



Muskegon Community College

FY2023-2024

Budget

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MUSKEGON COMMUNITY COLLEGE FISCAL YEAR 2023-2024 BUDGET

Introduction

Advancing the mission of Muskegon Community College (MCC) to be an institution of higher education that is “dedicated to equity and excellence, prepares students, builds communities, and improves lives” continues to be the College’s primary objective. The ability to provide desired educational programs must be continuously evaluated in conjunction with economic factors that affect the College’s funding sources and the cost to provide those services. The condition of the national, state, and local economy impacts the revenues that the College receives to operate with, such as federal financial aid (Pell grants and student loans), tuition and fees, state aid, and property tax revenues. In FY2010-2011 MCC’s contact hour enrollment peaked at 132,221. The estimated FY2022-2023 contact hour enrollment is approximately 83,000 and for budgeting purposes is projected to decline 2% for the upcoming year. Fortunately, property tax revenues have been increasing since FY2016-2017 as a result of continued residential construction and commercial and industrial expansion. State aid revenues have increased since 2019-2020 which included some one-time supplemental distributions. The COVID-19 pandemic significantly impacted an enrollment decline in FY2020 and FY2021. However, Federal COVID-19 relief grant revenues helped to offset the revenues lost from declining enrollment as well as provided additional aid to students. Regarding expenses, increasing costs for wages, retirement, healthcare, utilities, and other operating expenses affects the College’s cost to operate. The FY2023-2024 Budget takes into consideration all the economic challenges and provides budget balancing strategies that will allow the College to continue to achieve its mission of meeting the community’s educational needs as efficiently and effectively as possible.

FY2023-2024 Budget

The FY2023-2024 budget is shown on page 12. This budget is presented on an All Funds basis using natural class categories for expenses (i.e. salaries, fringe benefits, supplies, repairs, etc.). In addition, the presentation separates operating revenues such as tuition and fees and grants from non-operating revenues, such as state aid and property taxes and includes depreciation expense. This format complies with a full accrual basis of accounting and follows the presentation of our annual audit report.

The College is striving to ensure that spending does not exceed available funding resources. This budget presents a combination of revenue increases along with expenditure reductions. In addition, this budget includes the utilization of excess reserves realized through FY2022-2023.

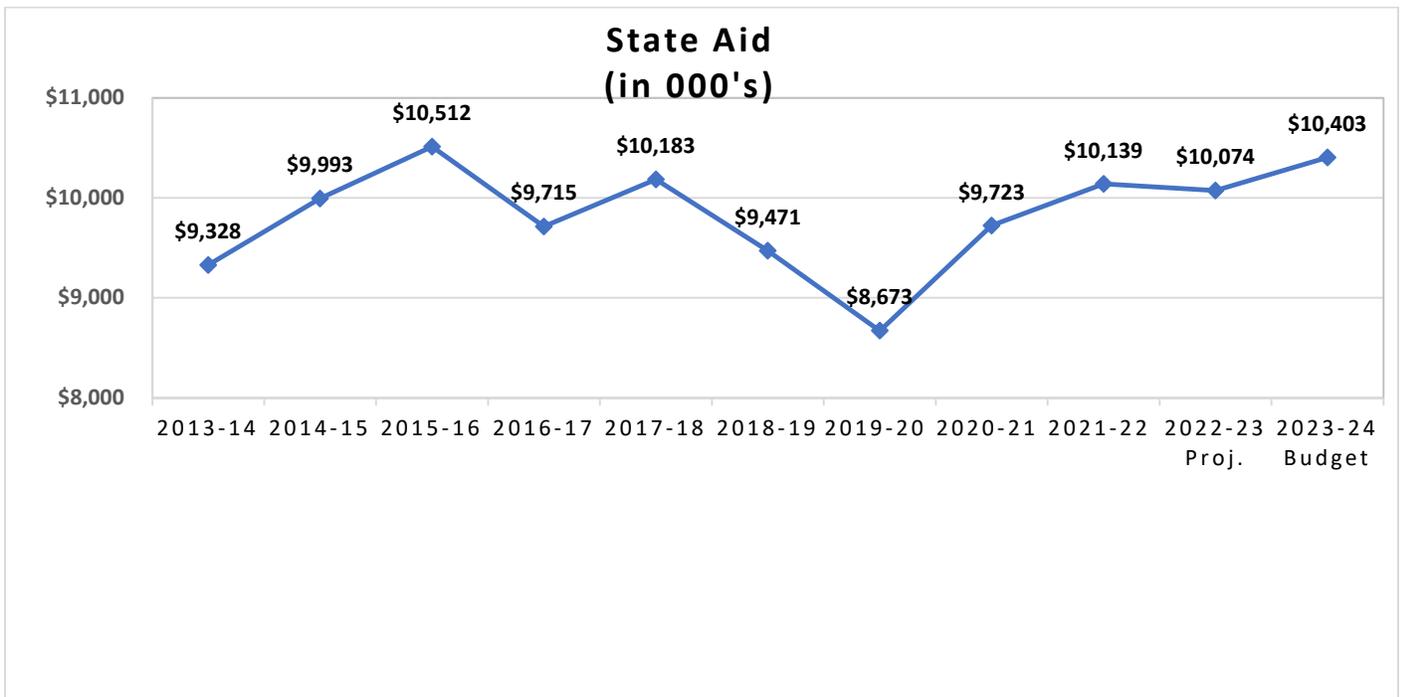
Revenues

The primary sources of College’s Operating Fund revenues are tuition and fees, property taxes and state appropriations. Over the years tuition and fees have surpassed the other two funding sources as a percentage of overall College revenues due to property tax revenues and state appropriations in some cases decreasing or not keeping up with the rate of inflation. Total All

Funds revenues for the FY2023-2024 budget are projected to be \$50,754,000 (excluding MPSERS UAAL Stabilization Payment).

State Aid

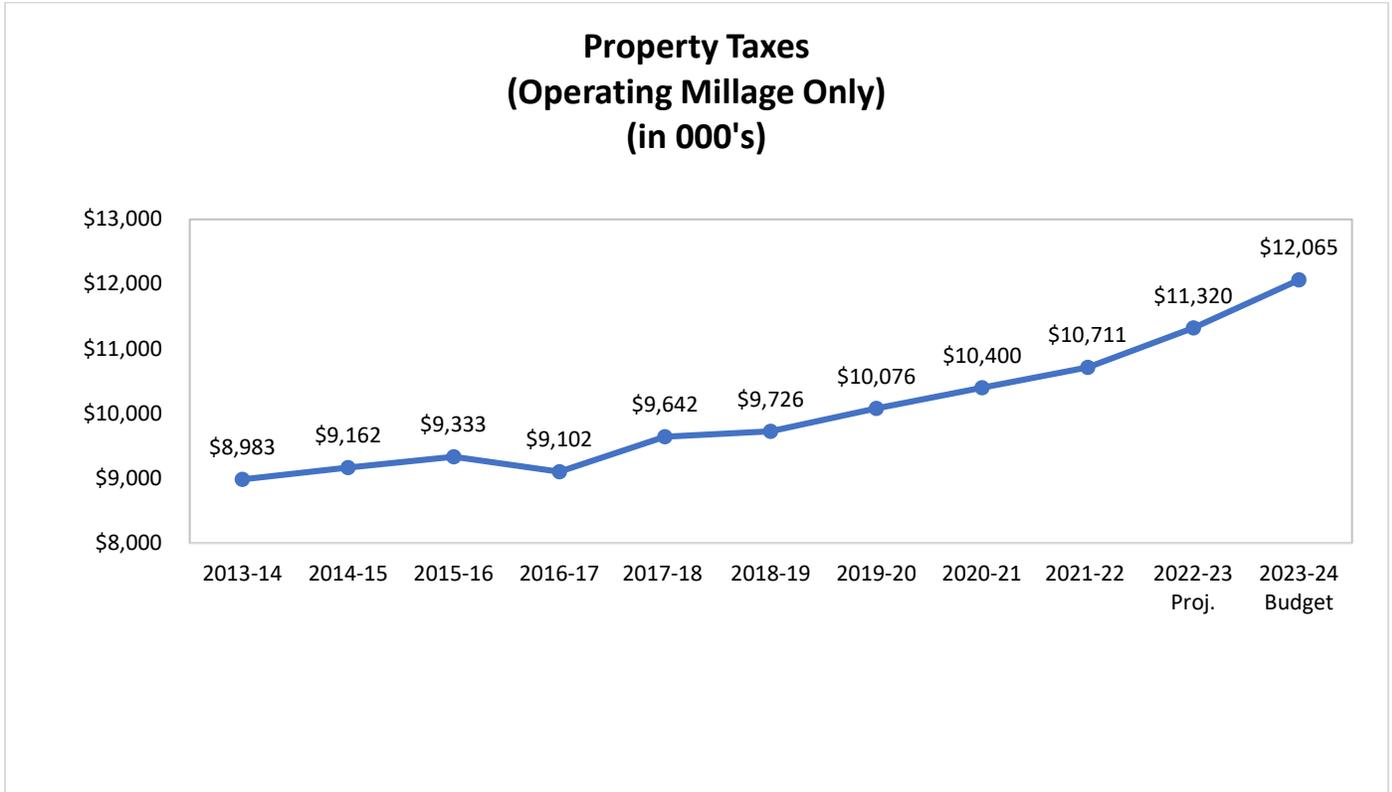
For the FY2023-2024 budget, the state aid revenue is based on the Governor’s budget proposal which is a recommendation for a 4% increase in Community College State Aid. Therefore, the budget includes a state appropriation of \$11,353,000 or 28% of total Operating Fund revenues (excluding MPSERS UAAL Stabilization Payment). The graph below illustrates the historical trend of this funding source however it excludes the Personal Property Tax replacement funds, which is budgeted at \$950,000 based on the amount received in FY2022-2023. This is a separate appropriation from the state to replace a loss in revenue from personal property tax exemptions. The primary state appropriation depicted in the graph below shows an increase of \$329,000 over the current year’s projected appropriation of \$10,074,000.



Property Taxes

During FY2023-2024 the College will levy 2.1693 mills of ad valorem property taxes on all property (real and non-exempt personal) located in Muskegon County for its operating millage. The total taxable value for Muskegon County according to the Muskegon County 2023 Equalization report is increasing from \$5,307,848,000 to \$5,721,959,000, or by 7.8%. This increase is partially due to inflation but also significantly due to the increase in the tax base from new housing construction as well as commercial and industrial expansions. The FY2023-2024 property tax revenue budget is projected to be \$12,065,000 for the College’s operating millage. The voters approved a debt millage sufficient to cover the debt payments on the 2013 and 2014 bond issues. This debt millage rate has historically been levied at .34 mills. Given the rise in

taxable values, the debt millage rate for FY2022-2023 is .27 mills which is estimated to generate \$1,416,000 in additional property tax revenues. The total FY2023-2024 property tax revenue budget is projected to be \$12,065,000 or 30% of total Operating Fund revenues, which is higher than the current year’s estimated actual of \$11,320,000.



Tuition and Fees

As previously mentioned, tuition and fees have become an increasing percentage of total revenues over the last decade. In the FY2023-2024 budget, this funding source represents approximately 40% of the Operating Fund revenue budget. An increase in the contact hour tuition and fee rates beginning with the fall semester of 2023 is as follows:

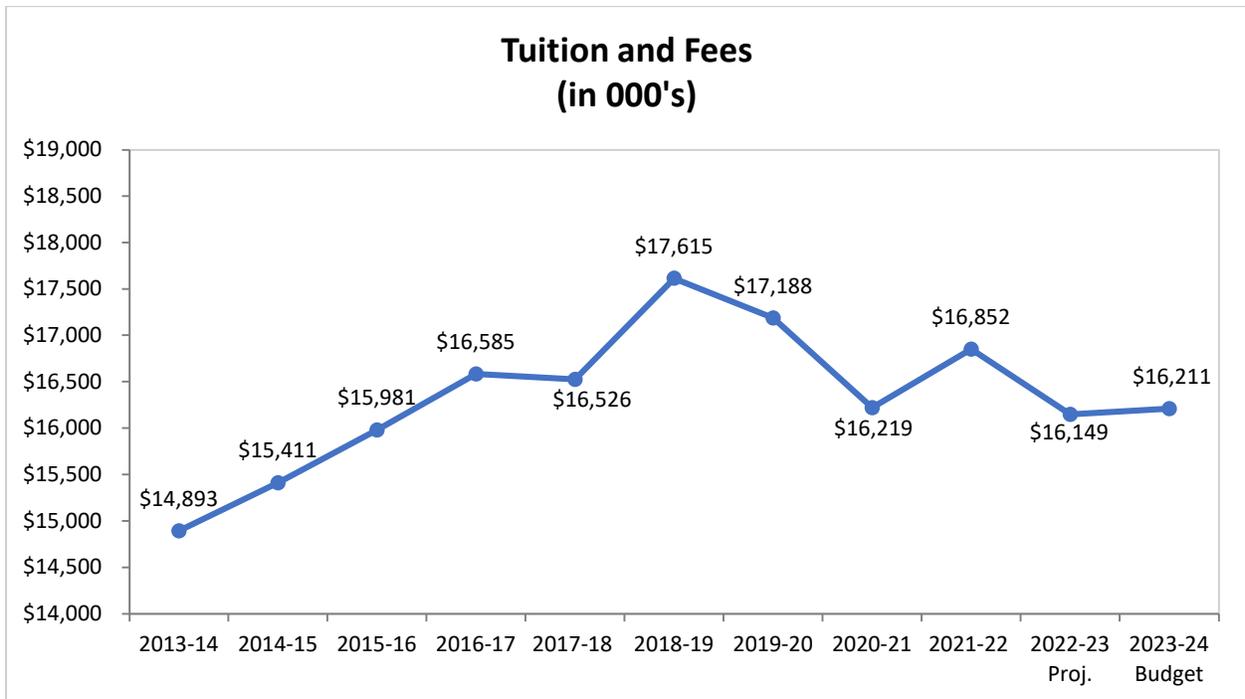
	FY2022-23 Rates	FY2023-24 Rates
In-district	\$125.00	\$130.00
Out-of-district	\$234.00	\$243.00
Newaygo Promise	\$195.00	\$200.00
Out-of-state	\$327.00	\$340.00
Direct Credit	\$35.00	\$40.00
Technology Fee	\$26.00	\$27.00
Infrastructure Fee	\$15.50	\$16.00

This increase will generate approximately \$62,000 in additional revenue for FY2023-2024 when compared to the FY2022-2023 projection given the projected 2% decline in enrollment.

The FY2023-2024 budget assumes that the registration fee will remain at \$35.00 per student per semester.

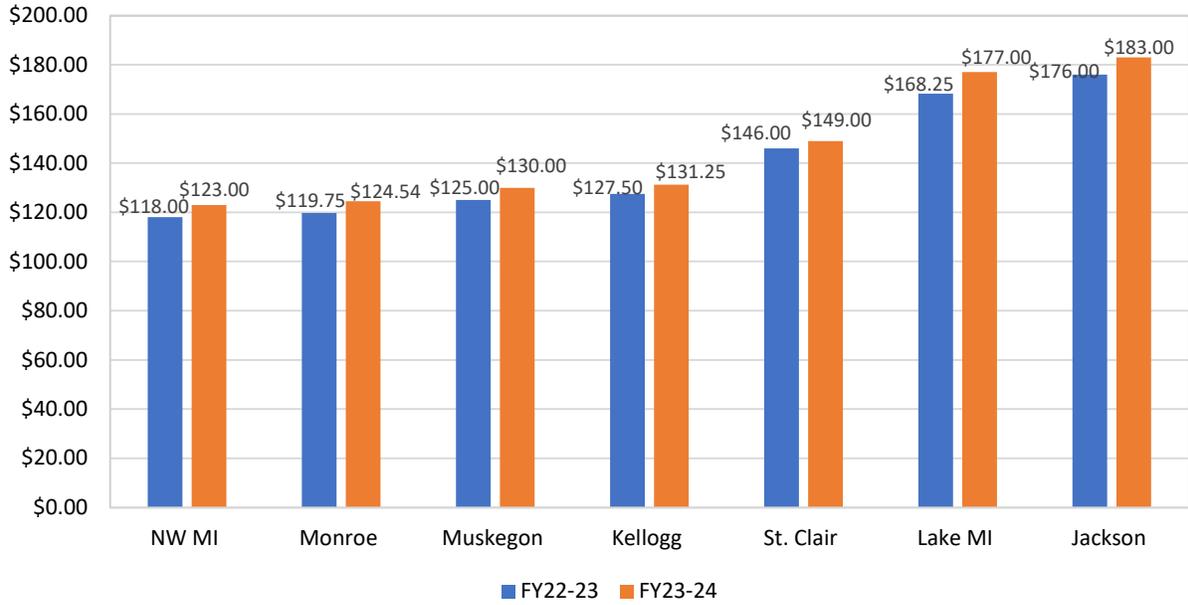
Given these increases, the FY2023-2024 budget includes total tuition and fees of \$16,211,000.

The graph below illustrates the historical trend of tuition and fees since FY2013-2014. These revenues have had to increase to compensate for the decreases in state aid and property tax revenues or the increases received not trending with inflation.

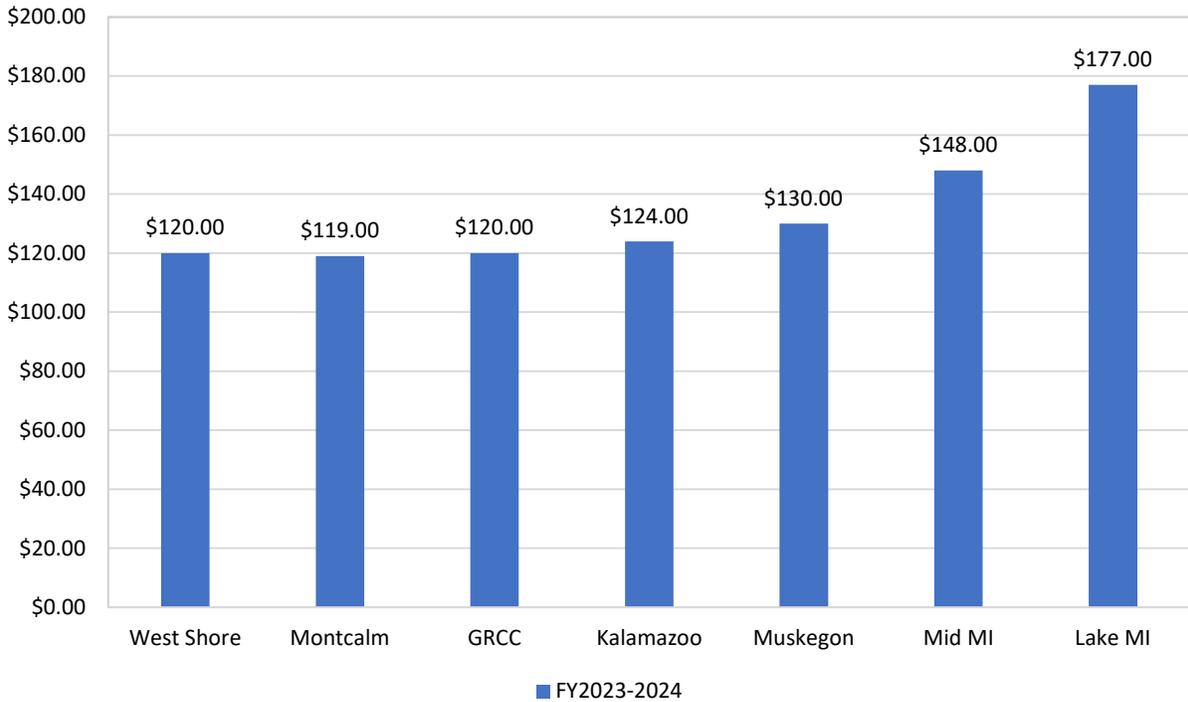


We have researched what other community colleges charge for tuition and fees, and the results are illustrated in the following two graphs. Based on these comparisons, we believe MCC remains a great educational value given the tuition and fee increases that are included.

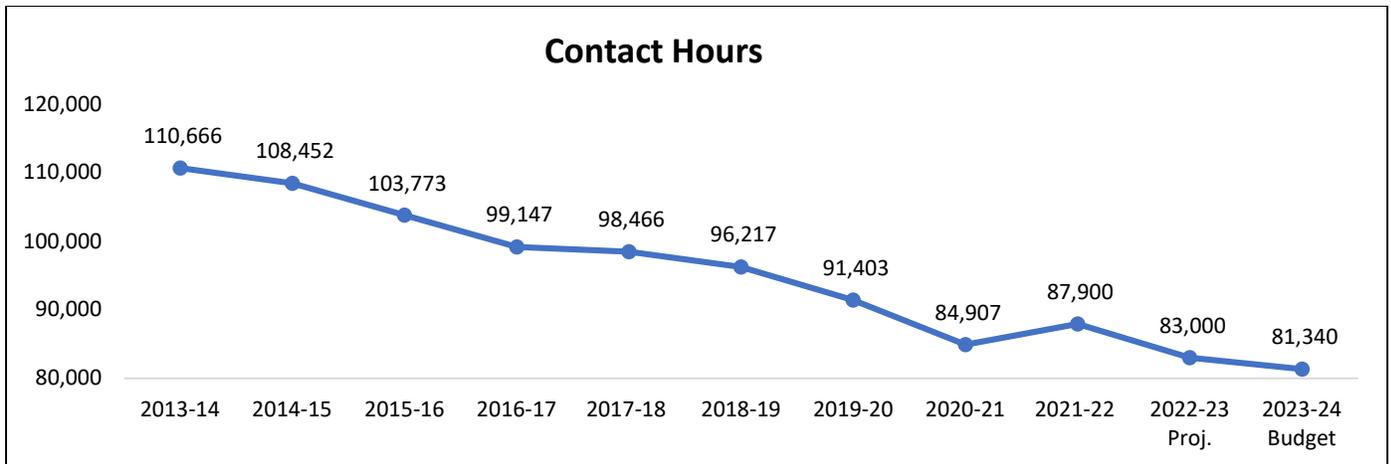
In-District 2023-2024 Tuition Rates Cohort Community College Comparison



In-District 2023-2024 Tuition Rates Surrounding Community College Comparison



Contact hours are projected to decline by 2% to 81,340 for FY2023-2024.



Grant Revenues

This funding source includes federal, state and local grants that MCC has been awarded and uses for specific restricted purposes. This category includes Pell, Upward Bound, Perkins, Michigan Incentive Tuition Program and Promise. Total revenue anticipated from grant sources is approximately 17% of budgeted revenues for FY2023-2024.

Expenditures

Total FY2023-2024 expenditures are budgeted at \$54,160,000 (excluding MPSERS UAAL Stabilization Payments). Expenditures consist of categories such as wages, fringe benefits, contractual services, supplies, utilities, repairs and maintenance, rent, equipment, travel and depreciation. Wage and fringe benefit costs comprise the largest portion of total Operating Fund expenditures at 70%. Faculty and staff are the “materials” needed to create our “product” of college-educated students.

Salaries and Wages

The budget for salaries and wages is based on projected staffing levels and current contractual agreements. Annual wage increases in accordance with contractual agreements include wage and step increases. All Funds salaries and wages in the FY2023-2024 budget total \$20,004,000.

Fringe Benefits

Retirement and medical costs continue to rise each year and have a significant impact on the ability to balance the budget. The employer contribution to the state retirement system is an average of 24% of wages in FY2023-2024. Medical, dental and vision costs continue to rise and are projected to increase another 14% next year. Other benefits such as life insurance, unemployment and workers’ compensation insurance are projected to remain stable. Total All Funds fringe benefit costs for FY2023-2024 are projected to be \$10,158,000.

Capital Expenditures

Purchases that meet the capitalization criteria will be depreciated over their useful life. Capital expenditure requests are submitted by MCC department managers and indicate the level of need for the requested items or projects. Requests are reviewed by Administration in conjunction

with available funds, and a recommendation is presented to the Board as part of the budget document.

Budget Development Aligning with Strategic Plan Initiatives

In developing the FY2023-2024 budget, the objectives of the College's 2022-2026 Strategic Plan: Aspiring to Be the Best were taken into consideration. The three priorities of Access, Equity and Excellence were embedded in the preparation of next year's budget.

Access – Increase Financial Support

Removing barriers for our students continues to be a primary focus. The Jayhawk Hub is a one-stop center that connects students with resources related to food insecurity, housing instability, transportation emergencies and other challenges that can impact academic success. A new position to oversee the operation of the Hub was added in FY2022 and funded with HEERF grant funds for two years. The position is invaluable to helping our students succeed and therefore the budget includes the continuation of the Jayhawk Hub Manager position to be funded with operational funds as the grant will have expired.

Several state and local initiatives have assisted in providing financial support and raised awareness of MCC. MCC's new Kick Off Program (also known as the Michigan Academic Catch-Up Program) granted funding to qualified community colleges to combat learning loss among recent high school graduates who experienced interruptions to in-person learning due to the COVID-19 pandemic. This state funding will provide a summer educational program in college-level English or math to these recent graduates at no cost to them. Through this exposure to MCC the goal is that it will translate to future college enrollment. In addition the Michigan Achievement Scholarship provides students who graduate from a Michigan high school in 2023 or after up to \$2,750 per year for up to three years to attend a community college. This scholarship will make accessibility to higher education even more affordable to students. The Michigan Reconnect Program which provides free in-district tuition at community colleges to individuals 25 years and older has afforded many students over the last two years with the opportunity to go back to school and start or finish their degree. The state is considering in their budget for next year lowering the age requirement to 21 years which could expand that opportunity to many more potential students attending MCC.

Local initiatives that will improve access to students include the lowering of the Grade Point Average (GPA) requirement from 3.5 to 3.25 to be eligible to receive the Muskegon Promise Scholarship. Also eligible are the top 30% of each graduating class of each district regardless of GPA. It is anticipated that these changes will result in approximately 200 more students becoming eligible. Furthermore, books will now be an allowable expense to support Promise students. College leadership was involved in the discussions that helped lead to these changes.

Increasing community engagement with the College is another focus area toward improving student access. MCC's Foundation exists to generate funds to provide scholarships, enhance support services like the Jayhawk Hub, and improve campus facilities. Fundraising goals and priorities are part of the budget process that will provide another funding source outside of existing operational funds.

Equity – Reduce Achievement Gaps

Creating a culture of diversity, equity and inclusion is an important priority of MCC. The DEI Office was created in FY2022. Operational funding as well as grant funding from the Community Foundation of Muskegon County support the staffing and other expenses for this office. Trainings on Implicit Bias, Microaggressions and Inclusive Culture are offered internally to employees as well as to the community. Continuation of funding to support this office is included in the FY2023-2024 budget.

MCC's enrollment representatives are collaborating with the Boys & Girls Club, MAISD Head Start parents and other organizations to build relationships with underrepresented populations. In addition, the new "See Yourself Here" ad campaign will help more prospective students envision a path to success at MCC.

Enhancing the student's experience while attending MCC will improve retention, increase passing rates and completion rates. The Student Success Strategy Team provides ongoing reports to faculty, who develop strategies to improve classroom success and retention. In addition the partnership with the Michigan College Access Network (MCAN) has funded two additional Completion Coaches that provide one-on-one support to students. This funding has been extended through FY2026.

Excellence – Increase Success Rate

The Excellence priority focuses on improving outcomes for all students related to retention and pass rates. The Student Success Strategy Team has developed a new Enrollment Management Plan (EMP) with these goals in mind. The EMP was developed with the assistance of highly regarded consultants from EAB and Achieving the Dream (ATD) coaches. Funding is included in the FY2024 budget for continuation of consulting services from the ATD coaches to evaluate and provide feedback on our progress.

Improving institutional effectiveness is another objective that falls under the Excellence priority. Keeping the College's facilities maintained and up to date is important to provide an effective learning environment for students, however it is a costly undertaking. As part of this year's budget development process the capital requests were divided into categories by different potential funding sources including state appropriation, fundraising, grants and operations. The plan moving forward is to take advantage of the non-operational funding for as many capital needs as possible. MCC's Foundation will be used in conjunction with the Opportunity Team to evaluate, prioritize and fundraise for proposals submitted by departments for capital and noncapital requests that were not part of the approved budget. The Foundation will also set fundraising goals for various College initiatives such as the Jayhawk Hub to provide additional funding resources that had previously come from operational funding. Grants will continue to be another funding resource that is pursued at both the state and local level for large capital items.

In conjunction with providing an effective teaching and learning environment for students, continuing professional development of our faculty and staff is a key. The FY2023-2024 budget includes funding for training on evidence-based teaching practices shown to improve student engagement, increase persistence and close equity gaps.

FY2023-2024 Budget Balancing Strategies

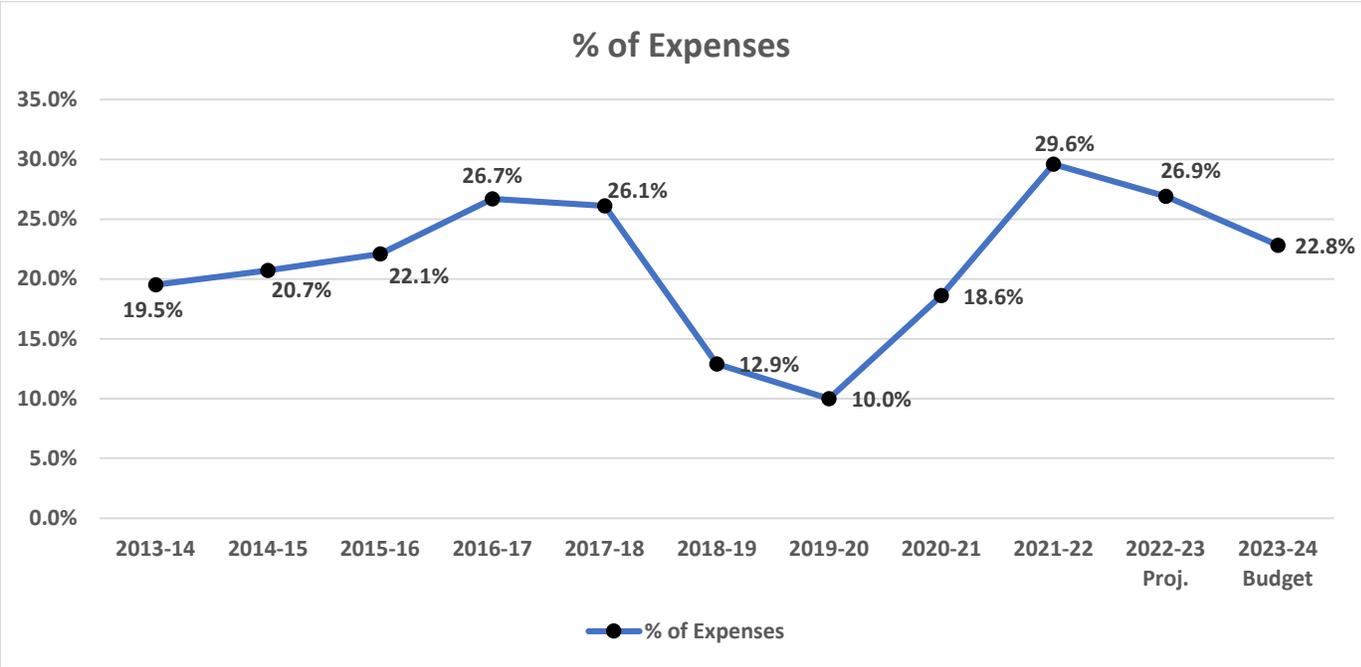
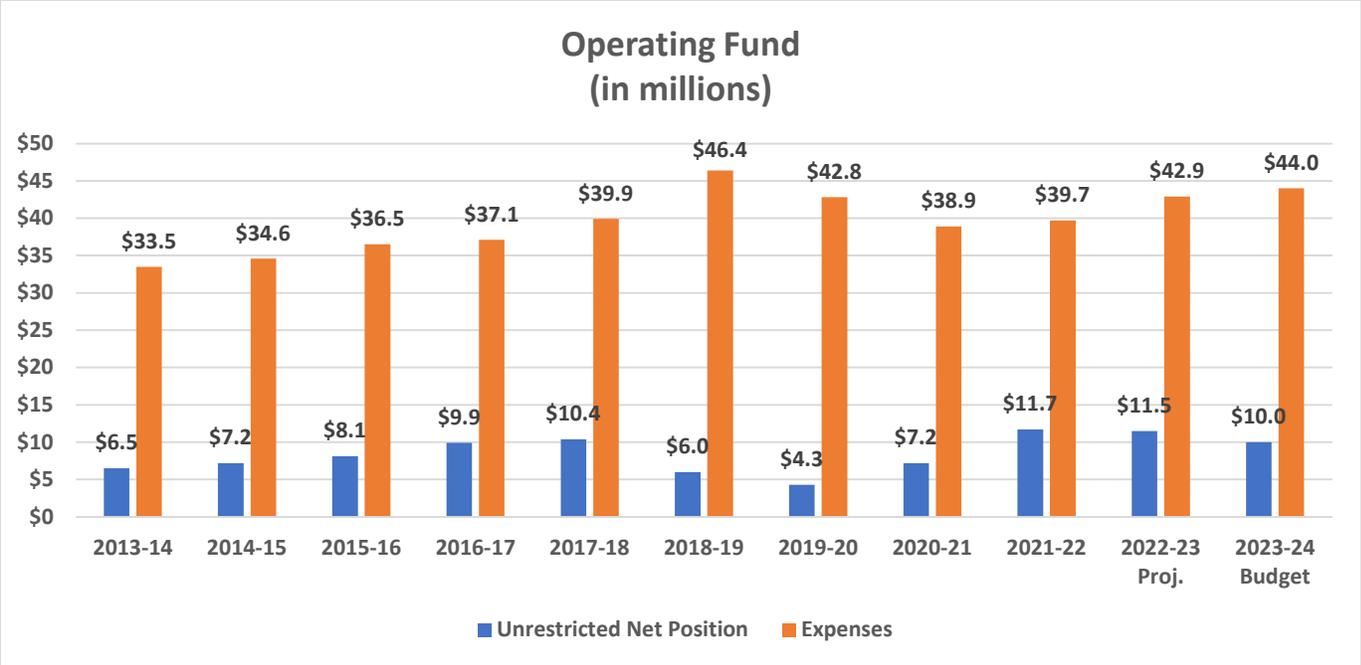
In preparing the FY2023-2024 budget, the projected increases in state aid and property tax revenues were beneficial in replacing the additional Federal COVID-19 relief grant revenue received in recent years that will end June 30, 2023. The increase to tuition and fee rates approved by the Board for next year is also necessary to help fill the gap. However, increases in operational costs including wages and fringes are projected to outpace any additional revenue anticipated to be generated.

Each year the College realizes savings through attrition resulting from position vacancies. It has been the practice to evaluate positions as they become vacant in terms of the overall organizational structure to determine if there are opportunities for restructuring and gaining efficiencies as well budgetary savings. This assessment process may result in the decision to hold certain positions vacant for some portion of the fiscal year. The FY2023-2024 budget followed this practice by holding some positions vacant to achieve cost savings while ensuring that the objectives of the College's mission are still achieved. Attrition savings of \$500,000 in wages and approximately \$250,000 in fringe benefits has been built into the budget to represent savings from positions that will become vacant during the fiscal year. As positions are vacated from retirements or normal attrition, the timing of refilling these positions will take into consideration this budgeted savings that needs to be achieved.

A review of department requests for various operational expense accounts was also completed. This review took into consideration historical spending. As a result travel, professional services and materials and supplies were decreased by a total of \$254,000 from what was initially requested.

In addition to holding positions open, in recent years decisions have been made to cut back on other operating costs such as facility expenses. The sale of the Lakeshore Fitness Center in FY2021 eliminated the cost of maintaining that building and covering the operational shortfall that averaged approximately \$700,000 a year from 2016-2020. Maintaining the remaining college facilities continues to be a challenge due to their age. The capital budget for the upcoming year totals \$331,000 to be funded by operational revenues. However, College administration will continue to pursue state and local grant funding opportunities as they become available to help cover the cost of needed equipment and building improvements.

Based on the current FY2022-2023 projection, the College is anticipated to end this fiscal year with the Operating Fund unrestricted net position (i.e. fund balance) at 26.9% of expenses or \$11.5 million. Although several cost reduction strategies previously described have been incorporated into next year's budget, the Operating Fund still shows expenses exceeding revenues by \$1.5 million. Given this availability of reserves that have accumulated over the last few years, the FY2023-2024 Operating Fund budget as presented utilizes \$1.5 million of the unrestricted net position thereby reducing the balance to \$10.0 million or 22.8% of expenses, which is still within the recommended range of 16.7% – 25.0%. The graph below shows the historical trend of the College's unrestricted net position over time.



As a precautionary measure, Administration plans to hold off on non-emergency major capital expenditures until Fall 2023 enrollment numbers are known, to ensure that tuition and fee revenues are coming in as predicted. Monitoring of all revenues and expenditures will continue to occur throughout the fiscal year to determine if budget adjustments become necessary.

Strategies for the Future

There are several factors that impact the future financial stability of the College. Enrollment is key and while the FY2023-2024 budget assumes a 2% decline in enrollment, the new Enrollment Management Plan (EMP) has identified many tactics to increase our student numbers as well as

improve retention and completion. It is expected that the strategies from the new EMP will begin to show results later into FY2023-2024 and therefore allow us to better quantify their influence on enrollment in future budget years.

The impact of various state and local programs such as Reconnect, Academic Catch-Up (MCC's Kick Off Program), Michigan Achievement Scholarship and the Muskegon Promise is also difficult to quantify for the upcoming year budget. Lowering the age of eligibility of the Reconnect program from 25 to 21 would qualify approximately 400,000 more individuals for free in-district tuition within the state, however this is still subject to the State's budget approval process. It is also challenging to determine how the Academic Catch-Up and Michigan Achievement Scholarship programs will translate into new students. Lowering the GPA requirement for the Muskegon Promise is expected to qualify 200 more students, However, how many of them will choose to attend MCC is yet to be seen. As we move through the next budget year, the effect of all these programs on enrollment should become more measurable.

Pursuing new funding resources is high on the priority list to support the College's operations as we move forward. Fundraising efforts will be a focus of MCC's Foundation with established monetary goals to help fund various needs of the College. In addition, monitoring the availability of funding at the state and local level for capital expenses and non-capital programs will continue to alleviate the use of operating resources. The Senate Fiscal Agency budget proposal for next year includes a \$1.4 million additional appropriation to MCC for infrastructure, technology, equipment and maintenance. If this allocation is approved in the final state budget it could be used to cover the current capital budget request for next year and more.

The evaluation of positions will continue in conjunction with enrollment projections. This practice along with reducing travel and capital has been in place for many years and has helped to offset revenue declines.

During the first quarter of the fiscal year, College Administration will monitor fall enrollment and the finalization of the State budget and prepare to make any budget adjustments if necessary. In addition, a 5-year multifaceted budget reduction plan and a fund balance ratio threshold policy will be developed and presented to the Board at the October meeting.

Conclusion

FY2023-2024 All Funds budget is presented on the following pages for your consideration. This budget represents the coordination of efforts by all departments that have looked for ways to reduce costs and achieve operational efficiencies and continue to allow the College to provide educational opportunities to its students.

Muskegon Community College
Consolidated Budget - Revenues and Expenses
Fiscal Year 2023-24

	Operating Fund		Restricted Fund	Plant Fund	All Funds
	General Fund	Auxiliary Fund			
Operating Revenues					
Tuition and Fees	\$ 16,210,607	\$ -	\$ -	\$ -	\$ 16,210,607
Federal Grants	-	-	4,821,810	-	4,821,810
Local Grants And Donations	26,000	16,000	2,625,903	-	2,667,903
State Grants	-	-	1,355,000	-	1,355,000
Sales, Services & Rentals	-	399,575	-	-	399,575
Other Income	205,369	60,000	-	-	265,369
Total Operating Revenue	16,441,976	475,575	8,802,713	-	25,720,264
Operating Expenses					
Salaries and Wages	19,110,256	364,634	529,029	-	20,003,919
Fringe Benefits	9,753,412	164,583	240,161	-	10,158,156
MPSERS UAAL Stabilization Payment	1,990,000	-	-	-	1,990,000
Advertising, Legal, And Other Professional Services	4,037,043	131,870	24,404	-	4,193,317
Material, Supplies, Postage, Books, Program Cost	1,266,049	146,425	161,314	-	1,573,788
Dues, Professional Development, Travel	822,914	18,300	59,481	-	900,695
Utilities, Energy Cost, Rent, Insurance	1,480,778	49,200	-	-	1,529,978
Repair And Maint. Capital And Capital Under \$5,000	2,414,715	46,150	76,655	-	2,537,520
Financial Aid And Scholarships	266,505	2,000	7,894,644	-	8,163,149
Bad Debt	350,000	-	-	-	350,000
Other Expenses	45,100	11,800	79,309	-	136,209
Depreciation	-	-	-	3,700,000	3,700,000
Total Operating Expenses	41,536,772	934,962	9,064,997	3,700,000	55,236,731
Operating Income/(Loss)	(25,094,796)	(459,387)	(262,284)	(3,700,000)	(29,516,467)
Non-Operating Revenues/(Expenses)					
State Aid	11,352,700	-	-	-	11,352,700
MPSERS UAAL Stabilization Payment	1,990,000	-	-	-	1,990,000
Property Taxes	12,065,000	-	-	1,415,837	13,480,837
Interest Income	200,000	-	-	-	200,000
Interest Expense	(258,856)	-	-	(654,331)	(913,187)
Transfers (Net)	(1,775,387)	459,387	-	1,316,000	-
Total Non-Operating Revenues/(Expenses)	23,573,457	459,387	-	2,077,506	26,110,350
Net Income/(Loss)	\$ (1,521,339)	\$ -	\$ (262,284)	\$ (1,622,494)	\$ (3,406,117)
FY23 Projected Unrestricted Net Position	11,559,287				
FY24 Projected Unrestricted Net Position	\$ 10,037,948				
Unrestricted Net Position % of Expenditures	22.8%				
Statement Of Cash Flow					
Cashflow Surplus (Shortfall)					(3,406,117)
Add: Depreciation and Bond Amortization					3,632,633
Less Debt Service/Principal Only					(1,830,000)
Less: Capital Expenditures					(331,000)
Total Cash Inflow/(Outflow)					(1,934,484)
FY23 Projected Ending Cash and Investments Balance					16,200,000
FY24 Projected Ending Cash and Investments Balance					\$ 14,265,516

**Muskegon Community College
Capital Budget
FY2023-2024 Budget**

<u>Department</u>	<u>Description</u>	<u>Estimated Cost</u>
Social Science	Office furniture, carpet and abatement	84,450
Physical Plant	Main Campus front end loader and snow blade	159,000
Physical Plant	BR Gym basket ball hoop replacement	22,550
Marketing & Communications	MCC Website Redesign carryover	65,000
		<u>\$ 331,000</u>