



BUDGET MESSAGE

FISCAL YEAR 2018-19

Presented May 3, 2018

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 2018-2019 budget for Lane Community College. The total proposed annual budget is \$209,141,610. The proposed general fund budget totals \$88,811,048.

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

Core Themes:

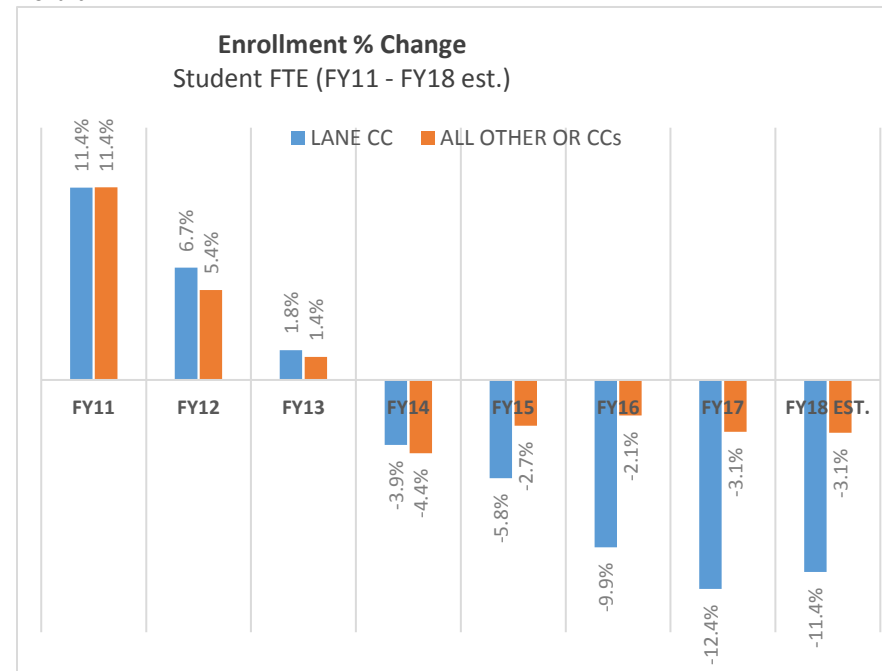
- Responsive Community Engagement;
- Accessible and Equitable Learning Opportunities;
- Quality Educational Environment;
- Individual Student Achievement.

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 aging infrastructure.

Chart 1



As reflected in Chart 1 above, Lane’s enrollment has declined more significantly than other Oregon community colleges in the period after The Great Recession. This negatively impacts Lane’s percentage allocation of limited state support funds.

The 2018-2019 budget development process was guided by the following four principles:

1. The college can no longer afford to do everything it is current doing and must work collaboratively to achieve efficiencies.
2. The college must limit the use of one-time funds.
3. The college should invest in growth opportunities to meet student and workforce demand.
4. The college needs to continue to invest in student success and its infrastructure.

The fiscal year 2018-2019 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 \$6 million budget gap – due to the use of one-time funds in prior years, personnel cost increases and continued declines in enrollment – the college looked to program revision, reorganization and efficiencies; increased student enrollment and retention; economic drivers and community partnerships; additional revenue through grant indirect and administrative recovery; and personnel savings through separation incentives and holding vacant positions open.

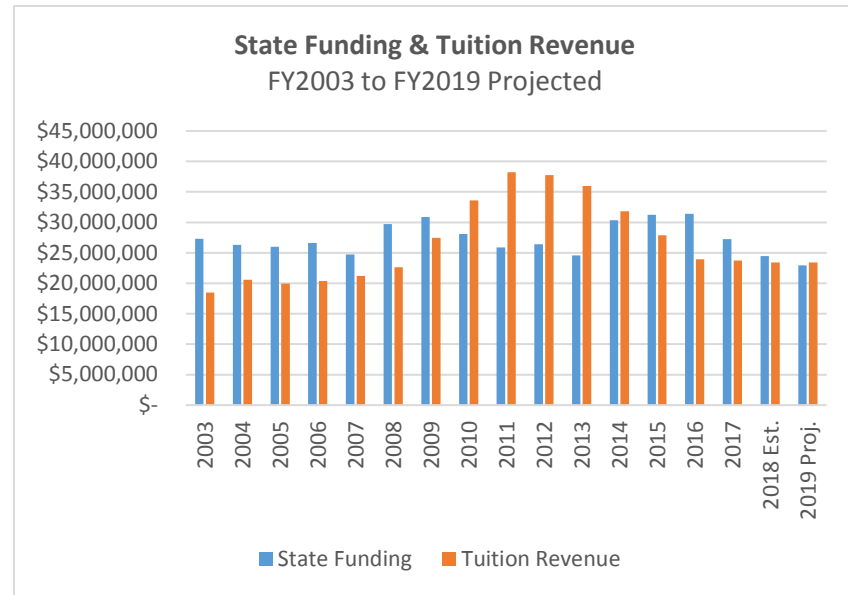
The proposed budget includes no increase in student tuition or fees beyond the HEPI inflationary index, and includes additional funding to support open educational resources that reduce the overall cost of attendance. The budget also includes an additional \$1.5 million in major maintenance funding to support essential health, safety, and infrastructure needs.

The fiscal year 2018-2019 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 and its Budget Development Subcommittee.

Economic Environment

The 2017-2019 biennium state allocation for the Community College Support Fund (CCSF) is \$570 million. Due to Lane’s continued enrollment declines, the proposed budget assumes an 8.05 percent share of the CCSF as compared to a high of 13.35 percent in fiscal year 2012-2013.

Chart 2



Based on current enrollment and activity levels, the projected current year (FY18) general fund operating deficit is \$3.3 million. The proposed budget projects the general fund June 30, 2018 fund balance to be \$7.5 million, which is 8.44 percent of expenditures. As required by Board Policy 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 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. Without sustainable revenue growth or further expense reductions, the college may likely face the need to borrow funds to meet payroll requirements in the first quarter of FY20.

The college prudently funded a PERS reserve account in 2004, and increased it in 2005 and 2010, in anticipation of rate increases. The college utilized \$860K of this reserve in FY18 and again in FY19 to stabilize OPE rates. The 2019-2021 Biennial PERS Advisory Rates are projected to add an additional \$2M or a 4% rate increase. The estimated ending PERS reserve fund balance for FY19 is \$3.8 million. PERS cost escalation is an ongoing budget challenge for the college.

It is important to note the impact of declining enrollment on the enterprise fund (fund VI). The enterprise fund consists of the Titan Store, Campus Food Services, the Center for Meeting and Learning, Titan Court housing, and the International Student Program. The proposed budget projects the enterprise fund balance to be \$4.87 million on July 1, 2018, due primarily to the International Student Program. If left unchecked, fund VI balances will become unable to support operating costs as early as FY20. The college is working with these enterprise activities to develop plans for assuring financial stability in the near term.

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 8,100 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 2018-2019

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 2018-2019 is \$88.8 million, a 1.1 percent increase from the 2017-2018 budget. Budgeted tuition and fee revenues are \$29.26 million, reflecting an inflationary tuition rate increase and 2 percent enrollment increase. State revenue decreased 3.3 percent year-over-year, from \$24.3 million to an estimated \$23.5 million. Even with reductions

in staffing levels realized from separation incentives and holding vacant positions open, personnel services continue to constitute the majority of the general fund budget – approximately 77.6 percent as proposed.

The proposed budget for the special revenue administratively restricted fund is \$19.5 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 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 2018-2019 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