

June 17, 2019

Lansing Community College Fiscal Year 2020 Proposed Budget Narrative

Introduction

The FY2020 Budget process started in late January 2019 when the Financial Services division invited all college employees to attend the "*LCC Financial Briefing*" and "*FY2020 Budget Launch*" sessions at the Downtown and West campuses. Over 60 employees attended these sessions. The "*LCC Financial Briefing*" section provided an overview of the College's revenue sources and types of expenses and were intended to engage employees and raise the overall awareness of the College's finances within the College community. The "*FY2020 Budget Launch*" section provided instructions and guidance for the development of the FY2020 budget and answered questions regarding the specific process to be used in the submission of necessary information to develop the FY2020 budget. It was emphasized to those in attendance that from FY2013 to FY2019 the College's billable hours had declined by almost 40% and that would be a challenge in preparing the FY2020. 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.

Subsequent to the "*FY2020 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 18, 2019, the Chief Financial Officer presented a high-level two-year financial forecast to the Board. That forecast projected a balanced budget for FY2020 and included a \$3 increase in the in-district tuition rate (from \$105 to \$108). An additional \$4 increase in the in-district tuition rate to provide financial resources for the proposed downtown campus parking ramp replacement was also included in the forecast. It was stated that the new Governor had an additional 30 days to prepare her FY2020 budget recommendations and therefore that information was not available. In addition, the Governor and the two branches of the state legislature were from different political parties which could complicate the state's budget process. Therefore it was unlikely that the state's budget would be adopted before the College was legally required to adopt its budget for FY2020.

In March 2019, the Board of Trustees approved a \$3 increase to in-district tuition, a \$6 increase to in-state tuition, and a \$9 increase to out-state tuition rates. The Board of Trustees also approved a \$4 increase in the Student Support Fee, rather than the \$4

increase in in-district tuition, to provide the financial resources needed for the parking ramp capital project. At the April 2019 meeting the \$51 million parking ramp capital project was approved as was the authorization to issue bonds to fund 90% of the project cost.

Based upon review and acceptance of various Savings Recommendations and Reallocation Requests, a draft FY2020 budget was discussed with the members of the Board of Trustees at a workshop held on May 23rd. The draft budget included net savings of \$1,399 thousand. The overall goal of the Savings Recommendations and Reallocation Requests was to direct more resources to the achievement of the Strategic Plan, Student Success, and Embedded Academic Support and to adjust expenses to be consistent with projected enrollment. Two days prior to the May 23rd budget workshop with the Board of Trustees, additional information became available relative to Property Taxes. The new information was favorable for LCC. Due to the uncertainty of the financial impact of State of Michigan appropriations, the budget for Property Tax revenue has not been adjusted.

Summary of General Fund Budgets

Lansing Community College’s FY2020 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 \$128 million (see Exhibit A - General Fund Operating Revenues, Expenses & Transfers: Proposed Budget FY2020).

Revenues

Summary of Fiscal Year 2020 General Fund Revenues

General Fund Revenues					
Total Revenues	2017 Actual	2018 Actual	2019 Adopted Budget	2020 Proposed	Percent change 2019 to 2020
State Appropriations	\$ 32,464,347	\$ 33,759,671	\$ 33,651,000	\$ 34,204,500	1.6%
Property Taxes	\$ 39,910,486	\$ 40,983,811	\$ 42,671,000	\$ 43,951,100	3.0%
Tuition and Fees	\$ 47,626,000	\$ 45,939,947	\$ 50,553,500	\$ 46,802,100	(7.4%)
Other Revenue	\$ 3,518,184	\$ 3,709,594	\$ 3,080,000	\$ 3,599,000	16.9%
Total	\$123,519,017	\$124,393,023	\$129,955,500	\$128,556,700	(1.1%)

State Appropriations – The State’s FY2020 appropriations to Lansing Community College are budgeted to increase by 1.6%. This increase is based upon an estimated 2% increase in the community college operating appropriation and a net decrease in

estimates for Renaissance Zone, Corporate Personal Property Tax Replacement Revenue and Michigan Public Employees Retirement System appropriations.

Property Taxes – For FY2020, net property tax revenue is estimated to increase by 3.0% which also includes an assumption for uncollectible property taxes. This reflects the recent steady increase of the District’s property values after several years of declining values and improved property tax collections due to the recent improvement in the local economy. This increase is partially offset by the loss of corporate personal property tax revenue (see above). The College’s millage rate will remain at 3.8072 mills.

Tuition and Fees – The budget of \$46.8 million in tuition and fees includes the Board approved 2.86% increase in tuition rates for in-district, in-state, out-of-state and international students of \$3, \$6, \$9, and \$11 respectively. Changes in course fees previously approved by the Board are also included. This increase reflects our commitment to maintaining the current level of support for our students. Billable hours are estimated to be 2% lower than actual FY2019 billable hours and 9.8% less than the FY2019 budget.

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 16.9% increase in Other Revenue for FY2020.

Operating Budgets

Salaries, Wages, and Benefits – Salaries and benefits will comprise 67.6% of all General Fund expenses and transfers in FY2020. This is compared to 67.8% in the FY2019 budget. The net budget decrease is primarily related to:

1. contractual obligations in the college’s collective bargaining agreements;
2. decrease in adjunct teaching faculty costs due to lower projected enrollment;
3. recalculation of the average effective rates for employee benefits including a 2% increase in the State of Michigan “hard cap” limit on employer contributions to medical insurance.

Services and Supplies – Services and supplies are projected to increase 1.9% from the FY2019 budget. This includes increases in operating expenses for Institutional Expenses, Utilities, Rental Expense and Travel, Training and Conferences and decreases in all other categories. (see Exhibit B – General Fund Operating Expenses).

Student Financial Support – The FY2020 budget for tuition and fee scholarships is \$1.45 million. This scholarship budget provides for Board of Trustees, Honors, divisional, athletic, and other scholarships. The FY2020 budget for child care scholarships is \$426 thousand. Student financial support is equal to 4% of budgeted tuition and fee revenue.

Contingency – The proposed Contingency budget for FY2020 is \$1.3 million or 1% of the proposed revenues. This is the College’s long-standing standard practice.

Transfer Budgets

Grant Match – The FY2020 budget is \$770 thousand. This is based on requirements of current and anticipated grant awards.

Capital Equipment – The FY2020 budget is \$900 thousand. The reduction in budget is based upon approved capital equipment requests for FY2020.

Debt Service – \$6.9 million is budgeted for principal and interest payments on debt, based upon the College’s current debt service obligations (see Exhibit F – Bonded Debt Amortization Schedule). New debt service to be incurred for the parking lot replacement capital project will be accounted for in the Plant Fund.

Plant Improvement – The FY2020 budget is proposed at \$3.2 million. This increase is based upon the continuing need for major maintenance and renovation for College facilities. The College currently owns and maintains approximately 1.8 million square feet of space.

Technology Infrastructure – The FY2020 budget is proposed at \$2.9 million. This is the same as the FY2019 budget.

Technology Fee – The FY2020 budget is proposed at \$273 thousand reflecting anticipated levels of enrollment

Michigan New Jobs Training Program – The FY2020 budget of \$200 thousand is based upon the anticipated volume for these training agreements.

Tuition Rates

The College’s approved in-district tuition rate of \$108 is below the projected state-wide average.

LANSING COMMUNITY COLLEGE
General Fund
Operating Revenues, Expenses & Transfers: Proposed Budget Fiscal Year 2020
Comparison of Fiscal Years 2017 Actual, 2018 Actual & 2019 Adopted Budget to 2020 Proposed Budget

	FY2017 Actual	FY2018 Actual	FY2019 Adopted Budget	FY2020 Proposed Budget	\$ Change	% Change
<i>Revenues</i>						
1 State Appropriations	\$ 32,464,347	\$ 33,759,671	\$ 33,651,000	\$ 34,204,500	\$ 553,500	1.6%
2 Property Taxes, Net of Estimated Uncollectible	\$ 39,910,486	\$ 40,983,811	\$ 42,671,000	\$ 43,951,100	\$ 1,280,100	3.0%
3 Tuition and Fees, Net of Estimated Uncollectible	\$ 47,626,000	\$ 45,939,947	\$ 50,553,500	\$ 46,802,100	\$ (3,751,400)	-7.4%
4 Other Revenues	\$ 3,518,184	\$ 3,709,594	\$ 3,080,000	\$ 3,599,000	\$ 519,000	16.9%
Total Revenues	\$123,519,017	\$124,393,023	\$129,955,500	\$128,556,700	\$ (1,398,800)	-1.1%
<i>Expenses</i>						
5 Salaries and Wages	\$ 55,215,007	\$ 57,052,137	\$ 62,287,100	\$ 60,986,100	\$ (1,301,000)	-2.1%
6 Employee Benefits	\$ 22,429,919	\$ 25,076,143	\$ 25,790,500	\$ 25,895,900	\$ 105,400	0.4%
Total Salaries and Benefits	\$ 77,644,926	\$ 82,128,280	\$ 88,077,600	\$ 86,882,000	\$ (1,195,600)	-1.4%
7 Services and Supplies	\$ 20,733,899	\$ 21,845,568	\$ 23,345,400	\$ 23,794,100	\$ 448,700	1.9%
Total Operating Expenses	\$ 98,378,825	\$ 103,973,848	\$ 111,423,000	\$ 110,676,100	\$ (746,900)	-0.7%
8 Tuition and Fees Scholarships	\$ 1,423,000	\$ 1,495,000	\$ 1,524,000	\$ 1,451,000	\$ (73,000)	-4.8%
9 Child Care Scholarships	\$ 284,867	\$ 418,285	\$ 447,000	\$ 426,000	\$ (21,000)	-4.7%
Total Student Financial Support Expenses	\$ 1,707,867	\$ 1,913,285	\$ 1,971,000	\$ 1,877,000	\$ (94,000)	-4.8%
Total Expenses	\$ 100,086,693	\$ 105,887,133	\$ 113,394,000	\$ 112,553,100	\$ (840,900)	-0.7%
<i>Transfers (In)/Out</i>						
10 Grant Match	\$ 977,343	\$ 813,186	\$ 1,000,000	\$ 770,000	\$ (230,000)	-23.0%
11 Capital Equipment	\$ 1,100,000	\$ 1,135,527	\$ 1,100,000	\$ 900,000	\$ (200,000)	-18.2%
12 Debt Service	\$ 8,908,000	\$ 6,896,000	\$ 6,897,000	\$ 6,900,000	\$ 3,000	0.0%
13 Physical Plant Improvement	\$ 6,062,000	\$ 4,062,000	\$ 3,062,000	\$ 3,175,000	\$ 113,000	3.7%
14 Technology Infrastructure	\$ 2,900,000	\$ 2,900,000	\$ 2,900,000	\$ 2,900,000	\$ -	0.0%
15 Technology Fee	\$ 292,109	\$ 280,627	\$ 303,000	\$ 272,600	\$ (30,400)	-10.0%
16 Michigan New Jobs Training Program	\$ -	\$ -	\$ -	\$ (200,000)	\$ (200,000)	0.0%
17 Other Transfers	\$ 1,552,306	\$ 1,100,000	\$ -	\$ -	\$ -	
Total Transfers	\$ 21,791,758	\$ 17,187,340	\$ 15,262,000	\$ 14,717,600	\$ (544,400)	-3.6%
18 Contingency	\$ -	\$ -	\$ 1,299,500	\$ 1,286,000	\$ (13,500)	-1.0%
Total Revenues	\$ 123,519,017	\$ 124,393,023	\$ 129,955,500	\$ 128,556,700	\$ (1,398,800)	-1.1%
Total Expenses, Transfers and Contingency	\$ 121,878,451	\$ 123,074,473	\$ 129,955,500	\$ 128,556,700	\$ (1,398,800)	-1.1%
Net Change in Unrestricted Fund Balance	\$ 1,640,566	\$ 1,318,550	\$ -	\$ -	\$ -	
19 Unrestricted General Fund Balance Beginning of Period	\$ 19,875,194	\$ 21,515,760	\$ 21,515,760	\$ 22,834,310	\$ -	N/A
Unrestricted General Fund Balance End of Period	\$ 21,515,760	\$ 22,834,310	\$ 21,515,760	\$ 22,834,310	\$ -	N/A

LANSING COMMUNITY COLLEGE
General Fund
Operating Expenses: Proposed Budget Fiscal Year 2020
Comparison of Fiscal Years 2017 Actual, 2018 Actual & 2019 Adopted Budget to 2020 Proposed Budget

	FY2017 Actual**	FY2018 Actual*	FY2019 Adopted Budget*	FY2020 Proposed Budget	\$ Change	% Change
<i>Operating Expenses - Divisions</i>						
1 Academic Affairs	\$ 2,583,275	\$ 7,129,995	\$ 8,952,800	\$ 8,414,100	\$ (538,700)	-6.0%
2 Administrative Services	\$ 12,349,803	\$ 12,714,446	\$ 13,118,600	\$ 14,106,200	\$ 987,600	7.5%
3 Advancement and External Affairs	\$ 2,765,258	\$ 3,171,818	\$ 3,526,400	\$ 3,474,600	\$ (51,800)	-1.5%
4 Arts and Sciences	\$ 24,901,857	\$ 24,774,002	\$ 27,048,400	\$ 26,091,700	\$ (956,700)	-3.5%
5 Board of Trustees	\$ 261,228	\$ 250,025	\$ 306,000	\$ 502,600	\$ 196,600	64.2%
6 Community Education and Workforce Development	\$ 3,491,582	\$ 4,112,395	\$ 4,238,500	\$ 3,980,800	\$ (257,700)	-6.1%
8 Executive Office	\$ 3,081,817	\$ 3,144,624	\$ 3,345,200	\$ 3,381,100	\$ 35,900	1.1%
7 Financial Services	\$ 5,292,149	\$ 5,599,442	\$ 5,882,000	\$ 5,951,600	\$ 69,600	1.2%
9 Health and Human Services	\$ 10,307,036	\$ 10,394,049	\$ 10,635,100	\$ 10,602,000	\$ (33,100)	-0.3%
10 Human Resources	\$ 1,746,461	\$ 1,903,275	\$ 2,080,100	\$ 2,007,300	\$ (72,800)	-3.5%
11 Information Technology Services	\$ 9,788,459	\$ 10,703,538	\$ 10,849,800	\$ 11,176,500	\$ 326,700	3.0%
12 Student Affairs	\$ 7,623,666	\$ 9,887,367	\$ 10,327,300	\$ 10,137,800	\$ (189,500)	-1.8%
13 Student Success	\$ 4,431,734	\$ -	\$ -	\$ -	\$ -	0.0%
14 Technical Careers	\$ 9,754,500	\$ 10,188,872	\$ 11,112,800	\$ 10,849,800	\$ (263,000)	-2.4%
Total all Divisions	\$ 98,378,825	\$ 103,973,848	\$ 111,423,000	\$ 110,676,100	\$ (746,900)	-0.7%
<i>Operating Expenses - Account</i>						
15 Full-Time Administrator	\$ 14,849,388	\$ 8,425,954	\$ 9,097,400	\$ 9,336,500	\$ 239,100	2.6%
16 Full-Time Professional Technical	\$ -	\$ 8,393,525	\$ 9,051,400	\$ 9,566,400	\$ 515,000	5.7%
17 Part-Time Professional Technical	\$ 779,228	\$ 728,647	\$ 729,900	\$ 735,300	\$ 5,400	0.7%
18 Full-Time Faculty	\$ 14,604,135	\$ 14,935,851	\$ 16,137,400	\$ 16,424,800	\$ 287,400	1.8%
19 Part-Time Faculty	\$ 12,852,733	\$ 12,557,142	\$ 14,348,400	\$ 12,440,400	\$ (1,908,000)	-13.3%
20 Full-Time Support	\$ 8,605,781	\$ 8,541,066	\$ 8,852,500	\$ 8,657,200	\$ (195,300)	-2.2%
21 Part-Time Support	\$ 2,167,325	\$ 1,886,106	\$ 2,194,700	\$ 1,953,900	\$ (240,800)	-11.0%
22 Student	\$ 1,356,417	\$ 1,583,846	\$ 1,875,400	\$ 1,871,600	\$ (3,800)	-0.2%
Total Salaries and Wages	\$ 55,215,007	\$ 57,052,137	\$ 62,287,100	\$ 60,986,100	\$ (1,301,000)	-2.1%
Employee Benefits	\$ 22,429,919	\$ 25,076,143	\$ 25,790,500	\$ 25,895,900	\$ 105,400	0.4%
23 Institutional Expenses	\$ 2,018,260	\$ 2,098,392	\$ 2,280,300	\$ 2,441,300	\$ 161,000	7.1%
24 Utilities	\$ 3,598,514	\$ 3,588,046	\$ 3,615,000	\$ 3,865,000	\$ 250,000	6.9%
25 Professional Services	\$ 1,658,296	\$ 784,006	\$ 1,331,900	\$ 1,322,500	\$ (9,400)	-0.7%
26 Purchased Services	\$ 3,517,064	\$ 4,579,908	\$ 4,187,000	\$ 4,145,000	\$ (42,000)	-1.0%
27 Rental Expense	\$ 847,410	\$ 1,359,923	\$ 1,348,000	\$ 1,821,800	\$ 473,800	35.1%
28 Repair and Maintenance	\$ 1,570,831	\$ 1,848,262	\$ 1,879,400	\$ 1,754,600	\$ (124,800)	-6.6%
29 Supplies and Non-Capital Equipment	\$ 6,368,760	\$ 6,529,235	\$ 7,275,700	\$ 6,993,600	\$ (282,100)	-3.9%
30 Travel, Training and Conferences	\$ 1,154,764	\$ 1,057,796	\$ 1,428,100	\$ 1,450,300	\$ 22,200	1.6%
Total Services and Supplies	\$ 20,733,899	\$ 21,845,568	\$ 23,345,400	\$ 23,794,100	\$ 448,700	1.9%
Total Division Operating Expenses	\$ 98,378,825	\$ 103,973,848	\$ 111,423,000	\$ 110,676,100	\$ (746,900)	-0.7%

* Restated to conform with FY2020 Presentation

**Fiscal Years as originally reported, not restated for organization changes