The New Decade Challenge

Two developments in 2004 have combined to help frame the financial challenges the College faces over the decade to come. The first, and most positive, was the passage of Issue 59 updating the University Partnership Program levy and establishing the level of local support that can be expected through at least 2010. Secondly, the Governor’s Commission on Higher Education and the Economy (CHEE) published its report which delineates the probable direction of state funding over the next decade. It is apparent that State funding which represents 43% of Lorain County Community College’s operating budget is precarious. In fact, the CHEE Report proposes, as the most optimistic scenario, a new covenant between higher education and the General Assembly wherein the latter might be convinced to provide a modest increase in new funding annually if higher education committed to reducing the per student cost of education. The example used in the Report was that the General Assembly might provide 3% more funding per year over the decade if higher education committed to lowering the cost per student by 2% per year, thereby making available a net 5% increase to serve more students while managing inflation.

The College has three basic sources of revenue: local levies; tuition and fees; and state support. The underlying question of the New Decade Challenge is this: How can we sustain the goal of infusing increases of 4% per year into salary schedules over the ensuing decade? What we know is as follows:

1. Local support will increase at a rate of 3% per year over the decade because we have created a levy leveling reserve to assure a linear progression over the life of the levy (10 years).
2. Tuition and fees will need to be increased at a rate which addresses inflation, takes into account the level of State support and considers the price sensitivity of the populations served by the College. At a minimum, tuition and fees will need to increase to continue providing at least the 38% of the operating budget currently generated.
3. State support (currently 43% of the operating budget) is expected to increase only slightly for the next several biennia, primarily due to a weak state economy, escalating Medicaid costs and the low priority higher education is experiencing in the State budget. (See Figure I.)

Without reliable increases in state support, all we have are increases of 3% on the local levy support and tuition increases, within the state tuition caps, probably 4-5%. The net impact is around a 2% increase when spread across the whole budget each year. Obviously, a 2% increase in revenue will not support a 4% infusion into salary schedules for long.

In addition to precarious State funding, health care costs have skyrocketed during the last two years, with a destabilizing effect on the fundamental composition of the budget. Since the JSBC utilizes a scorecard to record all changes to compensation related
expenses in the budget, accommodating 20-40% increase in health care costs is as challenging as the shortfall in state support.

The New Decade Challenge, therefore, is for the College to develop a combination of strategies for increasing other revenues or for lowering costs equal to approximately 2% per year of the operating budget which will create the equivalent of a 3-4% increase in State support or for some combination of both increasing revenue and lowering cost. Hopefully, before the end of the New Decade Challenge, the State financial commitment to higher education will increase and these assumptions can be readdressed. In the meantime, we must pursue the New Decade Challenge guided by the following set of assumptions delineated by the Joint Salary and Benefits Committee:

- Revenue enhancements will be sought through the new Grants Office to identify funding which can offset expenditures we were budgeted to make, thereby freeing up existing resources to be redirected. While most grants are not continuous, the goal will be to garner a level of replacement grants so as to provide a consistent level of resources which may be redirected. Approximately 70% of the Grants Office time will focus on this goal.

- Innovative strategies will be pursued which are designed to achieve the dual goals of increasing the results achieved through programs and services while reducing the costs per student or other units of measuring service. Research based approaches will be attempted to improve student learning and/or service delivery with a measurable reduction in per student or unit cost. Within this milieu, increasing quality will be the hallmark of creative efforts which reduce costs.

- We prefer to creatively grow our way out of the current financial challenges embodied in this New Decade Challenge.

- Retirement incentives, attrition and retraining will be used to minimize the impact of potential changes in employment.

- Workloads will undoubtedly continue at high levels even though the nature of the work will change.

- Program Review processes will continue to be used to identify programs which no longer meet a sufficient demand to warrant the expenditure of resources and therefore should be considered for deletion, reconfiguration or reductions.

The College will be guided by these assumptions of the New Decade Challenge in its budgeting processes for the decade to come. Each year results will be monitored to assure that from a combination of revenue enhancements and self-generated savings, the College can continue to infuse a 4% investment into the people resources that enable the College to fulfill its mission and vision.

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Figure I.

Higher education losses to other programs
Money designated in the Ohio budget for higher education has plunged by 14 percent in adjusted 1996 dollars, while spending for K-12 schools, prisons and nursing homes has gone up steeply.

- 14%
29.5%
Latest year available.
31.2%
40.2%

<table>
<thead>
<tr>
<th>Category</th>
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<tbody>
<tr>
<td>Public Schools Spending Per Pupil</td>
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<tr>
<td>State Prisons spending per inmate</td>
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<tr>
<td>Medicaid spending per nursing home patient</td>
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<tr>
<td>2- and 4-year state colleges and universities spending per full-time equivalent student*</td>
<td>14%</td>
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*Latest year available.