

OFFICE OF THE PRESIDENT
Christopher M. Reber, Ph.D.



May 15, 2020

Budget Update and Budget Planning Principles

Dear Members of the HCCC Family,

I hope this message finds you safe and well. We continue to keep in our thoughts and prayers all of the victims of the coronavirus pandemic, their loved ones, and those on the front lines of helping others and saving lives.

Together, we can take great pride in how we are navigating the challenges of the pandemic with a focus on supporting our students, employees, and community, and helping one another. I thank all of you for your caring dedication at this time of great challenge.

Yesterday I held a virtual Town Hall Meeting, during which I explained our current budget planning, including challenges and guiding principles for how we are addressing a projected budget deficit during the 2020-21 fiscal year. I thank nearly 200 faculty, staff and students who attended and participated in yesterday's Town Hall Meeting. I am writing today to share with everyone an overview of the financial challenges, and the guiding principles for addressing these challenges, that I discussed at yesterday's meeting.

This year's budget planning is especially difficult as we navigate the many challenges of the pandemic and continued unknowns. We have been working closely with the Cabinet and other college constituencies, our Board, and local, state and federal agencies and advocates, to plan for next year's budget.

We are seeing a significant enrollment decline for the fall that is specifically related to the pandemic. While we are seeing remarkable stability in the continued enrollment of our current students this spring and going forward – thanks to the hard work of everyone to keep students and their academic progress front and center – we are seeing steep declines in new student enrollment.

This is a national phenomenon. Students are unsure whether they want to attend college in the fall, where they want to consider attending, and many have concerns, in both directions, about whether instruction will be offered online, on the ground, or in some combination of these in the fall. Testing of prospective students has been very challenging in spite of our offering varying testing and placement scenarios, including some self-directed placement. This testing and placement challenge has had a profound impact on the declining enrollment of new students.

We are working assiduously to address these issues and improve our enrollment, but we must anticipate a formidable decline next year in tuition revenue, which accounts for about 60% of our annual operating revenue. Our current projection of a 20% enrollment decline next year represents a loss of \$7.5 million in annual tuition revenue, which alone represents nearly 13% of our annual budget.

We are also seeing a significant reduction in state appropriation due to the state's dire economic situation. The state has frozen over \$1 million of our allocated and budgeted appropriation this year, representing 50% of our fourth-quarter 2020 budget appropriation from the state. We are uncertain what the state's FY 2021 appropriation will be, but we must anticipate a significant reduction of 25% or more, amounting to an additional revenue loss to HCCC of approximately \$2 million.

While we are receiving some federal stimulus funding to help us with our operating expenses related to the pandemic, it is far short of what is needed to close a significant gap between projected expenses and projected revenue for next year. In consultation with our Board of Trustees, we have established budget planning principles for addressing this financial challenge. These principles represent guidelines and goals for closing our budget gap. They include the following.

1. We want to reduce administrative and operating expenses in all areas of the College to the fullest extent possible, including a Hiring Freeze, Travel Freeze, and Non-Essential Spending freeze. Until we reach some new level of stability, we are not filling vacancies or new positions, or approving travel, unless there are extenuating circumstances. The Cabinet must approve exceptions to these freezes.
2. We want to keep employees whole, to the fullest extent possible. Because 70% of our budget is allocated to employee salaries and benefits, I must share that this may not be possible, but we are doing everything in our power to protect our workforce and minimize pain to employees, students and the institution.
3. Consistent with the above, we want to honor all contract provisions in our collective bargaining agreements.
4. We must ensure that financial measures taken do not have a negative impact on enrollment.
5. We are applying CARES Act funding where appropriate to areas of pandemic-related expenditure increases and revenue shortfalls.
6. We are advocating an increase in FY 2021 County appropriation to HCCC.

We will remain fully transparent as we navigate these challenges. Further, we will maintain our focus on the continued academic progress and success of our students, and the welfare of our employees and community.

Valued colleagues, thank you again for all you do! We are truly getting through this together, and we will be even stronger because of everyone's commitment, dedication and caring. As always, please let me know if I can be helpful in any way. And please stay safe and well!

Sincerely,



Christopher M. Reber
President