From: The President
To: MC Communications List
Subject: Update on College Fiscal Situation
Date: Wednesday, December 08, 2010 4:57:19 PM

MONTGOMERY COLLEGE
Office of the President

December 8, 2010

MEMORANDUM

To: The Montgomery College Community

From: Dr. DeRionne Pollard, President

Subject: Update on College Fiscal Situation

Last week's Washington Post outlined the projected budget shortfall faced by Montgomery County and the state of Maryland in the current fiscal year (FY11) and the upcoming year (FY12). All of us will feel the impact of this shortfall. The county executive has asked every agency—including the College, Montgomery County Public Schools, and Park and Planning—to identify savings in the current fiscal year. Additionally, county departments have been told to make plans to reduce their FY12 budget requests from five to as much as fifteen percent.

Unfortunately, the timing and the magnitude of these shortfalls leave us with few good options. Like our colleagues at the county, the College must make midyear budget adjustments and ask each of our own departments to identify scenarios for reductions of two and five percent to the FY12 budget.

FY11 Budget Adjustments

The county must implement a midyear savings program to respond to the loss of the anticipated emergency medical transport (ambulance) fee revenues and the loss of tax revenues. To assist with the savings program, the College has been asked to reduce spending in the current year by $980,520. At the present time, we hope to identify the requested $980,520 from two primary sources: (1) savings from last year's reduced spending, thanks to the good work of the College community, and (2) savings accrued during the current year due to spending restrictions already in place.

While this plan should help the College comply with the county's midyear savings request, we need to prepare for the possibility that additional savings requests may be requested later in the fiscal year. As an institution, we need to continue our prudent financial management. If we receive another reduction from the county and/or state in this fiscal year, we would likely be forced to request additional unit reductions.

FY12 Budget Conditions

The county's projected budget shortfall is now at $300 million, which grew rapidly over the

last few weeks, illustrating the volatile nature of the budget and the challenges of accurately forecasting tax revenues.

At the state level, the budget gap has grown from $400 million this summer to $1.6 billion due to rising Medicaid costs and a loss in federal stimulus funding. Additionally, a recent state legislative report suggests that even bigger cuts in governmental services, the state payroll, and other areas will be needed during the next several years to ensure balanced budgets. Discussions have also continued on the proposed shifting of retiree pension costs from the state to the counties, which would have a significant impact on both Montgomery College and the Montgomery County Public Schools budgets.

Steps to Adjust the FY12 Budget

Given the recent news about rising budget shortfalls at the state and county, each unit will need to revise its FY12 operating budget to reflect two different scenarios: a two percent reduction and a five percent reduction.

Within the next few days every budget account manager at the College will receive a detailed memorandum from the senior vice presidents outlining the steps required to comply with this approach. **I expect each budget account manager to work closely with his or her unit colleagues to determine how these necessary reductions could be implemented. Current spending restrictions will continue.**

This does not mean that every unit will be subject to a two or five percent reduction; rather, the scenarios are important to aid in the preparation of the College's FY 12 budget and ensure we remain prepared throughout the county budget process. Thank you in advance for your work on this effort.

The senior vice presidents will continue their strategic budget analysis to seek reductions and savings as outlined in their October 18, 2010, memorandum. I have also asked them to carefully review possible revenue enhancements, including those proposed in the Budget Review Advisory Committee (BRAC) process. To generate additional ideas for reductions and revenue enhancements, we may consider developing a process similar to BRAC as the budget season continues.

I recognize that this continued uncertainty about our economic outlook is stressful; I will continue to keep you informed as more information becomes available.

In these challenging times, I remain grateful for the wealth of talent we have at the College. You are our most valuable asset. Thank you for your commitment to our students and our mission during this time.