

BUDGET MESSAGE
FISCAL YEAR 2020-21

PRESENTED MAY 6, 2020

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 2020-2021 budget for Lane Community College. The total proposed annual budget is \$224,954,154. The proposed general fund budget totals \$91,146,647.

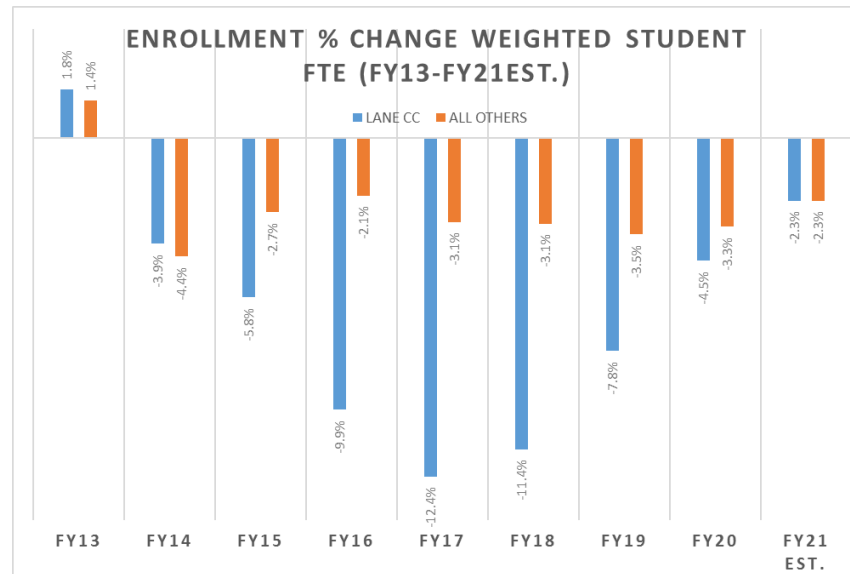
Lane’s budget reflects the prioritization and allocation of resources to support the college’s vision, mission, and strategic directions.

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.

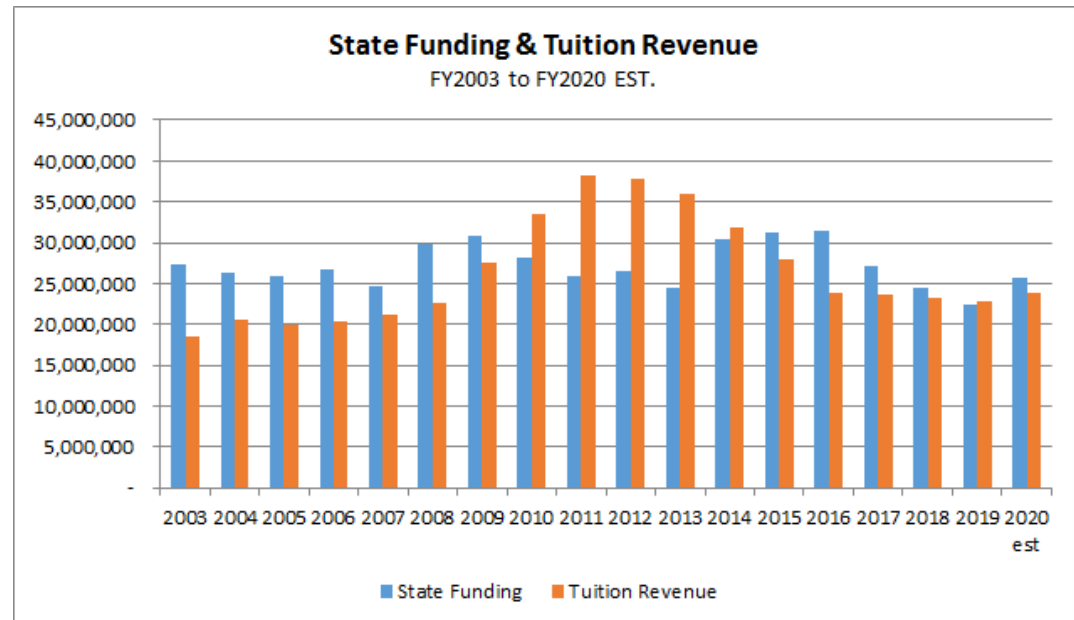
In preparing the proposed budget, revenue and expenditure forecasts are developed within the context of the current economic environment. The college continues to be challenged by declining enrollments, long-term state disinvestment in higher education funding, and aging infrastructure. The full economic and health impacts of COVID-19 on the nation, state, and college are undetermined at this time. On May 20th, the Oregon Office of Economic Analysis will release an updated revenue forecast, which is the first forecast to capture the economic impact of COVID-19 in Oregon. The Oregon Constitution requires the state to rebalance the general fund budget if forecasted revenues fall below forecasted expenditures. The Governor may implement across the board reductions to state budgets through the allotment process, which does not require input from the state legislature. Recently, the Oregon Community College Association communicated that the Oregon Higher Education Coordinating Commission, per direction from the Governor, is tasked with reducing the Community College Support Fund by 8.5% for the 2019-2021 biennium.



The 2020-2021 budget development process was guided by the following principles:

1. The college cannot afford to maintain all programs and services it currently provides and must limit its offerings to be financially sustainable.
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 2020-2021 proposed budget reflects these principles and includes a difficult mix of balancing options that will impact our students, staff, and our community. In order to close a near \$4.8M budget gap - partially due to the use of one-time funds in prior years, and personnel cost increases - the college looked to materials and service expense reductions; reduced major maintenance funding; additional program revenue from the LCC Foundation; and, personnel savings through restructuring and holding vacant positions open.



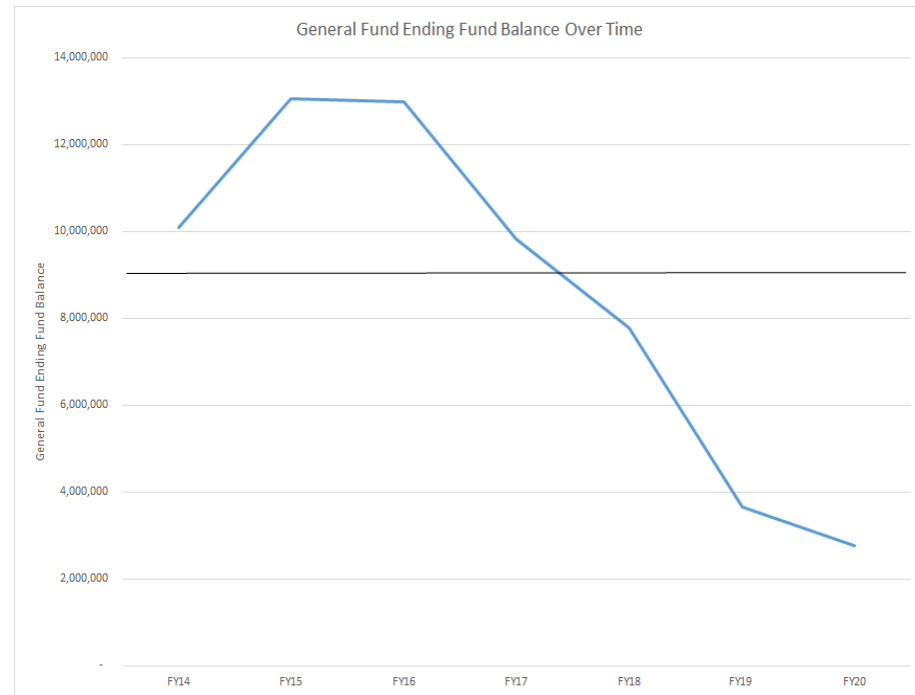
The proposed budget includes an increase in student tuition, which equals the HEPI inflationary index per credit hour. The proposed budget also includes additional funding to support investments from strategic planning, program review, and department planning. These allocations further the investment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

The fiscal year 2020-2021 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

The proposed budget is built upon a CCSF of \$641 million. Considering Lane’s Fall and Winter term enrollments, the proposed budget assumes an 8 percent share of the fund as compared to a high of 13.35 percent in fiscal year 2012-2013.

In early-March 2020, based upon enrollment and activity levels, the projected current year (FY20) general fund operating deficit was \$877K, which is 3.3% of general fund expenditures. As required by Board Policy 245, when the college's 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 three years. The proposed budget addresses year 1 of the 3-year plan. 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. Due to the declining fund balance, the college is borrowing \$4.35M through the Oregon Education Districts Short Term Borrowing Program (TANPool) program to address funding gaps.



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, FY20, and will again in FY21 to stabilize Other Payroll Expenses (OPE) rates. Through the utilization of the PERS reserve, a proposed health insurance incentive, and changes in Lane's employee mix between Tier 1/ Tier 2 and OPSRP PERS benefits, OPE rates will increase 1 percent for contracted staff and decrease 1 percent for part-time staff in FY21. The estimated ending PERS reserve fund balance for FY21 is \$2.1 million. PERS cost escalation is an ongoing budget challenge for the college.

General Fund Budget for Fiscal Year 2020-2021

The proposed general fund budget is \$91.1 million, a 1.4% increase from the 2019-2020 budget. Budgeted tuition and fee revenues are \$31.3 million, reflecting an inflationary tuition rate increase. Expenses must be firmly linked to and limited by revenue to provide a financially sustainable model for reliable and comprehensive access to education to meet our community needs. Planning for unknown disinvestment by the state requires strategic tradeoffs and choices such as increasing tuition and fee revenue, maintaining service levels at a lower cost, downsizing the college and subsequently reducing opportunities available to students, or some combination therein. Even with reductions in staffing levels realized from restructuring, and holding vacant positions open, personnel services expenditures continue to constitute the majority of the general fund budget - approximately 79.6 percent as proposed.

Administratively Restricted Budget for Fiscal Year 2020-2021

The proposed budget for the special revenue administratively restricted fund is \$15.4 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 2020-2021 Budget Document is submitted herewith for your consideration and action. We are ready to assist you in the important task of reviewing this document.

Respectfully,

Zach Evans
Budget Director

FY21 LCC

PROPOSED BUDGET SNAPSHOT

TOTAL LCC BUDGET

\$224.95
MILLION

↑15.5%

From FY20 Adopted Budget

Key Principles

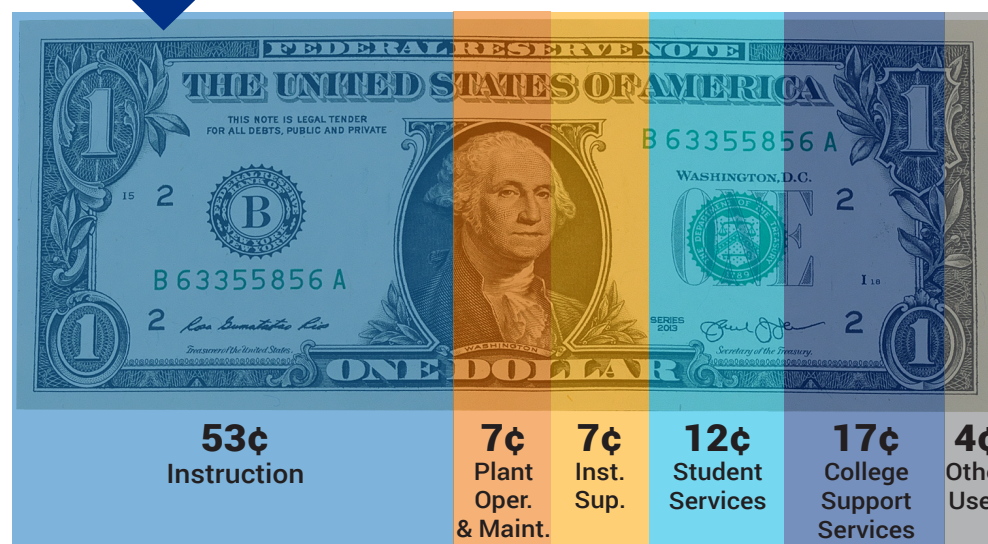
The college cannot afford to maintain all programs and services it currently provides and must limit its offerings to be financially sustainable.

The college must limit the use of one-time funds.

The college shall continue to invest in student success, access & equity, and regional economic strategic priorities.



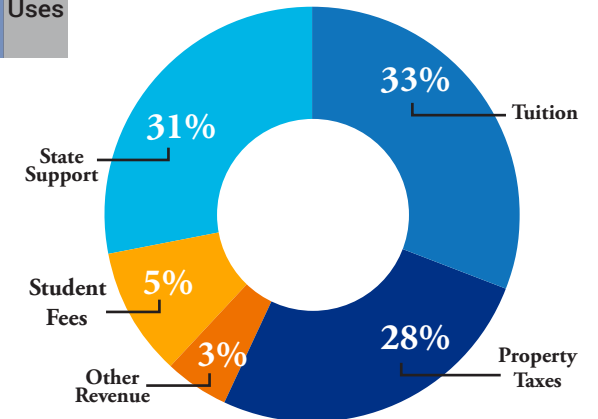
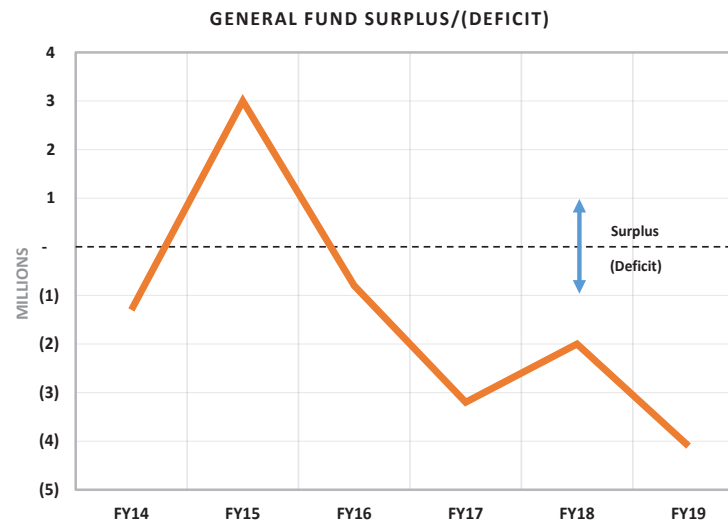
How is a tuition dollar spent?



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.

< Based on FY19 Actuals

The graph below 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.



FY21 General Fund Resources

We focus on the general fund (or Fund 1) 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.