



To: ACC Faculty and Staff

From: Steve Kinslow

Date: January 30, 2009

Subject: THE ECONOMY/IMPLICATIONS FOR ACC

It seems ironic to be enjoying the largest enrollment increase in many years, while also grappling with the possibility of significant revenue reductions associated with the growing recession. Everyone is concerned about the national financial crisis and its longer term economic impact on Texas and the Austin area economy. Staff have been monitoring this carefully, and analyzing State and local implications. While ACC has enjoyed several good years of increased revenues, and has made great progress in market competitive salaries, adequate technology and equipment, and improved facilities, the next few years may be difficult for the District in terms of lower State appropriations and lower District tax revenues. For example, the Travis County Appraisal District has indicated FY 2011 may have significant declines in appraised values resulting in lower tax revenues for ACC, based on past experience in severe economic downturns. Additionally, State revenue sources, such as sales tax revenues and other sources, may be negatively effected in the next 2-3 years resulting in flat or reduced State appropriations to the College. We have to anticipate these possibilities.

While it is not possible to predict exactly how the economic crisis will impact ACC, it is prudent to budget proactively now to position the College for what could be several difficult budget years. Acting now through limiting new spending, and reducing current spending, will permit ACC later to add back to the budget if times improve, rather than have to make cuts if they don't. Reducing expenditures in FY 10 will mitigate budget difficulties expected in FY 11 (and possibly beyond) due to decreased property tax valuations.

The draft [FY 2010 Budget Planning Assumptions and Directives](#) will be discussed by the Board on February 2nd. These are intended to maintain services to our community (highest priority), while attempting to avoid the need for reductions in services or personnel in FY2010 –FY 2012. Importantly, we suggest a mid-year review and evaluation of economic conditions in the 2009-10 Academic Year (FY 10) to allow

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changes to the budget if the economic stimulus appears to be having a positive result. Should the economy improve sooner than anticipated, ACC can always prepare budget amendments to restore any budget reductions suggested in the draft document.

Also, it should be noted that these budget directives are for discussion purposes only at this point in the budget process, but I think it important to share with everyone. Staff will host several campus forums with employees to discuss the assumptions and directives in the coming months, and dialog with employee organizations also.

Last, we should note that we are fortunate to enjoy stability at ACC. We are the institution with the greatest potential to help our students and neighbors who have lost jobs or fear that happening, and to be a major resource in the federal stimulus effort. I appreciate all you do to make our College successful, and appreciate the ACC spirit and commitment that puts others first.

SBK/pws

[Attachment](#)

xc: ACC Board of Trustees

2009-10 (FY10) BUDGET PLANNING ASSUMPTIONS & DIRECTIVES
Austin Community College District

General

- ACC's budget planning will present a proactive approach to financial uncertainties which can affect the institution over the next several years.
- The U.S. economy, and the Texas economy, will continue to be in recession and revenue sources may dramatically fluctuate and decline during the upcoming year(s). Therefore, ACC will develop a conservative budget for FY10, with consideration of factors also likely to impact subsequent budgets in FY11 and FY12.
- In recognition of expected, continued increases in enrollment (a trend during recession), the College will have as its highest priority meeting, to the extent resources allow, local needs for ACC programs, courses, and services. This means:
 - Honoring the commitments related to the under-construction ACC Round Rock Campus;
 - Maintaining in-district tuition at its current level (no increase) to maximize access for tax payers who support ACC; and,
 - Out-of-district tuition will be increased in accordance with existing Board Policy G-9, and to ensure non-subsidization of out-of-district residents' tuition by in-district tax payers.
- In recent past budget years, ACC benefitted from additional annexation revenues which allowed the College finally to achieve market-competitive salaries for all employees and to make great progress in technology infrastructure and instructional equipment. In FY10, the new Round Rock annexation revenue will be dedicated to funding of the new ACC Round Rock Campus.

In recognition of the possibilities of declines in tax appraisal values and possible declines in State funding sources, ACC will have a conservative budget in FY10 and implement the following practices:

- Few new positions will be approved other than additional full-time faculty and essential support staff to address enrollment increases;
- All staffing table position vacancies will be reviewed by the President's Leadership Team to determine whether to fill, delay hiring, or place on indefinite hold in an effort to increase a buffer for potential revenue declines;
- The College will reduce its allocation for technology from prior year levels;

- The College will reduce its deferred maintenance from prior year levels;
- Delay (half year) or eliminate compensation increases for all employees; and
- A mid-year budget evaluation process by the Board will be scheduled in February and could allow budget amendments/additions, including compensation, if revenue stability and/or recession recovery trends exist.

Revenue Assumptions

- Based on existing 2009 property assessments, the FY10 appraised value of taxable properties revenue is projected to increase very slightly; however, 2010 property assessments are expected to decline significantly (thus affecting FY11 and FY12 budgets, which the College must anticipate).
- The budget will include conservative enrollment increase projections of 5%.
- State appropriations for community colleges are expected to increase somewhat in FY10; however, these could be tempered or adjusted if there are significant shortfalls in State revenue sources (sales tax, etc.).
- The impact of federal stimulus dollars to higher education and to community colleges specifically is not yet known.

Annexation-Related

- The College's annexation initiatives will continue, though there will be no new annexation-related revenues in FY10 (other than Round Rock, which is committed to the funding of the new campus).

Curriculum/Technology-Related

- Technology funding for prior commitments will be honored; however, funding for new items will be reduced.
- Technology expenditures will be delayed until mid-year wherever possible without detrimental effect to individual instructional programs.

Facilities-Related

- While ACC was fortunate to double facilities funding the past 3 years, from \$3 to \$6 million annually in an effort to reduce deferred maintenance needs, the College will reduce facilities funding to \$4.5 million.

Master Plan New Initiatives

- The budget will include some funding for consideration of new Master Plan initiatives which support or enhance the district's ability to respond to community needs.

Personnel-Related

- Salary increases for all employees will be delayed or eliminated in 2010 until a mid-year (February 2010) assessment of economic conditions is determined.
- The budget will include the fourth year of the multi-year, full-time faculty hiring plan.