



**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:

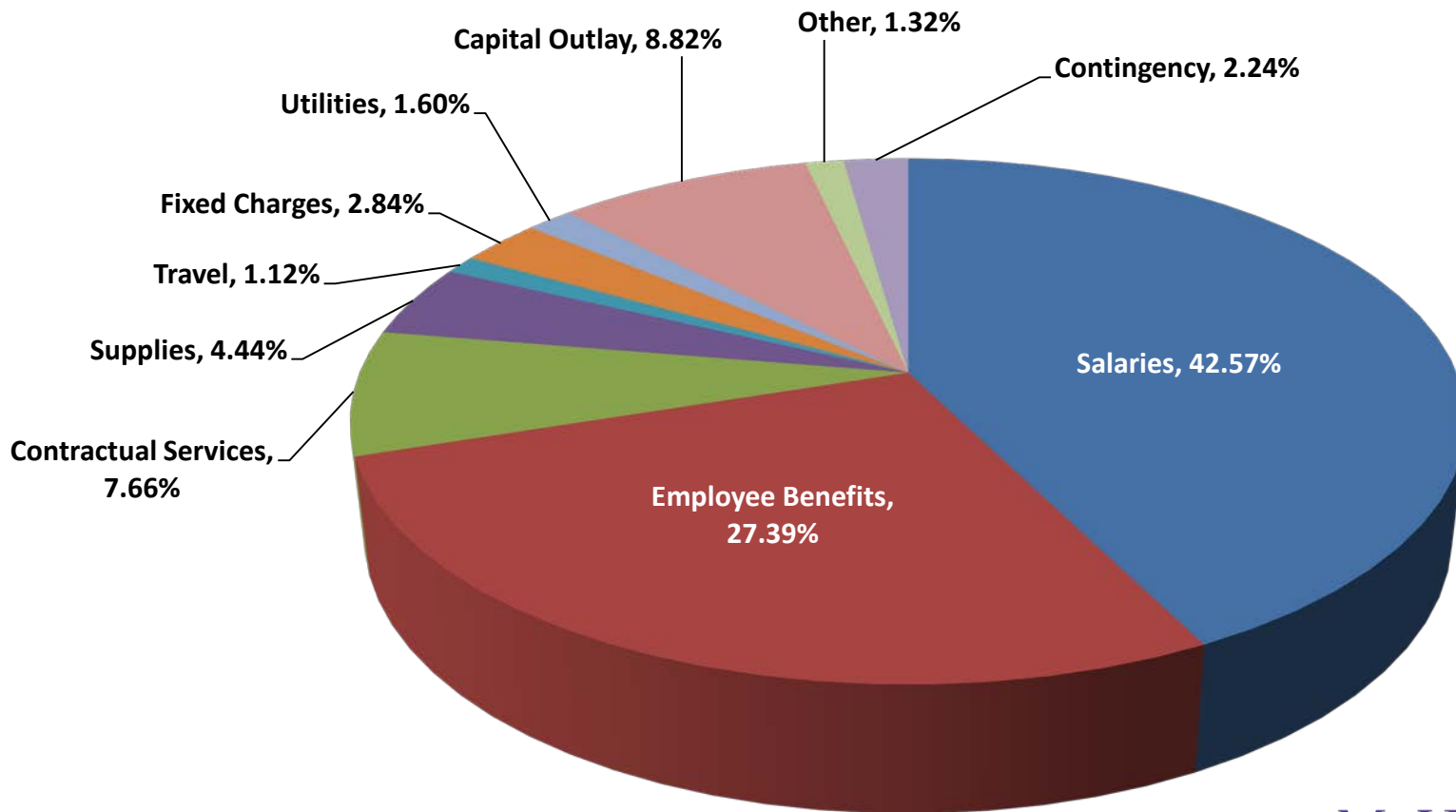
- **Implementation** - the mission, vision, strategic plan, and educational master plan
- **Staffing** – Faculty for new program
- **Equipment Purchase** – Computer Numerical Control Machinery
- **Renovation and Remodeling** – Space for Physical Therapy Assistant Program
- **Initiatives** – Adult Learning 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

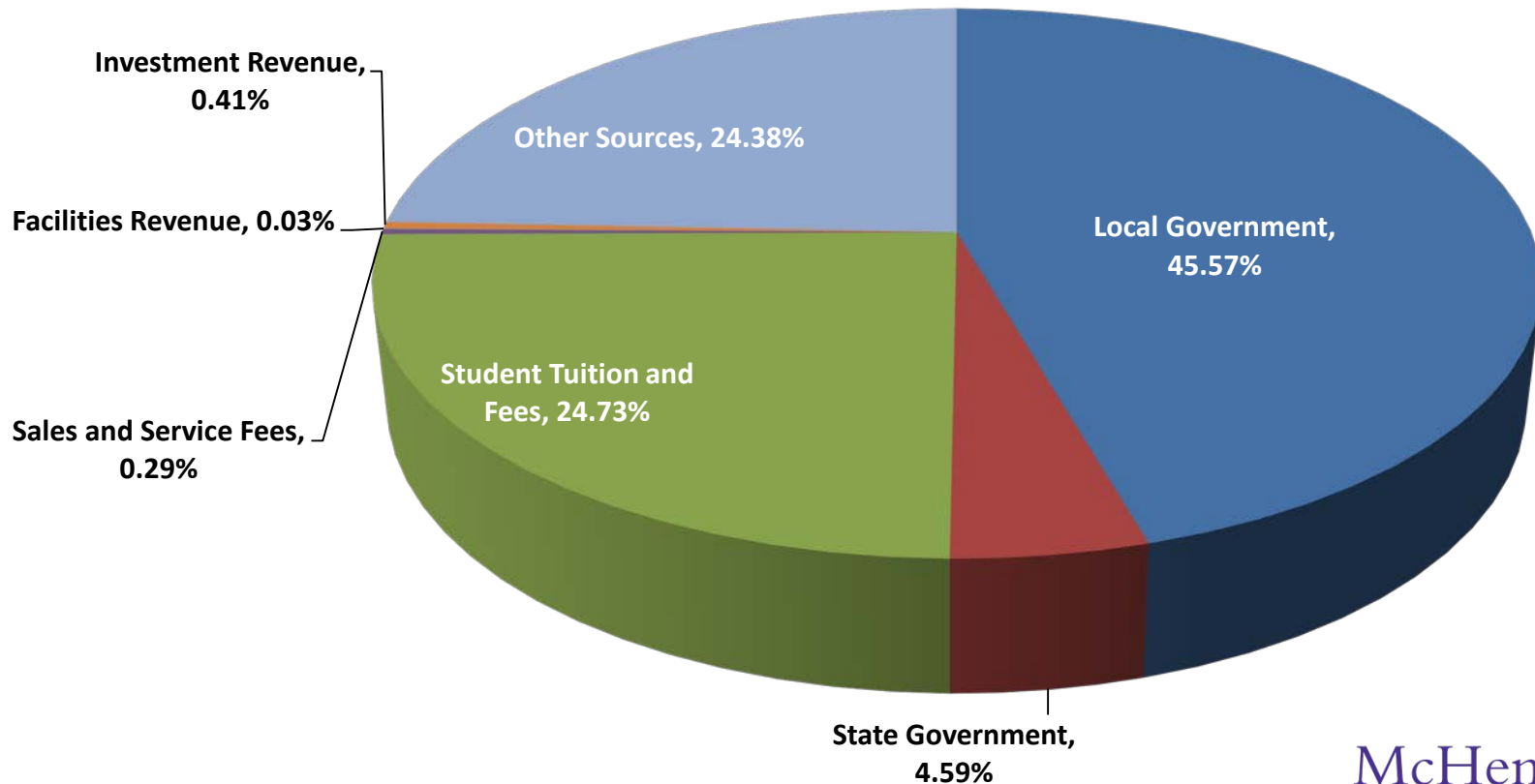


Operating Budget Expenditure Insights

- 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



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:

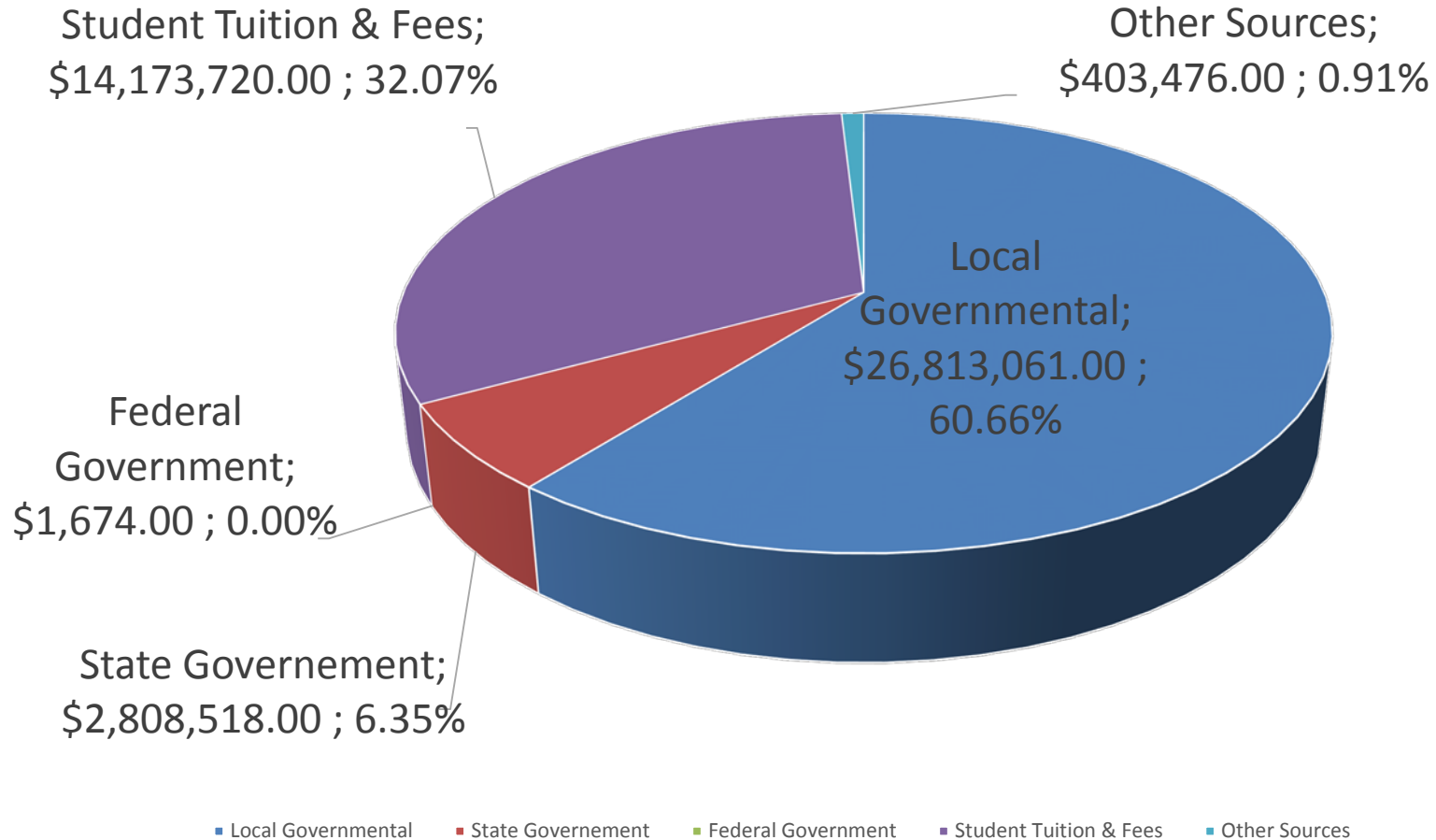
- Units of local government determine the amount of funds needed from the levy to support their respective operations.
- County Assessors- The County Assessor(s) place a Property Value (a.k.a. the equalized assessed valuation or EAV) on each parcel within their respective County.
- County Clerk- The 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



Historical 5 Year Operating Fund Revenue

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