

Strategic Financial Planning Committee
of the
Monroe County Community College Board of Trustees

TO: MCCC Board of Trustees
FROM: MCCC Strategic Financial Planning Committee
DATE: February 22, 2010

RE: **Reconsideration and Recommended Response to Trustee Lauer's
Proposed Contact Hour Ceiling**

Background

During the past several years, MCCC has been facing serious, continuing, and accelerating financial challenges. These financial challenges occur at a time of record enrollment at MCCC and record demand for services. Financial challenges are occurring because two of the three primary revenue streams for MCCC, namely our local Monroe County property taxes and discretionary state funding, are declining due to the continuing and devastating economic recession and record unemployment in the County of Monroe and in the State of Michigan.

Last year, MCCC undertook a number of steps to secure a balanced budget, i.e., a budget in which operational expenses did not exceed operational revenues. It is notable and laudable that administrators, support staff and maintenance employees took a voluntary wage freeze in light of these economic circumstances. Further, a lengthy list of cuts and cost containment measures were also undertaken. However, despite these measures a very significant budget deficit remained in excess of \$500,000. In response, and after significant study and consideration, the MCCC Board of Trustees changed from "credit hours" to "billable contact hours" in charging tuition at MCCC.

The Board of Trustees recognized that for some students, particularly in the health care fields, there would be a significant increase in tuition, while for the majority of students there would be no change in their educational cost. The Board considered and rejected a phased approach to this transition. Further, the Board considered and rejected imposing a ceiling on contact hours.

The MCCC Board made clear, at that time, that it did not embrace this change in tuition methodology solely to increase tuition revenue. On the contrary, the Board concluded that the "contact hour" methodology represented a superior way to allocate costs and fairly charge students. Students who enroll in MCCC's high demand and most expensive educational programs - programs such as health care which require more

faculty involvement and cutting edge technology – pay more than MCCC students who enroll in less expensive programs.

At the MCCC Board of Trustees meeting of January 25, 2010, Trustee Linda Lauer noted the difference between projected and actual tuition revenue due to the conversion to billable contact hours and enrollment increases. Using data for fall and winter semesters, Trustee Lauer calculated that there may be over \$174,000 more in revenue than originally estimated. Trustee Lauer asked Board members to consider putting a ceiling on the number of contact hours assessed to a student. She said a small number of students are being significantly impacted and estimated the cost of implementing a ceiling to be approximately \$30,000.

Recommendation

The Strategic Financial Planning Committee, following extensive review, discussion and evaluation of a broad spectrum of factors, recommends that the Board of Trustees reject the proposal to impose a ceiling on the contact hour tuition methodology for the following reasons:

- **Record enrollment does not translate into record operating revenues for educational MCCC.** Tuition received from students enrolled at Monroe County Community College contributes only 30% to the overall operating cost of the college. That's why MCCC continues to be such a bargain in higher education. Approximately 70% of the true educational costs for MCCC students is subsidized by the property taxpayers of Monroe County and the State of Michigan.
- **Record enrollment does translate into record demand for services.** Thus, to address the record demand Monroe County Community College incurred additional expenses considerably beyond the budget. For example, last year Monroe County Community College paid faculty members a total of \$57,986 for extra contractual services required to meet the needs and demands of students. Additionally, last year Monroe County Community College hired needed adjunct faculty to teach additional classes. The cost of additional adjunct faculty exceeded the budget by \$401,843. Thus, these two items, considered alone during fiscal year 08-09, represent almost one-half million dollars of educational expenses which were above and beyond the budget.
- **Financial decision making by the Board of Trustees is not based upon a simplistic comparison between the cost of an item in relationship to the total current budget of \$26 million.** Instead, the Board should be guided by the Higher Learning Commission's Criterion Two-- Preparing for the Future:

"The organization's allocation of resources and its process for evaluation and planning demonstrate its capacity to fulfill its mission, improve the quality of its education, and respond to future challenges and opportunities."
- **Balancing the budget at MCCC during the past year has made MCCC look**

relatively healthy; the reality is that balancing the budget does not tell the story of missed opportunities. Balancing the budget does not tell the story of “what’s missing from our educational enterprise that belongs there”. Balancing the budget does not provide the resources for the MCCC we need today and the MCCC we need tomorrow.

When we look at HLC Criterion II and shift to a future orientation, it becomes clear that MCCC’s budget is sadly “out of balance”, as it does not generate the surplus funds needed for MCCC’s future health and prosperity. The current budget does not supply sufficient revenues for MCCC to fulfill its mission, improve the quality of its education, and respond to future challenges and opportunities. Why? Because surplus funds are needed. Surplus funds drive innovation and planning. Surplus funds drive expansion of existing programs and services. Surplus funds drive the launch of new educational programs. Surplus funds drive the hiring of new faculty and staff. Surplus funds drive technological improvements and drive almost every other new dimension of MCCC. The sad reality is MCCC is not generating any surplus funds. MCCC’s reserves create an illusion of surplus funds. However, the reality is MCCC’s reserves are committed for necessary working capital, for maintenance and replacement of the physical plant, and for technology expenditures. The reality is MCCC’s reserves are not being replenished and, at the current rate of expenditure, **will be exhausted in four to five years.**

- **Financial assistance is available to MCCC students:** Monroe County Community College and The Foundation at MCCC have developed a broad spectrum of financial resources and scholarship dollars targeted for students who have been most affected by significant tuition increases due to the contact hour conversion.
- **Record enrollment in health care programs:** Despite the contact hour conversion, MCCC continues to experience full enrollment in the high cost health care programs, as well as lengthy waiting lists for students desiring admission into these same programs. In comparison to our sister educational institutions, both public and private, MCCC continues to offer students a broad spectrum of highly affordable post-secondary educational opportunities.

This memorandum of the Strategic Financial Planning Committee is not designed to be exhaustive but to reflect the primary factors considered by the committee in opposing an adoption of a “billable contact hour ceiling”. The committee respects and affirms MCCC’s long established tradition and philosophy of maintaining affordability and financial accessibility for students. The committee proudly notes that The Foundation at Monroe County Community College, the official fund raising arm of the college, has been highly responsive to the needs for student scholarships and has, during the past ten years, made more scholarships available to MCCC students than ever before in the college’s almost fifty year history.