

Board Budget Committee:
Work Session & Budget Hearing
March 21, 2013



Section 1

Budget Development overview since February 21, 2013



Opening remarks

- ‘Uncertainty’ has always been a big part of the PCC budget development process since 1990s and as long as I have been the College President
- This year is exceptionally so because of so many moving parts:
 - soft and fragile economy recovery
 - large PERS cost increases
 - both the legislature and the governor assuming hundreds of millions of dollars being saved by PERS and corrections changes
 - Unknown cost for the completion agenda and many other factors.
- Ongoing update needed on information both from the cost and revenue perspectives.



Opening remarks, continued

- A case in point: co-chair's budget was released on 3-4-2013 since our last board meeting. Disappointment:
 - It departed from the usual higher than the Governor's proposal
 - Worse: it contained a 2% hold back for just in case many of the reforms do not stand up in court or economy turns south.
- A central fact in all this is that for the last two years we have served 7,300+ student FTE (SFTE) for whom we've received no additional state funding. We cannot continue to do this.



Recap of the principle-shaping direction

- Recognize the uncertainties on State funding (Beware of “off the top” skimming.).
 - Co-chair budget puts us at \$419 million, impact all in 2nd year of biennium, Deja’ Vu all over again.
 - College’s been conservative and this type of planning has helped the College avoid some of the financial storms other colleges have experienced:
 - For example, 2 biennia ago 428/we used 420; this biennium 410/we used 400 and now for next biennium, 428/we will use 419.
- Plan for a future of slowly declining enrollments (“soft landing”).
- Balance revenue increases and cost reductions.
- Invest in Southeast’s move to comprehensiveness
 - Adjustment made since Feb 21 to reflect update the bond build out time line



- Recap of the principle-shaping direction ,continued
- Share the benefits in State revenue increases (between tuition and cost reduction)
- Avoid precipitating a downward spiral in enrollments.
- 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.
 - Adjustment made since Feb 21 to reflect update the bond build out time line
- Avoid nickel-diming on fees.



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Other directional thoughts that I shared with the board and directed staff

- I will not support a “package” of decisions that includes both the \$6/\$5 tuition increases and “normal” compensation and benefits for faculty and staff.
- We must balance our budget—no more deficit spending going forward
- The minimum Board requirement is that the Ending Fund Balance assuredly not go below 8%
 - After subtracting out the deferred 8th payment from the next biennium to which we have no legal claim until the legislature approves the next biennium budget and it becomes law.



Future Opportunities

- I recommended the tuition increase last month reluctantly, because it goes against a strong belief I have that such increases should be pegged at reasonable inflation. I share the Board's unhappiness about that.
- When our revenue picture gets firmer later this year, and certainly with the Board's concurrence, we will look at all investment opportunities if State funding improves. A roll-back of the second year tuition increase could be one of those opportunities



Continue engaging the college's stakeholders in our budget planning process

- The College BPAC meets every first Thursday of each month to give me feedback on the budget development.
- Hosted President Budget Forums in District to share budget thoughts and progress in February & March 2013.
- Periodical budget messages to the district.
- PEAK initiatives are continuing to look into efficiency and new ideas to do things better



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Final thoughts:

- This is a difficult reality (tsunami meets earthquake) for us all, me included. But as I mentioned in my remarks at your January work session and in February Board study session, one of my most basic responsibilities is to articulate reality as I see it.
- We have, for nearly 4 years, served 40% more students with 20% less State funding. There is no quick fix on the horizon. We must we reduce our costs, unless we are willing to ask students to bear even more of the cost.



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Section 2:

Budget Development Specifics since February 21, 2013 Board meeting



Revenue sources status

- CC support fund—revise our assumption from \$428 to 419 million, a 6.0% increase instead of the original 8.4%.
 - \$2.5 million reduction in the 2nd year of the biennium
 - Completion allocation formula is still in development, nothing agreed
 - Capped funded SFTE in place, still over 7,300 reimbursement SFTE not funded
- Tuition: The board has approved the \$6 and \$5 tuition increases respectively for the 1st and 2nd years for the biennium
 - 28000 SFTE base for tuition revenue projection
- Property tax: still \$750K increase a year.



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Update on the Projected Deficits:

Deficit for FY 2013-14 \$7.1 million & FY 2014-15 \$12.2 million

	2013-15 Biennium	
	<u>FY 13-14</u>	<u>FY 14-15</u>
Feb 21, 2013 projected deficit	(\$6,246,000)	(\$6,312,000)
Updated information as they become available:		
Co-chair budget		(\$2,500,000)
Committed Title III investment to student success	(\$81,000)	(\$162,000)
Bond Build out investment with updated timing	\$718,000	(\$737,000)
Updated benefit cost from Medical cap/employee tuition Waiver	(\$1,450,000)	(\$2,500,000)
March 21, 2013 projected deficit	(\$7,059,000)	(\$12,211,000)



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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



Update on the development of these tracks:

	2013-15 Biennium	
	<u>FY 13-14</u>	<u>FY 14-15</u>
Track 1 Subject to contract negotiation		
Track 2 achieved	\$7,200,000	\$7,200,000
Track 3 achieved	\$1,016,340	\$1,481,780
Total of all Tracks	\$8,216,340	\$8,681,780

Track 1 negotiation with the federations is underway

- 1% Reduction for all employee groups would be \$1.9 million the 1st year of the biennium.
- Compounds to \$3.8 million the 2nd year.



Update on the development of these tracks (continued):

- If successful cost reduction in Track 1, we would be able to balance 2nd year budget
- Some surplus in the first year to replenish the fund balance that has been reduced over \$10 million in last two years to meet the board direction of 8% fund balance minimum
- The proposed budget that the President will present in April is taking shape and staff will continue to monitor and refine with any new info



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Key Dates for Budget Timelines

- March to June—Legislative budget deliberations.
- April 18-Board meets as the budget committee and holds public hearing on the proposed 2013-15 budget and adopts a resolution to approve the proposed budget
 - Note: Changes can be made after the approval of budget thru the adoption and later supplemental budget
 - no limit if decrease, 10% if increase.
- May 16—Next Oregon Economic and Revenue Forecast.
- May 21—TSCC to hear and certify our Approved budget
- June 20—Board to hear the certified budget and adopt the budget



Thank you!

