

June 21, 2021

Lansing Community College Fiscal Year 2022 Proposed Budget Narrative

Introduction

The FY2022 Budget process started in late January 2021 when the Financial Services division invited all college employees to attend the "*LCC Financial Briefing*" and "*FY2022 Budget Launch*" sessions via Webex. Over 90 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 "*FY2022 Budget Launch*" section provided instructions and guidance for the development of the FY2022 budget and answered questions regarding the specific process to be used in the submission of necessary information to develop the FY2022 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 "*FY2022 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 15, 2021, the Chief Financial Officer presented a high-level two-year financial forecast to the Board. That forecast projected a balanced budget for FY2022 and included a \$3 increase in the in-district tuition rate (from \$111 to \$114). The Board approved changes to course fees at this meeting.

On March 15, 2021 the Board of Trustees approved a 2.7% 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 \$114 is below the projected state-wide average.

On June 2nd and June 3rd budget workshops were presented by the President and Chief Financial Officer to the Board of Trustees. Also present at the workshops were Executive Leadership Team members and over 25 members of the College community. These workshops compared the proposed budget to the February financial forecast and highlighted changes included in the FY2022 budget proposal.

Neither the FY2021 Adopted Budget (June 2020) nor the FY2021 Amended Budget (December 2020) could be considered as normal budgets due to the ongoing COVID-19 pandemic. There have been and continue to be many unknowns created by the pandemic. This situation continued to make it difficult to develop the FY2022 Budget to be presented to the Board of Trustees.

Summary of General Fund Budget

Lansing Community College's FY2022 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 \$129 million (see Exhibit A - General Fund Operating Revenues, Expenses & Transfers: Proposed Budget FY2022).

Revenues

Summary of Fiscal Year 2022 General Fund Revenues

General Fund Revenues					
Total Revenues	2019 Actual	2020 Actual	2021 Amended Budget	2022 Proposed	Percent change 2021 to 2022
State Appropriations	\$ 33,884,167	\$ 31,082,585	\$ 34,554,000	\$ 34,959,000	1.2%
Property Taxes	\$ 42,298,367	\$ 43,781,074	\$ 45,208,000	\$ 46,826,000	3.6%
Tuition and Fees	\$ 46,190,898	\$ 45,187,928	\$ 40,100,000	\$ 43,898,000	9.5%
Other Revenue	\$ 6,561,692	\$ 4,204,185	\$ 3,536,000	\$ 3,525,000	(0.3%)
Total	\$128,935,124	\$124,255,772	\$123,398,000	\$128,208,000	4.7%

State Appropriations – In the current environment it is difficult to estimate state appropriations for FY2022. 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 2021 Consensus Revenue Estimating Conference report. The State's FY2022 total appropriations to Lansing Community College are budgeted to increase by 1.2%. The budgeted amount represents the average of the current proposals of the Governor, Senate and House of Representatives.

It is important to note several things: (1) the Governor's and Senate proposals are the same and use the current allocation methodology, however the increase for FY2022 is specified as a one-time increase that would not carryover to the base amount for FY2023 and (2) the House of Representatives proposal is significantly different as it creates a whole new allocation methodology based of the current base, fiscal year equated students and a hold harmless provision for Lansing Community College and

one other community college. The House version is a three-year proposal and in FY2024 would allocate the appropriation based solely on fiscal year equated students. Due to the significant difference in approach, the State of Michigan will not adopt its budget prior to the College's requirement to adopt its budget by June 30, 2021. It is estimated there will be a slight increase in revenue from Renaissance Zone, Corporate Personal Property Tax Replacement Revenue and Michigan Public Employees Retirement System appropriations.

Property Taxes – For FY2022, net property tax revenue is estimated to increase by 3.6%. The taxable values for the College district increased by 3.9% and the College's millage rate will minimally decrease from 3.7777 mills to 3.7692 mills.

Tuition and Fees – The budget of \$43.9 million in tuition and fees includes the Board approved 2.7% increase in tuition rates. Changes in course fees as approved by the Board are also included in the proposed budget. It is always difficult to estimate enrollments and billable hours, but the COVID-19 pandemic has made estimating even more complex. Budgeted billable hours are estimated to be equivalent to those of FY2021.

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 0.3% decrease in Other Revenue for FY2022.

Operating Budgets

Salaries, Wages, and Benefits – Salaries and benefits will comprise 68.5% of all General Fund expenses and transfers in FY2022. This is compared to 70.7% in the FY2021 Amended Budget. The percentage has decreased due to restoration of some of the previous large reductions in non-compensation related expenses and transfers.

Services and Supplies – Services and supplies are projected to increase 15.2% from the FY2021 Amended Budget. The increases in all but one of the expense categories are due to the assumption that the College will primarily return to a pre-pandemic mode of operations. (See Exhibit B – General Fund Operating Expenses.)

Student Financial Support – The FY2022 budget for tuition, fees and childcare scholarships is \$1.9 million. This scholarship budget provides for Board of Trustees, Honors, divisional, athletic, and other institutionally-funded scholarships.

Contingency – The Contingency budget for FY2022 is \$1.3 million, and is equal to 1% of budgeted revenues.

Transfer Budgets

Grant Match – The FY2022 budget is \$690 thousand. This is based on requirements of current and anticipated grant awards.

Capital Equipment – The FY2022 budget is \$450 thousand and is the same as the FY2021 Amended Budget

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

Plant Improvement – The FY2022 budget is proposed at \$2.8 million. This increase is based upon partially restoring this budget to a pre-pandemic level. The College currently owns and maintains approximately 1.8 million square feet of space.

Technology Infrastructure – The FY2022 budget is proposed at \$2.0 million. This increase is based upon partially restoring this budget to a pre-pandemic level.

Technology Fee – The FY2022 budget is proposed at \$228 thousand reflecting anticipated levels of enrollment

Michigan New Jobs Training Program – The FY2022 budget of \$200 thousand is based upon the anticipated volume for these training agreements.

505 Building Capital Project Match Fund (505 Fund) - There is no allocation for this in the FY2022 budget as the College's match requirement is fully funded.

LANSING COMMUNITY COLLEGE
General Fund
Operating Revenues, Expenses & Transfers: Proposed Budget Fiscal Year 2022
Comparison of Fiscal Years 2019 Actual, 2020 Actual, 2021 Amended Budget to 2022 Proposed Budget

	FY2019 Actual	FY2020 Actual	FY2021 Amended Budget	Increase (Decrease)	FY2022 Proposed Budget	% Change
<u>Revenues</u>						
1 State Appropriations	\$ 33,884,167	\$ 31,082,585	\$ 34,554,000	\$ 405,000	\$ 34,959,000	1.2%
2 Property Taxes, Net of Estimated Uncollectible	\$ 42,298,367	\$ 43,781,074	\$ 45,208,000	\$ 1,618,000	\$ 46,826,000	3.6%
3 Tuition and Fees, Net of Estimated Uncollectible	\$ 46,190,898	\$ 45,187,928	\$ 40,100,000	\$ 3,798,000	\$ 43,898,000	9.5%
4 Other Revenues	\$ 6,561,692	\$ 4,204,185	\$ 3,536,000	\$ (11,000)	\$ 3,525,000	(0.3)%
Total Revenues	\$ 128,935,124	\$ 124,255,772	\$ 123,398,000	\$ 5,810,000	\$ 129,208,000	4.7%
<u>Expenses</u>						
5 Salaries and Wages	\$ 58,314,470	\$ 59,334,979	\$ 59,395,600	\$ 903,800	\$ 60,299,400	1.5%
6 Employee Benefits	\$ 24,810,038	\$ 25,732,706	\$ 27,866,300	\$ 386,400	\$ 28,252,700	1.4%
Total Salaries and Benefits	\$ 83,124,508	\$ 85,067,685	\$ 87,261,900	\$ 1,290,200	\$ 88,552,100	1.5%
7 Services and Supplies	\$ 22,176,724	\$ 20,540,361	\$ 21,121,600	\$ 3,212,600	\$ 24,334,200	15.2%
Total Operating Expenses	\$ 105,301,232	\$ 105,608,046	\$ 108,383,500	\$ 4,502,800	\$ 112,886,300	4.2%
8 Tuition and Fees Scholarships	\$ 1,549,812	\$ 1,536,886	\$ 1,667,300	\$ -	\$ 1,667,300	0.0%
9 Child Care Scholarships	\$ 350,425	\$ 173,707	\$ 136,800	\$ 125,000	\$ 261,800	91.4%
10 LCC Cares Scholarships	\$ -	\$ 280,275	\$ 150,000	\$ (150,000)	\$ -	(100.0)%
Total Student Financial Support Expenses	\$ 1,900,237	\$ 1,990,868	\$ 1,954,100	\$ (25,000)	\$ 1,929,100	(1.3)%
Total Expenses	\$ 107,201,469	\$ 107,598,914	\$ 110,337,600	\$ 4,477,800	\$ 114,815,400	4.1%
<u>Transfers (In)/Out</u>						
11 Grant Match	\$ 708,348	\$ 528,684	\$ 740,000	\$ (50,000)	\$ 690,000	(6.8)%
12 Capital Equipment	\$ 1,100,000	\$ 900,000	\$ 450,000	\$ -	\$ 450,000	0.0%
13 Debt Service	\$ 6,897,000	\$ 6,900,000	\$ 7,170,000	\$ -	\$ 7,170,000	0.0%
14 Physical Plant Improvement	\$ 5,090,000	\$ 3,175,000	\$ 2,450,000	\$ 313,000	\$ 2,763,000	12.8%
15 Technology Infrastructure	\$ 3,900,000	\$ 2,900,000	\$ 900,000	\$ 1,100,000	\$ 2,000,000	122.2%
16 Technology Fee	\$ 256,130	\$ 251,784	\$ 216,000	\$ 11,500	\$ 227,500	5.3%
17 Parking Ramp Replacement	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	0.0%
18 505 Building Capital Project Match Fund	\$ 1,450,000	\$ -	\$ -	\$ -	\$ -	0.0%
19 Michigan New Jobs Training Program	\$ (7,795)	\$ (257,612)	\$ (100,000)	\$ (100,000)	\$ (200,000)	100.0%
Total Transfers	\$ 20,393,684	\$ 14,397,856	\$ 11,826,000	\$ 1,274,500	\$ 13,100,500	10.8%
20 Contingency	\$ -	\$ -	\$ 1,234,400	\$ 57,700	\$ 1,292,100	4.7%
Total Revenues	\$ 128,935,124	\$ 124,255,772	\$ 123,398,000	\$ 5,810,000	\$ 129,208,000	4.7%
Total Expenses, Transfers and Contingency	\$ 127,595,153	\$ 121,996,770	\$ 123,398,000	\$ 5,810,000	\$ 129,208,000	4.7%
Net Change in Unrestricted Fund Balance	\$ 1,339,971	\$ 2,259,002	\$ -	\$ -	\$ -	
21 Unrestricted General Fund Balance Beginning of Period	\$ 22,834,312	\$ 24,174,283	\$ 26,433,285	\$ -	\$ 26,433,285	N/A
Unrestricted General Fund Balance End of Period	\$ 24,174,283	\$ 26,433,285	\$ 26,433,285	\$ -	\$ 26,433,285	N/A

LANSING COMMUNITY COLLEGE
General Fund
Operating Expenses: Proposed Budget Fiscal Year 2022
Comparison of Fiscal Years 2019 Actual, 2020 Actual, 2021 Amended Budget to 2022 Proposed Budget

	FY2019 Actual	FY2020 Actual	FY2021 Amended Budget Restated*	Increase (Decrease)	FY2022 Proposed Budget	% Change
<u>Operating Expenses - Divisions *</u>						
1 Academic Affairs	\$ 7,577,009	\$ 8,136,683	\$ 8,787,200	\$ (118,100)	\$ 8,669,100	(1.3)%
2 Administrative Services	\$ 13,530,754	\$ 13,122,571	\$ 13,341,500	\$ 568,800	\$ 13,910,300	4.3%
3 Advancement and External Affairs	\$ 3,094,720	\$ 2,989,051	\$ 1,450,900	\$ 90,200	\$ 1,541,100	6.2%
4 Arts and Sciences	\$ 24,352,100	\$ 24,136,156	\$ 23,771,300	\$ 816,400	\$ 24,587,700	3.4%
5 Board of Trustees	\$ 308,330	\$ 361,871	\$ 277,200	\$ 59,900	\$ 337,100	21.6%
6 Business Operations	\$ -	\$ -	\$ 3,956,800	\$ 201,800	\$ 4,158,600	5.1%
7 Community Education and Workforce Development	\$ 3,774,405	\$ 3,654,136	\$ 3,911,800	\$ 168,500	\$ 4,080,300	4.3%
8 Diversity Equity and Inclusion	\$ -	\$ -	\$ 837,000	\$ 361,100	\$ 1,198,100	43.1%
9 Executive Office	\$ 2,772,425	\$ 3,338,382	\$ 1,483,200	\$ 174,400	\$ 1,657,600	11.8%
10 Financial Services	\$ 5,994,633	\$ 6,017,450	\$ 5,629,900	\$ 108,500	\$ 5,738,400	1.9%
11 Health and Human Services	\$ 10,168,609	\$ 10,124,462	\$ 10,530,800	\$ 577,300	\$ 11,108,100	5.5%
12 Human Resources	\$ 1,840,030	\$ 1,935,621	\$ 1,917,600	\$ 175,300	\$ 2,092,900	9.1%
13 Information Technology Services	\$ 10,944,140	\$ 11,524,861	\$ 11,477,000	\$ 613,700	\$ 12,090,700	5.3%
14 Student Affairs	\$ 9,711,086	\$ 9,687,132	\$ 10,162,000	\$ 507,700	\$ 10,669,700	5.0%
15 Technical Careers	\$ 11,232,990	\$ 10,579,670	\$ 10,849,300	\$ 197,300	\$ 11,046,600	1.8%
Total all Divisions	\$ 105,301,232	\$ 105,608,046	\$ 108,383,500	\$ 4,502,800	\$ 112,886,300	4.2%
<u>Operating Expenses - Accounts</u>						
16 Full-Time Administrator	\$ 8,826,210	\$ 9,555,717	\$ 9,566,200	\$ 124,300	\$ 9,690,500	1.3%
17 Full-Time Professional Technical	\$ 9,474,144	\$ 10,172,365	\$ 10,457,300	\$ 621,400	\$ 11,078,700	5.9%
18 Part-Time Professional Technical	\$ 742,327	\$ 649,599	\$ 720,700	\$ (75,700)	\$ 645,000	(10.5)%
19 Full-Time Faculty	\$ 15,836,029	\$ 16,528,829	\$ 16,470,600	\$ 66,300	\$ 16,536,900	0.4%
20 Part-Time Faculty	\$ 11,644,197	\$ 10,699,836	\$ 10,286,500	\$ (303,000)	\$ 9,983,500	(2.9)%
21 Full-Time Support	\$ 8,377,627	\$ 8,314,539	\$ 8,564,000	\$ 136,400	\$ 8,700,400	1.6%
22 Part-Time Support	\$ 1,872,999	\$ 1,625,971	\$ 2,061,600	\$ 154,500	\$ 2,216,100	7.5%
23 Student	\$ 1,540,937	\$ 1,788,123	\$ 1,268,700	\$ 179,600	\$ 1,448,300	14.2%
Total Salaries and Wages	\$ 58,314,470	\$ 59,334,979	\$ 59,395,600	\$ 903,800	\$ 60,299,400	1.5%
Employee Benefits	\$ 24,810,038	\$ 25,732,706	\$ 27,866,300	\$ 386,400	\$ 28,252,700	1.4%
24 Institutional Expenses	\$ 2,484,561	\$ 2,014,238	\$ 1,942,700	\$ 459,900	\$ 2,402,600	23.7%
25 Utilities	\$ 3,671,623	\$ 3,404,845	\$ 3,853,000	\$ 5,000	\$ 3,858,000	0.1%
26 Professional Services	\$ 939,082	\$ 1,150,871	\$ 1,111,400	\$ 140,200	\$ 1,251,600	12.6%
27 Purchased Services	\$ 4,182,441	\$ 3,628,927	\$ 3,997,100	\$ 328,500	\$ 4,325,600	8.2%
28 Rental Expense	\$ 1,255,059	\$ 894,191	\$ 968,700	\$ 294,800	\$ 1,263,500	30.4%
29 Repair and Maintenance	\$ 1,607,210	\$ 1,542,308	\$ 1,764,500	\$ -	\$ 1,764,500	0.0%
30 Supplies and Non-Capital Equipment	\$ 6,875,605	\$ 7,087,407	\$ 7,044,000	\$ 938,600	\$ 7,982,600	13.3%
31 Travel, Training and Conferences	\$ 1,161,143	\$ 817,575	\$ 440,200	\$ 1,045,600	\$ 1,485,800	237.5%
Total Services and Supplies	\$ 22,176,724	\$ 20,540,361	\$ 21,121,600	\$ 3,212,600	\$ 24,334,200	15.2%
Total Division Operating Expenses	\$ 105,301,232	\$ 105,608,046	\$ 108,383,500	\$ 4,502,800	\$ 112,886,300	4.2%