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: March 19, 2010

RE: **Tuition Recommendation – Billable Contact Hour Rates For Fall 2010**

Background

As outlined in detail in the committee memorandum of February 22, 2010, MCCC continues to face serious and accelerating financial challenges at a time of record enrollment and record demand for services.

The Strategic Financial Planning Committee has met on several occasions and has reviewed tuition and fees at our sister institutions throughout the state and region. (See attached tuition comparison chart.) Additionally, the committee studied the most recent projections in property tax revenues as well as state appropriations. The committee also gave due consideration to the Board of Trustees' long-standing philosophy and desire to maintain affordability and accessibility for Monroe County residents.

After review of comparative data, the committee notes with pride that Monroe County Community College continues to be one of the most affordable institutions of higher education both in the State of Michigan and in the region. The committee further notes that Monroe County Community College's students pay just one-third of the total cost of their education at MCCC.

Recommendation

The Strategic Financial Planning Committee, following extensive review, discussion and evaluation of a broad spectrum of appropriate factors, recommends that the Board of Trustees set the tuition rates for the 2010 fall semester as follows:

	Current Rate	Billable Contact Hour Rate For Fall 2010	
In-District Students	$ 67.00	$ 72.00	(+ $ 5.00)
Out-of-District Students	$115.00	$124.00	(+ $ 9.00)
Out-of-State Students	$128.00	$138.00	(+$10.00)

The committee is not recommending any increase in the technology fee at this time; however, the committee has directed senior MCCC administrators to explore MCCC's entire fee structure and provide advice regarding the appropriateness of any new fees. The committee notes that the demands on the College's technology fund continue to dramatically exceed our capacity to meet them with the current level of funding.

Explanatory Notes

- **The unstable economic climate requires semester-by-semester analysis and decision-making on the appropriate tuition rate.** The Strategic Financial Planning Committee recommends that the Board of Trustees review and determine the appropriate billable contact hour tuition rate on a semester-by-semester basis to make necessary financial adjustments in the midst of this challenging and unstable economic environment. The committee will continue to recommend tuition rates based upon the best economic information available to the Board. The committee recognizes that there are no financial guarantees and recommendations will continue to be predicated on conservative revenue projections.

- **Based on a projected 3 percent enrollment increase at MCCC – the proposed increase in billable contact hour tuition rates will generate approximately $800,000 in new tuition revenue; however, MCCC is projecting a combined decrease in local and state funding which may range between $1.5 million (best case scenario) to in excess of $2 million for the next fiscal year.** Based on these projections, the committee recognizes that after implementation of the new tuition rate there will still be a $700,000 to $1.2 million shortfall between next year's operating revenues and this year's revenues. To address this shortfall, the committee is recommending that any revenues over expenses at the conclusion of the current fiscal year (current estimate - approximately $600,000) remain in the general fund to be used in the next fiscal year. While it is certainly a cause for celebration that we may conclude the year with a positive balance and have funds to apply to next year's projected shortfall, it must be emphasized that:

    - the College is not replenishing its reserve funds, and
    - there are no funds for expansion of programs or other new initiatives.

  Note: The best case scenario of a $1.5 million decrease is based upon a projected 3.1 percent decrease in state appropriations and a 10 percent decrease in property tax revenues. The worst case scenario of a $2 million decrease in operating revenues is based upon a projected 3.1 percent decrease in state appropriations and a 14 percent decrease in property tax revenues.

- **Record enrollment does not translate into record operating revenues for MCCC.** MCCC continues to be a bargain in higher education. The committee is confident that with even a $5.00 increase in our billable contact hour tuition rate MCCC will continue to be one of the most affordable institutions of higher education in the region and in the state. Why? Approximately two-thirds of the educational costs for MCCC students is subsidized by the property taxpayers of Monroe County and the State of Michigan.

- **Record enrollment has created record demand for services provided by Monroe County Community College employees.** With few exceptions, roughly the same number of employees that previously serviced 3,500 students is now providing educational and support services to the current enrollment of nearly 4,600 credit students. In addition, the College serves roughly 4,000 students each year in non-credit lifelong learning and customized training courses and programs through its Corporate and Community Services Division, bringing the grand total of students served by the College to about 8,500 students. Despite this tremendous growth in demand for services, the College has maintained current staffing levels without sacrificing the quality of education and the service provided. This is a tremendous point of pride for the members of the MCCC Board of Trustees and they extend their gratitude to all of the employees of the College who have been so steadfastly committed to the mission of the institution at a time of continuing economic crisis.

- **MCCC's history of conservative revenue projections and aggressive cost containment have been the key to weathering this financial storm.** Why is it that Monroe County Community College has not laid off any employees? Why is it that Monroe County Community College has been able to continue to properly maintain its buildings? Why is it that Monroe County Community College has not raided reserves for operational expenses? The answer is simple. The Board has been well-served by a history and a commitment to conservative revenue projections as well as a continuing philosophy of cost containment with regard to our expenses. The Board and senior MCCC administrators forecasted these changes in the Monroe County economy and the impact of these changes in the College revenue streams. As a result of that forecast the Board has been exceedingly cautious and correspondingly implemented a number of continuing cost containment measures. The Board applauds Monroe County Community College employees for their commitment to cost containment in the past year which is reflected in projected annual expenses which will be 3 percent below the budgeted amount. The bottom line: MCCC employees are looking for every way to save money and conserve College resources while still accomplishing the College's Mission.

- **MCCC's current financial reality – MCCC is working hard "just to financially tread water."** Balancing the budget and ending the year with a positive number does not tell the story of what is 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 2 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 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 surplus funds to meet these needs. MCCC's reserves create an illusion of surplus funds. However, the reality is that MCCC's reserves are committed for necessary working capital, for maintenance and replacement of the physical plant, for technology expenditures and unforeseen contingencies. The reality is that MCCC's reserves are not being replenished and, at the current rate of expenditure, **will be exhausted in four to five years.**

- **Last year MCCC did not increase the tuition rate; instead MCCC changed the tuition methodology to "billable contact hours."** It should be noted that 61 percent of the students at MCCC experienced no increase in the cost of their tuition and fees during the 2009-2010 academic year.

- **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.

- **MCCC continues to experience 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.

<u>Conclusion -- "Sharing the Sacrifice"</u>

The Strategic Financial Planning Committee recommends that the MCCC Board of Trustees approve, adopt and articulate a philosophy of "<u>sharing the sacrifice" in the midst of the economic storm</u>. The committee notes, again with pride, that all employee groups, with the exception of the Monroe County Community College Faculty Association, experienced wage freezes during the last fiscal year. <u>In light of the continuing decline in MCCC's primary revenue sources, coupled with the severe and continuing economic dislocation and unemployment in the County of Monroe, the Board does not believe that increases in wages are appropriate or are consistent with a philosophy of "sharing the sacrifice."</u>

The sad reality is that currently over 11,000 individuals in the County of Monroe are out of a job and looking for employment. The closure of the former Ford Motor Company plant in Monroe has sent continuing shock waves throughout our local economy. Real estate values have plummeted. Home foreclosures are at a record high. Most major employers, including La-Z-Boy, MB&T, the County of Monroe and City of Monroe, have engaged in a series of aggressive cost-containment measures and lay-offs. These are the stark economic realities that support the difficult decisions by the MCCC Board of Trustees.

The committee wishes to specifically address the reoccurring and inaccurate suggestion, by some, that the Board engages in some type of calculated "bluster" about these financial realities and, at the end of the day, is able to balance the budget between revenues and expenses and still “leave some money on the table.” The committee wishes to be frank and speak in terms which are clear to all. This positive balance, if achieved, is a good thing. This is a wise thing. This is a point of pride. This is a reflection of conservative financial management of the institution. It should not be denigrated as a “shell game.” It should not be mischaracterized as some sort of “economic deceit.” It should not be taken out of context and represented as proof that there are sufficient revenues for raises in wages. Instead, the Board of Trustees must consider this in the larger context of financial demands on the institution, the financial forecast for the future, and the need to replenish the reserve funds so that the College may continue a proper program of maintenance, facility improvements, technology replacement and enhancements, and responsiveness to the needs for new programs to further the economic rehabilitation and rejuvenation of Monroe County.

****

Postscript - Friday, March 19, 2010
The United States Bureau of Labor just released the “Economy at a Glance” data for Monroe, Michigan. As of the end of January 2010, the report indicated that the unemployment rate increased from 14.7 percent to 15.8 percent and reflects that 11,500 individuals in our county are currently unemployed.