

June 21, 2022

Lansing Community College Fiscal Year 2023 Proposed Budget Narrative

Introduction

The FY2023 Budget process started in late January 2022 when the Financial Services division invited all college employees to attend the "*LCC Financial Briefing*" and "*FY2023 Budget Launch*" sessions held both in person and via Webex. Over 100 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 "*FY2023 Budget Launch*" section provided instructions and guidance for the development of the FY2023 budget and answered questions regarding the specific process to be used in the submission of necessary information to develop the FY2023 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 "*FY2023 Budget Launch*" meetings, ELT members, with input from their respective teams, submitted Savings Recommendations to FPAR in mid February and in late February ELT submitted requests for (1) Labor Changes, (2) Services and Supplies Reallocations, (3) Professional Development and (4) Capital Equipment.

On February 21, 2022, the Chief Financial Officer presented a high-level two-year financial forecast to the Board. That forecast projected a balanced budget for FY2023 and included no increase in the College's tuition rate, as the Board approved to not increase tuition rates for AY 22-23 at the September 2021 board meeting. The Board approved changes to course fees at this meeting.

On May 23rd, a budget workshop was presented by the President and Chief Financial Officer to the Board of Trustees. Also present at the workshop were ELT members and additional members of the College community. The workshop compared the proposed budget to the February financial forecast and highlighted changes included in the FY2023 budget proposal.

Information available as of the first week of May was used to prepare the FY2023 budget proposal presented at the May 23rd workshop. Significant new information became available during the first week of June. The information received by the College was the 2022 property tax levy. Increases in taxable value for those properties on both

the 2021 and 2022 tax roles were consistent with those used in both the February financial forecast and the budget proposal presented to the Board at the May 23rd workshop. However, properties removed from the tax roles in 2022 were less than anticipated and the new properties added to the tax roles in 2022 were higher than anticipated. When all three tax-value variables were combined, it resulted in property tax revenue \$1.2 million higher than previously estimated.

Also, enrollment information was closely monitored during this same time period. Based upon the additional enrollment information available, tuition and fee revenue was reduced by \$724 thousand.

These net changes equaled a \$509 thousand net increase in revenues. Based upon discussions between the President and Chief Financial Officer, the following changes were made for expenses and transfers:

- Tuition and Fee Scholarships were increased by \$183 thousand
- Physical Plant Improvement transfer was increased by \$122 thousand
- Technology Infrastructure transfer was increased by \$200 thousand
- Technology Fee transfer was decreased by \$1,500
- Contingency was increased by \$5,100

The comments below are based on updated information as outlined above.

Summary of General Fund Budget

Lansing Community College’s FY2023 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 \$130.5 million (see Exhibit A - General Fund Operating Revenues, Expenses & Transfers: Proposed Budget FY2023).

Revenues

Summary of Fiscal Year 2023 General Fund Revenues

General Fund Revenues					
Total Revenues	2020 Actual	2021 Actual	2022 Adopted Budget	2023 Proposed	Percent change 2022 to 2023
State Appropriations	\$ 31,082,585	\$ 34,775,424	\$ 34,959,000	\$ 35,749,000	2.3%
Property Taxes	\$ 43,781,074	\$ 44,956,559	\$ 46,826,000	\$ 49,464,000	5.6%
Tuition and Fees	\$ 45,187,928	\$ 43,512,395	\$ 43,898,000	\$ 41,767,000	(4.8%)
Other Revenue	\$ 4,204,185	\$ 3,589,320	\$ 3,525,000	\$ 3,546,000	0.6%
Total	\$124,255,772	\$126,833,699	\$129,208,000	\$130,546,000	1.0%

State Appropriations – In the current environment it is difficult to estimate state appropriations for FY2023. This budget is based on the best information currently available. These estimates are neither conservative nor liberal, but rather based on a review of the information contained in the May 2022 Consensus Revenue Estimating Conference report. The State's FY2023 total appropriations to Lansing Community College are budgeted to increase by 2.3%. The budgeted amount represents 75% of the increase currently recommended by the Governor and Senate. The House proposal is not considered to be viable as it includes a significant change in the allocation methodology which is in conflict with the current allocation methodology used by the Governor and Senate. Budget negotiations are underway by the three parties. The Governor is hopeful that the State of Michigan can adopt a budget by June 30, 2022. 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 FY2023, net property tax revenue is estimated to increase by 5.6%. Total taxable values for the College district increased by 5.6% and the College's millage rate remained at 3.7692 mills.

Tuition and Fees – The budget of \$41.8 million in tuition and fees includes no increase in tuition rates and mandatory student fees. Course fee changes were approved by the Board at the February 2022 meeting. 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 equivalent to those of FY2022. Enrollment continues to be a significant area of concern.

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 0.6% increase in Other Revenue for FY2023.

Operating Budgets

Salaries, Wages, and Benefits – Salaries and benefits will comprise 68.4% of all General Fund expenses and transfers in FY2023. This is compared to 68.5% in the FY2022 Adopted Budget. The 0.1% decrease is due to increases in Salaries and Wages partially offset by a minor decrease in Employee Benefits.

Services and Supplies – Services and Supplies are projected to increase 1.6% from the FY2022 Adopted 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. Rental Expense decreased due to the upcoming completion of the new Gannon Parking Ramp which eliminates the need to rent supplement parking. (See Exhibit B – General Fund Operating Expenses.)

Student Financial Support – The FY2023 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.

Transfer Budgets

Grant Match – The FY2023 budget is \$690 thousand and is the same as the FY2022 Adopted Budget. This is based on requirements of current and anticipated grant awards.

Capital Equipment – The FY2023 budget is \$250 thousand, a decrease of \$200 thousand.

Debt Service – \$6.6 million is budgeted for principal and interest payments on debt, based upon the College's current debt service obligations. The February 2022 refunding of 2012 bonds is the primary reason for the decrease in budget.

Plant Improvement – The FY2023 budget is proposed at \$3.0 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 FY2023 budget is proposed at \$2.4 million. This increase is based upon partially restoring this budget to a pre-pandemic level.

Technology Fee – The FY2023 budget is proposed at \$219 thousand reflecting anticipated levels of enrollment

Michigan New Jobs Training Program – The FY2023 budget of \$75 thousand is based upon the anticipated volume for these training agreements.

Contingency

Contingency – The Contingency budget for FY2023 is \$1.3 million, and is equal to 1% of budgeted revenues. This Contingency is necessary to provide resources for significant unanticipated expenses.

LANSING COMMUNITY COLLEGE
General Fund
Operating Revenues, Expenses & Transfers: Proposed Budget Fiscal Year 2022
Comparison of Fiscal Years 2020 Actual, 2021 Actual, 2022 Budget to 2023 Proposed Budget

	FY2020 Actual	FY2021 Actual	FY2022 Adopted Budget	Increase (Decrease)	FY2023 Proposed Budget	% Change
<u>Revenues</u>						
1 State Appropriations	\$ 31,082,585	\$ 34,775,424	\$ 34,959,000	\$ 790,000	\$ 35,749,000	2.3%
2 Property Taxes, Net of Estimated Uncollectible	\$ 43,781,074	\$ 44,956,559	\$ 46,826,000	\$ 2,638,000	\$ 49,464,000	5.6%
3 Tuition and Fees, Net of Estimated Uncollectible	\$ 45,187,928	\$ 43,512,395	\$ 43,898,000	\$ (2,111,000)	\$ 41,787,000	(4.8)%
4 Other Revenues	\$ 4,204,185	\$ 3,589,320	\$ 3,525,000	\$ 21,000	\$ 3,546,000	0.6%
Total Revenues	\$ 124,255,772	\$ 126,833,699	\$ 129,208,000	\$ 1,338,000	\$ 130,546,000	1.0%
<u>Expenses</u>						
5 Salaries and Wages	\$ 59,334,979	\$ 53,880,450	\$ 60,299,400	\$ 803,600	\$ 61,103,000	1.3%
6 Employee Benefits	\$ 25,732,706	\$ 24,112,020	\$ 28,252,700	\$ (37,800)	\$ 28,214,900	(0.1)%
Total Salaries and Benefits	\$ 85,067,685	\$ 77,992,470	\$ 88,552,100	\$ 765,800	\$ 89,317,900	0.9%
7 Services and Supplies	\$ 20,540,361	\$ 19,652,219	\$ 24,334,200	\$ 391,900	\$ 24,726,100	1.6%
Total Operating Expenses	\$ 105,608,046	\$ 97,644,689	\$ 112,886,300	\$ 391,900	\$ 114,044,000	0.3%
8 Tuition and Fees Scholarships	\$ 1,536,886	\$ 1,732,134	\$ 1,667,300	\$ 183,400	\$ 1,850,700	11.0%
9 Child Care Scholarships	\$ 173,707	\$ 98,765	\$ 261,800	\$ -	\$ 261,800	0.0%
10 LCC Cares Scholarships	\$ 280,275	\$ -	\$ -	\$ -	\$ -	0.0%
Total Student Financial Support Expenses	\$ 1,990,868	\$ 1,830,899	\$ 1,929,100	\$ 183,400	\$ 2,112,500	9.5%
Total Expenses	\$ 107,598,914	\$ 99,475,589	\$ 114,815,400	\$ 575,300	\$ 116,156,500	0.5%
<u>Transfers (In)/Out</u>						
11 Grant Match	\$ 528,684	\$ 892,286	\$ 690,000	\$ -	\$ 690,000	0.0%
12 Capital Equipment	\$ 900,000	\$ 1,350,000	\$ 450,000	\$ (200,000)	\$ 250,000	(44.4)%
13 Debt Service	\$ 6,900,000	\$ 7,170,000	\$ 7,170,000	\$ (570,000)	\$ 6,600,000	(7.9)%
14 Physical Plant Improvement	\$ 3,175,000	\$ 3,587,000	\$ 2,763,000	\$ 237,000	\$ 3,000,000	8.6%
15 Technology Infrastructure	\$ 2,900,000	\$ 3,800,000	\$ 2,000,000	\$ 400,000	\$ 2,400,000	20.0%
16 Technology Fee	\$ 251,784	\$ 226,087	\$ 227,500	\$ (8,500)	\$ 219,000	(3.7)%
17 505 Capitol Avenue Capital Project	\$ -	\$ 3,250,000	\$ -	\$ -	\$ -	0.0%
18 Strategic Financial Fund - State Appropriations	\$ -	\$ 4,700,000	\$ -	\$ -	\$ -	0.0%
19 Board Designated Funds	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	0.0%
20 Michigan New Jobs Training Program	\$ (257,612)	\$ (25,717)	\$ (200,000)	\$ 125,000	\$ (75,000)	(62.5)%
Total Transfers	\$ 14,397,856	\$ 25,949,656	\$ 13,100,500	\$ (16,500)	\$ 13,084,000	(0.1)%
21 Contingency	\$ -	\$ -	\$ 1,292,100	\$ 13,400	\$ 1,305,500	1.0%
Total Revenues	\$ 124,255,772	\$ 126,833,699	\$ 129,208,000	\$ 1,338,000	\$ 130,546,000	1.0%
Total Expenses, Transfers and Contingency	\$ 121,996,770	\$ 125,425,245	\$ 129,208,000	\$ 1,338,000	\$ 130,546,000	1.0%
Net Change in Unrestricted Fund Balance	\$ 2,259,002	\$ 1,408,454	\$ -	\$ -	\$ -	
22 Unrestricted General Fund Balance Beginning of Period	\$ 24,174,283	\$ 26,433,285	\$ 27,841,739	\$ -	\$ 27,841,739	N/A
Unrestricted General Fund Balance End of Period	\$ 26,433,285	\$ 27,841,739	\$ 27,841,739	\$ -	\$ 27,841,739	N/A

LANSING COMMUNITY COLLEGE
General Fund
Operating Expenses: Proposed Budget Fiscal Year 2023
Comparison of Fiscal Years 2020 Actual, 2021 Actual, 2022 Budget to 2023 Proposed Budget

	FY2020 Actual	FY2021 Actual	FY2022 Budget	Increase (Decrease)	FY2023 Proposed Budget	% Change
<i>Operating Expenses - Divisions *</i>						
1 Academic Affairs	\$ 8,136,683	\$ 7,733,938	\$ 8,236,300	\$ (66,400)	\$ 8,169,900	(0.8)%
2 Administrative Services	\$ 13,122,571	\$ 12,140,758	\$ 13,910,300	\$ 223,300	\$ 14,133,600	1.6%
3 Advancement and External Affairs	\$ 2,989,051	\$ 1,296,684	\$ 1,541,100	\$ 68,900	\$ 1,610,000	4.5%
4 Arts and Sciences	\$ 24,136,156	\$ 21,358,314	\$ 24,587,700	\$ (589,200)	\$ 23,998,500	(2.4)%
5 Board of Trustees	\$ 361,871	\$ 201,164	\$ 337,100	\$ 4,100	\$ 341,200	1.2%
6 Business Operations	\$ -	\$ 3,775,631	\$ 4,158,600	\$ 172,900	\$ 4,331,500	4.2%
7 Community Education and Workforce Development	\$ 3,654,136	\$ 3,369,901	\$ 4,080,300	\$ (159,800)	\$ 3,920,500	(3.9)%
8 Diversity Equity and Inclusion	\$ -	\$ 625,988	\$ 1,198,100	\$ 132,800	\$ 1,330,900	11.1%
9 Executive Office	\$ 3,338,382	\$ 1,495,825	\$ 1,657,600	\$ 44,800	\$ 1,702,400	2.7%
10 Financial Services	\$ 6,017,450	\$ 5,598,608	\$ 5,738,400	\$ 242,000	\$ 5,980,400	4.2%
11 Health and Human Services	\$ 10,124,462	\$ 9,111,573	\$ 11,108,100	\$ 374,200	\$ 11,482,300	3.4%
12 Human Resources	\$ 1,935,621	\$ 1,602,117	\$ 2,092,900	\$ 140,300	\$ 2,233,200	6.7%
13 Information Technology Services	\$ 11,524,861	\$ 10,793,954	\$ 12,090,700	\$ 527,800	\$ 12,618,500	4.4%
14 Student Affairs	\$ 9,687,132	\$ 8,749,656	\$ 11,102,500	\$ 256,600	\$ 11,359,100	2.3%
15 Technical Careers	\$ 10,579,670	\$ 9,790,578	\$ 11,046,600	\$ (214,600)	\$ 10,832,000	(1.9)%
Total all Divisions	\$ 105,608,046	\$ 97,644,689	\$ 112,886,300	\$ 1,157,700	\$ 114,044,000	1.0%
<i>Operating Expenses - Accounts</i>						
16 Full-Time Administrator	\$ 9,555,717	\$ 9,083,533	\$ 9,690,500	\$ 288,400	\$ 9,978,900	3.0%
17 Full-Time Professional Technical	\$ 10,172,365	\$ 9,956,775	\$ 11,078,700	\$ 1,159,000	\$ 12,237,700	10.5%
18 Part-Time Professional Technical	\$ 649,599	\$ 658,096	\$ 645,000	\$ 64,900	\$ 709,900	10.1%
19 Full-Time Faculty	\$ 16,528,829	\$ 16,002,556	\$ 16,536,900	\$ 227,600	\$ 16,764,500	1.4%
20 Part-Time Faculty	\$ 10,699,836	\$ 8,945,698	\$ 9,983,500	\$ (830,000)	\$ 9,153,500	(8.3)%
21 Full-Time Support	\$ 8,314,539	\$ 7,826,509	\$ 8,700,400	\$ 544,100	\$ 9,244,500	6.3%
22 Part-Time Support	\$ 1,625,971	\$ 1,008,307	\$ 2,216,100	\$ (367,900)	\$ 1,848,200	(16.6)%
23 Student	\$ 1,788,123	\$ 398,977	\$ 1,448,300	\$ (282,500)	\$ 1,165,800	(19.5)%
Total Salaries and Wages	\$ 59,334,979	\$ 53,880,450	\$ 60,299,400	\$ 803,600	\$ 61,103,000	1.3%
Employee Benefits	\$ 25,732,706	\$ 24,112,020	\$ 28,252,700	\$ (37,800)	\$ 28,214,900	(0.1)%
24 Institutional Expenses	\$ 2,014,238	\$ 1,675,728	\$ 2,402,600	\$ (144,900)	\$ 2,257,700	(6.0)%
25 Utilities	\$ 3,404,845	\$ 2,974,811	\$ 3,858,000	\$ -	\$ 3,858,000	0.0%
26 Professional Services	\$ 1,150,871	\$ 1,674,864	\$ 1,251,600	\$ 70,800	\$ 1,322,400	5.7%
27 Purchased Services	\$ 3,628,927	\$ 3,552,261	\$ 4,325,600	\$ 288,400	\$ 4,614,000	6.7%
28 Rental Expense	\$ 894,191	\$ 859,068	\$ 1,263,500	\$ (301,000)	\$ 962,500	(23.8)%
29 Repair and Maintenance	\$ 1,542,308	\$ 1,876,706	\$ 1,764,500	\$ 44,600	\$ 1,809,100	2.5%
30 Supplies and Non-Capital Equipment	\$ 7,087,407	\$ 6,905,106	\$ 7,982,600	\$ 414,200	\$ 8,396,800	5.2%
31 Travel, Training and Conferences	\$ 817,575	\$ 133,675	\$ 1,485,800	\$ 19,800	\$ 1,505,600	1.3%
Total Services and Supplies	\$ 20,540,361	\$ 19,652,219	\$ 24,334,200	\$ 391,900	\$ 24,726,100	1.6%
Total Division Operating Expenses	\$ 105,608,046	\$ 97,644,689	\$ 112,886,300	\$ 1,157,700	\$ 114,044,000	1.0%