

# **Northern Marianas College**

## **Fiscal Year 2013 Operations Budget and Financial Plan**

## **General Information**

The Northern Marianas College (NMC) has been no stranger to financial struggles during the turbulent economic times that the Commonwealth of the Northern Mariana Islands (CNMI) and other U.S. public institutions of higher learning have been experiencing. In addition, as the CNMI and U.S. economies continue to struggle, the highlights of NMC and many other small institutions of higher education and community colleges in the U.S. continues to forge around what institutions of higher education are doing to meet the economic and workforce needs of their respective communities and what are the returns on investments can such entities bring for the funds received. To meet such challenges, NMC relies heavily on its Mission, PROA Strategic Plan, and Operational Plan Goals and Priorities to guide NMC through the rough seas. In developing the fiscal year 2013 budget, emphasis was placed on planning driving the budget of each department and entity. As the College seeks to address budget challenges, the College will make planning, budget and assessment decisions based on a commitment to the College's commitment of the one year extension of the PROA Strategic Plan, the fiscal year 2013 Operational Plan Goals and Priorities, each entities Expanded Statements of Institutional Purposes, Assessment Data, Accreditation Requirements and Standards, Peer and National Studies, Composite Reports, and each entities specific financial needs to insure that the goals and objectives of each respective item assigned to them are to be met.

## **Mission of NMC**

NMC's Mission states that the "mission of Northern Marianas College shall be to provide the best quality and meaningful post-secondary and adult educational opportunities for the purpose of improving the quality of life for the individual and for the Commonwealth as a whole. NMC shall be responsible for providing education in the areas of adult and continuing education, post secondary and adult vocational education and professional development for the people of the Commonwealth."

## **PROA Strategic Plan**

NMC extended for fiscal year 2013 the goals and objectives of the 2008-2012 PROA Strategic Plan. These are: (See Our College Resource Documents Online for complete plan)

1. Promote Student Learning and Success
2. Respond to the Professional Development, Continuing Education, and Personal Enrichment needs of the community.
3. Optimize Financial and Human Resources
4. Accelerate the upgrade of physical and technology infrastructure.

## **FY 2013 Operational Plan Goals and Priorities**

NMC's fiscal year 2013 Operational Plan Goals and Priorities are: (See Our College Resource Documents Online for complete plan)

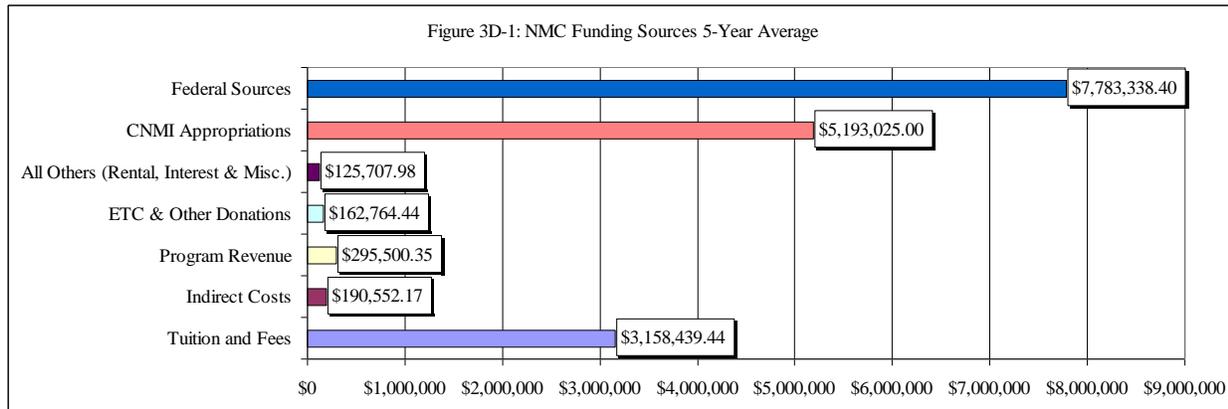
1. Student Success
2. Optimize Financial Resources
3. Information Technology
4. Focus on CNMI Workforce Needs
5. Accomplish Other Distinct Objectives in an Environment of Continuous Quality Improvement.

### Other Relevant Planning Resources

The College relies on other relevant planning resources as it creates its budget. These are the Expanded Statements of Institutional Purpose, Assessment Data such as Forms 1, 2, and 3, Accreditation Requirements and Standards, Peer and National Studies, and the funding amounts needed to maintain and operate the respective programs. Each program at the College has an Expanded Statement of Institutional Purpose (ESIP), that is used as an active departmental mission describing the departments functions and activities. Assessment Data such as Form 1, measures accomplishments of departments in meeting set goals and/or objectives; Form 2 describes the department’s activities and existing resources needed to fulfill their respective missions, Form 3 describes a resource allocation method that the College uses when faced with budgetary crisis. Form 3 was used in fiscal year 2012 to make drastic budget cuts in anticipation of the College’s shortfall in revenue received from the CNMI Government. The College, through diligent monitoring and planning, managed to recognize funding to cover the anticipated shortfall. The College also relies on Peer and National studies to help guide its human and financial resource needs. In addition, the College uses the Composite Reports to plan for and identify resources such as office equipment, construction, and technology needed.

### Historical Funding Sources

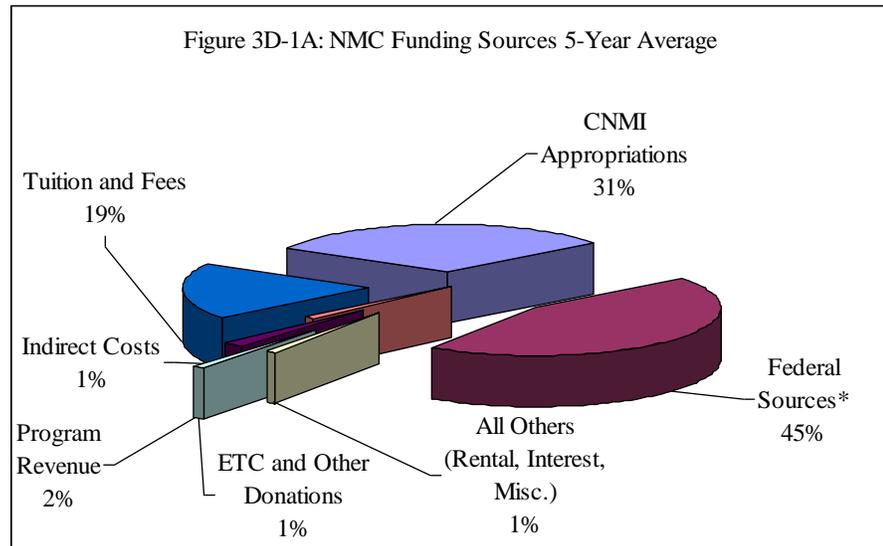
NMC has dedicated its efforts to ensuring that financial resources meet NMC’s mission, student learning programs and services are maintained, continuous institutional effectiveness efforts are funded, all while conducting such efforts with integrity and financial stability. Like many other U.S. public institutions of higher learning have been experiencing, with the scarce and dwindling resources available, NMC distributes its financial resources within reasonable expectation of short-term, medium-term, and long-term financial solvency. NMC’s financial practices have revolved around and supported NMC’s institutional planning, as planning drives NMC’s budgeting and resource allocation processes. NMC relies on seven main funding sources (See Figure 3D-1) such as revenues from Federal Sources, CNMI Appropriations, Tuition and Fees,



All Others (Rental, Interest, and Miscellaneous), Educational Tax Credits (ETC) and Donations, Program Revenues, and Indirect Costs. Even as the Commonwealth of the Northern Mariana Islands (CNMI) financial resources and the economy continues to deteriorate, NMC has been fortunate enough to receive significant support from the CNMI Government and other financial sources to keep the CNMI’s lone accredited institution of higher learning in fair standing. From fiscal year 2008 through fiscal year 2012, NMC received an average of \$5.193 million a year over that five year period. This represents an average of five percent of the entire CNMI budget available for appropriations per year. Over that same five year period, NMC’s financial

resources collected from Tuition, Fees, and Other Sources averaged over \$3 million per year. Funds received from federal sources averaged \$7.78 million, inclusive of funds received from American Recovery and Reinvestment Act State Financial Stability Funds (ARRA SFSF), Land Grant, and federal financial aid (PELL Grants). For comparative reasons, NMC stresses that the funds from federal sources contains land grant funds that may not be available in other public institutions of higher learning. The land grant funds average close to \$3 million a year. If removed from the total funds received, the amount from federal sources would be reduced to \$4.78 million a year. In total, NMC received an average of \$16.91 million a year over that time period.

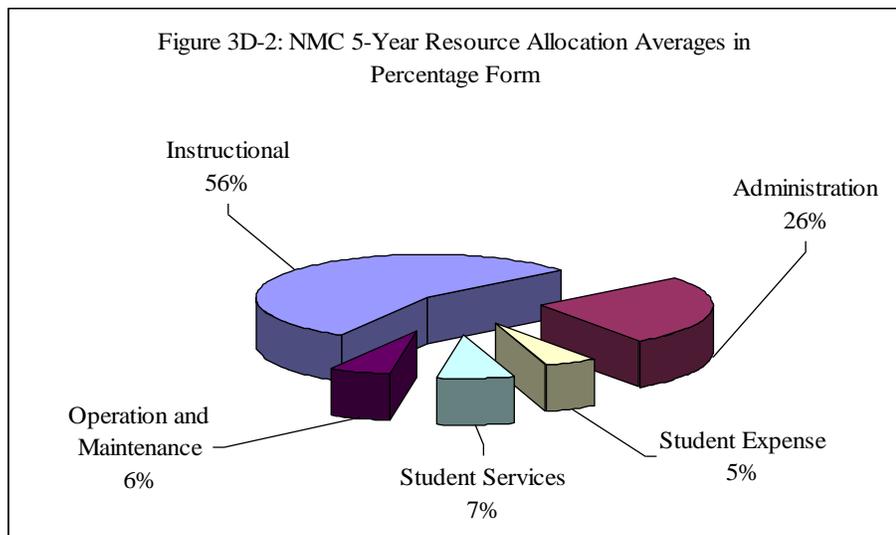
Broken down into percentages as illustrated in Figure 3D-1A, 31 percent comes from CNMI appropriations, 19 percent from Tuition and Fees, and 45 percent from federal funds\*, inclusive of ARRA SFSF, Land Grant Funding, and federal financial aid – PELL Grants, if land



grant funds are removed, the percentage of federal sources would be reduced to 28 percent. In comparison to public institutions as identified in the 4<sup>th</sup> Edition of “A Guide to College and University Budgeting” by Larry Goldstein (2012), NMC’s funding sources (with the exception of federal funds) are comparable and within the National Association of College and University Business Officers (NACUBO) averages for public 2-year institutions. NACUBO averages consist of 35 percent from state funding, 17 percent from tuition and fees, and 17 percent from federal funds. NMC’s financial stability starts with acquiring adequate revenue sources and carefully planning and managing the use of such scarce resources.

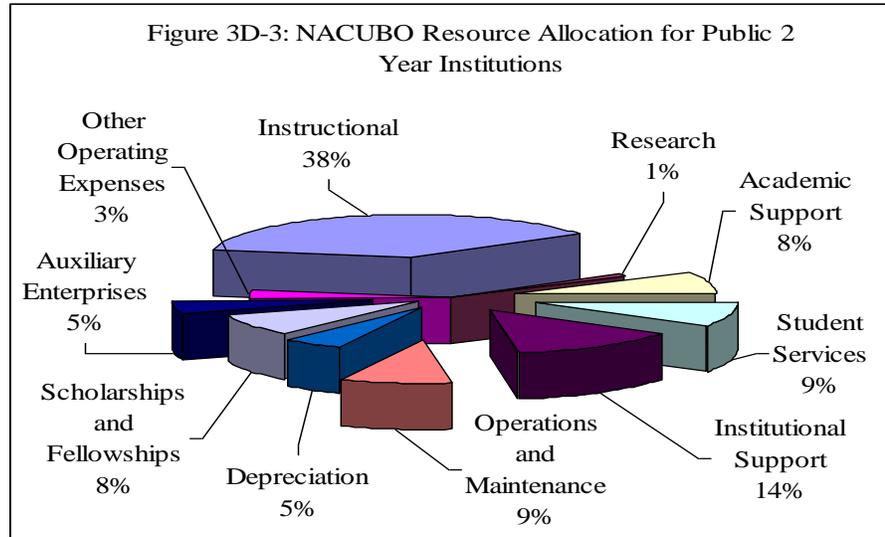
**Historical Allocation of Resources**

The allocation of NMC’s financial resources has been fairly consistent from fiscal years 2007 through 2011 (See Figure 3D-2). Emphasis of the funding revolved around maintaining and supporting existing programs and services and the



resources needed to effectively run the College. NMC allocates funds within reasonable comparison of the national averages for similar functions as represented by NACUBO (See Figure 3D-3). More importantly, as shown in Figure 3.D-2, NMC exceeds the NACUBO national average for resources allocated to instructional functions. NMC allocated 56 percent of its annual resources to instructional functions (inclusive of academic support) while the NACUBO data

indicates 38 percent for instructional functions and 8 percent for academic support, for a combined allocation of 46 percent. NMC allocates funds to administration (26 percent), student expenses (five percent), student services (seven percent), and operations and maintenance (six percent). In comparison, the



remaining NACUBO distribution of resources are for research (less than one percent), student services (nine percent), institutional support (14 percent), operation and maintenance of plant (nine percent), depreciation (five percent), scholarships and fellowships inclusive of student aid (eight percent), auxiliary enterprises (five percent), and other operating expenses (three percent). As described herein, NMC distributes its financial resources within range or significantly above NACUBO averages to instruction, academic support, student expenses, student services (student learning programs and services), and a fair amount to administration which is the primary allocation source for institutional effectiveness and institutional support to develop, maintain, or enhance programs and services.

## Operations Budget and Financial Planning for 2013

### Appropriations Funding – Not Included in Operations Budget

NMC is grateful for the funding increase expressed by both the Governor and the CNMI Legislature for fiscal year 2013. CNMI Public Law 17-85 allots the College's funding at a rounded figure of \$5.3 million, an increase of 25 percent from fiscal year 2012. The Funding sets aside \$4.5 million (rounded figure) from local funds, \$500k from Contract Workers Fee (Federal Source and Reserved for the U.S. Apprenticeship Program), and a little over \$300k from the Compact Impact Funds (Federal Source). These funds are also crucial for what the College considers non-operational functions and is used primarily for Personnel, Benefits, and if funds are available, Utilities. The funds are also critical in meeting the Maintenance of Effort as required by the U.S. Department of Education for the College to remain eligible for the College Access Challenge Grant funding. The funds received from the CNMI Government are mainly used for Personnel and Benefits, and are considered non operational funds. The College created the fiscal year 2013 operations budget with the appropriations funding levels in mind and based on the fiscal year 2012 experience, is ready to make necessary changes.

### **Federal Funding and Financial Aid –Not Included in Operations Budget**

As described in Figure 3.D1, NMC averages \$7.78 million a year in federal funds. These funds are restricted to activities identified with the respective federal entities. Students and the community are the prime beneficiaries of these funds as a majority goes to financial aid, College Access Challenge Grant, the Cooperative Research Extension and Education Service, Adult Basic Education, Area Health Education Center, and the University Center for Excellence for Developmental Disabilities. These programs help departments at the College with collaborative opportunities and related initiatives.

### **Guiding Factors**

NMC's annual operating budget is an organizational plan that aims to describe the allocation of funds for operational and strategic plans in monetary terms. Northern Marianas College prepares budgets, plans expenses and allocates funds consistent with Board policies and NMC procedures.

The Northern Marianas College Administration and Finance Unit strives to provide excellent customer service in support of the College's mission through a budget process that links operational, strategic and financial planning to insure the short and long-term financial health of the College.

### **Financial Management Process**

NMC uses its four-phase financial management process to describe the integration of financial planning in support of institutional planning. Each phase contains important processes and tools that help link plans to each other and the funds needed to execute such plans. The four phases of the financial management process are: phase 1: Planning and Interlinking of Plans, phase 2: Resource Allocation, phase 3: Program and Service Delivery, and phase 4: Assessment and Evaluation.

#### Phase 1: Planning and Interlinking of Plans:

Institutional plans are reviewed and assigned accordingly to programs and services for implementation (Form 1 and Form 2 are instrumental in this process). In this phase, NMC's mission is linked to programs and services through each program's respective ESIPs. Linked to the mission and each program's ESIPs is the NMC's PROA Strategic Plan 2008-2012, which is used as the long-term overall guide of the College and its programs and services. NMC's programs and services are then linked to one or more goals and initiatives as described in the strategic plan. To accomplish such goals and initiatives, the College prioritizes the initiatives on a yearly basis. NMC then requires each program and service to create a yearly operational plan with each respective goal and objective linked to the identified yearly institutional initiatives. The main link that integrates financial planning in support of institutional planning is done through the Priority Initiatives. The College prioritizes all activities within those priority initiatives and allocates funding to such.

#### Phase 2: Resource Allocation:

Through the yearly operational plan, programs and services are then allocated resources in the natural classification of budgeting (supplies, travel, etc.) to meet goals, objectives, and institutional priorities, which are all linked back to the PROA Strategic Plan 2008-2012, ESIPs, and mission of NMC. Form 3s, Composite Reports, Planned Budgets and Analysis Forms,

Final: Unanimously Approved by Board of Regents September 26, 2012

Institutional Priorities, and Priority Initiatives are reviewed and prioritized to determine how much resources are to be allocated to each program or services, and thus provides each department with an operating budget to operate its programs and or service. As resources are added up for each program or service, they are grouped into their respective unit or divisions to form an overall budget. Each unit or division represents a key function of the College and has responsibility over one or more long-term strategic goals and initiatives, etc. The outcomes of the resource allocation process provides NMC with an overall picture as to how much funding was allocated to each function of the College but more importantly, it describes how much funding was allocated to accomplishing each priority initiative, strategic goal, and ultimately the mission of NMC.

#### Phase 3: Program and Service Delivery:

Programs and services are expected to administer and accomplish their responsibilities as assigned through their ESIP, priority initiative, goals, and objectives. Through monthly reports, programs and services update the management on their activities and efforts. To support such activities and monitor funds used, NMC's Budget and Finance Offices send out monthly budgetary status reports, and encumbrance reports. NMC also requires quarterly budget reports from programs and services with updates on their spending.

#### Phase 4: Assessment and Evaluation:

Each program and service is expected to fill out the appropriate Form 1, 2, and/or 3 dependent upon the type of program or service and the cycle they are in. These Forms are submitted to PROAC for review, evaluation, and assessment and the results are incorporated into a composite report to guide decision making on program improvements and or future resource allocation. Programs and services are then required to make the necessary changes and/or adjust their resource request for the next funding cycle. For fiscal year 2012, the College provided funding for programs based on the results of PROAC's Form 3 analysis, which was then be provided to the Budget and Finance Committee for resource distribution. Programs either maintained, increased, or decreased the funding it received based on the Form 3 analysis and the overall projected funds available for the College for fiscal year 2012.

### **Budget and Finance Committee**

The College's Budget and Finance Committee sets the agenda for yearly operations budgets. For fiscal year 2013, the College's Budget and Finance Committee (BAFC), along with all the expenditure bodies and stakeholders of programs were tasked to review all of the plans and resource documents needed to make and submit an the fiscal year 2013 Operations Budget. These bodies were given a guide of ten percent over their expenditures for fiscal year 2012 as a ceiling. The bodies were also provided an opportunity to exceed that ceiling with proper justifications and/or presentations made to the BAFC. In addition, BAFC recommended that bodies integrate the plans, resource documents, accreditation, professional development, cost consolidation, leveraging of resources, and revenue generation opportunities.

### **Budget Ceiling**

BAFC reviewed the historical revenue history of the College's Tuition and Fees as well as the projection for fiscal year 2013. Based on enrollment trends and enrollment figures, as well as opportunities advantageous to the College such as the TEACH Grant, specialized contracts, and collection history, the College set an original budget ceiling of 85percent of the estimated

collectible tuition and fees to be collected. As a result of such actions, BAFC elected to set the fiscal year tuition and fees operation budget ceiling at a conservative \$3.7 million dollars. As BAFC listened to the presentations and read the justifications, as well as fiscal year 2013 being an accreditation visit year, BAFC elected to increase the fiscal year ceiling to 89 percent of the estimated total amount to be collected and set the final budget ceiling at \$3.85 million dollars (See Figure A). This was because programs demonstrated through their plans and justifications called for the need for such increase. This fiscal year 2013 budget ceiling is set at \$3.85 million dollars, inclusive of the increase in travel for the accreditation visitors and the related expenses, general operations of the departments of the College, as well as funds set aside for contingency and utilities. In the event the College experiences increases or reductions in funding, BAFC will revisit the institutional priorities and use the available tools such as Form 3, Composite Reports, and Monthly Reports, to bring forth recommendations as needed.

### **Consolidation and Cost Savings Measures**

Review of historical spending practices and the initiative to optimize financial resources led BAFC to consolidate spending in certain categories under identified departments. Technology related expenditures were consolidated and transferred to the Information Technology Department. Most of the construction, communication costs, and vehicle, maintenance, and copier costs were consolidated and moved under the Administrative Services Department. Offices are requested to use the copy machines as network printers to reduce the costs of buying expensive toners for individual printers. Most of the printing of stationary and marketing expenses were consolidated and moved under the External Relations Office. The College also recognized that it averaged 738 cases of paper at various prices ranging from thirty-nine dollars to fifty dollars a case. The costs for paper were reconfigured and paper will now be leveraged and sourced by the College's Bookstore. Standardization of items labeled as "office supplies" will occur and also sourced by the College's Bookstore. Justification for spending and open purchase orders has also been modified. Travel was reduced to those pertinent to accreditation, department improvement, revenue generating opportunities, updating and building of skills for employee and departmental efficiency. These ideas were either brought forth by members of the College through their respective Form 3's, in person, and by experience. See Figure B for amounts consolidated for efficiency, information technology, and administrative services.

### **Allocation of Fiscal Year 2013 Resources**

It is important to note the College's allocations for financial resources of the Operations Budget are based on funds categorized under Tuition and Fees. Funding for appropriations, financial aid and federal grants that support academic, student, and community services are not calculated. Appropriations are not counted as they are considered non-operational funds. The numbers you find herewith will differ from the overall funding numbers showed in figures 3.D1A, 3.D2, and 3.D3.

For fiscal year 2013, the College Operation's budget allocated \$1,085,166 to Academics representing 28.3% of the total, \$1,121,451 for Finance, Administrative Services, and Information Technology combined representing 29% of the total, \$245,265 for Student Services representing 6.4% of the total, \$102,588 for General Services on Tinian and Rota and the Community Development Institute representing 2.67% of the total, President (inclusive of ERO, and Institutional Effectiveness, and Human Resources), \$347,060 representing 9% of the total, \$147,829 for Governance (inclusive of the Board of Regents) representing 3.84%, \$192,500 for

Final: Unanimously Approved by Board of Regents September 26, 2012

Contingency representing five percent of the total, and \$608,241 for Utilities representing 15.80% of the total.

When linked to the PROA Strategic Plan and Operational Plan, the respective departments allocated their funds to each appropriate Goals PROA Strategic Plan with corresponding sections of the FY 2013 Operational Plan Goals and Priorities. Details of the linkages can be retrieved from the “N” Drive under the files Public and Budget, or through the respective department heads.

### **Budget Review and Monitoring**

One of the major requirements for fiscal year 2013 is for the College to strengthen and implement full budget reviews and monitoring. The Finance and Budget Office currently sends out budget review documents by the 15 day of each month. Departments are supposed to monitor, review, and reconcile their figures with the figures presented by the Finance and Budget Office and communicate with the respective offices directly. The Budget Office officially started quarterly review of department spending based on their plans in the third quarter of fiscal year 2012. The review of the spending patterns is ongoing, and issues that needed to be addressed by the departments and are being communicated as needed. BAFC has been assigned the task of setting up procedures to maintain, reduce, or increase funding for certain departments. BAFC is reviewing the Form 3 process, composite reports, and monthly reports for such monitoring and review. This means that departments will have to properly plan and spend their funds according to the documents submitted to the budget office and eventually to BAFC for further determination. The tentative dates for budget review and monitoring are December 15, March 15, June 15, and September 15.

### **Dissemination of Financial Information**

Another major requirement for fiscal year 2013 is improved transparency and dissemination of approved budget and financial information of the College. The College is working with the External Relations Office and Information Technology to include the College’s Budget, Financial information, and Audit Reports on the College’s Website. This will be for viewing purposes only as to protect the integrity of such information. This will be done during the month of October 2012 with updates made as budget and financial information become available and approved for posting. The results of the quarterly budget reviews and updates will be posted immediately after modifications are made. Audit reports will be posted immediately after final report is received by the College and/or by July 1 of each calendar year.

### **Budget Details**

Budget details are provided in a separate document and located on the “N” Drive, through the Budget Office and through each respective department head. This is inclusive of all the programs Funding requests, Narratives, Budget Justifications, Quarterly Spending Plan, Itemized Expenditures, Form 3 inputs, etc. Budgets were disseminated to each respective expenditure authority the first week of October 2012. Information was to be shared with the members of their departments.

### **Contact Information**

For more information contact David Attao, Dean of Administration, Northern Marianas College at P.O. Box 501250, Saipan, MP 96950, Tel: (670) 234-5498, Email: [dattao@nmcnet.edu](mailto:dattao@nmcnet.edu).



Figure B: Tuition and Fees FY 2013 Approved Budgets

	<u>Department</u>	<u>Program Type</u>	<u>Original Request</u>	<u>Cons. Admin Services</u>	<u>Cons Info Tech</u>	<u>Cons. Efficiency Mods.</u>	<u>BAFC/BOR Approved</u>
1	Board of Regents	Governance	156,294	500	0	18,145	137,649
2	ASNMC	Governance	9,900	0	0	200	9,700
3	Faculty Senate	Governance	115	0	0	0	115
4	Staff Senate	Governance	1,700	0	1,000	335	365
5	President Office	President	266,415	7,040	5,000	17,700	236,675
6	Office of Institutional Effectiveness	President	27,978	450	1,833	2,160	23,535
7	Human Resource Office/Legal Counsel	President	44,000	0	0	4,400	39,600
8	External Relations Office	President	42,250	0	0	5,000	47,250
9	Rota Instructional Site	General Serv & Community	36,000	23,200	0	0	12,800
10	Tinian Instructional Site	General Serv & Community	36,818	7,301	0	0	29,517
11	Dean of Academic Programs and Services	Academic Programs	61,388	14,000	2,200	350	44,838
12	Business	Academic	115,150	2,200	0	30,874	82,076
13	Distance Learning Education	Academic	36,800	0	0	8,814	27,986
14	Languages & Humanities	Academic	275,570	6,324	8,200	5,660	255,386
15	Liberal Arts Program	Academic	28,900	0	2,000	8,827	18,073
16	Nursing	Academic	112,720	17,000	7,000	14,500	74,220
17	Science, Math, Health & Athletics	Academic	225,585	5,456	5,400	14,620	200,109
18	School of Education	Academic	372,509	33,000	2,000	68,037	269,472

Final: Unanimously Approved by Board of Regents September 26, 2012

19	Social Studies and Fine Arts	Academic	127,500	15,660	2,000	3,166	113,006
20	Dean of Student Services	Student Support	40,511	1,100	0	4,025	35,386
21	Career Center	Student Support	8,399	780	0	0	7,619
22	Counseling Programs & Services	Student Support	6,591	0	0	0	6,591
23	Disability Support Services	Student Support	69,153	1,550	4,200	17,808	45,595
24	Financial Aid Office	Student Support	15,845	920	0	1,200	13,725
25	International Student Services	Student Support	39,000	9,648	0	1,400	27,952
26	Library Programs & Services	Student Support	83,686	6,678	0	150	76,858
27	Office of Admissions & Records	Student Support	24,337	2,566	0	821	20,950
28	Office Stud Activities & Leadership	Student Support	10,819	0	0	330	10,489
29	Testing Center	Student Support***	0	0	0	0	0
30	Dean of Administration	Fin/Admin/IT/Specialized	100,879	5,000	6,100	17,983	71,796
31	Administrative Services	Fin/Admin/IT/Specialized	401,389	0	0	0	550,648
32	Community Development Institute	Fin/Admin/IT/Specialized	61,167	800	0	96	60,271
33	Finance and Budget Office	Fin/Admin/IT/Specialized	112,286	1,860	0	17,581	92,845
34	Information Technology	Fin/Admin/IT/Specialized	476,996	84,584	0	2,715	395,127
35	Procurement Property Management Office	Fin/Admin/IT/Specialized	15,110	2,515	1,500	60	11,035
	Contingency	Fin/Admin/IT/Specialized*	192,500	0	0	0	192,500
	CUC	Fin/Admin/IT/Specialized**	660,000	0	0	0	608,241
	<b>TOTAL</b>		<b>4,296,260</b>	250,132	48,433		<b>3,850,000</b>

