



BUDGET MESSAGE

FISCAL YEAR 2019-20

Presented May 2, 2019

Board of Education, Citizen Members of the Budget Committee, President Hamilton, Colleagues, and Lane Community College District Members:

It is my honor to present the proposed fiscal year 2019-2020 budget for Lane Community College. The total proposed annual budget is \$194,795,034. The proposed general fund budget totals \$89,845,651.

Lane’s budget reflects the prioritization and allocation of resources to support the college’s vision, mission, and strategic directions.

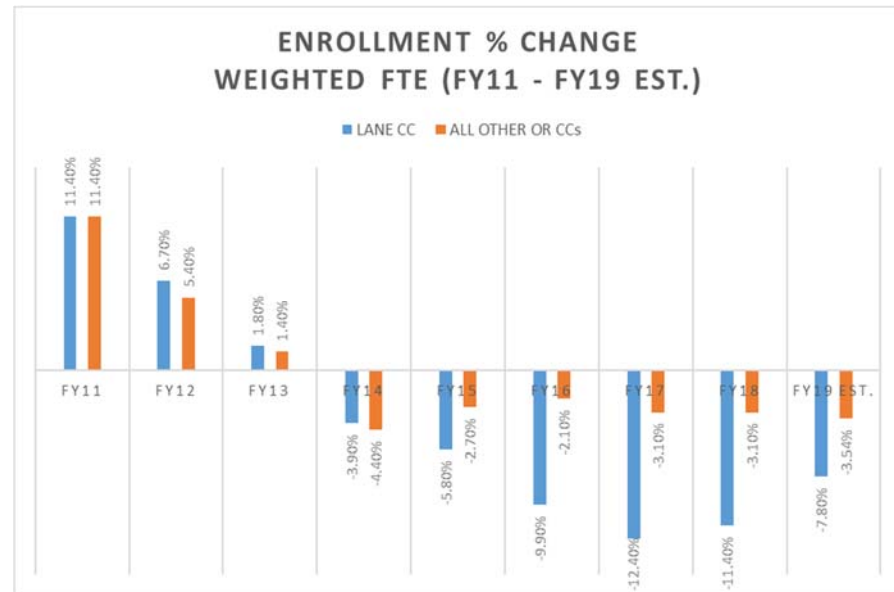
Vision: Transforming lives through learning.

Mission: Lane is the community’s college; we provide comprehensive, accessible, quality, learning-centered educational opportunities that promote student success.

Strategic Directions from the college’s 2016-2021

Strategic Plan: Commitment to Student Learning and Success; A Culture of Teaching, Learning, and Innovation; Access, Equity, and Inclusion through Social Justice; Strengthened Community; and, Financial and Environmental Stewardship.

In preparing the proposed budget, revenue and expenditure forecasts are developed within the context of the current economic environment. The college continues to be challenged by declining enrollments, low unemployment rates, long-term state disinvestment in higher education funding, and an aging infrastructure.



The 2019-2020 budget development process was guided by the following three principles:

1. The college cannot afford to do everything it is currently doing and must work collaboratively to achieve efficiencies.
2. The college must limit the use of one-time funds.
3. The college shall continue to invest in student success, access & equity, and regional economic strategic priorities.

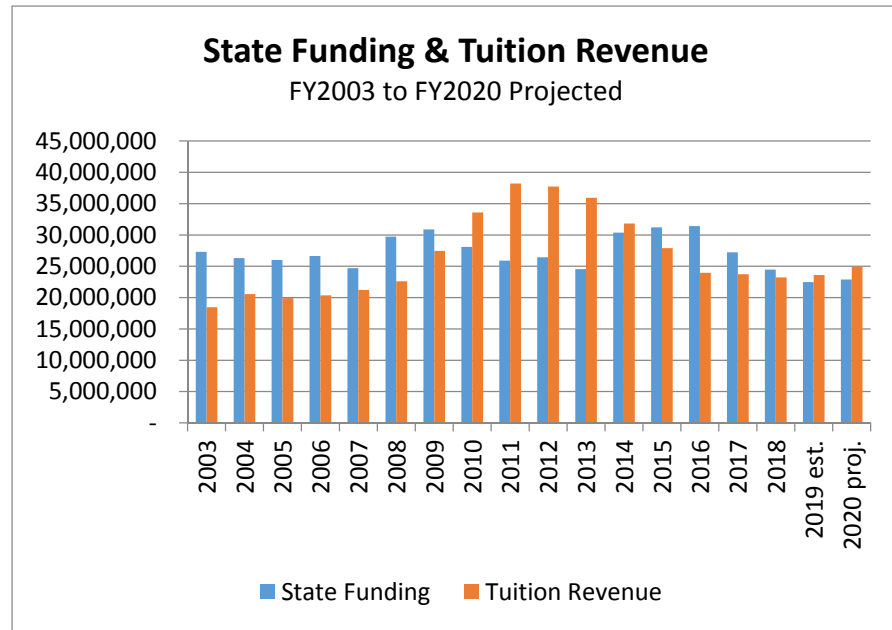
The fiscal year 2019-2020 proposed budget reflects these principles and includes a difficult mix of balancing options that will impact our students, our staff and our community. In order to close a near \$8.5 million budget gap – partially due to the use of one-time funds in prior years, personnel cost increases and continued declines in enrollment and state funding – the college looked to materials and services expense reductions; reduced major maintenance funding; additional program revenue from the LCC Foundation; alternatives to hosting foodservice and bookstore operations; and, personnel savings through separation incentives and holding vacant positions open.

The proposed budget includes an increase in student tuition, which equals the HEPI inflationary index plus \$1 per credit hour. The proposed budget also includes additional funding to support investments from strategic planning, program review and department planning. These allocations further the investment into Lane’s strategic priorities.

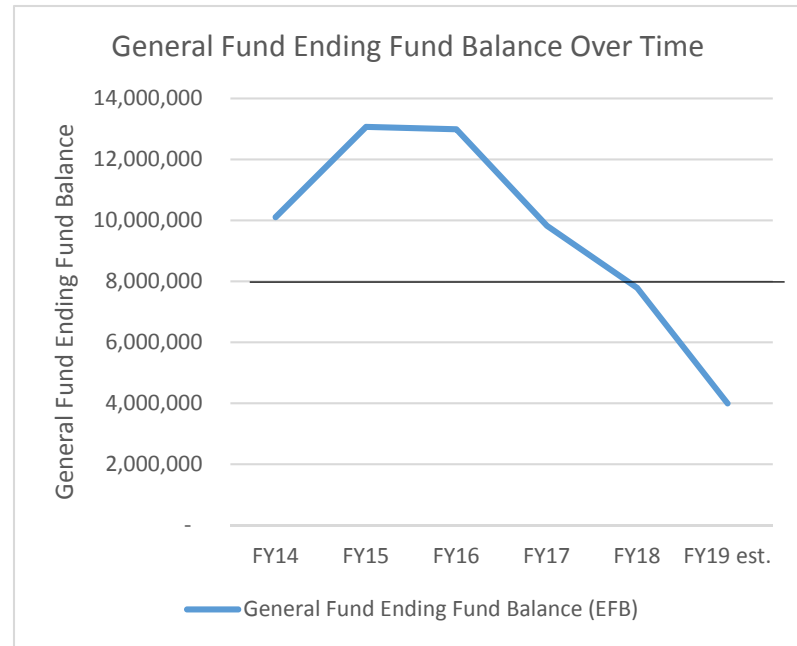
The fiscal year 2019-2020 proposed budget reflects recurring balancing items with limited use of one-time or non-recurring funds. This budget reflects a consensus recommendation from the College Council.

Economic Environment

At this time, the 2019-2021 biennium state allocation for the Community College Support Fund (CCSF) is unknown. The proposed budget is built upon an estimated CCSF of \$590.6 million. Due to Lane’s continued enrollment declines, the proposed budget assumes a 7.75 percent share of the fund as compared to a high of 13.35 percent in fiscal year 2012-2013.



Based on current enrollment and activity levels, the projected current year (FY19) general fund operating deficit is \$3.8 million, which is 4.8 percent of expenditures. As required by Board Policy BP 245, when the college’s ending fund balance falls to 9 percent or less, the college needs to adopt a plan to replenish the ending fund balance to 10 percent within two years. An adequate fund balance is necessary to provide cash for the first quarter payroll and operations, allow for emergency or unexpected events, support the college’s overall financial position and bond rating, and to prevent the need for costly short-term borrowing. An adequate fund balance is at risk if enrollment continues to decline and the fund balance is not replenished. Given the three-year decline in ending fund balance, the college is carefully analyzing cash flow to determine the need to borrow funds to meet payroll requirements in the first quarter of FY20. Without sustainable revenue growth and further expense reductions, the college will need to borrow funds to meet payroll requirements in the first quarter of FY21.



The college prudently funded a PERS reserve account in 2004, and increased it in 2005 and 2010, in anticipation of PERS rate increases. The college utilized \$860K of this reserve in FY18, FY19, and will again in FY20 to stabilize Other Payroll Expenses rates. Through the utilization of the PERS reserve, health insurance redesign, and changes in Lane’s employee mix between Tier 1/ Tier 2 and Tier 3 PERS benefits, OPE rates will decrease 1 percent for FY20. The estimated ending PERS reserve fund balance for FY20 is \$2.9 million. PERS cost escalation is an ongoing budget challenge for the college.

Although Lane is experiencing a decline from enrollment gains at the height of the recession, the need for our services remains strong as we continue to serve over 8,000 full time equivalent students seeking academic transfer, career technical education, foundational skills and lifelong learning opportunities. We remain steadfast in supporting our goals of providing affordable, accessible and comprehensive educational opportunities; supporting the needs of our community; maintaining adequate compensation and benefits for employees; and, meeting essential operating requirements of the college.

General Fund Budget for Fiscal Year 2019-2020

This budget reflects the continued reality of the transition from public funding to a combination of public and private funding sources. Expenses must be firmly linked to and limited by revenue to provide a financially sustainable model for the reliable and comprehensive access to education to meet our community needs. The proposed general fund budget for 2019-2020 is \$89.8 million, a 1.2 percent increase from the

2018-2019 budget. Budgeted tuition and fee revenues are \$30.5 million, reflecting an inflationary tuition rate increase and an additional \$1 per credit tuition increase. Planning for unknown future investment by the state requires strategic tradeoffs and choices such as increasing tuition and fee revenue, maintaining service levels at lower cost, downsizing the college and subsequently reducing opportunities available to students, or some combination therein.

Even with reductions in staffing levels realized from separation incentives, personnel reductions, and holding vacant positions open, personnel services expenditures continue to constitute the majority of the general fund budget – approximately 79.1 percent as proposed.

Administratively Restricted Budget for Fiscal Year 2019-2020

The proposed budget for the special revenue administratively restricted fund is \$17.5 million. This reflects continued efficiencies, restructuring and entrepreneurial activities with KLCC FM, the Health Clinic, Flight Technology, and Extended Learning. Projections used for budget development combine the General Fund I and the Administratively Restricted Fund IX.

Additional Important Information

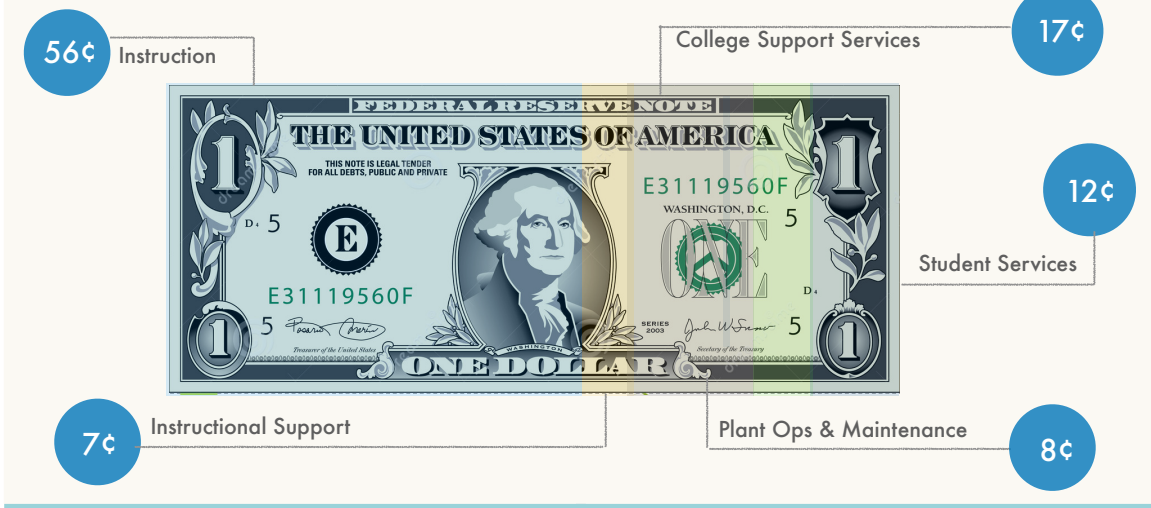
This Budget Document is consistent with the budget laws of the State of Oregon and other applicable policies. The budget is prepared on a modified accrual basis of accounting (revenues reported when earned; expenditures reported when the liability is incurred; taxes accounted for on a cash basis). The 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 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 2019-2020 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 of College Services

How is a tuition dollar spent?*



* Based on FY18 Actuals

As a steward of public funds, Lane Community College works to ensure responsible use of taxpayer and tuition dollars to achieve its mission. In collaboration with college departments, budgets are developed to support current operational needs and long term fiscal stability.

TOTAL LCC BUDGET

\$194.8
MILLION

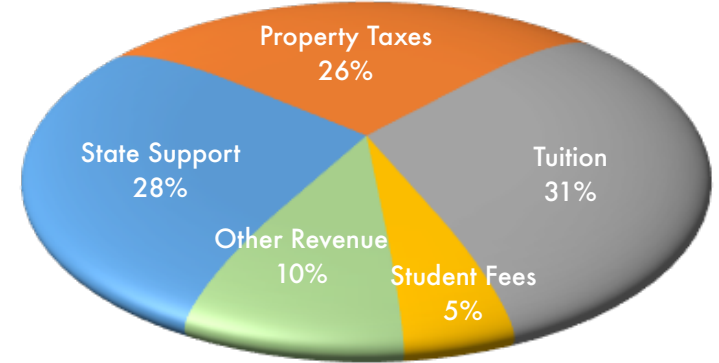
6.8%
FROM FY19
ADOPTED BUDGET

Key Principles

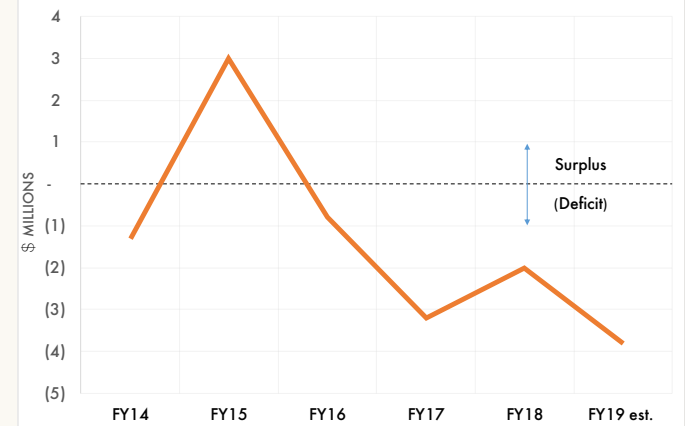
- ✓ The college cannot afford to do everything it is currently doing and must work collaboratively to achieve efficiencies.
- ✓ The college must limit the use of one-time funds.
- ✓ The college shall continue to invest in student success, access & equity, and regional economic driver strategic priorities.

We focus on the general fund (or Fund I) because it is the largest fund, and is considered an overall indicator of financial health. The general fund includes activities directly associated with the college's basic educational objectives and most recurring operational college expenses.

FY20 General Fund Budgeted Revenue



Is LCC Financially Sustainable?



The graph above compares college general fund revenue and expenditures. Looking into the future, the college will need to better align revenues and expenditures to maintain financial sustainability.



LANE COMMUNITY COLLEGE

**FY20 PROPOSED
BUDGET SNAPSHOT**