfer The college general fund provides a $1,000,000 annual transfer to the deferred maintenance, major maintenance and capital improvement fund. In 2003, the board approved a multi-year funding plan to support these activities, modified in 2009, which was designed to result in full funding of $2,025,000 in fiscal year 2013 and forward. The funding has been limited to $1,000,000 since fiscal year 2010 due to budget constraints. In FY 2013-14 the transfer was reduced by $100,000 as a one-time balancing option. This measure reduced the transfer in FY 2014-15 by $250,000, again as a one-time balancing option. As expected, this has resulted in additional backlog of deferred maintenance and capital improvement projects, which currently exceed $13 million. *It is recommended the transfer be restored to $1,000,000 in FY 2015-16.*	$ 250,000	$ 250,000
3. Financial Aid Transfer The college general fund provides an annual transfer to fund the institutional match for federal workstudy and student educational opportunity grant programs. The transfer was withheld in FY 2013-14 as a one-time balancing measure. After review, College Finance and the Financial Aid Office determined that the transfer could be withheld in FY 2014-15. *The transfer will be withheld again in FY 2015-16; it will likely need to be reinstated in FY 2016-17.*	$ 503,100	$ 503,100
3. International Students Administrative Recovery This balancing measure established an administrative recovery model for the International Program, whereby the International Program will contribute $500,000 to the general fund on an annual basis. The International Program will also continue to provide financial support for Honors, ESL and other programs and services. This administrative recovery model will enable both the general fund and international fund to plan and budget with foresight and consistency. *Effective FY 2015-16 the base administrative recovery amount for the International Program has been increased to $600,000.*	$ 500,000	$ 500,000
4. Titan Store Administrative Recovery The Titan Store previously contributed $300,000 or ½ of net operating income, whichever was greater, to the general fund on an annual basis. This balancing measure increased the minimum annual contribution to $500,000, representing a recurring increase of $200,000. The store is supporting this increase by carefully managing margins and expenditures while continuing to grow sales revenue. *The recurring administrative recovery amount for the Titan Store is $500,000.*	$ 200,000	$ 200,000
Total Administrative Recovery and Transfer Options	$1,953,100	$ 1,776,400

III. Materials & Services, Goods for Resale

The February 5, 2014 projection for FY 2014-15 materials and services (M&S) expenditures, including Goods for Resale was $14,440,400, nearly $1.5 million lower than the FY 2012-13 high of $15,928,500.

This balancing measure reduced M&S budgets by an additional $126,000 in FY 2014-15.

Projected savings:	$ 126,000
Actual savings:	$ 361,200

Additional savings were realized as a result of the additional enrollment decline experienced in FY 2014-15 and through careful management of spending at the department level and newly implemented controls for purchase card expenditures, including travel, over $500.

FY 2014-15 M&S reductions were made recurring and an additional recurring reduction of $1,037,750 is included in the FY 2015-16 proposed budget, the majority of which reflects an accounting change for bad debt (which is now reflected as a revenue offset).

IV. Contracted Personnel

The college held open several vacant contracted positions in all employee groups originally funded to be filled in FY 2014-15, with an estimated savings of $2,369,900, adjusted to $2,786,450 when the position list was finalized and the budget loaded.

With the 18+% enrollment decline evident early in fall term 2014, twelve additional positions were held open to balance revenue declines resulting in an additional $651,000 in salary savings.

Additional contracted salary savings were realized due to reductions in teaching assignment (faculty members on Article 41.6 teach out), leaves of absence, mid-year attrition, and recruitment timing. The Budget Office has analyzed this factor – the contracted salary “swirl” – and uncovered a consistent trend of 2% savings over planned contracted personnel expenses due to these factors. The current year swirl calculation is tracking slightly higher, at 2.2%.

Original projection:	$ 40,998,500
Adopted budget:	$ 38,212,050
Current estimate	$ 36,736,000

Savings Components:		
Initial balancing w/ vacancies	$ 2,786,450	
Additional vacancies	642,950	
Swirl	840,700	(2.2% of adopted budget)
Total	$ 4,278,100	

It is recommended that the contracted salary “swirl” be factored into the FY 2015-16 budget as a reduction to the contracted personnel budget.

V. Part-Time Reductions

Faculty and classified staff part-time budgets were reviewed and reset based upon department by department enrollment and activity, resulting in an estimated savings of $2,136,400. An additional $1,500,000 reduction in part-time faculty was adopted as a balancing option due to the enrollment efficiency memorandum of agreement. Additional mid-year reductions were made due to enrollment declines.

Projected savings: $ 3,636,400
Actual savings: $ 3,761,500

Part-time budgets have again been reviewed and reset for the FY 2015-16 budget, with an assumed 7% enrollment decline in the 2015-16 academic year, reflecting an additional $1,020,900 decrease over and above the $3.76 million decrease realized this year.

VI. OPE

In addition to $1.2 million savings from the college's early retirement actuarial report, significant OPE savings were included in the FY 2014-15 balancing options due to bargained health insurance premiums and significant reductions in both contracted and part-time salary bases. Additional savings have been realized during the year due to reductions in workers compensation and unemployment insurance costs.

Projected savings: $ 4,611,100
Additional savings: $ 1,194,600 – additional vacancies, part-time reductions, workers compensation savings
Actual Savings: $ 5,805,700

VII. Efficiencies and Restructuring

As part of a year-long review, the following departments and activities restructured their financial and operating models with the objective of increased efficiency and improved financial performance.

Department	Budgeted Savings	Actual Savings
Flight Technology	$ 100,000	$ 118,000
Business Development Center and Continuing Education	$ 400,000	$ 372,000
Child Development Center	$ 100,000	$ 121,000
Cooperative Education	$ 68,500	$ 81,000
Total Efficiencies & Restructuring	**$ 668,500**	**$ 692,000**

These departments will continue their efforts into the coming year; the resultant recurring savings have been included FY 2015-16 budget.

VIII. Laundry Closure

As a result of a comprehensive review of the laundry and application of budget development principles, criteria and data elements to the service, the Board of Education accepted the administration recommendation to close the college laundry and reassign existing staff to other departments on campus.

The laundry continued operating into the summer to honor contracts with the University of Oregon, and on a limited basis into the fall as service was transitioned to Garten Enterprises. Operations concluded and all staff were transferred or reassigned by December 31, 2014.

Projected savings: $257,300

Actual savings are presented in the table below.

Laundry Savings		
Funds I & IX		
	FY 15 Actual	**FY16 Recurring**
	Includes summer and limited fall operations	
Revenue	44,151	-
Fund Balance	102,454	-
Contracted Personnel	193,062	248,276
Part-time staff	(33)	24,150
Student workers	8,790	18,700
Materials & Services	36,603	40,000
Direct Utilities and maintenance	16,700	30,000
	401,727	361,126
Offsets		
Revenue	44,151	-
Garten Service*	31,700	50,000
Net Savings	**325,876**	**311,126**
* Estimate. YTD Funds I & IX is $23,800.		