



January 25, 2019

Dear LBCC Faculty and Staff,

As another term gets underway, I'm inspired by LBCC's progress in manifesting our mission – how our outstanding faculty persist in helping to realize the potential of our citizens; how our talented staff demonstrate ongoing creativity in supporting student success; how our hard work in areas like Guided Pathways, Program Development, and College Readiness is leading other institutions in Oregon to strengthen their efforts; and how we continue to widen the doorway to graduation for underserved communities, first-generation students, and students of color. LBCC innovates. We respond to new needs, we support one another to best serve our community, and I am especially proud to be a part of this educational community that constantly works to deliver genuine educational opportunity for all, no matter what new challenges come our way. So, it is with this in mind that I share with you the emerging funding challenge coming to us from the State of Oregon, and the decisions we are preparing to make in order to build our own LBCC Budget within those challenges.

The bottom line is that we at LBCC will need to make approximately \$1.6 million in adjustments from our current budget models for each of the two years of the coming biennium. This is a direct result of the State of Oregon's overstretched budget, and the fact that community colleges are not currently the top priority for many of our political leaders. Admittedly, we have a long way to go before the state legislature makes its final funding decisions – and we will do everything in our power to raise the level of importance placed on community colleges by our legislators in the meantime – but we need to begin building LBCC's budget now, and we need to do so with the best information we have right now.

On Wednesday this week, I shared the details of this unfolding situation at my open employee forum. I now want to share that same information with all of you in email form. ***This is a complex message, but I want every one of us at LBCC to have full access to the details of this work, enabling all of us to be participants in our shared work ahead.***

1. What we Asked of the Oregon State Budget

The process of putting together Oregon's budget begins with each state-funded organization advocating for what they believe to be their Current Service Level (CSL) amount -- or, the funding they believe is required to simply maintain a current level of service to the public. Along with the presidents of all Oregon's 17 community colleges, I began conversations about what our CSL budget ask should be last year. Our "ask", further supported by the Higher

Education Coordinating Commission, was \$787 million. It included \$647 million in what we determined to be our CSL, plus \$70 million to expand capacity in CTE programs, and \$70 million to support critical student success programs. This compares to our current level of State funding at \$570 million, equating to a \$217 million or 38% increase.

2. What the Governor Proposed

In November, Gov. Kate Brown released her Governor's Recommended Budget and in it, she proposed two different budget scenarios:

1. A "base budget" of \$543 million for community colleges -- 4.8 percent **below** the current 2017-19 budget. If this funding level were to be approved for the next biennium, it would mean steep tuition hikes for all of the community colleges in Oregon (upwards of 17.5-percent in each of the next two years) and deep cuts in expenses.
2. An "investment budget" of \$647 million for community colleges. This matches our own calculated CSL for 2019-21 and equates to a \$77 million or 13% increase over the current level of state funding, but is predicated on the state raising \$2 billion in new revenue (i.e. new taxes).

Both of these budget scenarios are significantly lower than the \$787 million Oregon's community colleges requested.

3. What the Legislature is Now Doing

The Governor's two budget scenarios have now been delivered to the state legislature for them to consider, adopt, modify, or ignore and then develop another budget on their own. This will be an especially challenging task, both because there are many state agencies and institutions, in addition to our community colleges, that are lobbying for important funding needs (healthcare, law enforcement, K-12 education, just to name a few) and because the legislature is required to pass a balanced budget – no deficit spending like the Federal Government is allowed to do. There is simply not enough funding to meet every need and so it is apparent that our legislature will need to consider at least some form of revenue reform to increase state resources.

Despite the fact that members of one political party both serve as governor and also hold a 3/5 majority in both of our state legislature's chambers, these decisions of revenue reform and resource allocations will not be easily made. In fact, funding for community colleges is likely not to be decided until late June, and perhaps even later.

4. The Specific Challenge for LBCC's Budget

On this past Wednesday, VP Dave Henderson, Budget Director Jess Jacobs, and I presented detailed budget information and scenarios to the Board of Education and the community members of our Budget Committee, seeking their guidance on four critical decisions on which our LBCC budget will then be built:

1. The level of state support to be assumed
2. The level of ending fund balance (EFB) to be maintained
3. The extent to which any funding shortfalls might be addressed through tuition increases
4. The extent to which and funding shortfalls might be addressed through cost reductions

Here is the guidance provided to us by the Board:

1. **Level of State Support:** While the state legislature may take its time to establish community college funding levels for the next biennium, we at LBCC are required by law to pass an annual budget by June 30 -- meaning we must make many of our budgetary decisions WAY before we know our exact state budget allocation. To enable us to do this, we have had to use historic information and guidance from the Legislative Fiscal Office (LFO), to make what we believe to be a well-informed estimate of our future level of state support. The LFO has recommended to the legislature a community college funding level of \$590 million, and this is the level of funding on which we have chosen to base our own budget development. **At this level of state funding, we estimate that our current projected budgets for the two years of this next biennium are approximately \$2.1 and \$2.2 million out of balance.**
2. **Ending Fund Balance:** The LBCC Ending Fund Balance (EFB) is what the college holds in reserves to cover unexpected financial needs and avoid deficit spending. We are fortunate to have about 12.7% of annual revenue in our EFB at this moment, and our Board has given us guidance to use some of these funds to address our projected budget shortfalls while maintaining a minimum EFB of no less than 10%. This frees up about \$1.4 million (or \$688,000 per year) to put toward these budget imbalances.
3. **Tuition Rates:** After accounting for the EFB, the Board has given us guidance to resolve any remaining budget imbalances through a combination of tuition increases and cost reductions, splitting it approximately 50/50 between the two. While we had already incorporated a 4% tuition increase in our budget development models, we now anticipate needing to increase tuition by 7% in each of the two years of the next biennium. This will raise approximately \$1.3 million toward resolving our budget imbalances.
4. **Costs:** After accounting for the contributions made through EFB reductions and tuition increases, the remaining budget imbalances will need to be resolved through cost reductions of approximately \$800,000 in each year for the next two years. I want to clarify that these are NET reductions in expenses. It is quite probable that, as we continue our work to serve the success of our students, we will include certain strategic increases in expenses (investments) in our budget development even as we reduce overall expenses.

5. What Happens Now: The Timeline

The following is a general timeline of steps to building LBCC's annual budget. It will be updated with more detail as the work progresses.

January

- I have now met with College Council, Association Leadership, and our Board to make people aware of the challenges at hand. The open employee forum held earlier this week, and this message, also serve to communicate the basics of our budget challenge to our college community and begin an ongoing dialogue. Additionally, a new budget website, which will include updated posts and documents presenting our progress begins this month and will be maintained throughout the full planning cycle.
- As noted above, at our January Board meeting I received direction from our Board of Directors regarding the assumptions and guidelines we should use in building our LBCC budget.

February

- The College's Budget Team, led by VP Dave Henderson, has already begun conversations with budget managers throughout the college. Each manager has been asked to submit a proposal for making a 5% reduction in their respective areas, should they be directed to do so. Though these are hypothetical responses and should not in any way be interpreted as a move to employ "across the board" cuts, they provide the Budget Team with a starting point for collaborative conversations throughout the month of February and into March. During this time we will also be discussing the impact of tuition increases with various student populations.
- To the extent to which cost reductions include reductions in force (RIFs), these will be discussed with the Board in Executive Session at their February Board Meeting.

March

- In March we will go before the Board of Education with our tuition increase recommendation. It is important that any tuition decision be finalized this month, because the final rate needs to be established in time to be included in Financial Aid packages.

April

- To the extent that next year's budget includes compensation increases not already established by collective bargaining agreements, the Board will be presented with and asked to approve these increases at their April Board Meeting.

May

- In May, we will present our 2019-20 Recommended Budget to the LBCC Budget Committee, consisting of our seven LBCC Board members plus seven community members appointed by the Board. The Budget Committee is currently scheduled to meet two times in May, first to receive and discuss the Budget Proposal and then to approve the budget.

June

- At the June Board Meeting, the Board will be presented with the approved 2019-20 LBCC Budget for their adoption.

6. How You Can Participate and Give Input

Our best path forward is to support persistent and transparent communication, and to open multiple channels for broad college input. Beginning very soon, you can get the latest information on the college's Budget Update web page. This page will be updated with new posts and news throughout our planning process.

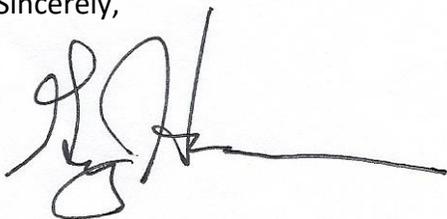
In February, the Budget Team will also lead a series of interactive budget discussions and your input will be very valuable. To share your ideas and concerns, please talk to your representative on College Council -- our college's operational body comprised of employees and students who represent all levels of the college. You can also talk with your Association Leadership, your hierarchical reporting lines, and with me personally. All of these channels will funnel ideas to the Budget Team.

Also, please remember that we are not alone. Community college campuses across the state are facing the same challenge, and together we are working with our communities to tell our legislature about the critical need for strong financial support from the state. In fact, many community members in Linn and Benton Counties have already lent their voices to write and speak passionately about the role LBCC plays in their lives, and you certainly can join the cause.

A final thought: if you had the chance to read my January President's Report, you may remember I shared thoughts about my recent trip to Africa, traveling with an LBCC class and climbing Mt. Kilimanjaro. Though I went to conquer a mountain, I was humbled to discover an even greater inspiration there in a visit to one of the largest slums in the world. It was there, where I witnessed extraordinary ingenuity despite unimaginable circumstances, that I encountered real hope. Our capacity for hope, as I saw there, is one of our greatest human assets and I ask you to join me in holding on to hope as we together work through these challenges.

I thank you in advance for choosing to work with me on stewarding the college through these times. Together, I know we will continue to accomplish great things for our students and community with the resilience and strength that characterizes our LBCC community.

Sincerely,

A handwritten signature in black ink, appearing to be the name 'Greg' with a stylized flourish extending to the right.

Greg