

MEMORANDUM

May 7, 2010

TO: County Council

FROM: ^{CHP} Charles H. Sherer, Legislative Analyst

SUBJECT: Recommendations from the Education Committee regarding the FY11 operating budget for Montgomery College

Committee recommendations The Committee met on April 8 and May 5 and made the following recommendations:

1. Reduce the College's FY11 budget for the Current Fund and the County contribution by \$15.0 million as the Executive recommended (the reduction is now \$13.0 million because of additional non County resources as explained on page 2):
 - a. \$6.8 million in unspecified reductions (now \$4.8 million because of the additional non County resources)
 - b. \$0.7 million for not prefunding OPEB
 - c. \$2.5 million "to address enrollment growth"
 - d. \$1.9 million "to operate essential facilities"
 - e. \$2.0 million "for academic programs and services"
 - f. \$1.1 million "for benefit rate increases"
2. Put the last four items, totaling \$7.5 million, on the reconciliation list, as the College requested.
3. Add to the College's FY11 budget for the Current Fund whatever amount of additional energy tax the College will pay if the Council increases the energy tax rates. In his April 22 budget adjustments, the Executive recommended adding \$357,490 to the College's budget, but the College calculated that the amount will be \$557,490 if the Council increases the energy tax rates 100%, and the Committee recommends using the College's calculation.
4. Approve all other funds in the College's FY11 operating budget as requested (see ©2-3).

Resource changes College staff informed Council staff of the following non County resource changes compared to the College’s February 15 budget document:

| | |
|--|------------|
| Increase use of fund balance | +\$525,426 |
| Increase tuition an additional \$2/4/6 | +1,459,319 |
| State aid | (336,408) |
| Reduce transfer to non tax supported funds | +450,000 |
| Total net change resources | +2,098,337 |

The effect of the \$2.1 million net increase in **non** County resources is to decrease the College’s request for **County** resources by that amount, to decrease the reduction to the Current Fund from \$15.0 million to \$13.0 million, and to increase the College’s budget for the Current Fund by \$2.1 million from the Committee’s (and the Executive’s) recommendation before the net increase in non County resources. The College’s budget after adding \$557,490 for the energy tax and after adjusting for the net change in resources is on ©26.

Other Committee discussion The Committee discussed the impact of the reduction, which the College stated would require them to increase tuition, cut programs, and perhaps furlough their employees, at the same time that enrollment is at record levels and more and more people want and need higher education to compete in the economy that is still in recession. They stressed the importance of being able to prepare the Rockville Science Center to open in the fall of 2011 (FY12), but reductions in State aid are making that difficult. They were forced to turn away 650 students who wished to take courses in science, technology, engineering, and mathematics. The Committee hopes the College will not have to cap enrollment.

The following may attend:

Some Board members

Dr. Hercules Pinkney, Interim President

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

Ms. Donna Dimon, Chief Budget and Management Studies Officer

Ms. Angela Dizelos and Mr. Bruce Meier, OMB

The Council staff memorandum from the April 8 meeting follows.

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 FY11 Operating budget includes a section on the College, starting on page 10-1.

FY10 budget savings plans The Council approved two budget savings plans for the FY10 budget, which asked the College to reduce its FY10 spending by \$2.771 million in the operating budget and \$1.850 million in current revenue for the CIP. The College expects to save the entire amount, a total of \$4.621 million.

FY11 operating budget request The College is requesting an increase in the tax-supported funds of \$6.2 million/2.9%, from \$217.5 million in FY10 to \$223.8 million in FY11(©1-3), based on a projected 7.3% increase in enrollment, compensation costs, the personnel and operating costs of operating new facilities, and several miscellaneous costs, including an increase of \$300,000 for utilities (©6-8). The College’s FY11 request includes no COLA, no step increases, and no improvements.

A table of College enrollment is on ©4, followed by a graph of enrollment. The lowest enrollment since 1990 was in FY97. Enrollment has increased steadily since then at an annual average rate of 3.1%. Enrollment in FY10 increased 7.6% over FY09, the largest % increase ever. The College projects that enrollment will increase at a more modest annual average rate of 0.7% over the period FY10-15.

Funding The College’s budget assumed that the Board would increase tuition in April by \$3/\$6/\$9 per credit hour, to \$105/215/\$293. As noted on page 1, the Board increased tuition by an additional \$2/4/6, to \$107/219/\$299. The resources used to fund the budget are shown below and on ©1.

| Source | FY10 | FY11 |
|------------------|--------|--------|
| County | 49.2% | 48.6% |
| State | 14.9% | 13.8% |
| Tuition and fees | 32.7% | 34.2% |
| All other | 3.1% | 3.3% |
| Total | 100.0% | 100.0% |

Changes in the Current Fund 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 |
| FY10-11 | \$6.2 million |

The major changes the College requested for FY11 are summarized in the table on ©6, followed by the detail. The College’s FY11 request includes an increase of \$700,000 to prefund the health costs for retired employees, referred to as “other post employment benefits” (OPEB). The Executive did not recommend any such increase for any of the agencies.

Spending Affordability Guidelines and the College’s request The Council’s February ceiling on the aggregate operating budget (AOB) was the same amount the Council approved for FY10, and the Council’s allocation within that AOB for the College was \$149.2 million, which is \$0.7 million more than the College’s request for \$148.5 million. No reductions are required to

meet the allocation, but will be required to fit within available resources, as reflected in the Executive's FY11 budget.

Executive's recommendation (©1) The Executive's recommendation is summarized below, compared to the College's request:

1. Reduce expenditures from the College's FY11 request by \$14,508,924, all from the Current Fund. For the tax supported components, his recommendation is \$8.3 million/3.8% less than the FY10 approved budget. He recommends **no** reduction to the other funds in the College's request.
2. Reduce the County contribution \$15,034,350.
3. Increase the use of the College's fund balance \$525,426. The College decided not to do this, so expenditures must be reduced by \$15,034,350, which is \$525,426 more than the Executive recommended.

Reductions to the College's request for the tax supported funds As noted above, no reductions are needed to meet the Council's allocation under spending affordability, but reductions of \$14.5 million are needed to fit within available resources as reflected in the Executive's recommended budget. The Council does not have to accept the amount of reduction the Executive recommended. However, if the Council reduces the College's budget less, then the Council will have to reduce other agencies more and/or raise more revenue than the Executive recommended.

If the College's FY11 operating budget for the Current Fund is reduced \$14.5 million from their request, the FY11 budget would be \$8.3 million less than the FY10 approved budget, even though FY11 enrollment is projected to increase 7.3% from the FY10 approved budget. The budget per FTE student would decrease \$1,350/10.4%, from \$13,038 to \$11,688.

The College was asked to explain how they would reduce their request to the Executive's recommended budget and the impact of the reductions. In a memorandum to the College community dated March 16, 2010, Dr. Pinkney discussed the proposed reductions (©17). He stated that "Difficult and sometimes painful choices lay ahead. Among the possible budget reductions that may be considered are eliminating existing positions, implementing furloughs, cutting academic programs, limiting the number of courses offered, reducing institutional grant scholarships for students in need, increasing tuition rates higher than planned, reducing the hours of operation for select services, deferring maintenance of the College's physical plant, and curtailing equipment purchases. The reduced operating budget may also impact the opening date of the Rockville Science Center."

In a memorandum dated April 5, 2010 (©22), Dr. Pinkney noted that the Executive reduced the College's request for County funding by \$15.0 million (\$15,034,350), and that the Executive's recommended County funding in FY11 is \$13.4 million less than FY10. The memorandum does not include specific reductions totaling \$15.0 million, so Council staff will work with College staff to prepare the list. The memorandum does have the College's request for restorations totaling \$7.5 million, half the total reduction:

\$2.5 million “to address enrollment growth”
\$1.9 million “to operate essential facilities”
\$2.0 million “for academic programs and services”
\$1.1 million “for benefit rate increases”
\$7.5 million TOTAL restorations

One reduction should be the increase of \$700,000 for the health costs for retired employees, referred to as “other post employment benefits” (OPEB). The Executive did not recommend any such increase for any of the agencies.

Maintenance of effort for the College requires the same total County contribution for the Current Fund in FY11 as in FY10 (not the same per pupil), which was \$106.5 million in FY10. The College requested \$108.1 million in FY11, which is \$1.6 million more than required to maintain effort (the FY10 amount). The Executive recommended a County contribution of \$93.7 million, which is \$13.4 million less than the MOE requirement (©1). If the County does not maintain effort, then the State might not give the College any increase in State aid from the previous year.

However, College staff notes that the State is not increasing its aid (in the Governor’s budget), but instead is decreasing it a total of \$3.2 million (\$2.5 million less in the Current Fund and \$0.7 million less in the fund for Workforce Development and Continuing Education). Therefore, there is nothing to lose if the County does not maintain effort for the College.

Full time faculty positions An important component of the College’s request is for 18 additional 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 53/47 if the County is able to afford the College’s requested 18 new faculty positions for the projected increased enrollment, and 51/49 if not.

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.”

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 the CATV fund, which is reviewed by the MFP Committee. See the table on ©1.

Contents:

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| 19 | March 17 statement from the College in reaction to the Executive's recommended budget |
| 22 | April 5 memorandum from the College regarding reductions and restorations to the College's budget |

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 FY11 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:

- | |
|--|
| <ul style="list-style-type: none">• 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 FY11, the College's budget letter states that they intend to spend \$250,000 for two efforts: to help fund planning for the Germantown Biotechnology Park; and for programs in the Arts Institute.
- (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. For FY11, this Fund will be used to pay the lease costs to the Montgomery College Foundation related to debt service for the renovation of the Cafritz Family Foundation Art Center".

Summary of prior year's discussion. The Council expressed appreciation for and admiration of the contribution the College makes in educating its students. The Council appreciates the collaborative relationship the County has with the College. 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 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).

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.)

| | A | B | C | D | E | F | G | O | |
|----|---|-------------|--------------------------|----------|-------------|--------------|--------------------------------|--------|--|
| 1 | MONTGOMERY COLLEGE OPERATING BUDGET | | | | | | | | |
| 2 | | | | | | | | | |
| 4 | FY11 → | | | | | | Change FY10 Appr to CE FY11 | | |
| 5 | | FY10 | College February request | | Executive | | | | |
| 6 | Fund | Approved | Amount | % change | March 15 | CE - Coll | \$ | % | |
| 7 | I. Expenditures | | | | | | | | |
| 8 | Current | 216,799,063 | 223,003,199 | 2.9% | 208,494,275 | (14,508,924) | (8,304,788) | | |
| 9 | Grants funded by County | 400,000 | 400,000 | 0.0% | 400,000 | 0 | 0 | | |
| 10 | Emergency Plant Maint. & Repair | 350,000 | 350,000 | 0.0% | 350,000 | 0 | 0 | | |
| 11 | Subtotal, tax-supp budgets | 217,549,063 | 223,753,199 | 2.9% | 209,244,275 | (14,508,924) | (8,304,788) | -3.8% | |
| 12 | Change, FY10-11 | | 6,204,136 | | | | | | |
| 13 | | | | | | | | | |
| 14 | 50th Endowment | 250,000 | 250,000 | 0.0% | 250,000 | 0 | 0 | | |
| 15 | Auxiliary Enterprises | 6,189,822 | 6,464,561 | 4.4% | 6,464,561 | 0 | 274,739 | | |
| 16 | CATV (MFP makes recommendation) | 1,424,200 | 1,334,250 | -6.3% | 1,334,250 | 0 | (89,950) | | |
| 17 | Grants: Federal, State, or private | 19,148,000 | 21,033,000 | 9.8% | 21,033,000 | 0 | 1,885,000 | | |
| 18 | Major Facilities Reserve Fund | 2,400,000 | 2,400,000 | 0.0% | 2,400,000 | 0 | 0 | | |
| 19 | Transportation | 2,500,000 | 2,500,000 | 0.0% | 2,500,000 | 0 | 0 | | |
| 20 | Workforce Dev. & Con. Ed. | 16,136,583 | 16,136,583 | 0.0% | 16,136,583 | 0 | 0 | | |
| 21 | Subtotal non tax supported funds | 48,048,605 | 50,118,394 | 4.3% | 50,118,394 | 0 | 2,069,789 | | |
| 22 | | | | | | | | | |
| 23 | Total | 265,597,668 | 273,871,593 | 3.1% | 259,362,669 | (14,508,924) | (6,234,999) | | |
| 24 | | | | | | | | | |
| 25 | SAG request, excludes tuition | 147,464,120 | 148,463,711 | 0.7% | 133,954,787 | (14,508,924) | | | |
| 26 | Council's allocation | | 149,200,000 | | | | | | |
| 27 | | | | | | | | | |
| 28 | II. SOURCES OF FUNDS FOR TAX SUPPORTED BUDGETS (SAG BUDGETS) | | | | | | | | |
| 29 | County | 107,107,775 | 108,778,850 | 1.6% | 93,744,500 | (15,034,350) | (13,363,275) | -12.5% | |
| 30 | State | 32,501,008 | 30,946,744 | -4.8% | 30,946,744 | 0 | (1,554,264) | -4.8% | |
| 31 | Tuition and tuition related | 70,084,943 | 75,289,488 | 7.4% | 75,289,488 | 0 | 5,204,545 | 7.4% | |
| 32 | Other student fees | 1,041,516 | 1,324,785 | 27.2% | 1,324,785 | 0 | 283,269 | 27.2% | |
| 33 | Transfers | (450,000) | (450,000) | 0.0% | (450,000) | 0 | 0 | 0.0% | |
| 34 | Use of fund balance | 5,658,821 | 6,393,332 | 13.0% | 6,918,758 | 525,426 | 1,259,937 | 22.3% | |
| 35 | All other | 1,605,000 | 1,470,000 | -8.4% | 1,470,000 | 0 | (135,000) | -8.4% | |
| 36 | Total | 217,549,063 | 223,753,199 | 2.9% | 209,244,275 | (14,508,924) | (8,304,788) | -3.8% | |
| 37 | | 217,549,063 | 223,753,199 | | | | | | |
| 38 | Beginning fund balance | 9,910,259 | 10,921,904 | | 10,821,904 | (100,000) | | | |
| 39 | Use of fund balance | 5,658,821 | 6,393,332 | | 6,918,758 | 525,426 | | | |
| 40 | Ending fund balance | 4,251,438 | 4,528,572 | | 3,903,146 | (625,426) | | | |
| 41 | | | | | | | | | |
| 42 | County contribution for current fund | 106,457,775 | 108,128,850 | | 93,094,500 | (15,034,350) | | | |
| 43 | Must be at least as much as in prior year to maintain effort. CE FY11 - FY10: | | | | | | (13,363,275) | | |
| 44 | | | | | | | | | |
| 45 | SOURCES OF FUNDS AS % OF EXPENDITURES | | | | | | | | |
| 46 | County | 49.2% | 48.6% | | | | | | |
| 47 | State | 14.9% | 13.8% | | | | | | |
| 48 | Tuition and fees | 32.7% | 34.2% | | | | | | |
| 49 | All other | 3.1% | 3.3% | | | | | | |
| 50 | Total | 100.0% | 100.0% | | | | | | |

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MONTGOMERY COLLEGE

FY2011 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 | \$108,128,850 | \$400,000 | \$250,000 | \$108,778,850 | | | \$1,334,250 | | \$1,334,250 | | | \$110,113,100 |
| Tuition & Tuition-Related* | 75,289,488 | | | 75,289,488 | \$8,250,000 | | | | 8,250,000 | | | 83,539,488 |
| Other Student Fees | 1,324,785 | | | 1,324,785 | | | | \$2,400,000 | 2,400,000 | | | 3,724,785 |
| State Aid | 30,946,744 | | | 30,946,744 | 4,433,170 | | | | 4,433,170 | | | 35,379,914 |
| Federal Grants (SFA Allow) | 300,000 | | | 300,000 | | | | | - | \$12,093,000 | | 12,393,000 |
| State Contracts/Grants | | | | - | | | | | - | 6,550,000 | | 6,550,000 |
| Contracts for Services | | | | - | | \$4,682,200 | | | 4,682,200 | | | 4,682,200 |
| Interest | 250,000 | | 5,000 | 255,000 | 150,000 | 24,000 | | 70,000 | 244,000 | | \$5,000 | 504,000 |
| Performing Arts Center | 115,000 | | | 115,000 | | 400,000 | | | 400,000 | | | 515,000 |
| Other Revenues | 800,000 | | | 800,000 | 250,000 | 1,250,000 | | 200,000 | 1,700,000 | 2,390,000 | | 4,890,000 |
| Total Revenues | 217,154,867 | 400,000 | 255,000 | 217,809,867 | 13,083,170 | 6,356,200 | 1,334,250 | 2,670,000 | 23,443,620 | 21,033,000 | 5,000 | 262,291,487 |
| Transfers Among Funds | | | | | | | | | | | | |
| Mandatory transfers (expenses): | | | | | | | | | | | | |
| FWS - Financial Aid | (275,000) | | | (275,000) | | (6,500) | | | (6,500) | | | (281,500) |
| 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) | - | (6,500) | - | - | (6,500) | - | - | (456,500) |
| Fund Balance 6/30/10 1) | 10,323,758 | - | 598,146 | 10,921,904 | 7,959,896 | 3,189,331 | 211,096 | 4,761,928 | 16,122,251 | - | 627,560 | 27,671,715 |
| TOTAL RESOURCES | 227,028,625 | 400,000 | 853,146 | 228,281,771 | 21,043,066 | 9,539,031 | 1,545,346 | 7,431,928 | 39,559,371 | 21,033,000 | 632,560 | 289,506,702 |
| Expenditures | | | | | | | | | | | | |
| Instruction (10) | (84,550,497) | | | (84,550,497) | (16,040,583) | | | | (16,040,583) | | | (100,591,080) |
| Academic Support (40) | (31,205,564) | | | (31,205,564) | | | (1,334,250) | | (1,334,250) | | | (32,539,814) |
| Student Services (50) | (27,138,552) | | | (27,138,552) | | | | | - | | | (27,138,552) |
| Op. & Maint. of Plant (60) | (33,086,874) | | (350,000) | (33,436,874) | | | | | - | | | (33,436,874) |
| Institutional Support (70) | (43,772,037) | | | (43,772,037) | | | | | - | | | (43,772,037) |
| Scholarship & Fellowships | (3,249,675) | | | (3,249,675) | (96,000) | | | | (96,000) | | | (3,345,675) |
| Auxiliary Expenditures | | | | - | | (6,464,561) | | (2,500,000) | (8,964,561) | | | (8,964,561) |
| Grant & Endowmt Expenditures | | (400,000) | | (400,000) | | | | | - | (21,033,000) | (250,000) | (22,083,000) |
| Total Expenditures | (223,003,199) | (400,000) | (350,000) | (223,753,199) | (16,136,583) | (6,464,561) | (1,334,250) | (2,500,000) | (26,435,394) | (21,033,000) | (250,000) | (271,471,593) |
| Use of Fund Balance | 6,298,332 | - | 95,000 | 6,393,332 | 3,053,413 | 114,861 | - | - | 2,998,274 | - | 245,000 | 9,636,606 |
| Projected FB 6/30/11 | \$4,025,426 | - | \$503,146 | \$4,528,572 | \$4,906,483 | \$3,074,470 | \$211,096 | \$4,931,928 | \$13,123,977 | - | \$382,560 | \$18,035,109 |

* Excluded from Spending Affordability calculation.

MONTGOMERY COLLEGE

FY2011 SUMMARY OF OPERATING BUDGET

| | Subtotal from page 1 | Major Facilities Reserve Fund* | Total |
|--|-------------------------|-----------------------------------|----------------------|
| Revenues | | | |
| County Contribution | \$110,113,100 | | \$110,113,100 |
| Tuition & Tuition-Related* | 83,539,488 | | 83,539,488 |
| Other Student Fees | 3,724,785 | \$3,000,000 | 6,724,785 |
| State Aid | 35,379,914 | | 35,379,914 |
| Federal Grants (SFA Allow) | 12,393,000 | | 12,393,000 |
| State Contracts/Grants | 6,550,000 | | 6,550,000 |
| Contracts for Services | 4,682,200 | | 4,682,200 |
| Interest | 504,000 | 70,000 | 574,000 |
| Performing Arts Center | 515,000 | | 515,000 |
| Other Revenues | 4,890,000 | | 4,890,000 |
| Total Revenues | \$262,291,487 | 3,070,000 | 265,361,487 |
| Transfers Among Funds | | | |
| Mandatory transfers (expenses): | | | |
| FWS - Financial Aid | (281,500) | | (281,500) |
| Perkins - Financial Aid | - | | - |
| SEOG - Financial Aid | (175,000) | | (175,000) |
| Nonmandatory transfers (revenue): | | | |
| Contin. Education Overhead | - | | - |
| Aux. Enterprises Overhead | - | | - |
| Total Transfers | (456,500) | | (456,500) |
| Fund Balance 6/30/10 1) | 27,671,715 | 3,458,348 | 31,130,063 |
| TOTAL RESOURCES | 289,506,702 | 6,528,348 | 296,035,050 |
| Expenditures | | | |
| Instruction (10) | (100,591,080) | | (100,591,080) |
| Academic Support (40) | (32,539,814) | | (32,539,814) |
| Student Services (50) | (27,138,552) | | (27,138,552) |
| Op. & Maint. of Plant (60) | (33,436,874) | (2,400,000) | (35,836,874) |
| Institutional Support (70) | (43,772,037) | | (43,772,037) |
| Scholarship & Fellowships | (3,345,675) | | (3,345,675) |
| Auxiliary Expenditures | (8,964,561) | | (8,964,561) |
| Grant & Endowmt Expenditures | (22,083,000) | | (22,083,000) |
| Total Expenditures | (271,471,593) | (2,400,000) | (273,871,593) |
| Use of Fund Balance | 9,636,606 | 4,128,348 | 13,764,954 |
| Projected FB 6/30/11 | \$18,035,109 | \$4,128,348 | 22,163,457 |

* Excluded from Spending Affordability calculation.

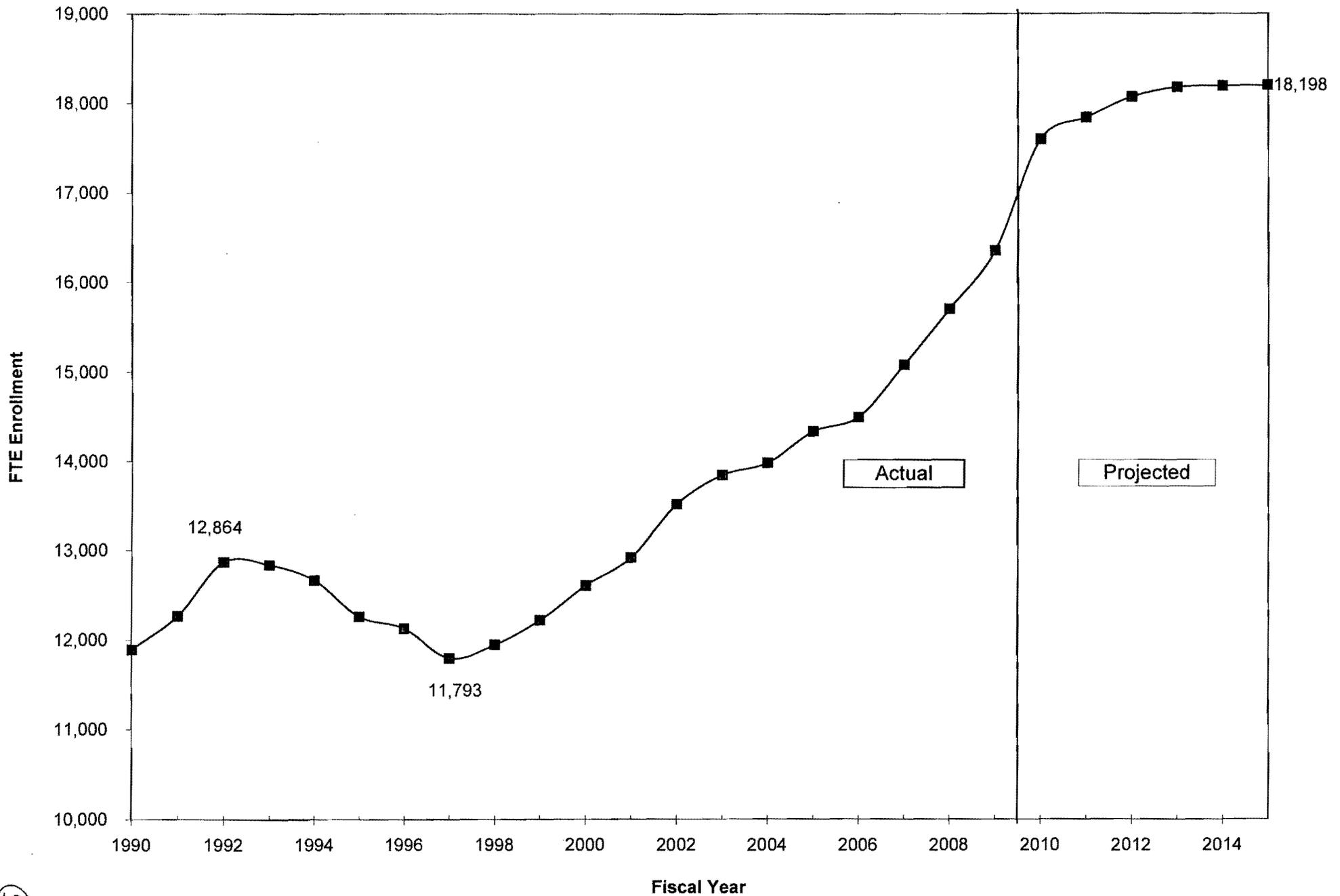
MONTGOMERY COLLEGE ENROLLMENT
 Actual through FY09, estimated FY10, projected in
 October 2009 for FY11-15

| FY | Credit hours | FTE | % change |
|------|--------------|--------|----------|
| 1990 | 356,820 | 11,894 | |
| 1991 | 367,969 | 12,266 | 3.1% |
| 1992 | 385,928 | 12,864 | 4.9% |
| 1993 | 384,945 | 12,832 | -0.3% |
| 1994 | 379,854 | 12,662 | -1.3% |
| 1995 | 367,733 | 12,258 | -3.2% |
| 1996 | 363,751 | 12,125 | -1.1% |
| 1997 | 353,797 | 11,793 | -2.7% |
| 1998 | 358,312 | 11,944 | 1.3% |
| 1999 | 366,518 | 12,217 | 2.3% |
| 2000 | 378,051 | 12,602 | 3.1% |
| 2001 | 387,443 | 12,915 | 2.5% |
| 2002 | 405,309 | 13,510 | 4.6% |
| 2003 | 415,189 | 13,840 | 2.4% |
| 2004 | 419,374 | 13,979 | 1.0% |
| 2005 | 429,962 | 14,332 | 2.5% |
| 2006 | 434,806 | 14,494 | 1.1% |
| 2007 | 452,322 | 15,077 | 4.0% |
| 2008 | 471,006 | 15,700 | 4.1% |
| 2009 | 490,534 | 16,351 | 4.1% |
| 2010 | 527,835 | 17,595 | 7.6% |
| 2011 | 535,176 | 17,839 | 1.4% |
| 2012 | 542,021 | 18,067 | 1.3% |
| 2013 | 545,230 | 18,174 | 0.6% |
| 2014 | 545,697 | 18,190 | 0.1% |
| 2015 | 545,954 | 18,198 | 0.0% |

| | | |
|--------------------|-------|--|
| FY97-FY10: | | |
| Amount increase | 5,801 | |
| Average % increase | 3.1% | |

| | | |
|--------------------|------|--|
| FY10-FY15: | | |
| Amount increase | 604 | |
| Average % increase | 0.7% | |

MONTGOMERY COLLEGE FTE ENROLLMENT (Current Fund)



5

| | A | B | C |
|----|---|-----------|--------------|
| 1 | SUMMARY OF CHANGES IN COLLEGE'S FY11 OPERATING BUDGET | | |
| 2 | | | |
| 3 | | | |
| 4 | Item | Positions | Cost |
| 5 | I. Same service increases | 18.00 | 4,178,000 |
| 6 | II. Positions for new buildings | | 962,953 |
| 7 | III. Operating increases for new buildings | | 645,615 |
| 8 | IV. Improvements | | 0 |
| 9 | V. Other operating budget increases | | 417,568 |
| 10 | TOTAL INCREASE | 18.00 | \$ 6,204,136 |
| 11 | | | |
| 12 | | | |
| 13 | FY10 operating budget | | 216,799,063 |
| 14 | FY11 operating budget | | 223,003,199 |
| 15 | % increase | | +2.9% |

MONTGOMERY COLLEGE

FY 2011 CURRENT FUND

| <i>EXPENDITURES</i> | (000s) |
|--|--------------|
| FY 2010 Final Budget | \$216,799 |
| Increase for 18 new faculty, net of part-time faculty salaries | 684 |
| Increase for enrollment growth | 1,675 |
| Increase for benefits | 1,819 |
| Increase for utilities | 300 |
| Increase for Rockville Campus Science Center and leased facilities | 1,608 |
| Increase in Risk Management | 173 |
| Increase for BOT grants | 97 |
| Decrease for other, net | (152) |
| Subtotal | <u>6,204</u> |
| FY 2011 Adopted Budget Request | \$223,003 |

| | A | B | C | D |
|----|--|-------------|-----------|-----------|
| 1 | FY11 Changes Montgomery College | | | |
| 2 | | # positions | Cost | |
| 3 | I. Same service increases | | | |
| 4 | Salary and benefit increases for existing positions | | 1,119,000 | |
| 5 | Increase for OPEB | | 700,000 | |
| 6 | Increase part-time faculty hours for increased enrollment | | 1,675,000 | |
| 7 | New faculty positions, net of pt-time salaries - salaries only | 18.00 | 684,000 | |
| 8 | Subtotal same service increases | 18.00 | | 4,178,000 |
| 9 | | | | |
| 10 | II. Positions for new buildings | | | |
| 11 | Rockville Science Center | | | |
| 12 | Information Technology (1/2-1/4 year): | | | |
| 13 | Media Support Specialists | 3.00 | 78,000 | |
| 14 | Computer Support Specialists | 4.00 | 124,000 | |
| 15 | Network Engineer | 1.00 | 37,500 | |
| 16 | Telecommunications Specialist | 1.00 | 28,000 | |
| 17 | Asset Management Specialist | 1.00 | 31,000 | |
| 18 | | | | |
| 19 | Facilities (1/4 year): | | | |
| 20 | Mechanic | 1.00 | 14,125 | |
| 21 | Groundspersons | 2.00 | 19,500 | |
| 22 | Lead housekeepers | 3.00 | 31,388 | |
| 23 | Housekeepers | 13.00 | 114,244 | |
| 24 | Security Officers | 2.00 | 22,589 | |
| 25 | | | | |
| 26 | Academic (1/4 year - 1/2 year): | | | |
| 27 | Lab managers (bio./chem/physics) | 3.00 | 101,250 | |
| 28 | Instructional Associates | 2.00 | 40,000 | |
| 29 | Instructional Assistants | 3.00 | 39,375 | |
| 30 | Administrative Assistants | 4.00 | 48,700 | |
| 31 | Senior Administrative Aide | 1.00 | 26,250 | |
| 32 | Director- Science, Engineering, Math | 1.00 | 41,992 | |
| 33 | Benefits for new bldgs positions | | 165,040 | |
| 34 | Subtotal, positions for new buildings | 45.00 | | 962,953 |

1

| | A | B | C | D |
|----|---|-------------|-----------|-----------|
| 2 | | # positions | Cost | |
| 35 | III. Other Operating increases for new buildings | | | |
| 36 | Gude and other leased property | | | |
| 37 | Rent | | 98,915 | |
| 38 | | | | |
| 39 | Rockville Science Center | | | |
| 40 | IT contracted services, on going mtc of sytems, infrastructure, telecom | | 266,000 | |
| 41 | Maintenance costs, utilities, supplies | | 180,700 | |
| 42 | Instructional costs | | 100,000 | |
| 43 | | | | |
| 44 | Subtotal, other operating increases for new buildings | | | 645,615 |
| 45 | | | | |
| 46 | IV. Improvements - New Positions and Other | | | |
| 47 | None | | | |
| 48 | V. Other Operating increases | | | |
| 49 | Scholarships - formula | | 97,000 | |
| 50 | Risk Management | | 173,000 | |
| 51 | Decrease in base budgets | | (152,432) | |
| 52 | Increase for utilities | | 300,000 | |
| 53 | Subtotal, other operating increases | | | 417,568 |
| 54 | | | | |
| 55 | Total increase | 63.00 | | 6,204,136 |

8



Board of Trustees

February 16, 2010

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

and

The Honorable Nancy Floreen, President
Montgomery County Council

and

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

Dear Mr. Leggett, Ms. Floreen, 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 FY2011. The College worked diligently to submit a budget that is mindful of the current economic situation. At the same time, we must heed President Obama's message that in this economy, a high school diploma no longer guarantees a good job; that community colleges are a career pathway to the children of so many working families. It is essential that we continue to offer affordable, accessible higher education to County residents, and our budget priorities reflect that goal.

We have worked closely with our union leaders, our staff, and our faculty to identify a number of short- and long-term cost savings strategies. The budget we are presenting is one that is fiscally responsible, uses resources wisely, and funds high priority initiatives that are crucial to helping meet the education and training needs of Montgomery County. The specifics of our request are as follows:

**The Honorable Isiah Leggett
The Honorable Nancy Floreen
Members of the Montgomery County Council
February 16, 2010
Page 2**

ENROLLMENT

From the fall of 2004 to fall 2009, the College experienced a steady growth in student enrollment, increasing by 17.5%, or almost 4,000 students. Because an increasing number of these students are younger and attend Montgomery College full-time, our student credit hours have increased by an even higher percentage, 24%, or 47,000 credit hours. Compared to fall 2008, the number of students and credit hours of enrollment increased by nearly 7% (1,695 students) and 8.5% (18,920 credit hours), respectively. These increases are the largest the College has experienced since the fall of 1991, almost 20 years ago.

This past fall's enrollment and credit hours are the largest in College history, making it the largest community college in the state of Maryland and second by only 395 students to the University of Maryland at College Park in enrollment of undergraduate students.

The major factors driving these increases have been: 1) the growth in the number of high school graduates in the County who choose to attend Montgomery College; 2) the enrollment limitations 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 resulted in dramatically higher enrollments. Since fall 2004, TP/SS enrollment has grown by nearly 40% and enrollment hours are up by more than 43%. In the last year alone, our TP/SS Campus experienced an 8.5% enrollment increase, with an 11% increase in credit 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

The news from the state continues to deteriorate. The FY11 state aid is now \$3.2 million less than the FY10 appropriated budget (\$2.5 million current fund and \$700,000 Workforce Development and Continuing Education). This latest reduction brings the College back almost to the FY08 funding level. In order to make up most of this difference, we are allocating an additional \$1 million from WD & CE state aid and using an additional \$1 million in fund balance. As with Federal stimulus funds, both these funding sources should be considered one-time revenues and cannot be counted on to fund future budgets.

**The Honorable Isiah Leggett
The Honorable Nancy Floreen
Members of the Montgomery County Council
February 16, 2010
Page 3**

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 \$4,200 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 \$76.6 million, an increase of 7.7%, which will generate \$5.5 million in revenue and become the primary source of funding for our budget request.

We are also using \$6.3 million in fund balance as follows: \$1.2 million from our FY09 Budget Savings Program, \$535,000 from the FY2010 Budget Savings Program, \$3.6 million regular use of fund balance per the Budget guidelines agreement, plus an additional \$1 million the College will save to help offset the \$2.5 million in state aid reduction.

After accounting for state aid reductions, our budget savings figures, and a tuition increase, we are asking the County for a 1.6% increase, or \$1.7 million, to fund the FY11 budget.

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 \$223 million results in a 3% increase from FY2010, and is a significant reduction from the July estimate.

We are requesting the following:

Compensation for our Employees

- This budget does not include any COLAs or merit increases for our employees, including the newly unionized part-time faculty. We will need to revisit this issue should any of the County unions get an increase.
- In the benefits area, we have included funds for postretirement benefits in the amount of \$700,000, as well as a \$1.1 million increase primarily for group insurance and FICA. Benefit increases total \$1.8 million.

Support for our Students

- The College is requesting an additional \$97,000 in 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 2009-2010. In fact, 8,125 students with demonstrated financial need qualified for institutional grant funds in fall 2009, but received no grant aid due to a lack of funds. Of this group, 2,675 students did not enroll at Montgomery College during the fall 2009 semester.

- Enrollment increases drive up the College's need for additional faculty. This budget includes 18 new faculty positions. Without these new faculty, the percentage of classes taught by full-time faculty would only be 51% - well below the 60%-40% full-time to part-time faculty ratio endorsed by the Board of Trustees and County Council. These new positions would raise the full-time to part-time ratio to 53%-47%. Eleven of the 18 faculty are in the high growth areas of science and math and are needed to meet demand which will be generated by the new science buildings. In addition, our younger students demand and require more time with full-time faculty. (Net cost \$684,000)
- In order to meet the needs of our growing student population, the College must offer more classes and hire additional part-time faculty to teach classes which cannot be taught by full-time faculty. (Cost \$1.6 million)

Support for the Rockville Science Center

- The Rockville Science Center will be complete by summer 2011. The Science Center, a 140,700 gross square foot facility, will house the Chemistry, Biology, Geology, Astronomy, Physics, and Engineering departments. The Science Center will provide up-to-date scientific laboratories, computer labs, recitation rooms, general purpose classrooms, faculty and staff offices, student collaboration spaces, a greenhouse, and an astronomy observatory. (Additional operating cost: \$1.5 million)

Assistance with Offsite Leasing

- The College leases office space at several different sites and this amount is the increase in the leased costs. (Cost \$100,000)

Increase in Utilities

- The projected increase in utilities (excluding the new building) is \$300,000. We are anticipating rate increases such as Pepco's recently proposed distribution rate increase which will take effect July 2010. Also, the City of Rockville and WSSC are hiking water and sewer rates during the period. The College remains proactive in energy conservation matters and is an active member of the ICEUM.

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.

Workforce Development and Continuing Education (WD & CE)

The appropriation request for this fund is \$16.1 million. WD & CE earns State Aid based on its share of FTEs generated and has also taken a significant reduction. However, in order to assist the Current Fund, \$1 million of State aid is being transferred to the Current Fund for FY2011. WD & CE will use its Fund Balance to offset this adjustment.

**The Honorable Isiah Leggett
The Honorable Nancy Floreen
Members of the Montgomery County Council
February 16, 2010
Page 5**

WD & CE expects growth in the following programs: online course offerings, course offerings in vocational ESL, green technology training, Program Management Institute course series, contract GSA 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 \$6.5 million. Auxiliary Enterprises is requesting an increase in FY2011 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 two endowments in the areas of business and arts. The Business Endowment will help fund the planning for the Germantown Biotechnology Park. The Arts Endowment will fund programs in our Arts Institute. No County contribution is requested.

Cable Fund

The amount requested is \$1,334,250 and is funded through the County Cable Plan.

Grants

The College is requesting appropriation authority in the amount of \$21.4 million. Of this amount, \$400,000 is requested in County funds for the Adult ESL/ABE/GED program, which is the same amount as FY2010.

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, which opened January 2010. 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.

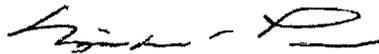
The Honorable Isiah Leggett
The Honorable Nancy Floreen
Members of the Montgomery County Council
February 16, 2010
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Conclusion

In summary, the Montgomery College budget for FY2011 consists of a request of \$223 million for the Current Operating Fund. Of this amount, we are requesting \$108.1 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; \$21,433,000 for federal, state and private grants and contracts, of which \$400,000 is requested in County funds for the Adult ESL program; and \$1,334,250 for Cable TV. An additional \$25,101,144 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 \$273.9 million. We appreciate your careful review and consideration of this budget request. We know that education remains a top priority for County officials; we also realize it will be another difficult year for all of us. We look forward to working closely with you to ensure that the higher education and training needs of our County's residents and businesses are as fully realized as possible.

Sincerely yours,



Michael C. Lin, Ph. D.
Chair, Board of Trustees



Hercules Pinkney, Ed. D.
Interim President

MCL/HP:dd

Date: March 15, 2010

Media Contacts: Elizabeth Homan, 240-567-7970; Brett Eaton, 240-567-7952

Montgomery College Interim President Reacts to the Release of the County Executive's FY 11 Operating Budget

Dr. Hercules Pinkney Expresses Concern Over Proposed 12% Reduction in County Funding

In response to today's release of the Montgomery County Executive's fiscal year 2011 recommended operating budget, Dr. Hercules Pinkney, interim president of Montgomery College, issued the following statement:

"Montgomery College fully recognizes that Montgomery County faces serious budgetary challenges as a result of the nationwide economic downturn; however, Montgomery College relies on the county for nearly half of its operating budget and the 12-percent reduction in county funding proposed by the County Executive—\$14.5 million less than requested—will have a devastating impact on the College's ability to meet the record demand by county residents for high-quality education and student services.

In the current economic climate, Montgomery County needs its community college more than ever before. Montgomery College is the first choice for many Montgomery County residents seeking to earn a college degree, update their skills, learn a new trade, change careers, and prepare for transfer to a four-year college or university. Our students—current and future county taxpayers—are the key to our community's recovery, but already too many of them cannot get into the classes they need at the College because there are not enough professors and not enough classrooms. They are essentially turned away from the county's open access higher education institution.

Montgomery College's modest budget request reflected our increased needs. It would have funded full-time faculty positions to help with our historic number of students, targeting high-demand courses in such areas as science, mathematics, and engineering. In addition, it would have allowed for the addition of new staff who are essential to the operation of the College's Rockville Science Center, which will provide new classrooms and modern laboratories when it opens in 2011 for students enrolled in science programs and the country's largest community college engineering program.

Montgomery College also faces state aid reductions in fiscal year 2011 (FY11). The College's aid will be pushed back to levels that have not been seen since FY08—a full three years ago when Montgomery College had 2,300 fewer students taking credit courses. This state reduction means \$3.2 million less in total funding from the College's FY11 operating budget adopted by the Board of Trustees.

With these reductions proposed at the state and county levels, the Montgomery College Board of Trustees must reexamine the institution's FY11 operating budget, which includes a pending tuition increase for students and no pay raises for employees. Among the possible budget reductions that may be considered are eliminating existing positions, implementing furloughs, cutting academic programs, limiting the number of courses offered, reducing institutional grant scholarships for students in need, increasing tuition rates higher than what is pending, reducing the hours of operation for select services, deferring maintenance of the College's physical plant, and curtailing equipment purchases.

During this current fiscal year, Montgomery College has absorbed state and county budget cuts by reducing departmental expenditures, deferring major purchases, cutting positions, implementing a hiring freeze except for positions considered critical, and suspending cost of living increases.

Montgomery College faculty and staff appreciate the difficulties that the Montgomery County Executive faced in his efforts to fund our FY11 operating budget request. We must now work with the County Council during its budget deliberations to ensure that Montgomery College continues to provide open and affordable access to excellent higher education in Montgomery County."

###

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.

Montgomery College
Office of the President

March 16, 2010

MEMORANDUM

TO: The College Community

FROM: Dr. Hercules Pinkney, Interim President

SUBJECT: County Executive Recommends Deep Cuts to Montgomery College Budget

I have very bad news to report regarding our proposed operating budget for fiscal year 2011. Though we were aware of funding challenges at the state and local level, the county recommendation for our budget is far worse than anticipated. The 12-percent reduction in county funding proposed by the Montgomery County Executive—\$14.5 million less than our Board requested—will seriously weaken the College’s ability to meet the record demand by county residents for affordable high-quality education and student services. To put this cut in context, \$14.5 million is close to the annual cost of operating the Germantown Campus, including all academic programs.

The County Executive indicated he had no choice but to make deep cuts across every agency, including the public schools and county government. As he said, “There is pain in this budget.” He recommended eliminating more than 450 county government positions, of which more than 200 are currently filled, and requiring 10 days of furloughs for all non-public safety county employees.

For Montgomery College, the county cuts come on top of state aid reductions. As you know, we have already put in place a number of budget-saving measures. During this current fiscal year, Montgomery College has absorbed state and county budget cuts by reducing departmental expenditures, deferring major purchases, cutting positions, implementing a hiring freeze except for positions considered critical, restricting long distance travel, and suspending cost of living increases.

Unfortunately, given the magnitude of the state and county reductions, we must give greater consideration to long-term solutions, as well as implement short-term savings measures. The Montgomery College Board of Trustees must reexamine the institution’s FY11 operating budget, which already planned a tuition increase for students and did not include pay raises for employees. Additionally, the College Budget Review Advisory Committee’s recommendations will lay the groundwork for this new budget challenge.

Difficult and sometimes painful choices lay ahead. Among the possible budget reductions that may be considered are eliminating existing positions, implementing furloughs, cutting academic

programs, limiting the number of courses offered, reducing institutional grant scholarships for students in need, increasing tuition rates higher than planned, reducing the hours of operation for select services, deferring maintenance of the College's physical plant, and curtailing equipment purchases. The reduced operating budget may also impact the opening date of the Rockville Science Center.

Let me be clear; finding \$14.5 million in savings will involve a wide range of immediate and long-term budget solutions that will impact every unit across this college. At the same time, the Board of Trustees and I will work with the County Council during its budget deliberations to ensure that Montgomery College continues to provide open and affordable access to excellent higher education in Montgomery County. I have already asked the Alumni and Foundation Boards to speak at the upcoming operating budget hearings at the County Council next month, and I will be asking for your help as well.

I truly believe that our students—current and future county taxpayers—are the key to our community's recovery, and we must share that message and the impact that major cuts will have on our ability to educate our county's workforce.

Yesterday morning, I was privileged to participate in the opening session of staff professional day, where the theme was Enriching and Renewing Our Internal Spirit. As I told our staff, they picked the perfect theme. We are all in this together. It is imperative that we tend to each other, our students and our College. I ask that you stay informed by reading Inside MC and collegewide e-mails. Talk to your colleagues who serve on the Budget Review Advisory Committee. Look to your own units for cost-saving measures. I will pledge to do the same for my office, and communicate frequently and honestly with all of you about our budget situation. In fact, I plan to send a follow-up email shortly detailing the cost-savings measures that will take place in my office.

We are not in a budget situation that any of us would choose, but together we can find opportunities within these challenges to better meet our responsibilities to each other and our students. Together, we will confront these challenges and emerge as strong as ever.

Thank you.



Office of the President

March 17, 2010

The Honorable Nancy Floreen
 President
 Montgomery County Council
 Stella B. Werner Council Office Building
 100 Maryland Avenue
 Rockville, MD 20850

The Honorable Valerie Ervin
 Chair of the Education Committee
 Montgomery County Council
 Stella B. Werner Council Office Building
 100 Maryland Avenue
 Rockville, MD 20850

Dear Councilmembers:

I am writing to update you on the status of our proposed operating budget for fiscal year 2011. Though we were aware of funding challenges at the state and local level, the county recommendation for our budget is of grave concern to the college community and the Board of Trustees. The 12-percent reduction in county funding proposed by the County Executive is \$14.5 million less than our Board requested.

We stand with you in the need to make difficult budget decisions; to rethink the very way we do business. But please know this reduction will have a substantial impact on the College. To put this cut in context, \$14.5 million is close to the annual cost of operating the Germantown Campus, including all academic programs. While we understand no county agency was spared in this budget, the College remains deeply concerned that this level of cut will seriously weaken our ability to meet the record demand by county residents for affordable, high-quality education and student services. For Montgomery College, the county reductions come on top of state aid cuts - \$3.2 million since Fiscal Year 2010.

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 COUNCIL

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As you know, we already put in place a number of budget-saving measures. During this current fiscal year, Montgomery College has absorbed state and county budget cuts by reducing departmental expenditures, deferring major purchases, cutting positions, implementing a hiring freeze except for positions considered critical, restricting long distance travel, and suspending cost of living increases. The Board of Trustees' proposed FY11 operating budget already included a tuition increase for students; substantially tapped our fund balance; had cut the initial request for staffing the new Science Building in half; and did not include pay raises for employees.

Unfortunately, given the magnitude of the state and county reductions, we must consider a variety of painful choices. Among the possible budget reductions that may be considered are eliminating existing positions, implementing furloughs, cutting academic programs, limiting the number of courses offered, eliminating any new faculty hires to meet enrollment growth, reducing institutional grant scholarships for students in need, increasing tuition rates higher than planned, reducing the hours of operation for select services, deferring maintenance of the College's physical plant, and curtailing equipment purchases. The reduced operating budget may also impact the opening date and our ability to staff the new Rockville Science Center.

These options are particularly painful because I truly believe that our students—current and future county taxpayers—are one of the keys to our community's recovery. We have been growing rapidly throughout the recession; our for-credit undergraduate enrollment was over 26,000 this fall, the second largest in the state (and within 400 students of the largest, the University of Maryland, College Park). Like the public schools, we've seen tremendous changes in our population, students who in years past might never have considered college but are now proudly enrolling as the first in their families to attend college.

If we are unable to hire faculty to meet the growing demand, the end result will be to offer fewer classes, which shuts out the growing number of students who enroll at Montgomery College each year. And that will impact our economy. For as you know, an educated workforce commands higher salaries, leading to higher tax revenues. The more skilled and educated residents we can prepare here at Montgomery College, the better.

It is also imperative that county residents have access to affordable education and workforce training. On Sunday, March 14, the New York Times ran an article entitled "*THE NEW POOR: In Hard Times, Lured Into Trade School and Debt.*" The article noted that costly trade schools sell young people on dreams of middle-class wages while setting them up for default on untenable debts, low-wage work and a struggle to avoid poverty - sometimes at a cost of as much as \$41,000 for a fifteen month program. The article also stated that "the increase in market opportunities for the for-profit education industry comes as governments spend less on education. In states like California, community colleges have been forced to cut classes just when demand is greatest."

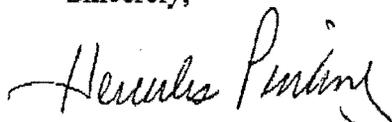
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Montgomery College is known in the community for three things: affordability (just over \$4,000 a year in tuition and fees for a full-time student); accessibility (open enrollment at three campuses, plus a number of Workforce Development and Continuing Education sites); and quality.

For \$4,000 a year, a student can enroll in Montgomery College and literally change his or her life. Students like David Compres, who arrived from Springbrook with a 2.2 GPA and transferred this year to the University of Maryland's Clark School of Engineering with a 3.76 GPA and an award for best student in mechanics of materials. We have the potential to educate many more students like David, who benefited from attentive faculty and an engineering mentoring program aimed at women and minorities. After all, Montgomery College has the largest engineering program of any community college in the country, with over 900 students enrolled in our engineering transfer program, an outstanding faculty, and a new building soon to be ready to open with up-to-date labs and facilities.

Again, we pledge to work closely with you in making these difficult budget decisions. But, underlying everything we do will be our mission of Changing Lives, of providing affordable, accessible, quality higher education to whoever can benefit from Montgomery College. We are, and will always be, our community's college. We know the County Council remains equally committed to this mission. It is our hope that you can find a way to help the College and the students we serve with additional resources.

Sincerely,



Hercules Pinkney, Ph.D.
Interim President



Dr. Michael C. Lin
Chair
Montgomery College Board of Trustees

cc: Bob Costello, Alumni Board President
Doug Firstenberg, Foundation Board Chair



Office of the President

April 5, 2010

The Honorable Valerie Ervin
Chair of the Education Committee and
Members of the Education Committee
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear Councilmember Ervin and Members of the Education Committee:

The County Executive's FY 2011 recommended budget provides \$15 million less in county funding than the Board of Trustees' request of \$108.1 million. The County Executive's recommended county funding for Fiscal Year 2011 is \$93.1 *million*. The funding the County provided for Fiscal Year 2010 was \$106.5 *million*. That amounts to a one-year cut of \$13.4 million in county support (a loss of 12.6%); it also comes at a time when our enrollment grew by 7%. The College also lost state aid – a \$2.5 million reduction to our Current fund, which brings us back to FY2008 funding levels.

To give some context, the reductions are the equivalent of eliminating all the academic programs and student services at our Germantown Campus. As closing a campus is not an option, we are seriously considering a package of targeted program cuts, furloughs, and additional tuition increases beyond those already included in our FY 2011 budget request.

Even these combined measures do not close the \$15 million gap in county **funding**. We are concerned that additional measures beyond these will severely compromise our open access mission. So despite the enormity of the fiscal challenges facing you, we must ask you to reconsider our reduction level. We know that restoring our county aid to last year's level is not possible, given the county's fiscal situation. Rather, we ask that you consider a reduction of \$7.5 million instead of \$15 million. Our goal is to protect the two principles central to our mission - access and quality - while also helping to address a countywide budget problem.

We respectfully ask the County Council to restore \$7.5 million in funding for these essential categories, in priority order:

1) Funds to address enrollment growth (\$2.5 million)

- Montgomery College has added 4,000 students in the last five years – the equivalent of two Montgomery County high schools. Our enrollment grew again by 7% this spring. If

we are unable to hire faculty to meet the growing demand for higher education, the end result will be to offer fewer classes, which counters the promise of access that is at the core of every community college. Without additional faculty; we may also have to introduce enrollment limits in high demand, high cost programs, such as nursing and engineering.

- We would have to offer fewer Board of Trustees scholarships, which provide financial support for needy students and are a key tool in expanding access. This is especially problematic in a climate of increased tuition and fees, as well as fewer job opportunities for students, both on- and off-campus.

2) Funds to operate essential facilities (\$1.9 million)

This includes funds for the new Rockville Science Center (RSC) and utilities. Delaying staffing this building means delayed access to 21st century labs for our future engineers and scientists; it also jeopardizes the timing of the renovation of Science East and West. The budget for this new building was already pared back; we reduced the staffing request and delayed the staffing needs until late in the fiscal year. It is critical to open in time for Fall 2011 classes or the following will occur:

- **Academic Program:**
Increased capacity for growing enrollments in science, engineering, and mathematics would not be realized for Fall 2011, thereby resulting in a continuing pattern of turning students away from these disciplines. Without the appropriate lab set-up and staffing in the Fall, Spring 2012 enrollments will also be limited in these high demand programs.
- **Future Renovation of Science East and Science West buildings:**
These buildings are crucial to enhancing the physical capacity to serve more students. If the opening of the RSC is delayed, we cannot vacate Science East for renovation; thus both Science East and Science West renovations would be deferred, causing the possible loss of State funding for these constructions projects. With delays, the design teams, architects and engineers who worked on the project may no longer be available to oversee the actual renovations.
- **Other Facilities Considerations:**
Warranty periods for all new equipment in the new Science Building will begin as soon as there is "substantial completion" of the building and will last only a fixed time, usually one year. It is critical that the expected use patterns (level of demand) be experienced during this fixed time, so that needed repairs can be identified and made at no cost.

3) Funds for academic programs and services (\$2 million)

Some examples of reductions of this magnitude may include but are not limited to:

- Reduced hours of operation for key student support areas, such as the Offices of Student Financial Aid and Admissions and Enrollment Management. These reductions would

result in fewer face-to-face services for students, many of whom are first generation college students who are unfamiliar with college processes.

Reduction or elimination of partnership activities with MCPS, such as the College Institute and Gateway to College, which are designed to provide seamless transition from secondary to higher education.

- Additional reduced collaborations with MCPS, including those focused on the State of Maryland PreK-20 initiatives and the MCPS Seven Keys to Success. Examples include reductions in high school assessment testing in eleventh grade, an initiative that helps students identify needs for remediation while there is still time to address those needs during high school completion. Such interventions potentially reduce the numbers of students entering Montgomery College at the developmental course level in math, English, and/or reading.
- Reduced operating hours in the campus academic support and assessment (testing) centers, including reduced tutoring services. These services are designed in part to close the achievement gap and to provide needed support, particularly in reading, English, and math, with the latter being the biggest barrier to college graduation.
- Reduced support for labs like the medical learning center at TP/SS, which could impact ultimate student success in national registry examinations required for professional practice after graduation – examinations where the average pass rate ranges from 89% to 100%, depending on the discipline.
- Reduced access to open computing labs, exacerbating the digital divide in the community, as some of our students have very limited access to computers.
- Reduced size of Montgomery College honors programs, including Montgomery Scholars, a signature program highlighted in a *New York Times* article about outstanding community colleges. Other examples of exemplary programs that would need to be reduced in size or eliminated include the Renaissance Scholars (part-time honors program) and Biomedical Scholars.

4) Funds for benefit rate increases (\$1.1 million)

Benefit rate increases for existing employees and retirees total \$1.1 million (excluding OPEB). It is critical we meet our benefit obligations particularly at a time when our budget includes no salary improvement and we are considering up to ten furlough days for all employees.

As the Board of Trustees indicated in the public hearing testimony, the College is committed to finding solutions to close the budget gap. Our Budget Review Advisory Committee is considering both short term and long term reductions, including program cuts and furloughs. Any discussion of furloughs must include an implementation plan that is equitable across our

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Members of the Education Committee
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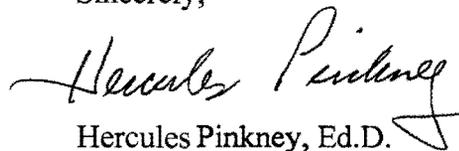
employee base and has minimal impact on the classroom. The Board is also revisiting the tuition increase— going beyond the \$3 per credit hour increase to a total increase of \$5 a credit hour for county residents (tuition would increase more for out-of-county students). For a full-time student, this would make the annual tuition and fees \$4,272. We are currently the second most expensive community college in the state; this increase could make us to the most expensive.

Taken together, these actions are not sufficient to fully close a \$15 million gap. Further cuts could seriously jeopardize our core principles of access and quality. That is why we urge you to give serious consideration to our list of \$7.5 million in non-recommended expenditure reductions. Given the County Council's history of support for the College, we hope you can help us to sustain the educational opportunities – the opportunity to Change Lives – that we have provided Montgomery County residents for almost 65 years.

In an economy like this one where expansion of our tax base is essential, the need for an educated workforce has never been more important. We hope to be an essential part of the solution to expanding that tax base, while offering opportunities to students who might otherwise never have a chance at college. That, after all, is the heart of our mission.

Thank you for your consideration.

Sincerely,



Hercules Pinkney, Ed.D.
Interim President

| | A | C | D | E | F | G |
|----|---|--------------|--------------|--------------|-------------|--------------|
| 1 | MONTGOMERY COLLEGE OPERATING BUDGET, Current Fund only | | | | | |
| 2 | FY11 _____ | | | | | |
| 3 | Coll | | | | | |
| 4 | | March 15 | May 3 | May 3 - | | MFP - |
| 5 | Fund | Coll request | Coll request | March 15 | MFP | Coll May 3 |
| 6 | I. Expenditures | | | | | |
| 7 | Current | 223,003,199 | 223,560,689 | 557,490 | 210,624,676 | (12,936,013) |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | II. Funding | | | | | |
| 11 | County | 108,128,850 | 106,588,003 | (1,540,847) | 93,651,990 | (12,936,013) |
| 12 | State | 30,946,744 | 30,610,336 | (336,408) | 30,610,336 | 0 |
| 13 | Tuition and tuition related | 75,289,488 | 76,748,807 | 1,459,319 | 76,748,807 | 0 |
| 14 | Other student fees | 1,324,785 | 1,324,785 | 0 | 1,324,785 | 0 |
| 15 | Transfers | (450,000) | 0 | 450,000 | 0 | 0 |
| 16 | Use of fund balance | 6,298,332 | 6,823,758 | 525,426 | 6,823,758 | 0 |
| 17 | All other | 1,465,000 | 1,465,000 | 0 | 1,465,000 | 0 |
| 18 | Total | 223,003,199 | 223,560,689 | 557,490 | 210,624,676 | (12,936,013) |
| 19 | | 223,003,199 | 223,560,689 | 557,490 | | (12,936,013) |
| 20 | Beginning fund balance | 10,921,904 | 10,921,904 | 0 | 10,921,904 | 0 |
| 21 | Use of fund balance | 6,298,332 | 6,823,758 | 525,426 | 6,823,758 | 0 |
| 22 | Ending fund balance | 4,623,572 | 4,098,146 | (525,426) | 4,098,146 | 0 |
| 23 | | | | | | |
| 24 | County contribution for current fund | 108,128,850 | 108,686,340 | 557,490 | | |
| 25 | Must be at least as much as in prior year to maintain effort. | | | | | |
| 26 | | | | | | |
| 27 | Changes, May 3 | | | | | |
| 28 | Energy tax, increase expenditure and County contribution | | | 557,490 | | |
| 29 | | | | | | |
| 30 | Increase use of fund balance | | | 525,426 | | |
| 31 | Increase tuition additional \$2/4/6 | | | 1,459,319 | | |
| 32 | State aid | | | (336,408) | | |
| 33 | Reduce transfer to non tax supported funds | | | 450,000 | | |
| 34 | Sum last 4 items | | | 2,098,337 | | |
| 35 | | | | | | |
| 36 | CE and MFP cut, April 8 | | | (15,034,350) | | |
| 37 | | | | | | |
| 38 | MFP cut, May 5 | | | (12,936,013) | | |

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