Lane Community College

Proposed Five Year Forecast

March 30, 2017

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Introductions

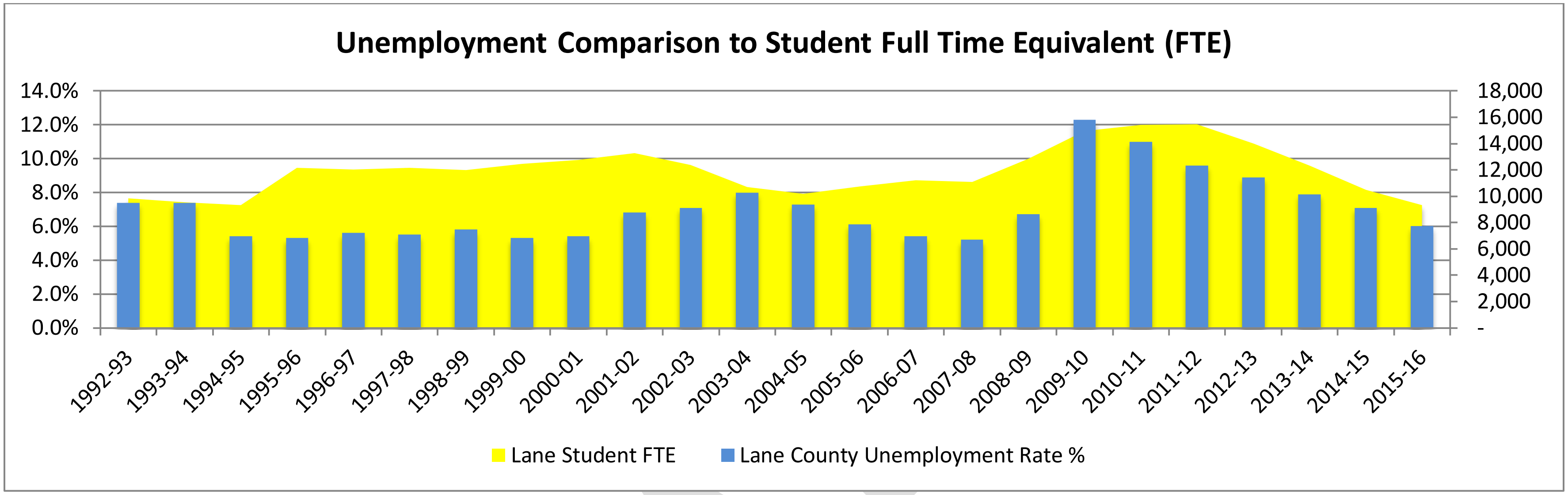
The Finance Council recommends that each year the college make projections about base revenue and expenditure trends that will be occurring over the next five years. The goal for this process to help stimulate dialogue and discussion among students, faculty, staff, College Council, Board of Education and citizens of Lane Community College tax district. We hope that the reader finds the information helpful.

The five year forecast will focus on the college's General Fund (Fund I) and Administratively Restricted Fund (Fund IX). While other funds make up a significant portion of the budget, in many cases policies are already in place that guides decision making for the revenues and appropriations of those funds.

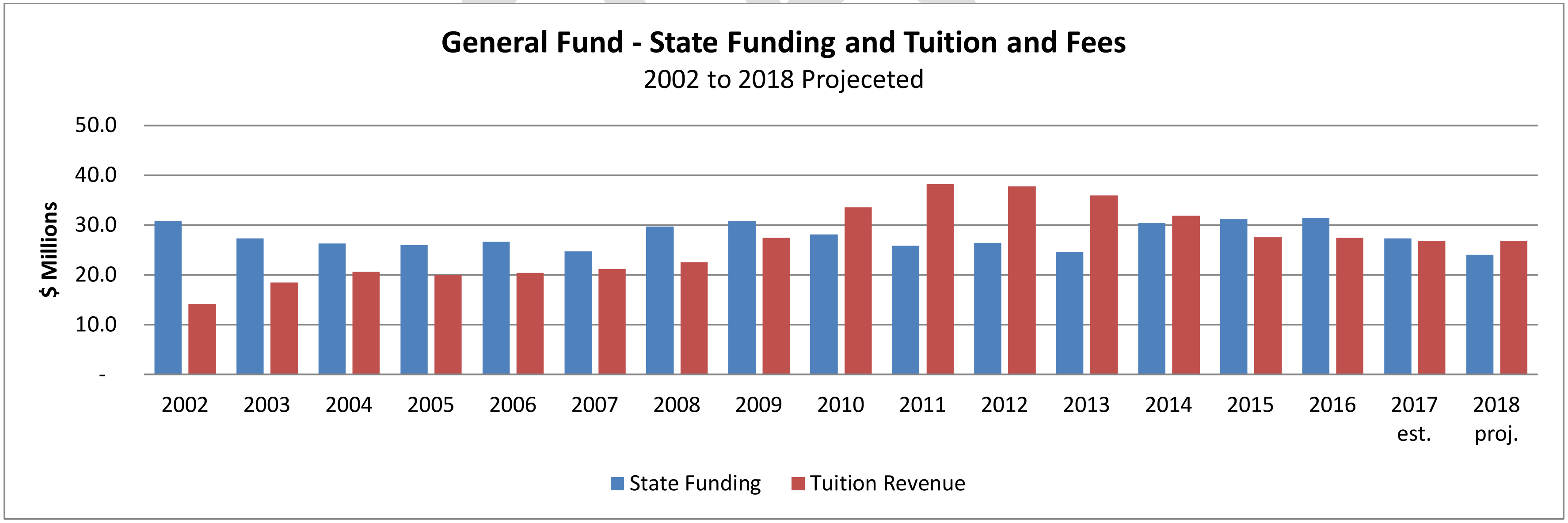
For the report to be useful in preparation of the annual budget process the five year forecast will be done in the following three phases:

Unemployment impacts. DeLeeuw (2012) points out a study by Kane (1995) that found two-year public college enrollment was positively related to unemployment (as unemployment went up, enrollment went up) whereas four-year institutions' enrollment was inversely related (as unemployment went up, enrollment went down).

It appears that as jobs become scarce individuals seek education. They graduate, seek jobs and the economy recovers. The following graph shows the impact of unemployment on Lane Community College's enrollment, especially in the years that there is a higher reliance on tuition revenue.



This next graph shows the state's declining contribution to higher education subsidization and thus a greater reliance on tuition revenue. The aim of the Finance Council is cover budgetary expenditures without raising tuition to the point at which it deters students from enrolling.



Economic Indicators

State Budget

State Community College Budget. Community college support funding is set biennially in the State budget adopted by the Legislative Assembly in odd-numbered years (the "Legislatively Adopted Budget"). The State budget covers two fiscal years (a biennium) beginning July 1 of an odd-numbered year to June 30 of the next odd-numbered year and sets funding for State agencies including Community College and Workforce Development (CCWD). The Legislative Assembly has the power to subsequently approve revisions to the Legislatively Adopted Budget. Such revised Sate Budget is termed the "Legislatively Approved Budget".

The State Constitution requires the Legislative Assemble to balance the State's General Fund budget. The Department of Administrative Services Office of economic Analysis (the "OEA") produces a forecast of projected revenues ("Revenue Forecast") for the biennium generally March, June (May in odd-numbered years), September and December. The OEA also produces a "Close of Session Forecast" after the end of the legislative session in odd years that reflects the May economic forecast adjusted for any changes made by the legislature.

OEA's forecasts are based upon currently available information and upon a wide variety of assumptions. The actual results will be affected by future national and state economic activity and other events. If OEA's assumptions are not realized or if other events occur or fail to occur, the State's financial projections may not be achieved. Copies of the Revenue Forecasts are available from OEA at: www.oregon.gov/das/OEA .

If, over the course of a biennium, the forecasted revenues decline significantly from the Close of Session Forecast, the Legislative Assembly may meet in special session to rebalance the budget, the Governor may direct that expenditures be reduced or the Legislative Assembly may adjust the budget when it meets in its regular session at the end of the biennium.

2015-2017 Biennial State Budget. The budget adopted by the Legislature for the 2015-17 biennium, as adjusted during the 2016 regular session (the "Legislatively Approved Budget"), included $70.892 billion in total funds, representing a 7.3 percent increase over the 2013-15 biennium's Legislatively Approved Budget of $66.047 billion. The Legislatively Approved Budget includes $18.075 billion in General Funds, $0.958 billion Lottery Funds, $22.917 billion Federal funds and $28.942 billion Other Funds.

2015-17 Biennium Revenue Forecast. On February 22, 2017, the OEA released the March 2017 Revenue Forecast. The March 2017 Revenue Forecast for gross General Fund revenues for the 2015-17 biennium was $18,110.6 up $112.6 million from Close of Session forecast, and up $102.9 million from December 2016 forecast. Personal income tax continues to reflect Oregon's strong underlying labor market. Corporate tax collections have posted healthy gains in recent months after falling sharply during most of 2016. The majority of the increases come from personal, corporate, estate and liquor revenues. The lottery sales outlook has also been raised due to a somewhat more robust outlook for personal income and consumer spending.

State General Fund Forecast Summary
($ in Millions)

	2015-17 Biennium Revenue Forecast			March 2017 Forecast Change From	
	Close of Session	December 2016	March 2017	December 2016	Close of Session
Structural Revenues					
Personal Income Tax	$ 15,713.5	$ 15,678.4	$ 15,709.8	$ 31.4	$ (3.6)
Corporate Income Tax	1,100.0	1,103.7	1,136.2	32.5	36.2
All Other Revenues	1,184.6	1,225.7	1,264.6	39.0	80.0
Gross General Fund Revenues	**17,998.1**	**18,007.8**	**18,110.6**	**102.9**	**112.6**
Beginning Fund Balance	532.9	528.8	528.8	-	(4.1)
Offsets and Transfers	(42.8)	(44.2)	(44.4)	(0.2)	(1.6)
Administrative Actions	(20.2)	(14.1)	(14.1)	-	6.2
Legislative Actions	(158.9)	(158.3)	(158.3)	-	0.6
Net Available Resources	**$ 18,309.1**	**$ 18,320.0**	**$ 18,422.6**	**$ 102.7**	**$ 113.6**

Source: Oregon Office of Economic Analysis, "Oregon Economic and Revenue Forecast, March 2017."
22-Feb-17

Higher Education Price Index®

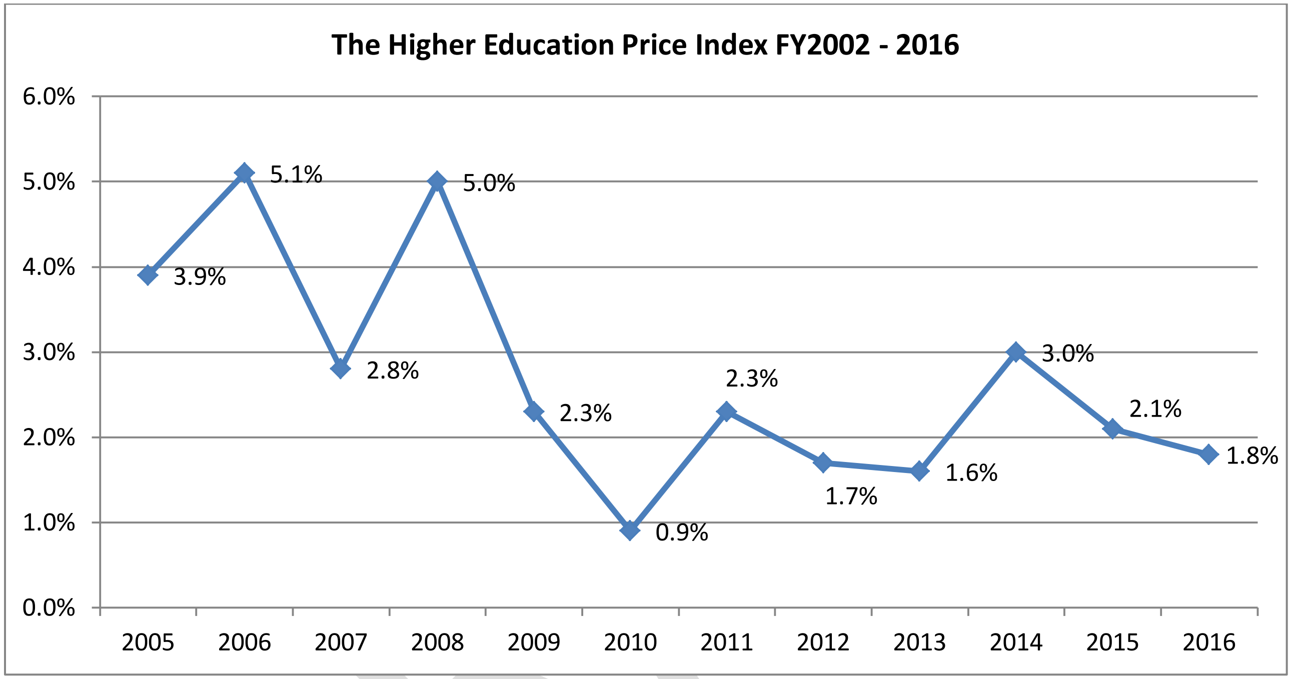
Source: www.commonfund.org/commonfund-institute/higher-education-price-index-hepi/

What is HEPI?

The Commonfund Higher Education Price Index (HEPI) is an inflation index designed specifically to track the main cost drivers in higher education. It is an essential planning tool for educational managers, helping schools to understand the future budget and funding increases required to maintain real purchasing power. HEPI is issued annually by Commonfund Institute and is distributed free of charge to educational institutions.

HEPI is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index. It measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities each year through current fund educational and general expenditures, excluding research.

HEPI is compiled from data reported and published by government and economic agencies. The eight categories cover current operational costs of colleges and universities. These include salaries for faculty, administrative employees, clerical employees, and service employees, fringe benefits, utilities, supplies and materials, and miscellaneous services.



Board Policy (BP) 725

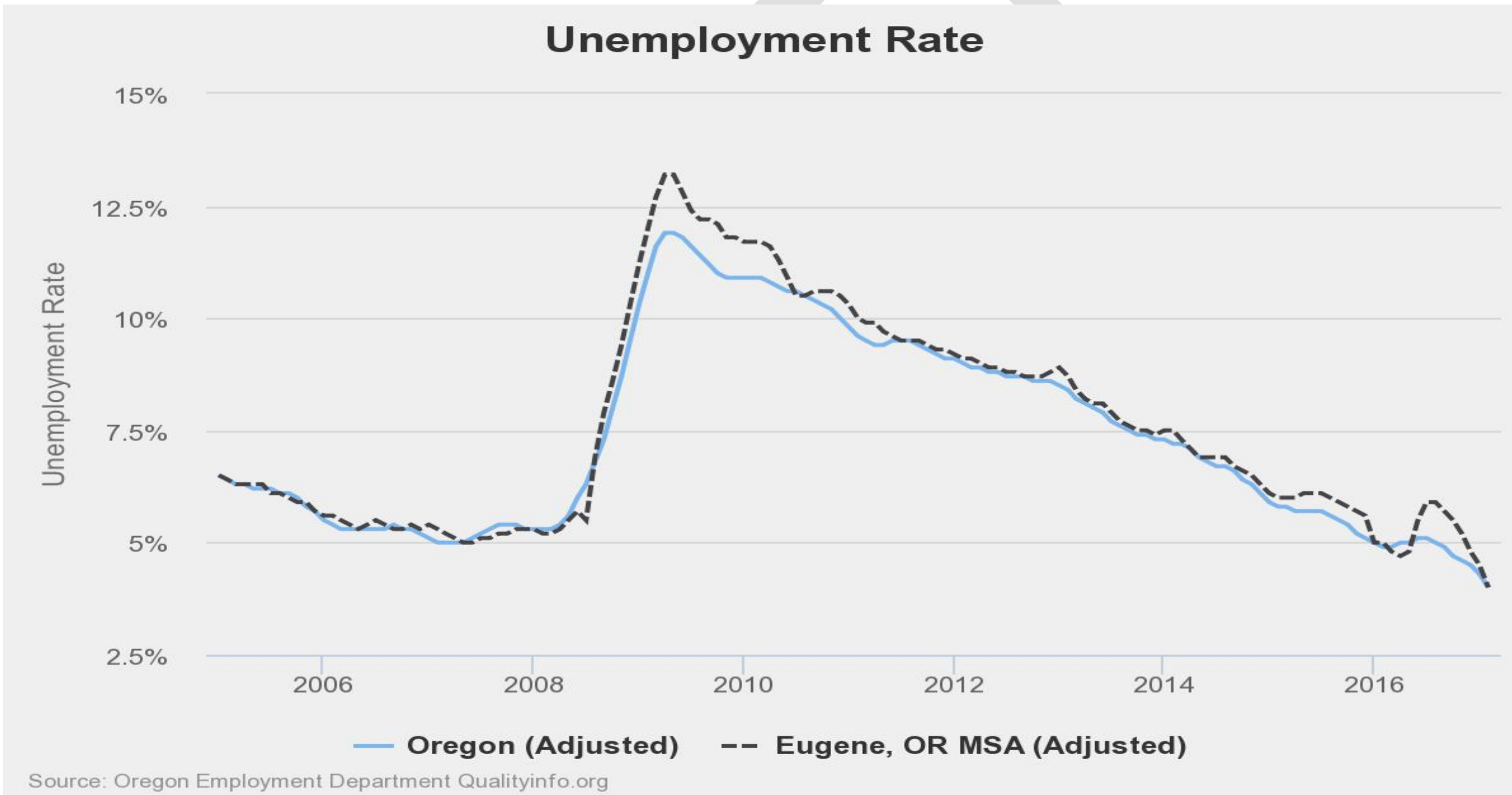
Research in community colleges broadly and experience at Lane has shown that implementing a single large increase in tuition in one year because tuition has not kept pace with inflation has a significant adverse effect on student enrollment in the next academic year.

In order to maintain a constant tuition rate relative to inflation, each November, the board will select an appropriate index for two-year public colleges on which to base tuition increase. In December of each year, the board will adjust the per credit tuition rate to reflect changes in the index since the last tuition adjustment. The rate will be rounded to the nearest half-dollar and become effective the following academic year (Summer Term).

Should the board conclude that increases above the selected index are required; the board will assure that there are college-wide opportunities, particularly with students, to engage in discussions about the impact of tuition increases on access, affordability and course offerings. Should the board conclude that tuition should be reduced; the board will similarly assure that there are opportunities to engage in college-wide discussions about the impact on course offerings, access and affordability.

Local

Employment in Lane County (Eugene MSA): February 2017. Lane County's seasonally adjusted unemployment rate dropped to 4.0 percent in February from 4.5 percent I January. This is the lowest rate since comparable local rates have been produced starting in 1990. In February 2016 the rate was 5.0 percent. Oregon's seasonally adjusted unemployment rate was 4.0 percent and the national rate was 4.7 percent in February.

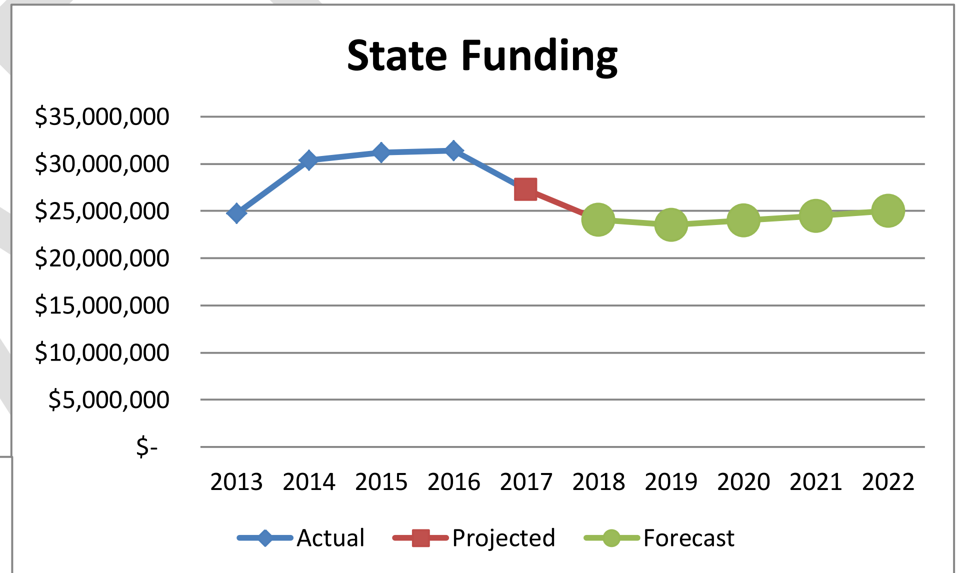


Major Revenue Trends

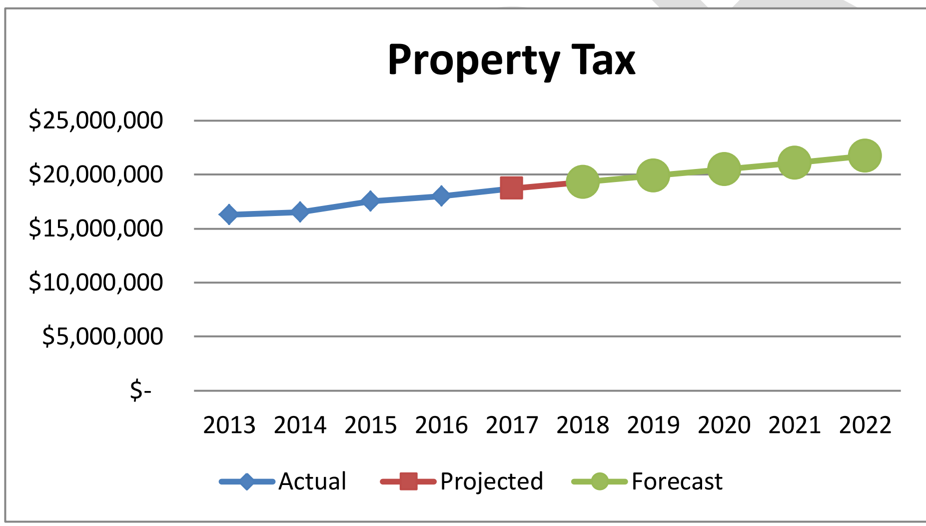
Budget preparation begins with revenue projections. The focus of this section will be the major General Fund and Administratively Restricted revenues.

Intergovernmental

State funding and property taxes make over 50% of total operating revenue. The Governor's 2017-2019 budget for community colleges is $550 million over the biennium, the same amount that was 2015-2017 budget. Increasing revenues for the state bodes well for an increase from the State legislature. The Oregon Community College Association (OCCA) is lobbying for $634 million. The model is conservatively built on the Governor's budget of $550 million over 2017-2019. For years 2020 – 2022 the model assumes a 2% growth.



Enrollment at Lane has impacted the college more than the State's budget. The State distributes the community college budget based on enrollment and Lane has decreased more than the other 16 community colleges. At the highest point Lane's share of the State's budget was over 13% but current projections have Lane less than 9%.



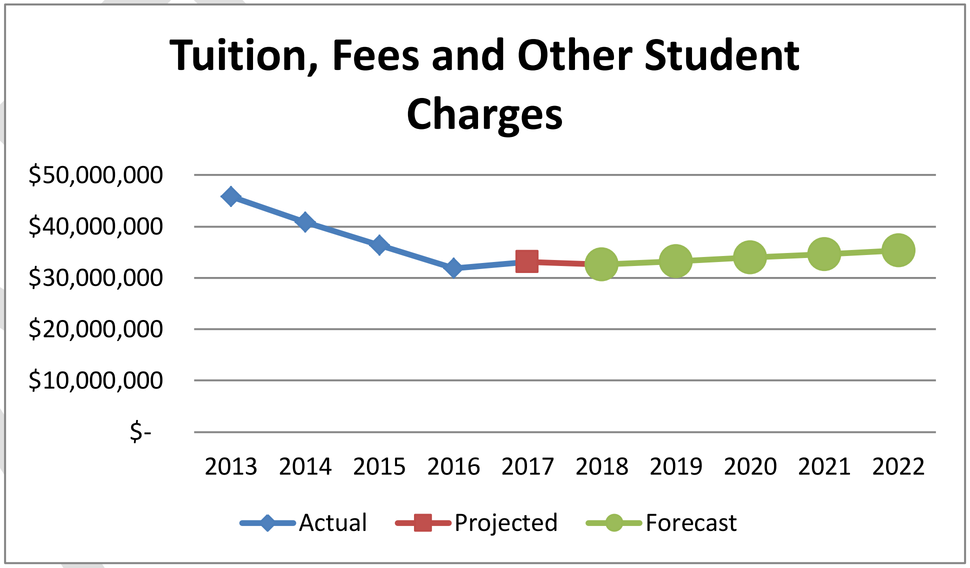
Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property a value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption.

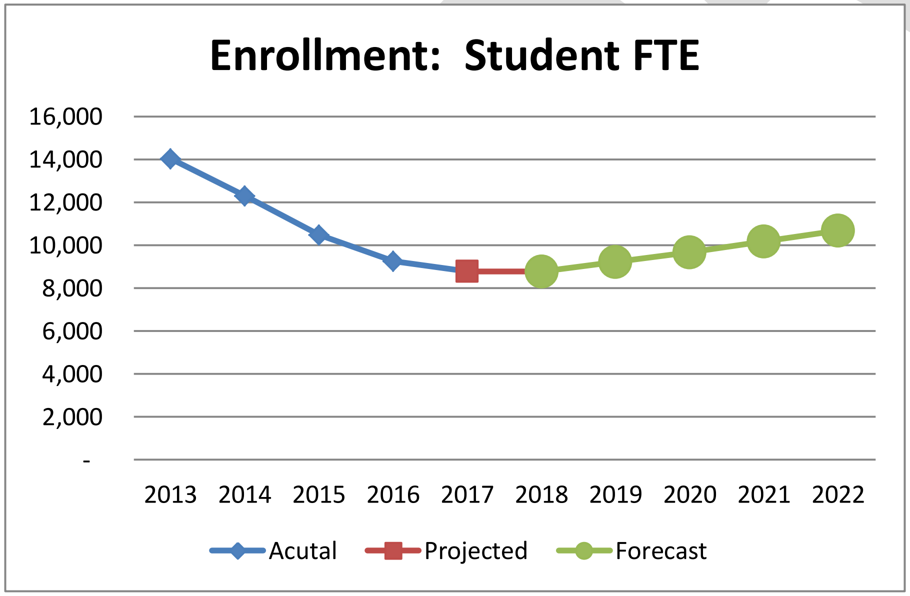
The average over time is approximately 3% and the model assumes a 3 % growth rate.

Tuition, Fees and Other Student Charges

Student tuition, fees and other student charges make up over 30% of total operating revenue.

For fiscal year 2018 the forecast is for flat growth with a $2.00 HEPI increase to tuition. The remaining years, 2019-2020 the model assumes a 2% inflationary increase.





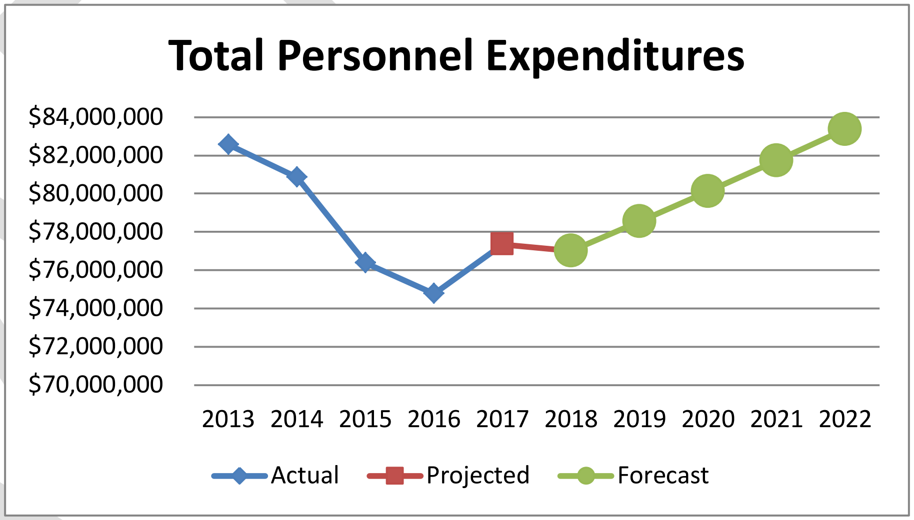
For FY2018, the Budget Development Subcommittee of College Council has recommended a flat growth. The model assumes a 5% increase each year for years 2019-2020.

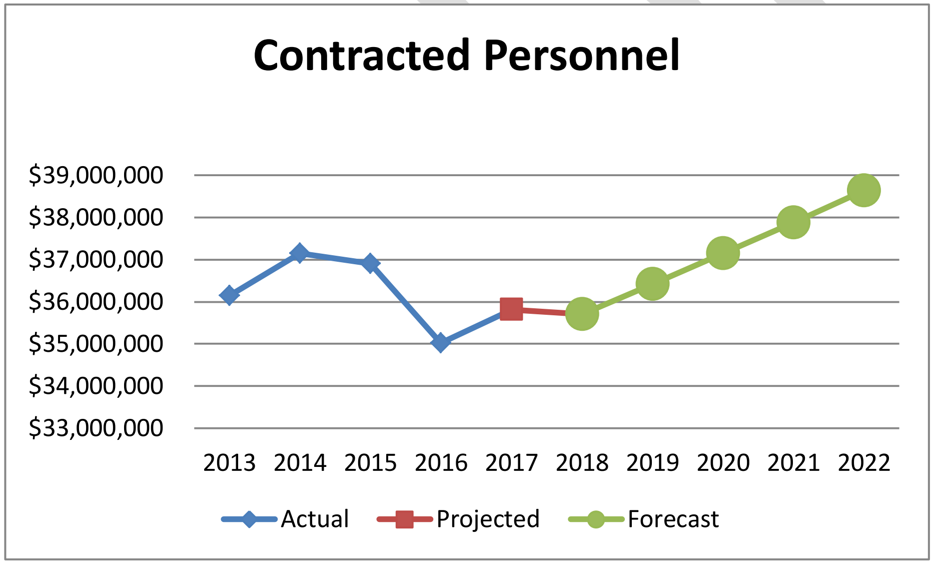
Major Expenditure Trends

Personnel Expenditures

Personnel expenditures account for 80% of the operating expenditures of the college. The components are:

- Contracted (>= .5 FTE),
- Part-time (< .5 FTE) and
- Other payroll expenditures (OPE)



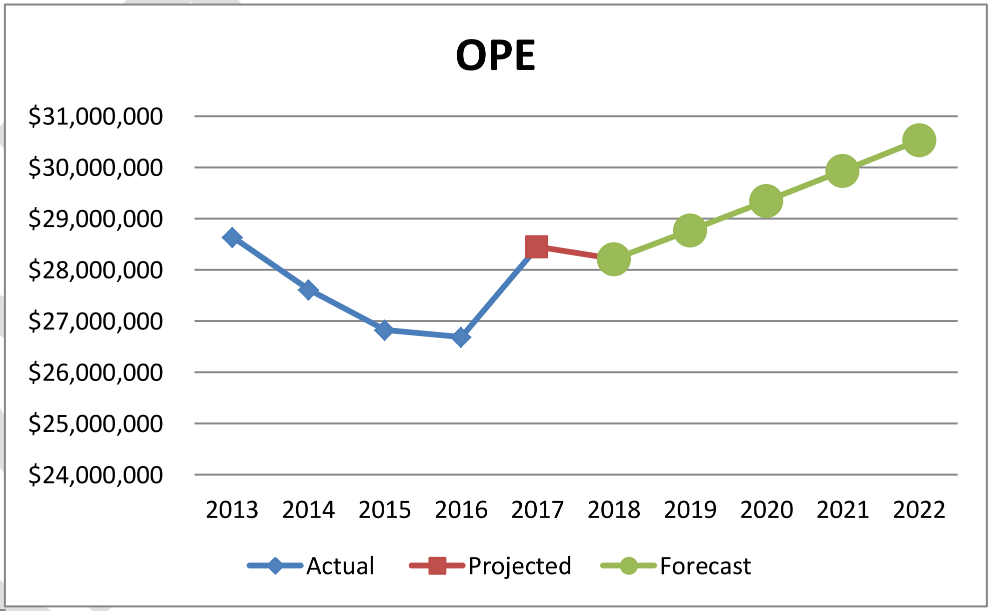


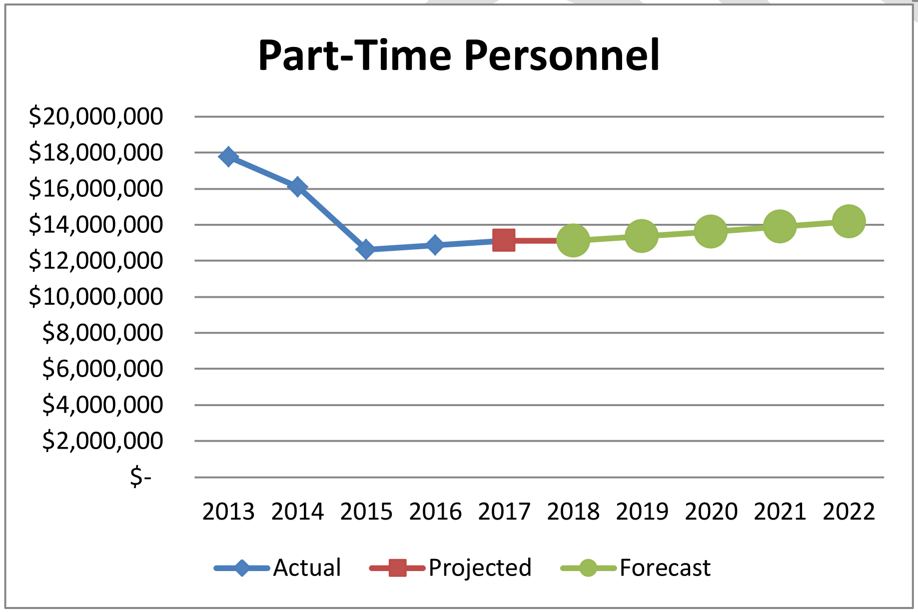
FY2018 is forecasted on the 3/18/2017 position list and without any bargaining parameters. For FY 2019-2022 the model assumes a 2% increase in total personnel costs.

Other payroll expenditures (OPE) are comprised of:

- Medical 46%
- Pension-PERS 20%
- Pension debt service 15%
- Payroll taxes 13%
- Other 6%

The 3/18/2017 forecast for FY2018 does not include bargaining parameters. For the years 2019-2020 the model assumes a 2% growth.

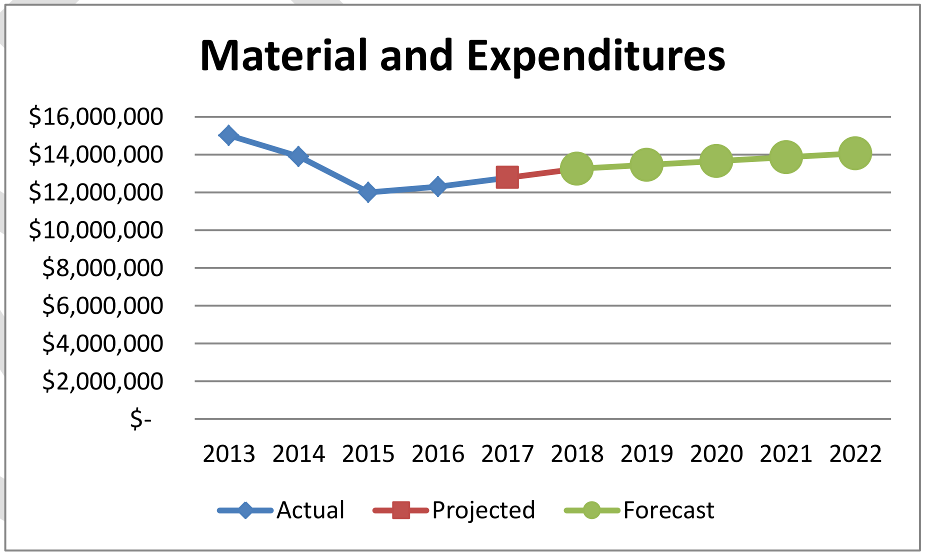


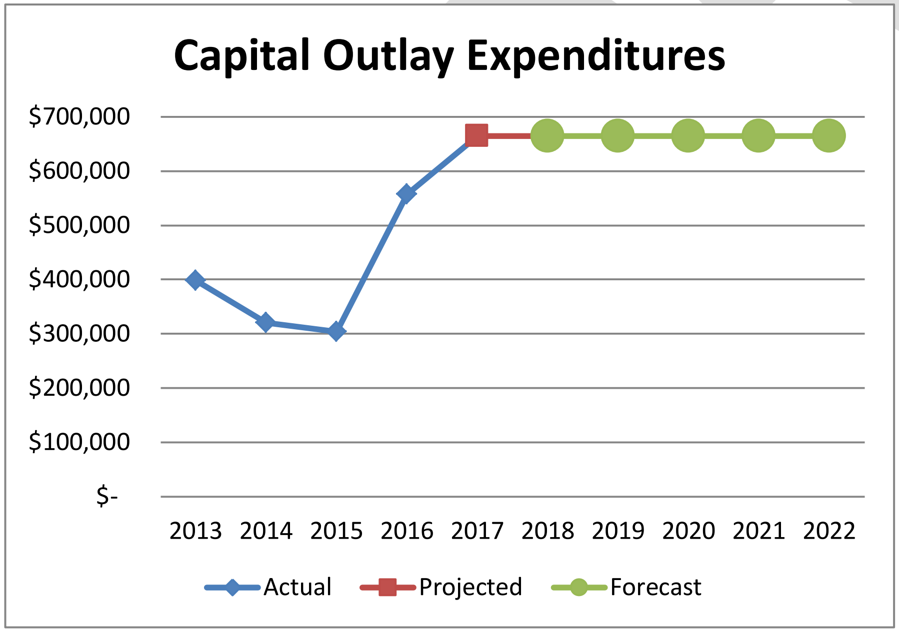


The 3/18/2017 forecast for FY2018 has no growth. For the years 2019-2020 the model assumes a 2% growth.

Material & Services Expenditures

The 3/18/2017 projections have FY2018 with inflationary impacts to the material and services. For the years 2019-2020 the model assumes a 1.5% increase.





Capital Outlay Expenditures

Past several years the college has withheld capital expenditures. The model assumes an annual expenditure of $665,000 a year on capital which is less than 1% of total expenditures.

Five Year Financial Forecast - Operating Funds I & IX

	%	FY2018	%	FY2019	%	FY2020	%	FY2021	%	FY2022
Recurring Revenues		$ 86,608,000		$ 83,502,700		$ 85,915,590		$ 89,457,189		$ 93,161,334
New Revenues		$ (3,105,300)		$ 2,412,890		$ 3,541,599		$ 3,704,145		$ 3,929,416
Total Revenues		$ 83,502,700		$ 85,915,590		$ 89,457,189		$ 93,161,334		$ 97,090,750
Recurring Expenditures		$ 91,554,400		$ 91,682,200		$ 93,502,544		$ 95,359,295		$ 97,253,181
Increase to Expenditures		$ 127,800		$ 1,820,344		$ 1,856,751		$ 1,893,886		$ 1,931,764
Total Expenditures		$ 91,682,200		$ 93,502,544		$ 95,359,295		$ 97,253,181		$ 99,184,944
Net Revenues Over/(Under) Expenditures		**$ (8,179,500)**		**$ (7,586,954)**		**$ (5,902,106)**		**$ (4,091,847)**		**$ (2,094,194)**
Net Transfers In / (Out)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)		$ (1,778,300)
Total Change in Fund Balance		**$ (9,957,800)**		**$ (9,365,254)**		**$ (7,680,406)**		**$ (5,870,147)**		**$ (3,872,494)**
Ending Fund Balance (EFB)		**$ 3,976,066**		**$ (5,389,188)**		**$ (13,069,593)**		**$ (18,939,740)**		**$ (22,812,234)**
% of EFB to Total Expenditures	10.0%	4.3%	10.0%	-5.7%	10.0%	-13.5%	10.0%	-19.1%	10.0%	-22.6%
EFB (Short) / Over		$ (5,192,154)		$ (14,739,442)		$ (22,605,523)		$ (28,665,058)		$ (32,730,729)
BUDGET LEVERS										
REVENUES										
State Funding	-11.7%	$ (3,184,400)	-2.0%	$ (480,980)	2.0%	$ 471,360	2.0%	$ 480,788	2.0%	$ 490,403
Property Taxes	3.1%	$ 562,000	3.0%	$ 578,892	3.0%	$ 596,259	3.0%	$ 614,147	3.0%	$ 632,571
Credit Tuition	0.1%	$ 15,400	2.0%	$ 471,496	2.0%	$ 504,972	2.0%	$ 490,544	2.0%	$ 500,355
Student Fees	2.2%	$ 164,100	2.0%	$ 155,850	2.0%	$ 166,915	2.0%	$ 162,146	2.0%	$ 165,389
Enrollment (Credit) Growth	0.0%	$ -	5.0%	$ 1,599,732	5.0%	$ 1,713,313	5.0%	$ 1,834,959	5.0%	$ 1,965,241
Other Fees	-36.6%	$ (722,400)	1.0%	$ 12,516	1.0%	$ 12,641	2.0%	$ 25,535	3.0%	$ 39,069
Administrative Recovery	0.0%	$ -	1.0%	$ 18,750	1.0%	$ 18,938	2.0%	$ 38,254	4.0%	$ 78,038
Misc. / Auxiliary Revenue	0.8%	$ 60,000	1.0%	$ 56,634	1.0%	$ 57,200	1.0%	$ 57,772	1.0%	$ 58,350
Total New Revenues		**$ (3,105,300)**		**$ 2,412,890**		**$ 3,541,599**		**$ 3,704,145**		**$ 3,929,416**
EXPENDITURES										
Personnel	-0.45%	$ (347,300)	2.0%	$ 1,540,072	2.00%	$ 1,570,873	2.00%	$ 1,602,291	2.00%	$ 1,634,337
Materials & Services	3.51%	$ 475,100	2.0%	$ 280,272	2.00%	$ 285,877	2.00%	$ 291,595	2.00%	$ 297,427
Capital Increase (Decrease)		$ -		$ -		$ -		$ -		$ -
Total Increase In Expenditures		**$ 127,800**		**$ 1,820,344**		**$ 1,856,751**		**$ 1,893,886**		**$ 1,931,764**
TRANSFERS IN/(OUT)										
Fund 1 PERS reserve IN		$ 860,000		$ 860,000		$ 860,000		$ 860,000		$ 860,000
Fund 1 Other fund transfers IN		$ 67,500		$ 67,500		$ 67,500		$ 67,500		$ 67,500
Fund 9 from Fund 1 in		$ 1,375,100		$ 1,375,100		$ 1,375,100		$ 1,375,100		$ 1,375,100
Fund 1 Major Maintenance (Out)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)		$ (1,000,000)
Fund 1 to Fund 9		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)		$ (1,375,100)
Fund 1 to Internal Service funds		$ (396,000)		$ (396,000)		$ (396,000)		$ (396,000)		$ (396,000)
Fund 1 to Debt service		$ (139,978)		$ (139,978)		$ (139,978)		$ (139,978)		$ (139,978)
Fund 9 to other funds		$ (253,979)		$ (253,979)		$ (253,979)		$ (253,979)		$ (253,979)
Missing transfers		$ (915,843)		$ (915,843)		$ (915,843)		$ (915,843)		$ (915,843)
Total Net Transfers		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**		**$ (1,778,300)**

Conclusions:

DeLeeuw, J. (2012). Unemployment rate and tuition enrollment predictors. Monroe Community College. Accessed from www.monroeccc.edu/institutionalresearch/analyses/Unemployment%20Rate%20and%20Tuition%20as%20Enrollment%20Predictors%20Final.pdf