The Education Tsunami Meets the Education Earthquake

President’s Environmental Scan on the Budget

January 25, 2013
• We are in the midst of very fundamental changes in education in this country.
• The ground we’ve stood on for decades is shifting.
• Most of the typical paradigms that have held true in my four decades in education are changing - and some are being discarded.
• This change is happening very quickly.
The magnitude and pace of change are great in Oregon as we experience:

- Federally-driven reforms
- State-driven reforms
- Regional changes driven by State and Federal reforms

PCC is experiencing both Federal and State impacts:

- In part due to our size
- In part due to our regional impact
- In part due to the will we demonstrated to serve students in the troubled economy
Game Changers:

- From **Open Access** to **Guided Access** to **Completion**
- From **Serve All Students** to **Serve Fewer Students Better**
- From **Funding Following Students** to **Funding Following Some of Our Students**
- From **No Student Debt** to **Heavy Student Debt**
- From **Revenue Balanced** (Student and State) to **Revenue Unbalanced** (Student-heavy)
- From **Positive Job Market** to **Flat/Negative Jobs Market**
• PCC now serves over 34,000 reimbursable FTE. We are funded from the State at 26,700 FTE.

• We have 7,300 FTE for whom we receive no State funding!!

• We cannot continue this and yet meet the emerging demands for “completion.”

• We cannot continue our open access path. Enrollments must shrink.
What this means for PCC:

- We are going to have to focus our resources increasingly on completion.
- We do not have the resources to provide all of the services that all students need.
- The early 2000’s certainty of State funding for added students is gone. Period.
- We do not have enough money to continue what we’ve been doing (unless we increase tuition even further and on a sustained basis, and those numbers will be big).
Principles-shaping Objectives for the Upcoming Biennium’s Budget
- Recognize the uncertainties in State funding (Beware of “off the top” skimming.).
- Plan for a future of slowly declining enrollments (“soft landing”).
- Balance revenue increases and cost reductions.
- Invest in Southeast’s move to comprehensiveness.
- Avoid precipitating a downward spiral in enrollments.
- Share the benefits in State revenue increases (between tuition and cost reduction)
- Guardedly de-emphasize growth.
- Increase base enrollment target (and increase funding to support that).
- Raise tuition from “comparatively low” to “middle” (balanced by the magnitude of the increase).
- Fund the operating costs of new facilities.
- Avoid nickel-diming on fees.
Approach on Revenue Increase Side:

- Assume State support at $428 million (Governor’s recommended budget).
- Assume tuition increase of $6.00 in F14 and $5.00 in FY15.
- Increase selected fees that are analogous to tuition correspondingly.
Approach on Cost Reduction Side:

Three Tracks of Planning

Track 1: Compensation and Benefits cost reduction opportunities
- all employee groups

Track 2: 4% Reduction target for each executive area (campuses and divisions)
- may go up or down depending on revenue & other cost reduction

Track 3: District-wide actions and efficiencies
Emerging Conclusions:

• Increase base enrollment target to 28,000 tuition-paying credit FTE; Increase campus budgets to an extent to support this enrollment, but not to the level likely needed.

• Reduce our margin offerings to those that very clearly pay their own way and, in a way that prevents another round of enrollment growth (“for the money”) that we cannot support.

• We do not see any budget-driven program eliminations. But remember that programs can be, and are eliminated in the normal course of business.

• The number of margin sections (and part-time faculty) will be reduced.
Emerging Conclusions (cont’d):

• The number of temporary and casual employees and hours will be reduced.
• Travel expense will be reduced College-wide.
• Materials, supplies and services budgets will be reduced and not inflation-adjusted.
• Some vacant positions will not be filled.
• Very selected strategic investments will be continued on a modest scale.
2013-15 Biennium Budget Development Update
Basic Revenue Assumptions:

- State fund @ $428 million
- Property tax – modest increase, $750K per year
- Base student enrollment @ 28,000 FTE for tuition
Big Cost Increase Drivers:

• Overspending situation in current biennium due to State funding changes and PERS reserve spend down.
• PERS rate increase net of reserve buy down ~$8 million per year.

Salary adjustments: if duplicate 2013 contract adjustment for the 2013-15 biennium:

• ~$4.2 million 1st year
• ~$8.4 million 2nd year
Result in Projected Deficits:

- If tuition increases @ $3.00 each year (the usual approach):
  - FY 2013-14 $9.3 million & FY 2014-15 $11.4 million
- If tuition increases @ $6.00 and $5.00 for years 1 and 2 respectively:
  - FY 2013-14 $6.3 million & FY 2014-15 $6.3 million

Consistent with the principle of balanced revenue increases and cost reductions, we recommend the $6 and $5 approach.

Objective: To be a bit closer to the middle in tuition rate among CCs.
Three-track Approach in Cost Reduction to Balance the Budget

**Track 1:** Compensation and Benefits reduction opportunities
  – all employee groups
  - Contracts with Faculty, AP and Classified employees are subject to reopener negotiations. Negotiations start the first part of February.
  - 1% Reduction for all employee groups would be $1.5 million the 1\textsuperscript{st} year of the biennium.
  - Compounds to $3.0 million the 2\textsuperscript{nd} year.
Three-track Approach in Cost Reduction to Balance the Budget

**Track 2**: 4% Reduction Target for each executive area (campuses and divisions)
- Using the principles laid out earlier, executives are engaging with their staff to identify ideas for reduction.
- 4% in total, if achieved, is $7.2 million.
- This track will be reduced by the amount achieved by the other tracks.
Three-track Approach in Cost Reduction to Balance the Budget

**Track 3**: District-wide Actions and Efficiencies, including PEAK initiatives and BPAC ideas.

- No inflation adjustment for materials, supplies & equipment.
- Potentially coordinate schedule to close on Sundays, except Library and Public Safety.
- Utility savings through reduced escalation, sustainability practices and bond investments.
- Find different ways to deliver services.
- Review tuition waivers District-wide.
- PEAK initiatives: e-payables & 1098T e-delivery.
- Adjust ESOL fees. Last change was in 2006.
- Savings so far: 800K in 1st year, $1 million in 2nd year.
- Work to be continued in the next few months.
Legal and Financial Aid Timelines

• Financial Aid requires us to make tuition decisions at the February Board Meeting.

• Legal timeline requires us to have the Board approve the budget, despite not knowing all information required to develop the budget.
We are developing a contingency plan in case State funding comes in under $428M.

If it comes in higher than $428M, we plan to share the benefits between tuition and cost reductions. Each additional $10M in CCSF would mean $1.35M additional resources for PCC each year, or $2.7M for the biennium.
Thank you!