



May 9, 2020

Dear Friends and Members of Our LBCC Community:

When I announced my June 30, 2020 retirement, I envisioned my last remaining months at LBCC as being full of mostly good reminiscences about the decade past and visions for how LBCC will most certainly continue to serve our great Mission for decades to come. And why not? Eleven months ago, our college was experiencing mostly stable enrollment and stable funding with healthy reserves, serving as a very solid foundation on which to build expansive ideas for a very bright future. During my ten years with you, we have shared many accomplishments, successfully weathered numerous challenges, and through it all I have been inspired by your passion for our shared work and your dedication to the students we serve. Because of this I am quite confident that, in the long run, that bright future is still ours to have, but in the short run..... well, things have changed quite a bit for the short run.

Today I have important information I want to share with you regarding our LBCC budget for 2020-21. This information is difficult to share and equally difficult to hear, but I want all of us to fully be aware of our challenges ahead as we together chart our path forward.

LBCC is no stranger to budgeting during uncertain times, but the 2020-21 fiscal year brings an unprecedented level of challenges, both known and unknown. The Coronavirus pandemic and our statewide response have forced us -- almost instantaneously -- to adopt distance delivery as our primary operational and instructional delivery mechanism, and we at LBCC have done an amazing job of making this transition. But these conditions have also had a tremendously damaging impact on state revenue projections, our student enrollment, and the tuition revenue we derive from that enrollment.

At the time of this writing:

- State Revenues are projected to be down by \$3 billion in this current biennium and may be down as much as \$8 billion in the next biennium.
- LBCC reimbursable FTE Enrollment for Spring Term is down by 7.5% from last Spring, almost all of that decline in CTE programs.
- Tuition Revenue for the current year is down by approximately \$1.4 million from what we budgeted.

While the exact net impact of these downturns on LBCC has been and remains somewhat hard to pin down, the requirement that we approve and adopt an LBCC 2020-21 Budget by no later than June 30th is not unclear, nor is it unclear these new realities will have a significant and negative impact on LBCC's funding for next year, and beyond. The following table is our most current estimate of these impacts, which we are now incorporating into the Proposed 2020-21 LBCC Budget. I want to share this with you together with some explanation, focusing on the items highlighted in Orange.

	2019-21 Biennium		2021-23 Biennium		Variables	2020-21	2021-22	2022-23
	2019-20	2020-21	2021-22	2022-23				
					REVENUE			
State Aid	23,465,668	19,476,504	20,884,445	20,884,445	State Aid	-17.00%	-11.00%	0.00%
Property Tax	8,976,772	9,380,727	9,802,859	10,243,988	Property Tax	4.50%	4.50%	4.50%
Tuition	20,312,096	21,349,029	23,486,621	25,838,876	IS Tuition	10.00%	8.00%	8.00%
Other Revenue	912,280	863,578	769,093	808,957	Int'l Tuition	10.00%	8.00%	8.00%
Revenue	\$ 53,666,816	\$ 51,069,838	\$ 54,943,018	\$ 57,776,265	IS Enrollment	-4.45%	2.00%	2.00%
Personnel Costs	46,497,647	47,599,474	47,328,348	47,580,558	Int'l Enrollment	-4.45%	0.00%	0.00%
Materials/Services	6,087,410	6,087,410	6,209,158	6,333,341	EXPENSES			
Performance Packages	-	296,807	20,000	255,000	PT Faculty	2.30%	2.50%	2.50%
Capital Proj Oper Costs	-	-	294,727	-	Faculty	2.30%	2.50%	2.50%
Strategic Investments	-	200,000	200,000	400,000	Management	2.30%	2.50%	2.50%
Cost Reductions	-	(2,924,496)	(1,266,639)	(58,546)	Classified	2.30%	2.50%	2.50%
Transfers Out	1,836,468	1,875,768	1,875,768	1,875,768	PERS	0.00%	29.70%	0.00%
Expenses	\$ 54,421,525	\$ 53,134,963	\$ 54,661,363	\$ 56,386,122	Health Insur	3.00%	3.00%	3.00%
Annual Budget Balance	\$ (754,709)	\$ (2,065,125)	\$ 281,656	\$ 1,390,144	M&S	0.00%	2.00%	2.00%
End Fund Balance	\$ 6,029,230	\$ 3,964,105	\$ 4,245,761	\$ 5,635,904				
Target Fund Balance	\$ 5,366,682	\$ 5,106,984	\$ 5,494,302	\$ 5,777,627				
Over/Under Target	\$ 662,548	\$ (1,142,879)	\$ (1,248,541)	\$ (141,722)				

Student Enrollment, 2020-21

While current enrollment is down by 7.5%, it's hard to know how to project that enrollment decline into next year for, a couple of reasons. First, downward pressure on our estimate of future enrollment is based on a multiple-year trend line heading slightly downward, together with concerns that this whole experience with COVID-19 and social and economic shutdowns might extend well into this next year. On the other hand, pressing our estimate upward is our historical experience that high unemployment tends to translate into higher enrollment, and we can combine this with our hope that we will be permitted to reestablish some fact-to-face instruction in those CTE areas that require hands-on instruction. With all of this in mind, the 4.45% projected loss in enrollment for 2020-21 is our best attempt at calculating the combined effect of these two opposing forces. Note that we also project a slow but steady enrollment recovery in the years following.

State Aid, 2020-21 and 2021-22

Our state leaders have suggested that we should expect something close to a 17% decrease in state support for our community colleges in 2020-21, with a slightly less (but still substantial) decrease in the next biennium. It is still possible that the actual reductions will differ a bit from the percentages here, but there is little doubt that we will face significantly reduced state funding this next year, and beyond, and need to plan accordingly, as State Aid accounts for almost 40% of our total revenue.

What this means for LBCC, and for our Students

Only a couple of months ago, a \$4 million mid-biennium reduction in State Aid for LBCC would have seemed unimaginable and was certainly unforeseen, but this is the new reality for which we must now plan. In the absence of making some significant adjustments, our 2020-21 Budget would be seriously out of balance at best and, by the end of 2021-22, we would likely deplete all of our reserves and put the college into a perilous financial position. Because of this, we have been developing a number of scenarios that combine revenue/tuition increases with expense/personnel decreases and a measured use of reserves (aka: Ending Fund Balance), in order to bring the college back into a positive financial position by the end of 2021-22, and have incorporated our best recommendation into this table, as well as the Proposed 2020-21 LBCC Budget. As proposed for this next year, 2020-21, the anticipated \$4 million reduction in State Aid and loss in Tuition revenue due to decreased enrollment is to be offset by a 10% increase in tuition (net increase, not in addition to the 4.25% increase already approved), a utilization of \$2 million in reserves, and a \$3 million reduction in expenditures, mostly through as of yet not determined personnel reductions (Note that Personnel Costs remain relatively constant despite these proposed reductions due to large increases in PERS costs).

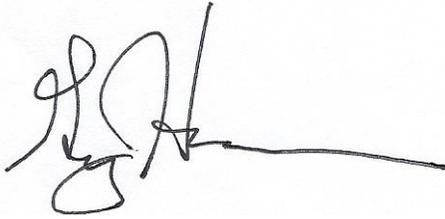
I want all of us to be aware that the revenue assumptions and proposed expenditure changes presented here represent a significant departure from the budget parameters we originally discussed and the Board agreed upon at their January Board meeting. A lot has changed since then and so, as we present our Proposed 2020-21 LBCC Budget to the LBCC Board of Trustees and Budget Committee as part of our May meetings, the discussions we have and the decisions we make will require concentrated consideration of this new information and deliberation as to our best response. We never imagined we would find LBCC in this position, but COVID-19 has called us all to respond to a new reality.

This is tremendously difficult yet critically important information for all of us, and the decisions we now need to make will be even more difficult yet critical if we are once again to weather some very significant challenges ahead. Difficult as it is, this is some of the most important work we do, as it is in these decisions that we will preserve that solid foundation on which to build expansive ideas for a very bright future.

I believe in that future, will do everything in my power to help make it as bright as possible for us and for our students, and I am grateful for this LBCC community that believes and will work with me now even as I have been blessed to work with you this past decade.

Remember our Mission: “To engage in an education that enables all of us to participate in, contribute to, and benefit from the cultural richness and economic vitality of our communities.” Even or perhaps especially through these challenging times, it is our shared privilege to pursue such a noble purpose.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. Williams', with a long horizontal line extending to the right.

“Everything that is tearing us down today will become a memory, and this memory will be shared as an anecdote or a story or a poem or a play or a warning. It will be shared with another human being, who will then understand that he is not alone in his sadness. This is why we show up for others and tell our tales and listen to others. The great congregation meets daily, and you are someone’s angel today.”

— Tennessee Williams