ED COMMITTEE #1
April 23, 2015
Worksession

MEMORANDUM

April 21, 2015

TO: Education Committee

FROM: Essie McGuire, Senior Legislative Analyst

SUBJECT: **Worksession – Montgomery College FY16 Operating Budget**

Today the Education Committee will review the Montgomery College's requested FY16 Operating Budget. The following individuals are expected to participate in today's worksession:

- Reginald Felton, Chair, Board of Trustees
- Dr. DeRionne Pollard, President
- Dr. Janet Wormack, Senior Vice President, Administrative and Fiscal Services
- Susan Madden, Chief Government Relations Officer
- Linda Hickey, Budget Coordinator, Administrative and Fiscal Services
- Jennifer Bryant, Office of Management and Budget

OVERVIEW

The Board of Trustees adopted the proposed FY16 Operating Budget for Montgomery College on January 26. **The College's total request is $312.2 million for all funds, an increase of $15.1 million or 5.1% over the FY15 approved level of $297.1 million. The College's tax-supported request totals $254.5 million or 4.1% over the FY15 tax-supported level.** The budget transmittal letter from the Board Chair and the College President to the County Executive and the Council President is attached on circles 1-13 and provides detail on the revenue and expenditure assumptions in the College's budget request.

The County Executive recommends a total of $306.2 million for the College in FY16, an increase of $9.1 million or 3.1% over the FY15 approved level. The Executive's tax-supported recommendation is for $248.5 million, an increase of $4.0 million or 1.6% more than the FY15 approved level.

The Current Fund consists of the major tax-supported elements of the College's budget, excluding primarily grants and enterprise funds. The table below shows the College's Current Fund by major funding source, including the FY15 approved level, the College's FY16 request, and the Executive's FY16 recommendation.

Montgomery College Current Fund Resources FY15-16						
Source	FY15 Approved		FY16 Coll Req		FY16 CE Rec	
	$	% of total	$	% of total	$	% of total
County	116,733,727	47.9%	131,808,531	51.9%	119,733,727	48.3%
Tuition & Fees	83,660,041	34.3%	81,187,685	32.0%	83,287,685	33.6%
State	34,238,669	14.0%	33,708,582	13.3%	33,708,582	13.6%
Fund Balance	7,488,018	3.1%	5,415,657	2.1%	9,415,657	3.8%
Other	1,650,000	0.7%	1,650,000	0.7%	1,650,000	0.7%
Total Curr Fund	**243,770,455**		**253,770,455**		**247,795,651**	

Council staff highlights the following about the Current Fund components as an overview of the budget discussion:

- The College's budget assumes an increase in tuition of $3/$6/$9 per semester hour (in-County, in-State, out-of-State). This is the same level of increase as was approved in FY15. The decrease in the amount of tuition revenue that the College assumes in FY16 is due to the anticipated decrease in enrollment. The Executive assumes a tuition increase of $6/$12/$18 per semester hour. This issue is discussed more fully later in this packet.

- State Aid decreases from the FY15 approved level by $530,087. At this time it appears that the final State Aid amount may be higher by $272,000, bringing the FY16 level closer to the FY15 level. As discussed on circle 6, if State formulas had been fully funded, however, the College would have received an increase rather than nearly level funding.

- The Executive's budget assumes significant funding differences in tuition, fund balance, and County funding from the College's request. The College would need an additional $12 million above the Executive's recommended level of County funding to meet its budget request and maintain its original assumptions about fund balance and tuition.

- Maintenance of Effort for Montgomery College requires that the County provide the same amount of local funding as in the previous year. The County Executive's recommendation increases the College's MOE by $3 million; the College's request increases its MOE by $15.1 million.

- The College's request for County funding would bring the County's contribution to over half of the total Current Fund resources for the first time in recent years. The next highest point recently was 49% of Current Fund resources in FY2009.

Public Testimony: The Council heard testimony from the Chair of the Board of Trustees (attached on circles 14-16) and from several students, faculty, and staff from Montgomery College. Speakers advocated for full funding for the College, focusing on the need to keep tuition low, the need for compensation increases for faculty and staff, and the benefits of accessible higher education in Montgomery County.

REVIEW OF PROPOSED FY16 EXPENDITURES

I. Enrollment

The College projects an FY16 enrollment of 24,364 students and 487,304 credit hours. The FY16 projected number of students is a decrease of 1.5% from the FY15 projection. FY16 would be the fourth consecutive year of decreasing enrollment for the College. The recent high mark was 27,453 students in FY12.

The College identifies three primary factors related to the decreasing enrollment:

1. MCPS is currently experiencing a decreased number of 12^{th} graders, which is anticipated to increase as recent enrollment increases rise through the system.
2. Recessionary years often see an increase in student numbers which tend to decline as the economy improves.
3. Financial aid eligibility has tightened while tuition has risen in the last five years.

More detailed enrollment data from the College's budget submission is attached on circle 18. Council staff notes the following:

- Enrollment of new County students that are recent high school graduates is projected to increase beginning next fiscal year.
- The number of returning students continues to decline for the next two years, the continuation of recent enrollment trends for new students.
- The total enrollment for the College is projected to decline through FY17 and then begin to increase due largely to the projected influx of new County high school graduates.

II. Positions

The College's proposed Current fund budget adds 24 staff positions: 10 to support expansion of the ACES program; 7 related to the initiative for closing the achievement gap; 4 to staff community engagement centers; and 3 for the workforce initiative. (Program detail on these requested increases is outlined later in this packet.)

The table below shows the Current Fund position trends by category FY13 through the FY16 request.

Summary of Current Fund Positions				
	FY13	FY14	FY15	FY16 Rec
Instructional Faculty	539.0	538.0	550.0	550.0
Counselors	63.0	64.0	65.0	64.0
Administrators	79.5	84.0	85.0	86.0
Staff	1,029.6	1,029.1	1,085.1	1,109.1
Total	**1,711.1**	**1,715.1**	**1,785.1**	**1,809.1**

The bulk of the increased positions in this time period were added last year, to the FY15 budget. For many agencies and departments it is useful to compare the FY16 recommended level to the pre-recessionary 2009 staffing levels. In 2009, the College Current Fund supported a total of 1,720 positions, and the total dropped to 1,710 in FY10. Since FY09 the College added very few positions until last year's budget increase.

III. Changes outside of the Current Fund

The Executive concurred with the College's requested expenditures in the funds detailed below. These funds are not supported by County tax revenues. Council staff concurs with the College's requested expenditures in these funds.

Workforce Development and Continuing Education $18,675,686

- There is an increase of $475,481 over the FY15 approved level.
- There is a decrease in State Aid in this fund of $642,945 or 9.7% from FY15.
- Tuition and fees support 52.7% of this fund.
- State Aid supports 32.0% of this fund.

Cable TV $1,634,073

- This is an increase of $129,073 over the FY15 approved level.
- $1,579,073 of this amount is requested from the County Cable Plan.

Auxiliary Enterprises $5,414,054

- This is a decrease of $424,103 over the FY15 approved level.
- This fund consists of: Retail Operations (includes functions such as bookstore, concessions, food and beverage services); Child Care; and Facilities rental for MBI Café, the Robert E. Parilla Performing Arts Center Rental, and the Takoma Park/Silver Spring Cultural Arts Center Rental.

Transportation Fund $4,400,000

- This is an increase of $900,000 over the FY15 approved level.
- This amount assumes a $1 increase in the student transportation fee and $900,000 increased contribution to Ride-On. The total amount of the FY15 Ride-On contribution is $1.3 million.

Federal, State, and Private Grants $19,773,000

- This amount is the same as the FY15 approved level.

Current Fund Consent Items: The Current Fund includes two funds recommended at the same level as in FY15. The Executive concurs with the College's request for these two areas; Council staff does as well.

- *Emergency plant maintenance and repair: $350,000.* This fund provides for unanticipated expenditures to make emergency repairs not funded elsewhere in the budget.
- *Tax supported grant funds: $400,000.* This fund provides for community needs not met elsewhere in the budget and supports the College's adult literacy programs.

IV. Programmatic Requests

The College's request includes approximately $3.9 million in increased funding to support the programmatic priorities outlined below. All are more fully discussed in the President's budget letter, and the relevant circle page number is identified for reference. Council staff briefly describes the funding elements below.

Initiatives related to closing the achievement gap: $1.6 million (circles 8-9)

The College has identified several components in its FY16 budget request that are targeted to support students toward degree completion. They include:

- professional development to create a system of focused academic advisers in each academic department;
- support for part-time faculty to be more actively connected with the College's overall strategic plan for and resources for student success;
- additional infrastructure to coordinate and target existing support services to minority students, including an additional financial aid specialist.

ACES Expansion: $1.0 million (circles 7-8)

The FY16 budget adds 10 positions to expand the Achieving Collegiate Excellence and Success (ACES) program to an additional six high schools and 720 more students. This increase would bring the FY16 program staffing total to the following complement:

- 16 coaches at the 16 high schools
- 5 coaches at the College campuses
- 1 Director
- 1 Assistant Director
- 1 Readiness Coordinator
- 1 Program Support position
- 1 Administrative Aide

The program began in the fall of 2013 and is designed to address barriers that prevent low income students from completing college. Students are assigned an academic coach during their junior and senior years in high school. The Education Committee received a briefing on this program in September 2014 and discussed the success and impact that this program has had in its initial implementation.

Funding history: The College initially reallocated $1.0 million of existing resources for the program's initial stages. The Council approved $500,000 of funding in the FY14 operating budget to support the program and another budget increase of $460,000 in FY15. **The requested FY16 increase would bring the program total to $2.96 million.**

Workforce Development Initiatives: $940,000 (circles 9-10)

This increase is requested to support efforts related to specific industry workforce needs. They include: a recruitment strategy for students in biotechnology, business, cybersecurity, engineering, nursing and healthcare, skilled trades, and teaching; funds to increase the teacher education program to support the workforce needs of MCPS; and 3 new career coach positions to assist students in developing a career pathway.

Community Engagement Centers: $320,000 (circle 10)

The College requests 4 positions to increase and expand the Community Engagement Center pilot program. The College reports (circle 10) that it used existing resources and temporary funds last year to initiate this pilot and now requests County funding to make them permanent as a result of positive experience during the pilot.

V. Compensation and Benefits

The College's FY16 request includes an increase of $11.8 million related to employee salary and benefit increases. Of this total, nearly $2 million relates to benefit cost increases and operational adjustments such as the need to add an additional day in the calendar and increase the minimum wage.

A total of $9.8 million is associated with salary improvements and the collective bargaining agreements. The College's FY16 budget includes 2.5% general wage adjustments (GWA) and 3.5% service increments for most full-time employees. The GWA is effective July 1, and the service increment for most employees takes effect with the start of the academic year or in mid-September.

In addition, the College's FY16 budget request funds an adjustment in the pay schedules for part-time faculty. Effective the first day of the 2016 academic year, the pay schedule will increase by 5.0% percent for the Lecturer position; 6.0% percent for Adjunct Professor I position; and 7.0% percent for the Adjunct Professor II position. Pay schedule adjustments of the same amounts were also implemented last year (FY15).

The FY16 cost of the service increments for eligible employees is approximately $4.7 million, and the cost of the GWA is approximately $3.7 million for all employees. (These figures include part-time faculty in addition to associated FICA and benefit adjustments.) The Government Operations and Fiscal Policy Committee will review compensation and benefits for all agencies on April 23. The other agencies (County Government, MCPS, and M-NCPPC) are proposing a GWA of 2.0% for the full year in addition to service increments. **Council staff notes that if the College implemented a 2.0% GWA similar to other agencies it would result in an FY16 savings of approximately $730,000.**

Recent recession history: The College experienced years with little or no pay increases during the recessionary years, as did other agencies. The College received no pay increases in FY11 and FY13; lump sum only in FY10 and FY12 (staff also received an increment in FY10); and implemented furloughs in FY11.

COMMITTEE DISCUSSION ISSUES

Together, the compensation and benefit elements and programmatic requests detailed above comprise the $15 million increase in the Current Fund requested by the College for FY16. **Given the $12 million gap between the College's request and the Executive's affordability assumptions, the Committee may want to discuss what combination of budget reductions and additional revenues it recommends as the funding structure for the College in FY16.**

Tuition

As noted earlier, the College's budget assumes an increase in tuition of $3/$6/$9 per semester hour (in-County, in-State, out-of-State tuition rates). This is the same level of increase as was approved in FY15. The College assumes a total revenue from tuition and fees of $81.2 million in FY16, a decrease of $2.5 million from the FY15 approved level. The College assumes that tuition and fees will contribute 32% of Current Fund revenue.

The Executive assumes a tuition increase of $6/$12/$18 per semester hour. This increase is double that proposed by the College. The Executive assumes that a total of $83.3 will support the Current Fund in FY16, nearly the same level as in the FY15 approved budget. The Executive's budget assumes that tuition and fees will support 33% of the Current Fund revenue.

Recent tuition history: Since FY2010, tuition and fees have supported a low of 33% of the Current Fund in FY2010, and a high of 40% of the Current Fund in FY2013. Tuition has increased every year since and including FY2010 with the exception of FY2014. The highest tuition increase was in FY2011 at $5/$10/$15 per semester hour.

Only the Board of Trustees has the authority to determine the tuition rates for the College, and the Trustees are scheduled to meet and make this decision on April 27. Given the data regarding financial aid eligibility and need, Council staff understands the College's approach to minimize the tuition increase. Given declining enrollment, however, this presents a budget challenge; the College's assumptions yield a decrease in total tuition revenue even with the proposed rate increase. **If the tuition rates stay at the College's proposed levels the College will need to make reductions to its requested budget to meet decreased revenue or the Council would need to add County funding to mitigate these reductions.**

Fund Balance and Reserve

The College accrues fund balance consisting of unspent appropriation at the end of a fiscal year, as do the other agencies. Some portion of these resources is typically allocated as a resource for the next year's budget. In addition, the College maintains a reserve consistent with Council Resolution 17-312, *Reserve and Selected Fiscal Policies*. This resolution, adopted in November 2011 and attached at circles 19-22, specifies reserve levels for County Government and the other County agencies. For the College, the resolution states that "The reserve in the Current fund should be 3.0%-5.0% of budgeted resources minus the annual contribution from the County" (circle 22). For FY16, a 4.0% reserve would equal approximately $4.7 million.

For FY16, the College proposed using $5.4 million of fund balance as a resource for the FY16 budget. This assumption would leave a projected $4.6 million in reserve, consistent with the policy as described above.

The Executive recommended that the College's FY16 budget include an appropriation of all available fund balance, including the reserve amount. The College projects to end FY15 with an overall balance of $9.9 million; the Executive recommends an appropriation of $9.9 million, and anticipates a resulting fund balance of $585,292.

The Executive's recommendation is clearly inconsistent with the Council's November 2011 resolution. However, it does provide additional resources for the College to use that do not require new County funding. The Council will need to determine what appropriate level of reserve should be budgeted and what level of fund balance should be appropriated in the FY16 budget.

In brief, Council staff understands the main arguments in support of maintaining a separate reserve fund to be that:

- The College relies for approximately one-third of its revenue on tuition and fees that are not provided uniformly throughout the year and thus a reserve is necessary to assist with cash flow during the fiscal year.
- The College has bonds issued through its Foundation that require an independent reserve to guarantee.

In brief, Council staff understands the main arguments against maintaining a separate reserve fund to be that:

- The County's reserves provide sufficient assurance of support to the College for both the cash flow and bond guarantee issues.
- The annual fund balance tends to be higher than projected, which allows for a lower reserve amount to be budgeted without affecting the College's fiscal needs during the year.

For FY16, a reserve amount of 3.0% (the lowest reserve amount outlined in Resolution 17-312) would be $3.5 million. **Council staff recommends that at a minimum the Council can budget a 3.0% reserve and assume additional fund balance appropriation of $1.1 million. This amount**

would increase the fund balance revenue in FY16 to $6.5 million; it is consistent with Council policy, and is higher than the College's assumption but below the Executive's. The Committee may want to discuss with the College the implications of further increases to the fund balance appropriation and the operational impact of a lower than 3.0% reserve during FY16.

Regardless of what level of fund balance and reserve the Council ultimately assumes for FY16, Council staff recommends that the Committee return to this issue in the coming year to better understand the impetus behind Resolution 17-312, the policy and fiscal implications of a separate agency reserve, and the fund balance and reserve levels over time. The Committee can then recommend whether policy changes are necessary before FY17 budget discussions begin.

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Office of the President

February 16, 2015

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

The Honorable George Leventhal
President, Montgomery County Council
Stella B. Werner Council Office Building
100 Maryland Avenue
Rockville, Maryland 20850

Dear Mr. Leggett and Mr. Leventhal:

On behalf of Montgomery College and the students we serve, we thank you for your deep commitment to continuing the county's strong financial support for locally provided, high quality postsecondary education—it is integral to the success of local employers and the most important capital in our economy—our county's residents.

With some indication that the national economy is improving, the College is able to once again act boldly—with a sense of urgency for our community's future—to enhance our efforts to serve our students and supply local employers with workers ready for the 21st century marketplace. Last year, you supported excellence in our classrooms; opened the Bioscience Education Center; added faculty in disciplines experiencing increased enrollment (including STEM) that support immediate workforce needs; established permanent staff to continue the success of our nursing program; expanded ACES; and made our Welcome Centers a permanent part of our campuses. Welcome Centers, a crucial point of entry, make the College more accessible and user-friendly for new and returning students. We are grateful for your efforts to fund these key priorities.

We respectfully submit for your consideration the College's fiscal year 2016 operating budget, adopted by the Board of Trustees. This $253,770,455 operating budget represents a 4.1 percent increase over last year's budget with 78 percent of our request is in compensation costs. The College's priorities include: (1) protecting affordability, (2) fostering good fiscal stewardship, (3) advancing excellence, (4) enhancing access, (5) driving success and completion, including efforts that help close the achievement gap, and (6) preparing workers who will compete and succeed in key industry sectors.

Therefore, we ask you to continue to invest in the College to help drive economic progress for our families and our community. Given our knowledge-based economy, our county has few job opportunities for those without some postsecondary education. Our county's future demands an unwavering commitment to ensuring everyone has access to a locally provided postsecondary education and a chance to get a firm grasp on the ladder of opportunity. And for many of our friends, neighbors, and youth, the first rung of that ladder is Montgomery College.

Our county's economic future requires strong investments in a "Kindergarten to Job" education system with Montgomery College as a lynchpin. Why? Whether our high school graduates or adult learners want to be engineers or mechanics, nurses or lab technicians, teachers or cybersecurity analysts, they must have a postsecondary education. It can all begin at Montgomery College. According to the National Science Foundation, half of America's scientists and engineers started at a community college. With your continued investment, Montgomery College will provide greater access to the ladder of opportunity. Having access to that all-important ladder is simply not enough. Our task is to make sure our students can get a firm grasp on that ladder of opportunity and start their upward climb.

Aligned with our strategic plan, *Montgomery College 2020*, our fiscal year 2016 budget advances important priorities that leverage investments to continue our forward momentum to help ensure that every member of our community has the skills necessary to obtain a good job and can contribute to the economic progress of our county.

BUDGET PRIORITIES

Protecting Affordability

The Board of Trustees continues to be very concerned with the growing cost of postsecondary education. Montgomery College remains the most affordable higher education option for county residents, at $4,728 per year in tuition and fees for a full-time student. However, the cost is still a challenge for many of our students. The latest data indicate that 29 percent of our students receive federal financial aid in the form of Pell grants, up from 25 percent in 2012. Most of our Pell grant recipients have an average household income of only $27,000. The number of students who need help is growing.

Since 2009, financial aid applications have grown by 70 percent. These cost concerns, coupled with the clear need for postsecondary education, prompted President Obama to propose free community college for all those willing to work for it. Whether or not the President's proposal is supported by the 114th Congress, we believe that no student should be left behind because of finances. We all know too well what it costs to make ends meet here in our own community. Families may not have the means to pay for education and training to improve their earning potential.

Fiscal Stewardship

We know it is imperative to continue to be good fiscal partners with the county. This budget reallocates savings from cost containment measures, and includes permanent reductions, largely from the non-institutional operations. Although difficult, these reductions demonstrate our continued commitment to good fiscal stewardship.

In total, these savings will offset: (1) lower tuition revenue, (2) reduced state aid, and (3) a smaller available fund balance. Additionally, a fund balance contribution, though less than last year, will provide a starting balance for fiscal year 2016. And finally, this budget assumes a tuition increase.

Advancing Excellence

Montgomery College depends upon its faculty and staff to provide excellent teaching and learning opportunities both inside and outside of the classroom. Our outstanding faculty include Theatre Professor KenYatta Rogers, named the 2014 Maryland Professor of the Year. Montgomery College faculty members have won this distinction for six years in a row.

Our fiscal year 2016 request covers compensation enhancements for our employees, including increased benefit costs and the cost of complying with new minimum wage laws. Our compensation agreements are necessary to ensure an excellent workforce of talented faculty and staff. A strong talent management strategy that attracts and retains talented, mission-driven employees like Professor Rogers starts with competitive compensation.

Recruiting top talent to teach our students is integral to delivering quality education. Professors that bring teaching experience from the leading programs around the country and years of professional work experience in their industry are in high demand and can teach anywhere, including four-year institutions and the private sector where salaries are most competitive. We, of course, want them to teach at Montgomery College.

Enhancing Access to Postsecondary Education

Additionally, Montgomery College must continue to ensure that all residents, no matter their circumstances, can improve their lives through a strong, affordable, locally provided postsecondary education. Therefore, our request includes funding to more broadly and deeply engage the community by expanding the ACES (Achieving Collegiate Excellence and Success) program, strategic marketing to bolster enrollment in key disciplines, and staffing our community engagement centers.

Further, we are working to enhance access to credit courses for recent high school graduates. The College will pilot the use of multiple measures for math placement course decisions to enroll more students in credit-bearing courses. We will deepen our collaboration with Montgomery County Public Schools (MCPS) to provide greater alignment of the math curriculum between our systems. Notably, no new resources are needed for this important curriculum work.

Driving Success and Completion

Over the last several years we have overhauled our internal structures to focus on improving student outcomes. Today, we have a stand-alone student services division, because we know that what happens outside the classroom can be as important as what happens inside the classroom. We also recently reorganized the academic affairs division. This action brought supervision closer to the classroom and high quality, consistent teaching and learning across our three campuses and two training centers. We used existing funds for both reorganizations.

To truly move Montgomery County forward, we must have a keen focus on student success coupled with a passion for closing the achievement gap. This is how we will prepare the ready workforce of tomorrow and enable more residents to gain access to in-demand careers. Going forward, we will need increased county support with some key initiatives beginning in fiscal year 2016 to improve student learning outcomes that drive success and completion.

Readying the County's Workforce

We are deeply committed to addressing the needs of the county's employers and connecting residents to in-demand careers. We have approximately 38,000 students enrolled in degree programs and 24,000 in career and training and enrichment programs each year. They will be ready to successfully compete for good local jobs. As a result, employers would not have to import workers from other states for middle- and high-skill positions. Montgomery College can—and does—prepare them right here in Montgomery County.

In fact, our efforts to help fill the 20,000 cybersecurity jobs available in Maryland is further evidence of our commitment and agility to meet the county's workforce needs. As you know, the College is leading the way in responding to job growth in this burgeoning industry for our community—now home to the National Cybersecurity Center of Excellence.

With a grant from the United States Department of Labor, Maryland's community colleges—led by Montgomery College—will work with industry leaders such as Lockheed Martin along with the Tech Council of Maryland to fill vacant jobs with Marylanders instead of importing labor from other states. The grant targets residents traditionally unable to gain a foothold on career pathways to meaningful work with family-sustaining wages.

We have also won two EARN (Employment Advancement Right Now) grants from Maryland to prepare more workers for the biotechnology and logistics industries. This is what we do best—provide the education and training that is integral to the success of local employers and the most important capital in our economy—the residents of the county.

Ultimately, our budget request helps grow enrollment in disciplines related to key industry sectors to meet workforce needs—from teachers to engineers.

ENROLLMENT PROJECTIONS

Montgomery College continues to have the largest enrollment of all community colleges in Maryland. The fall 2014 credit enrollment at the College was 25,517, down from our all-time high in fall 2012 with enrollment of 27,453 students. Our current enrollment is the sixth highest enrollment in our history. We are the third largest undergraduate institution in the state, behind the University of Maryland College Park and University of Maryland University College.

Even with this change, the College continues to experience growth in certain high demand employer areas. For example, the combined enrollment in science, math, engineering, nursing, and teacher education programs has doubled in the last five years, a promising trend that we hope continues.

Overall, we project enrollment to decline again next year, mainly because of the projected decrease in the MCPS 12th grade population over the next four years. While we anticipate our "draw rate" of county high school graduates to remain about the same—25 percent—the projected decrease in the total number of graduates leads us to lower our expected enrollment in the fall semester of 2015 to 24,727 credit students.

While community college enrollments tend to increase during a recession, as people need retraining in new fields. However, as the economy improves, enrollment tends to drop off. Montgomery College, as other community colleges across the state, is most likely experiencing this effect.

Availability of federal financial aid also impacts enrollment. Recently, federal financial aid rules have tightened and our tuition has increased over the past few years (although not in the 2013–2014 academic year). We also know the county experienced a significant growth in poverty over the last 10 years. In fact, the percentage of students receiving Pell grants has grown to 29 percent, most of whom have an average household income of $27,000.

Some industries and employers place a premium on skill attainment (certifications and licensures) and on-the-job training in lieu of degrees. Montgomery College's Workforce Development & Continuing Education unit provides skills training and apprenticeships.

Course enrollment trends in these programs remain steady at nearly 44,000 in fiscal year 2014. This unit receives some state support but no county operating aid.

Montgomery College remains focused on increasing access to postsecondary education by reaching out to potential new students through programs like ACES and our community engagement centers. Additionally, this budget includes new funds for a targeted marketing strategy aimed at helping more students understand that college is possible and that programs in health and STEM disciplines that lead to lucrative careers are available right here at Montgomery College.

Enrollment management is not just about new students; it is also about retaining our current students, and investing in and ensuring their success.

REVENUE SOURCES

The College's anticipated state aid is $39.7 million in fiscal year 2016. Of that, the current fund would receive $33.7 million, a 1.6 percent decrease from the prior year. In January, the Board of Public Works reduced our state aid for the current year resulting in lower resources available for fiscal year 2016. Governor Hogan's proposed fiscal year 2016 budget provided a slight increase over the revised fiscal year 2015 appropriation. These two actions left Montgomery College with $1.2 million less than last year's allocation. However, had Governor Hogan used the Cade formula, the College would have yielded $2.3 million in new support.

Also, the Budget Reconciliation and Financing Act of 2015 (currently pending before the General Assembly) includes proposed changes to Cade funding formula for community colleges to cap state aid—most troublesome news. We will work during the course of the session of the Maryland General Assembly to obtain additional state aid for the upcoming fiscal year and fend off attempts to cap funding in future years.

The College's budget anticipates a $3/$6/$9 per-credit-hour increase in tuition for in-county/in-state/out-of-state students; the Board of Trustees officially acts on tuition rates in April. The consolidated fee will also increase as it is calculated as a percentage of tuition. This budget also anticipates a $1 increase in the transportation fee to support the bonds for the Rockville Campus Parking Garage. With these proposed increases, the average full-time student will pay $4,728 next year. Overall, tuition and related fees are expected to generate $81.2 million.

The College accrued, through cost containment and permanent reductions, a savings of $ 6.1 million to offset the loss of state aid, lower tuition revenue, and a smaller available fund balance.

Consistent with the enumerated budget priorities, the College will commit $5.4 million of our fund balance as the beginning balance for fiscal year 2016. This appropriation request is $2.1 million less than in fiscal year 2015 and is a reflection of our efforts to more tightly control expenditures and comport with county's goals for reserves.

We are requesting an additional $15 million in county support. More than $12.2 million of the request will deliver a same service level of effort that includes compensation enhancements, with increases for utilities, and contractual and rental agreements. The balance of the request will fund key investments in student success and workforce development goals.

EXPENDITURE REQUESTS

The Current Fund expenditure appropriation request totals $253.8 million, representing an increase of $10 million or 4.1 percent over last year.

Compensation and Benefits for our Employees—$11.8 Million

This budget request includes an increase of $9.8 million for compensation and the related FICA, which are changes driven primarily by our three collective bargaining agreements. We negotiated a new, nine-year comprehensive agreement with our full-time faculty union wherein their compensation is reviewed every three years. We extended our current agreement with our staff union for one year. We also have a three-year agreement in place with our part-time faculty union for fiscal years 2015 through 2017.

The upcoming fiscal year includes an additional day in the calendar for which we must provide compensation. This budget also complies with the new minimum wage requirements for our student assistants. The requested $774,000 covers both costs.

In fiscal year 2016, our employee benefit costs will increase by $1.6 million, a 1.3 percent increase over last fiscal year. This increase is due to increases in our group insurance benefits related to escalation, compensation absences related to negotiated salary increases, and additional funds for our education assistance program and its related travel.

Achieving Collegiate Excellence and Success (ACES)—$1 Million

ACES is a partnership led by Montgomery College in concert with our public schools and the Universities at Shady Grove. The sole purpose of this effort is to get students who are underrepresented in higher education *to college* and *through college*. Coaching is the key element in this program. We have embedded coaches who are Montgomery College employees in 10 of our county's 25 high schools—one per school to date. These coaches serve a total of 1,300 students both in the high schools and now on our campuses.

These coaches are active case managers, guiding students and families along the path to success and completion, while helping with test preparation, college applications, FAFSA forms, scholarship applications, mentoring, and tutoring. This fall the College welcomed the first of our ACES students to our campuses—almost 300 of the more than 500 ACES graduating seniors chose to attend MC. An impressive 98 percent of the 2014 senior class pursued a postsecondary education, a great start for these "at-promise" students.

Our request includes funds to place six coaches in Blake, Magruder, Northwest, Paint Branch, Quince Orchard, and Springbrook high schools. We will also hire an assistant director and administrative support to support the backbone of the operation. With this expansion, we will reach an additional 720 students.

Success for Every Student—Driving Completion and Closing the Gap—$1.6 Million

To improve learning outcomes and drive student success and completion, the College must implement a systematic academic advising model that will better guide students through their major programs and toward degree completion. Our efforts will begin with professional development and result in at least two faculty members in each academic department to serve as advisers for students—totaling approximately 140 academic advisers across the College.

An academic advising coordinator will facilitate training and support services for the new department specific advisers. This effort leverages the skills and discipline knowledge of the existing full-time teaching faculty cadre to better serve our students. We anticipate our faculty will engage 15,000 students annually.

The College employs nearly 1,000 part-time faculty members each year who instruct a significant portion of our students. They offer students access to their valuable real-world professional experience. Part-time faculty members often teach at night and on weekends, and as result, need specialized support to fully carry out our mission.

To maximize their contributions to the classroom, we will create a Center for Part-time Faculty to serve as the central coordinating entity for integrating the expertise of these faculty members as they help our diverse student population achieve their educational goals. The center will be staffed by faculty liaisons on each of our three campuses, and will coordinate onboarding, orientation, professional development, and information sharing to more fully engage part-time faculty with the College's strategic plan and student success outcomes. The center will open, both physically and online, in the fall 2015 semester.

To aid in closing the achievement gap, the College will develop the infrastructure necessary to more deeply invest in the success of African-American and Latino/Latina students. A coordinator and three fellows (one for each campus) will be under the direct supervision of the senior vice presidents. This team will cultivate faculty and staff advocates to leverage the work of existing employees across the College to provide direct services to students.

The team will work with faculty and staff to develop and implement an array of initiatives to provide specialized support services for this population of students at the College. Studies show that students with a strong connection to at least one person on campus are more likely to re-enroll and continue their course of studies. We specifically envision the creation of a comprehensive and collegewide mentoring program. The team will also identify courses that are roadblocks on the path to success for a substantial number of students and intervene as appropriate to lessen the barriers. Intervention could include paired courses and redesigning how material is delivered in the classroom. Requested funds will cover new positions and operation costs, and will also leverage faculty engagement, professional development, and student outreach.

We also need an additional financial aid specialist to support the growing demand for aid. Since 2009, the College's financial aid applications have risen by 70 percent. Poverty and the lack of resources to afford college are the biggest barriers to enrolling in college and successfully completing a degree.

For our students to gain real-world work experience, we need two positions to leverage the operations of our career services office. Students who are placed in meaningful work prior to graduation are more likely to return semester after semester. Such experiences help students to understand what it takes to succeed in the work environment; give them professional growth opportunities in a work setting; and allow them to see the clear need for marketable skills and credentials. On-the-job training and internships are vital to helping all of our students create a path to completion and successful careers. These positions will solicit and develop business partners. We will maximize the value of a recent gift from HESS Family Foundation to expand experiential learning at the College and the Universities at Shady Grove.

Tomorrow's Workforce—On-Ramps to Career Pathways and Closing Skill Gaps—$940,000

This budget request funds to underwrite three new initiatives to enhance our efforts to inject our economy with additional ready workers for targeted industry sectors.

We need to implement a targeted strategy to market and recruit students into certain disciplines—disciplines that provide access to jobs in in-demand fields. These disciplines include biotechnology, business, cybersecurity, engineering, nursing and health care, skilled trades, and teaching. This effort will enable the College to enhance our ability to prepare more workers for these key industry sectors as well as help more students realize that college is not only possible, but is the pathway to well-paying careers—and that all begins at their community college.

We must also grow our teacher education program, which provides an associate of arts in teaching degree, with a particular emphasis on preparing students to transfer in order to help meet the workforce needs of our local school system. This request will fund scholarships to attract students to the discipline; to implement the UTEACH model to ensure high quality standards, especially in science and math instruction; to expand the Learning Assistant program thereby giving students more exposure to the classroom environment; and to provide expanded support services to help grow our future teachers.

Finally, we request three new career coach positions to better guide our students, and help them craft a pathway to their future that best suits their needs. We will provide the on-ramp to postsecondary education in non-traditional ways. Although many potential students arrive on campus with the desire to improve their lives through education—they are often rudderless and lack the skills or experience to map out a clear path forward.

These career coaches will place students in "career starter" programs—highly structured short-term career training programs—that will reinforce the need for continued education, provide for professional growth in real work settings, and underscore the importance of acquiring the needed skills and credentials. These positions will work in the student services division, and will guide and track student progress. Using existing resources, these positions would potentially reconnect disconnected youth to their futures, aid an array of students in determining the right career path, and provide them with options that lead to the most beneficial education and training necessary to meet career goals.

Illuminating Pathways to Success—Community Engagement Centers—$320,000

Beginning as a pilot program last year and now operational at the Gaithersburg Library and the East County Regional Center, the new community engagement centers will illuminate career pathways and educational opportunities for disconnected members of the community. We will reach people who might never have considered postsecondary education and training as a real possibility.

Currently, the centers are in located in county-owned facilities to minimize costs and to reach broader and more diverse segments of our community. This helps us maximize the collective impact of our partnership with the county. While we initially used existing funding and temporary positions to establish these two centers, we want to make them a permanent part of the community. As an anchor institution, we are called upon to do what we do best—connect residents to opportunities by lowering obstacles to their success.

Specifically, we request funds for four engagement center specialists. These specialists will directly interface with county residents and serve as liaisons to other essential community groups. Additionally, the specialists will work with workforce development managers and recruiters to promote and enroll students in our array of programs and services.

Contractual Compliance and Other Operations—$546,000

We request $434,000 to pay for increases in utilities, leases, and other ongoing operational costs associated with same services level of effort.

To lessen the impact of the tuition increase on our students, we request $112,000 for scholarship support. This is standard request and always made in conjunction with a tuition increase.

OTHER FUNDS

Emergency Plant Maintenance and Repair Fund—$350,000

The Emergency Plant Maintenance and Repair Fund is a spending affordability fund. We request an appropriation of $350,000 and county funding equal to last year's amount ($250,000), plus the use of fund balance of $100,000. This funding is crucial for supporting our emergency maintenance needs.

Workforce Development & Continuing Education Fund—$18.7 Million

We request appropriation authority to spend $18,675,686 for the Workforce Development & Continuing Education Fund. This is an increase of 2.6 percent over the fiscal year 2015 budget. New programming in high-demand areas includes biosciences, health certificates, technology certificates (cybersecurity and others); transportation (CDL), and international student programming.

More than 24,000 students enrolled in our Workforce Development & Continuing Education programs. The College is a popular choice for students seeking career programs such as construction trades and automotive technology. These students rely heavily on our Workforce Development & Continuing Education programs.

Auxiliary Enterprises Fund—$5.4 Million

We request appropriation authority to spend $5.4 million for the Auxiliary Enterprises Fund. These funds cover childcare, food services, the Parilla Performing Arts Center, and other facilities rentals.

50th Anniversary Endowment Fund—$263,000

We request appropriation authority to spend $263,000 for the 50th Anniversary Endowment Fund to plan for the Hercules Pinkney Life Sciences Park at the Germantown Campus.

Cable TV Fund—$1.6 Million

We request appropriation authority to spend $1.6 million. The source of revenue for this fund is primarily the county's cable plan. The Cable TV Fund will increase closed-captioning programming, increase multicultural and foreign language programming, and support community outreach as the College continues the technical transition to high-definition programming.

Grants Fund—$20.2 Million

We request Grants Fund appropriation authority to spend $20.2 million. Of this amount, $400,000 is requested in county funds for the Adult ESOL/Adult Basic Education/GED program. This is the same amount as was appropriated in fiscal year 2015.

Transportation Fund—$4.4 Million

The Transportation Fund is comprised entirely of user fees from students and employees, including parking enforcement revenue. All revenue will be used to pay for lease costs related to the Takoma Park/Silver Spring West Parking Garage. Through this fund, the College will also pay the county for Ride On bus service for our students, which is expected to increase by $900,000. The Board of Trustees will be asked to approve a $1 per-credit-hour fee increase to support the Rockville Parking Garage at its April meeting. This will change the transportation fee from $5 to $6 per credit hour. The appropriation request is $4.4 million.

Major Facilities Reserve Fund—$7.5 Million

We request appropriation authority to spend $7.5 million for the Major Facilities Reserve Fund. The additional appropriation authority of $4 million above fiscal year 2015 is to pay for the one-time expenditures to complete the collegewide physical education facility renovation project. This project is included in our fiscal year 2016 capital budget. The remaining amount of the appropriation, $3.5 million, will cover the lease payments to the Montgomery College 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.

CONCLUSION

On behalf of the Montgomery College Board of Trustees, we respectfully request total appropriation authority of $312,180,268.

We appreciate your careful review and consideration of this operating budget request. We appreciate your ongoing support of Montgomery College and the pivotal role the College plays in providing a strong "Kindergarten to Job" education system in support of a robust economy.

We pledge to continue to do our part to move our community forward. With an undergraduate enrollment virtually equivalent to that of the University of Maryland College Park, and even more in our training programs—totaling 60,000 students, Montgomery County moves forward when your community college students succeed.

Sincerely yours,

Reginald M. Felton
Chair, Board of Trustees

DeRionne P. Pollard, PhD
President

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Office of the President

Testimony

FY16 Operating Budget

Reggie Felton, Chair, Montgomery College Board of Trustees

April 15, 2015

Thank you for the opportunity to speak with you.

I am joined by Dr. Pollard, my colleagues from the Board of Trustees, as well as the many members of the fine faculty and staff of Montgomery College.

Make no mistake, the College is extremely grateful for the support we received from the county last year.

Because of you, the College 1) opened the 140,000 square foot Bioscience Center Education on time, 2) strategically added new staff and faculty in the STEM and nursing disciplines to support workforce needs, and 3) expanded ACES. And, you provided the funds to support our most valuable resource at the College: our faculty and staff.

With your investments we have hopefully put the ill effects of the Great Recession behind us. But, the work is not done! An **affordable, yet high quality,** locally provided postsecondary education is the lynch pin in any effort to expand our economy and give more residents access to the ladder of opportunity.

So, we need your help! The County Executive's recommendation of $3 million is woefully inadequate.

The Board, in adopting the budget, carefully balanced the needs of our students, employers, our employees, taxpayers, and the need to improve student learning outcomes—to close the achievement gap.

First, we reduced and or saved $6.1 million.

We put the remainder of our fund balance to work.

Then, we asked our students to do their fair share with a $3 tuition increase.

And, we kept the faith with our most important resource—our faculty and staff—with reasonable collective bargaining agreements and sensible overall wage and benefit packages.

Finally, we put forward a series of modest, yet targeted initiatives to close the achievement gap, enhance access, and to respond to the county's workforce needs.

In fact, the majority of our request funds a same level of service effort rather than new programs. *And, more specifically, 78% of our request is related to compensation and benefit changes.* The County Executive's recommendation will not even cover the cost of pay raises.

We ask you to continue your investments in Montgomery College.

Our faculty and staff are central to our efforts. Both inside the classroom and out, they deliver results for our students. Just ask Catherine Shelton now an aerospace engineer at Northrup Grumman. For the sixth year in a row Montgomery College is home to the Maryland professor of the year—Professor KenYatta Rogers won this year's honor. *We know for sure only people—faculty like KenYatta Rogers—can empower people to change their lives.*

Unfortunately, a growing segment of our students cannot afford Montgomery College on their own—*financial aid applications are up by 70 percent since 2009*. The average income of Pell grant recipients (federal financial aid for the neediest student) at the College is less than $27,000. The number of students receiving Pell grants has grown to 30 percent, up from 25 percent in 2012.

To make matters worse, while many residents struggle to pay tuition, many employers lack skilled workers—just think of vacant jobs in cybersecurity alone. So an affordable, high-quality postsecondary education is needed now more than ever to boost Montgomery's economy with ready workers and move our county forward.

Affordability is vital because we now know poverty imperils both access and success. Last fall *The Washington Post* published an article about the cost of education. It said, "**College students who come from low-income backgrounds...see the least chance of college success. They are less likely to begin college, less likely to finish.** Even after controlling for ability, the gap in graduation rates persists. Low income students who scored between 1200 and 1600 on their SATs were half as likely to finish college than their counterparts in the top 25 percent of the income distribution, according to one analysis of data from 2000."

Given this data and our changing demographics, *doubling* the rate of the planned tuition increase for county residents, from $3 to $6, as suggested by the County Executive, is not a recipe for moving our county forward.

Instead the future of our county requires that we not only ensure everyone can afford a postsecondary education, but that everyone *gets a firm grasp* on the ladder of opportunity, with a degree or certificate in their back pocket. And for many of our friends and family, the first rung of that ladder is their community college. So, we must do more to both protect affordability and the success of our students. We must act now to drive student success and close the achievement gap—and help our students Achieve the Promise—the promise of a bright future embedded in a degree. We heard that message loud and clear from the Council in the Office of Legislative Oversight report on developmental education.

So your continued investment is necessary. Please help us deliver excellence, protect access and affordability, drive student success, and prepare ready workers for our economy.

Please also reject the County Executive's call that the College spend down our budgeted reserve. This action is simply fiscally imprudent.

Why should you continue to invest? Award winning actor Tom Hanks said it best in a recent New York Times column—"that place made me what I am today"—as he wrote about his experience at Chabot College. Montgomery College is that place for many in our community—just ask Catherine Shelton Northrup Grumman's latest aerospace engineer.

We pledge to do our part to move our community forward—to advance economic progress for all. With an undergraduate enrollment equivalent to that of the University of Maryland College Park—and even more in our training programs, totaling 60,000 strong, Montgomery County moves forward when your community college moves forward.

We ask for full funding—$15 million new County dollars—for Montgomery College.

And, again, we are grateful for your longstanding and deep commitment to the good work of the College and the students we all want to succeed.

COMBINED COLLEGE SUMMARY BY FUND AND PROGRAM

Current Fund	FY 2016 Budget	FY 2015 Budget	FY 2014 Actual
Instruction	$81,318,481	$78,790,380	$74,124,031
Academic Support	42,582,410	40,643,867	35,177,285
Student Services	34,099,503	30,877,517	24,966,584
Operation and Maintenance of Plant	36,306,412	35,077,823	32,331,223
Institutional Support	55,513,753	54,643,323	50,769,617
Scholarships/Fellowships	3,949,896	3,737,545	3,432,190
Total	253,770,455	243,770,455	220,800,930
Workforce Development and Continuing Education			
Instruction	10,028,454	9,700,736	7,651,427
Academic Support	4,097,775	3,983,730	2,895,822
Student Services	2,949,457	2,925,739	2,204,935
Operation and Maintenance of Plant	1,250,000	1,140,000	860,987
Institutional Support	100,000	200,000	14,097
Scholarships/Fellowships	250,000	250,000	116,941
Total	18,675,686	18,200,205	13,744,210
Auxiliary Services - Auxilary Expenditures	5,414,054	5,838,157	4,546,947
Cable Television Academic Support	1,634,073	1,505,000	1,361,743
Emergency, Plant, Maintenance and Repair Fund			
Operation and Maintenance of Plant	350,000	350,000	349,998
Tranportation Fund - Auxiliary Expenditures	4,400,000	3,500,000	2,788,189
50th Anniversary Endowment Fund			
Grants and Endowment Expenditures	263,000	263,000	65,000
Major Facilities Reserve Fund			
Operation and Maintenance of Plant	7,500,000	3,500,000	2,351,956
Grants and Contracts*	20,173,000	20,173,000	10,658,183
Total All Funds	$312,180,268	$297,099,817	$256,667,157

* Includes Spending Affordability Tax-supported grants.

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ENROLLMENT PROJECTIONS

ACTUALS AND PROJECTIONS OF SOURCE DATA USED TO DEVELOP ENROLLMENT PROJECTIONS

	ACTUAL						PROJECTIONS				
SOURCE SEGMENTS Fall Semester	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
County Residents											
New Residents											
High School Graduates Immediate, Delayed, Entry, and Early Placement	5,123	4,771	4,662	4,948	4,613	4,745	4,406	4,494	4,517	4,778	4,705
Adult County Residents - Graduated High School More than 3 Years Prior	2,101	1,986	2,011	1,986	1,874	1,814	1,825	1,823	1,820	1,818	1,816
Returning Students	16,086	16,633	17,646	17,726	16,984	16,243	15,856	15,482	15,238	15,298	15,539
Non-County Residents											
Maryland Residents	1,142	1,190	1,273	1,404	1,336	1,308	1,242	1,200	1,210	1,175	1,228
Out-of-State Residents	1,692	1,435	1,404	1,389	1,348	1,407	1,398	1,365	1,350	1,352	1,366
TOTAL ENROLLMENT	26,144	26,015	26,996	27,453	26,155	25,517	24,727	24,364	24,135	24,420	24,654

Resolution No: 17-312
Introduced: November 29, 2011
Adopted: November 29, 2011

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Government Operations and Fiscal Policy Committee

SUBJECT: Reserve and Selected Fiscal Policies

Background

1. Fiscal policy corresponds to the combined practices of government with respect to revenues, expenditures, debt management, and reserves.

2. Fiscal policies provide guidance for good public practice in the planning of expenditures, revenues, and funding arrangements for public services. They provide a framework within which budget, tax, and fee decisions should be made. Fiscal policies provide guidance toward a balance between program expenditure requirements and available sources of revenue to fund them.

3. As a best practice, governments must 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. Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate a government's continued creditworthiness.

4. In FY10, the County experienced an unprecedented $265 million decline in income tax revenues, and weathered extraordinary expenditure requirements associated with the H1N1 flu virus and successive and historic winter blizzards. The costs of these events totaled in excess of $60 million, only a portion of which was budgeted and planned for.

5. In a memorandum dated April 22, 2010, the County Executive recommended that the County Council restore reserves first to the current 6% policy level for FY11 and also revise and strengthen policy levels in order to more appropriately position the County to weather economic cycles in the future, and to achieve structural balance in future budgets.

6. The County's financial adviser recommended that the County strengthen its policy on reserves and other fiscal policies to ensure budget flexibility and structural stability, and provided specific recommendations, which are reflected below.

7. On June 29, 2010 the Council approved Resolution No. 16-1415, *Reserve and Selected Fiscal Policies*. This Resolution established a goal of achieving the Charter §310 maximum for the reserve in the General Fund of 5% of General Fund revenues in the preceding fiscal year, and of building up and maintaining the sum of Unrestricted General Fund Balance and Revenue Stabilization Fund Balance to 10% of Adjusted Governmental Revenues (AGR), as defined in the Revenue Stabilization Fund law.

8. The County's reserve policy should be further clarified and strengthened. This resolution replaces the reserve policy established in Resolution No. 16-1415.

Action

The County Council for Montgomery County, Maryland approves the following policies regarding reserve and selected fiscal matters:

1. *Structurally Balanced Budget*

   Montgomery County must have a goal of a structurally balanced budget. Budgeted expenditures should not exceed projected recurring revenues plus recurring net transfers in minus the mandatory contribution to the required reserve for that fiscal year. Recurring revenues should fund recurring expenses. No deficit may be planned or incurred.

2. *Use of One-Time Revenues*

   One-time revenues and revenues in excess of projections must be applied first to restoring reserves to policy levels or as required by law. If the County determines that reserves have been fully funded, then one-time revenues should be applied to non-recurring expenditures that are one-time in nature, PAYGO for the CIP in excess of the County's targeted goal, or unfunded liabilities. Priority consideration should be given to unfunded liabilities for retiree health benefits (OPEB) and pension benefits prefunding.

3. *PAYGO*

   The County should allocate to the CIP each fiscal year as PAYGO at least 10% of the amount of general obligation bonds planned for issue that year.

4. *Fiscal Plan*

   The County should adopt a fiscal plan that is structurally balanced, and that limits expenditures and other uses of resources to annually available revenues. The fiscal plan should also separately display reserves at policy levels, including additions to reserves to reach policy level goals.

5. *County Government Reserve*

(a) **County Government Reserve.** The County Government Reserve has three components. The components of the budgeted reserve at the end of the next fiscal year are:

(i) **Reserve in the General Fund**. The County's goal is that this reserve will be the maximum permitted by §310 of the Charter, which is 5% of revenues in the General Fund in the previous fiscal year;

(ii) **Reserve in the Revenue Stabilization Fund (RSF).** This budgeted reserve at the end of the next fiscal year is the reserve at the beginning of the year, plus interest on the fund balance, plus a mandatory transfer from the General Fund, as defined in the Revenue Stabilization Fund law, plus a discretionary transfer if the Council approves one. The actual amount of the mandatory transfer is calculated in accordance with §20-68 of the Montgomery County Code; and

(iii) **Reserve in the other tax supported funds in County Government.** The budgeted reserve at the end of the next fiscal year for the following funds – Fire, Mass Transit, Recreation, Urban District, Noise Abatement, Economic Development, and Debt Service – and any other tax supported County Government fund established after adoption of this resolution, should be the minimum reserve possible (as close as possible to zero, but not negative), since the Council sets the property tax rate to the nearest one tenth of 1¢.

(b) **Calculation of budgeted reserve as a percent of Adjusted Governmental Revenues.** The target reserve as a percent of Adjusted Governmental Revenues is the sum of the reserves in the General Fund and the Revenue Stabilization Fund divided by Adjusted Governmental Revenues, as defined in the Revenue Stabilization Fund law. The reserves in the other tax supported funds in County Government are not included in this calculation.

(c) **Budgeted reserve as a percent of Adjusted Governmental Revenues.** To reach the County's goal of 10% of AGR in 2020, the annual minimum target goals are:

FY13	6.4%
FY14	6.9%
FY15	7.4%
FY16	7.9%
FY17	8.4%
FY18	8.9%
FY19	9.4%
FY20 and after	10.0%

The Council may make a discretionary transfer each year from the General Fund to the Revenue Stabilization Fund, if necessary, to reach the target goal for each year. The 10% goal for FY20 and after must be reflected in the Revenue Stabilization Fund law.

6. *Reserves in other agencies*

The reserves for the Montgomery County Public Schools (MCPS), the Maryland-National Capital Park and Planning Commission (M-NCPPC), and Montgomery College (MC) are not included in the target reserves for County Government. The County's reserve policies for these agencies are:

(a) **MCPS.** The Council should not budget any reserve for the MCPS Current Fund.

(b) **M-NCPPC.** The reserve in the Park Fund should be approximately 4.0% of budgeted resources. The reserve in the Administration Fund should be approximately 3.0% of budgeted resources. The reserve in the Advance Land Acquisition Debt Service Fund should be the minimum reserve possible, since the Council sets the property tax rate to the nearest one tenth of 1¢.

(c) **Montgomery College.** The reserve in the Current Fund should be 3.0% - 5.0% of budgeted resources minus the annual contribution from the County. The target reserve in the Emergency Plant Maintenance and Repair Fund – as stated in Resolution No. 11-2292, approved by the Council on October 16, 1990 – "may accumulate up to $1,000,000 in unappropriated fund balance, such goal to be attained over a period of years, as fiscal conditions permit."

7. *Reports to Council*

The Executive must report to the Council:

(a) the prior year reserve and the current year reserve projection as part of the annual November/December fiscal plan update;
(b) current and projected reserve balance in the Executive's annual Recommended Operating Budget;
(c) any material changes expected to have a permanent impact on ending reserve fund balance; and
(d) current and projected reserve balances in any proposed mid-year savings plan.

This is a correct copy of Council action.

Linda M. Lauer

Linda M. Lauer, Clerk of the Council