

June 22, 2020

## **Lansing Community College Fiscal Year 2021 Proposed Budget Narrative**

### **Introduction**

The FY2021 Budget process started in late January 2020 when the Financial Services division invited all college employees to attend the "*LCC Financial Briefing*" and "*FY2021 Budget Launch*" sessions at the Downtown and West campuses. Over 80 employees attended these sessions. The "*LCC Financial Briefing*" section provided an overview of the College's revenue sources and types of expenses and was intended to engage employees and raise the overall awareness of the College's finances within the College community. The "*FY2021 Budget Launch*" section provided instructions and guidance for the development of the FY2021 budget and answered questions regarding the specific process to be used in the submission of necessary information to develop the FY2021 budget. It was emphasized to those in attendance that from FY2014 to FY2020, the College's billable hours had declined by almost 40% and that would be a challenge in preparing the FY2021 budget. Copies of both presentations were made available at the sessions and upon request.

Employees were encouraged to engage in the budget process within their respective divisions. The Chief Financial Officer and members of the Financial Planning, Analysis and Review (FPAR) team also met with individual members of the Executive Leadership Team (ELT) and others to provide additional support during the budget development process.

After the "*FY2021 Budget Launch*" meetings, ELT members, with input from their respective teams, forwarded Savings Recommendations to FPAR in February and Reallocation Requests to FPAR in March.

On February 17, 2020, the Chief Financial Officer presented a high-level two-year financial forecast to the Board. That forecast projected a balanced budget for FY2021 and included a \$3 increase in the in-district tuition rate (from \$108 to \$111). The Board approved changes to course fees at this meeting.

On March 16, 2020 the Board held its first meeting in a remote format via WebEx. The decision to hold the meeting in this manner was based upon the Governor's recommendations to help prevent the spread of COVID-19 and an Executive Order authorizing online public meetings. At this meeting the Board of Trustees approved a 2.78% increase in tuition rates (\$3 for in-district, \$6 for in-state, \$9 for out-of-state and \$11 for international). The College's approved in-district tuition rate of \$111 is below the projected state-wide average.

The College began working remotely on March 18<sup>th</sup>. It soon became apparent that the FY2021 budget process would have to change significantly in order to respond to the

rapidly changing conditions created by the COVID-19 pandemic. The College’s executive budget team began meeting two to three times a week to assess the ever-changing financial landscape.

ELT members were asked to review their FY2021 staffing needs considering: (1) the ability of employees to perform their work remotely, (2) the Summer term being 100% online and (3) two versions of Fall 2020 semester’s class offerings. Budgets for services and supplies were reviewed using similar factors.

After a thorough review of multiple potential budget scenarios, it was determined that the best budget proposal to present to the Board of Trustees is the budget included in this document.

Due to the unique situation of the COVID-19 pandemic, it is the Administration’s intent to bring to the Board an updated budget after state appropriations and Fall enrollment are known. This will occur in the October/November time frame.

### **Summary of General Fund Budget**

Lansing Community College’s FY2021 proposed budget is presented to the Board of Trustees in summary form with supporting documentation. The Administration requests adoption as proposed.

Total revenues are projected to exceed \$118 million (see Exhibit A - General Fund Operating Revenues, Expenses & Transfers: Proposed Budget FY2021).

### **Revenues**

#### Summary of Fiscal Year 2021 General Fund Revenues

<b>General Fund Revenues</b>					
<b>Total Revenues</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>2020 Adopted Budget</b>	<b>2021 Proposed</b>	<b>Percent change 2020 to 2021</b>
State Appropriations	\$ 33,759,671	\$ 33,884,167	\$ 34,204,500	\$ 30,246,800	(11.6%)
Property Taxes	\$ 40,983,811	\$ 42,298,367	\$ 43,951,100	\$ 45,132,000	2.7%
Tuition and Fees	\$ 45,939,947	\$ 46,190,898	\$ 46,802,100	\$ 40,087,600	(14.3%)
Other Revenue	\$ 3,709,594	\$ 6,561,692	\$ 3,599,000	\$ 3,131,000	(13.0%)
Total	\$124,393,023	\$128,935,124	\$128,556,700	\$118,597,400	(7.7%)

State Appropriations – In the current environment it is difficult to estimate state appropriations for FY2021. This budget is based on the best information available. These estimates are neither conservative nor liberal, but rather based on a review of the information contained in the May 2020 Consensus Revenue Estimating Conference

report. The State's FY2021 total appropriations to Lansing Community College are budgeted to decrease by 11.6%. This decrease is based upon an estimated 13% decrease in the community college operating appropriation and a small increase in estimates for Renaissance Zone, Corporate Personal Property Tax Replacement Revenue and Michigan Public Employees Retirement System appropriations.

Property Taxes – For FY2021, net property tax revenue is estimated to increase by 2.7% which includes an assumption for a slight increase in uncollectible property taxes. The College's millage rate will minimally decrease from 3.8072 mills to 3.7777 mills.

Tuition and Fees – The budget of \$40.1 million in tuition and fees includes the Board approved 2.78% increase in tuition rates. Changes in course fees and the elimination of the Virtual (online) course fee that were previously approved by the Board are also included. It is always difficult to estimate enrollments and billable hours, but the COVID-19 pandemic has made estimating even more complex. Billable hours are estimated to be 15.8% lower than FY2020 billable hours. The 15.8% decrease is a weighted average of no decrease for Summer, a 20% decrease for Fall and a 15% decrease for Spring.

Other Revenues – Other revenues include the College's contracts with the Eaton and Clinton County Regional Educational Services Agencies, High School Advantage contracts, interest income, University Center income, rental income, and other miscellaneous revenues. The College projects a 13.0% decrease in Other Revenue for FY2021. This decrease is also based upon the estimated impact of the ongoing COVID-19 pandemic.

## **Operating Budgets**

Salaries, Wages, and Benefits – Salaries and benefits will comprise 72.2% of all General Fund expenses and transfers in FY2021. This is compared to 67.6% in the FY2020 budget. The percentage has increased significantly due to large reductions in non-compensation related expenses.

The net budget decrease is primarily related to:

1. decrease in adjunct teaching faculty costs due to lower projected enrollment,
2. estimated savings from vacancies, furloughs and layoffs,
3. recalculation of the average effective rates for employee benefits including a 3.3% increase in the State of Michigan "hard cap" limit on employer contributions to medical insurance.

Services and Supplies – Services and supplies are projected to decrease 15.1% from the FY2020 budget. This includes decreases in all expense categories. This was accomplished by a detailed review of expense budgets in order to lessen the financial impact on salaries, wages and benefits. (See Exhibit B – General Fund Operating Expenses.)

Student Financial Support – The FY2021 budget for tuition, fees and childcare scholarships is \$1.9 million. This scholarship budget provides for Board of Trustees, Honors, divisional, athletic, and other scholarships. More emphasis was placed on tuition and fee scholarships in order to increase enrollment in these difficult times.

Contingency – There is no proposed Contingency budget for FY2021. This is contrary to the College's long-standing standard practice of a contingency budget equal to 1% of budgeted revenues. Having no contingency budget puts the College at a greater financial risk in these uncertain times.

### **Transfer Budgets**

Grant Match – The FY2021 budget is \$740 thousand. This is based on requirements of current and anticipated grant awards.

Capital Equipment – The FY2021 budget is \$450 thousand. The 50% reduction in budget is based upon purchasing only the most essential equipment for the College, primarily for the instructional divisions for FY2021.

Debt Service – \$7.2 million is budgeted for principal and interest payments on debt, based upon the College's current debt service obligations. New debt service incurred for the parking replacement capital project is accounted for in the Plant Fund.

Plant Improvement – The FY2021 budget is proposed at \$2.5 million. This decrease is based upon delaying certain projects for College facilities. The College currently owns and maintains approximately 1.8 million square feet of space.

Technology Infrastructure – The FY2021 budget is proposed at \$900 thousand. This significant decrease will be accomplished by delaying technology purchases in FY2021.

Technology Fee – The FY2021 budget is proposed at \$230 thousand reflecting anticipated levels of enrollment

Michigan New Jobs Training Program – The FY2021 budget of \$100 thousand is based upon the anticipated volume for these training agreements.

505 Building Capital Project Match Fund (505 Fund) - In order to minimize further reductions in the College's General Fund, \$1 million of the 505 Fund is being transferred to the General Fund.

**LANSING COMMUNITY COLLEGE**  
**General Fund**  
**Operating Revenues, Expenses & Transfers: Proposed Budget Fiscal Year 2021**  
**Comparison of Fiscal Years 2018 Actual, 2019 Actual & 2020 Adopted Budget to 2021 Proposed Budget**

	FY2018 Actual	FY2019 Actual	FY2020 Adopted Budget	FY2021 Proposed Budget	\$ Change	% Change
<b><u>Revenues</u></b>						
1 State Appropriations	\$ 33,759,671	\$ 33,884,167	\$ 34,204,500	\$ 30,246,800	\$ (3,957,700)	-11.6%
2 Property Taxes, Net of Estimated Uncollectible	\$ 40,983,811	\$ 42,298,367	\$ 43,951,100	\$ 45,132,000	\$ 1,180,900	2.7%
3 Tuition and Fees, Net of Estimated Uncollectible	\$ 45,939,947	\$ 46,190,898	\$ 46,802,100	\$ 40,087,600	\$ (6,714,500)	-14.3%
4 Other Revenues	\$ 3,709,594	\$ 6,561,692	\$ 3,599,000	\$ 3,131,000	\$ (468,000)	-13.0%
<b>Total Revenues</b>	<b>\$ 124,393,023</b>	<b>\$ 128,935,124</b>	<b>\$ 128,556,700</b>	<b>\$ 118,597,400</b>	<b>\$ (9,959,300)</b>	<b>-7.7%</b>
<b><u>Expenses</u></b>						
5 Salaries and Wages	\$ 57,052,137	\$ 58,208,244	\$ 60,986,100	\$ 58,652,600	\$ (2,333,500)	-3.8%
6 Employee Benefits	\$ 25,076,143	\$ 24,810,038	\$ 25,895,900	\$ 26,978,100	\$ 1,082,200	4.2%
<b>Total Salaries and Benefits</b>	<b>\$ 82,128,280</b>	<b>\$ 83,018,282</b>	<b>\$ 86,882,000</b>	<b>\$ 85,630,700</b>	<b>\$ (1,251,300)</b>	<b>-1.5%</b>
7 Services and Supplies	\$ 21,845,568	\$ 22,282,949	\$ 23,794,100	\$ 20,198,100	\$ (3,596,000)	-15.1%
<b>Total Operating Expenses</b>	<b>\$ 103,973,848</b>	<b>\$ 105,301,232</b>	<b>\$ 110,676,100</b>	<b>\$ 105,828,800</b>	<b>\$ (4,847,300)</b>	<b>-4.6%</b>
8 Tuition and Fees Scholarships	\$ 1,495,000	\$ 1,549,812	\$ 1,451,000	\$ 1,667,300	\$ 216,300	14.9%
9 Child Care Scholarships	\$ 418,285	\$ 350,425	\$ 426,000	\$ 261,800	\$ (164,200)	-38.5%
<b>Total Student Financial Support Expenses</b>	<b>\$ 1,913,285</b>	<b>\$ 1,900,237</b>	<b>\$ 1,877,000</b>	<b>\$ 1,929,100</b>	<b>\$ 52,100</b>	<b>2.7%</b>
<b>Total Expenses</b>	<b>\$ 105,887,133</b>	<b>\$ 107,201,469</b>	<b>\$ 112,553,100</b>	<b>\$ 107,757,900</b>	<b>\$ (4,795,200)</b>	<b>-4.5%</b>
<b><u>Transfers (In)/Out</u></b>						
10 Grant Match	\$ 813,186	\$ 692,759	\$ 770,000	\$ 740,000	\$ (30,000)	-3.9%
11 Capital Equipment	\$ 1,135,527	\$ 1,100,000	\$ 900,000	\$ 450,000	\$ (450,000)	-50.0%
12 Debt Service	\$ 6,896,000	\$ 6,897,000	\$ 6,900,000	\$ 7,170,000	\$ 270,000	3.9%
13 Physical Plant Improvement	\$ 4,062,000	\$ 5,090,000	\$ 3,175,000	\$ 2,450,000	\$ (725,000)	-22.8%
14 Technology Infrastructure	\$ 2,900,000	\$ 3,900,000	\$ 2,900,000	\$ 900,000	\$ (2,000,000)	-69.0%
15 Technology Fee	\$ 280,627	\$ 256,130	\$ 272,600	\$ 229,500	\$ (43,100)	-15.8%
16 Parking Ramp Replacement	\$ 1,100,000	\$ 1,000,000	\$ -	\$ -	\$ -	0.0%
17 505 Building Capital Project Match Fund	\$ -	\$ 1,450,000	\$ -	\$ (1,000,000)	\$ (1,000,000)	0.0%
18 Michigan New Jobs Training Program	\$ -	\$ (7,795)	\$ (200,000)	\$ (100,000)	\$ 100,000	-50.0%
<b>Total Transfers</b>	<b>\$ 17,187,340</b>	<b>\$ 20,378,094</b>	<b>\$ 14,717,600</b>	<b>\$ 10,839,500</b>	<b>\$ (3,878,100)</b>	<b>-19.0%</b>
19 <b>Contingency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,286,000</b>	<b>\$ -</b>	<b>\$ (1,286,000)</b>	<b>0.0%</b>
<b>Total Revenues</b>	<b>\$ 124,393,023</b>	<b>\$ 128,935,124</b>	<b>\$ 128,556,700</b>	<b>\$ 118,597,400</b>	<b>\$ (9,959,300)</b>	<b>-7.7%</b>
<b>Total Expenses, Transfers and Contingency</b>	<b>\$ 123,074,473</b>	<b>\$ 127,579,563</b>	<b>\$ 128,556,700</b>	<b>\$ 118,597,400</b>	<b>\$ (9,959,300)</b>	<b>-7.7%</b>
<b>Net Change in Unrestricted Fund Balance</b>	<b>\$ 1,318,550</b>	<b>\$ 1,355,561</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
20 Unrestricted General Fund Balance Beginning of Period	\$ 21,515,760	\$ 22,834,310	\$ 22,834,310	\$ 24,189,871	\$ 1,355,561	N/A
<b>Unrestricted General Fund Balance End of Period</b>	<b>\$ 22,834,310</b>	<b>\$ 24,189,871</b>	<b>\$ 22,834,310</b>	<b>\$ 24,189,871</b>	<b>\$ 1,355,561</b>	<b>N/A</b>

**LANSING COMMUNITY COLLEGE**  
**General Fund**  
**Operating Expenses: Proposed Budget Fiscal Year 2020**  
**Comparison of Fiscal Years 2018 Actual, 2019 Actual & 2020 Adopted Budget to 2021 Proposed Budget**

	FY2018 Actual**	FY2019 Actual**	FY2020 Adopted Budget *	FY2021 Proposed Budget	\$ Change	% Change
<b><u>Operating Expenses - Divisions</u></b>						
1 Academic Affairs	\$ 7,129,995	\$ 7,577,009	\$ 8,731,500	\$ 8,911,500	\$ 180,000	2.1%
2 Administrative Services	\$ 12,714,446	\$ 13,530,754	\$ 14,179,700	\$ 13,291,600	\$ (888,100)	-6.3%
3 Advancement and External Affairs	\$ 3,171,818	\$ 3,094,720	\$ 3,474,600	\$ 3,458,500	\$ (16,100)	-0.5%
4 Arts and Sciences	\$ 24,774,002	\$ 24,458,325	\$ 26,091,700	\$ 24,466,600	\$ (1,625,100)	-6.2%
5 Board of Trustees	\$ 250,023	\$ 308,330	\$ 502,600	\$ 258,400	\$ (244,200)	-48.6%
6 Community Education and Workforce Development	\$ 4,112,395	\$ 3,774,405	\$ 3,980,800	\$ 3,854,100	\$ (126,700)	-3.2%
8 Executive Office	\$ 3,144,624	\$ 2,772,425	\$ 3,307,600	\$ 2,887,000	\$ (420,600)	-12.7%
7 Financial Services	\$ 5,599,442	\$ 5,994,633	\$ 5,951,600	\$ 5,550,100	\$ (401,500)	-6.7%
9 Health and Human Services	\$ 10,394,049	\$ 10,168,609	\$ 10,602,000	\$ 10,219,800	\$ (382,200)	-3.6%
10 Human Resources	\$ 1,903,275	\$ 1,840,030	\$ 2,007,300	\$ 1,813,200	\$ (194,100)	-9.7%
11 Information Technology Services	\$ 10,703,538	\$ 10,837,915	\$ 10,859,100	\$ 11,310,200	\$ 451,100	4.2%
12 Student Affairs	\$ 9,887,367	\$ 9,711,086	\$ 10,137,800	\$ 9,786,600	\$ (351,200)	-3.5%
13 Technical Careers	\$ 10,188,872	\$ 11,232,990	\$ 10,849,800	\$ 10,021,200	\$ (828,600)	-7.6%
<b>Total all Divisions</b>	<b>\$ 103,973,848</b>	<b>\$ 105,301,232</b>	<b>\$ 110,676,100</b>	<b>\$ 105,828,800</b>	<b>\$ (4,847,300)</b>	<b>-4.4%</b>
<b><u>Operating Expenses - Account</u></b>						
14 Full-Time Administrator	\$ 8,425,954	\$ 8,762,547	\$ 9,336,500	\$ 9,185,400	\$ (151,100)	-1.6%
15 Full-Time Professional Technical	\$ 8,393,525	\$ 9,455,692	\$ 9,566,400	\$ 10,301,600	\$ 735,200	7.7%
16 Part-Time Professional Technical	\$ 728,647	\$ 742,327	\$ 735,300	\$ 703,800	\$ (31,500)	-4.3%
17 Full-Time Faculty	\$ 14,935,851	\$ 15,836,029	\$ 16,424,800	\$ 16,110,400	\$ (314,400)	-1.9%
18 Part-Time Faculty	\$ 12,557,142	\$ 11,643,714	\$ 12,440,400	\$ 10,807,600	\$ (1,632,800)	-13.1%
19 Full-Time Support	\$ 8,541,066	\$ 8,377,627	\$ 8,657,200	\$ 8,347,200	\$ (310,000)	-3.6%
20 Part-Time Support	\$ 1,886,106	\$ 1,872,999	\$ 1,953,900	\$ 1,955,200	\$ 1,300	0.1%
21 Student	\$ 1,583,846	\$ 1,517,310	\$ 1,871,600	\$ 1,241,400	\$ (630,200)	-33.7%
<b>Total Salaries and Wages</b>	<b>\$ 57,052,137</b>	<b>\$ 58,208,244</b>	<b>\$ 60,986,100</b>	<b>\$ 58,652,600</b>	<b>\$ (2,333,500)</b>	<b>-3.8%</b>
<b>Employee Benefits</b>	<b>\$ 25,076,143</b>	<b>\$ 24,810,038</b>	<b>\$ 25,895,900</b>	<b>\$ 26,978,100</b>	<b>\$ 1,082,200</b>	<b>4.2%</b>
22 Institutional Expenses	\$ 2,098,392	\$ 2,484,561	\$ 2,441,300	\$ 1,746,700	\$ (694,600)	-28.5%
23 Utilities	\$ 3,588,046	\$ 3,671,623	\$ 3,865,000	\$ 3,853,000	\$ (12,000)	-0.3%
24 Professional Services	\$ 784,006	\$ 939,082	\$ 1,322,500	\$ 890,400	\$ (432,100)	-32.7%
25 Purchased Services	\$ 4,579,908	\$ 4,182,441	\$ 4,145,000	\$ 4,008,700	\$ (136,300)	-3.3%
26 Rental Expense	\$ 1,359,923	\$ 1,255,059	\$ 1,821,800	\$ 1,243,800	\$ (578,000)	-31.7%
27 Repair and Maintenance	\$ 1,848,262	\$ 1,607,210	\$ 1,754,600	\$ 1,693,400	\$ (61,200)	-3.5%
28 Supplies and Non-Capital Equipment	\$ 6,529,235	\$ 6,981,830	\$ 6,993,600	\$ 6,516,000	\$ (477,600)	-6.8%
29 Travel, Training and Conferences	\$ 1,057,796	\$ 1,161,143	\$ 1,450,300	\$ 246,100	\$ (1,204,200)	-83.0%
<b>Total Services and Supplies</b>	<b>\$ 21,845,568</b>	<b>\$ 22,282,949</b>	<b>\$ 23,794,100</b>	<b>\$ 20,198,100</b>	<b>\$ (3,596,000)</b>	<b>-15.1%</b>
<b>Total Division Operating Expenses</b>	<b>\$ 103,973,848</b>	<b>\$ 105,301,232</b>	<b>\$ 110,676,100</b>	<b>\$ 105,828,800</b>	<b>\$ (4,847,300)</b>	<b>-4.4%</b>

\* Restated to conform with FY2021 Presentation