McHenry County College Finance and Audit Committee

Budget Education and Development: Impact of Tax Levy, Tuition, Fees, and State Funding

October 6, 2015
Vision and Mission

- **Mission** – Our Focus is Learning. Student Success is our Goal.

- **Vision** – A Relevant Educational Institution
  - Preferred
  - Collaborative
  - Full service/varied modes of delivery on demand
  - Value-based/cost-efficient
  - Services all community including K-12
  - A leader in sustainability
Strategic Plan

- **INITIATIVE 1:** Increase student engagement, completion and success
- **INITIATIVE 2:** Maintain the College’s financial stability
- **INITIATIVE 3:** Deliver infrastructure and technology to insure state-of-the-art learning environments
- **INITIATIVE 4:** Ensure high-quality services and learning opportunities through a culture of continuous improvement, innovation and accountability
- **INITIATIVE 5:** Engage in partnerships that enable MCC students to succeed in a global economy
- **INITIATIVE 6:** Attract, develop and retain quality instructors who are outstanding scholars/teachers and an excellent, diverse staff who are committed to the mission of MCC
Operating Budget Development:

- We make decisions about the operating budget based on the mission, vision, and strategic plan.
- The College has had net negative change in the major operating fund revenues over last 5 years of $350,372.00 in which to build the budget.
- Our approach is “zero-based budgeting”
- 15 academic programs, campus renovations, infrastructure upgrades, new black box theater
Operating Budget Development:

- **Implementation** - the mission, vision, strategic plan, and educational master plan
- **Staffing** – Faculty for new program
- **Equipment Purchase** – Computer Numerical Control Machinery
- **Renovation and Remodeling** – Space for Physical Therapy Assistant Program
- **Initiatives** – Adult Learning Center
- **Large Capital projects** – ISES Projects
Tactical Operating Efficiencies & Budget Cuts

- Cancel low/no enrolled sections (Fall 2015 50-100 sections)
- Shift faculty lines (Sociology – OTA)
- Utilize retiree salaries to pay for new faculty (Retiree at top of scale can pay for two new faculty)
- Reduce costs of auxiliary programs (Children’s Learning Center)
- Leave position unfilled during uncertain budget times (VP of Institutional Advancement)
- Combine positions for efficiencies (Secretarial Support for Grants)
- Seek grant funding to pay for program start up (TAA Grant)
- Using data to reduce Student Services hours (Reduced hours of Library, Financial Aid, Advising)
- Outsourcing (custodial and grounds)
Operating Budget Expenditures

FY16 Budgeted Operating Expenditure By Group

- Salaries, 42.57%
- Employee Benefits, 27.39%
- Contractual Services, 7.66%
- Supplies, 4.44%
- Travel, 1.12%
- Fixed Charges, 2.84%
- Utilities, 1.60%
- Capital Outlay, 8.82%
- Contingency, 2.24%
- Other, 1.32%

McHenry County College
Operating Budget Expenditure Insights

- The Board has used tactical efficiencies and budget cuts over the last 5 years to implement the College’s mission, vision, and strategic plan.
- The Board cannot continue to rely **only** on tactical efficiencies and budget cuts to be able to meet the College’s mission, vision, and strategic plan.
- The Board must look at revenue opportunities to reduce the stagnant revenues to operate the College.
Funding the Operating Budget

FY16 Budgeted Operating Revenue By Source

- Local Government, 45.57%
- Student Tuition and Fees, 24.73%
- Other Sources, 24.38%
- State Government, 4.59%
- Facilities Revenue, 0.03%
- Sales and Service Fees, 0.29%
- Investment Revenue, 0.41%
Funding the Operating Budget (con’t)

- **Levy**
  - Approximately $26.9 million for the operating funds ($27.9 million total annually), levy remained flat the last two years (45.57% of operating budget)

- **Tuition**
  - Variable based on enrollment and tuition rates, approximately $12.1 million annually (20.59% of operating budget)

- **State**
  - Remains relatively flat, approximately $2.7 million annually (4.59% of operating budget)

- **Fees**
  - Variable based on enrollment and fee rates, approximately $2.4 million annually (4.15% of operating budget)
Funding the Operating Budget (con’t)

- **Other**
  - Comprised mostly of employee health insurance contributions and SURS on-behalf pass thru payments (24.38% of operating budget)

- **Sales & Service Revenues**
  - (.29% of operating budget)

- **Facilities Revenue**
  - (.03% of operating budget)

- **Investment Revenue**
  - (.41% of operating budget)
Levy

- The levy is a tax assessed by taxing bodies on any property or parcel within its taxing district
- The Board establishes the annual tax levy, which is a requested dollar value
- The Board does not establish the tax rate
- Voters established Community College District 528, at which time they agreed to tax themselves in order to provide higher education and to serve the residents of the district
- PTELL limits the amount of the increase in the levy the Board can establish
- Levy revenue is the largest revenue stream for MCC’s operating budget
Tuition

- Tuition rate is set by the Board
- Tuition is a per credit hour rate
  - Only applies to credit courses
- State statute regulates the maximum tuition rate that a college can charge
  - Limited to 1/3 of the per capita cost
- MCC’s tuition rate is currently 33rd lowest out of 39 Illinois community college districts in FY16
- Tuition revenue is the second highest source of revenue that funds the operating budget
State Funding

- State Funding is financial support received from the State as part of their commitment to providing affordable higher education within the State. Operating fund support from the state includes:
  - Base Operating Grant (enrollment driven formula)
  - AVTE Grant

- State statute
  - 110 ILCS 805/2-16.02 Grants

- The philosophy when Illinois community college system was established that the community colleges would be funded from was 1/3 State, 1/3 Local, and 1/3 Tuition
  - Unfortunately this funding formula was never put into statute

- State Funding is the third highest source of revenue that funds the operating budget
Fees

- Fees are charged for a variety of reasons to cover specific operational costs
  - Non-credit courses and activities
  - Services such as technology, application fees, and graduation fees
  - Specific course fees to offset cost of consumption of supplies
- The Board approves all fees on an annual basis
- State statute allows the College to add a fee to each credit hour as long as it is a fee charged to all students.
  - Per capita restrictions apply to fees on a per credit hour basis
- Fee revenue is the fourth highest source of revenue that funds the operating budget
Board Role

- Establishes Mission, Vision, Strategic Plan
- Ensures the College has necessary funds to operate the College to meet its vision, mission, and strategic plan
- Continues to support tactical operational efficiencies and budget cuts
- And provides sufficient revenue to operate the College by appropriately setting tuition, fees, and levy
Questions?
The levy cycle begins with:

- Units of local government determine the amount of funds needed from the levy to support their respective operations.
- **County Assessors** - The County Assessor(s) place a Property Value (a.k.a. the equalized assessed valuation or EAV) on each parcel within their respective County.
- **County Clerk** - The County Clerk(s) review the levying bodies’ budgets and **determines the tax rates** that should be applied to the assessments based on the estimated expenditures (levy request) for each unit of local government.
- **County Treasurer** - The County Treasurer(s) calculate the tax bills, mails them out, and collects the tax dollars.
- **Taxpayer** - fund the needs of the units of local government through the payment of property taxes.
Levy (con’t)

- Limitations with levy
  - Rate limits
    • Education Fund is 75 cents per $100 of EAV for community college districts in cities with less than 500,000 inhabitants
    • Operation & Maintenance Fund is ten cents per $100 of EAV for community college districts in cities with less than 500,000 inhabitants
    • Property Tax Extension Limitation Law (PTELL)
    • Limits levy to 5% or CPI-U, whichever is lower
  - Taxpayer objections to EAV
    • decreases EAV and the tax objectors property tax
    • theoretically increases tax rate for remaining parcels thereby increasing what other pay in property taxes

- Increase in levy beyond PTELL
  - Referendum from voters allowing an increase above PTELL
  - Bond referendum authorizing additional levy amount
  - New property growth
FY15 Unaudited Operating Fund Revenue

Uniform Financial Statement #3

- Local Governmental; $26,813,061.00; 60.66%
- State Government; $2,808,518.00; 6.35%
- Federal Government; $1,674.00; 0.00%
- Student Tuition & Fees; $14,173,720.00; 32.07%
- Other Sources; $403,476.00; 0.91%
### Historical 5 Year Operating Fund Revenue

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>2011 Actual</th>
<th>2012 Actual</th>
<th>2013 Actual</th>
<th>2014 Actual</th>
<th>2015 Actual</th>
<th>Net Change</th>
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</thead>
<tbody>
<tr>
<td>Local Government</td>
<td>26,061,863</td>
<td>26,723,494</td>
<td>26,785,225</td>
<td>26,781,075</td>
<td>26,813,060</td>
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<tr>
<td>State Government</td>
<td>2,723,146</td>
<td>2,756,017</td>
<td>2,588,867</td>
<td>2,400,673</td>
<td>2,808,518</td>
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<tr>
<td>Student Tuition and Fees</td>
<td>14,058,430</td>
<td>14,164,654</td>
<td>14,419,151</td>
<td>14,750,311</td>
<td>14,167,304</td>
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<tr>
<td>Sales and Service Fees</td>
<td>824,260</td>
<td>913,428</td>
<td>990,633</td>
<td>89,372</td>
<td>120,457</td>
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<tr>
<td>Facilities Revenue</td>
<td>21,900</td>
<td>28,980</td>
<td>19,415</td>
<td>14,000</td>
<td>11,000</td>
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<tr>
<td>Investment Revenue</td>
<td>59,425</td>
<td>32,497</td>
<td>28,907</td>
<td>12,963</td>
<td>136,058</td>
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<td><strong>Sub Total Operating Revenue</strong></td>
<td><strong>43,749,025</strong></td>
<td><strong>44,619,070</strong></td>
<td><strong>44,832,198</strong></td>
<td><strong>44,048,395</strong></td>
<td><strong>44,056,398</strong></td>
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<tr>
<td>Net Positive/(Negative) Change over previous year</td>
<td>(657,744)</td>
<td>870,045</td>
<td>213,127</td>
<td>(783,803)</td>
<td>8,003</td>
<td>(350,372)</td>
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<td>Other Sources</td>
<td>5,111,945</td>
<td>13,335,901</td>
<td>14,486,809</td>
<td>14,579,692</td>
<td>14,971,866</td>
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<tr>
<td>Federal Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,674</td>
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<tr>
<td>Non Governmental Gifts, Scholarships, Grants, and Bequests</td>
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<td></td>
<td></td>
<td></td>
<td>12,653</td>
<td>50,570</td>
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<td><strong>Sub Total Operating Revenue</strong></td>
<td><strong>5,111,945</strong></td>
<td><strong>13,335,901</strong></td>
<td><strong>14,486,809</strong></td>
<td><strong>14,592,346</strong></td>
<td><strong>15,024,110</strong></td>
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<td>Total Operating Revenue</td>
<td>48,860,970</td>
<td>57,954,971</td>
<td>59,319,007</td>
<td>58,640,741</td>
<td>59,080,508</td>
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