Rogue Community College

Budget Message **May 2021**

As we look to the coming academic year, we would like to first thank the College community for all of its efforts in this unprecedented year of change. Due to the resolve, ingenuity, and adaptability of RCC's faculty, staff and students, the College was able to sustain its instruction and core operations, while simultaneously focusing on everyone's health and safety. Your commitment to our students and college has been exceptional and the response of the campus as a whole to the COVID-19 pandemic and wildfires has been truly amazing.

Although we have adjusted to the pandemic way of life, we are still plagued with a high level of uncertainty related to our long-term financial stability. Over the past year, the College has experienced a 25% decrease in enrollment. This decrease in enrollment reduced our overall general fund revenue approximately 9.7%, or $3.8 million, and will significantly decrease our portion of the Community College State Appropriation starting in fiscal year 2021/2022. Although we experienced savings in travel, utilities, discretionary spending and open positions, it was not enough to cover the projected deficit for fiscal year 2020/21. A difficult but necessary decision was made to furlough 34 employees and lay off 13 employees during the current year, saving approximately $1 million.

In addition to the reductions, the Higher Educational Emergency Relief Funds Act (HEERF) is assisting in stabilizing our institution. The HEERF institutional funds are being used to: 1) cover the losses in tuition and fees due to COVID-19; 2) provide additional training for faculty to improve students' online learning experience; 3) reimburse for the new technology needed for virtual operations; and 4) cover the additional costs related to the pandemic. These funds do not provide long-term funding to support on-going operations, it is one-time money we are unlikely to receive again. Although some of the new costs will disappear, costs related to remote and hybrid learning opportunities and the ability to conduct student support will remain.

Over the last 10 years RCC has continually seen enrollment decreases. One of the most important ways we can stabilize our institution for the future is by helping students return and/or persist in their education. In addition to the HEERF emergency financial aid grants to students, RCC will invest a portion of the HEERF institutional funding in helping students return to college. This will be done by providing additional targeted grants to students and providing grants to students who are ineligible for federal stimulus.

As we look toward 2021/2022, we are in a better position due to the difficult decisions implemented in 2020/21 and the one-time federal stimulus dollars. With that said, we still face financial challenges due to the significant enrollment decline and the uncertainty the pandemic and the upcoming fire season will have on our community.

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 2021/22 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 2021/22 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.

After 10 years of continued enrollment declines, as well as changes in delivery modalities, RCC is rethinking its physical footprint. The downtown center in Grants Pass will be closed, the Illinois Valley center is being studied for potential changes, and the Riverside Campus in downtown Medford will be significantly downsized. Recent space utilization and facilities conditions studies informed this strategy, which will reduce building maintenance and utility costs while potentially generating revenue for the College.

Economic Environment

The economy appears to be on its way to a strong recovery. However, with the potential for new variants of the virus to worsen the pandemic, we could experience a double-dip recession. Due to the combination of increased vaccinations, large and swift federal policy responses, and a more resilient underlying economy, it is likely the overall economy will return to pre-pandemic levels by 2026.

This economic cycle is very different from past recessions. The nature of the pandemic-induced recession led the economy into a severe shutdown essentially overnight last spring. Since then nearly every economic indicator has looked better than first feared. According to the Oregon Office of Economic Analysis, Oregon has experienced little economic scarring in the form of business closures and permanent layoffs. Federal aid has kept most firms and households afloat over the past year. Despite the prediction of the strong recovery, only 54% of the recessionary job losses in Oregon have been recovered. The reality is it will take time for Oregon to fully regain all of the lost jobs.

One of the most devastating impacts of the State of Oregon's stay-at-home order in response to COVID-19 has been mass layoffs across the sales, food prep, and personal care industries. The one commonality among these hardest hit industries is an inability for many of the jobs to transition to work-from-home. In the last three recessions, middle-wage jobs experienced the largest losses, while low- and high-wage jobs fared better. However, during this recession, the low-wage jobs have been hit the hardest, with milddle-wage jobs only experiencing a moderate recession and high-wage jobs avoiding losses overall.

Despite the significant loss in jobs, total personal income in Oregon today is higher than it was prior to the onset of the pandemic. Personal savings have built up among middle- and upper-income households. Pent-up demand will drive stronger growth in the months ahead. The shift in consumer spending out of physical goods and back into labor-intensive, in-person services could result in large employment gains this year and next. The full return to in-person schooling this fall for K-12 should provide a double boost to the economy as well. The boost will be in the form of direct job increases from hiring more teachers and staff, in addition to the indirect boost from freeing parents to rejoin the labor force or increase their hours worked in greater numbers.

Typically community colleges grow during a recession. During the Great Recession, RCC experienced its highest year-over-year enrollment increases in full time equivalency (FTE). These upturns showcase a college's ability to become the community's economic engine. As mentioned, this economic cycle is very different from prior recessions; the typical influx of low- and medium wage job earners to community colleges to learn new job skills or change careers is missing. The key difference between this recession and prior recessions is the focus on remaining safe and healthy above all else. The good news is the vaccines are working and widely available in Oregon, helping to satisfy the need to feel safe and remain healthy. As this need is satisfied, focus should shift to the typical recessionary need, increased income.

Budget Development Process

The budget presented here was developed over the last year with considerable college-wide participation. 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, 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 that 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 in order to weather uncertain economic times and establishing a budget process that is transparent, allows opportunities for participation, and is tied to strategic planning. These commendations demonstrate our commitment to stewardship of public resources through responsible and thoughtful guardianship of those resources.

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.

The College has a history of strong financial management. Our strategic approach to balancing the budget affords us the ability to identify and stop issues before they become systemic problems. Budget considerations cover programs and services for both cuts and needed investments, as well as opportunities to increase revenue. Over the next year, we will undoubtedly face challenges as the COVID 19 pandemic and fire seasons continue to impact our community.

2021/2022 General Fund Budget Assumptions

Revenue Assumptions:

- State Operations are based upon the Community College Support Funding level of $673 million
- Property Taxes reflect a 3.5% increase over prior year projected
- Tuition and Fees
    1. Assumes an enrollment decrease of 0% from 2020/2021
    2. $4 per credit increase in tuition
- Transfers In – see pages 68-71 for details

Expenditure Assumptions:

- Exempt salary schedule increased by 1.4%, plus 1.6% performance adjustment for eligible employees; net reduction of 3 positions
- Full Time faculty salary schedule increased by 1.84% to statewide average, plus one step; net reduction of 4 positions
- Adjunct faculty salary schedule increased 1.84%, less reduction of 10.3% of overall adjunct budget
- Faculty Professional salary schedule increased by 1.4%, plus 1.5% performance adjustment for eligible employees
- Classified salary schedule increased by 1.4%, plus 1.85% performance adjustment for eligible employees, net reduction of 6 full-time and 4 part-time positions
- Student wages increased 2%
- Health insurance contractually stipulated increase of 6%
- PERS rate approximately 15.16%
- Fixed District costs, Departmental Materials & Services and Capital projected for General Fund
- Transfers Out – see pages 68-71 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 professionalism during this unprecedented time.

Cathy Kemper-Pelle
President

Lisa Stanton
Budget Officer/Chief Financial Officer