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

Higher Education

- Demographics
- Risk management
- Covid-19
- Financial resources
- Private good
- Shrinking margins
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

<table>
<thead>
<tr>
<th>Category</th>
<th>NMC</th>
<th>ACS Group</th>
<th>State Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction &amp; Instructional Support</td>
<td>57%</td>
<td>54%</td>
<td>52%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Public Service</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Student Services</td>
<td>11%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Administration</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Facilities</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Percentage of expenses by activity compared to total expenses
Allocation of resource by category

2021 Draft Budget

- Salaries & Benefits: 72%
- Purchased Services: 6%
- Supplies: 8%
- Other Expenses: 4%
- Institutional Expenses: 4%
- Maintenance & Renovations: 4%
- Prof. Development: 0.38%
- 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

Contact Hours

2012: 118432
2013: 108904
2014: 104965
2015: 99600
2016: 92884
2017: 88533
2018: 85652
2019: 82150
2020: 80073
2021: 76184
21 @10%: 71801
21 @15%: 67798

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

**May 18, 2020**

Board of Trustees Meeting

<table>
<thead>
<tr>
<th>Summary of 2021 Budget</th>
<th>Changes compare to 2020</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition &amp; Fees</td>
<td>(3,300,000)</td>
<td>Assumes 15% decline in enrollment no tuition rate changes</td>
</tr>
<tr>
<td>State appropriations</td>
<td>(1,454,000)</td>
<td>Assumes 15% decline in state appropriations</td>
</tr>
<tr>
<td>Other sources</td>
<td>(300,000)</td>
<td>Reductions in federal grants and other revenue</td>
</tr>
<tr>
<td>Property tax revenue</td>
<td>330,000</td>
<td>Net increase after slight reduction in millage rate due to headlee</td>
</tr>
<tr>
<td>Other income</td>
<td>100,000</td>
<td>PPT reimbursement based on 2020 actuals</td>
</tr>
<tr>
<td>Foundation EL</td>
<td>220,000</td>
<td>Foundation support for EL costs</td>
</tr>
<tr>
<td>Foundation unrestricted</td>
<td>500,000</td>
<td>New Foundation initiative</td>
</tr>
<tr>
<td><strong>Total reduction in revenue</strong></td>
<td><strong>(3,904,000)</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Reductions based on enrollment**

| E&G reductions         | 255,000                | Reduction for contractual agreements & supplies and materials |

Net payroll costs includes adjunct, supplemental, and healthcare savings 1,340,000

**Long-term reductions** 1,595,000

**Onetime reductions**

| 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

<table>
<thead>
<tr>
<th>Category</th>
<th>2020 Budget</th>
<th>2021 Budget</th>
<th>Explanation</th>
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</thead>
<tbody>
<tr>
<td>Plant Fund Deferred Maintenance</td>
<td>1,019,740</td>
<td>500,000</td>
<td>Capital improvements for facilities</td>
</tr>
<tr>
<td>Strategic Funds</td>
<td>250,000</td>
<td>250,000</td>
<td>Presidents Office special projects</td>
</tr>
<tr>
<td>Funds for Transformation</td>
<td>50,000</td>
<td>50,000</td>
<td>Presidents Office special projects if over $50,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>takes Board of Trustees approval</td>
</tr>
<tr>
<td>Tac hours</td>
<td>340,000</td>
<td>340,000</td>
<td>Aviation planes depreciation based on flight hours</td>
</tr>
<tr>
<td>Wellness (transfer in_)</td>
<td>(115,865)</td>
<td>0</td>
<td>Moved into special fund for projects</td>
</tr>
<tr>
<td>Technology Fund</td>
<td>500,000</td>
<td>500,000</td>
<td>Infrastructure for technology</td>
</tr>
<tr>
<td>Plant fund new construction</td>
<td>500,000</td>
<td></td>
<td>Eliminated this year</td>
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<tr>
<td>Facilities Fees</td>
<td>40,000</td>
<td></td>
<td>Eliminated this year used for facility improvements</td>
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<tr>
<td>Program Specific</td>
<td>100,000</td>
<td>100,000</td>
<td>Reserved for specific purpose GLMA</td>
</tr>
<tr>
<td></td>
<td>2,683,875</td>
<td>1,740,000</td>
<td>reductions</td>
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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
Planning and Budget to review scenarios
- Understand how expenditure reductions effect growth and service levels
- Prioritize resources

- VP to review expenditure details and positions
  - Recommend areas of consolidation
  - Monitor enrollment and state appropriations

- 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