



Final Report
from the
Community Committee
appointed to study fiscal wellness
and future funding needs.

Prepared for the
Grand Rapids Community College
Board of Trustees
August 19, 2002

Format for Report

Section 1: Preface

Section 2: Committee Membership & Task

Section 3: Committee Perspective and Framework

Section 4: Committee Recommendations

Section One: Preface

The Board of Trustees (Board) of Grand Rapids Community College (GRCC/College) has been studying the future funding needs of the College based on trend data, economic indicators, technology needs, and budget projections. Uncertainties regarding future growth (or even erosion) of two of the College's three primary revenue streams (state aid and property tax), coupled with increasing costs to operate the College, make it clear that GRCC faces significant challenges for the future.

In April 2002, the Board authorized President Juan R. Olivarez to appoint an external community committee (Committee) to assist its study and provide input regarding the future financial stability of GRCC. This report presents the work of the Committee. It is hoped that this perspective will provide the Board with an overall framework of suggestions and recommendations regarding the College's financial future for further thought, debate, and discussion.

Section Two: Committee Membership and Task

The President solicited assistance from key business and community leaders who are well known for their vision, commitment to the community, management and organizational experience, and scope of understanding regarding GRCC programs and services since the re-districting in 1991.

Community Committee Membership:

Birgit Klohs, President
Right Place Program

Win Irwin, CEO, President *
Irwin Seating

Jim O'Donnell, Superintendent
Diocesan Schools

R. Jack Frick, CFO
Van Andel Institute

Stan Greene
Independent Consultant

Art Spalding, Attorney *
Rhoades McKee

Beverly Drake, Director *
ACSET

Martha Cortez, Director
Hispanic Center

Mike Washburn, Superintendent
Forest Hills Public Schools

Patricia Oldt, Vice President
Grand Valley State University

Dave Koetje, Superintendent
Grand Rapids Christian Schools

Charles Sturdivant, Chief Academic Officer
Grand Rapids Public Schools

* Committee spokespersons

The task of the Committee was defined as follows:

- Receive, review, and evaluate information about the College as provided by the Support Team.
- Request additional information and data necessary to make an informed recommendation.
- Provide the Board with recommendations for addressing future funding requirements of the College in order to meet the needs of students and the community.

The President appointed the following GRCC Administrative Staff members (Support Team) to assist in providing data, analysis and support to the Committee:

Bob Partridge	Executive Vice President, Business & Financial Service
Don Boyer	Provost & Vice President, Academic Affairs
Cynthia Singleton	Vice President, Organizational Development
Art Armijo	Executive Assistant to the President
Donna Kragt	Dean of Institutional Research and Planning
Peg Burns	Executive Director, Financial Services
Nancy Parramore	Executive Director, Communications
Vicki Janowiak	Executive Director, College Advancement

Section Three: Committee Perspective and Framework

In preparation for the work of the Committee, the Support Team provided a comprehensive report as a baseline for data study and analysis. The entire report is available from Institutional Research and Planning at GRCC.

Organizational Overview

Grand Rapids Community College was established in 1914, as Grand Rapids Junior College, by the Grand Rapids Board of Education following a resolution passed by the Faculty of the University of Michigan encouraging the establishment of junior colleges in the larger cities of the State of Michigan.

The College exists under state legislation, “Michigan Community College Act of 1966”, which establishes an open door admissions policy by requiring community colleges to provide collegiate and non-collegiate level education, including area vocational-technical education programs for all persons above the twelfth grade age level.

On December 17, 1990, the Grand Rapids Board of Education passed a resolution guaranteeing the Grand Rapids voters they would reduce the current school millage by 1.9 mills if the College were redistricted. On February 5, 1991, the voters of the Kent Intermediate School District (KISD) elected to redistrict Grand Rapids Junior College. As a result of the election, the College became an independent community college district, with its own Board of Trustees, whose boundaries include all 20 school districts in the KISD. Contemporaneously with the re-districting of the College, the electors approved a tax levy of 1.9 mills on all property within the KISD. This millage has no expiration date and continues as long as the College is in existence, subject to state constitutional rollback provisions.

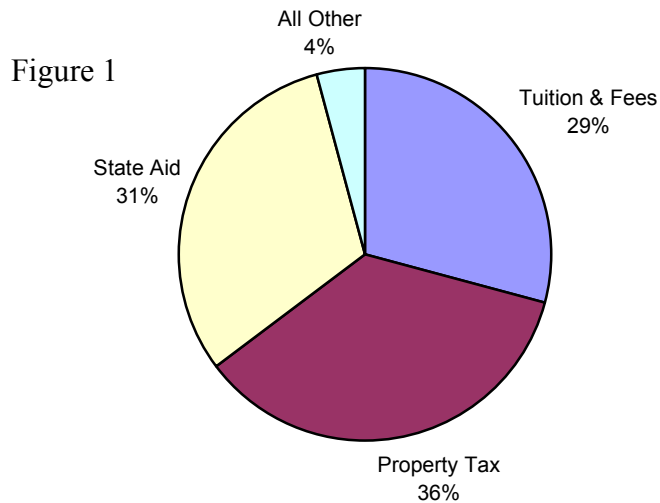
The College serves 25,000 students per year in credit classes, customized training programs, and workshops offered during the day, evenings, weekends, and on-line. The impact of College services extends well beyond metropolitan Grand Rapids and Kent County. Nearly 25 percent of GRCC students pay out-district tuition. Out-district students come from the adjacent counties of Ionia, Barry, Allegan, Ottawa and Newaygo; other areas in Michigan; and other states and other countries.

Data Study and Analysis

The Committee began work on May 15, 2002, with a four-hour session to review the data and information provided in the report. The majority of this work session was spent studying data regarding the current funding of the College, asking questions and discussing the identified funding challenges for the future.

Figure 1 shows the percentage of the GRCC general fund budget supported from each of the three primary revenue sources for 2001:

1. Tuition and fees as paid by GRCC students
2. Property tax collected from KISD tax payers
3. State aid as appropriated to GRCC by the Michigan legislature



By studying the trend data for the three revenue sources since 1992 (Figure 2), it can be seen that property tax dollars have comprised an increasingly larger part of the GRCC budget, now surpassing state aid as the predominate revenue source.

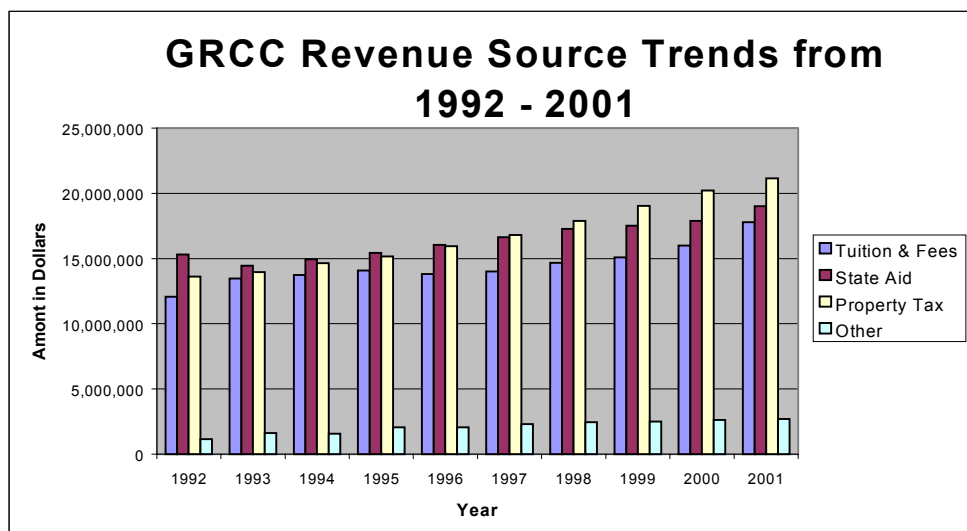


Figure 2

In addition to the revenue trends, the Committee also studied four primary challenges for funding the College in the future:

1. Existing operational expenses
2. Technology and equipment needs
3. Deferred maintenance
4. New programs or expanded services to meet community needs

After reviewing the data, the Committee identified more than 70 questions requiring additional information and new and different analysis from the Support Team. The majority of these questions focused on the funding structure, tuition and program cost comparisons, and financial projections.

The Committee has chosen not to address issues with state aid because there is little the College can do to affect state aid. However, the Committee does recognize the impact any change to the state aid formula would have on the funding structure. A significant reduction in state aid could require revisiting the need for additional taxpayer support or tuition increases.

The Committee met again on June 13, 2002, with another four-hour work session to review the additional data and analysis prepared by the Support Team, as well as the answers to the questions raised at the earlier meeting. Following additional study and analysis, the Committee affirms the future financial challenges facing Grand Rapids Community College and presents the following results of its analysis for consideration by the Board of Trustees.

Section Four: Committee Recommendations

The Committee applauds the Board of Trustees and President Olivarez for their commitment to protecting GRCC's fiscal health and wellness. Appointing this Committee to garner external feedback demonstrates their pro-active efforts to plan and prepare for the challenges of the future.

It is clear to the Committee that Grand Rapids Community College has a unique role in our community and fulfills its stated mission. However, in these times with limited resources, it is not feasible for any organization to believe it can be all things to all people. As the service and economic region expands, the College must continue to adapt and change in order to stay competitive and financially secure.

The Committee recommends that GRCC research and identify opportunities for self-improvement, collaboration, cost containment and revenue generation prior to considering an increase in millage for KISD residents. To that end, the Committee offers the following sets of strategies for the Board's consideration and action.

Revenue Source Strategies

Address the disparity between in-district and out-district revenue support in order to provide fairness and equity for KISD taxpayers.

Three sources of revenue support the instructional costs of a KISD resident attending GRCC: tuition and fees, property tax, and state aid. Tuition and fees, as well as a portion of state aid dollars, support Michigan residents living outside of the KISD. Out of state students are only supported by the tuition and fees they pay.

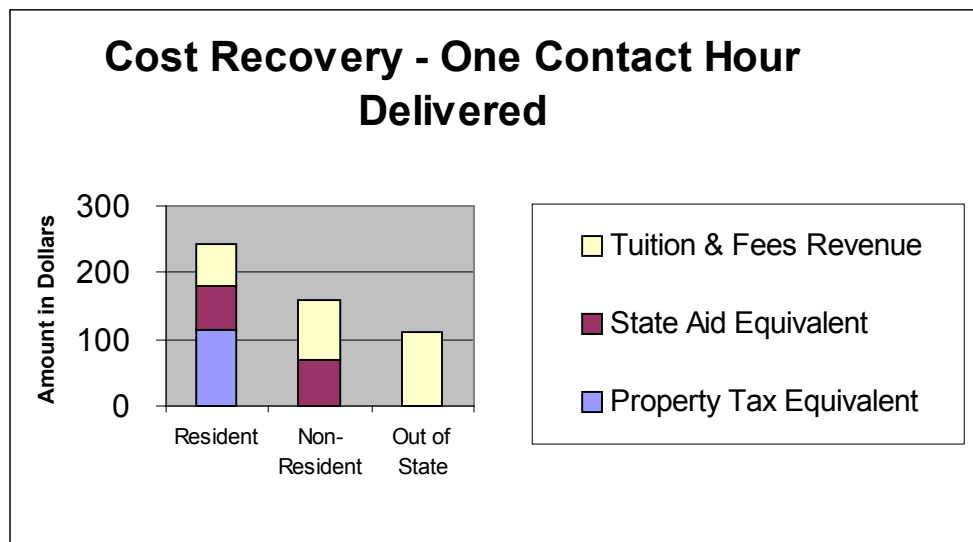


Figure 3

In studying the funding structure and enrollment trends for GRCC, it is clear to the Committee, and Figure 3 demonstrates, that the tuition dollars paid by students coming from outside the KISD do not provide equitable cost recovery. The percentage of out-district credit hours has increased from 22.3% in 1992 to 26.3% in 2001. Thus, as the percentage of out-district students increases, taxpayers in the KISD subsidize increasing educational costs of out-district students. Although this situation exists across the State and is not unique to GRCC, the Committee strongly supports further action toward fairness and equity for KISD support.

Given GRCC's current funding structure, and limited, if any, growth in state aid, the Committee also recommends expanded efforts to identify additional innovative external resources to fund programs and services including:

- Significantly increase out-district tuition and/or seek millage within adjoining communities for taxpayer assistance of their students.
- Partner with community employers for financial support of programs that have been identified as high need/high value in the community.
- Pursue grant dollars to support goals and objectives.
- Increase fund-raising efforts.

Process Improvement for Cost Containment Strategies

Implement a process by which GRCC will regularly review every aspect of its system for efficiencies and ongoing financial savings.

Good management strategy requires that organizations review every aspect of their systems to become lean, efficient, and financially stable. Although the College benchmarks against community colleges, the Committee recommends the College benchmark beyond the college environment to bring external knowledge to bear in areas of system improvement and operational efficiency, including:

- Evaluate all programs and services to determine value and cost effectiveness.
- Define, identify and reduce waste.
- Determine a process to contain high cost programs.
- Review compensation packages to assure the College is competitive but not excessive.
- Increase class sizes where and when appropriate.
- Look for outsourcing options to partner with third party service providers.
- Review staff and other administrative costs in order to achieve efficient operations.

Mission and Program Strategies

Implement an ongoing process to strategically determine the programs and services GRCC will provide to the community.

The programs and services provided to the community should be continually reconsidered in light of the GRCC mission, demonstrated community needs, and the economic impact on the College and the community. As the community and region changes, the College must continue to adapt and change in order to stay competitive and financially secure.

Processes and standards should be developed to support and guide strategic decision-making. Areas for consideration include:

- Implement a systematic process for program review, including the addition and elimination of programs.
- Cultivate long-term learner relationships for sustained revenue impact.
- Consider variable tuition structures that more nearly equal program costs.
- Identify models to critique and review existing programs for cost reduction.

CONCLUSION

The Committee commends the Board of Trustees and the GRCC staff for their commitment to maintaining cost-effective higher education services for the community. Effective strategic planning, continuous improvement of processes, and regular evaluation of programs, services and outcomes are business practices already in place at GRCC. The Committee encourages the Board and staff to continue these efforts to maintain GRCC as a vibrant educational institution.