



**President's Budget Message  
May 8, 2019**

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 2019-2020 fiscal year. The greatest challenges impacting the College's fiscal planning for the 19-21 biennium are:

- 1) Stagnant or declining state support
- 2) Infrastructure costs associated with accreditation and independence,
- 3) Maintaining competitive employee compensation, and large increases in PERS rates
- 4) Funding the acquisition of, and migration to, a new Enterprise Resource Planning (ERP) System.
- 5) Enrollment lag for enrollment growth initiatives
- 6) 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 pleased to present a balanced budget aligned with our mission and strategic focus on student success, growth in high quality educational pathways 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 2019-20 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 and Compliance**

While current Board policy has established a minimum contingency reserve in the General Fund of 10% of budgeted expenditures, the 19-20 budget is maintaining a reserve of 12.5% of budgeted expenditures. This approach preserves available resources for the 20-21 fiscal year, during which continued transitional expenditures related to independence will occur. The contingency reserve is now calculated as a percentage of budgeted expenditures, rather than budget revenue, as it yields a higher and more conservative reserve amount.

Additionally, with a clear focus on our intention to achieve independent accreditation, we are guided by 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.*

### **Mission Driven Budget**

The 2019-2020 Budget is designed to fulfill the mission of the College, and to advance strategic priorities. Mission fulfillment is framed in the two core themes of the College, Student Success and Educational Pathways. Strategic priorities are identified within the Five Big Ideas Strategic Framework. Following are examples of investments in the core themes.

Core Theme: Student Success: *OCCC will improve post-secondary educational attainment across Lincoln County and close achievement gaps for underserved populations in our community.*

- Pathways to Opportunity (STEP/SNAP): Low-income students (current and potential) consistently identify costs of living as a significant barrier to access and completion. With this budget, OCCC joins the statewide effort to position community colleges to better support low income students' college completion and transition into careers offering economic mobility. Through a community of practice, OCCC's team (including a new position, .75 FTE

STEP Coach) will work to increase understanding of the federal, state, and local policies and programs that can assist Lincoln County low income students. The STEP Coach will deliver services directly to students (and potential students) and assist them in the access of benefits such as SNAP. The position is partially funded via a state grant, and College expenditures will generate a federal “match” in the following year.

- Implementation of Campus Nexus, and elimination of the current computing infrastructure, SharkNet, which is out of date and insufficient: The Campus Nexus platform (an ERP) provides fundamental infrastructure for student success, as it maintains student records and enables us to track student progress. Since 2016, we have anticipated and planned for the implementation of a new ERP. The cost of an ERP is significant. Through careful planning, setting aside funds over past years, working with other colleges, and prudent negotiation, we secured a new ERP that is within our means and will vastly improve our capacity to serve students, and to have access to real-time data related to student success. Implementation began in 18-19 and will continue into 19-20.

Core Theme: Educational Pathways *OCCC will offer rigorous and engaging academic programs and educational options comprised of clear pathways to transfer, employment and self-development that enrich individual lives and promote the economic and civic vitality of Lincoln County and beyond.*

- Through regional and community engagement, the Maritime Sector has consistently emerged as an underserved area of workforce development, particularly in the area of Maritime Construction (Boat Building) in Lincoln County. Creating a full Maritime Construction program requires significant investment outside the reach of current resources, and College staff is continuing to explore large scale grants and industry partnerships to serve this long-term goal. In the near run, the College has partnered with Port of Toledo, Lincoln County School District and our local Workforce Investment Board to start a small-scale program in Maritime Welding. The first students will enroll in Fall 2019.
- STEM Pathways: Nationally, the rate at which first year community college students are retained into their second year is around 50%. At OCCC our “Fall to Fall” retention rates are closer to 33%. As OCCC is a small institution, our course offerings have been limited. Many students, particularly in STEM (Science, Technology, Engineering and Mathematics), have needed to transfer after the first year (or earlier) in order to get courses they require for their intended majors, and early transfer, particularly for low-income students, increases their likelihood of dropping out or incurring unmanageable student debt. Three years ago, the College committed to growing opportunities for STEM students by offering Differential and Integral Calculus – which form the baseline math requirements for many STEM fields. This year, the College will further expand the STEM pathway by offering the full year of the 200-level biology sequence for Science majors, as well as offering a course in Preparatory Chemistry.
- North County Access: Historically, residents from the northern portion of the County have consistently attended OCCC at lower rates, and those students who do attend have lower year-over-year retention rates than other OCCC students. Over the last several years, our budgets have focused on narrowing the accessibility and retention gaps in North County. The

College now has regularly scheduled hours at the North Center for the reference Librarian, math tutoring, and advising. We will continue that work by increasing the number of on-ground and live-streamed courses in Lincoln City, as well as expanding our distance education offerings countywide. It is now possible to complete an AAOT without traveling to the Central Campus in Newport, and less time commuting means our students have more time to devote to studies, family, and work – which leads to improved retention and completion

### **Five Big Ideas Strategic Framework**

Each of the “Five Big Ideas” has near-term implications for expenses and expense control, and long-term implications for growth along with 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
- 2018 Candidate Status achieved
- 2019: NWCCU Peer Evaluation for Initial Accreditation, Commission Hearing January 2020

2. Student Success: 1000 by 2025<sup>1</sup> 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 strengthen fiscal stability for the College. The College will take a multi-pronged approach to growth.

#### Progress highlights:

- New educational pathways underway in Business, Teaching, Early Childhood Education.
- Two programs (Navigate, Matriculation) to facilitate the direct admission of LCSD seniors to OCCC the following Fall.
- Expanded Dual Credit access at high schools and increased Early College enrollment (in response to EO termination).
- Completed MOU with TBCC to support a cohort of Tillamook County Nursing Students

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.

- Sustained annual salary increases for all employee groups.
- Institutionalized “Dean of Darkness” and Security Staff during academic terms.
- Institutionalized safety and emergency training and preparation activities for all staff.
- Increased participation in professional development for all employees.
- Restructured health insurance offerings to decrease out-of-pocket costs for staff.

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<sup>1</sup> During the 17-18-year, College staff modified the prior “by 2020” goal to “by 2025,” given 1) statewide enrollment trends and 2) lagging impacts of 90% reduction in the Expanded Options program, 3) typical 3-5-year lag time to realize FTE impact of new initiatives.

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:

1. Planning documents and processes now in place for core themes, assessment of learning, enrollment, budget, facilities, technology and emergency response.
2. Continue to update comprehensive Educational Services Migration Plan for the decoupling from PCC and the assumption of responsibility for Federal Financial Aid.
3. Continued planning for implementation of Campus Nexus.
4. Created an internal Budget Advisory Committee as part of the budget development process.

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 eight-year strategic plan period.

Progress highlights:

- Staffing structure is mature, policies and procedures in place to make time spent more efficient.
- The College is responding proactively and creatively to environmental changes and opportunities.
- Shared governance structures are maturing and provide for robust engagement of students, faculty and staff in college work and initiatives
- Continued commitment to budgeting for strategic opportunities and new programs.
- Capacity built over the past five years is enabling the College to simultaneously prepare for independence with NWCCU, develop infrastructure to take ownership of Financial Aid, Academic Processes (functions previously contracted through Portland Community College), migrate to a new ERP system, apply for a Title III grant, all while maintaining focus on core themes of student success and educational pathways.

### **Revenue**

There are two major components of community college revenue: the Oregon Community College Support Fund (CCSF) and local tuition and fees. Both are dependent upon enrollment levels. Consequently, the tracking and projection of revenue is highly dependent upon enrollment trends and projections. The 2019-2020 budget is developed based on a projected \$610 million CCSF for the 19-21 biennium, and 460 FTE enrollment at OCCC. Growth in enrollment in 18-19 was difficult to sustain against a statewide drop in enrollment, the lingering effects of the elimination of the Expanded Options program with LCSD, the hiatus of the Leadership Lincoln program, and decline in enrollment in developmental education.

OCCC Full Time Equivalent Student Enrollment

	<b>2014-15</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-19 Projected</b>
Total FTE	462	483	474	495	485
Reimbursable FTE	456	460	455	474	460
All Oregon CCs	102,540	95,919	93,018	90,387	

Statewide enrollment declines: From 2014-2015 year to 2017-2018, Oregon Community Colleges total enrollments have declined by approximately 12%. Meanwhile, OCCC has sustained a modest enrollment increase since 2014-2015. The statewide enrollment decline can be attributed to several factors including an improving economy and lower unemployment rates, with fewer Oregonians pursuing education and job training. State support over time for higher education has not kept pace with increased costs, resulting in higher direct costs to students, decreasing affordability, and likely causing some potential students to forgo higher education.

**Tuition**

For a second year in a row, the OCCC Board of Education approved a tuition increase: \$6 per credit for 18-19, and now \$10 per credit beginning Summer 2019. The last prior tuition increase was in 2011, and there has been a pressing need to adjust tuition to address the impact of cost escalators over the intervening years. Significant cost escalators include salary and benefits (especially PERS), staffing and infrastructure to support independence, implementation of the new ERP, and increased costs for information technology. OCCC has strived to offset rising tuition costs for students through a variety of supports including special waivers for high school students, scholarships, and reduced cost textbooks where possible. Next year the College will be involved in the Pathways to Opportunity Program, which seeks to help low-income students access resources such as SNAP.

**Balancing the 2019-2020 Budget and Building Capacity**

The total appropriation for the *PROPOSED* 2019-2020 budget is **\$11,643,865**. This budget creates capacity for the future and is balanced via the following strategies:

1. Building in cost escalations for 19-20
  - a. Annual salary increases (projected).
  - b. PERS and other benefit increases (projected). The PERS increase over 18-19 was \$182,133.
2. The General Fund structural gap (difference between projected revenue and expenses) is now at \$540,632, \$264,000 of which are non-recurring expenses after 2021 (Prior structural gaps (rounded): 15-16: \$343,000//16-17: \$414,000//17-18: \$334,000//18-19: \$300,000).
3. College is 100% staffed, all current positions including vacancies are carried forth in the budget, along with minor staffing increases to support core themes and independence.
4. Funding of strategic initiatives includes accreditation, new program development to increase FTE, and continued system improvements for students and to meet accreditation requirements
5. Multi-year strategies addressing the revenue/expense gaps described above:

- a. Cost containment strategies 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 targeted to reach 1000 FTE over the next 7 years.
  - b. Careful alignment of enrollment, tuition and CCSF levels, with adjustments to tuition as necessary.
  - c. Board review of reserve policy to buffer the transition expenses of independence.
  - d. Continue the strategy of building ending-year fund balances wherever possible.
  - e. Additional revenue strategies include modest FTE and other non-traditional (entrepreneurial) revenue generating programs, and sale of unused real estate.
6. 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.
  7. Vigorously pursue new grant opportunities aligned with the Core Themes and the Big Five Strategic Framework.

### **In Closing**

The budget was developed through college participation via departmental input, staff and student forums, a newly formed internal Budget Advisory Committee, and careful review by the executive team. 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, significant challenges impact the College's strategic and fiscal planning in the 19-21 biennium which will see significant one-time expenditures related to acquiring independence and replacing the ERP system. Additionally, the College must address the ongoing challenges of stagnant or declining state support, our small college size, providing competitive compensation, and a time-lag before growth strategies are realized. The escalation in PERS liabilities are significant and unpredictable as well. These are no small challenges.

In the face of these challenges, the College has proactively managed its financial resources to fulfill our mission and strategic plan. Our sustained approach is yielding meaningful results, with NWCCU consideration of independence occurring in 2020, and ongoing improvement in outcomes for our Core Themes of Student Success and Educational Pathways.

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 essential 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.

*Birgitte Ryslinge*

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Oregon Coast Community College