

As required by Oregon State Budget Law, the Oregon Community College Accounting Manual and other applicable policies, we hereby present to the Oregon Coast Community College Budget Committee and the Board of Education a proposed balanced budget for the 2017-2018 fiscal year. The greatest challenges impacting the College’s fiscal planning are

- 1) Sustaining capacity increases for mission fulfillment and growth,
- 2) The pursuit of independent accreditation,
- 3) Erosion of last biennium gains in state support by unfunded cost escalators,
- 4) Enrollment lag of 2-3 years for enrollment growth initiatives
- 5) Lack of economies of scale inherent in small colleges.

The budget is a quantitative expression of the mission of Oregon Coast Community College and addresses current economic realities and future needs of the institution.

I am exceedingly pleased to present a balanced budget aligned with our mission and strategic focus on student success, growth to meet the needs of our service area, and the achievement of independent accreditation. To continue this progress in an environment of significantly constrained financial resources is a testament to the commitment, professionalism and adaptability of the faculty, staff and administration of Oregon Coast Community College.



As with OCCC budgets in the past, the 2017-18 budget has been prepared on a modified accrual basis of accounting (revenues reported when earned; expenditures reported when the liability is

incurred; taxes accounted for on a cash basis, when received). The result is that carryovers of financial obligations from year to year are precluded and projections of anticipated revenues are not inflated.

Financial Guidelines

As with the last four fiscal year's budgets, the College once again maintains a minimum 15% reserve in the ending General Fund balance. Additionally, with a clear focus on our intention to achieve independent accreditation, we include below the two of the 24 NWCCU [Accreditation Eligibility Requirements](#) that most closely address financial guidelines:

ER 18: FINANCIAL RESOURCES

The institution demonstrates financial stability with sufficient cash flow and, as appropriate, reserves to support its programs and services. Financial planning reflects available funds, realistic development of financial resources, and appropriate risk management to ensure short-term solvency and long-term financial sustainability.

ER 24: SCALE AND SUSTAINABILITY

The institution demonstrates that its operational scale (e.g., enrollment, human and financial resources and institutional infrastructure) is sufficient to fulfill its mission and achieve its core themes in the present and will be sufficient to do so in the foreseeable future.

College Strategic Goals and Priorities: Five Big Ideas

The College is meeting its mission within the strategic framework adopted in 2015: *OCCC Strategic Framework: Five Big Ideas*. This framework was used in the development of this proposed budget. Each of the "Five Big Ideas" has near-term implications for expenses and expense control, and long-term implications for growth along with greater fiscal and organizational stability. The Five Big Ideas are provided below, along with highlights of progress in each.

1. The OCCC Diploma: The College will pursue NWCCU Independent Accreditation, beginning with filing for Applicant status by 2016, achieving Candidate status by 2020, and meeting criteria for Independent Accreditation by 2022.
Progress highlights:
 - 2016 Applicant Status achieved
 - 2017 Self-Study
 - 2018 file for Candidate Status
2. Student Success, 1000 FTE by 2020¹: The College will double enrollment to meet the need for education, raise educational attainment and grow a college-going culture and narrow achievement gaps in Lincoln County. Doing so will create fiscal stability for the college. The college will take a multi-pronged approach to growth.

¹ *During the 17-18 year, College staff will assess whether "by 2020" should be extended further into the future, given 1) statewide enrollment trends and 2) reduction in the Expanded Options program, 3) typical 3-year lag time to realize FTE impact of new initiatives.*

Progress highlights:

- Continue to develop a student-centered culture and processes.
- Began Navigate Program: large scale high schools outreach and recruitment.
- Increased tutoring staff and hours.
- Increased utilization rate of North facility.
- Added CTE programs Business, CAS, and EMT II .
- Increased breadth of AAOT offerings at Newport and Lincoln City, with transfer tracks such as Business and STEM (connect with OSU MSI).
- Increased Equity and Inclusion initiatives with those underserved by OCCC.
- Proposed new Workforce Education facility for state match of \$8 million via Article 11G bonds.
- Began to address gaps created by the significant reduction of Expanded Options, through creating Dual Credit and Early College programs.
- Robust programming with LCSD to accelerate early college and increase the number of HS grads who choose OCCC.

3. Make OCCC a Great Place to Work: create a work environment and culture that manifests our values, allows people to excel at what they do best, and keeps them with us for reasons in addition to compensation.

Progress highlights:

- Sustained annual salary increases for all employee groups.
- Increased community building events and activities.
- Implemented evening “Dean of Darkness” and Security Staff during academic terms.
- Increased safety and emergency training and preparation.
- Increased avenues for employee engagement.
- Cross functional teams at Executive, Mid-level Managers, and Support Professionals.
- Increased access to professional development for all employees.
- Added staff to address workload and bandwidth.

4. Comprehensive Strategic Planning process: The College will develop comprehensive and sustained planning processes connecting planning with budget and resource allocation to reach strategic and operational goals.

Progress highlights:

- Three frameworks: Student centered culture, Big Five Ideas and NWCCU accreditation standards are cross-walked, aligned and integrated into all strategic planning and assessment, including the budget development process.
- Operational Department level planning (Facilities, Information Technology, Finance, etc.) is developing within the same three frameworks.
- Budgeting for independent accreditation and institutional assessment.

5. OCCC Will become an Agile and Flexible Organization: The College will develop the organizational structures and fiscal resources to allow us to fulfill our mission. OCCC will

respond creatively and positively to the significant changes that will occur over the five-year strategic plan period.

Progress highlights:

- Capacity to pursue and receive mission aligned grant funding has increased.
- Shortened start-up times for new programs and initiatives.
- The College increasingly responding proactively and creatively to environmental changes and opportunities.
- Continued commitment to budgeting for strategic opportunities and new program development.

Enrollment Trends

OCCC experienced its highest enrollment in 2013-14 at 548 FTE (full time equivalent students). After several years of increasing enrollments 2014-15 brought a significant decline with enrollment dropping to 462 FTE a 20% decline. Enrollment since has seen only modest increases. Efforts to increase enrollment have been successful, but are to a large extent masked due to certain downward pressures on enrollment:

Statewide enrollment declines

From the high-water enrollment mark in 2010-11 to 2015-2016, Oregon Community Colleges cumulatively saw enrollment drop by approximately 20%. The enrollment slump can be attributed to several factors including an improving economy and lower unemployment rates, with fewer Oregonians pursuing education and job training. Low state support over time for higher education has also resulted in higher direct costs to students, decreasing affordability, and likely causing some potential students to forgo higher education.

Significant reduction in the Expanded Options Program with Lincoln County School District.

By 2014-15, the enrollments of LCSD students accounted for about 10% of total OCCC enrollment (40-50 FTE per year). Late in 14-15, LCSD administration reduced the EO program by approximately 90%. These reductions continue to impact our enrollments, but are starting to be addressed by new programs offered to LCSD such as Dual Credit and Early College.

Students spending less time in developmental courses

Through a variety of College enhancements in assessment, placement, and acceleration students are moving much more quickly into college level courses. This positive change for students has meant FTE associated with developmental courses has been in a steady decline.

Atypical loss of second year students in Nursing Program in 2016-2017

Each Nursing student represents approximately one full FTE. For a variety of personal reasons, 5 of 24 second year students stopped out of the program. This is a very unusual event not expected to continue into the next year.

Looking ahead at enrollment:

The 2017-2018 budget is developed based on projected 475 FTE, a modest increase over the projected ending FTE for the current year of 465 FTE. There are several variables within the 17-18 projection, some providing upward movement, and some downward. Looking beyond 17-18, we anticipate enrollment will continue an upwards trajectory as strategies associated with *Strategic Plan, Five Big Ideas #2 Student Success, 1000 FTE by 2020* are implemented.

There is an inherent lag time in new program development and a corresponding growth in enrollment. For example, the Navigate Program, which provides outreach and advising to students while still in high school, has served over 1000 LCSD students across grade levels since January 2017. It will be several years before we will be able to assess the full impact of this program. New CTE programs, such as recently added Business, typically take about three years to reach sustained enrollment levels.

Alignment of Resources with Mission over Time

Although OCCC develops and adopts an annual budget it is wise to consider college financial resources and budget development in a multi-year framework. This perspective better aligns financial planning with strategic planning and increases our ability to respond to changes in our environment. The College has faced and weathered many challenges in the past 10 years, which have impacted our students, our capacity to fulfill mission, and our employee’s quality of work life balance and economic stability. As the history below shows, OCCC is now on a strong positive trajectory despite the many challenges.

| Time frame by biennium | State funding for CC | Oregon CC Enrollments (in FTE) | OCCC | Impacts |
|------------------------|----------------------|--------------------------------|--|---|
| 07-09 | 48% | 100K | New campuses completed, focus on move related transitions | Very positive time |
| 09-11 | 31% | 119K | Aquarium Science Program expands in new facility | Tuition increase (+ 5 to \$99 per credit) |
| 11-13 | 29% | 112K | Attempt to maintain status quo under diminishing resources Presidential Transitions and interim leadership | Cut staffing at all levels, support, supervisory levels, executive. Pay frozen since 2009, furlough days for management. |
| 13-15 | 37% | 97K | BOE adopted 15% Reserve & Independent Accreditation Goal Mission Vision adopted MOU with PCC as contracting college for accreditation. | Emerging stabilization, transitional organization structures |

| Time frame by biennium | State funding for CC | Oregon CC Enrollments (in FTE) | OCCC | Impacts |
|------------------------|----------------------|--------------------------------|--|--|
| | | | New President | |
| 15-17 | 41% | 90K | Big 5 Ideas Strategic Framework Achieve Applicant Status with NWCCU | Organizational restructure Process improvements and efficiencies Student fee increase Capacity building |
| 17-19 | 38.5% | 90k projected | Fully staffed High capacity | Increasing progress on Big Five Framework, and Mission Fulfillment |

State and Federal Fiscal Impacts on Community Colleges

Community College Support Fund: The restorations made in the 13-15 and 15-17 biennia are seeing some slight erosion. While the state budget is not final at the time, the projected amount of the CCSF for the 17-19 biennium is \$556 million, which is essentially flat from the prior biennium. Considering many cost escalators outside of our control, this funding level represents an approximate 2.5% drop in state funding.

Changes in CCSF Distribution Formula:

- Performance Based Funding discussions at the HECC level on revision of the CCSF allocation model to include outcomes in addition to enrollment have been put on hold. Changes envisioned in 15-16 have not come to fruition. We will continue to monitor any performance based funding discussions at the state level, as there are potentially significant impacts on OCCC's revenue, depending upon how such a system would be implemented.
- Growth CAP rule change approved - After recommendation by OPC and approval by HECC at their April meeting, OAR 589-002-0120 has been changed so that "Beginning with the 2017-19 biennium, the Growth Management Component shall only apply to reimbursable FTE at or above 1101." For OCCC, this means that growth realized in the Five Big Ideas framework will receive state funding (subject to the allocation 3 year rolling formula). This is a significant change for OCCC, as previously there was an approximate 5% growth cap in place. There have been several times in OCCC's history where unfunded enrollment growth occurred. OCCC chaired the OPC committee which brought about this change, with positive impacts for OCCC, TBCC and CGCC.

Cost Escalators

- PERS
- Paid sick leave

- Minimum wage increases
- Healthcare
- Oregon Promise rollup
- FSLA
- Cleary Act

Balancing the 2017-2018 Budget and Building Capacity

The total appropriation for the *PROPOSED* 2017-2018 budget is \$9,493,693. This budget creates capacity for the future and is balanced via the following strategies:

1. Building in cost escalations for 17-18
 - a. Annual salary increases (projected).
 - b. PERS and other benefit increases (projected).
2. The General Fund structural gap (difference between projected revenue and expenses) is at \$261,756. (15-16: \$350,000; 16-17: \$200,000).
3. The College internal contingency account (approximate balance of \$255,000).
4. College is close to 100% staffed, and all current positions including vacancies are carried forth in the budget. Capacity for mission fulfillment is the strongest in a decade.
5. Funding of strategic initiatives includes accreditation, new program development to increase FTE, and sustains system improvements for students and to meet accreditation requirements
6. Multi-year strategies addressing the revenue/expense gaps described in #2.
 - a. Revenue Strategies include modest FTE and other non-traditional (entrepreneurial) revenue generating programs.
 - b. While there is no tuition or fee increase in 17-18, given flat state or declining state resources, and cost escalators, there must be consideration of increases in future years to reduce or eliminate the structural gap in the General Fund.
 - c. Cost Strategies will continue to align and optimize financial resources through appropriate staffing levels, expenditures, operating expenses and program development commensurate with a current size of 500 FTE and a trajectory to reach 1000 FTE over the next 5 years.
 - d. Continue the strategy of building ending year balances wherever possible above to continue in the following year filling the diminishing structural gap and continue strategic investments
7. Continue to increase strategic and institutional alignment between the College and the OCCC Foundation and explore opportunities for the Foundation to support Accreditation and Program development efforts, in addition to the current focus on scholarships.
8. Vigorously pursue new grant opportunities aligned with Big Five Strategic Framework, Accreditation efforts, new program development, and community-building collaborations.

In Closing

The budget presented here was developed through college participation especially in the areas of program growth, organizational review and redesign, and strategic planning. The budget addresses

the current economic realities and needs of the institution, and builds for the future. As noted in the introduction of this budget message, there are significant challenges impacting the College's strategic and fiscal planning, including stagnant or declining state support, our small college size, independent accreditation, and potentially a few years before growth strategies are realized. These are no small challenges.

In the face of these challenges, the College has proactively managed its financial resources through strategic planning, organizational redesign, and budgetary principles to reach mission fulfillment. Such a sustained approach will year over year improve our results in our Mission Core Themes of Student Success, Educational Pathways, Responsiveness to Community and Enriching the Economic and Civic Vitality of Lincoln County.

Given the reality faced by the College of little to no additional resources in the short run, our growth in capacity comes from changing the way we approach our work and alternative use of existing resources. Recognition of the College's strategic vision and fiscal circumstances by faculty, staff, students and the public has been critical and is greatly appreciated. This document presents a balanced proposed budget for approval by the Budget Committee and the Board of Education, as required by Oregon State Budget Law.

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