



BUDGET MESSAGE

FISCAL YEAR 2016-17

Presented May 11, 2016

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

It is my honor to present the proposed fiscal year 2016-2017 budget for Lane Community College. The total proposed annual budget is \$235,358,819. The proposed general fund budget totals \$90,802,078.

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

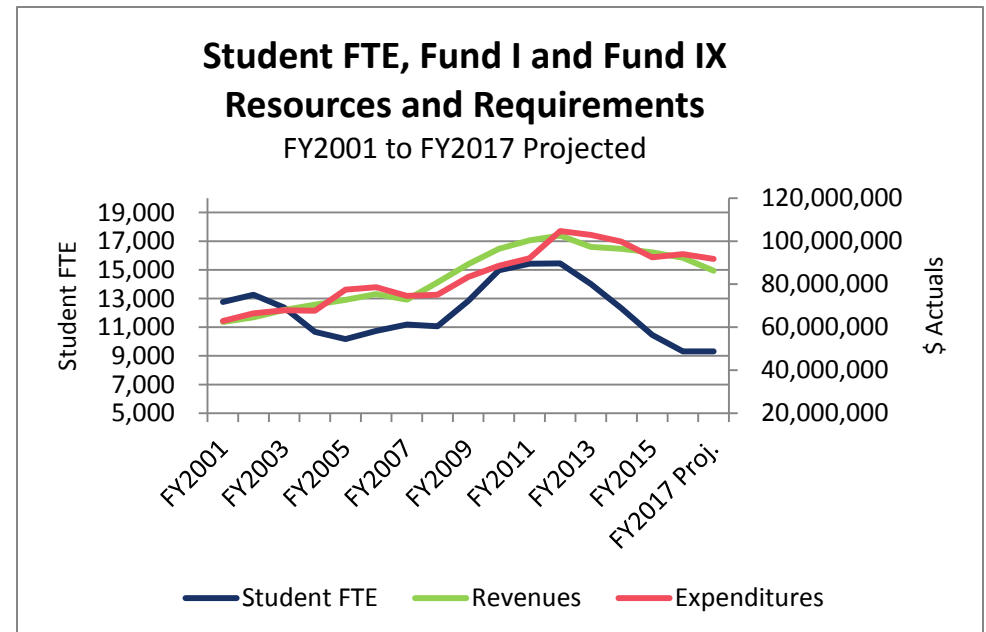
Vision: Transforming lives through learning.

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, and individual student achievement.

In preparing the proposed budget, revenue and expenditure forecasts are developed within the context of the current economic environment. Employment rates are closely correlated with enrollment, and the college is experiencing a 25-year low in enrollment at the same time the state of Oregon is reporting a 40-year low in its unemployment rate¹.

The improving economy presents a mixed revenue picture for the college, with enrollment declines presenting a negative revenue impact, while property tax revenue and state support would be expected to increase. With Oregon 46th in the nation in higher education funding and an impending \$800 million increase in employer contributions to the Public Employees Retirement System (PERS) starting July 2017 and even larger increases in 2019 and 2021 the state will be challenged to make needed investments into community colleges.



¹ State of Oregon Employment Department, March 2016

Economic Environment

Community College Support Fund (CCSF) state funding for the 2015-2017 biennium is \$550 million; however, Lane's enrollment declines have been sharper than the other sixteen community colleges which reduces its percentage allocation. The proposed budget assumes a 9.7 percent share of the CCSF as compared to a high of 13.35 percent in fiscal year 2012-2013, resulting in a \$4.1 million decrease in state revenues year over year.

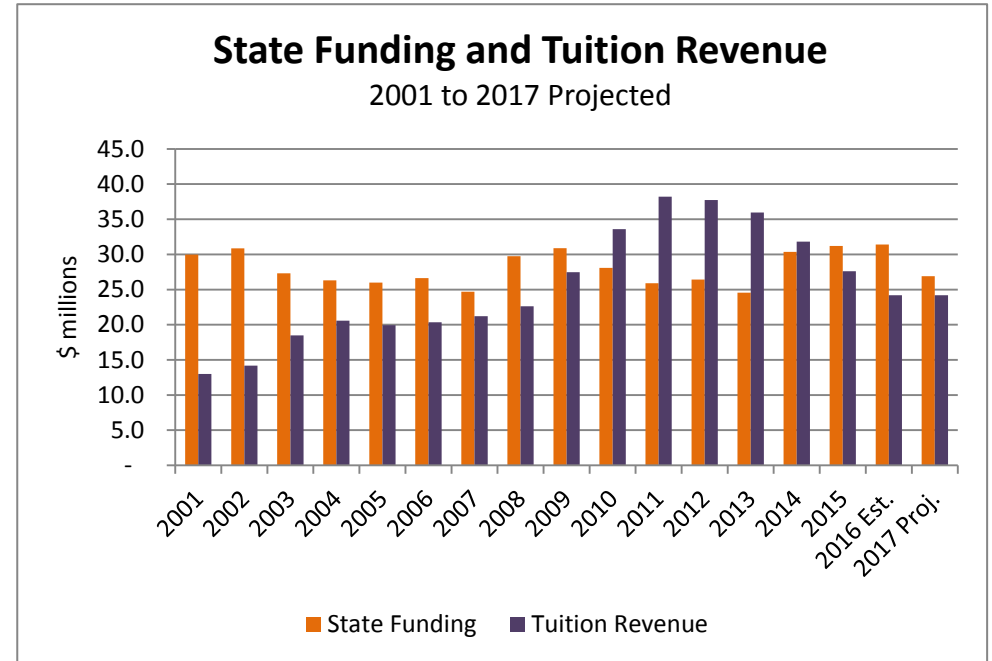
The proposed general fund budget does not include an inflationary adjustment for tuition and differential fees [Board Policy 725], which would have generated approximately \$758,000 in revenue in FY2017, compounded to \$2.27 million over the biennium.

As a result, in addition to utilization of the \$2.37 million financial stabilization reserve established in 2015 an additional \$3.5 million of ending fund balance is used to balance the general fund budget.

This utilization of \$5.9 million of one-time fund balance resources leaves the ending fund balance at an estimated \$5.6 million on July 1, 2017, which is 6.9 percent of general fund expenditures and transfers. 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.

The FY2018 budget process will be doubly challenging as the college will need to find \$5.9 million recurring revenue and/or expense reductions to replace the one-time funds used in FY2017 and also work towards replenishment of the ending fund balance to the 10% policy requirement.

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 9,000 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 additional revenue.



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.

General Fund Budget for Fiscal Year 2016-2017

This budget reflects the reality of a forced 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.

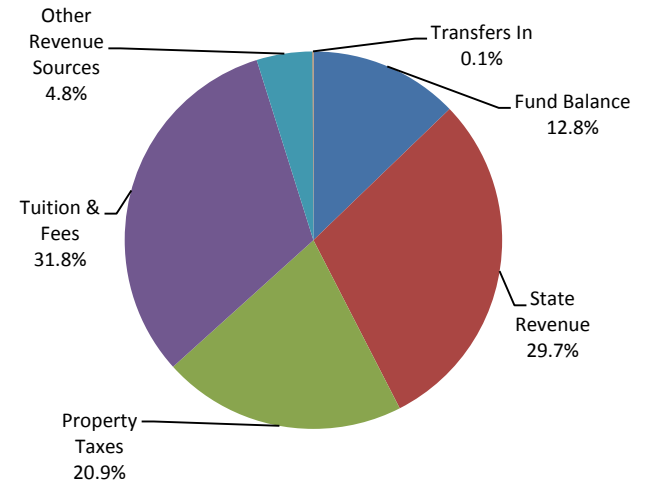
The general fund and administratively restricted fund proposed budgets are balanced based upon holding vacant positions open, an early separation incentive for contracted classified employees; additional reductions in part-time faculty, staff, and materials and services, a provision for salary adjustments and one-time use of ending fund balance.

The proposed general fund budget for 2016-2017 is \$90,802,078, a 2 percent decrease from the 2015-2016 budget. Budgeted tuition and fee revenues are \$28 million, reflecting the same amount in 2015-16 budget and projected flat enrollment. State revenue decreased 13 percent, year-over-year, from \$31 million to \$26.9 million.

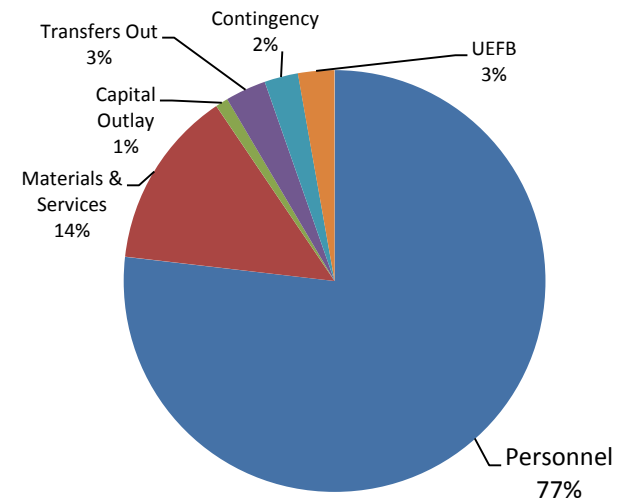
Even with the reductions in part-time faculty and staff and savings realized from holding vacant positions open, personnel services continue to constitute the majority of the general fund budget, approximately 77 percent as proposed.

The proposed budget for the special revenue administratively restricted fund is \$19,422,215. This reflects continued efficiencies and restructuring work done with our Flight Technology Program, Child Development Center, Continuing Education, Business Development Center, and Specialized Support Services. Budget projections used for budget development combine the General Fund I and Fund IX.

**FY17 Proposed Budget Resources
General Fund I**



**FY17 Proposed Budget Requirements
General Fund I**



New Additions for the Budget Document

The depth and scope our budget document has once again been acknowledged by the Government Finance Officers Association (GFOA) by the College being awarded the Distinguished Budget Award for the eleventh straight year. In an effort to continue to increase the usefulness of the document the College has included the following reports:

- Operating (general fund and administratively restricted fund) Budget Assumptions
- Challenges and Considerations for the Next Biennium
- Major Revenue Sources and Forecasting Methodology
- Change in Fund Balance
- Capital Budget
- Description of Long Term Debt Obligations

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 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 2016-17 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)	\$90,802,078
Internal Services Fund (II)	2,176,000
Debt Service Fund (III)	13,662,419
Capital Projects Fund (IV)	9,661,608
Financial Aid Fund (V)	63,448,000
Enterprise Fund (VI)	24,429,499
Special Revenue Fund (VIII)	11,757,000
<u>Special Revenue: Admin Restricted (IX)</u>	<u>19,422,215</u>
Total All Funds	\$235,358,819