



BUDGET MESSAGE

FISCAL YEAR 2015-16

Presented May 13, 2015

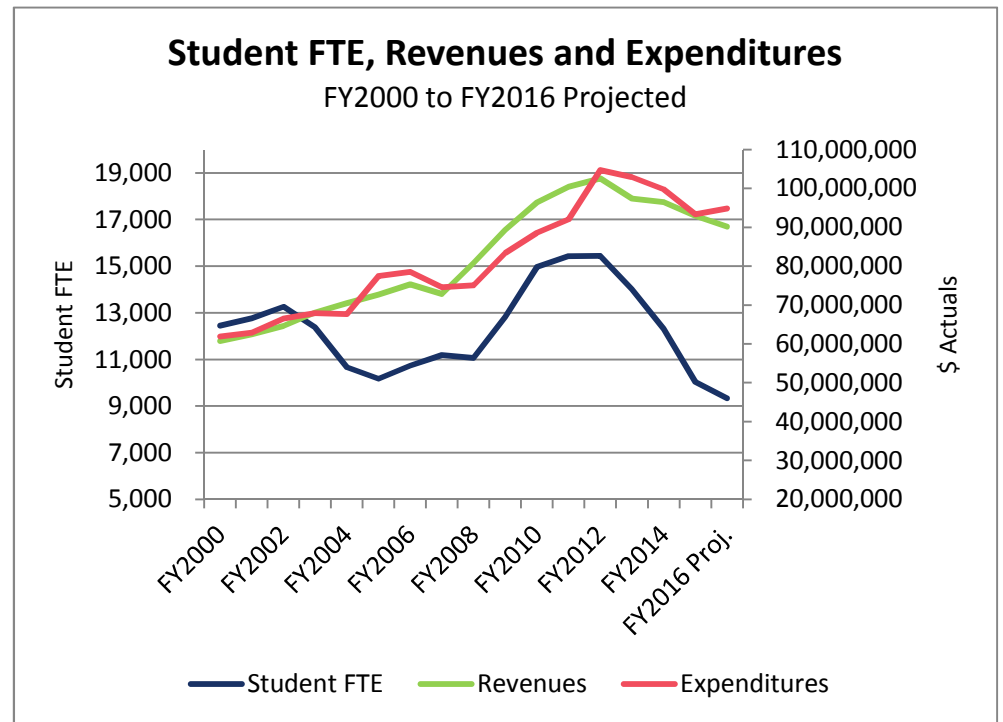
The fiscal year 2015-16 budget reflects a year-long process of analysis, review, and application of our [budget development principles, criteria and data elements](#) as we work to align budget and expenditures with pre-recession enrollment levels while continuing to further our mission and strategic directions.

In preparation of the proposed budget, revenue and expenditure forecasts are prepared within the context of the current economic environment. The March 2015 report from the Oregon Office of Economic Analysis reflects a modest but sustained recovery for the state. In March, 2015, a panel of economists hosted by the Eugene Area Chamber of Commerce predicted moderate growth this year of under 3 percent for Lane County. Lane County’s unemployment rate was 6.1 percent in February, down from the recession peak of 12.8 percent in May 2009.

The improving economy presents a mix of financial impacts to Lane Community College. On one hand, state funding and property taxes are expected to improve moderately in the coming biennium. Conversely, growth in the local economy and job market has negatively impacted enrollment, reducing tuition and fee revenue. We currently project enrollment to decline an additional 7 percent in 2015-2016, resulting in a 6.2 percent decline in tuition and fee revenue.

The current fiscal year 2014-15 budget was built assuming a 12 percent enrollment decline. In early fall 2014, when it became evident that the year over year decline would be closer to 18 percent, we began work in earnest to further reduce class sections, reduce part-time classified hours and limit materials and services and capital outlay expenditures. Managers, faculty and staff have done well with this mid-year course correction.

We continue to work on a series of seven [long-term balancing strategies](#) to influence ongoing financial sustainability: strategic enrollment management; growth and retention; enterprise and auxiliary strategic plan; grants, partnerships and leveraged funding; evidence-informed decision making; capital improvement plan; and strategic development of online learning and resources. Work on these strategies will continue into fiscal year 2015-16.



Economic Environment

State funding for the 2015-2017 biennium of the Community College Support Fund (CCSF) is unknown at this time, as the state legislators have yet to approve the state's budget. The Governor's recommended budget included \$500 million for community colleges. The Higher Education Coordinating Committee proposed \$519 million and the latest budget from the co-chairs of the Ways and Means Committee provides \$535 million. While these levels are higher than the current biennium which is funded at \$465 million, CCSF funds will provide less per student than in the 1999-2001 biennium. Oregon is 46th in the nation in higher education funding.

Although we are experiencing a decline from enrollment gains at the height of the recession, the need for our services remains strong as we continue to serve nearly 10,000 full time equivalent students seeking academic transfer, career technical education, foundational skills and lifelong learning opportunities. Our goals of providing affordable, accessible and

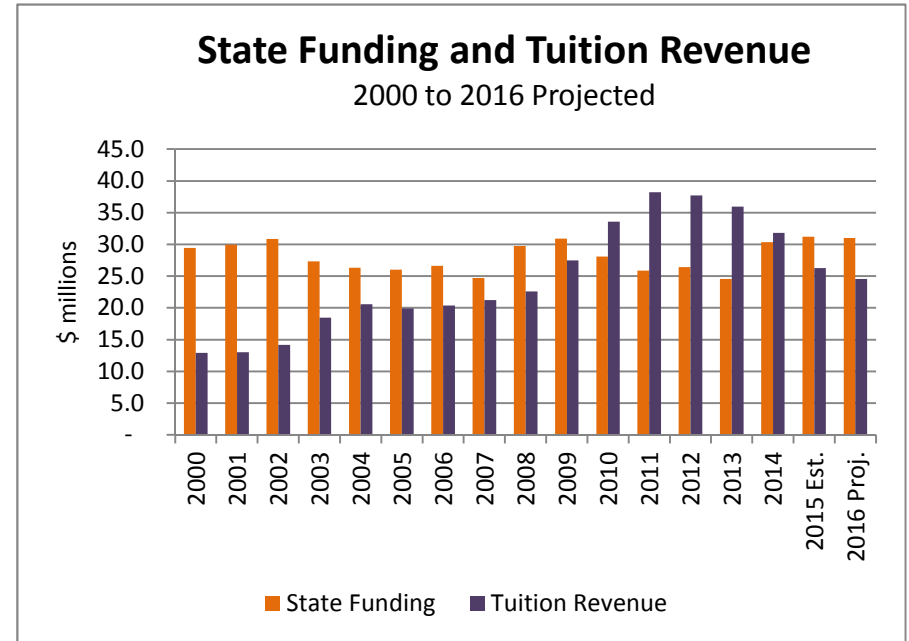
comprehensive educational opportunities, maintaining adequate compensation and benefits for employees, and meeting essential operating requirements of the college are not attainable without significant tradeoffs within those objectives.

Adjusting to our economic reality requires strategic choices between increasing revenue, maintaining service levels at lower cost, downsizing the college and student opportunities to match reduced public support, or some combination therein.

Raising revenue through higher tuition and fees shifts the burden of lost public support to our students. Higher prices economically challenge students and can result in additional enrollment declines.

We have experienced significant success reducing part-time faculty, part-time staff and materials and services expenditures to align with reduced enrollment and plan additional reductions in 2015-16. Part-time reductions are not easy as they directly impact the faculty and staff who stepped in to help during our enrollment surge and now face reduced assignments and hours.

With 81 percent of our general fund budget in compensation and benefits, we are limited in our ability to reduce expenditures further without layoffs. Employees are the greatest asset of the college and we remain committed to providing competitive salary and benefits but revenue has not



kept pace with increasing costs. Additional drivers to increasing personnel costs are health care insurance premium increases and higher PERS contribution rates.

Our focus throughout the budget development and planning process is to determine the optimal balance of revenue, expenditures and program and service levels, using evidence to inform our analysis through application of the [budget development principles, criteria and data elements](#).

2015-16 Budget Assumptions

Revenues from total public resources include an estimated \$31,030,000 from the state Community College Support Fund and an estimated \$17,405,000 in property taxes for a total of \$48,435,000. Because the funding distribution formula includes 100 percent of Lane's property taxes, state and property tax revenues must be considered together in budget development and are shown in the "Total Public Resources" line item.

The proposed budget is based on a tuition rate of \$99.50 per credit hour. This represents a \$1.50 increase over the 2014-15 tuition rate. The increase of \$1.50 was approved by the Board of Education in February 2015 as part of the college's standard indexing to the Higher Education Price Index (HEPI).

Enrollment is estimated to decline 7 percent in 2015-16. Tuition, student fees, and part-time staffing budgets have been adjusted to reflect this reduced enrollment level.

2015-16 Budget Development Process

The budget development process began in the fall with our annual process of department-level review and unit planning. Planning work has been further enhanced this year by our immersion in our accreditation self-study process and by the development of enhanced analysis and reporting tools for evaluating sections and staffing levels relative to tuition. Unit planning and program and service review has continued through the winter and spring.

Communications have gone out to all staff regularly since fall term, with information about the budget outlook, balancing measures and strategies, timeline and opportunities for information and feedback. All campus budget conversations were held in the Center for Meeting and Learning, in January and April and the [budget web site](#) includes a wealth of information, responses to information requests and a blog for suggestions, questions and answers.

The Budget and Finance Subcommittee of College Council began meeting, reviewing budget allocation recommendations during March, April and May.

General Fund Budget for Fiscal Year 2015-16

This budget reflects the reality of a forced transition from public funding to a combination of public and private funding sources. Our expenses must be firmly linked to and limited by revenue to provide a financially sustainable model for the reliable and comprehensive access to education our community needs.

The General Fund and Administratively Restricted Fund proposed budgets are balanced based upon administration balancing options. These options include holding vacant positions open; classified staff reassignments; an early separation incentive for contracted classified employees; additional reductions in part-time faculty, classified staff and materials and services; a provision for salary adjustments; program reductions; and one-time use of ending fund balance.

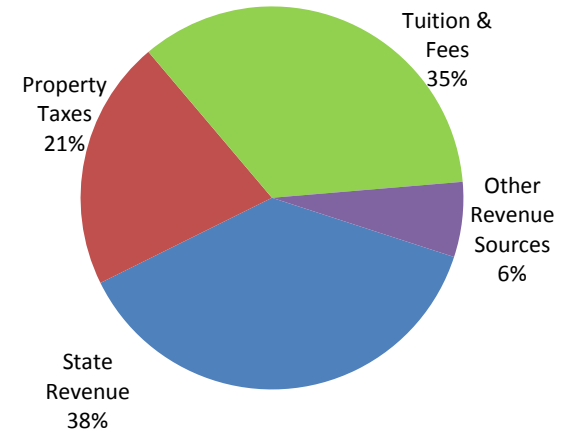
For the first time in thirteen years two academic programs (Auto Body and Electronic Technology) are being recommended for elimination. Criteria used for this recommendation were enrollment demand, program cost, retention, utilization, essential courses required for degree, availability of jobs, wages and job placement. Deans are working individually with each student impacted by this decision to support completion of their program requirements. Recurring savings projected for the 2016-17 academic year forward, following a one year teach-out for each program are \$ 612,000.

The proposed General Fund budget for 2015-16 is \$93,678,039, a 1 percent decrease from the 2014-15 budget. Budgeted tuition and fee revenues are \$28.7 million, reflecting an 18 percent decrease over current year projections.

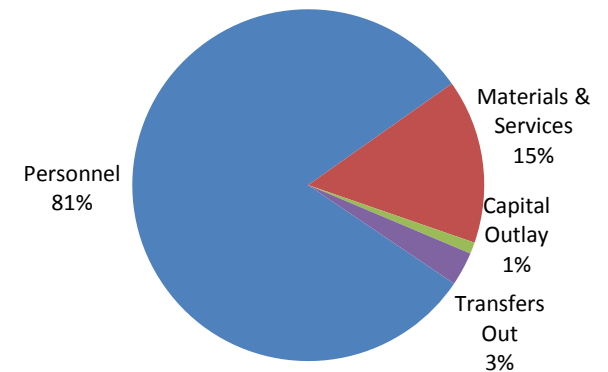
Even with the substantial reductions in part-time faculty and staff and savings realized from enrollment attrition adjustments and holding vacant positions open, personnel services continue to constitute the majority of the general fund budget, approximately 81percent as proposed.

The proposed budget for the Special Revenue Administratively Restricted Fund IX is \$12,903,542. This reflects continued efficiencies and restructuring work done with our Flight

FY16 Proposed Budget Resources
General Fund I



FY16 Proposed Budget Expenditures
General Fund I



Technology, Child Development Center, Continuing Education, Business Development Center, and Specialized Support Services. 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 2015-16 in all funds. Significant changes in other funds include an increase in the Debt Service Fund to provide for required principal and interest payments and a decrease in the Financial Aid Fund related to decreased enrollment and awards. None of these changes create new revenue or requirements for the General Fund.

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 2015-16 Budget Document is submitted herewith for your consideration and action. The staff and I are ready to assist you in the important task of reviewing this document.

Respectfully,

Brian Kelly
Vice President for College Services

TOTAL BUDGET: ALL FUNDS	
General Fund (I)	\$93,678,039
Internal Services Fund (II)	2,143,383
Debt Service Fund (III)	12,404,890
Capital Projects Fund (IV)	35,242,516
Financial Aid Fund (V)	96,841,191
Enterprise Fund (VI)	19,660,681
Special Revenue Fund (VIII)	14,378,306
<u>Special Revenue: Admin Restricted (IX)</u>	<u>16,663,107</u>
Total All Funds	\$291,012,113