



Budget Message

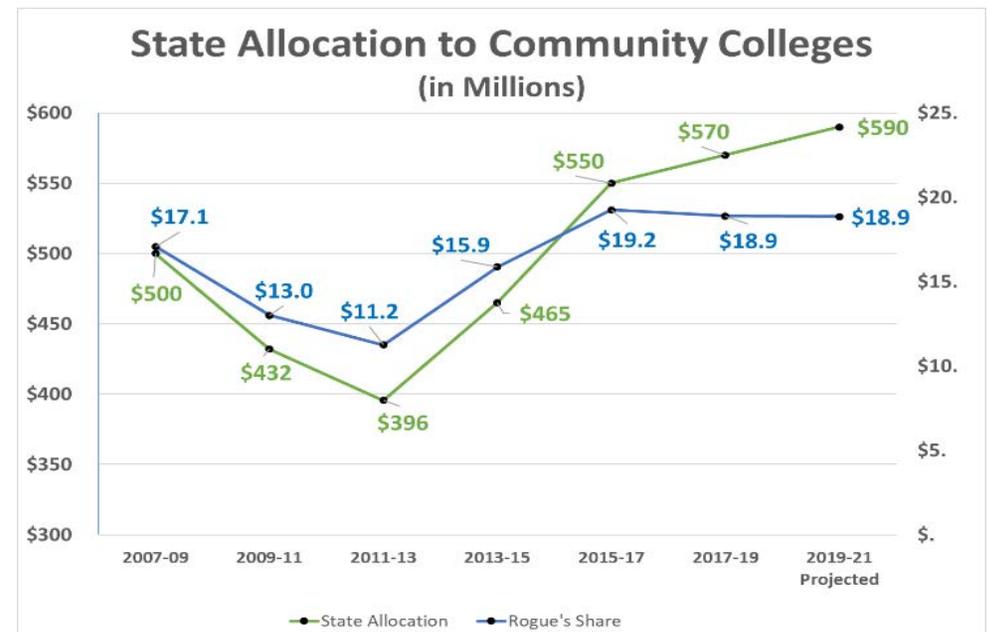
May 2019

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 2019/20 fiscal year. As with budgets in the past, the 2019/20 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, in combination with state funding changes not keeping pace with increasing costs.

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 2019 forecast, the current outlook for Oregon remains healthy. The Labor market continues to improve, keeping unemployment under what would historically be considered full employment for Oregon. In addition, Oregonians are working more hours and for higher pay, translating to higher household incomes overall. This growth brings Oregon's median household income in line with the U.S. median household income. This is the first time since the 1980's this has happened. Heading into this biennium growth will continue to slow to a sustainable rate, but the path taken to get there is unknown. Capacity constraints, an aging workforce, monetary policy drags and fading fiscal stimulus will all act to put a lid on growth a couple of years



down the road. The exact timing and steepness of this deceleration is unpredictable, leading to a wide range of possible revenue outcomes for the 2019/21 biennium.

Regionally, the Rogue Valley's economic outlook remains positive. The Rogue Valley experienced minimal growth in employment. However, one of the larger employment segments for the valley, Online Employment, indicates a 21 percent decline in the last year. This may indicate employment growth will stall in the near future. Currently the local job availability pulls admitted and prospective students with financial obligations away from their studies to reenter the workforce full time. Recent high school graduates continue to move away from the Rogue Valley with the help of the Oregon Promise and due to the lack of affordable housing in the Rogue Valley. All of 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).

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.

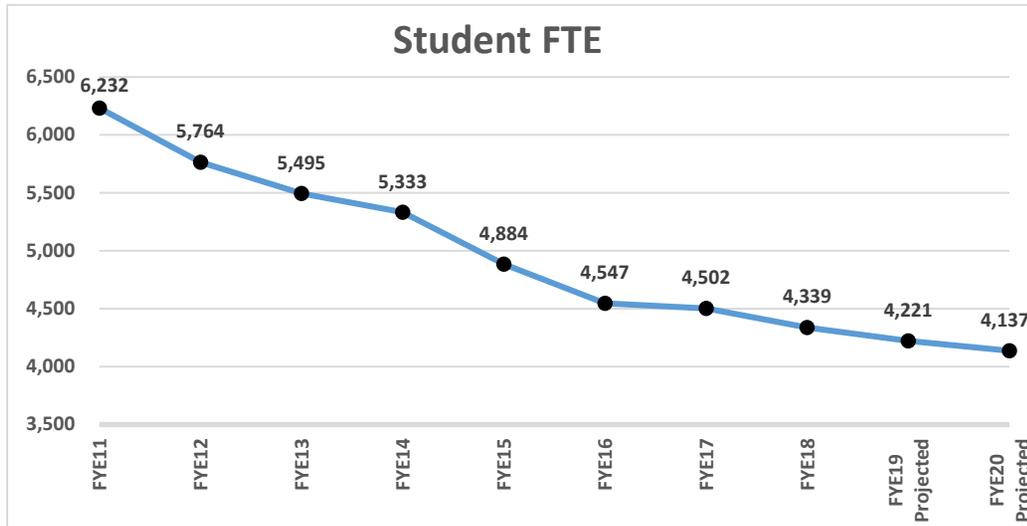
The College proactively manages its financial resources, adopting budgetary principles that address its core themes, strategic plan, revenue enhancements, and the impact of its current actions on its future financial health. Our focus throughout the budget development and planning process is to determine the optimal balance of revenue, expenditures, and program and service levels, while 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 shortfall in the second year to a manageable level, typically \$1 million. Unfortunately, the enrollment declines experienced by the College continue to negatively impact revenue, causing a significant shortfall in the second year. Additional tuition increases, budget reductions, and further reliance on reserves will be necessary to stabilize the 2020/21 budget while the College continues to focus on increasing enrollment.

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.

2019/20 Budget Assumptions

This budget is based upon a CCSF appropriation of \$590 million. The proposed budget assumes 3.2% of the overall CCSF, or \$9.6 million, will be allocated to the College. This is 3.29% increase over the College's CCSF allocation in the previous year, equating to \$305,000. The increase in allocation is due to the \$20 million increase in the CCSF appropriation.

Property taxes are projected to increase 3.5%, or \$489,000, over 2018/19 actuals.



Tuition revenue 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 2019/20. The overall change projected is an increase in tuition of \$331,000 or 2.6% when compared to 2018/19 actuals.

The beginning fund balance for 2018/19 is expected to be approximately \$5 million. 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.

The personnel services budget decreased \$114,000, or .5%, when

compared to the 2018/19 adopted budget. This decrease is a combination of contractually stipulated and negotiated salary increases, zero additional furlough days and reductions in budgeted positions.

Other personnel costs have increased approximately \$944,000, or 9.44%, representing, an increase in PERS expense and the contractual increase to health insurance.

Materials and services have decreased approximately \$2.8 million or 31.9%, representing the purchase of the ERP in 2018/19, departmental expenditure reductions and an increase for projected needs.

Transfers out decreased \$261,000 or 12.1%, representing a reduction in need and investment in other funds.

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
President

Lisa Stanton
Budget Officer/Chief Financial Officer