

ANNE ARUNDEL COMMUNITY COLLEGE

Minutes of the Board of Trustees Budget Workshop February 19, 2026

Members present: Dr. Nadine Chien, Chair; A. Joyce Price-Jones, Vice Chair (via Zoom); Dr. M. Alexandra Matiella Novak; Sandra E. Moore; Jennifer Pastrone; Roxana Rodriguez; Anelle R. Tumminello; and Lawrence W. Ulvila, Jr.

Absent: Keshawn Johnson and JaCina Stanton-Buttrom

I. Call to Order – Dr. Nadine Chien, Chair

The Board Budget Workshop was called to order by Dr. Chien at 8:30 a.m.

II. Roll Call and Approval of the Agenda – Dr. Nadine Chien, Chair

Dr. Chien asked for the roll call and approval of the agenda. By motion of Mr. Ulvila, seconded by Ms. Pastrone, and a roll call taken of trustees to determine their vote, the Board of Trustees unanimously approved the agenda.

Ms. Moore provided opening remarks and informed the Board that a comprehensive report would be presented by Ms. Melissa Beardmore, Vice President for Learning Resources Management; Mr. Andrew Little, Associate Vice President for Learning Resources Management; and Ms. Sue Callahan, Director for Budget and Financial Planning. She thanked them for their work and noted that the volume of material might feel overwhelming. Trustees were encouraged to pause, ask questions, and request clarification during the presentation. Ms. Moore also noted that the presenters were available to assist and that Ms. Beardmore had offered to meet individually with trustees before the vote at the public session meeting on Tuesday.

Dr. Lindsay thanked those in attendance and expressed appreciation to Ms. Beardmore, Mr. Little, and Ms. Callahan for preparing a balanced budget each year. She then invited Ms. Beardmore to begin the presentation.

III. Budget Workshop

A. Proposed FY 2027 Operating Budget and Update on Academic Portfolio and Resources Review

Ms. Beardmore stated that the budget workshop is an informal interactive session to allow trustees to ask questions about the budget. The Board is not voting on the budget at the workshop; but will vote to approve the budget at the Board Public Session on February 24. Feedback received at the workshop will be incorporated into the budget presentation on February 24. Then, the approved budget request will be submitted to the County Executive.

The College's budget presentation to the County Executive is on March 12. There is a limited number of in-person attendees for this meeting; Dr. Lindsay, Andrew Little, and Melissa Beardmore will attend. The Board is invited to attend this meeting virtually. The College then presents to the County Council on May 11.

Ms. Beardmore stated that the College's mission focuses its work and provided context to the proposed fiscal year (FY) 2026 Operating Budget to show how the College reviews and assesses the effectiveness of investments in resources.

The FY 2026 Financial Operating Budget Status Report is shared regularly with the Budget Committee and the Audit and Finance Committee. As of December 31, the operating budget status report shows the College is operating within an overall balanced budget for the current year. Not all areas are projected to be within their appropriation authority and still require additional work. Student tuition and fees are projected to exceed the budget by 3% due to increased enrollment. This will change based on what happens for the remainder of spring.

Ms. Beardmore explained that the Tuition Stabilization Fund (TSF) is projected to be below the budgeted amount due to approved tuition and fee revenue and expenditure savings. She noted that the \$2.3 million difference between total revenues and expenses serves as a balancing number. Typically, the College adds to the TSF (also referred to as the rainy-day or fund balance) each year; however, current projections reflect the fiscal resiliency work initiated years ago as the financial model begins to show signs of stress, requiring some use of the TSF.

She added that salary and benefit savings are estimated at 0 to 2%, while in plant operations, maintenance, and institutional support expenditures are projected to exceed the budget due to higher costs for utilities, snow removal, contracted services for outside legal counsel, and vacancies in the General Counsel area. Ms. Beardmore noted that later in the spring, she will request permission from the County Council to transfer savings into these areas as needed.

Mr. Little shared key observations from the environmental scan to provide context for the budget and to outline the current landscape of higher education and Anne Arundel Community College (AACC). He noted that the College is monitoring trends not only for the current year but also for future years. Mr. Little reported that overall headcount and Full-Time Equivalent (FTE) enrollment have been increasing, though growth is beginning to slow in the spring term. Dual enrollment continues to drive a significant portion of enrollment growth, while the 25 - 29 age group is currently contributing the most to spring-term growth. Other age groups are also growing, but at a slower rate. He highlighted continued enrollment growth among Black/African American and Hispanic/Latino communities. While there are anticipated challenges nationally, including the expected "enrollment cliff," AACC and Anne Arundel County have been largely insulated. However, statewide declines in high school populations could affect higher education, and projections suggest

this decline may begin to impact AACC's incoming students between 2028 and 2030. Mr. Little emphasized the importance of attracting students to the County and the College, noting that these demographic trends will influence future enrollment projections.

Dr. Chien asked what the anticipated enrollment decline might be during the 2028-2030 timeframe and inquired about the expected percentage impact. Mr. Little responded that the anticipated decline is not expected to be large. He noted that while the College has experienced 2-3% annual growth, that level may not continue, and a potential decline could occur. He emphasized that the state and county are not projecting a sharp "cliff," but even a modest 2-3% decline could have significant implications given the importance of enrollment.

Dr. Chien then asked about the \$5 increase in tuition included in the budget and inquired whether continued tuition increases might be expected and how such changes could impact the enrollment and financial projections. Mr. Little explained that the impact of tuition increases is an ongoing discussion with the Budget Committee. He noted that past experience has shown that raising tuition too much can lead to a decline in enrollment and, consequently, reduced tuition revenue. He cited previous instances where students reduced the number of credits they took in response to tuition increases. Mr. Little stated that the proposed tuition increase is being carefully considered to balance revenue needs with potential enrollment impacts. The \$5 increase aligns roughly with inflation, about 3%, and is consistent with trends in higher education. He added that, without additional support from the state or county, the College anticipates that tuition rates may need to continue increasing in future years.

Mr. Ulvila commented that, in previous years while serving on the Budget Committee, the Board discussed the elasticity of tuition pricing and the need to remain sensitive to its impact. He noted that the College compares favorably to other institutions, which helps minimize issues such as students reducing credits due to affordability. He emphasized his awareness of the sensitivity surrounding tuition increases but expressed satisfaction that AACC continues to measure well against peer institutions even without significant increases. Mr. Little responded that the College is actively pursuing other initiatives to help maintain student affordability. He noted that there are multiple strategies beyond tuition, including textbook affordability programs, to support students. He added that the ideal goal is to keep tuition flat or avoid increases whenever possible, though achieving this is challenging given requirements from the county and state.

Mr. Little also highlighted increases in operating costs due to inflation, noting that supply chain issues have largely been resolved. He observed that the College is experiencing a competitive labor market. Additionally, he noted improvements in student retention, attributing progress to ongoing efforts to advance equitable student outcomes.

Ms. Beardmore provided an update on the College's fiscal resiliency work, specifically the Academic Portfolio and Resources Review, noting that the discussion is closely tied to the

context previously outlined. She shared quotes from the Board Chair to remind the Board of the College's ongoing journey. Ms. Beardmore referenced the Chair's comments at the September 2024 Board meeting, which highlighted the realities of ongoing change and the College's need to operate in a sustainable, efficient, and mission-aligned manner. She emphasized that, in considering resources, the discussion includes not only financial resources but also people's time, which is a significant but often overlooked resource. Ms. Beardmore further noted that the Board Chair, most recently, and in November the Chair of the Budget Committee, reiterated these points, emphasizing the Academic Portfolio and Resources Review work, data-driven decision making, and student success initiatives. She stated that both sets of comments are important to provide context and affirm the Board's continued support in ensuring the College remains resilient for the future.

Dr. Chien shared remarks on behalf of the Board related to governance responsibilities, the Academic Portfolio and Resources Review, and the Board's position concerning the Provost.

Ms. Beardmore noted that the College's journey began more than 10 years ago when leadership began reviewing literature and discussions about the future of higher education and the unsustainability of the business model. She noted that the message was consistent and difficult to ignore. She mentioned that fiscal projections looking five to ten years ahead showed challenges in continuing to operate as usual. The College had historically tried to be everything to everyone, but budget limitations made it difficult to sustain that approach. She also noted that new expectations from the Middle States emphasized institutional effectiveness, data-driven assessment, and a focus on outcomes. Ms. Beardmore added that Trustee Emeritus Dr. James H. Johnson, Jr. encouraged the College to undertake the difficult work of reviewing academic programs and to approach that work with courage.

She said the College recognized the need for change and began considering how best to move forward. Although there was no immediate budget crisis, leadership understood that action was necessary. She noted that the Board approved contracts with the consulting firm rpk GROUP to assist with the efforts, beginning with an Administrative Services Review that examined resources outside the classroom and administrative structures, followed by Phase Two, the Academic Portfolio and Resources Review.

Ms. Beardmore explained that the College had already begun making incremental changes as early as 2015 rather than waiting for the full review process. These efforts focused on creating administrative efficiencies and improving student success. She cited improvements to the class schedule, the reallocation of positions, and the implementation of a student planning module that allows students to plan their academic pathway and register through the system, describing it as a significant and transformational step for student success. She also noted that the College reviewed administrative, human

resources, and payroll systems to improve efficiency and move to a more automated system.

The Board approved the college's strategic plan, *Engagement Matters: Pathways to Completion*, in 2016, which established a focus on access to success with an intentional emphasis on equity and helping students complete their goals. She noted that this focus continued in the years that followed. She explained that the College identified goals and opportunities for savings during the pandemic while conducting the Administrative Services Review, which examined operations outside the classroom. Through that process, the College identified savings opportunities totaling a little over 5% of the budget.

Ms. Beardmore noted that many of the recommendations were implemented and incorporated into the budget, resulting in savings across several areas. Ms. Beardmore emphasized that the work was not solely about reductions. She explained that the College also made investments and that the same principle applies to the Academic Portfolio and Resources Review. That work helps identify areas of success, areas where investment may be appropriate, and areas where student outcomes can be improved.

Ms. Beardmore reported that the Board recently approved the College's new strategic plan, *AACC Forward 2030*, and noted that this work is reflected multiple times within the plan's outcomes. Under innovation and creativity, she said there are references to student success, continuous improvement, and the strategic use of resources, noting that resources include both financial resources and people's time. She explained that under opportunity, the plan references degrees that align with student and community demand.

Ms. Beardmore stated that the College built upon earlier program review work that began around 2015–2016 and that the Academic Portfolio and Resources Review expanded that effort. She noted that the framework used for the analysis, developed with an external consulting firm and approved by the Board, guided the review process. Ms. Beardmore added that Dr. Millner has provided several updates to the Board throughout the process and that the Board approved a contract with rpk GROUP. She explained that the scope of work included conducting the Academic Portfolio review using a data-driven approach, reviewing the College's posture on tenure, and providing professional development for those responsible for administering the framework in the future.

Ms. Beardmore shared that rpk GROUP presented an update to the Board in December 2022, with final recommendations provided at the May 2023 Board meeting, noting that the work has been an ongoing journey and that the Board has been kept informed throughout the process. She explained that the recommendations addressed tenure, programs, faculty, courses, and students.

In May 2023, findings from the academic program review, course analysis, and faculty analysis were presented to help guide operational changes intended to better meet student needs and improve efficiency. Ms. Beardmore noted that the College developed

and implemented a template used by each school to analyze standard data annually in a transparent and collaborative manner. Emphasizing shared governance, she said the data was shared broadly across the College community, including information showing that 45% of the College's headcount was concentrated in five academic programs. Ms. Beardmore added that the work has continued since the May 2023 update, with progress being made toward greater efficiency and effectiveness in the use of resources. She noted improvements in academic program compression, which decreased from 45% in 2023 to 42.6%, as well as greater efficiencies in core sections during enrollment growth and through strategic scheduling.

Ms. Moore asked which five academic programs were in the highest demand. Dr. Millner responded that rpk GROUP found the top five programs were business, nursing, psychology, transfer studies, and information technology.

Dr. Chien asked for clarification about the Transfer Studies program. Dr. Millner explained that Transfer Studies is an umbrella program that allows students to study a range of subjects while preparing to transfer to a four-year institution, similar to a general education program.

Ms. Tumminello asked about tenure and referenced the assessment regarding lifting the tenure eligibility cap. She asked what lifting the cap would mean and noted that, if she recalled correctly, the current tenure eligibility period is six years.

Dr. Millner explained that the tenure cap, likely established by the Board in the 1990s, limits tenured faculty to 62% of the total faculty at any given time. She noted that the College asked rpk GROUP to assess the cap, and the consultants recommended preparing to lift it so that up to 100% of faculty could have access to tenure or tenure-track positions. They also recommended establishing clear parameters and a process to operationalize the change.

Ms. Tumminello further noted that she had observed a trend at several Maryland colleges of encouraging retired full-time faculty to return as part-time faculty and found this to be an interesting approach.

Dr. Millner added that all aspects of tenure, following the assessment and the rpk GROUP recommendations, are subject to union bargaining, which occurred concurrently. Mr. Ulvila noted that the tenure cap appeared somewhat arbitrary. He explained that the Board could not determine why the cap had been established, as no one with institutional knowledge of the decision remained, and the lack of a clear rationale prompted the Board to review it.

Ms. Beardmore briefly reviewed the College's mission, vision, and assessment. She noted that the College's vision is what it strives for, the mission is how it will get there, and mission mandates how the College accomplishes its work. She explained that the mission

drives the budget, which serves as a tool to help achieve the College's goals. Ms. Beardmore added that the Board is interested in the College's efficiency and accountability, including how it compares with other Maryland colleges. The College holds itself to high standards and was recently awarded the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for FY 2026. The College has received this honor each year since the inaugural award in FY 2017 (except for FY 2023 due to COVID). Ms. Beardmore thanked and recognized Ms. Callahan for all her efforts to pursue this award.

The College uses several measures to understand how resources are being allocated as compared to other Maryland community colleges. The College invests in what is important: the College has the highest percentage of operating budget spent on instruction at 47%, academic support at 63%, and tied for fourth lowest tuition of all sixteen Maryland community colleges.

Regarding affordability, the Pell Grant maximum award is estimated to fully cover tuition, fees, and books for eligible students. Through the AACC Foundation, private scholarship donations continue to supplement financial aid for students by almost \$2 million for FY 2026. Ms. Beardmore stated that while the budget includes a \$5 in-county tuition rate increase, textbook affordability initiatives are projected to save students an annualized equivalent of \$8 in tuition.

Ms. Beardmore highlighted cost containment examples such as Project Sunburst (carport solar panels), the energy consortium, vacant position elimination, part-time faculty savings, and other programs. Part-time faculty cost savings has been the largest source of cost containment as enrollment has declined and the College is more efficient in scheduling towards student demand. The College has also reallocated positions and funds this year in support of critical strategic initiatives.

Dr. Chien asked Dr. Kravich about operational efficiencies the Board might consider for potential future cost savings, referencing his December Public Session presentation on expanding AI at AACC. She clarified that she was referring to operational efficiencies rather than academic programs and asked about his vision for the College's future in this area, noting that investments may be required.

Dr. Kravich responded that the College began addressing operational efficiencies three and a half years ago by upgrading infrastructure, ERP systems, and other technologies across its ecosystem. He noted that the initial work by rpk GROUP and the alignment of the Information and Instructional Technology division laid the foundation for current efforts and credited the Board's foresight in supporting these initiatives. He added that the College is preparing to migrate to the Colleague Software as a Service (SaaS) environment and noted that previous efforts, including the implementation of Ethos, IOP, and ADP systems, established the groundwork for future efficiencies rather than immediate savings.

Dr. Kravovich explained that following the SaaS migration, the College plans to pursue additional initiatives, including unified communications and a more cost-efficient phone system, along with other technology improvements. He noted that these efforts focus on both technological improvements and streamlined procedures to simplify operations.

Regarding AI, he stated that the College is beginning to explore its use collaboratively across academic and IT areas, with attention to information security, infrastructure, and operational impacts. He described AI as an evolving effort supported by the technological foundation already established.

Dr. Chien asked whether technology could be considered the future of AACC. Dr. Kravovich responded that technology plays an important role but emphasized that providing an excellent educational experience remains the College's primary focus.

Ms. Beardmore provided an update on the FY 2026 compensation program, which is 85% of the College's budget. Ms. Beardmore shared that, as established by the Board and the Board Budget Committee, the College's budget supports attracting and retaining talented and diverse faculty and staff. She noted that the College offers a strong benefits program and a flexible work policy approved by the Board, which are important in recruiting and retaining skilled personnel.

Ms. Beardmore acknowledged that the College often faces challenges when filling vacancies, as it may be unable to meet salary expectations for highly qualified candidates. She added that, consistent with the College's history of examining administrative practices, the Board established a compensation policy. Updates to faculty and staff compensation systems were made years ago under this policy, and for the most part, the new compensation systems have been fully implemented.

Adequate funding means enough funding to keep pace with the increasing labor market between 2-3%. If salary increases do not increase more than in the labor market each year, employees will not be able to move through the salary range within the system. Key data points were considered in the development of the budget, which includes a 6% compensation pool for faculty and staff. Ms. Tumminello commented that she really appreciated the compensation update comparison and the level of detail provided.

Ms. Price-Jones asked whether any additional annual compensation is provided to employees beyond what is approved by the Board. Ms. Beardmore responded that no additional compensation is provided. She explained that the 6% pool represents the total compensation for faculty and staff. Once the budget is finalized, the pool may need to be adjusted, and compensation changes are implemented based on the final budget approved by the County. She added that employees who meet certain criteria for promotions may receive increases within that framework.

Ms. Pastrone asked for more context regarding what a market-based approach is compared to a Cost-of-Living Adjustment (COLA) plus step system. Ms. Beardmore responded that COLA and step increases are applied across the board, with employees moving through a structured salary chart. Using AACC staff as an example, the College benchmarks all positions using specialized software that compares salaries to the Washington-Baltimore market for those roles. The system identifies the market rate, and the College adjusts salary tables to align with that market. Employees receive increases toward the midpoint of their salary range, which helps manage growth and slow progression once the market rate is reached. She added that employees who have peaked at the market level receive a one-time stipend.

Dr. Chien asked whether the College has considered the current pool of unemployed federal workers in the state, noting that many are highly skilled. She asked whether these individuals might be able to come to AACC to teach, possibly as part-time faculty, and whether that possibility has been considered. Ms. Beardmore noted that in certain areas where the College is recruiting for positions, applicant pools have become larger; however, that does not always mean the candidates are qualified based on the requirements of the job description. Dr. Millner stated that it is very difficult to compete with federal government salaries, noting that the College's starting salaries are much lower. Mr. Ulvila noted that the College requires a master's degree as a minimum qualification for faculty, which also creates some limitations.

Ms. Moore asked whether the market-based system helps address salary compression issues. Ms. Beardmore responded that the market-based system does help address equity issues. She explained that funds were set aside from the compensation pool to address compression by moving some employees closer to the market rate. She added that the key is ensuring the compensation system is funded appropriately so the College does not return to those compression issues.

Ms. Price-Jones noted that, given the current economic environment and recent federal layoffs, some individuals might welcome opportunities at the College even with lower salaries. Ms. Beardmore responded that all qualified candidates remain in the applicant pool and move through the hiring process regardless of prior salary.

Ms. Moore noted that it is important to keep in mind, when discussing the College's hiring process, that the institution is doing its best to fill positions. She stated that there may be many highly qualified candidates, but budget constraints have made it difficult to hire everyone the College would like to bring on, regardless of the salary that might be offered.

Ms. Beardmore responded that her colleagues would agree that the College faces challenges when competing with other organizations that are able to make attractive offers. She noted that the College has many very talented employees and provides them with excellent training in highly technical, complex, and compliance-related work. As a result, employees gain valuable experience and are often able to command higher salaries

at other organizations, which can make retention challenging. She added that the College's generous benefits package, ample leave, flexible work policies, telework and telecommuting options serve as important differentiators for AACC and help attract and retain talented employees.

Dr. Patterson noted that work within Learner Support Services is complex and can require up to two years to fully train an employee. She explained that retention has been challenging in the past but that recent salary increases approved by the Board have helped improve competitiveness and workforce stability.

Dr. Krlevich added that Information and Instructional Technology faces similar challenges, as the division competes with multiple sectors for technical talent. He noted that recent offers to qualified candidates were declined and that vacancies can place additional strain on existing staff. He emphasized the importance of remaining competitive in the regional labor market.

In 2005, the Board set a goal for faculty salaries to be in the top three of Maryland's large community colleges. Ms. Beardmore reported that the 2025 Maryland Higher Education Commission (MHEC) Data Book shows the College has maintained its rankings at the Associate Professor and Assistant Professor levels, remaining second compared to both the prior and current year. She noted that the College also improved its standing in the professor and instructor categories, moving from fourth to third. Ms. Beardmore explained that the data also compares part-time faculty rates and that many of the College's part-time faculty fall within those levels as well. Overall, the College ranks second across the board. She added that level 3 is a newer designation that was added about four years ago to provide additional salary progression for part-time faculty. Level 4, she noted, is reserved for retired full-time faculty. As a reminder, she stated that part-time faculty are now subject to the collective bargaining process.

Ms. Beardmore presented a high-level summary of the proposed FY 2027 budget and noted that the College is following best practices in budgeting, which include establishing high-level guiding principles.

Ms. Beardmore stated that departments submitted 89 project requests totaling \$17.7 million, while deans and directors submitted 62 projects totaling \$16.4 million. As the revenue picture became clearer, vice presidents were ultimately only able to focus on base budget adjustments. She explained that the College looked for savings in the budget and, during the rollover into the FY 2027 budget, identified savings in hourly staff. As a result, the College reduced the FY 2027 budget by \$107,650.

Ms. Beardmore explained that the FY 2027 budget includes compensation adjustments. She noted that the College has compensation committees. Faculty are now subject to collective bargaining, and that process will be starting soon. Through the staff compensation committee, employees requested a 6% compensation pool. She stated that

the faculty and staff promotion amount of \$123,797 represents a small group of employees who may be eligible for promotion. Ms. Beardmore added that the 6% pool totals approximately \$6.5 million. The College also provides health insurance to employees through participation in the county's health insurance fund and includes a 3% contingency, calculated on a calendar-year basis, with the budget impact beginning January 1, 2027. She further explained that the salary change for new hires reflects a reduction built into the FY 2027 budget. This represents true salary savings from turnover, based on the difference between FY 2026 new hire salaries and the budgeted salary levels, and those savings of \$1,185,373 were rolled into the compensation budget as it moved forward into FY 2027.

Ms. Beardmore reviewed the base adjustments category. She explained that revenue offsets are items that have a corresponding revenue change, primarily due to changes in lab fees. She noted that this represents a very small portion of the overall budget, but the figures must balance. The revenue offsets total \$221,390 and miscellaneous adjustments total \$8,886, for a combined total of \$212,504.

Ms. Beardmore stated that the College is seeing an increase in legal expenses due to the use of outside counsel, which is more costly than in-house counsel, particularly as the General Counsel position is currently vacant. She added that institutional insurance is also budgeted to increase based on the College's initial market analysis for a total of \$315,000. Dr. Chien inquired how much of the legal expense increase was offset by not paying the salary and associated benefits for the vacant General Counsel position. Ms. Beardmore explained that the \$250,000 in legal expenses reflects anticipated costs once the General Counsel position is filled. She noted that the College still needs to hire outside experts for compliance matters, including investigations and Title IX, based on current trends. She added that any savings realized will be absorbed by the College and accounted for in the FY 2027 budget but emphasized that it does not mean the full amount will necessarily be spent.

Ms. Beardmore shared information about the reallocation of resources, explaining that this reflects how the College is directing new funds in the budget. She stated that money and positions were moved to support key priorities related to student success and instructional support. These reallocations included funding for a part-time Adult Learner Admission Officer, part-time Disability Support Services staff, increased Arts Engagement support, resources to maintain the Honors Program, athletic equipment and support, library database subscriptions, and the automation of non-credit student opinion forms. Funding for strategic and operational initiatives is \$218,705. Next year, the goal is to focus on the dental hygiene program along with other non-compensation expenses in support of the program.

Ms. Beardmore reported that for the College in FY 2027, the proposed CADE funding was \$44,860,500. The Governor's budget set the CADE formula aside, capping the increase for all Maryland community colleges, except Baltimore City, which is considered a state

agency, at 3%. She clarified that CADE serves more as a guideline than a strict formula. By law, the state is required to fund Maryland community colleges, and CADE provides a plan for annual increases to help keep tuition affordable. When the state does not provide the full funding, the difference must typically be made up through tuition increases. She noted that, while enrollment may increase, Maryland Association of Community Colleges (MACC) works each year to have CADE fully funded by gradually increasing the percentage tied to state aid until reaching the statutory intent of 29% for CADE-funded colleges, a milestone that has been achieved twice.

Mr. Ulvila asked whether the CADE benchmark will be eliminated entirely, noting that it has only been fully implemented for two years. He added that full CADE funding would be ideal. Ms. Beardmore responded that conversations occurred at the state level two years ago and studies were conducted, but the discussions did not move forward.

She explained that the state is currently reviewing the CADE formula to determine what community colleges would have received under full funding. However, because full funding is not financially feasible, a 3% increase (\$1.3 million) is being provided instead. She noted that no formal action is underway to eliminate CADE. She added that the review highlights the impact on Maryland community colleges in terms of forgone revenue had CADE been fully funded. According to calculations by MACC, CADE-funded community colleges lost more than \$100 million in revenue over roughly ten years, illustrating the significant effect of the lack of full state funding.

The State's 2025 budget and the included Budget Reconciliation and Financing Act (BFRA) reduced the funding percentage to 26.5% resulting in an \$837,000 reduction in State funding compared to 2024 for AACC, and questioning the future of the model going forward. MACC plans to advocate for removing the cap in the BFRA in the out years, as it does not take into consideration FTE growth and related factors. Ms. Rausa added that another amendment MACC is advocating is a hold harmless provision, meaning that colleges would not receive less funding in the following year.

The County has been the College's discretionary funding partner. The proposed FY2027 budget request to the County is \$58,492,800, with a \$4.8 million increase request to help fund the compensation increase. Ms. Beardmore shared that in conversations with the County, they indicated they expect the College to "do its share" regarding tuition rate increases in order to help justify an increase in county funding for the College. She noted that the Board has set this as a priority. The College does not want to go several years without a tuition increase and then have to implement a large increase. Students have also shared that small, incremental increases are better for them than going several years and then facing a significant increase.

The College's contribution to the budget comes through tuition and fee revenue. The proposed FY2027 budget revenue for tuition and fees is \$42,377,700, which includes a

tuition rate increase of \$5. The increase in total tuition and fee revenue in FY 2027 is \$2,396,200 from the FY 2026 budget and based upon flat credit enrollment projections.

Ms. Moore noted for the benefit of the new trustees that when the College approaches the County with a funding request, it asks only for what is needed. She emphasized that the College does not inflate requests in anticipation of reductions in order to secure a desired amount.

Dr. Chien asked, for the benefit of the other trustees, what the \$5 tuition increase would amount to for a student. Ms. Beardmore responded that for a full-time student taking 30 credits in an academic year, the \$5 tuition increase would amount to \$150 per year. The \$5 tuition increase represents about a 3% increase, which is roughly in line with a cost-of-living type adjustment.

Ms. Tumminello asked what percentage of students at the College receive the Pell Grant. Ms. Pastrone reported that in FY 2025, 3,629 students, or 21.1%, received Pell Grant support.

Dr. Chien asked for updates regarding Pell Grants at the federal level and whether there were any concerns. Dr. Patterson responded that recent changes include bipartisan support for Workforce Pell, which will expand Pell Grant eligibility to include job training programs. She noted that this development is positive and that there are no current concerns.

Ms. Pastrone added that during the recent Association of Community College Trustees (ACCT) National Legislative Summit, there was strong bipartisan support expressed for the Pell Grant. She also noted that Pell Grants support students who attend with lower credit loads as well as full-time students.

Ms. Beardmore went on to explain the affordability index, focusing on how the College's tuition and fees for full-time students compare to both the median household income and each county's income. The College's percentage remained the same at about 4%. Ms. Moore asked if a deeper explanation could be provided regarding what the affordability index means. Ms. Beardmore explained that the affordability index is a percentage, a mathematical calculation that compares the cost of attending each college full-time, including tuition and fees, as a proportion of the median household income in that county. She clarified that it represents, on a median basis, how much of a household's income it would cost a family in that county to attend the community college.

Ms. Beardmore continued by sharing information on transfers and other income, including transfers to and from the Tuition Stabilization Fund and auxiliary funds, as well as other income, primarily interest on the College's cash balance. She noted that while the interest is not substantial, every dollar contributes to the budget. The FY 2027 budget includes a transfer of \$3.3 million from the Tuition Stabilization Fund. Although the College typically

aims to avoid such transfers by relying on expenditure savings, this year a modest draw from the TSF is projected. She added that this amount is consistent with the FY 2026 budgeted transfer, and in the current fiscal year, approximately \$1.3 million of the TSF is expected to be spent down. The projected TSF FY 2027 budget request balance is \$14,024,063 and is within the Board goal of 5-10% at 7%.

Overall, for the proposed FY 2027 budget, the funding source by percent of revenue is the State 30%, County 38% and College 32%.

Ms. Beardmore provided an update on Other Post-Employment Benefits (OPEB), which relates to health insurance, prescriptions, dental and vision coverage for retirees. Pre-funding this liability helps to reduce the College's expenses. By creating a trust, in which contributions have been made by the County and College, the plan assets are \$36.03 million as of December 31, 2025. The College's total contributions to date are \$9.51 million and total County contributions are \$10.82 million.

Ms. Beardmore explained that by law, the College is required to submit a budget for all of its funds. Auxiliary, enterprise, and restricted funds must be managed with a goal to be self-supporting. The budget is approved by the County Council in total, and the FY 2027 budget request for auxiliary, enterprise and restricted funds is \$48.1 million which would be appropriated.

B. Break

C. Multi-Year Budget Planning Tool

Mr. Little discussed the multi-year budget planning tool, which is not intended to be a budget request. It is a tool for planning and illustrative purposes to make long-term assessments about decisions made today around key assumptions for estimates over the next five years. A single year should not be looked at in isolation. It is looking at the five-year trend, whether it is sustainable in that model.

The baseline scenario for revenue assumes a 3% increase in state funding, a 3% increase in County funding, small incremental increases in tuition and fees, although the College expects to see a variation in those line items every year.

Mr. Little explained that the analysis demonstrates clearly that inflationary increases from partners have been lower than expected, making it challenging to fund the College's compensation and benefits programs. Operating expenses now account for over 85% of the budget and continue to rise faster than funding streams, highlighting the need to ensure resources are deployed efficiently. He noted that the model also identifies other areas of concern, particularly the IT capital budget, where investments in innovation require eliminating redundancies in software and operational processes to achieve efficiency.

Mr. Little emphasized that the state revenue model assumes a 3% cap, which is not guaranteed, and the County revenue is modeled at inflationary increases. The College is making a significant funding request to the County this fiscal year, which is critical to supporting the compensation program. He noted that historical cost savings have already been applied to the budget, leaving limited room for further offsets, and that the revenue assumptions for tuition, fees, state, and county support are key to balancing the budget.

He highlighted that the projected draw on the TSF is a notable change from prior years, signaling the need for careful attention. If the College continues to rely on the TSF without identifying additional savings or revenue streams, future budgets could face significant challenges. Mr. Little stressed the importance of maintaining a “long runway” to achieve a sustainable financial model. Looking ahead, he explained that certain known future costs, such as the Time to Care initiative (\$425,000) and essential technology maintenance, will need to be integrated into operating budgets, and the College is making faster progress than anticipated in addressing these areas.

Mr. Little described the use of baseline projections and three scenarios to model potential outcomes: Scenario 1 assumes better results, Scenario 2 assumes similar results, and Scenario 3 assumes worse results compared to historic trends. Across all scenarios, the College faces challenges, including potential negative returns and continued drawdown of the TSF, requiring enhanced revenues or expense reductions to maintain sustainability. He concluded that, assuming County funding aligns with projections, the College can maintain its compensation program. If funding falls short, adjustments will be necessary. Overall, if the College can balance the budget without drawing on the TSF, it will have sufficient runway for the first one to two years, but by the third year, more significant changes may be required. The goal is to proactively address challenges over a two-to-three-year horizon rather than reacting suddenly to financial pressures.

Mr. Ulvila commented that while the tool reflects the reality of the College’s financial situation, the good news is that the College has always managed to make it work. He cautioned, however, that the Tuition Stabilization Fund cannot be relied upon to cover ongoing revenue needs, as it is intended primarily for one-time expenditures. Ms. Moore also commented that the College is held accountable for the Tuition Stabilization Fund by accreditation standards, specifically Middle States. She noted that there is a limit to how much the College can draw from the TSF without jeopardizing accreditation, emphasizing the importance of monitoring it now.

Ms. Beardmore explained that this is why the College conducted the Administrative Services Review and why it is undertaking the Academic Portfolio and Resources Review. She noted that negative numbers in projections are concerning, though they are not actual budget figures but extrapolations assuming limited state funding. She emphasized that while the County is supportive, it can only provide what it is able to, and state increases are unlikely to be substantial. She described the budget as a set of levers and dials, noting careful consideration of tuition rate increases. Revenues are only one component;

expenses must be managed efficiently. This requires examining programs, identifying low-enrolled courses, and reallocating faculty positions to areas of high demand. Ms. Beardmore tied this back to the broader context, emphasizing that if county funding falls short, adjustments would be made to the 6% compensation pool.

Dr. Chien commented that county officials have indicated the budget for 2026 is manageable, but they are projecting 2027 to be very challenging. She noted that raising tuition will not be sufficient to address the anticipated shortfall. Ms. Beardmore added that this was an important point, noting that a \$1 tuition increase generates approximately \$256,000. Therefore, a \$5 increase equates to about \$1 million for the institution, which represents the approximate amount needed to maintain basic operational costs.

Ms. Tumminello referenced an earlier slide that identified areas of concern and asked about staff perspectives, specifically what challenges staff may be experiencing similar to those faced by faculty. Ms. Beardmore responded that cost-of-living pressures are a primary concern for employees. She noted that difficulties filling vacant positions and employees taking on the work of multiple roles contribute to staff strain. She emphasized that employees remain committed to students and the College's mission, often working evenings and weekends, which can come at a personal cost. Ms. Beardmore added that if the County is unable to fund the proposed increase, the College would need to adjust the compensation increase accordingly.

D. FY 2027 – 2032 Capital Budget

Ms. Beardmore presented the proposed FY 2027 – FY 2032 capital budget. The College is required to submit a current year request, FY 2027, plus five out-years due to the multi-year nature of many of these projects. She noted that there is no new construction projects included in the budget; the focus is solely on renovating existing buildings. Generally, new construction and renovation projects are eligible for up to 50% state funding. The operating budget and the capital budget will be approved by the Board at the public session on February 24.

The Dragn science building renovation is a comprehensive renovation of the entire building. The cost estimated came in at almost double what was initially approved. The scope and budget were reduced by eliminating the building addition. The removal of the addition means that the math faculty will remain in the existing location for now.

Regarding the Hotel, Culinary Arts and Tourism Institute (HCAT) relocation, the HCAT building in Glen Burnie is owned by the County, and over the years, it has experienced severe settlement issues. After discussions with the County, the College determined that relocating the Glen Burnie HCAT location and Humanities HCAT functions into a single location at the Arnold campus would be the most sensible and cost-effective solution. This would be an addition to the Clauson Center for Innovation and Skilled Trades building.

Once the Dragun Science Building renovation is completed, space will become available on the first floor of the Careers building. That will leave vacant space, which will then be renovated to accommodate the math faculty and their instructional spaces.

Student Services employees will be moving into the Florestano Building. As a result, the Student Services Building will become vacant and will be renovated into a new Student Engagement Center, including event space, the Office of Student Engagement, the Student Government Association, the Military and Veterans Resource Center, and the Health and Wellness Center.

The Math building renovation is a new request coming into capital budget as the College looks at design in FY 2031.

Then there are repairs, replacements, and improvements. Campus improvement funds cover unexpected emergencies that require immediate attention, as well as more pressing maintenance backlog items. The College also conducts an external facilities condition audit to review campus infrastructure and identify high-priority issues that need to be addressed. In FY 2027 and FY 2028 the College will be focusing on major deferred maintenance items. The College must also maintain walkways, roads, and parking lots across campus, as these areas develop cracks and settlement issues over time. And lastly systemic projects fund the College's larger deferred maintenance projects.

Ms. Price-Jones first offered accolades to Dr. Lindsay for her leadership of the College and for building an executive staff that is knowledgeable, passionate, and deeply committed to the College and its students. She congratulated Dr. Lindsay on what she has created at the institution and extended that recognition to the executive staff. Ms. Price-Jones added that she had every confidence in the budget presented, noting that while she had many questions initially, they were all thoroughly addressed, and she thanked the team for their commitment and hard work. Dr. Chien echoed those sentiments.

Ms. Moore reminded the Board that if any trustees had questions about the information before the public session on Tuesday, they should reach out to Ms. Beardmore, who would take the time to review the details with them, so they felt comfortable when voting. She also thanked the staff who presented.

Dr. Chien expressed her appreciation for the Budget Committee members, Dr. Lindsay, Vice President Beardmore, and her team for their thoughtful work and dedication throughout the budget development process. She noted that the Board would vote on the operating and capital budgets at the next Public Session meeting on Tuesday, February 24. Dr. Chien added that RH Perry, the firm selected to assist with the presidential search, has been invited to provide a brief presentation at that meeting, introduce their consultant team, outline the search process, and share opportunities for college community engagement.

IV. Adjournment

The Board Budget Workshop adjourned at 11:05 a.m.