Chemeketa Community College

Budget Principles and Financial Environment
2020 – 2021 Fiscal Year

The college's budget principles and financial environment are reviewed each fall as the budget cycle begins. The budget principles and some of the known key factors that affect the college's resources and expenses for the 2020 – 2021 budget are as follows:

Budget Principles

Although it may affect programs and operations, our 2020 – 2021 budget will –

1. Ensure the college's strategic priorities and mission are fulfilled through the core themes of Academic Quality, Access, Community Collaborations, and Student Success

2. Consider decisions through the college values of Collaboration, Diversity, Equity, Innovation, and Stewardship

3. Maintain the following:
   a. Enrollment, progression and completion targets
   b. Staffing and facilities at sufficient levels to protect the college's infrastructure and ensure compliance with regulations and laws
   c. Sufficient fund balance to –
      i. Protect against unanticipated resource declines or cost increases that could jeopardize the future of Chemeketa
      ii. Provide the flexibility to take advantage of opportunities
      iii. Maintain a balanced operating budget to ensure the long-term fiscal health of the college

4. Invest in initiatives, strategies, programs and operations that will positively impact student completion and success.

5. Seek cost-sharing and revenue-producing opportunities that support our mission and strategic priorities such as grants, partnerships, self-support ventures and foundation assistance that may augment operations.

Financial Environment

Though the college is cognizant of, and considering the short and long term impacts of the COVID19 Pandemic, the Proposed Budget was prepared prior to this evolving crisis. Changes to our resources and expenditures, if any, may be included in the Adopted Budget or as Board-approved adjustments to the 2020-2021 budget.

Resources:

<u>State legislative appropriation</u>: The legislature appropriated $640.9 million to all community colleges for the 2019 – 2021 biennium; an approximate 12 percent increase over the previous biennium and the largest appropriation in Oregon community college history. During the 2020 short legislative session, Oregon community colleges plan to advocate for additional funding for Career & Technical Education (CTE) programs to help fund costly equipment needs.

<u>State support and distribution of resources (includes property taxes)</u>: The Higher Education Coordinating Commission (HECC) remains interested in exploring strategies for aligning state investments and goals across postsecondary education, though no changes are currently under consideration for the funding formula. Any changes made to the formula would impact the college's share of state resources.

Economic growth: The U.S. economic expansion continues with nearly all leading indicators suggesting continued growth although at a more modest pace than in previous years. Oregon's strong economy continues with state economists predicting a stable economic outlook with healthy rates of economic growth. National, state and local unemployment rates are at historically low levels. Many employers in our district continue to compete for qualified candidates leading to wage inflation and reduced hiring requirements among hard to fill positions.

Enrollment: Enrollment impacts all three of our major sources of revenue, tuition and fees, state funding and property taxes. Tuition and fees are impacted directly while state funding and property taxes are impacted through an enrollment-based funding distribution formula. The college is experiencing its ninth consecutive year of declining enrollment from the peak in 2010 – 2011 and we are below enrollment levels of the mid 1990's. For the 2019 – 2020 fiscal year, the college budgeted for a three percent decline in enrollment yet so far (through fall term 2019) we are experiencing a decline of approximately eight percent. Some of the enrollment loss has been by design as we realigned credit requirements in our CTE programs and eliminated courses offered in the high schools through our College Credit Now program. The college continues our commitment to implementing Guided Pathways as a student success initiative; which will further realign academic plans for our students and impact enrollment. Efforts to increase enrollment include a focus on evaluating enrollment management activities, developing a Strategic Enrollment Management plan, and the development and assessment of new program offerings based on workforce, partnership and community needs. These efforts have the potential to offset some of the declines we have experienced. However, the impact is not expected to be immediate, therefore we are projecting a further decline in enrollment of three percent for our 2020 – 2021 budget.

Tuition and fee revenue: During the 2018 – 2019 academic year, the college updated the Tuition, Universal Fee and Differential Fee Rate Setting Guidelines. This work resulted in increases for the 2019 – 2020 academic year per credit tuition and universal fee rates of $4 and $6 respectively. The tuition rate is now $91 per credit and the universal fee rate is now $24 per credit. These increases resulted in incremental movement of the college's annualized in-district cost per student for the year to the lower end of the identified comparator colleges. The college's intention is to align our annualized in-district tuition and fee rates to be competitive in the college's market area and with comparator colleges within three academic years. For 2019 – 2020, the college also implemented a differential fee of $5 per credit on high cost programs and courses. Changes to the tuition, universal fee and differential fee rates will be recommended to the College Board of Education at the January 2020 board meeting.

Expenses:

Employee costs typically comprise approximately 80 percent of the college's general fund expenditures, and changes in compensation and benefits directly impact our budgeting scenarios.

1. As the college strives to retain and recruit qualified employees in this competitive labor market, wage inflation continues to have significant impact on our costs. Other cost impacts will include unfunded mandates such as the Oregon minimum wage rate increases and Oregon's Pay Equity law
2. The college's two highest cost fringe benefits, Public Employee Retirement System (PERS) and health care, are also significant concerns.
   a. Net employer PERS rates for the college increased by an average of 3.1 percent of payroll for the 2019-2021 biennium. Equivalent increases are expected in the coming years. The college plans to help mitigate the additional costs through more moderate rate increases and by utilizing other designated reserves.
   b. Increased health insurance costs are currently capped by statute at approximately three percent per year through our Oregon Employee Benefit Board plans and our current employee contracts limit the impact to the college. However, any increase in costs impact our employees which continues to be a concern as part of our general compensation package.

Capital construction and deferred maintenance, such as our Agricultural Complex and our aging infrastructure, are additional significant costs for the college and we are challenged to continue to update facilities and fund construction during a period of increased construction costs.