

Northwestern Michigan College Board of Trustees 2021 Working Budget

Update
May 2020

Budget Update Outcomes

- National trends
- Allocation of resources
- 2021 budget assumptions
- Questions, Feedback on scenarios and next steps

National Trends

- Student enrollment in the 21 and older age group continues to decline
- Greater competition
- Greater dependency on tuition revenue as we see a decline in state support
- Demand for student support services
 - Food & housing insecurities
 - Health and safety concerns

Trends and COVID-19



Past Structural Changes

Revenue:

- Increased investment from the NMC Foundation
- Establish & promote programs unique to our area of expertise
- Revised business training services

Expenses:

- 2011-15 attrition of positions reduced 18 positions
- 2018 early separation agreement - 12 positions
- 2019 elimination of Training department
- 2020 reduced supplemental positions

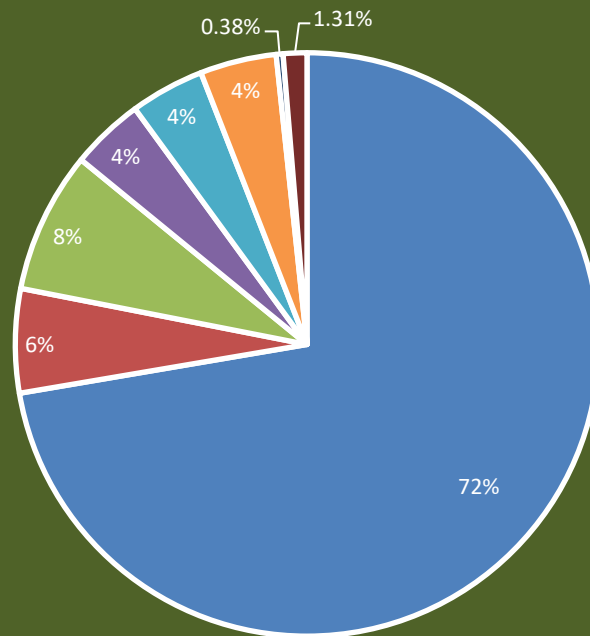
Allocation of Expenses by Activity

Category	NMC	ACS Group	State Average
Instruction & Instructional Support	57%	54%	52%
Information Technology	7%	6%	7%
Public Service	1%	1%	2%
Student Services	11%	13%	13%
Administration	14%	14%	14%
Facilities	10%	12%	12%

Percentage of expenses by activity compared to total expenses

Allocation of resource by category

2021 Draft Budget



Salaries & Benefits 72%

Supplies 8%

Institutional Expenses 4%

Prof. Development .38%

Purchased Services 6%

Other Expenses 4%

Maintenance & Renovations 4%

Deferred Maintenance & new equipment 1%

Revenue Assumptions For 2021 Budget

- Continue to see limited property tax increases based on Headlee
 - Estimated increase of \$450,000 reduced for Headlee to \$350,000
- State appropriation decrease
 - Current 2021 working budget is a 15% decline or \$1,500,000
- Decline in contact hours
 - 2021 current working budget is a decline of 15% or \$3,300,000

Trends In enrollment

What is Different

Normally, our enrollment is counter cyclical to the unemployment rate

- Current situation is unlike other unemployment cycles
- The assumption for decline is driven primarily because of uncertainty on delivery method
- Any increase in enrollment during high unemployment rates is usually driven by state and federal support for tuition

Contact Hour Comparison



2021 prior COVID-19 estimate 76,184

NMC's Strategic Directions include the following items to counter enrollment trends

- We have increased our activity in recruitment promoting local/regional opportunities for area students
- 79 Faculty have enrolled in our training for online course delivery
- Continue to look for opportunities to support local industry training needs

Shifts in revenue or expense

- Revenue impact
 - Change in actual contact hours
 - Change in state appropriation
 - Change in mix of students (i.e. In-district, differential tuition)
- Expense impact
 - Course efficiency
 - Class sizes

Fiscal 2021 shifts

- Addition of Unrestricted Foundation support
- Reduction of one time expenditures
 - Capital purchases
 - Professional Development
 - Transfers
- Reductions based on enrollment
 - Part-time hourly employees based on need
 - Adjunct instructors based on course loads

Fixed and Other Support Needs

- Increased need for on-line instructional support for faculty and students
 - Includes increased staff and technology equipment
- Facilities functions increased for health and safety
 - Added space with no added personnel
- Increased federal regulations
 - Title IX investigations
- Increased demand for student support services
 - Food insecurity, Personal Counseling, Advising

Draft 2021 budget summary for May 18, 2020 Board of Trustees Meeting

Summary of 2021 Budget	Changes compare to 2020	Explanation
Tuition & Fees	(3,300,000)	Assumes 15% decline in enrollment no tuition rate changes
State appropriations	(1,454,000)	Assumes 15% decline in state appropriations
Other sources	(300,000)	Reductions in federal grants and other revenue
Property tax revenue	330,000	Net increase after slight reduction in millage rate due to headlee
Other income	100,000	PPT reimbursement based on 2020 actuals
Foundation EL	220,000	Foundation support for EL costs
Foundation unrestricted	500,000	New Foundation initiative
Total reduction in revenue	(3,904,000)	
<u>Reductions based on enrollment</u>		
E&G reductions	255,000	Reduction for contractual agreements & supplies and materials
Net payroll costs includes adjunct, supplemental, and healthcare savings	1,340,000	Reductions in supplemental and adjunct costs and savings in health care benefits (assumes a budget of \$500,000 for supplemental)
long-term reductions	1,595,000	
<u>Onetime reductions</u>		
Deferred maintenance	520,000	Planned reduction for 2021 capital projects
Professional development	500,000	Freeze for 2021; Memberships and subscriptions for on-line access
COAT	220,000	Planned reduction; Perkins grant to pay for most requests
Transfers	425,000	See detail of transfers
Use of reserves	500,000	One-time use of reserves
One time reductions	2,165,000	
Net results	(144,000)	

Draft 2021 Transfer Detail

Category	2020 Budget	2021 Budget	Explanation
Plant Fund Deferred Maintenance	1,019,740	500,000	Capital improvements for facilities
Strategic Funds	250,000	250,000	Presidents Office special projects
Funds for Transformation	50,000	50,000	Presidents Office special projects if over \$50,000 takes Board of Trustees approval
Tac hours	340,000	340,000	Aviation planes depreciation based on flight hours
Wellness (transfer in_	(115,865)		Moved into special fund for projects
Technology Fund	500,000	500,000	Infrastructure for technology
Plant fund new construction	500,000		Eliminated this year
Facilities Fees	40,000		Eliminated this year used for facility improvements
Program Specific	100,000	100,000	Reserved for specific purpose GLMA
	2,683,875	1,740,000	
reductions			

Scenarios

- For each 1% change in State Appropriations
 - \$100,000
 - A 20% decline will result in a \$2,000,000 reduction in total revenue
- For each 1% change in enrollment
 - \$150,000 change in revenue

Contingencies

- Use Institutional CARE Act funding to fill a gap in either state appropriations or enrollment beyond the 15% budgeted
- Revisit staffing levels
- Review pay options
 - will involve discussions with individual groups

College Employees Next Steps

May - June

Planning and Budget to review scenarios

- Understand how expenditure reductions effect growth and service levels
 - Prioritize resources
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- VP to review expenditure details and positions
 - Recommend areas of consolidation
 - Monitor enrollment and state appropriations
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- College wide small group meetings
 - Allow individuals to understand budget proposal
 - Allow for individual feedback: Areas that can realize savings or additional revenue streams

May – June

Board of Trustees

- May
 - Gather feedback on proposals
 - Gather feedback on NMC priorities
 - Next presentation to Board of Trustees
- June Board of Trustees meeting
 - Zoom presentations to employees
 - Present recommended balanced budget for FY2021