



Budget Message

April 2015

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 Directors a balanced budget for the 2015/16 fiscal year. As with budgets in the past, the 2015/16 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 impacting the College's fiscal sustainability is year-over-year enrollment declines.

The Oregon Legislature passed Senate Bill 253 in 2011 revising the mission of higher education to meet numerical educational goals. The bill, commonly referred to as 40/40/20, includes the achievement of the following goals by 2025: 40 percent of Oregonians will have achieved a bachelor's degree or higher; 40 percent of Oregonians will have earned an associate's degree or post-secondary credential as their highest level of educational attainment; and 20 percent or less of Oregonians will have earned a high school diploma or its equivalent as their highest level of educational attainment.

In response to 40/40/20 the Legislature made a fundamental change with Senate Bill 909 creating the Oregon Education Investment Board (OEIB). The OEIB's directive is to oversee a seamless process of unifying the system for investing in and delivering public education from early childhood through high school and college so that all Oregonians are well prepared for a career in our economy. To help OEIB achieve its directive the Legislature also passed Senate Bill 1581 requiring every K-12 school district, education service district, community college, the university system, individual universities, and Oregon Health Sciences University to enter into achievement compacts. The achievement compacts are agreements between the state, as represented by OEIB, and the governing boards of the education entities mentioned above. The purposes of the compacts are to:

- Foster communication and two-way accountability between the state and its educational institutions in setting and achieving educational goals;
- Establish a mechanism to foster intentionality in budgeting at the local level, whereby governing boards would be encouraged to connect their budgets to goals and outcomes; and,
- Provide a basis for comparisons of outcomes and progress within districts and between districts with comparable student populations.

The board of education for each community college is solely responsible for establishing the targets in its achievement compact and adopting the compact itself.

The Community College Support Fund (CCSF) distribution formula is also being revised to align state funding with the State's educational goals mentioned earlier. The current formula was designed to support student access, reimbursing community colleges based upon enrollment. The new formula, introduced in February, is designed to reward institutions for the production of outcomes that further the educational attainment and productivity goals of the State, while still providing affordable student access to community colleges across the state. The magnitude and speed in which the new formula will shift funding is still under discussion. The new formula is scheduled to be adopted by June 30, 2015, with implementation in the 2016/17 fiscal year.

The budget presented here was developed over the last six 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 has proactively managed 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.

The College's Budget Advisory Team (BAT), with representative membership from all employee groups, College divisions, Associated Student Government, and RCC 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.

The Legislative appropriation for the Community College Support Fund (CCSF) will not be known until the legislation finishes the 2015 session in mid-June. The community colleges submitted a CCSF budget request of \$650 million for the 2015/17 session, the minimum amount necessary to allow modest progress toward the State's 40/40/20 goal. Based upon the community college's request, the HECC requested \$519 million and the Governor's budget allots \$500 million. Thankfully the Co-Chairs understand the need for a significant increase in the CCSF and submitted a budget of \$535 million, with an increase of \$15 million should additional revenue become available. As evident, even the highest funding level will not provide community colleges sufficient resources to ensure continued advancement toward the new state educational attainment goals.

Regardless of this challenge, the College is committed to student access and success and will continue to identify internal efficiencies and improvements.

Over the past few years the College has experienced a reduction in full-time equivalent (FTE) enrollments. Since 2010/11's record enrollment of 6,202 FTE, the College is expected to experience a decline of 20% by the end of 2014/15. This is larger than the estimated 17% the College budgeted for, requiring a mid-year adjustment to tuition revenue. Looking forward, the College anticipates an additional 8% decline in enrollment levels during each of the next 2 years.

The proposed General Fund budget for fiscal year 2015/16 is \$40.56 million. This budget is based upon the HECC requested CCSF appropriation of \$535 million. Property taxes are projected to increase 3%, or \$353,000, over 2014/15 actuals. Tuition is expected to decrease 8% in accordance with the expected enrollment decrease. RCC's Board voted to increase tuition by \$4 and the technology fee by \$1 for 2015/16. The General Fund budget also includes a transfer from the College Services Fund of \$1.19 million. The beginning fund balance for 2015/16 is expected to be approximately \$4.7 million.

The General Fund personnel services budget has increased approximately 3.79% from the 2014/15 adopted budget. The personnel services budget proposes contractually stipulated salary increases and zero furlough days. Other personnel costs have increased approximately 1%, representing a change in PERS expense and the contractual increase to health insurance. Materials and services have decreased approximately 6.8%, covering projected costs and additional needs. Contingencies are budgeted at \$2 million and an additional \$1.6 million has been reserved for future expenditures.

Achieving fiscal sustainability will be an on-going challenge with declining enrollments and increasing costs related to PERS and employer-paid benefits. Recognition of the College's difficult fiscal circumstances by faculty, staff, students, and the public is critical. Their willingness to participate in defining, addressing, and resolving fiscal issues is acknowledged and greatly appreciated. This document presents a balanced budget for approval by the Budget Committee and the Board of Directors as required by Oregon Local Budget Law.

Peter Angstadt
President

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Budget Officer/Chief Financial Officer