



**Portland
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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.



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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



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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**



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- 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.



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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



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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.



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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



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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 1st year of the biennium.
- Compounds to \$3.0 million the 2nd year.



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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.



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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.



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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!

