

FY24 Budget Town Hall



**Northwestern
Michigan
College**

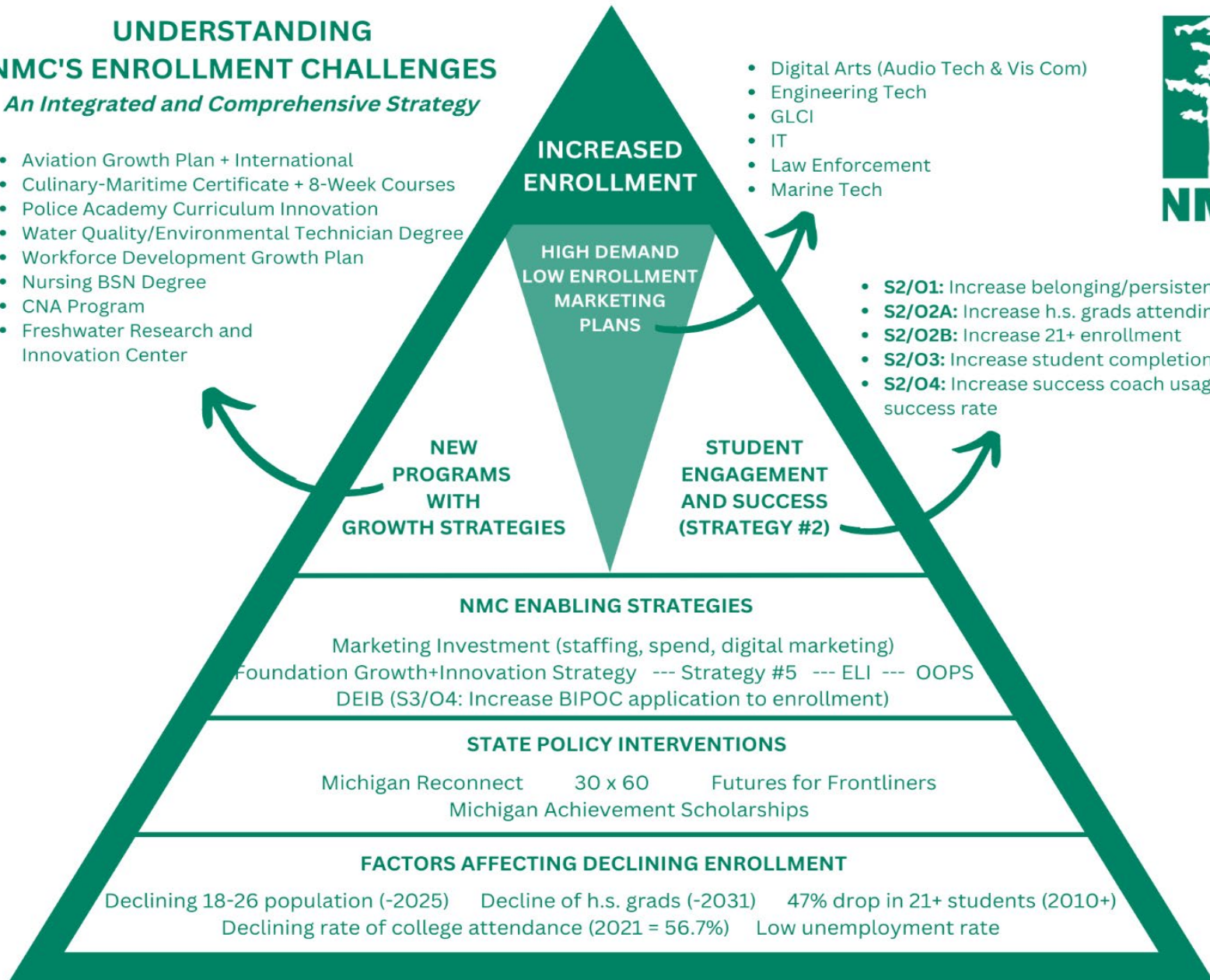
**By: Troy Kierczynski, VP Finance & Administration
June 7, 2023**

UNDERSTANDING NMC'S ENROLLMENT CHALLENGES

An Integrated and Comprehensive Strategy

- Aviation Growth Plan + International
- Culinary-Maritime Certificate + 8-Week Courses
- Police Academy Curriculum Innovation
- Water Quality/Environmental Technician Degree
- Workforce Development Growth Plan
- Nursing BSN Degree
- CNA Program
- Freshwater Research and Innovation Center

- Digital Arts (Audio Tech & Vis Com)
- Engineering Tech
- GLCI
- IT
- Law Enforcement
- Marine Tech



Higher Education – National

- ▶ Hechinger: “A grim year of college closings”
(January 2023)

Finlandia University Board Statement:

“I am deeply saddened to announce that due to a combination of **demographic changes**, with **fewer high school graduates** available, a steep **decrease in interest in going to college among those graduates**, and an **unbearable debt load**, Finlandia’s Board of Trustees met and have decided to not enroll students for the 2023-2024 school year,”

-March 2023



Higher Education – National

▶ Public 2–Year Enrollment*

- Fall 2010 = 7 million
- Fall 2022 = 4.5 million
- 40% decline

*National Student Clearinghouse Research Center

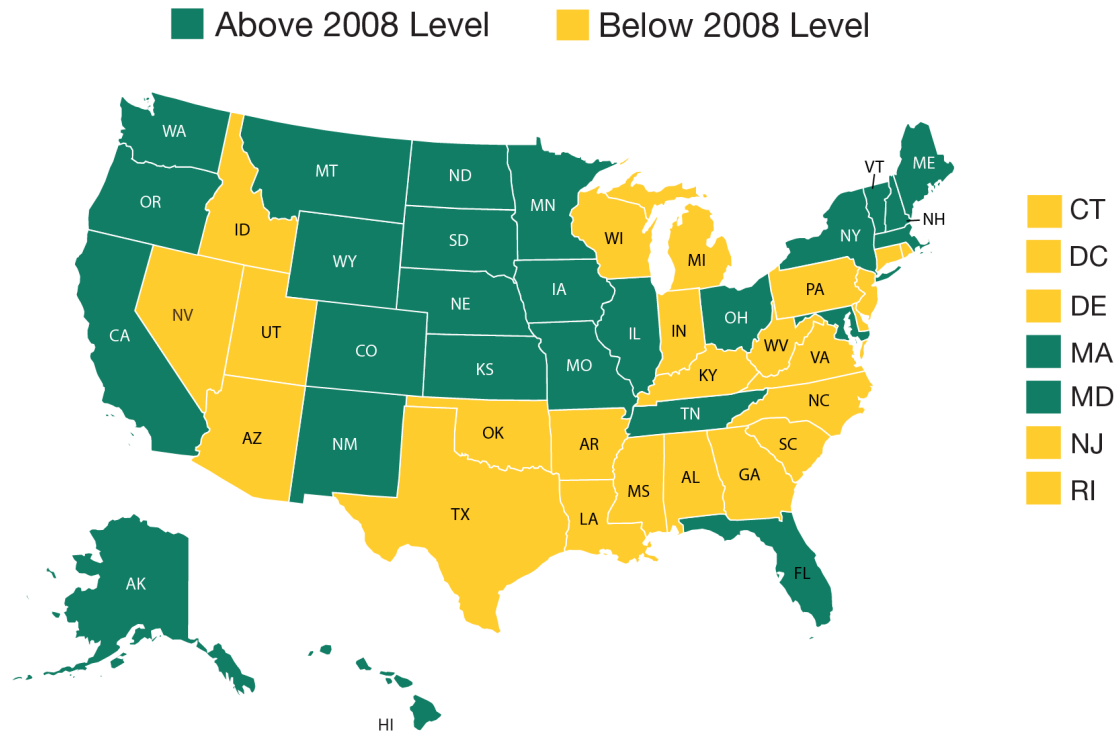
Enrollment – Michigan

College Enrollment by MI High School Class (2017-18 to 2021-22)				
Cohort	Number of Total Graduates	Number Enrolled in Any College	Number Enrolled in Community College	Percent Enrolled in Any College
Class of 2022	100,765	53,203	15,961	53%
Class of 2021	97,091	51,980	15,763	54%
Class of 2020	98,891	57,311	20,479	58%
Class of 2019	100,063	62,249	23,156	62%
Class of 2018	103,880	64,904	23,715	63%
Source: https://mischooldata.org/college-enrollment-by-hs/				

State Funding – National Look

State Support for Higher Education Is Waning in 26 States

Change in higher education state appropriations per full-time equivalent student,
FY 2008-2021*



*Note: Adjusted for inflation (CPI)

Source: Sophia Laderman and Kelsey Kunkle, "State Higher Education Finance: FY 2021," SHEEO, 2022.

State Funding – Michigan

NMC Base Appropriation 2023:

\$10,162,300

Budget Proposal	FY 2024 Proposed	\$ Increase	% Increase	Tuition Restraint	Other Funding
Governor's Budget Recommendation	\$10,397,700	\$235,400	2.3%	Yes - 4.5% Loss of capital outlay funding for noncompliance	ITEM = \$58.7 million (based on enrollment) Student Wellness = \$16.2 million (based on enrollment)
House Passed	\$10,603,600	\$441,300	4.3%	Yes - 4.5% However, no penalties for noncompliance	\$100 Placeholder - Campus Safety Upgrades
Senate Passed	\$10,743,600	\$581,300	5.7%	Yes - 4.5% Loss of capital outlay funding for noncompliance	ITEM = \$1,265,500 for NMC

FY 24 Budget Highlights

▶ **Property Tax Revenue Growth**

- 9.1% growth in taxable values, no Headlee Rollback
- \$1.13 million revenue increase from FY23

▶ **Strategic Plan–Continued Focus**

- Improved revenue and expense targets for EES (strategy 4), Aviation, GLCI, Water Studies (strategy 5)
- Continued marketing and advertising investment (all strategies)
- Student success coaches (strategy 2)

▶ **Inflation and Labor Challenges Remain**

- Software, supplies, security, GLMA crew and food services
 - Rate hikes slowing economy – banking, real estate
 - Inflation = 4.9% at April 2023 vs. 8.3% April 2022
 - Peak = 9.1% in June 2022 – highest since November 1981
- Hiring challenges – lower graded and specialty positions

Key Revenue Variables

- ▶ **Tuition and Fees** (45% of budget)
 - Tuition rates = based on residency; differential rates
 - Contact hours = billing unit for tuition
- ▶ **State Appropriations** (22% of budget)
 - Still undetermined, budget conservatively
- ▶ **Property Taxes** (28% of budget)
 - Property values offset by Headlee Rollback (except for tax year 2023)

Student Cost Impact General Tuition and Fees

AY 2023 – 2024 PROPOSED

Tuition Category	Tuition Change Per Contact Hr.	General Fee Change Per Contact Hr.	Total Change Per Contact Hr.	Annual Student Impact*
In-District	\$4.00	\$1.00	\$5.00	\$120.00
Out-of-District	\$15.00	\$1.00	\$16.00	\$384.00
Out-of-State	\$20.00	\$1.00	\$21.00	\$504.00
International	\$22.00	\$1.00	\$23.00	\$552.00

***Based on 24 contact hours**

- 3% change for in–district
- 6% change for all other residencies

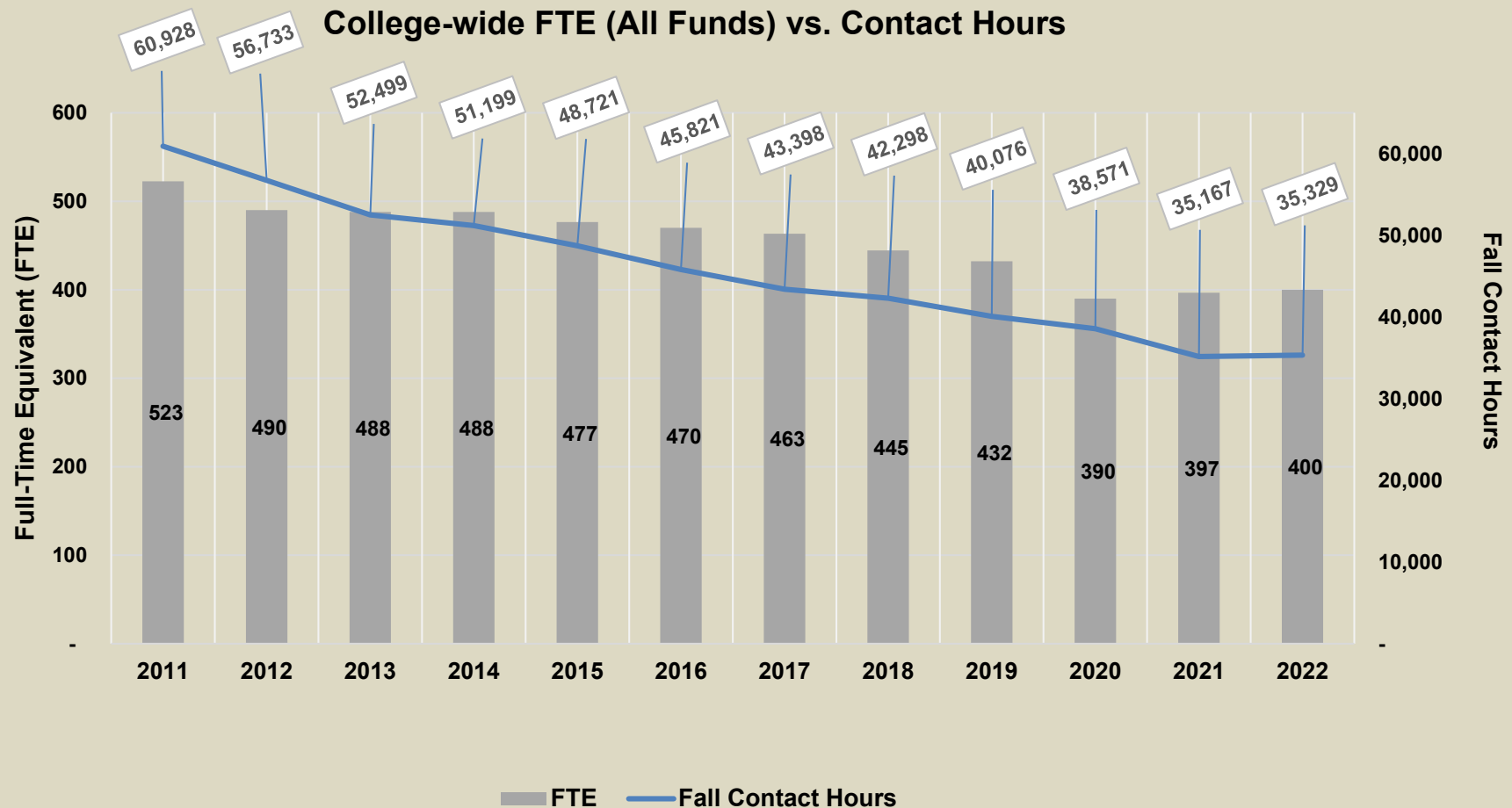
Tuition Rates History

Academic Year	In-District	% Change	Out-of-District	% Change	Out-of-State	% Change
2013-2014	\$86	2%	\$171	3%	\$219	3%
2014-2015	\$91	5%	\$180	5%	\$235	7%
2015-2016	\$96	6%	\$191	6%	\$249	6%
2016-2017	\$104	8%	\$205	8%	\$268	8%
2017-2018	\$104	-	\$216	5%	\$281	5%
2018-2019	\$106	2%	\$220	2%	\$287	2%
2019-2020	\$109	3%	\$227	3%	\$296	3%
2020-2021	\$109	-	\$227	-	\$296	-
2021-2022	\$112	3%	\$234	3%	\$305	3%
2022-2023	\$118	5%	\$246	5%	\$320	5%
2023-2024 Proposed	\$122	3%	\$261	6%	\$340	6%

Enrollment & Contact Hours

- ▶ **FY24 contact hour assumptions**
 - 2% decline from FY23 actual
 - 8% decline from FY23 budget
- ▶ **Assumption based on history, trends**
 - MI unemployment rate
 - Post-pandemic
 - **Difficult to predict**

FTE vs. Contact Hours



Property Taxes – NMC

	FY21	FY22	FY23	Proposed FY 24 Budget	With Headlee Rollback FY24 Budget
Taxable Values (GT County)	\$ 5,651,352,613	\$ 5,901,559,989	\$ 6,383,535,930	\$ 6,967,239,082	\$ 6,967,239,082
<i>Change in Taxable Values</i>	5.3%	4.4%	8.2%	9.1%	9.1%
Maximum Millage Rate	2.11	2.09	2.06	2.06	2.57
Property Taxes, Calculated	\$ 11,945,264	\$ 12,355,623	\$ 13,134,825	\$ 14,335,791	\$ 17,905,804
<i>Less: budgeted TIF, Brownfield, and other abatements or adjustments.</i>	(474,901)	(340,000)	(380,000)	(440,000)	(440,000)
<i>Add: Expected Refunds</i>	15,000	15,000	15,000	5,000	5,000
Property Tax Revenue Budget	\$ 11,485,363	\$ 12,030,623	\$ 12,769,825	\$ 13,900,791	\$ 17,470,804
Property Tax Revenue Actual	\$ 11,569,141	\$ 11,950,266	\$ 12,677,315		
Budget Variance	\$ 83,778	\$ (80,357)	\$ (92,510)		
<i>% Difference</i>	0.7%	-0.7%	-0.7%		
				HEADLEE ANNUAL IMPACT	\$ 3,570,013

Expenses and Transfers

▶ Labor

- Wage commitments (faculty and SEIU)
- No changes in benefit offerings

▶ Non-Labor Expenses

- Purchased services increases (security, food services)
- Increased maintenance and renovation (includes software)
- Professional development and supplies = flat from FY23

▶ Transfers

- [Out] Increase in deferred maintenance, aviation, strategic transfers
- [In] Increase in support from GLMA restricted fund

Northwestern Michigan College

FY24 General Fund DRAFT Budget

			Projected	Proposed	Estimated	Estimated
	Actual	Budget	Actual	Budget	Budget	Budget
	FY 22	FY 23	FY23	FY 24	FY 25	FY 26
Revenue						
Local Sources						
Tuition & Fees	\$ 20,501,108	\$ 22,001,840	\$ 21,387,727	\$ 22,212,097	\$ 22,414,820	\$ 22,896,961
Property Taxes	11,961,680	12,769,825	12,764,825	13,900,791	14,423,000	14,758,219
Total Local Sources	32,462,788	34,771,665	34,152,552	36,112,888	36,837,820	37,655,180
State Sources	10,889,543	10,745,000	10,876,875	10,826,033	11,028,954	11,241,033
Private Sources	1,230,624	979,765	1,172,352	1,175,242	1,218,404	1,263,724
Investment Income	172,479	196,000	506,190	320,000	320,000	270,000
Other Sources	532,187	426,100	600,314	495,000	495,000	495,000
Total Revenues	45,287,621	47,118,530	47,308,283	48,929,163	49,900,178	50,924,937
Expenditures						
61 Salaries and Wages	22,874,809	23,916,066	24,186,871	25,137,687	25,827,418	26,371,042
65 Benefits	9,002,088	10,025,563	9,854,787	10,286,740	10,581,594	10,740,457
Total Labor Costs	31,876,897	33,941,629	34,041,658	35,424,427	36,409,012	37,111,498
71 Purchased Services	2,364,932	2,753,059	2,920,433	2,895,004	3,010,804	3,131,236
72 Supplies & Materials	2,648,865	3,041,584	2,945,573	3,104,698	3,228,886	3,358,041
73 Internal Services	55,452	103,065	2,683	110,273	114,684	119,271
74 Other Expenses	1,285,310	1,628,696	1,459,342	1,603,453	1,667,591	1,734,295
75 Institutional Expenses	1,624,503	1,738,804	1,782,610	1,700,512	1,768,532	1,839,274
76 Maintenance & Renovator	1,841,957	1,762,581	1,796,002	1,944,397	2,022,173	2,103,060
77 Events/Trvl/Prof. Devel.	424,914	594,112	580,577	600,659	624,685	649,673
79 Capital Outlay	165,125	170,000	170,000	100,000	104,000	108,160
80 Transfer - Deferred Maint.	1,292,826	1,170,000	1,170,000	1,230,000	1,254,600	1,279,692
Total Expenditures	43,580,781	46,903,530	46,868,878	48,713,423	50,204,968	51,434,200
Other Transfers	466,346	215,000	435,310	215,000	219,300	223,686
Net Revenue (Loss)	1,240,494	-	4,095	739	(524,090)	(732,949)