

To: Montgomery College Community

From: Liz Greaney, Chief Business/Financial Strategy Officer

Subject: **Budgeting for a Volatile Economy: Update on FY22 Budget Plan**

Date: February 4, 2021

At its monthly meeting on January 27, 2021, the Board of Trustees approved the College's FY22 Current, Enterprise and Other Funds Budgets. These budgets detail our expected revenues and planned operating expenses for the upcoming fiscal year, FY22, which begins on July 1. In my October 12, 2020, memorandum to the College community, I committed to further communications as milestones are achieved and as we progress through the budget cycle. The board's action last week is one such milestone. This approved budget will now be submitted to the county executive and county council for review, approval, and the actual appropriation of funds. The College will explain and advocate for this budget with both the county executive and the county council over the next several months until the council's final approval in May.

Our work is ongoing and there is still much more to do as we continue to monitor the impact of the virus and our path to recovery. As you well know, the COVID-19 pandemic has disrupted the economy, education, and everyday life.

The College entered the current fiscal year in a strong financial posture. The recent affirmation of the College's finances by Fitch Ratings with a 'AA-' rating and stable outlook offers validation of our prudent management of resources. The College has a long track record of responsible fiscal management, and major steps taken over the past several years have helped us maintain our position, including the development of a new compensation model, the acquisition of the Central Services Building, our decision to transition the bookstores into a sustainable auxiliary business model, and our conversion of childcare to be an academic program.

To develop a budget—especially during these trying times—it is important that we gain an understanding of the impact of the pandemic economy on the government. Fiscal signals from the Montgomery County government and Maryland state government are mixed: the county has projected a FY21 gap (that is, resources are less than expenditures) of \$146.4 million and a FY22 gap of \$90.7 million, assuming no growth to the agencies' budgets. The county is experiencing fiscal stress primarily due to lower-than-anticipated tax receipts, while the cost to continue providing services to the community during a pandemic are higher than pre-pandemic operations. The governor submitted a balanced state budget and it reflects the more favorable state financial results for FY21 than forecasted at the outset of the pandemic. Nevertheless, the governor's budget does not fully fund community colleges in Maryland. The Maryland General Assembly will take final action on the state's budget later this spring, several weeks before the county council acts on the county budget.

While the state and the county provide the majority of the revenues necessary to operate the College, tuition is also an important source of revenue; it makes up about one-third of our revenue. The projection for student enrollment for FY22 is lower than this fiscal year. Thus, a focus on our access mission is paramount. As Dr. Pollard has said, our students and our community need us more than ever, and this moment is one for which community colleges were made. Our FY22 budget reflects these values and—for the second year in a row—proposes no

tuition or fee increases for our students. As an anchor institution in our county, we serve a critical role in our community's rebound from this crisis.

Given these challenging times, we are committed to ensuring fiscal stability through the examination of our operations for savings. The FY22 budget reduces our expenditures by \$3.5 million for numerous reasons, including permanent reductions to discretionary expenditures; cautionary hiring and compensation practices; utility management savings; and reallocated funds.

The lists below outline the accomplishments to date and future work that will occur over the next several months. These details reflect steps normally required in the annual development of our budget in addition to steps necessitated by the pandemic economy.

I know how passionately all employees feel about serving students and the evidence of your extraordinary service during the pandemic is plentiful. I ask that you follow communications from my office and the College, for more information on how these fiscal circumstances are evolving and how you can help to advocate for our budget needs. Thank you for your continuing dedication.

Summary of Accomplishments to Date

1. Board of Trustees

- Fiscal Outlook Presentation to Board of Trustees (October 2020)
- Preview of the FY22 Current, Enterprise and Other Funds Budgets (December 2020)
- Adoption of FY22 Current, Enterprise and Other Funds Budgets (January 2021)

2. County

- County Executive Marc Elrich released the proposed county FY22 capital budget (January 2021)

3. State

- Governor Larry Hogan released the proposed state FY22 capital and operating budgets (January 2021)

4. College

- Achieved affirmation from Fitch Ratings for the College's revenue bonds of 'AA-' with outlook stable
- Adjusted and communicated FY21 budget expectations resulting from actions taken by the state Board of Public Works reducing state aid by \$4.6 million and, by the county, which restricted our spending by \$4.4 million
- Hosted budget forums on October 29 and 30, 2020, for the community to raise awareness of the volatility and caution desired for resource management
- Established a dedicated email, budgetforums@montgomerycollege.edu, for ongoing questions or concerns
- Committed to fair and sustainable wages through discussion and negotiations with our bargaining units
- Posted our [FY22 Current, Enterprise and Other Funds Budgets](#) on the College website
- Dispersed \$5.5 million in emergency aid to students pursuant to the Higher Education Emergency Relief Fund (HEERF)

- Utilized \$3.5 million of HEERF institutional funds for costs incurred and associated with significant changes to the delivery of instruction including: faculty training, lab development and technology for employees and students
- Marketed and created scholarship opportunities (approximately \$1 million) for students who register this spring in programs offered through Workforce Development and Continuing Education to optimize HEERF funding made available through the Governor's Emergency Education Relief

Work Ahead

- Transmittal of FY22 Current, Enterprise and Other Funds Budgets to the county executive and county council (February 2021)
- County Executive Elrich's release of the county's proposed FY22 operating budget, which includes the county's recommended funding for the College (March 2021)
- Board of Trustees considers and confirms its position on FY22 tuition and fees, currently planned for no changes (April 2021)
- The Maryland General Assembly's adoption of the state's budget (April 2021)
- County council sessions and budget discussions (April and May 2021)
- County council's approval of the county capital and operating budgets (May 2021)
- Board of Trustees considers and confirms its position on the FY22 Current, Enterprise and Other Funds Budgets (June 2021)