

**To:** Montgomery College Community

**From:** Liz Greaney, Chief Business/Financial Strategy Officer

**Subject:** **Budget Development for FY23 Operating Fund Budget**

**Date:** November 11, 2021

As we are planning and developing our FY23 operating fund budget that begins July 1, 2022, we have to remain steadfast in four guiding principles:

- Student success and affordability
- People stewardship
- Operational stewardship
- Resiliency

Going forward, to continue our resiliency as an organization, we must renew our commitment to engage in ongoing planning with continuous monitoring, seek a comprehensive understanding of our resources, and stay current with evolving economic conditions and the state of the pandemic recovery of the community we serve.

I encourage you to read this memorandum thoroughly so that we have a shared understanding of the fiscal and economic environment in which we operate and the variables that underpin our budget. Adjustments, modifications, and reallocations are likely to become our norm for the foreseeable future, since our budget has to be balanced each year as we cannot operate in a deficit.

### **Fiscal Outlook Report to Board of Trustees—managing in a time of uncertainty**

At the Board of Trustees' October public meeting, Senior Vice President for Administrative and Fiscal Services Sherwin Collette and I presented a fiscal outlook that considers the state, county, and College landscape in which our budget will be drafted and eventually approved. Several highlights from that report include:

- Major leadership changes are on the horizon across the state and county—the very decision-makers who make education policy and budget decisions that impact community colleges will change and new leaders will decide our budget.
- Mixed economic signals with moderate recovery of employment and wages in certain sectors making the long-term certainty of public tax revenue available to fund the College is unclear.
- Year two of budgeting during a pandemic—the consumption of our resources are shifting with expenses for new personal protective equipment (PPE), virtual proctoring, and more laptops versus desktops. These, are necessary expenditures today that were not a part of our budget two years ago.

- Sustained enrollment declines that are eroding our second largest revenue source, student tuition and fees.

Interim President Dr. Charlene Dukes will present the proposed FY23 operating fund budget to the Board of Trustees at its December 13, 2021, public meeting. The Board will review and then vote to adopt the proposed budget in January 2022. The Board then acts to adopt the final budget for FY23 in June after both the Maryland General Assembly and the Montgomery County Council act on their respective budgets at which time public funds made available to the College are known.

### **Our Current Budget—fiscal prudence remains a priority**

The College has a long track record of responsible fiscal management. The Maryland General Assembly approved new funding as requested for community colleges, and the Montgomery County Council fully funded our current budget request—aiding the College to keep tuition affordable for a second year in a row. Moreover, the county provided funds for the *Montgomery Can Code* program and the development toward an Innovation Hub at the Rockville Campus, both of which it sees as assets in opening doors to opportunity.

As previously reported, our enrollment did not meet our projections and is also lower than our prior year enrollment at this time. These declines are due to many factors including the pandemic and the health of our community, demographic shifts, competition, and changes in the labor market. The impact of enrollment decline is important to the projection of our student tuition and fee revenue, a critical budget resource. As of September 30, 2021, the impact is an unplanned reduction in tuition and fee revenue of approximately \$7 million as compared to this same time last year. Our actions—how we recruit, admit, and retain students—and our offerings will drive our enrollment in FY23 and future budgets.

The pandemic has had a mixed, and evolving impact on the College's expenses. On the one hand, some expenses are down (for example, utilities) but others are up, such as the costs to convert to remote operations, and support for employees and students in this status. We have received federal relief funds through the Higher Education Emergency Relief Fund (HEERF) grants, and have leveraged these funds for allowable purposes—to support our conversion to remote teaching and working, to create a safe return to our campuses, and to provide direct emergency aid to students. However, the majority of this funding expires before June 30, 2022, and it will not be possible for the College's operating budgets to absorb the same level of spending as these grants have afforded us. To put the amount in perspective, the institutional portion of the federal grant funds, which exceeds \$43 million, is more than the College dedicated in the current year budget for the operation and maintenance of our facilities.

### **Focused on Our Mission—agile, resilient and student focused**

We welcome your feedback and remind you that you can submit budget questions to [budget@montgomerycollege.edu](mailto:budget@montgomerycollege.edu). Perhaps I will see you at the November 23, 2021, College Council meeting or one of the operational services council meetings that occur monthly on the second Thursday of the academic calendar, where I will be presenting up-to-date budget information and answering questions. Finally, a memo will follow this communication for administrators and unit account managers with further instructions on modifying or updating their unit budgets.

Together, our collective passion and the extraordinary service put forth each and every day by the faculty and staff will enable us to develop a budget that reflects our priorities and helps us achieve our mission to empower our students to change their lives and enrich the life of our community.