



Budget Message

May 2022

During the past two decades, Rogue Community College has based financial projections on our understanding of current and future costs as well as revenues from tuition and fees, state, local, and federal sources. We have taken proactive cost-saving steps to reduce expenditures with the most negligible impact on students' academic programs and services. We have decreased our physical infrastructure to reduce costs and entered into agreements with other agencies for shared facilities. We have also made responsible spending decisions concerning the Higher Education Emergency Relief Funding (HEERF), knowing this is one-time, federal funding.

Like many other community colleges in the nation, the pandemic triggered steep enrollment declines, making our typical practice of "cutting around the edges" to balance the budget ineffective. In the Fall of 2021, RCC embarked on a new strategy, aligning academic programs, services, and resource allocations with the College's strategic goals and institutional mission. The book *Prioritizing Academic Programs and Services* by Robert C. Dickeson served as our model and guide for this endeavor.

The Program and Services Prioritization Report was presented to the Board in April 2022 and is instrumental in moving from traditional budgeting to priority-driven budgeting. In this new process, investments and cuts are strategic and grounded in a sustainable business model aligned with the institution's strategic vision. It supports needed change and capacity building at institutional, divisional, and program levels to create alignment between strategy and resources. The RCC Program and Services Prioritization Report is available on our website at www.roguecc.edu/operations/prioritization.asp.

We sincerely thank the faculty and staff for the time, energy and thought each program and service area has dedicated to this process. The level of engagement and the quality of the work produced is commendable.

Balanced Budget

As required by Oregon State Budget Law, the Oregon Community College Accounting Manual, and other applicable policies, we hereby present to the Rogue Community College Budget Committee and the Board of Education a balanced budget for the 2022/23 fiscal year. The budget is a quantitative expression of the mission of Rogue Community College to provide the highest quality education possible while maintaining costs at a reasonable level.

This document presents a balanced budget for approval by the Budget Committee and the Board of Education as required by Oregon Local Budget Law.

As with budgets in the past, the 2022/23 budget has been 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 revenues are not inflated.

Economic Environment

The inflationary economic boom continues. National economic growth in 2021 was the strongest seen since the early 1980's. Total gross domestic product (GDP), or economic output, grew by 10 percent. However, the breakdown is 4.4 percent inflation and 5.7 percent real, or inflation-adjusted, growth. These strong gains are expected to continue in 2022 due to ongoing business investments and increases in consumer spending. As the economy reaches potential, growth will slow in the years ahead.

The biggest economic challenge today remains the supply side of the economy. It is not that supply chains are broken. Rather, given the strong consumer demand, supply chains are overloaded. The economy is producing, transporting, and selling record volumes. However, those records have not been able to keep pace with demand.

Labor is the single largest constraint holding back real economic growth. Encouragingly, firms are investing in new plants, equipment, and software, which will make existing workers more productive. However, the labor market is highly competitive. While total employment counts are not expected to regain their pre-pandemic levels until later in 2022, the current labor market dynamics of fast-rising wages as firms compete for existing workers is projected to continue.

Oregon added a record number of jobs during 2021 as workers returned to the labor market. Even so, the labor market is likely to remain competitive given the strong demand from firms and ongoing "baby boomer" retirements. In Oregon the average wage is up 17 percent since the start of the pandemic. Wages per worker have continued to increase at a pace stronger than seen in 2018 and 2019. This is due to ongoing wage gains for the continuously employed workers, but also very strong wage gains at the lower end of income distribution. This means as employment in these pandemic-impacted sectors increases, the jobs being added back into the average wage calculation are significantly better paying than those which initially dropped out. As such, the largest increases in wages are likely behind us, even as ongoing gains are expected. The risks here are also to the upside, especially to the extent that wage growth accelerates among middle- and high-wage jobs which have not experienced the same increases during the pandemic.

Both private and public K-12's are expected to see strong gains in the near term as school-related employment remains below pre-pandemic peaks. This is likely due, in part, to struggles school districts have in filling both substitute teaching positions and non-teaching roles like bus drivers and nutrition workers. Similarly, college enrollments, particularly among community colleges, are down during the pandemic, meaning

higher education requires fewer workers today. Looking forward, the expectation is employment will rebound, along with improving college enrollment. However, with stable to slightly declining demographics for both K-12 and college-age populations, the long-term outlook similarly calls for stable to slightly declining employment in education in the decade ahead.

The biggest risk to the outlook remains persistently high inflation. A year ago, much of the inflationary pressures could be tied to reopening the economy and semiconductor shortages in the automobile industry. Since then the inflationary pressures have broadened and remained more persistent than expected. In recent months the Federal Reserve is pivoting hard toward tightening monetary policy faster than previously expected. While not the baseline outlook, the ultimate risk is that the economy runs too hot and the Federal Reserve raises rates sharply, creating a boom/bust dynamic in the years ahead instead of engineering the expected cyclical slowdown in economic growth that avoids a recession.

Budget Development Process

The budget presented here was developed over the last year with significant college-wide participation. The College's Budget Advisory Team (BAT), with representative membership from all employee groups, college divisions, and Associated Student Government, along with the Board of Education, have been instrumental in the budget process. The team actively collects input from the college community at large, researches the ideas collected, and makes recommendations to Executive Team regarding inclusion in the budget.

The College proactively manages its financial resources, adopting budgetary principles which address its core themes, strategic plan, revenue enhancements, and the impact of its current actions on its future financial health. RCC completed its 7-year accreditation self-study and site visit by the Northwest Commission on Colleges and Universities (NWCCU) accreditation committee in April 2020. The College received two commendations from the committee for establishing a strong fiscal position to weather uncertain economic times and for establishing a transparent budget process that allows opportunities for participation and is tied to strategic planning. These commendations demonstrate our commitment to stewardship, through responsible and thoughtful guardianship, of public resources .

Our focus throughout the budget development and planning process is to create alignment between strategy and resources while accounting for the economic realities of our community. We do this by looking at a five-year projection, balancing its first year, and reducing the projected shortfall in the second year to a manageable level, typically \$1.5 million.

Our strategic approach to balancing the budget affords us the ability to identify and stop issues before they become systemic problems. Budget considerations are strategic and grounded in a sustainable business model aligned with the institution's strategic vision. Over the next year, we will undoubtedly face challenges as we continue to grapple with lingering effects of enrollment and revenue declines created by the pandemic.

2022/23 General Fund Budget Assumptions

Resource Assumptions:

- State Operations are based upon the Community College Support Funding level of \$703 million
- Property Taxes reflect a 3.5% increase over prior year projected
- Tuition and Fees
 1. Assumes an enrollment decrease of 0% from 2021/22
 2. \$0 per credit increase in tuition
 3. Fee changes related to select courses based on external costs
- Transfers In – see pages 62-64 for details

Requirement Assumptions:

- Exempt salary schedule increased by 7%; net reduction of 3 positions
- Full Time faculty salary schedule increased by 8.95% to statewide average with one additional day, making an effective rate of 8.3%, plus one step; net reduction of 2 positions
- Adjunct faculty salary schedule increased 8.3%, less reduction of 9.8% of overall adjunct budget
- Faculty Professional salary schedule increased by 3.5%
- Classified salary schedule increased by 7%, plus 1% performance adjustment and 1% one-time retention bonus for eligible employees; net reduction of 2.5 full-time and .8 part-time positions
- Student employment funding increased 7%
- Health insurance contractually stipulated increase of 6%
- PERS rate approximately 24.15%
- Fixed District costs, Departmental Materials & Services and Capital projected for General Fund
- Transfers Out – see pages 62-64 for details

We would like to extend our gratitude to the members of the Board of Education, the Budget Committee, to all faculty, staff and managers for their dedication, commitment, and support of RCC.

Cathy Kemper-Pelle
President

Lisa Stanton
Vice President, Operations and Finance/Chief Financial Officer
Budget Officer