From: DeRionne Pollard, Montgomery College President
Subject: FY18 Budget Developments
Date: Thursday, April 06, 2017 12:10:10 PM

MONTGOMERY COLLEGE
Office of the President
-
April 6, 2017

MEMORANDUM

To: Montgomery College Colleagues

From: Dr. DeRionne P. Pollard, President

Subject: FY18 Budget Developments

As you may have heard, the Maryland General Assembly has approved the FY18 capital budget, which includes long-awaited funding for the math/science building on the Takoma Park/Silver Spring Campus and the new student center building at Rockville. These facilities are essential for student success and will enable the College to enroll students more efficiently, support retention more effectively, and ensure that students on all our campuses have access to 21st century STEM classrooms and laboratories. I am grateful for the work of Montgomery County's state legislators and our students, alumni, faculty, staff, board members of our foundations, and the Board of Trustees who helped us to effectively convey these College priorities.

While these developments certainly represent success, some additional factors create uncertainty for our fiscal outlook. The General Assembly implemented a two percent cap on tuition increases at Maryland colleges and universities. This is lower than the 2.9 percent tuition increase that the College had proposed. Additionally, due to enrollment declines, the Cade formula—the state's funding formula for community colleges—yielded little new state aid to support next year's budget.

While the College's operating budget priorities included salary enhancements, several factors should be considered in assessing the county's ability to fund this request. Of our $7.4 million requested increase to the budget, the county executive recommended only a $2 million increase in county dollars for the operating budget (where $1 million of that came from decreasing our capital budget, the funds for construction and renovations). These realities, along with an economic forecast that calls for a possible reduction in the federal workforce—with a resulting impact on the regional economy—has required the College to look carefully at the fiscal constraints of the county and the capacity of the county council to find additional resources to fully fund our budget request. The College also must consider our diminished tuition revenue due to the current enrollment decline, and the fact that the county council will not be considering any local tax increases to provide new revenues.

Despite these conditions, the College will continue to press for full funding of our request for additional funding, which is only for compensation enhancements and benefit cost increases. Nonetheless, as I communicated to you on March 15, given the fiscal constraints that the county faces, a 4.5 percent increase for all employees is likely the best possible outcome. The

College has tentatively reached an agreement with the SEIU on a new three-year contract, and it is continuing reopener negotiations with AFSCME. We recently asked the AAUP to reopen our existing agreement in order to find common ground given the financial impacts of the enrollment decline and fiscal realities in the county and state. It should be noted that the General Assembly did not include merit or cost of living increases for Maryland's state employees in its budget, a sign of fiscal restraint that we will continue to monitor.

As we examined the fiscal climate, the senior vice presidents met with the AAUP president to inform the union of the current fiscal challenges and our budget approach. Working collaboratively, the College has been able to provide cumulative salary increases of 16.5 percent over the last three years, a testament to the esteem in which we hold the work of employees. It also speaks well of our efforts to advocate effectively and the fiscal capacity of the county to respond to our requests.

As we proceed in these negotiations, I want to make you aware of several additional, external factors at the local, state, and federal levels that should be considered. These include the work of the county council's Office of Legislative Oversight, which is in the midst of a review of the College's outcomes measures with an eye on our future budget processes. Several bills pending in the state legislature could raise our benefits costs and permanently restrict Maryland colleges' ability to raise tuition above two percent. At the federal level, President Trump's proposed budget reductions could affect the funding streams of many agencies, including the Department of Labor, the Department of Education, the National Institutes of Health, and the National Endowment for the Humanities, to name several from which the College receives grant funding for a variety of programs. While these discussions at the federal level remain in the proposal stage, we must be mindful of their potential direct fiscal impact as well as their impact on our local lawmakers' approach to spending. We are watching the debates carefully to see how to best protect College priorities and insert ourselves in the conversation. The Board of Trustees recently traveled to Capitol Hill to express concerns about grant funds and cuts to Pell grants, which could also diminish enrollment. In response to the proposed federal cuts, a report by Moody's Investors Service last week said that President Trump's budget would be "credit negative" for the higher-education sector. Credit ratings such as Moody's have an impact on institutions' spending capacities and we could be affected by this.

In the meantime, the College will continue to spend judiciously for student success and invest in our employees, whose work is essential to student success. I recognize that this is a time when many factors are in flux and that this may create a sense of uncertainty. I appreciate your patience as we engage our lawmakers and partners to remind decision-makers of the immeasurable value of education for our communities and our nation. The county council will conclude its deliberations in mid-May and our FY18 budget will, at that time, be final.

Thank you for your continuing support of our students and of the College's mission.