January 17, 2013

Board Meeting

Budget Update

Wing-Kit Chung, Vice President of Administrative Services

Jim Langstraat, Associate VP of Financial Services
Agenda

1. State Funding Level
2. PERS Reminder
3. Enrollment Target
4. Tuition Environment
5. Cost Reduction Efforts
6. 2013-15 Planning & Board Budget Calendar
7. 2013-15 Key Assumptions
8. Questions/Discussion
State Funding Level

- Governor Kitzhaber has recommended a funding level of $428 million for community colleges for the 2013-15 biennium. This is an increase from the $395 million funding level in 2011-13.
- PCC share increases from $109.7 million in 2011-13 to $120.6 million in 2013-15.
- However, the increase in state funding will not be sufficient to cover the increased PERS costs for the biennium.
- Contingency plans will be developed for a $410 million funding level.
PERS Reminder

- Booking a PERS rate increase of over 8% for the 2013-15 biennium with some relief available from our PERS Debt Service Fund.
- Governor Kitzhaber has proposals for changes to PERS to reduce costs.
- It would be premature to count on any savings from these proposed changes prior to legislative action and the proposals withstanding any potential legal challenges.
State Funding

- The Education Funding Team (EFT) recommends that in the 2013-15 biennium 30% of formula funding for community colleges be allocated on the basis of the institutions’ success at achieving outcomes.

- The recommendation also has “stop-loss” provisions to ensure that institutions do not experience dramatic changes in funding upon implementation of the new formulas.

- We don’t exactly know how this will play out in the Governor’s proposed budget comes December, but will continue to monitor.
Enrollment Target

- Budget planning is including an enrollment target of 28,000 up from the target of 22,506 in FY 2012.
- This is close to the actual credit enrollment in FY 2012.
- State funding is calculated on a capped enrollment of 26,687.
- More of the budget will be accounted for as base budget and should improve accountability.
- Enrollment will need to be monitored carefully and budget projections modified if necessary.
Tuition Environment

- Preliminary figures from our fellow community colleges indicate that they are looking at tuition rate increases between $5 and $10 dollars for next year.
- The conversations are ongoing and more information should be available in the coming weeks.
- PCC tuition rates for next year will need to be established at the February 21, 2013 Board meeting to meet financial aid packaging timelines.
Key Risk Factors

- National recession.
- State revenue forecasts.
- State funding reductions after the biennium has begun.
- Salary and benefits negotiations.
- Completion agenda and changes to the funding formula.
Projected Deficit/Fund Balance

- Depending on the outcome of tuition rate increases and salary and benefit negotiations the annual shortfall will be in the $5-$10 million range.
- Fund balance in danger of falling below the Board’s minimum target of 7%.
Expenditure Reductions

- The cabinet has been engaged in discussions on three tracks:
  1. Any compensation and benefits savings possibilities.
  2. Individual campus and divisions have been instructed to come up with plans for their areas calling for reductions of up to 4%.
  3. College-wide ideas, including recommendations from BPAC.
Key Dates

January 25-Board retreat.
February 6-Initial meeting for Reopener with Federations.
February to June-Legislative budget deliberations.
February 15-Oregon Economic and Revenue Forecast released.
February 21-Board action on tuition rates.
Key Dates

- March 7- Optional Board meeting.
- March 21- Board meets as budget committee and holds budget work session.
- April 18- Board meets as the budget committee and holds public hearing on the proposed 2013-15 budget and approves proposed property tax levies.
- May 16- Board meeting and budget update.
- May 21- Budget presentation to TSCC.
- June 20- Board adopts 2013-15 budget, makes appropriations, and approves property tax levy.
Questions/Discussion

For follow up questions after the meeting please contact:

- Wing-Kit Chung  wchung@pcc.edu  971-722-4250
- Jim Langstraat  jim.langstraat@pcc.edu  971-722-2913