Rogue Community College

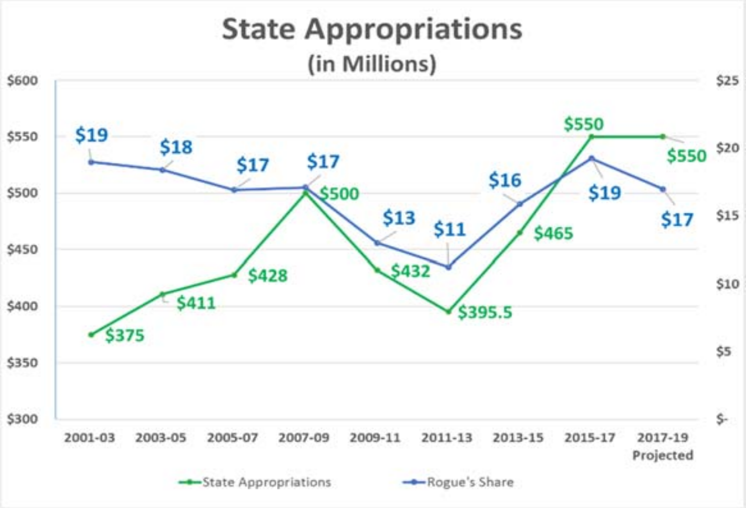
Budget Message **April 2017**

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 2017/18 fiscal year. As with budgets in the past, the 2017/18 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.

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. It addresses both the current economic realities and needs of the institution. The greatest challenge affecting the College's fiscal sustainability is year-over-year enrollment declines.

Economic Environment

When preparing the upcoming year's budget, revenue and expenditure forecasts are prepared within the context of the current economic conditions. According to the Oregon Office of Economic Analysis in its March 2017 forecast, the current outlook for Oregon remains positive. The economy is expected to continue to improve. Even with this improvement, sharp recent declines in equity prices and corporate profits have led to a reduction of Oregon State's revenue forecast. Oregon relies heavily on personal income tax collections tied to realizations of capital gains and taxable dividends. This translates into budget problems for the 2017-19 biennium.



Regionally, the Rogue Valley's economic outlook is positive. Nearly all jobs lost during the Great Recession have been regained, reducing the unemployment levels to an historic low. With the increase in job availability, many students are drawn away from their studies and reenter the workforce full time. This has a negative impact on the College's overall FTE, decreasing tuition and fee revenue, and the College's portion of the Community College Support Fund (CCSF).

The Governor's budget, released on December 1, 2016, provides community colleges $550 million for the 2017-19 biennium. This is the same funding level community colleges received in the 2015-2017 biennium. The Governor's budget reflects the challenges Oregon faces in providing adequate funding for vital services while confronting a $1.8 billion structural deficit. Although this information does not bode well for any of the colleges, it seems more daunting here at RCC. The College's portion of the funding for the next biennium will decrease $2.3 million when compared to the current biennium.

Budget Development Process

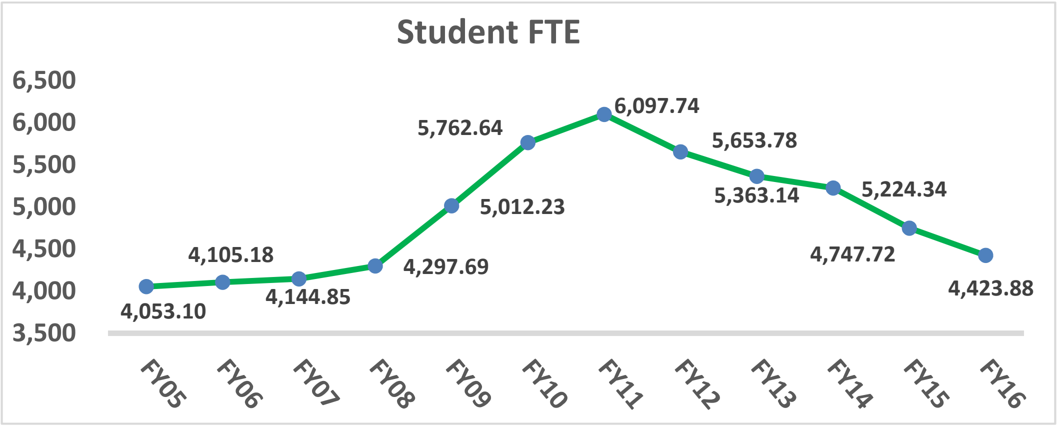
The budget presented here was developed over several months with considerable College-wide participation. It takes into consideration the long-term effect of the current economic challenges and the financial health of the College.

The College proactively manages its financial resources, adopting budgetary principles that address its core themes, strategic plan, revenue enhancements, and the impact of its current actions on its future financial health. Our focus throughout the budget development and planning process is to determine the optimal balance of revenue, expenditures, and program and service levels, while taking into account the economic realities of our community. We do this by looking at a five-year projection, balancing its first year, and reducing the shortfall in the second year to a manageable level, typically $1 million. This year, the College faced a $5.3 million dollar shortfall in the second year, making it necessary for the College to make significant changes, affecting the 2017/18 budget.

The College's Budget Advisory Team (BAT), with representative membership from all employee groups, College divisions, Associated Student Government, along with the Board of Education, has 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.

2017/18 Budget Assumptions

This budget is based upon a CCSF appropriation of $550 million. The proposed budget assumes 3.25% of the overall CCSF, or $8.6 million, will be allocated to the College. This is .25% less than the College's CCSF allocation in the previous year, equating to $871,000. The significant decrease in allocation is due to the College's year-over-year enrollment declines since 2011.



Property taxes are projected to increase 3.25%, or $414,000, over 2016/17 actuals.

Tuition is expected to decrease 2% in accordance with the anticipated enrollment decline. The Board of Education voted to increase tuition by $5 per credit for 2017/18. The overall change projected is an increase to tuition of $400,000, or 3%.

The beginning fund balance for 2017/18 is expected to be approximately $3.1 million. An additional $2.5 million of one-time reserve resources is being utilized to balance the general fund. The College does not currently have an ending fund balance or minimum reserve policy; however, an adequate amount of these resources is needed to provide cash for daily operations. Without adequate cash resources, the College would need to access costly short-term borrowing.

On the expenditure side, the College is making a series of reductions including reorganization and programmatic restructuring, resulting in a reduction of force, combining course sections, elimination of select courses, and furloughing programs.

The personnel services budget decreased $227,000, or 1.07%, when compared to the 2016/17 adopted budget. This decrease is a combination of contractually stipulated salary increases, zero furlough days, as well as a reduction of 20 positions.

Other personnel costs have increased approximately $95,000, or 1.02%, representing a reduction in force, an increase in PERS expense and the contractual increase to health insurance.

Materials and services have increased approximately $321,000, or 5.8%, representing departmental expenditure reductions and projected needs.

Transfers out increased $463,000, or 22%, representing the purchase of a new ERP system.

This document presents a balanced budget for approval by the Budget Committee and the Board of Education as required by Oregon Local Budget Law. 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 professionalism during this difficult budget season. Focusing on the optimal balance of revenue, expenditures, and program and service levels, we have successfully developed a budget that addresses our needs and opportunities in servicing our students and accomplishing our mission.

Cathy Kemper-Pelle	Lisa Stanton
President	Budget Officer/Chief Financial Officer