Board Budget Committee:
Budget Hearing on the Proposed 2013-15 Budget
April 18, 2013

Portland Community College

Section 1
The Proposed Budget Overview

Opening remarks

- Resolution 13-088 calls for Board approval of the proposed budget and property tax levies for the two years of the 2013-15 biennium.
- On May 21, 2013 the Multnomah Tax Supervising and Conservation Commission (TSCC) is scheduled to consider and certify the budget.
- On June 20, 2013 the Board will consider the resolution to adopt the budget and authorize the property tax levy.
- The proposed budget remains unchanged from the March 21st Board meeting. It has been designed to curb deficit spending.
- Changes can be made after today when we get updated information

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Revenue Assumptions:

- The state allocation from the Community College Support Fund (CCSF) is based on the $419. million level of support recommended by the co-chairs of the Ways and Means Committee.
- This is lower than the $428 million funding level recommended by the governor due to the 2% holdback in the second year of the biennium because of uncertainty of the savings from PERS and other reforms.
- This budget does not include any potential changes resulting from PERS reform measures as passed by the state senate in SB 822.

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Revenue Assumptions:

- The budget is based on tuition increases of $6 for 2013-14 and another $5 for 2014-15.
- PCC tuition is anticipated to remain below the average of Oregon Community Colleges and will place the PCC tuition rate still in the lower half of Oregon Community Colleges.
- The General Fund property tax rate is set at $0.2828 per thousand dollars of assessed value. Property taxes will continue to see the accustomed modest growth.
- It is anticipated that State sources will contribute approximately 31% of the General Fund revenue while tuition and property taxes will contribute 54% and 15% respectively.

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Expenditure Assumptions:

Expenditure reductions to achieve a balanced budget have been planned around three tracks:

1. Limiting the growth in salary and benefit increases. Information sharing and preliminary negotiations with all employee groups is underway.

2. A reduction of 4% across all campuses and service areas targeted to achieve a $7.2 million cost reduction per year.
   1. Strategic right sizing our offerings due to the 44% growth in enrollment in last 4 years by reducing of part time sections: ~100 FTE part time faculty
   2. A total of 15.0 FTE other reductions in mostly vacant positions, with ~ 4.0 FTE impacting staff with some effective in the 2nd year of the biennium.
   3. The rest is from reduction of equipment & MSS reductions

3. Implementing District-wide actions and efficiencies. Cost reduction/revenue enhancement will be nearly $2.5 million for the biennium.

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Remaining Uncertainties:

- Final funding level for CCSF.
- Enrollment changes.
- Results of negotiations.
- PERS reform efforts, specifically SB 822
- Changes to the funding formula to meet achievement compact goals.
- Other federal or state changes/mandates.
- The soft (job-less) recovery of the economy—especially an issue due to heavy ‘income tax’ Oregon

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Section 2
SB 822 staff assessment

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SB 822

- Passed the Oregon Senate on April 11, 2013
- Now in the Oregon House. The Speaker appears to support the Bill. Likely to become law before June 30, 2013.
- It has an emergency clause—effective upon passage: July 1, 2013 (2013-15 biennium)

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SB 822, continues

- **Three (3) Primary Provisions to reduce the unfunded actuarial liabilities (UAL)**:
  - **Eliminates Non-Resident Windfall (.3% rate saving)**
  - **Stair Step COLA Reduction (2.17%)**
  - **Defer (not reduce) $350 Million (1.9%)**
  - **An estimated total of 4.37% rate relief for 2013-15; PCC would save approx. $4.5 million a year**

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SB 822, continues

- **<u>Staff assessment of the provisions</u>:**
  - **Eliminates Non-Resident Windfall will likely stay intact. 0.3% is about $300K a year saving.**
  - **Stair Step COLA Reduction: likely be challenged in court. At least 18 months expedited Supreme Court process—next biennium benefit at best, 2.17% means $2.2 million savings a year if upheld.**
    - **Staff recommends not book anything until the legal challenge is completed: upheld vs overturned**

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SB 822, continues

- <u>**Staff assessment of the provisions**</u>**:**
  - **Defer (not reduce) $350 Million: the most troublesome of the 3 provisions (1.9% is about $2 million a year)**
    - **Defer a current liability; will need to pay back with interest plus forgoing interest earned @ PERS**
    - **The savings from this are already committed to ongoing expenditures as it is needed to balance the State budget**
    - **Like refinancing a mortgage for a longer term, but already spend the monthly cash savings—Governor's and Co-Chairs' budget counted these savings, but with 2% hold back**
    - **Historically, this tactic not fruitful**
  - **Staff recommends that we reserve the savings for when the liability come due and not use for expenditures, especially not for any ongoing expenditures**

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Thank you!

Questions?

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