

MEMORANDUM

April 29, 2009

TO: Education Committee
CHS
FROM: Charles H. Sherer, Legislative Analyst
SUBJECT: FY10 operating budget for Montgomery College

Education Committee recommendation Approve the College's request with the following reductions for the Current Fund based on the lack of revenues:

1. Reduce the request by \$1.2 million and do not prefund in FY10 any of the health costs for retired employees, referred to as "other post employment benefits" (OPEB). (The \$2.8 million of current costs, referred to as "pay as you go", must and will be funded.) The Committee noted that the County met with the State Board of Education on April 27 to request a waiver of the State's maintenance of effort requirement for MCPS. The Council may have further discussions of the prefunding issue for all agencies following the meeting.
2. Reduce the request by \$1.0 million for such items as positions and expenses associated with opening new facilities. Put the amount on the reconciliation list in 4 increments of \$250,000 each.

The Committee noted that the College eliminated 10 vacant positions in its operating budget and added 2 positions to the capital budget for IT, and reduced programs by \$0.5 million. The Committee also noted that the Board of Trustees was forced to increase tuition by \$3/\$6/\$9 per credit hour to fund its budget request, and that this increase makes the College slightly less affordable. The cost per credit hour for County residents will increase 3%, from \$99 to \$102.

As in prior years, the Committee expressed appreciation for and admiration of the contribution the College makes in educating the County's students. The Committee appreciates the collaborative relationship the County has with the College. The Committee acknowledged the important role the College plays in the County, serving high school graduates, adults, and

immigrants. The Committee expressed appreciation for the College's and their employees' participation in addressing the budget gap by presenting a realistic budget request, and noted the lack of a pay plan adjustment (COLA).

A discussion of the County's guideline for the use of the College's fund balance is on page 3 in the section **Executive's recommendation**. The Executive recommended using almost \$1 million more of the College's fund balance to fund the College's FY10 budget (see page 3 for details). The College noted that this use would reduce the resources available to fund the FY11 budget.

The following may attend:

Some Board members

Dr. Brian K. Johnson, President

Dr. Mary Kay Shartle-Galotto, Executive Vice President for Academic and Student Services

Mr. Marshall Moore, Senior Vice-President for Administrative and Fiscal Services

Ms. Donna Dimon, Chief Budget and Management Studies Officer

Mr. Bryan Hunt, OMB Senior Management and Budget Specialist

Montgomery College has campuses in Germantown, Rockville, and Takoma Park, which enroll more than 24,000 students and have 1,720 faculty and staff in the tax supported funds in the current fiscal year. The College's budget was recently distributed and the Executive's Recommended FY10 Operating budget includes a section on the College, starting on page 10-1.

FY09 budget savings plan On November 25, 2008, the Council approved a budget savings plan for the FY09 budget, which asked the College to reduce its FY09 spending by \$2.1 million. The College expects to save the entire amount. In early April, there were 155 vacancies and the budget office estimated that roughly 55 vacancies would be filled or in the hiring process by June 30, leaving 100 vacancies. In addition to holding positions vacant, the College is reducing spending on supplies, materials, furniture, equipment, and travel, and did not continue the former Ride-on bus service between the Takoma Park and Rockville campuses because of low usage.

FY10 operating budget request The College is requesting an increase of \$6.4 million/3.0% in the tax-supported funds, from \$212.4 million in FY09 to \$218.7 million in FY10, based on a projected 0.3% increase in enrollment, compensation costs, and the cost of operating new facilities (©1-3). A table of College enrollment and other data is on ©14, followed by a graph of enrollment.

The College's requested increases for the Current fund in recent years are shown below.

FY07-08	\$20.3 million
FY08-09	\$18.4 million
FY09-10	\$6.4 million

The College’s budget assumed that the Board would increase tuition in April by \$3/\$6/\$9 per credit hour, resulting in an increase in tuition revenue of \$2.1 million/3.9%. The Board approved this increase on April 13, 2009. The projected increase in enrollment will increase tuition revenue \$0.5 million. Other resources are shown on ©1 and ©3 (County, State, interest, use of fund balance).

Changes in the Current Fund from FY09-10 The major changes are summarized in the table on ©10-11, followed by the detail. The College reduced the number of positions in its operating budget by 10 and added 2 positions to the capital budget for IT. None of the abolished positions is filled, so no employees will lose their jobs. The request includes \$0 for a general wage adjustment (COLA) and \$2.3 million for employees not at the top of their grade (“step” or merit increases).

The College’s FY10 request for the health costs for retired employees, referred to as “other post employment benefits” (OPEB) is shown below.

Pay as you go amount	\$2,800,000
Increase approved for FY09 to move toward full funding of the liability over 8 years	700,000
Additional increase needed for FY10 to move toward full funding of the liability over 8 years	500,000
Total increase in FY10	\$4,000,000

Spending Affordability Guidelines and the College’s request The Council’s February ceiling on the aggregate operating budget (AOB) was 5.9% of estimated personal income, and the Council’s allocation within that AOB for the College was \$149.8 million, which is \$1.3 million more than the College’s request for \$148.6 million. No reductions are required to meet the allocation.

Executive’s recommendation (©2-3) In his March 15 budget, the Executive recommended a reduction of \$500,000 from the College’s request for the Current Fund, all for the additional increase for prefunding OPEB. The Executive’s April 20 budget for the College makes an additional reduction for prefunding OPEB of \$700,000, based on the actual amount of State aid the General Assembly approved on April 13. The Executive’s total reduction is \$1.2 million, all for prefunding OPEB, which the College accepts. **There is no reduction to the remainder of the College’s request.**

The Executive’s recommendation is summarized below, compared to the College’s February 17 request:

1. Reduce expenditures \$1.2 million by eliminating the entire amount of prefunding for retirees’ health benefits.
2. Reduce the County contribution \$2,593,539.
3. Increase State aid \$857,970 (as shown on ©2, State aid is more than the College assumed but less than the Executive assumed in his March budget).

4. Reduce investment income \$412,000 to reflect lower interest rates.
5. Increase the fund balance at the beginning of FY10 as explained below and increase the use of fund balance \$947,569 to fund the FY10 budget.

As shown on ©2, the sum of revenue items 2-5 is -\$1.2 million, the amount of the expenditure reduction.

With respect to #5 above, on October 16, 1990, the Council approved resolution 11-2292, “Budget Guidelines for Montgomery College”. The Guidelines specified that the “Total Source of Funds Available to Fund Budget” is the sum of revenues, net transfers, **and the actual fund balance two years prior to the year for which the budget is proposed** (©31-32). For example, the actual fund balance at the end of FY08 would be one source of funds for the FY10 operating budget.

Three points regarding this Guideline are:

- a. It is different from other agencies, in which the latest estimate for the current year is a source of funds for the year for which the budget is proposed. For example, the latest estimate of fund balance at the end of FY09 would be one source of funds for the FY10 operating budget.
- b. The Guideline does **not** specify how much of the actual FY08 fund balance will, must, or can be used to fund the FY10 budget. None, some, or all could be used.
- c. Neither of the other two General Fund agencies, County Government and MCPS, is budgeted to have a fund balance at the end of the next fiscal year.

OMB explained that “In the April 20th memo to Council entitled “FY10 Budget Adjustments,” the Executive is requesting that the **Montgomery College Fund Balance policy be changed** to put the calculation of the College fund balance on the same basis as the other outside agencies; that is, the estimated FY09 fund balance would be considered as the amount available for FY10 – not the ending FY08 fund balance considered as the amount available for FY10.”

OMB’s estimate of fund balance at the end of FY09 is \$947,569 greater than the College’s actual fund balance at the end of FY08, and this difference is the source of the Executive’s recommendation in #5 above (increase beginning fund balance and increase the use of fund balance by \$947,569). The College’s fund balance at the end of FY10 would be the same in the Executive’s recommendation, but the beginning fund balance and the use of fund balance would be greater.

To recap, in order to fund the College’s budget, additional funding in the amount of \$947,569 is needed. The Executive provides that additional amount of funding by increasing the fund balance at the beginning of FY10 as just explained. Based on discussions with College staff, the College suggests a different option.

College’s option. The College suggests that the County increase the County contribution (#2) instead of changing the Guideline to increase beginning fund balance and to increase the use of the College’s fund balance (#5). A paper prepared by College staff titled “Fund Balance Issues” starts on ©33.

Analysis Compared to the Executive’s option, the College’s option does **not** provide additional resources but uses more resources. Therefore, the College’s option would reduce the total fund balance for all agencies and funds below the 5% minimum, so this option is not feasible, unless the Council finds additional revenues or expenditure reductions elsewhere. Council staff suggests two options:

1. The Executive’s option as explained above. If the College, Executive, and Council wish, the Guidelines can be reviewed after budget.
2. Put the amount in question, \$947,569, on the reconciliation list, and ask the College to specify how they would reduce the budget if the Council were unable to find additional revenues or expenditure reductions elsewhere. In response to this question, the College provided the following.

“Possible Actions to Reduce the Montgomery College Budget

“Reduce 20 positions – These positions were left vacant to contribute to the budget savings programs. They are needed for the new buildings, to staff labs, teach students, etc. Units are already stretched thin because we were not able to add any new staff or faculty last year while enrollment is growing and demands for services is increasing.

“Reduce funds for academic programs and student support services – The College has not been able to meet the demand for necessary services in many areas. Funds are needed to improve instructional oversight of student-learning particularly in high growth areas like Science, Engineering and Math, tutor more students, and address the needs of adult learners.

“Delay opening of new building/facilities – The College needs to open new facilities to meet the demands of growing enrollment. Our Takoma Park/Silver Spring campus expansion is near completion with the opening of our Performing Art Center, Network Operation Center and parking garage. Some new or renovated buildings may have to remain empty.

- “Some combination of the above.”

Maintenance of effort for the College requires the same total County contribution for the Current Fund in FY10 as in FY09 (not the same per pupil). The Executive’s recommended budget meets that requirement (©3).

Replacement of PCs and related equipment For FY10, the County Executive recommended a reduction in the County Government Desktop Computer Modernization NDA to shift the County from a four year replacement cycle to a five year replacement cycle. Executive staff explained that this is intended to be a temporary change for short term savings; that the four year cycle remains preferable; and that they will work to restore funding in future years, potentially starting again in FY11. Could the College similarly reduce its request by extending its replacement cycle?

College staff explained that the College’s IT plan is to replace PCs every 4 years, but that the funding the Council approved for FY09 is close to 6 years, and funding in FY10 is roughly the

same as FY09. Therefore, Council staff does not recommend further extending the College's replacement cycle.

Non tax-supported funds, excluded from spending affordability No reductions are required under spending affordability. The Executive recommends approval of the College's request, except for a reduction of \$188,335 to the fund for Workforce Development and Continuing Education resulting from that amount of reduction in State aid from his assumed amount (the Executive also recommends a reduction for the CATV fund which is separately reviewed by the MFP Committee). See the table on ©2.

College staff noted that the State aid for the fund for Workforce Development and Continuing Education exceeds their budget estimate (although State aid may have been less than the Executive assumed). Therefore, there is no need to reduce the budget for this fund, and **Council staff** recommends approval of the College's request for this fund and for the other non tax supported funds (except for the CATV fund which is separately reviewed by the MFP Committee).

ADDITIONAL INFORMATION RELEVANT TO THE COLLEGE'S OPERATING BUDGET

Components of the College's budget The College's budget consists of the following funds. The first two funds, plus any County funded grants, are the tax supported funds as defined for spending affordability and the next four funds are enterprise funds.

- (1) Current Fund. This is the main fund for courses leading to degrees and accounts for 83% of the College's total budget request, about the same percentage as in prior years.

The College accounts for County funded grants in the Grant Fund (see below), not in the Current Fund. However, the County funded grants must be included in the tax supported funds as defined for spending affordability. The FY10 amount of \$400,000 is for some adult education programs that were transferred from MCPS in FY06.

- (2) Emergency Fund for Plant Maintenance and Repair. The name accurately describes this fund. The College explained that "The project must be considered an emergency and meet one of the following criteria:
 - an emergency may be any situation in which immediate action is required to prevent damage to the College's facilities and/or to eliminate an immediate threat to the health and safety of people or
 - an emergency may be an unanticipated failure of a piece of equipment or a failure of a part of a building structure which needs to be corrected to prevent disruption to the College's

programs and services, but is not funded in the College's regular operating or capital budget.

- Other requirements - leased space is not eligible; project was not easily foreseen; and the cost of the project must be more than \$10,000.

Examples include replacing equipment in the physical plant, elevator repair, Macklin building shell project, roof repair, removing mold, HVAC repair, chiller repair, etc.” The College also has used this fund to repair sidewalks which pose an immediate danger to walkers of tripping and falling.

- (3) Workforce Development & Continuing Education. This fund provides noncredit training and off-campus credit courses for residents, employees, and employers in the following program areas, as explained at the College's web site:

- Business, Information Technology, & Safety to enhance and update workplace skills.
- Community Education offers enrichment courses for everyone in the community
- English skills for adult speakers of other languages from very basic to advanced.
- Extended Learning Services permits students to receive college credit through non-traditional routes.
- Gudelsky Institute for Technical Education permits students to learn a trade, such as automotive and construction.
- Health Sciences Institute offers health care courses, and wellness classes.
- Information Technology Institute offers classes ranging from basic to advanced computer skills.
- Classes in the School of Art & Design

- (4) Auxiliary Enterprises. This fund includes food services, the bookstores, the Parilla Performing Arts Center, the summer dinner theater, and child care services for students, faculty and staff of the College, and for community families when space is available.
- (5) Cable TV Fund, for the College's channel on the County's cable system. The MFP Committee makes the recommendation for this fund, along with the cable funds in other agencies.
- (6) Transportation Fund. This Fund gets its revenues from a charge to students and to employees. The current transportation fee is \$4 per credit hour and \$96 per year for full time employees. The fund pays for the Ride-On bus service and for debt service on parking garage bonds.
- (7) State, Federal, Private Grants, and Contributions. The request includes \$1,000,000 for future grants not yet received. When the College receives a grant not specifically identified in the

budget, the College can simply transfer an appropriation from this future grant account and does not have to go through the process of requesting a supplemental appropriation, with the resulting costs of advertising the public hearing, and reams of paperwork. The other agencies have a similar account.

- (8) 50th Anniversary Endowment Fund. In honor of the College's 50th Anniversary, the Board of Trustees established this Fund in 1995 for scholarships and faculty chairs. Revenue has been from transfers from the Current Fund, which is a combination of State, County, tuition & fees, and so forth. In 2004, the Board expanded the uses of this Fund to include "...projects related to campus development, academic initiatives, and other projects that can be funded from an alternative funding source that benefit the College...[and] for all types of expenditures if recommended by the President and approved by the Board of Trustees." For FY10, the College's budget letter states that they intend to spend \$250,000 for three efforts: to help fund planning for the Germantown Biotechnology Park; for programs in the Arts Institute; and to support the International Education Grant Program.
- (9) There is also a Major Facilities Reserve Fund, funded entirely from student fees, currently \$5 per credit hour. The Fund is used to specifically benefit the students, since they pay the fees which create the Fund. The Colleges explained that "Much of the revenue will be used to pay the lease costs related to debt service for the renovation of the Cafritz Family Foundation Art Center".

Summary of last year's discussion. The Committee and the Council expressed appreciation for and admiration of the contribution the College makes in educating its students. The Committee and the Council acknowledged the important role the College plays in the County, serving high school graduates, adults, and immigrants. The College helps provide a workforce for firms already in and moving into the County. The College stressed the importance of full time faculty and the need for more space for both classrooms and offices. Based on State guidelines, the College has a shortage of space, which the new facilities in the Capital Improvements Program will only partially eliminate.

The Committee noted the increasing importance of distance/extended learning. Some classes use a mix of distance and on-campus classes. The College is expanding carefully and is evaluating the outcomes. The College explained why distance learning can be more expensive than on campus classes: "The added expense refers to the cost of developing online courses and training/supporting faculty as they become qualified online teachers and the cost of the course management system. The course management system covers remotely hosted servers for WebCT (the Course Management System we currently have), a 24 hour helpdesk for DL Faculty and students, and on-site consultants for the Office of DL and other technology assistance. "

The College and their Board of Trustees continually evaluate their academic and administrative/support programs. In addition, several other agencies review the College's programs, so there is no lack of oversight: the Council, the Executive, the State (Maryland Higher Education Commission), and the Middle States Association.

(The Middle States Commission on Higher Education is the unit of the Middle States Association of Colleges and Schools that accredits degree-granting colleges and universities in the Middle States region, which includes Delaware, the District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, the U.S. Virgin Islands, and several locations internationally. The Commission is a voluntary, non-governmental, membership association that defines, maintains, and promotes educational excellence across institutions with diverse missions, student populations, and resources. It examines each institution as a whole, rather than specific programs within the institution.)

Full time faculty positions The College would like to achieve a ratio of credit hours taught by full time to part time faculty of 65/35, but the County has not been able to afford this goal. As in prior years, lack of office space and other budget priorities limit the College’s ability to add more full-time faculty. The ratio next fiscal year will be 54/46, and the number of full time faculty will be 588, the same as in FY09.

The College’s rationale for increasing the ratio of full time to part time faculty is that:

- “The younger students demand and require more time with the faculty.
- “In addition, the College needs to add full-time faculty to be able to provide a comprehensive array of collegiate courses, particularly in the sciences, English and nursing, which will help address the health professional shortage.”

Cost Savings and Productivity Improvements The College’s progress in saving costs and being more productive is documented in a 14 page report starting on ©17.

Contents:

©	Item
1	Operating budget summary
4	Budget transmittal letter from the Board of Trustees
9	Press release
10	Changes from 09-10 requested by the College
14	Enrollment, positions, and expenditures
16	Public hearing statement from the Board of Trustees
17	College report on Cost Savings and Productivity Improvements
31	Excerpt from resolution 11-2292, “Budget Guidelines for Montgomery College”
33	Paper prepared by College staff titled “Fund Balance Issues”, April 22, 2009

MONTGOMERY COLLEGE

FY2010 SUMMARY OF OPERATING BUDGET

	Spending Affordability				Enterprise Funds*					Fed/State/ Priv. Grts. & Cont.*	MC 50th Endowment	Subtotal
	Current Fund	Grants	EPM&R Fund	Subtotal	Wkfc Devl. & CE	Auxiliary Enterprises	Cable TV*	Transportn Fund	Subtotal			
Revenues												
County Contribution	\$108,103,745	\$400,000	\$250,000	\$108,753,745			\$1,454,200		\$1,454,200			\$110,207,945
Tuition & Tuition-Related*	70,084,943			70,084,943	\$7,175,000				7,175,000			77,259,943
Other Student Fees	1,041,516			1,041,516				\$2,300,000	2,300,000			3,341,516
State Aid	31,643,038			31,643,038	5,933,305				5,933,305			37,576,343
Federal Grants (SFA Allow)	300,000			300,000					-	\$10,143,000		10,443,000
State Contracts/Grants				-					-	6,465,000		6,465,000
Contracts for Services				-		\$4,519,058			4,519,058			4,519,058
Interest	800,000		2,000	802,000	200,000	71,871		100,000	371,871		\$5,000	1,178,871
Performing Arts Center	115,000			115,000		400,000			400,000			515,000
Other Revenues	800,000			800,000	200,000	1,075,000		100,000	1,375,000	2,540,000		4,715,000
Total Revenues	212,888,242	400,000	252,000	213,540,242	13,508,305	6,065,929	1,454,200	2,500,000	23,528,434	19,148,000	5,000	256,221,676
Transfers Among Funds												
Mandatory transfers (expenses):												
FWS - Financial Aid	(275,000)			(275,000)		(8,000)			(8,000)			(283,000)
Perkins - Financial Aid				-					-			-
SEOG - Financial Aid	(175,000)			(175,000)					-			(175,000)
Nonmandatory transfers (revenue):												
Contin. Education Overhead				-					-			-
Aux. Enterprises Overhead				-					-			-
Total Transfers	(450,000)	-	-	(450,000)	-	(8,000)	-	-	(8,000)	-	-	(458,000)
Fund Balance 6/30/09 1)	9,472,275	-	437,984	9,910,259	5,900,822	3,084,895	186,978	2,726,824	11,899,519	-	649,660	22,459,438
TOTAL RESOURCES	221,910,517	400,000	689,984	223,000,501	19,409,127	9,142,824	1,641,178	5,226,824	35,419,953	19,148,000	654,660	278,223,114
Expenditures												
Instruction (10)	(81,957,653)			(81,957,653)	(16,040,583)				(16,040,583)			(97,998,236)
Academic Support (40)	(31,231,975)			(31,231,975)			(1,539,200)		(1,539,200)			(32,771,175)
Student Services (50)	(26,764,058)			(26,764,058)					-			(26,764,058)
Op. & Maint. of Plant (60)	(32,102,268)		(350,000)	(32,452,268)					-			(32,452,268)
Institutional Support (70)	(42,790,349)			(42,790,349)					-			(42,790,349)
Scholarship & Fellowships	(3,152,760)			(3,152,760)	(96,000)				(96,000)			(3,248,760)
Auxiliary Expenditures				-		(6,189,822)		(2,500,000)	(8,689,822)			(8,689,822)
Grant & Endowmt Expenditures		(400,000)		(400,000)					-	(19,148,000)	(250,000)	(20,198,000)
Total Expenditures	(217,999,063)	(400,000)	(350,000)	(218,749,063)	(16,136,583)	(6,189,822)	(1,539,200)	(2,500,000)	(26,365,605)	(19,148,000)	(250,000)	(264,512,668)
Use of Fund Balance	5,560,821	-	98,000	5,658,821	2,628,278	131,893	85,000	-	2,845,171	-	245,000	8,748,992
Projected FB 6/30/10	\$3,911,454	-	\$339,984	\$4,251,438	\$3,272,544	\$2,963,002	\$101,978	\$2,726,824	\$9,054,348	-	\$404,660	\$13,710,446

* Excluded from Spending Affordability calculation. 1) Projected Current Fund FB includes a restricted amount of \$4,592,295; fund balance includes 375,000 reserved for repayment to the county.

①

MONTGOMERY COLLEGE OPERATING BUDGET

Fund	A	B	C	G	H	J	K
	FY10 →						
	FY09 Approved	College Feb 17	CE April 20	CE - Coll	ED		
					Amount	ED - Coll	
I. Expenditures							
Current	211,607,803	217,999,063	216,799,063	(1,200,000)	215,799,063	(2,200,000)	
Grants funded by County	400,000	400,000	400,000	0	400,000	0	
Emergency Plant Maintenance & Repair	350,000	350,000	350,000	0	350,000	0	
Subtotal, budgets for SAG	212,357,803	218,749,063	217,549,063	(1,200,000)	216,549,063	(2,200,000)	
Amount increase, FY09-10		6,391,260					
50th Endowment	250,000	250,000	250,000	0	250,000	0	
Auxiliary Enterprises	5,790,519	6,189,822	6,189,822	0	6,189,822	0	
CATV (MFP makes recommendation)	1,321,600	1,539,200	1,464,600	(74,600)	1,464,600	(74,600)	
Grants: Federal, State, or private	20,407,500	19,148,000	19,148,000	0	19,148,000	0	
Major Facilities Reserve Fund	2,400,000	2,400,000	2,400,000	0	2,400,000	0	
Transportation	2,500,000	2,500,000	2,500,000	0	2,500,000	0	
Workforce Development & Continuing Education	14,380,330	16,136,583	15,948,248	(188,335)	16,136,583	0	
Subtotal non tax supported funds	47,049,949	48,163,605	47,900,670	(262,935)	48,089,005	(74,600)	
Total	259,407,752	266,912,668	265,449,733	(1,462,935)	264,638,068	(2,274,600)	

A	B	C	G	H	J	K
	FY10 →					
Fund	FY09 Approved	College Feb 17	CE	CE - Coll	ED	
			April 20		Amount	ED - Coll

II. SOURCES OF FUNDS FOR TAX SUPPORTED BUDGETS (SAG BUDGETS)

County	105,454,553	108,753,745	106,160,206	(2,593,539)	106,107,775	(2,645,970)
State	31,544,743	31,643,038	32,501,008	857,970	32,501,008	857,970
Tuition and fees	68,572,231	71,126,459	71,126,459	0	71,126,459	0
All other	6,786,276	7,225,821	7,761,390	535,569	6,813,821	(412,000)
Total	212,357,803	218,749,063	217,549,063	(1,200,000)	216,549,063	(2,200,000)

All other:

Federal	300,000	300,000	0	300,000	0
Interest	802,000	390,000	(412,000)	390,000	(412,000)
Performing Arts Center	115,000	115,000	0	115,000	0
Miscellaneous	800,000	800,000	0	800,000	0
Transfers	(450,000)	(450,000)	0	(450,000)	0
Use of fund balance	5,658,821	6,606,390	947,569	5,658,821	0
Total all other	7,225,821	7,761,390	535,569	6,813,821	(412,000)

MONTGOMERY COLLEGE

Campuses at Germantown, Rockville, and Takoma Park, Maryland

CHS
CC
SBF
LL



Board of Trustees

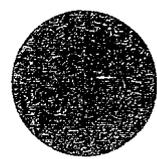
040575

February 18, 2009

The Honorable Isiah Leggett
Montgomery County Executive
Executive Office Building
101 Monroe Street
Rockville, Maryland 20850

and
The Honorable Phil Andrews, President
Montgomery County Council
and

Members of the Montgomery County Council
Stella B. Werner Council Office Building
100 Maryland Avenue
Rockville, Maryland 20850



ENCL IN
FILE

2009 FEB 19 10 44 AM
MONTGOMERY COLLEGE

Dear Mr. Leggett, Mr. Andrews, and
Members of the Montgomery County Council:

The Board of Trustees of Montgomery College respectfully submits for your consideration the Adopted College Operating Budget for FY2010. The College worked diligently to submit a budget that recognizes the difficult economic situation. We have worked closely with our union leaders, our staff, and our faculty to identify cost savings strategies. The budget we are presenting is one that is fiscally responsible, and one that makes every effort to use our resources wisely, as well as creates efficiencies and funds high priority initiatives. The specifics of our request are as follows:

ENROLLMENT

The College experienced steady growth in student enrollments from fall 2000 through fall 2008, growing by more than three thousand students (3,529) — an increase of more than 16 percent. Because an increasing number of these students are younger and attending full-time, our credit hours of enrollment have increased even more dramatically — by 26 percent (more than 46,000 credit hours). Since last fall, our student headcount is up 2.5 percent and hours of enrollment are up 2.4 percent. Younger students tend to enroll full-time, and full-time students have higher return rates — factors that support our positive enrollment projections for the next several years.

This past fall's enrollment and credit hours are both record highs for the College, making it the largest community college in the state of Maryland and second only to the University of Maryland at College Park in enrollment of undergraduate students.

**The Honorable Isiah Leggett
The Honorable Phil Andrews
Members of the Montgomery County Council
February 18, 2009
Page 2**

The major factors driving these increases have been: 1) the continuing growth in the number of high school graduates in the County; 2) the enrollment limitations and substantial tuition increases at the University of Maryland College Park and other public four-year colleges and universities in the State; 3) Montgomery College's quality, affordability, proximity, and proven track record in preparing students for careers and transfers to four-year institutions. A fourth factor — for which we remain grateful — is the County's continued commitment to the College's facilities, faculty, staff, and programs. The County's investments in our facilities and, in particular, our Takoma Park/Silver Spring (TP/SS) Campus expansion have paid off with dramatically higher enrollments. Since fall 2000, TP/SS enrollment has grown by 55 percent and enrollment hours are up by more than 43 percent. In the last year alone, our TP/SS Campus experienced a 7 percent enrollment increase, with a 6.4 percent increase in enrollment hours.

Clearly, these investments dramatically enhance the College's ability to serve our community. They enable us to expand access to postsecondary education, particularly for students who would otherwise be much less likely to attend college. College attendance rates for Hispanic and African-American high school graduates are traditionally lower than for other groups, but at Montgomery College, their attendance rates are increasing, a sure sign that our initiatives to encourage and support their education and retention are working.

REVENUE

Cade formula funding is unknown at this time. Therefore, we assumed that State funding would be virtually flat funding from FY2009. This estimate includes the first round of budget reductions from the Governor in the amount of \$1.5 million (\$1.3 million current fund and \$.2 million WD & CE). The Governor has delayed his second round of cuts which would have put Montgomery College back at the FY08 funding level for three years in a row. If the Governor reverses his decision, this will reduce the College's funding level by another \$2.5 million (\$2.1 million current fund and \$.4 million WD & CE). Should this happen, the College will ask the County to help offset the cut.

This budget includes a \$3/\$6/\$9 credit hour increase in tuition (in-County, in-State, out-of-State). With these proposed increases, the average full-time student will pay almost \$4,092 annually (It should be noted that the tuition increases are not final until the Board of Trustees officially acts on tuition rates in April.). Tuition and related fees are expected to generate \$71.1 million, an increase of 3.7 percent.

We are also using \$1 million from our FY08 Budget Savings Program and \$1 million from the FY2009 Budget Savings Program to fund the budget. The remainder of the College's revenue is "other revenue" comprised mostly of other student fees, interest income, and use of fund balance. This leaves us no choice but to request an increase in County funding of \$3.3 million, or an increase of 3.1 percent, to close the budget gap.

EXPENDITURE REQUEST

We developed the Current Fund budget with these priorities in mind: ensuring access to higher education by keeping Montgomery College affordable; protecting jobs and meeting our benefit cost increases; accountability; and continued funding for committed projects. The resulting budget request of \$218 million is just a 3 percent increase from FY2009, and has undergone substantial reductions from our same level budget presented to the Board of Trustees in December. We have eliminated COLA (pending a final negotiated agreement), eliminated ten positions, and reduced base budgets.

**The Honorable Isiah Leggett
The Honorable Phil Andrews
Members of the Montgomery County Council
February 18, 2009
Page 3**

We are pleased to tell you that this budget is \$8.3 million less than our initial same service request. However, this budget is not without pain — the full time to part time ratio is at 54 percent — well below the Trustees' goal of 65 percent, which was also strongly supported by previous Councils. Scholarship funding is not enough to adequately fill the needs of our students. We are requesting the following:

Compensation for our Employees

- We are in the process of renegotiating our collective bargaining agreements and should realize significant cost savings. We have assumed a similar increase for noncollective bargaining staff. Those savings are included in this budget.
- In the benefits area, we have included funds for postretirement benefits in the amount of \$500,000, and increases for retirement and group insurance. Benefits increases totaled \$1.7 million.

Support for our Students

- The College is requesting \$95,000 to increase financial aid. Current Federal and State financial aid is insufficient to serve our students. The College did not have sufficient institutional grant money to fund all of the students who qualified for assistance in 2008-2009. In fact, 7,009 students with financial need, qualified for institutional grant funds in fall 2008, but received no grant aid due to a lack of funds. Of this group, 2,475 students did not enroll at Montgomery College during the fall 2008 semester.

Support for the Takoma Park/Silver Spring Campus Expansion

- The Takoma Park/Silver Spring Campus expansion will be complete by fall 2009, with the opening of the Performing Arts Center (PAC) and a new parking garage. The PAC, a 45,050 square foot facility, will house a main theatre; a studio theatre; costume, prop and scene shops; a green room for performers; a dance studio; four general purpose classrooms; and a film editing lab. In addition, there are operating costs associated with the renovation of the Commons Building (Cost \$1,084,000).

Assistance with Offsite Leasing

- The College is leasing additional office space at 40 W. Gude and a warehouse to free up space on the Rockville Campus (Cost \$208,000).

Costs to Move the Network Operations Center/Other

- The Network Operating Center (NOC) will house all College centralized servers, firewalls, system monitoring hardware and staff, help desk, central telecommunications, internet access connections, and network security. The NOC will be partially operational in the fall of 2009 and complete its move off the Rockville Campus by March 2010. Other costs include increased information technology costs related to expansion (Cost \$710,000).

OTHER FUNDS

Emergency Plant Maintenance and Repair Fund

The Emergency Plant Maintenance and Repair Fund (EPMRF) is a Spending Affordability Fund. We are requesting an appropriation of \$350,000 and County funding equal to last year's amount (\$250,000). This funding is crucial for supporting our emergency maintenance needs.

The Honorable Isiah Leggett
The Honorable Phil Andrews
Members of the Montgomery County Council
February 18, 2009
Page 4

Workforce Development and Continuing Education (WD & CE)

The appropriation request for this fund is \$16.1 million. WD & CE has experienced growth in the following programs: online course offerings, new course offerings in vocational ESL, the new Program Management Institute course series, a full year of commercial driver's license (CDL) training, professional development course series for community ESL instructors, and expanded course offerings at the Germantown Campus. This fund is an enterprise fund and no County funding is requested.

Auxiliary Enterprises

The appropriation request for this fund is \$6.2 million. Auxiliary Enterprises is requesting an increase in FY2010 funding for a one-time purchase to equip the new childcare center in Germantown, to expand the concept of a one-stop bookstore, copy/print shop, and snack shop operations to the Germantown and Rockville Campuses. This fund is an enterprise fund and no County funding is requested.

50th Anniversary Endowment Fund

The College is requesting appropriation authority of \$250,000 for three endowments in the areas of business, arts, and community outreach. The Business Endowment will help fund the planning for the Germantown Biotechnology Park. The Arts Endowment will fund programs in our Arts Institute, and the Community Outreach Endowment will be used to support the International Education Grant Program. No County contribution is requested.

Cable Fund

The amount requested is \$1,539,200 and is funded through the County Cable Plan.

Grants

The College is requesting appropriation authority in the amount of \$19.1 million. Of this amount, \$400,000 is requested in County funds for the Adult ESL/ABE/GED program, which is the same amount as FY2009.

Transportation Fund

This fund is comprised entirely of user fees from our students, employees, and certain contract staff. The fund also includes parking enforcement revenue. All revenue will be used to pay for lease costs related to the Takoma Park/Silver Spring West Parking Garage, scheduled to open fall 2009. Through this fund, the College also pays the County for free Ride-On bus service. The appropriation request is \$2.5 million.

Major Facilities Reserve Fund

The College is requesting appropriation authority in the amount of \$2.4 million for lease payments to the Foundation for lease of The Morris and Gwendolyn Cafritz Foundation Arts Center. This fund is entirely comprised of user fees, and no County funds are requested.

The Honorable Isiah Leggett
The Honorable Phil Andrews
Members of the Montgomery County Council
February 18, 2009
Page 5

Conclusion

In summary, the Montgomery College budget for FY2010 consists of a request of \$218 million for the Current Operating Fund. Of this amount, we are requesting \$108 million from the County. The College is also requesting \$350,000 for the Emergency Plant Maintenance and Repair Fund, of which \$250,000 is requested in County funds; \$19,548,000 for Federal, State and private grants, and contracts of which \$400,000 is requested in County funds for the Adult ESL program; and \$1,539,200 for Cable TV. An additional \$24,826,405 is budgeted for the self-supporting funds of WD & CE, Auxiliary Enterprises and Transportation Fund, \$2.4 million for the Major Facilities Reserve Fund, and \$250,000 for the 50th Anniversary Endowment Fund.

The Board of Trustees respectfully requests total expenditure authority of \$266.9 million. We appreciate your careful review and consideration of this budget request.

Sincerely yours,



Roberta F. Shulman
Chair, Board of Trustees



Brian K. Johnson, Ed. D.
President

Sherer, Chuck

From: Montgomery College [elizabeth.homan@montgomerycollege.edu]

Sent: Mar 16, 2009 11:08

To: Sherer, Chuck

Subject: News Release: Statement by Dr. Brian K. Johnson, President of Montgomery College, On the Release of the County Executive's FY 10 Operating Budget



News Release

Date: March 16, 2009

Media Contacts: Elizabeth Homan, 240-567-7970; Marcus Rosano, 240-567-4022

Statement by Dr. Brian K. Johnson, President of Montgomery College, On the Release of the County Executive's FY 10 Operating Budget

Montgomery College recognizes that the County is in a difficult economic situation, and our requested operating budget for fiscal year 2010 reflects this reality. The economy has driven Montgomery College enrollment to record levels, and strained the ability of the College to meet the increased demand while maintaining academic excellence and expected student services. We are grateful that the County Executive has suggested close to full funding of our operating budget request.

We submitted a modest operating budget to the County Executive. Montgomery College administrators, faculty and staff worked hard to get to this level by instituting cost saving measures, deferring major purchases, implementing a hiring freeze, cutting positions and suspending cost of living increases, while recommending a tuition increase for students.

It is a proven trend that enrollment at community colleges rises as the economy falls. We anticipate many more students and recently laid-off workers will come to the College this fall for educational opportunities or retraining. The number of financial aid applications this current academic year has increased 12 ½ percent over this time last year, and the first batch of 2009 applications shows a 20 percent increase over last year at this time. More than 6,000 students have already applied for aid for next fall.

The increased need for financial aid by our students—this county's future taxpayers—coupled with the demands of staffing new buildings opening at the College, and higher utility and benefit costs required an increase in our funding request. We look forward to working with the County Council to ensure that the College will be prepared to continue providing affordable access to excellent higher education programs.

###

Montgomery College is a public, open admissions community college with campuses in Germantown, Rockville, and Takoma Park/Silver Spring, plus workforce development/continuing education centers and off-site programs throughout Montgomery County, Md. The College serves nearly 60,000 students a year, through both credit and noncredit programs, in more than 100 areas of study.

[Click here to view this online.](#)

[Click here to Unsubscribe.](#)

3/16/2009

9

Montgomery College

FY10 Operating Budget Request

Adopted February 17, 2009

Summary of Increases

Montgomery College's fiscal year 2010 current fund budget is **\$218 million**, which is an increase of 3%, or \$6.4 million, from the FY09 budget.

This budget includes additional funds for:

- ***Compensation*** - increases in salary and benefit costs **\$4,482,000**
- ***Enrollment growth*** - increase for teaching additional credit hours **400,000**
- ***Newly constructed or renovated facilities operations***, half-year costs for the new Performing Arts Center, parking garage, and network operations center on the Takoma Park/Silver Spring Campus, and additional leased space at 40 W. Gude and another location. **2,002,000**
- ***Increase for Utilities*** **636,000**
- ***Additional scholarship funds*** to assist a backlog of students applying for assistance. The Financial Aid Office estimates that nearly 2,475 students who qualified for financial aid last year, but were unable to be awarded any aid, did not enroll **95,000**
- ***Miscellaneous cost decreases including ten positions*** **(1,224,000)**

Total increase over FY09 Approved\$6.4 million

* **NOTE:** This figure represents the current fund portion only. The tax-supported portion of the budget includes the Emergency, Plant Maintenance and Repair Fund and a tax-supported ESL grant. The College's total FY10 budget request – which, in addition to the tax-supported funding, also includes operational costs for Workforce Development and Continuing Education programs, and other self-supporting funds – is **\$266.9 million**.

	A	B	C
1	SUMMARY OF CHANGES IN COLLEGE'S FY10 OPERATING BUDGET		
2			
3			
4	Item	Positions	Cost
5	I. Same service increases	(10.00)	4,158,278
6	II. Positions for new buildings		757,423
7	III. Operating increases for new buildings		1,244,559
8	IV. Improvements		0
9	V. Other operating budget increases		231,000
10	TOTAL INCREASE	(10.00)	\$ 6,391,260
11			
12			
13	FY09 operating budget		211,607,803
14	FY10 operating budget		217,999,063
15	% increase		+3.0%

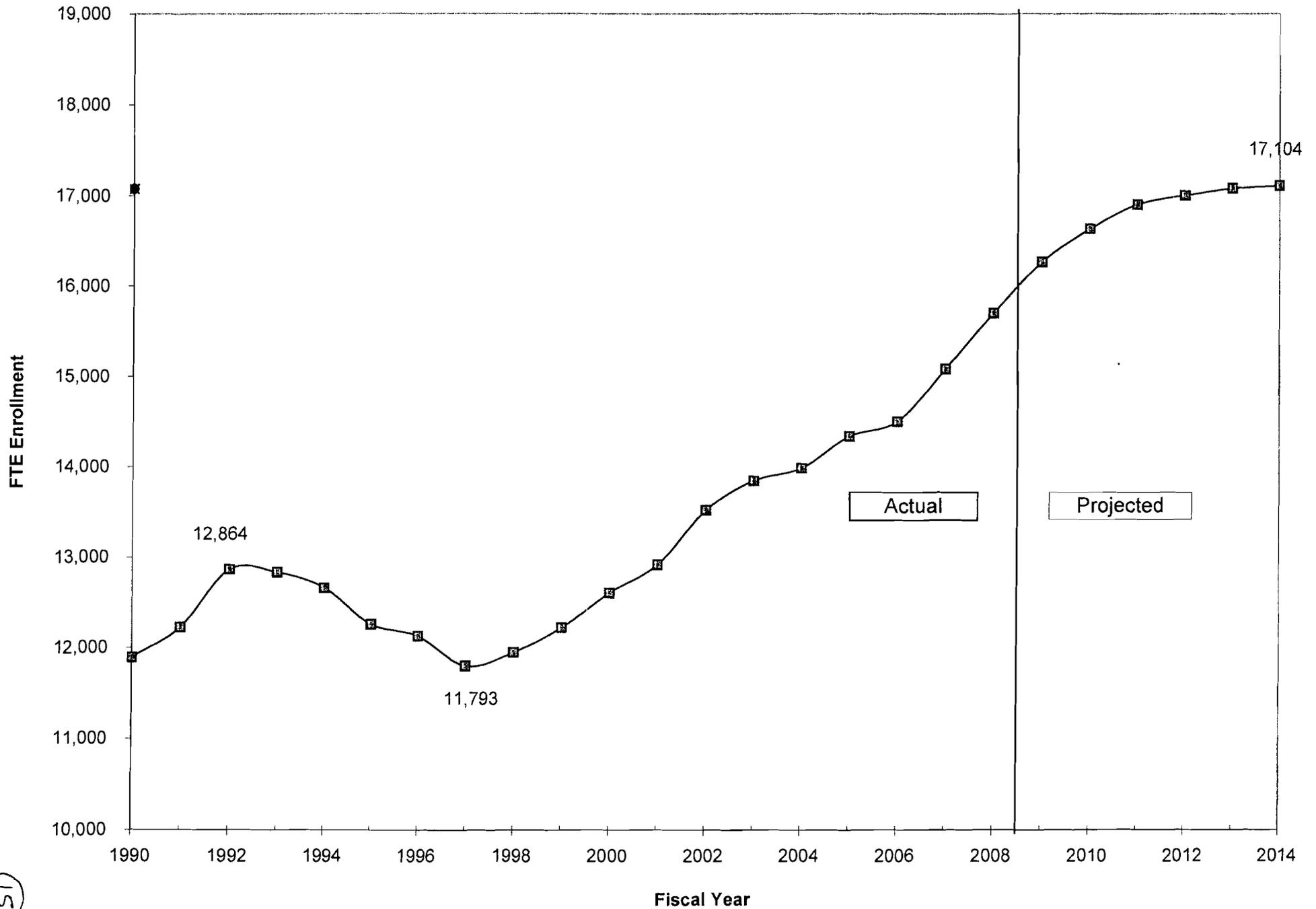
	A	B	C	D
1	FY10 Changes Montgomery College			
2		# positions	Cost	
3	I. Same service increases			
4	Salary and benefit increases for existing positions		3,982,278	
5	Increase for OPEB		500,000	
6	Decrease in positions	(10.00)	(724,000)	
7	Increase part-time faculty hours for increased enrollment		400,000	
8	Temporaries with benefits to regular positions		0	
9	Subtotal same service increases	(10.00)		4,158,278
10				
11	II. Positions for new buildings			
12	FTEs were added in the FY09 budget			
13				
14	Gude/Other Leased Property:			
15	computer support specialist		35,000	
16	network engineer		35,000	
17				
18	Network Operations Center (NOC) network engineers (8 months)		140,000	
19				
20	TP/SS Performing Arts Center (6 months)			
21	Computer Support Specialists		70,000	
22	Network Engineers		70,000	
23	Instructional positions		153,172	
24	TP/SS Commons Renovation			
25	computer support specialist (part-year)		35,000	
26	librarian/AV (part-year)		35,000	
27	network engineer (part-year)		35,000	
28	Benefits for new bldgs positions		149,251	
29	Subtotal, positions for new buildings	0.00		757,423
30				

19

	A	B	C	D
2		# positions	Cost	
31	III. Other Operating increases for new buildings			
32	Gude and other leased property			
33	Rent		120,508	
34				
35	Network Operations Center (6 months)			
36	IT contracted services, on going mtc of sytems, infrastructure, telecom		535,000	
37				
38	TP/SS Parking Garage (6 months)			
39	Maintenance costs, utilities, supplies		21,835	
40				
41	TP/SS Performing Arts Center (6 months)			
42	Maintenance costs, utilities, supplies		94,716	
43	IT contracted services, on-going mtc of sytems, infrastructure		355,000	
44	Instructional costs		57,500	
45				
46	TP/SS Commons Renovation (6 months)			
47	IT contracted services, on going mtc of sytems, infrastructure		60,000	
48	Subtotal, other operating increases for new buildings			1,244,559
49				
50	IV. Improvements - New Positions and Other			
51	None			
52				
53	V. Other Operating increases			
54	Scholarships - formula		95,000	
55	Decrease in base budgets, include temp staff		(500,000)	
56	Increase for utilities		636,000	
57	Subtotal, other operating increases			231,000
58				
59	Total increase	(10.00)		6,391,260

13

MONTGOMERY COLLEGE FTE ENROLLMENT (Current Fund)



51

Public Hearing on College's FY10 Operating Budget

Trustee Bobbi Shulman

April 14, 2009

8
CS

President Andrews and Councilmembers, thank you for the opportunity to speak.

Almost one month ago... the county executive released his recommendations for Montgomery College's FY10 operating budget.

While we did not receive our full funding request, we understand the difficult fiscal situation Mr. Leggett was facing. We were pleased that he recommended an increase over last year.

Please be assured that the Montgomery College community is working hard to save money.

Faculty and staff unions agreed to no cost of living increases. Dr. Johnson and I sincerely thank the unions for their cooperation and their support of the College.

The College also enacted a strong cost savings plan, froze hiring, eliminated positions, and reduced temporary staff.

With these changes, and County and State support, Montgomery College might have been able to make ends meet in the next fiscal year... BUT the County Executive's budget assumed we would receive a 5 percent increase in state funding. We will not.

Montgomery College will receive, at best, only a two percent increase from the state. This means at least a 1-point-2 million dollar budget gap! And we won't know if the gap will grow larger until later this week.

This reduced funding will adversely affect the College at a time when enrollment is increasing.

Historically, when the economy falters, people turn to their community colleges for career training and affordable, quality educational opportunities. They know that their community colleges will provide the skills and knowledge necessary to find new careers, keep their jobs, advance at work, or improve their education.

The need for Montgomery College will only continue to grow. Financial aid applications for next fall up by more than 20 percent over this time last year, and we are months away.

Montgomery College needs your help. We ask you to please find additional resources to make up the gap in state funding.

We know it will be tough. Montgomery College and the Board of Trustees are committed to working with you and doing our part to save money.

Finally, there are two things I want you to remember tonight:

- Montgomery College is a responsible steward of taxpayer money.
- And we can be a solution to the county's current economic troubles if properly funded.

I urge you to support Montgomery College, its 60,000 students and more than 2,000 employees.

Thank you.

Cost Savings and Productivity Improvements

As of January 14, 2009

Germantown Campus

Biotechnology Scholarships

- Worked with the Montgomery College Foundation staff to secure a \$75,000 endowed biotechnology student scholarship.
- Secured commitment from the MdBio Foundation for a \$10,000 a year biotechnology student scholarship for two years.

Writing Programs

- Extended the Germantown Writing Center's hours of operation during the summer months and changed to a Monday through Thursday schedule for the last two years. We are still able to serve students enrolled in English, Reading, American English Language Program (AELP) and Foreign Languages.
- Reduced a vacant instructional assistant position from 12 months to 10.

Rockville Campus

Science, Engineering and Mathematics

- Established a new cell biology lab through equipment donations from the National Institutes of Health and a grant from the industry. The NIH School Donation Program has enabled the Biology Department to obtain many pieces of used but usable laboratory equipment for Montgomery College. We joined this program in September 2006. During the first year we obtained equipment and instruments valued originally at approximately \$500,000. The items obtained included ultracentrifuges, refrigeration units, cryostats, thermal cyclers and many smaller pieces of laboratory equipment.

The program underwent reorganization in the second half of 2007 and reopened in January 2008. During the first month, Montgomery College obtained used equipment originally valued at approximately \$350,000. The Biology Department continued to obtain equipment from the NIH School Donation Program during the remainder of 2008. The original value of the equipment obtained from February to December 2008 was about \$1,137,300. The used equipment included a fluorescence activated cell sorter, a biosafety cabinet, more superspeed and ultraspeed centrifuge rotors, thermal cyclers, DNA analyzers, electrophoresis equipment, microarray scanners and many smaller pieces of laboratory equipment.

In addition, during this period, the Biology Department obtained a grant worth \$50,000 toward the purchase of a new DNA sequencer from LI-COR Biosciences.

As a result, the Rockville Campus Biology Department is offering a cell biology course that is offered at only one other community college in Maryland and is comparable or

even surpasses similar courses offered by many four-year institutions. This new lab will also provide undergraduate research experiences for students in the NIH-funded Biomedical Scholars Program and will become a nucleus for SEM Rockville's planning for "Early Undergraduate Research Experiences" opportunities for all students and for the planning of "A Community of Researchers Program" at SEM Rockville Campus.

- The National Institute of Health donated two double stack incubators worth \$24,000 and a water bath worth \$500 to support the two additional sections of BI 203 Microbiology with 36 students this spring semester.

Project Portal to Success in Engineering

- Secured a grant from the U.S. Department of Education Fund for Improvement in Post Secondary Education (FIPSE). Montgomery College's Science, Engineering, and Mathematics Area was awarded a three-year, \$471,142 grant from FIPSE to boost the number of women and minorities at the college who pursue engineering degrees. The grant's goals include: increase minority and women transfers to four-year engineering programs during the grant period; implement a model engineering education transition program comprising secondary education, community college, and four-year college/university collaboration; outreach and teaching efforts at the local high school level, e.g. Project Lead the Way; establish inquiry-based instructional methods and a variety of student support systems, including extensive career and transfer advising, peer support, collaborative learning, structured program articulations between two-year and four-year colleges and universities; and professional development opportunities for faculty.

Biomedical Scholars Program

- Received a National Institutes of Health grant to support the program, which will amount to close to \$2.3 million over the life of this program. Since its inception in 2001, the Biomedical Scholars Program represents a very productive partnership with the University of Maryland College Park and the University of Maryland Baltimore County. Scholars complete a comprehensive, pre-matriculation summer bridge program focusing on math readiness, interdisciplinary writing and technology. A diverse array of local biotechnology companies and agencies provide internships and research opportunities to scholars, strengthening their preparation for junior and senior level coursework and inspiring them to pursue graduate studies. College faculty are involved as mentors and provide academic and career advising, as well as academic support and enrichment. Students in their senior year of high school are eligible to apply to become a Biomedical Scholar. This program, funded by a grant from the National Institutes of Health, is for highly motivated students interested in a career in the natural or biomedical sciences. Biomedical Scholars participate in a six-week, pre-freshman Summer Bridge program and are part of a small learning community of peers and faculty. Students are eligible for paid summer research internships.

ACCESS Engineering S-STEM Program:

- Awarded a competitive, four-year, \$600,000 grant from the National Science Foundation's Scholarships in Science, Technology, Engineering, and Mathematics (S-

STEM) program. The grant will help SEM to support promising engineering students who need financial help to pursue their studies. The NSF S-STEM program was established by the National Science Foundation in accordance with the American Competitiveness and Workforce Improvement Act of 1998. The Act reflects the national need to increase substantially the number of American scientists and engineers.

ACCESS Engineering (Achieving Community College Excellence, Success, and Scholarship in Engineering) will provide 150 scholarships to engineering students. The project promotes full-time enrollment, academic achievement, and successful transfer and completion of a bachelor's degree in engineering. Once awarded for the first time, ACCESS Engineering scholarships may be renewed annually by complying with the requirements stipulated in the application materials. Awards are available for as many as four academic years for full-time students pursuing associate's or bachelor's of science degrees in engineering.

Music

- Added seven new keyboards in our piano class room. We can now add up to 21 students in each section of piano class. This has maxed out five sections with 21 rather than 14 students. The keyboards cost \$650 each. It was a one-time expenditure that will carry us through many years.

Paul Peck Humanities Institute

- Secured a donation of \$10,000 helped cover the cost of student scholarships in the Smithsonian (and now Holocaust Museum) internship course and student stipends.

Montgomery Scholars

- Working with Cambridge University last summer to book the Montgomery Scholars and Renaissance Scholars as groups rather than as individuals, we received a \$14,000 rebate check to be applied to next year's registration.

Faculty

- Pay substitutes only in cases of unplanned, unavoidable absences. By following this policy, we expect that our substitute expenditures will be down approximately 20 percent.

Takoma Park/Silver Spring Campus

Learning Center

- Reallocated the learning center for business, management, accounting, computer science and paralegal students from a walking closet to a larger room due to new space at the Takoma Park/Silver Spring Campus. The closet could only handle, very tightly, three computers. Today we are using six with the possibility of adding four more after a renovation is completed. We serve more students in a more appropriate setting.

Going Green at TP/SS: Paper-saving and WEB CT

- Health Sciences – PT program is being more "green" by printing exams, handouts, other documents on two-sided copy with wide margins, and size 11 fonts. For power points, they are using the "Outline" feature as opposed the "Handouts" feature to print. These examples have been met with approval from students and significantly lessened pages on handouts and exams.
- Use of supplemental sites on WebCT for courses allow posting of the lecture notes in pdf format an all paperwork is online for the students to print out as they need/want. Students can also submit their assignments on WebCT so there is no paper involved.

Auxiliary Services

Bookstore Services

- Activation of the EDI (Electronic Data Interface) program by Bookstore Services allows our Receiving Department staff to process incoming used books shipments faster. This program is designed to reduce the amount of time staff spend on entering invoice information into the MBS system as well as the amount of staff time spent on handling/processing used books.
- Rolled out new online adoption program *inSite* in September 2008. The *inSite* program allows faculty members to submit their textbook adoptions to be transmitted electronically to the Bookstore's computer system. This process not only saves the College on the amount of paper used in the adoption process, but it also reduces staff (Bookstore, faculty and academic administrative aides) hours used for research, data entry, and mail delivery.
- Printing of lab manuals/course syllabi by the Takoma Park/Silver Spring MC Copies Center. This has reduced Bookstore Services' on-hand inventory by taking advantage of the "Printing on Demand Concept".
- Provided food service to the Takoma Park/Silver Spring Campus Bookstore Services in the summer 2008 through the Takoma Park/Silver Spring Campus MC Munchies. We worked with Chartwells to provide grab and go sandwiches, salads and other food items to the campus, off-setting any potential financial burden/loss to Chartwells. From January 5-16, 2009, the same service that was provided to the campus in the summer will be provided for the same purpose.

Child Care Services

- Monitoring of teacher/child ratios ensures that a 1 to 6.5 ratio is met. This keeps teacher salaries at a cost-efficient level while providing high quality care and education to the children.
- Hired a Family Services Coordinator, to provide family resources/support, from the CCAMPIS grant to save operating funds and maintain accreditation standards.

- Enhanced the usefulness of supplies/equipment by implementing the practice of rotating classroom and program support materials among/between all three campus Early Learning Centers.

Contract Services

- Purchased *Automatic Call Director* for Summer Dinner Theatre operation to alleviate the necessity of hiring additional people to answer phones for the program while it improved customer service by ensuring that calls were answered.
- Assisted in the collection of almost \$25,000 in donations to the Summer Dinner Theatre scholarship fund which will support 50+ students to participate in subsequent years.

Director's Office

- Implemented *Service Desk* software to enter and track technology service tickets specifically for Auxiliary Services is designed to improve productivity and accountability of technology support functions.

Partitioned from software owned by the College, *Service Desk* allows Auxiliary Services' Computer Support Technicians to enter service tickets, assess resolution requirements, and direct them to the proper resources. It also provides specific outcomes assessment data to determine the efficacy of existing technology resources and to plan for and allocate future resources.

- Opened a new art supply store/snack shop in The Morris and Gwendolyn Cafritz Foundation Arts Center in September 2007 to provide art supplies for students enrolled in programs in that building as well as grab and good food items, beverages, and coffee. The shop provides on-site products and services to students on the Georgia Avenue side of the Takoma Park/Silver Spring Campus and adds another revenue streams for Auxiliary Services. It improved productivity because it took the art supplies out of the TP/SS Campus store and put them in the Cafritz Foundation center closer to the students who actually use them. It will also allow us to track art supply sales separately so that we can respond more quickly to purchasing trends keeping the store better stocked with the supplies that our students are actually using.
- Implemented Electronic Document Interchange (EDI) in all bookstores which allows data population in the inventory control system by simply scanning a barcode on the outside of each box of books and merchandise received. This will significantly reduce data entry time and improve accuracy of the database. We also will be able to get books and merchandise into the stores more quickly as well as improve inventory figures so reorders for out of stock items can be placed promptly.

Business Services

- Stopped mailing pay advices to employee homes. The new process promotes better utilization of staff and reduces mailing costs by approximately \$36,000 per year. This new information will be available for all pay information including past years and employees may access and print their pay information 72 hours prior to the direct deposit.

Facilities

Germantown Campus

- Acquired a larger mower which takes half the time to mow the grounds. In addition to conserving fuel, staff time can be used more efficiently.

Collegewide

- Continuing the College's leadership, since the 1980s, in designing life cycle cost effective energy and environmentally sustainable buildings and campus infrastructure now commonly referred to as green building design. Current building designs such as the Rockville Science Center and the Germantown Bioscience Center will be submitted for certification under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Rating System. Although Green Building Technologies are estimated to increase first costs by 2-3%, reduction in operating (energy and maintenance) costs are expected to provide a reasonable return on the investment while reducing the environmental impacts.
- Coordinated efforts with Procurement for College participation in joint utility procurements with the County and other government agencies in order to take advantage of lower rates for volume purchases.
- Received a refund of \$29,588 from Pepco due to a billing error that was caught by diligent College staff.

Leased Space

- Negotiated a lower priced lease for off-campus commercial office space to house the IT Department. In FY 2008, during negotiations prior to the expiration of the lease for the building that had housed IT since 2000, the landlord would not consider a lower lease rate even though the market rate was now significantly less. The College used this opportunity to negotiate a new lease at a lower rate with a different landlord in another building. This allowed the College to lease more space. The former lease rate was \$26.80/sf versus a new lease rate of \$21.50/sf. If the revised total amount of space was leased at the old, higher rate, the College would have had to pay an additional \$221,926.
- Negotiated a waiver of fees that the landlord would have charged us for President's Day. We were open, but everyone else was closed because of the federal holiday. As such, the landlord would charge us for HVAC that day. Since we are closed on days that building is open at end of December, we said we are saving them money by being closed, so we should get this cost waived. Estimate is about \$1,500 saved based on last year.

Human Resources

Insurance Savings

- Projecting continued savings of approximately \$200,000 in our Rx program, \$205,000 in the combined Life and LTD program, and will realize savings of approximately \$80,000 in administrative fees for the CIGNA medical plans as a result of the bid process we went through in 2007.
- Continued savings are being realized as a result of negotiating three-year rate guarantees for all plans, with the exception of the dental HMO.

Information Technology

- Developed and rolled out the Strategic Customer Care/Sustainable Support Model (SCCM) in the Office of Information Technology's Instructional Technology (InTech) Rockville unit. Over the two years SCCM was rolled out, our scope increased by 574 workstations across 37 computer-equipped labs and classrooms (We now support about 1,700 workstations in 250 sites). No additional resources were added to deal with this. Despite this, we kept pace.
- Reduced the number of software configuration models from over 250 to fewer than 90. Controllable failures have been nearly eliminated; hardware work orders (essentially breakdown reports) decreased over 50 percent and software work orders by an astounding 83 percent. When breakdowns do occur, the problems are quickly and permanently resolved; the number of "call-backs" on problems is near zero. Staff time is now spent preventing, rather than solving, problems.
- Continued progress toward new financial efficiencies in the Library within its print and electronic resources. Library staff across the three campuses collaboratively deleted duplicate materials, deleted print formats where titles existed in an electronic format, and updated the criteria for collecting online and for buying in print. As a result of new resource management processes, the Library was able to:
 - Withstand cuts and no growth allocations;
 - Assure the MC community of a reasonable balance of Library resources and materials among the various formats to meet patrons' curricular needs;
 - Provide enhanced online resources for MC's changing population of learners as well as simultaneous access to online resources for multiple users 24/7;
 - Acquire 400-plus electronic journal titles through reallocated funds and increase Library databases from 26 databases in 2005 to 85-plus in 2007;
- Supported two major cost-savings initiatives for the College with Asset Management's FY07 activities:
 - Working with the Maryland Educational Enterprise Consortium (MEEC), Asset Management facilitated contract renewal of McAfee software for the College at a discounted cost, and distributed over 400 pieces of software (Microsoft operating system, Microsoft Office Suite, Microsoft Visual Suite.NET and McAfee antivirus) to College faculty and staff. MEEC is a regional initiative that partners the

- University System of Maryland with K-16 educational providers to provide quality IT opportunities at affordable prices
 - Working with the College's contract with Intechra, Asset Management disposed of computing equipment in compliance with EPA standards while ensuring that data is safeguarded. Asset Management saved the College over \$80,000 in disposal fees in FY07.
- Reducing post-production staff time and supplies costs with Instructional TV (MCTV) through its FY07 acquisition of digital production equipment and infrastructure.
 - Integration of these resources has advanced ITV migration to a tapeless production environment. Such a migration will enable ITV staff to share content in a media server-based environment, eliminate the time consuming of tape-to-tape transfer, and enable ITV to provide its customers with a faster turn-around time. Cost savings related to the ITV Unit's tapeless environment are expected to range from \$4,000-\$5,000 annually in tape costs alone.

Institutional Advancement

Alumni

- Hosted an event in conjunction with the Universities at Shady Grove for the first time. Not only did we share the cost, but we are also utilized the talents of the students in both hospitality programs to prepare and provide the food. We are also relying solely on e-mail invitations, no postage, no printing. The students at USG designed the invitation, also saving MC staff resources.

Bank Partnerships

- Placed more than 250 students in jobs at Chevy Chase Bank as a result of the partnership.
- Placements result in financial contributions by Chevy Chase Bank for every MC student placed and or retained in a job.
- Received \$107,000 from Chevy Chase Bank for the Montgomery College Foundation. An additional benefit of the partnership has been the Chevy Chase/UMD scholarship program. As a result of the partnership, 19 students received \$2,000 scholarships to attend College Park and 27 students received \$2000 scholarships to attend Shady Grove for a total benefit to MC graduates of \$92,000.
- Received \$1,000 from Sandy Spring Bank based on their satisfaction with three MC students that were placed in teller and customer service positions.

Communications

- Implemented "Inside MC Online" as the daily online newsletter for Montgomery College employees. It is pushed to their computers each morning or available via the Web for viewing. Its main purpose is to streamline internal communications and eliminate widespread use of broadly distributed printed materials and/or misdirected and previously

ignored collegewide emails. "Inside MC Online" is widely read by most employees on a daily basis. Some cost savings, primarily from less need for printed materials, have been realized, but the main benefit so far has been highly improved internal communications and better informed employees.

- Implemented Montgomery College ALERT as a new service that allows members of the college community to receive cell phone text messages or e-mail messages notifying them of closures, delays or major emergencies on a Montgomery College campus. Rather than using a vendor-provided commercial system, the College partnered with the County's Office of Homeland Security to make the service available as a part of the countywide Alert Montgomery system. In partnering with the County, rather than using an external service, the College implemented this important and potentially life-saving initiative at no additional cost to the College or the County. It will also help to boost the use of Alert Montgomery, overall, with the additional promotion from the College, and will thereby help to ensure that more County residents are directly notified about emergencies within the County or at the College.
- Reduced costs because students now have a Montgomery college e-mail address. This electronic use of student communication via e-mail has reduced our printing and postage costs. For example, the majority of forms are available online, reducing our printing costs.

Development/Foundation

- Gave over \$1 million in scholarships to support the College in fiscal year FY08.
- Provided \$3.6 million in program support to the College in fiscal year FY08, which included funds to support the renovation of the Giant Bakery into the Morris and Gwendolyn Cafritz Foundation Arts Center.
- Received a \$400,000 grant from NASDAQ for endowed Macklin Business Institute scholarships.
- Received a \$100,000 grant from the Wal-Mart Foundation which will support veterans.
- Received a \$100,000 grant from the National Campaign to Prevent Teen and Unplanned Pregnancy to engage students in a discussion about pregnancy at the TP/SS Campus.
- Received a generous donation of \$50,000 from Clark Construction Group, LLC, to create an endowed scholarship in construction management honoring recently retired employee Joe H. Smith, who enjoyed a 30-year career at Clark. Smith now teaches full time in the College's construction management program.
- Established the Florence Ashby and Laird Anderson Endowed Scholarship at Montgomery College with a \$200,000 bequest from longtime Montgomery College Professor Florence Ashby and her husband Laird Anderson.

Ashby, a math professor whose tenure at Montgomery College began in 1966, has continuously supported the Montgomery College Foundation throughout her career. In May 1984, she established her first endowment, the Muriel Ashby Endowed Scholarship

in memory of her late mother.

- Received a generous donation of 15 Inspiron 1420 laptop computers from Dell, a longtime technology partner of Montgomery College. The computers will go to Montgomery College's Macklin Business Institute (MBI) honors program. Students receive a laptop as part of the MBI program. Dell's contribution is helping to support the expansion of the MBI program to a full two-year program this semester.

Printing and Advertising

- Reduced the number of catalogs and class schedules printed. Each year, leftover catalogs and schedules had to be destroyed because they were not used. In addition, the class schedule insert in the Gazette was replaced with a marketing piece insert with a web link for registration resulting in a cost savings.
- Received the equivalent of \$158,700 in free bus advertising over five months. Currently, the College has an advertising contract with Ride-On Buses. In the past, the College advertised with Metro Bus (CBS Outdoor). The contract with Metro ended on May 30, 2008, however, the College's "endless possibilities" exterior bus sides are still running on some Metro buses without cost to the College.
- Continuing our usual bidding process with three very competitive bids for each project, and including close consultations with Procurement when reviewing large purchase orders that may require a larger pool of bidders.
- Credited \$12,000 from Yellowbook Directory Advertising. An error by Yellowbook led to an incorrect Montgomery College advertisement. The College filed a claim, which resulted in a credit of 100% back to the College.
- Ran the College's 30-second television commercials during the pre-show at the Rio Cinemas in Germantown through mid-November. The original contract was due to expire at the end of August, but a week of technical glitches at the Rio led Screenvision Advertising to give Montgomery College two whole months of free advertising to make up for the problem.
- Worked with high schools to put our new 30-second "Endless Possibilities" television commercials on the television stations and TV monitors in the high schools. This is free advertising exposure.
- Recycled leftover letterhead into notepads. The Office of Procurement and a Montgomery College printing contractor, Formost, thought of an inventive way to use the leftover letterhead (out-of-date due to old phone numbers). The letterhead was converted into notepads, which the Office of Communications funded for a minimal amount considering the thousands of dollars that were originally spent on the letterhead.
- Used stickers to correct outdated information rather than paying for a reprint. The MC velcro folders that are used by the recruiters, counselors, and others throughout the college were outdated due to old phone numbers. Rather than reprint folders, we took the

remaining 9,000 folders and created a new phone number sticker that can be placed over the old numbers, saving the College thousands.

- Using self-stamped envelopes as a cost savings measure so that we save almost \$.40 per business reply envelope mailed back to the College.
- Worked with Admissions to create an electronic viewbook, which will help reach a wider audience.

Special Events

- Using artificial plants that can be reused instead of fresh flowers for stage decoration.

Other Cost Savings

- Secured funding for the Takoma Park/Silver Spring parking garage through the Montgomery County Revenue Authority. The cost of the bond offering was much less than expected because the cost of the garage came in significantly under budget, \$13 million versus \$17 million; and the parking garage team worked very closely with financial consultants to watch the bond market and was able to place the bonds during a small window of favorable rates.

Productivity Enhancements

Employment Services

- Assisted an additional 1,500 students to receive employment services (total of 3,600) and ensured that students had access to services on each campus at least three days per week, thanks to the additional Job Opportunity Coordinator (JOC) position with Student Employment Services (SES). The additional position has also contributed to the unit being able to initiate or expand various initiatives.
 - For example; the new job matching system "ejobs" which SES launched in September of 2006, has resulted in over 1,700 students connecting with over 1,000 local employers in the last 5 months.
 - It has also dramatically increased the speed and efficiency in which MC students, employers, faculty and staff can connect across three campuses and multiple WDCE locations. MC students can now search and sign-up for career-related events, search for PT, FT, and seasonal employment, locate Federal Work Study, Student Assistant, Internship opportunities, and sign-up for volunteer opportunities 24/7 from any computer with an internet connection. Since 80 percent of MC students work while attending college, this significant enhancement for student success and retention.

Workforce Development and Continuing Education

- Outsourced its delivery needs of instructional materials and brochures to a courier service. This service was previous handled in-house and the cost savings are approximately \$40,000 per year.

- Revamped online distance learning program with our partner Education to Go. The entire program inventory was opened up to the public and a new online registration system was implemented to better meet this populations needs. Enrollments and State FTE has doubled since this new format was implemented.

How “Green” is Montgomery College?

The Past and the Current

- The College has won County Recycling awards for 2002, 2004, 2006, and 2007.
- More items than ever before are being recycled (tires, batteries, pallets, used oil, computers, toner, cardboard, cans, bottles, paper, etc).
- The Office of Facilities continues to improve the recycling program. The Germantown Campus is running a pilot program by removing trash containers from classrooms while co-locating larger trash and recycling containers in hallways. This has already resulted in an increased amount of recyclable materials being collected. The recycling program is continuously stressed with the housekeeping and grounds staff on each campus.
- Retrofit of light fixtures from T-12 to T-8 (energy efficient) lamps started 15 years ago. Now, we are moving from T-8 to T-5 lamps.
- Exits signs were changed from energy inefficient bulbs to energy efficient light emitting diodes (LED).
- Yellow parking lights (low pressure sodium) were a direct result of the “most current” energy efficiency lighting 15 years ago. We will be converting to high cut-off, pulse-start metal halide fixtures and lamps over the course of the next few years as we renovate parking lots and sidewalks. The exterior lighting for new construction or renovations will incorporate these new lighting standards. A number of these new fixtures and lamps have already been installed on the Germantown Campus.
- Eric Koh, the College’s architect, oversees the design and construction of every building project so as to ensure the maximum “tightness” of the building envelope and insulation values. Every care is taken to ensure increased insulation values are obtained. Recently the Mannakee roof was replaced. We paid an additional charge in order to double the thickness of roof insulation installed. We exceed code requirements on roof insulation in almost all projects.
- For the past 15 years the College has adhered to the County’s energy design guidelines for new construction or renovations. These standards exceed building code requirements and guidelines provided by the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE). In fact, the County’s energy design guidelines are often cited as being some of the strictest in the country.

How do we meet these guidelines?

- High efficiency boilers and chillers in the HVAC systems. Central plants on each campus make use of ice storage in order to minimize electricity use during peak periods. Two of the campuses have chillers with heat recovery systems.
- High efficiency pumps and motors.
- Lower temperature chilled water central plant systems thus allowing for increased efficiency.
- Variable frequency drive (VFD) motors.
- “Smart” direct digital control (DDC) energy management systems.
- High insulation values in walls and roofs, high e-ratings in windows and store front enclosures.
- Standardized interior lighting (T-8, now going to T-5).
- Design lighting power density levels at .5 to .75 watt per square foot as compared to 1.2 watts per square foot as directed in the energy guidelines.
- Use of day lighting where practical and appropriate.
- Exterior building sunshades where appropriate.
- Occupancy sensors control lights. CO2 sensors control HVAC systems.
- Use of photo-voltaic (PV) panels at Germantown and TPSS. Not cost effective but does provide opportunities for education and increased awareness to energy consumption.
- 10 percent of the College’s procured electricity comes from wind power.
- Use of public transportation or carpool (students: 41 percent at Rockville, 27 percent at Germantown and 51 percent at TP/SS).
- Since 1983, facilities members sit on the County’s Interagency Committee on Energy and Utility Management (ICEUM), the County’s Electricity Deregulation Task Force and the County’s Environmental Policy Implementation Task Force (EPITF).
- The Central Facilities Office has an energy manager on staff as well as a LEED (leadership in energy and environmental design) certified registered architect. These two individuals, and others, review almost all projects for energy efficiency improvements. The master schedule for facilities projects contains a column that identifies which projects have an energy efficiency component.
- The grounds staff on each campus switched from two-stroke engines for the maintenance equipment to four-stroke engines. The grounds staff also uses the best practices of integrated pest management (IPM).
- Facilities review the purchase of every vehicle in order to attempt to purchase the most fuel-efficient vehicle possible.
- Facilities staff members have visited Seneca Meadows Elementary School (LEED Silver) and Shady Grove III (LEED Gold) to get a better understanding of the steps needed in order to qualify for the various levels of LEED certification.
- A facilities staff person researched, found and purchased a biological cleaning device for the GITE auto-shop and the Germantown Facilities auto shop. These devices replaced the previous cleaning devices which used gasoline to clean parts.

The Future

- The Rockville Science Center and the Germantown Bioscience Center will be LEED certified. These buildings will not only be energy efficient but will incorporate programs such as an environmental education program, “green” cleaning, partial storm water

management on site, carpool parking spaces, electric car or hybrid car parking spaces, and others. These buildings will also incorporate sustainable design for landscaping.

- Lighting retrofits will continue.
- Recycling will continue to be emphasized and improved upon.
- Aged HVAC and electrical systems which have reached the end of their useful life and are thus inefficient will be replaced with new more energy efficient systems.
- Facilities continues to work with parking and transportation management consultants to develop strategies for transportation demand management (TDM) to encourage a reduction in the use of single occupancy cars.
- It is possible that the County will increase its percentage of wind power purchase.
- The County is exploring how to implement a program of “green” purchasing.
- Energy conservation measures are part of the scope of work for 70% of the projects which Facilities has on it’s near term calendar.

name of the grant, the purpose of the grant, the source of the funds, and an accounting of the cumulative total of the provision for future supported projects used to date.

6. Operating Budget Surplus

Standard County fiscal procedures, including a specific provision in the Council appropriation resolution, provide that all unencumbered operating budget appropriations are cancelled at the close of the fiscal year, unless the Council specifically reappropriates them by name. All reappropriation of funds must be requested with the operating budget submission. Each fund must be requested and reappropriated by name.

BUDGET DISPLAY

For each fund with an expenditure planned in the coming fiscal year, show:

- ✓ a. Fund Balance - June 30, two years prior to the year for which the budget is proposed. (Fund balance will consist of all available funds that are unrestricted, unreserved, and unappropriated.)
- b. Revenues for Budget Year
 - County General Fund contribution
 - County Special Fund contribution
 - Tuition
 - State Aid
 - State and Federal grants
 - Revenue estimates from contracts
 - Any other revenue, such as: donations, gifts, interest earned, administrative allowances, restricted grants, and overhead payments

Total Revenues
- c. Proposed Transfers In or Out to Other Funds
 - Transfer (1)
 - Transfer (2), etc.

Total Transfers (Net)
- d. Total Source of Funds Available to Fund Budget (a + b + c)
- e. Proposed Expenditures, by Major Function
(The following list of functions is specified by the SBCC.)
 - Instruction
 - Research
 - Public Service
 - Academic Support
 - Student Services
 - Institutional Support

- Operation and Maintenance of Plant
- Scholarships and Fellowships
- Reserve Fund for Maintenance and Repair

Total Expenditures

f. Projected Fund Balance (Surplus) June 30 (d - e)

The College's budget presentation by department will continue in its present format. A separate document will be provided to the County for budget review purposes showing the department budgets by major function and how the departmental budgets match the displays by fund and major function.

Trust and Agency Funds

The College has several operating funds for which it is the temporary trustee of money designated for use by or for the benefit of students or others. For these funds, the College performs an administrative function but cannot exercise real discretion in their use. These trust and agency funds include the Student Athletics and Student Activities Funds because the principal funding source is a student fee designated for these purposes and regular College staff are not supported from these funds.

Similarly, College scholarship and student aid funds such as College Work-Study Program, Perkins Loan, and SEOG funds are not included in the operating budget; provided, however, that contributions to these funds from the Current Operating Fund or from any other County source must be included in the budget.

B. Capital Budget and Program Process

1. Preparation

Section 16-401(a) of the Maryland Code states that the President and Board of Trustees shall prepare and submit to the County governing body a Capital Budget, and if required, by local law, charter, or regulation, a Capital Improvements Program. The Montgomery County Charter, Section 302, requires a six-year Capital Improvements Program.

2. Contents

Section 16-401(c) states that the Capital Program "shall contain a statement of all capital revenues and expenditures."

The County has specified that the College's capital program be submitted on individual project description forms (PDFs). These forms present expenditures, funding, appropriation requirements, and justification.

Each PDF states the planned project funding. The Council appropriation resolution states that "when the total appropriation for a project includes State funds, the total appropriation for the project is contingent on the availability of those funds from the State." If additional County funds are required, the College must initiate an amendment to the Capital Budget. Any change in the funding of an approved project must be approved by the County

Fund Balance Issues
April 22, 2009

What is Fund Balance?

Fund balance is the difference between the value of a fund's assets and the value of the liabilities within a fund or fund group. Fund balance is not the cash balance, nor is it the difference between revenues and expenditures in a given year. It is, however the cumulative difference of all revenues and expenditures since the existence of the fund.

Why do we use the prior two years, unreserved, unrestricted fund balance to fund our budget?

The College is bound by the Budget Agreement signed in 1990, to use fund balance as a source of funds. This agreement permits the College to maintain sufficient fund balance (reserved) to support the College's budget funding for the next two years. The remainder unreserved fund balance satisfies the 2 ½% Fund Balance policy. The use of two years prior fund balance instead of using current year estimate allows the College to have an accurate figure as opposed to an estimate. Plus, it coincides with State Aid being based on enrollment two years prior.

Why does the College maintain a fund balance?

It is critical from a management perspective to maintain an appropriate level of fund balance. Sufficient levels of fund balance are necessary to 1) protect the flow of revenue to ensure continuity of operations in the event of unfavorable economic circumstances; 2) guarantee debt service payments if necessary; and 3) cover unfunded or unanticipated capital expenditures.

An adequate level of fund balance also indicates fiscal stability which is an important factor considered by credit rating agencies in the evaluation of the credit worthiness of institutions.

Does the College have a fund balance policy?

Yes, at the request of OMB and BOT, the College developed a fund balance policy In FY2001.

What is the fund balance policy?

In order to protect the financial stability and integrity of Montgomery College and to provide sufficient liquidity required for daily operations, the Board of Trustees shall maintain the following unappropriated fund balances: the Operating Fund balance should be between the range of 2 1/2% to 5% of operating expenditures; the Continuing Education fund balance should be between the range of 20% to 25% of operating expenditures; the Auxiliary Enterprise Fund balance should be between the range of 20% to 25% of operating expenditures; Cable TV should maintain a fund balance reserve between the range of 5% to 10% of their operating expenditure level and the Emergency Plant Maintenance fund balance reserve should be at least one percent (1%) of the replacement value of the college's physical plant (excluding equipment).

Any use or appropriation of these fund balance reserves will require approval of the Montgomery College Board of Trustees. In addition, the use of the operating fund balance reserve shall also require the Montgomery County Council's approval.

What is the source of the fund balance?

There is no one source for the fund balance. Since the College is 49.5% County funded, 15% state funded, 32.4% tuition funded and 3.1% interest income funded, no one source such as the County or State can claim ownership.

Who controls the fund balance?

The Board of Trustees is responsible for the administration of the College and does not report to the County or State. They have the ultimate responsibility for the fund balance. However, since we receive funding from both the County and State, we are required to do reporting and provide information as necessary.

What benefits does maintaining a fund balance have?

By using the fund balance to fund part of the budget, the College has additional appropriation authority. In most years, we don't use the extra appropriation authority. However, in some years enrollment exceeded projections and we needed to spend some of the appropriation authority. The College needs this flexibility to spend up to the amount \$3.5 million we normally restrict since there would not have adequate time to go through the supplemental process or reduce expenditures. The College doesn't know its official spring enrollment until February (the total enrollment is not known until the spring) and all supplementals have to go to the Board of Trustees, OMB, County Executive, Public hearing, and County Council – a three month process which would take us until June. This would be too late to address hiring concerns for the spring semester.

The College has not gone to the County for enrollment shortfalls or increases and for current year decreases in state aid because we have the flexibility to manage our budgets by having additional appropriation authority and the ability to use fund balance should we need it. In the past, we used the appropriation authority due to higher than budgeted enrollment. Having this flexibility eliminated the need to go for a supplemental and enabled the college to respond quickly.

Another example of when we would need to use our fund balance is if the State reduced State aid as was the case in FY1991, FY2003, FY2004, and FY2009. With the uncertainty of the fiscal situation, it is not a good time to change the way we budget. The College could lose its flexibility at a time when it could need it the most.

The College needs to maintain a sufficient fund balance because FY2010 and out years are likely to be even more difficult year for funding than FY2009. The College depends on the financial stability that fund balance provides.

The College should not use the fund balance to fund on-going expenditures with the fund balance which is essentially one-time funds.

The College needs to maintain a fund balance to help with cash flow. The College gets tuition revenue mainly in August and January. State aid comes in July, November, and March and the County aid comes in September and March. In the summer cash reserves are low and the fund balance can be used to help with cash flow. Montgomery College has not had to borrow money from banks and pay interest like some other community colleges since it maintains a fund balance.

The higher our fund balance, the better we look financially. The College has had two bond offerings (Cafritz Arts Center and the parking garage) and the rating agencies look at the College and Montgomery County in total. Specifically, they reviewed the College's management, the source of repayment for the bonds, the strength of Montgomery County (since the County is a major funder of the College) and College financial ratios. The financial strength of the College is an important factor that effects our credit rating of which the fund balance policy is a component.

If the College appropriation were reduced by the amount of budgeted fund balance, could it be used elsewhere for another agency or reduce taxes?

No. This would not happen because the fund balance is under the Board of Trustees control and should not be allocated to other agencies. In reality, while the increased available fund balance would be included in total available county resources, it is not a county wide resource. Plus, the County funds 49.5% of the College budget so the fund balance is not comprised of just County funds.

Should the College be treated as the other agencies to use fund balance to fund their budget?

No. The College should not be treated administratively like other county agencies because those agencies are funded differently than Montgomery College. The College should not be compared to the County school system, because 90% of the funding for the schools is from the County. Plus, the schools know their enrollment going into the year. The College does not and they have been in a period of growth over the past several years.

How did the College use the Budget Savings Program Cost Savings?

In FY2008, the College was asked to save \$2,054,545 (\$1 million of this was used to fund FY2009 and the remainder \$1,054,545 will be used to fund FY2010). In FY2009, the College was asked to save \$2,109,091 million (\$1 million will be used to fund FY2010 and \$1,109,091 will be used the fund FY2011).

During FY2009, the College saved \$1.5 million to offset the state aid reduction, saved another \$1 million for the County Budget Savings Program and also saved an additional \$1 million for the second state cut that was rescinded because of the Federal stimulus money. The College does not want to use this money to fund FY2010 as the County Executive proposed. Instead, the College would like to use this \$1 million to help fund FY2011 (in addition to our regular fund balance of \$3.5 million). The Rockville Science Center opens in January 2011 and this \$1 million would reduce the amount of the increase of county contribution needed to open the building.

GFOA - Best Practices

Appropriate Level of Unreserved Fund Balance in the General Fund (2002)

Background. Accountants employ the term fund balance to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis.(1) In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

Accountants distinguish reserved fund balance from unreserved fund balance. Typically, only the latter is available for spending. Accountants also sometimes report a designated portion of unreserved fund balance to indicate that the governing body or management have tentative plans concerning the use of all or a portion of unreserved fund balance. It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.

In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unreserved fund balance in the general fund.

Credit rating agencies carefully monitor levels of fund balance and unreserved fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unreserved fund balance for state and local governments. Those interested primarily in a government's creditworthiness or economic condition (e.g., rating agencies) are likely to favor increased levels of fund balance. Opposing pressures often come from unions, taxpayers and citizens' groups, which may view high levels of fund balance as "excessive."

Recommendation. GFOA recommends that governments establish a formal policy on the level of unreserved fund balance that should be maintained in the general fund.(2) GFOA also encourages the adoption of similar policies for other types of governmental funds. Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and specific plans for increasing or decreasing the level of unreserved fund balance, if it is inconsistent with that policy. (3)

The adequacy of unreserved fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures.(4)

A government's particular situation may require levels of unreserved fund balance in the general fund significantly in excess of these recommended minimum levels.(5)

Furthermore, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unreserved fund balance in the general fund at any one time.

In establishing a policy governing the level of unreserved fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unreserved fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
- The availability of resources in other funds as well as the potential drain upon general fund resources from other funds (i.e., the availability of resources in other funds may reduce the amount of unreserved fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unreserved fund balance be maintained in the general fund).
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
- Designations (i.e., governments may wish to maintain higher levels of unreserved fund balance to compensate for any portion of unreserved fund balance already designated for a specific purpose).

Naturally, any policy addressing desirable levels of unreserved fund balance in the general fund should be in conformity with all applicable legal and regulatory constraints. In this case in particular, it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated by all interested parties.

Footnotes

1. For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.
2. Sometimes reserved fund balance includes resources available to finance items that typically would require the use of unreserved fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unreserved fund balance for purposes of analysis.
3. See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).
4. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unreserved fund balance to either revenues or expenditures, that decision should be followed consistently from period to period.
5. In practice, levels of fund balance, (expressed as a percentage of revenues/expenditures or as a multiple of monthly expenditures), typically are less for larger governments than for smaller governments because of the magnitude of the amounts involved and because the diversification of their revenues and expenditures often results in lower degrees of volatility.

Approved by the Committee on Accounting, Auditing and Financial Reporting and the Committee on Governmental Budgeting and Management, January 30, 2002.

Approved by the GFOA Executive Board, February 15, 2002.