

**February 10, 2004**

**2004-05 Budget Projection**

The Governor will propose the 2005 Executive budget on February 12, 2004. The State of Michigan's financial situation remains difficult, with an early projection of a \$900 million deficit for the coming year. At this time, College staff are preparing for several potential State budget scenarios, from no cut from this year's current appropriation, to a 5% and 8% reduction.

Revenues

College financial staff employ a budget forecasting model that easily determines the impact of various revenue and expenditure factors. The attached table provides a continuum of potential revenue totals, with State appropriations shown at current year levels, and then with 5 and 8 % reductions. An 8% reduction would mean the loss of \$2.2 million from current year levels.

All other 2004-05 revenues are held constant in this model. Approval and implementation of contact hour pricing is assumed, so that tuition and fee revenues of \$29,591,700 represent a \$2,000,000 increase over this year's adopted tuition revenue. No additional tuition rate increase is reflected in the model, and enrollment is projected to remain flat. Given enrollment trends in recent years, this is a conservative projection. If the Board were to adopt inflationary increases in tuition rates, additional tuition revenue of approximately \$350,000 could be realized.

Property assessments are expected to increase 5.7% within the College's taxing district, with historical averages of uncollectible taxes incorporated into the model. No additional property taxes from the Lansing Township Downtown Development Authority (DDA) are assumed in this model, so College property tax revenues could be higher if the issue is resolved in a timely manner. Finally, other revenue sources, such as customized training and interest income, have been increased by 2.4%, roughly the rate of inflation.

Expenditures

Salaries and wage costs are anticipated to decline due to early retirements. Salaries and wages of \$47,326,118 would fund all positions anticipated for occupancy in 2004-05. The largest single increase in the 2004-05 budget projection is in the benefits area. The College's current contribution rate to the Michigan Public School Employees Retirement System (MPSERS) is 12.99% for every full and part-time position. We have heard that next year's retirement contribution may increase to 15.75%. This increase alone will add \$1.3 million to benefit costs in 2004-05. In addition, health care costs continue to rise, and the model projects 20% increases in College premium costs. In total, employee benefits are projected to increase by as much as \$2.6 million.

Other costs have been held at 2003-04 levels. Supplies and material budgets would need to be trimmed in some areas if the current adopted levels of \$17.9 million are to be held constant, as there will be inflationary increases in many areas, such as in insurance and utilities.

### Transfers and Capital Budgets

It is proposed that transfers for scholarships be increased by 10%, in response to anticipated contact hour pricing.

All transfers to capital budgets have been held to 2003-04 budget levels. These include appropriations for equipment replacement, plant improvements and renovations, and technology upgrades and replacements.

### Operating the West Campus

Over the next six weeks, College financial staff will work with areas impacted by the move to the West Campus to refine operational resource needs. At this time, we project \$1,597,000 for West Campus operations in 2004-05. This is based on a projected per square foot cost for utilities, cleaning, maintenance and security of \$5.84 per square foot.

With the assumptions outlined above, the best case scenario of flat State funding yields a budget deficit of \$1.2 million. The worse case scenario of an 8% State funding cut results in a deficit of \$3.36 million.

The College's internal budget development process continues with two open forums scheduled for Tuesday, February 17, 2004. College staff will have approximately six weeks, working with College Budget Office staff, to complete their budgets.

Given the projections of a deficit, we will continue to review processes and programs to assure the efficient use of College resources in achieving the initiatives of the Strategic Plan.

## LANSING COMMUNITY COLLEGE SCENARIOS OF 2004-05 FISCAL YEAR BUDGET

Revised 2/10/2004

	FISCAL YEAR BUDGETS			
	Board Adopted 2003-04	Projected 2004-05	Projected 2004-05	Projected 2004-05
<b><u>Changes in Sources of Funding</u></b>				
		<b>Three State Budet Scenarios for 2004-05</b>		
State Appropriations		0.0%	-5.0%	-8.0%
Property Taxes		5.7%	5.7%	5.7%
Tuition/Fees (rate change)		0.0%	0.0%	0.0%
Other Income		2.4%	2.4%	2.4%
Enrollment Growth		0.0%	0.0%	0.0%
<b><u>Revenues</u></b>				
State Appropriations	\$27,674,700	\$27,674,700	\$26,342,700	\$25,510,900
Property Taxes	\$34,378,600	\$35,242,886	\$35,242,886	\$35,242,886
Tuition/Fees <sup>(1)</sup>	\$27,591,100	\$29,591,100	\$29,591,100	\$29,591,100
Other Income	\$3,927,200	\$4,012,500	\$4,021,500	\$4,021,500
<b>Total Revenues</b>	<b>\$93,571,600</b>	<b>\$96,521,186</b>	<b>\$95,198,186</b>	<b>\$94,366,386</b>
<b><u>Operating Budget</u></b>				
Salaries & Wages	\$47,658,006	\$47,326,118	\$47,326,118	\$47,326,118
Employee Benefits	\$14,273,160	\$16,881,609	\$16,881,609	\$16,881,609
<b>Total Salaries + Benefits</b>	<b>\$61,931,166</b>	<b>\$64,207,727</b>	<b>\$64,207,727</b>	<b>\$64,207,727</b>
<b>West Campus Operations</b>		<b>\$1,597,000</b>	<b>\$1,597,000</b>	<b>\$1,597,000</b>
<b>Total Overhead, Supplies, Services</b>	<b>\$17,982,149</b>	<b>\$17,982,100</b>	<b>\$17,982,100</b>	<b>\$17,982,100</b>
<b><u>Transfers</u></b>				
Child Care Scholarship	\$266,200	\$272,589	\$272,589	\$272,589
General Institutional Scholarship	\$1,102,800	\$1,213,080	\$1,213,080	\$1,213,080
<b>Total Transfers</b>	<b>\$1,369,000</b>	<b>\$1,485,669</b>	<b>\$1,485,669</b>	<b>\$1,485,669</b>
<b><u>Capital Budgets</u></b>				
Major Equipment	\$1,014,000	\$1,014,000	\$1,014,000	\$1,014,000
Debt Service, all Issues	\$5,775,285	\$5,942,681	\$5,942,681	\$5,942,681
Plant Improvement	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Technology Infrastructure	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
<b>Total Capital Budgets</b>	<b>\$12,289,285</b>	<b>\$12,456,681</b>	<b>\$12,456,681</b>	<b>\$12,456,681</b>
<b>Total Revenues</b>	<b>\$93,571,600</b>	<b>\$96,521,186</b>	<b>\$95,198,186</b>	<b>\$94,366,386</b>
<b>Total GF Allocation</b>	<b>\$93,571,600</b>	<b>\$97,729,177</b>	<b>\$97,729,177</b>	<b>\$97,729,177</b>
<b>Projected Balance</b>	<b>\$0</b>	<b>(\$1,207,991)</b>	<b>(\$2,530,992)</b>	<b>(\$3,362,792)</b>

<sup>(1)</sup> Approval and Implementation of Contact Hour Charge is Assumed