

ED COMMITTEE #2  
April 8, 2010  
**Worksession**

**MEMORANDUM**

April 6, 2010

TO: Education Committee

FROM: Essie McGuire, Legislative Analyst 

SUBJECT: **Worksession – FY11 Operating Budget for the Montgomery County Public Schools**

Today the Education Committee will begin its review of the FY11 Operating Budget for the Montgomery County Public Schools (MCPS). The following individuals are expected to participate in today's worksession:

- Patricia O'Neill, President, Board of Education
- Larry Bowers, MCPS Chief Operating Officer
- Marshall Spatz, Director, MCPS Office of Management, Budget, and Planning
- Blaise DeFazio, Office of Management and Budget

This is the first of two scheduled worksessions to review the FY11 MCPS Operating Budget. The Committee is also scheduled to meet jointly with the Health and Human Services Committee to review issues of concern to both MCPS and the Department of Health and Human Services.

This packet is divided into four sections:

- I. Overview of Recommended Budget**, including Board of Education request, County Executive recommendation, and the Superintendent's proposed reductions
- II. Maintenance of Effort**, including status of FY11 waiver request, State legislative update, and FY11 and FY12 calculation issues
- III. Overview of Revenues**, including local contribution, State Aid projections, and Federal funding, including ARRA funds
- IV. Enrollment and Demographic Changes**

## I. OVERVIEW OF RECOMMENDED BUDGET

### BOARD OF EDUCATION'S REQUEST

The Board of Education requested a total of \$2,263,286,410 for the FY11 MCPS Operating Budget. This amount represents an increase of \$62,709,410 or 2.8 percent over the FY10 approved level. The tax supported budget request is \$2,078.2 million, an increase of \$58.2 million or 2.8 percent over the FY10 approved tax supported level.

A summary table showing the major elements of the Board's request is on circle 5. Significant highlights include:

- **The Board's request did not include funds for a General Wage Adjustment, or COLA, but did include \$25.9 million for continuing salaries, including step increases. The Board has not completed negotiations with its employee unions for the upcoming fiscal year.**
- The Board's request included additional funds of \$14.8 million associated with **increased enrollment.**
- The Board's request included significant **increases due to increased employee and retiree benefits**, totaling \$33.1 million. The Board's request also included an increase of \$30.9 million to fund Other Post Employment Benefits (OPEB), bringing the total base amount of OPEB funding to \$42.9 million in the recommended FY11 budget.
- **The Board did not make any programmatic changes to the Superintendent's recommended budget.** The Board's budget increased over the Superintendent's recommended level in that it recognized additional State Aid allocated in the Governor's budget. The total projected increase in State Aid (including Federal stimulus dollars) is \$53 million over the FY10 level. This may change before sine die.
- **In terms of total available resources, the Board of Education budget has additional State Aid of \$37 million over the Superintendent's budget assumptions.** The remaining \$16 million was necessary to address other revenue adjustments between the Superintendent's and the Board of Education's assumptions. The Board budgeted these funds as a reserve, rather than in increased programming, to potentially offset reduced revenues later in the budget process.

### COUNTY EXECUTIVE'S RECOMMENDATION

The County Executive recommended a total MCPS appropriation of \$1,415,085,344.<sup>1</sup> This recommended appropriation level will require a waiver from the State Maintenance of Effort (MOE) law (details discussed below in Part II of this packet). Relative comparisons of the Executive's recommendation include:

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<sup>1</sup> The printed March 15 budget submission includes a higher number for the MCPS appropriation. This figure is the current assumed appropriation level and accounts for other recent changes in State Aid.

- The County Executive's recommendation is \$137.7 million below the Board of Education request, and \$75 million below the total approved FY10 level.
- Excluding the \$79.5 million debt service amount that was appropriated in FY10, the County Executive's recommended FY11 total is \$4.5 million below the total FY10 approved funding for educational programs.
- **The County Executive's recommendation for tax-supported funding of \$1,940.5 million is exactly the same as the FY10 approved tax-supported level** excluding the \$79.5 million debt service amount. Tax-supported funding includes primarily new County appropriation, rolled-over current year savings, and State Aid.
- The County Executive's FY11 recommended tax-supported funding is a decrease of \$137.7 million from the Board of Education request. **However, it is not a year-to-year decrease from the FY10 approved tax-supported funding.**

#### **SUPERINTENDENT'S PROPOSED REDUCTIONS**

In response to the County Executive's recommended appropriation level for MCPS, MCPS Superintendent Jerry Weast issued advice to the Board of Education on his proposed reductions to meet the recommended level (advice memorandum dated March 15 is attached at circles 23-27). The Superintendent proposed to offset some of the Executive's recommended reduction with the increase in State aid. The remaining reductions he proposed to meet the recommended appropriation level are as follows:

- Elimination of all OPEB funding: \$42.9 million
- Elimination of salary increments (steps): \$25.9 million
- Increase class size by one student, all grades: \$16 million
- Central services reductions: \$6 million

These reductions leave \$10.3 million unspecified additional savings necessary to meet the recommended level. MCPS continues to work on its proposed approach to this remaining amount.

On March 24, the Superintendent issued additional direction on his proposed \$6 million in central services reductions (memorandum attached on circles 28-30). These reductions include several reorganization elements, including eliminating the Office of Organizational Development and shifting some of its functions to other offices.

#### **COUNCIL STAFF SUMMARY**

**At this juncture, if State Aid is not reduced and the State Board of Education approves the County's waiver application, the MCPS budget would reflect significantly increased enrollment within level year-to-year funding. To accommodate the enrollment increase without an increase in resources would require the administrative and programmatic reductions outlined to date by the Superintendent, pending Board of Education review and action.**

## II. MAINTENANCE OF EFFORT

The County Executive's recommended County contribution to the MCPS budget will require a waiver from the State's Maintenance of Effort (MOE) law. This law requires that local jurisdictions fund school systems at a minimum of the same funding level as the previous year, adjusted for enrollment. The requirement for the local contribution is independent of any other funding, such as State or Federal aid. Regardless of any potential changes to other revenue sources, the County is required to maintain the level of its local contribution to the school system, adjusted only for enrollment. The consequence for not meeting this funding level is that a school system may not receive the increase in State Aid over the prior year that it would otherwise be allocated.

### FY11 COUNTY APPROPRIATION AND WAIVER REQUEST

The Executive recommends a County contribution of \$1,415,085,344. The County requested that the State Board of Education waive the MOE requirement and approve this County contribution in a letter dated March 31 (attached at circle 31). Because the General Assembly is considering potential changes to the MOE waiver process, the State Board instructed counties to apply by the date required under current law (April 1) and indicate only the amount of waiver requested. The State Board stated that it will give counties further direction on how to complete the waiver applications after sine die.

Under current law, the State Board is required to hold a public hearing and make a determination to "approve or deny in whole or in part a waiver request". Current law gives the State Board no more than 45 days and no later than May 15 to make a determination. Current law does not identify a process for appeal of the State Board's decision.

The Board of Education concurs with the requested FY11 appropriation level and supports the County's application for a waiver at that funding level. The Board adopted a resolution on March 22 outlining its position, and stated that it will forward the resolution to the State Board (resolution attached on circles 40-45).

Based on current information, it appears that five counties have filed for an FY11 MOE waiver: Charles, Dorchester, Frederick, Montgomery, and Wicomico.

### LEGISLATIVE UPDATE

- **FY10 MOE relief:** A bill relieving all counties from any FY10 MOE penalty in State Aid has passed both State legislative houses and is awaiting the Governor's signature. The bill is applicable to all counties but only affects Montgomery, as no other jurisdictions have been assessed an FY10 penalty in education aid. The bill also calls for study of the MOE penalty by the Senate Budget and Taxation Committee and the House Ways and Means Committee, with findings to be reported by December 31, 2010.
- **FY11 MOE policy bill status and features:** Melanie Wenger, Director, Office of Intergovernmental Relations, issued a position statement on the FY11 policy bills that are under consideration by both the State House and Senate (attached on circle 48). Both bills would put into the law some factors for the State Board of Education to consider in

reviewing waiver applications. The House bill would also alter the waiver request timeline, include the State Superintendent in the decision making, and delay any penalty by one year. Both the County and the Maryland Association of Counties (MACO) support the House bill with amendments. The bills will be reconciled in conference.

#### **FY11 MOE LEVEL AND FY12 MOE BASE**

The calculation of each year's MOE level is based on the prior year funding and the current year enrollment. The County's FY10 local appropriation was \$1,529,554,447, including the amount that was appropriated for school construction debt service. If this debt service is excluded, the County's local appropriation was \$1,450,017,125.

The Attorney General's November 4, 2009 opinion concluded that the debt service repayment was not a permissible element of MOE in FY10 because it was shifted from the County's budget to the Board's budget, but agreed that debt service is a legitimate school system expense. Senator Richard Madeleno requested clarification from the Office of the Attorney General on how this decision affects the FY10 appropriation base relative to the FY11 MOE calculation. In a letter of advice dated February 26, Assistant Attorney General Bonnie Kirkland advised that "If the debt service program is shifted back to the County budget, however, that amount should be excluded from the calculation of the FY11 MOE amount" (see letter on circle 36).

Following this advice, the County's FY11 MOE requirement is \$1,473,129,206 and is based on a per pupil amount of \$10,664.

The Board of Education's resolution states that a condition of its support for the FY11 waiver is that the FY12 MOE calculation be based on a per pupil amount of \$11,249. This amount represents the FY10 appropriation with debt service included. In a March 22 letter to Council President Floreen and Council Vice President Ervin (attached on circles 46-47), Dr. Weast outlined the Board's position on the higher calculation based on the lack of clarity in the law and a previous letter from Assistant Attorney General Kirkland.

**Dr. Weast's March 22 letter to the Council confirmed the Board's support for the FY11 appropriation amount, and indicated that the issue of the FY12 calculation will ultimately be decided by the State and is not central to the FY11 waiver request. This approach mirrors that taken in the County's waiver request letter of March 31.**

### III. OVERVIEW OF REVENUES

Table 1 below shows the MCPS operating budget by revenue source for the FY10 approved level, the FY11 Board of Education request, and the FY11 County Executive recommendation. The FY11 percent change in the last column compares the FY11 County Executive recommendation to the FY10 approved budget.

Table 1: FY11 Recommended MCPS Operating Budget by Revenue Source							
Source	FY10 Approved		FY11 BOE Request		FY11 CE Rec		
	\$	% of total	\$	% of total	\$	% of total	% change
County	1,450,017,125	65.9%	1,553,934,287	68.7%	1,415,085,344	66.6%	-2.4%
Fund Balance	44,200,000	2.0%	30,000,000	1.3%	30,000,000	1.4%	-32.1%
Debt Service	79,537,322	3.6%					
State	440,089,248	20.0%	488,478,274	21.6%	489,622,834	23.0%	11.3%
Federal	115,609,261	5.3%	119,647,145	5.3%	119,645,340	5.6%	3.5%
Other Sources	14,980,651	0.7%	14,566,911	0.6%	14,566,911	0.7%	-2.8%
Enterprise	54,561,883	2.5%	55,040,286	2.4%	55,040,286	2.6%	0.9%
Special Funds	1,581,510	0.1%	1,619,507	0.1%	1,581,510	0.1%	0.0%
<b>Tax Supported Total</b>	<b>2,020,078,263</b>		<b>2,078,247,129</b>		<b>1,940,540,941</b>		<b>0.0%</b>
<b>TS Total w/o DS</b>	<b>1,940,540,941</b>						
<b>Total</b>	<b>2,200,577,000</b>		<b>2,263,286,410</b>		<b>2,125,542,225</b>		<b>-3.4%</b>

*\*Percent change in FY11 tax-supported total compares to FY10 tax-supported total without debt service.*

#### Local Contribution

- The County Executive recommendation reflects the County contribution at the level of the waiver request.<sup>2</sup> This reflects a decrease in total amount, but a slight increase in the County's share of the total budget (compared to FY10 excluding debt service).
- The fund balance reflects the current-year savings achieved by the school system, which are projected to total \$30 million in FY11. The FY10 fund balance total includes \$24.2 million of State funds repaid the school system as a result of the FY09 calculation error, and \$20 million of school system savings.

#### State Aid

- State Aid continues to increase, and comprises a larger portion of the overall budget than in FY10.
- State Aid increases both because of increased enrollment and because of a decline in relative wealth in the County under the wealth adjustment calculation. MCPS estimates that approximately half of the State Aid increase is due to enrollment and approximately half due to the relative decline in wealth, both in real property and income.
- The Governor's budget continued to fund the Geographic Cost of Education Index (GCEI), a total of \$31 million for Montgomery County in FY11.

<sup>2</sup> As noted earlier, this appropriation level is lower than that in the printed March 15 budget submission because it takes into account the most recent State Aid allocations.

- The component of State Aid related to students from families with low income increased \$6.1 million in FY11, reflecting increased enrollment in this demographic area. The total State funding for this category increased from \$88.5 million to \$94.6 million.
- The component of State Aid related to students with limited English proficiency increased by just over \$1 million, from \$42.7 million in FY10 to \$43.8 million in FY11.
- This table reflects the most recent State Aid projections and those assumed by the Board and the Executive. However, the State Legislature has not yet completed its work on the budget and these projections could change before sine die.

#### **Federal Aid**

- MCPS continues to receive the Federal ARRA funds it received as part of the stimulus funding in FY10. The ARRA funds associated with the Title I and IDEA grants continue at nearly the same level as FY10, and will total \$22.4 million in FY11.
- MCPS also receives significant ARRA funds through the State Fiscal Stabilization Fund (SFSF). The State used these funds in FY10 to maintain funding in the Foundation and GCEI grants, a total of \$27.8 million for MCPS in FY10. For FY11, MCPS is projected to receive \$31.3 million in SFSF in the same two State Aid categories.
- **In total MCPS anticipates approximately \$53.7 million in FY11 ARRA funds in Title I, IDEA, and SFSF. MCPS also receives ARRA funds associated with smaller grant areas. Federal ARRA funds are not scheduled to continue past FY11.**

#### **IV. ENROLLMENT AND DEMOGRAPHIC CHANGES**

The Board's request increases by \$14.8 million over the FY10 approved level due to increased enrollment. A summary chart of actual and projected enrollment is attached on circle 10; associated cost information is detailed on circles 13-15; and enrollment trend graphs are on circles 49-53. Highlights of the enrollment changes are as follows:

- **The Board projects a total enrollment for FY11 of 143,309 students.** This is an increase of 1,532 students over the actual enrollment for FY10. However, for budget purposes, it is important to compare enrollment *projections* as those are the figures that affect the budget changes year to year. **The FY11 projection is an increase of 2,809 students over the projected FY10 level.**
- Enrollment changes are not evenly distributed across the system. Elementary school enrollment continues to increase significantly, while secondary enrollment actually declines slightly. MCPS projects significant increases in the next six-year period, projecting total enrollment of 148,043 by FY16.

- The number of **ESOL students** is projected to increase, with approximately 12.5 percent of MCPS students participating in ESOL language programs. Circle 50 shows that this trend is increasing sharply, primarily at the elementary level. For the 2008-2009 school year, 11.2 percent of students participated in ESOL programs.
- The number and percent of **students eligible for FARMS** remains significant. SY08-09 figures show that 37,692 student, 27.1 percent of total enrollment, are eligible for FARMS. MCPS reports that for SY09-10, 41,464 students, 29.3 percent of total enrollment, participate in FARMS. Circle 50 shows that this trend has also been increasing sharply since 2005.
- **Student demographics** indicate that 38.1 percent are White, non-Hispanic; 23.2 percent are African-American; 22.7 percent are Hispanic; and 15.6 percent are Asian-American.

# Letter from the Board of Education

February 26, 2010

The Honorable Isiah Leggett, County Executive  
The Honorable Nancy Floreen, President  
Members of the Montgomery County Council  
Montgomery County Government  
Rockville, Maryland 20850

Dear Mr. Leggett, Ms. Floreen, and Council Members:

The Montgomery County Board of Education is pleased to submit the Fiscal Year 2011 (FY 2011) Operating Budget for Montgomery County Public Schools (MCPS), which was adopted by the Board on February 17, 2010.

The \$2.263 billion budget contains no new initiatives but, as the state's "maintenance of effort" law requires, maintains the same local per-student funding amount for FY 2011—\$11,249 per student—as the district received for the current fiscal year.

It is imperative that the FY 2011 Operating Budget be funded at the maintenance of effort level so that we can fulfill our mission of providing all students with a world-class education and continue the academic gains we have seen over the past decade. This also will ensure that we receive our full share of available state education funding. In the event that the county does not meet its maintenance of effort obligation, a fine as high as \$51 million could be levied against the students and staff of Montgomery County Public Schools. During these austere economic times, we cannot afford to forego this critical funding.

As you are aware, on January 29, 2010, the Maryland State Board of Education fined the district \$23.4 million for the county's failure to meet maintenance of effort for the current fiscal year. We still are hopeful a legislative solution will occur to waive this year's fine, but we cannot risk a penalty of more than twice that size next year.

Our FY 2011 Operating Budget includes \$1.554 billion in revenue from the county, an increase of only 1.6 percent, to help fund the dramatic enrollment increases we have experienced in recent years. In 2009–2010, student enrollment climbed by more than 2,500 students overall. The number of students receiving Free and Reduced-price Meals System (FARMS) services increased by 10 percent, and the number of students receiving English for Speakers of Other Languages (ESOL) services increased by 6 percent. We expect our overall growth to continue next year and anticipate similar increases in the number of students receiving FARMS and ESOL services.

In addition, the \$79.5 million that the County Council included in our FY 2010 Operating Budget for debt service will be used for direct operating expenses, since the Maryland State Board of Education has ruled that shifting debt service to the MCPS budget does not meet the maintenance of effort law.

The Montgomery County Board of Education recognizes the impact the economic downturn has had on the revenue available to fund education and other government services. The district has done a tremendous amount to help the county weather these difficult times. In the past two years, we have reduced spending by more than \$200 million through staff reductions, expenditure controls, and systemwide efficiencies. For example, the 22,000 employees of MCPS voted to forego their cost-of-living increases last year, providing the county with ongoing annual savings of about \$90 million. This was a very difficult sacrifice for all of our employees, but they have neither complained nor wavered in their commitment to the students. In fact, it's quite the opposite.

Over the past year, student achievement at MCPS has continued to grow from its already high level. For instance, about half of our 2009 graduates (48.7 percent) scored a three or higher on at least one Advanced Placement (AP) exam, a strong indicator of college readiness. This is nearly double the AP success rate for the state (24.8 percent) and more than triple the national rate (15.9 percent). Our African American and Hispanic students also outperformed all students across the state and the nation in AP participation and performance. We are seeing comparable success at all grade levels and in all subjects, even as our student population grows and faces more challenges than ever before.

If we are to continue to see our students achieve at such high levels, we must make a commitment to provide them the services, the resources, and the instruction they need. This budget request allows us to do just that—maintain our commitment to the students of Montgomery County and create a brighter future for them and for our county.

We realize these are unprecedented times in the history of Montgomery County, and difficult choices are going to have to be made. We look forward to working closely with you and your staff on a budget that balances the needs of the county and its children with our fiscal responsibility, given today's economic realities.

In closing, the members of the Board wish to thank those who worked so hard to develop this budget, including MCPS staff, our employee associations, and the Montgomery County Council of Parent Teacher Associations.

We also want to thank the large number of parents, staff, and students who contacted us or attended our budget hearings to advocate for their schools and programs. They have told us that even in difficult economic times, they want Montgomery County to continue to invest in education. We submit this budget on their behalf.

Sincerely,



Patricia B. O'Neill, President  
Montgomery County Board of Education

**Contents**  

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**FY 2011 Operating Budget**

Table 1—Summary of Resources by Object of Expenditure .....	i-1
Table 1A—Summary of Budget Changes .....	i-2
Table 2—Total Budget Revenues by Source.....	ii-1
Table 3—Revenue Summary for Grant Programs by Source of Funds.....	iii-1
Table 4—Summary of Student Enrollment .....	iv-1
Table 5—Allocation of Staffing.....	v-1
Table 6—Cost per Student by Grade Span .....	vi-1
Summary of Negotiations .....	vii-1
MCPS Organization Chart.....	viii-1
2010–2011 Operational Calendar .....	A-1
Administrative and Supervisory Salary Schedule.....	B-1
Business and Operations Administrators Salary Schedule.....	B-2
Teacher and Other Professional Salary Schedule.....	B-3
Supporting Services Hourly Rate Schedule .....	B-4
State Budget Category Summaries (Categories 1–81).....	C-1

**TABLE 1**  
**SUMMARY OF RESOURCES**  
**BY OBJECT OF EXPENDITURE**

OBJECT OF EXPENDITURE	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2010 CURRENT	FY 2011 BUDGET	FY 2011 CHANGE
<b>POSITIONS</b>					
Administrative	725,000	718,000	717,000	717,000	
Business/Operations Admin.	91,000	93,000	94,000	94,000	
Professional	11,769,000	11,924,700	11,915,500	12,106,980	191,480
Supporting Services	8,182,911	8,216,889	8,223,415	8,269,755	46,340
<b>TOTAL POSITIONS</b>	<b>20,767,911</b>	<b>20,952,589</b>	<b>20,949,915</b>	<b>21,187,735</b>	<b>237,820</b>
<b>01 SALARIES &amp; WAGES</b>					
Administrative	\$90,699,378	\$90,945,699	\$90,820,913	\$91,685,820	\$864,907
Business/Operations Admin.	7,899,011	8,842,815	8,940,425	9,044,075	103,650
Professional	899,747,287	923,405,790	923,435,491	948,211,237	24,775,746
Supporting Services	329,101,085	340,215,446	340,549,620	347,133,566	6,583,946
<b>TOTAL POSITION DOLLARS</b>	<b>1,327,446,761</b>	<b>1,363,409,750</b>	<b>1,363,746,449</b>	<b>1,396,074,698</b>	<b>32,328,249</b>
<b>OTHER SALARIES</b>					
Administrative	737,402	497,576	497,576	497,576	
Professional	52,099,882	58,769,278	59,461,018	61,302,503	1,841,485
Supporting Services	22,868,737	21,926,200	22,378,621	22,182,712	(195,909)
<b>TOTAL OTHER SALARIES</b>	<b>75,706,021</b>	<b>81,193,054</b>	<b>82,337,215</b>	<b>83,982,791</b>	<b>1,645,576</b>
<b>TOTAL SALARIES AND WAGES</b>	<b>1,403,152,782</b>	<b>1,444,602,804</b>	<b>1,446,083,664</b>	<b>1,480,057,489</b>	<b>33,973,825</b>
<b>02 CONTRACTUAL SERVICES</b>	<b>26,405,595</b>	<b>24,553,459</b>	<b>24,971,969</b>	<b>25,909,119</b>	<b>937,150</b>
<b>03 SUPPLIES &amp; MATERIALS</b>	<b>63,278,079</b>	<b>71,292,969</b>	<b>71,329,841</b>	<b>75,050,881</b>	<b>3,721,040</b>
<b>04 OTHER</b>					
Staff Dev & Travel	3,033,423	3,479,832	3,488,819	3,678,278	189,459
Insur & Fixed Charges	431,411,363	451,720,535	451,545,028	558,094,429	106,549,401
Utilities	43,453,625	48,294,419	47,944,932	43,285,255	(4,659,677)
Grants & Other	56,180,363	138,516,451	138,641,236	59,538,516	(79,102,720)
<b>TOTAL OTHER</b>	<b>534,078,774</b>	<b>642,011,237</b>	<b>641,620,015</b>	<b>664,596,478</b>	<b>22,976,463</b>
<b>05 EQUIPMENT</b>	<b>14,264,597</b>	<b>18,116,531</b>	<b>16,921,511</b>	<b>17,672,443</b>	<b>750,932</b>
<b>GRAND TOTAL AMOUNTS</b>	<b>\$2,041,179,827</b>	<b>\$2,200,577,000</b>	<b>\$2,200,927,000</b>	<b>\$2,263,286,410</b>	<b>\$62,359,410</b>

TABLE 1A

FY 2011 OPERATING BUDGET  
 SUMMARY OF BUDGET CHANGES  
 (\$ in millions)

ITEM	AMOUNT	ITEM	AMOUNT
<b>CURRENT FY 2010 OPERATING BUDGET</b>	<b>\$2,200.9</b>	<b>INFLATION AND OTHER</b>	
<b>ENROLLMENT CHANGES</b>		Utilities	(5.5)
Elementary/Secondary	7.8	Special Education Including Non-public Tuition	1.7
Special Education	2.1	Transportation	2.2
ESOL	1.0	Facilities/Plant Operations/Maintenance	0.2
PreKindergarten	0.4	Inflation	1.6
Transportation/Food Service/Facilities/Plant Ops/Other	0.1	Food Service	(0.3)
Benefits for Staff	3.4	Other	(0.9)
<b>Subtotal</b>	<b>\$14.8</b>	<b>Subtotal</b>	<b>(\$1.0)</b>
<b>NEW SCHOOLS/SPACE</b>	<b>\$1.0</b>	<b>OTHER</b>	
<b>EMPLOYEE SALARIES</b>		Retiree Health Trust Fund	30.9
Continuing Salary Costs	23.1	Reserve for Future Obligations	37.2
Benefits for Continuing Salary Costs	2.8	Debt Service - One-time Payment	(79.5)
<b>Subtotal</b>	<b>\$25.9</b>	<b>Subtotal</b>	<b>(\$11.4)</b>
<b>EMPLOYEE BENEFITS AND INSURANCE</b>		<b>FY 2011 BUDGET REQUEST</b>	<b>\$2,263.3</b>
Employee Benefit Plan (active)	21.0	<b>FY 2010- FY 2011 CHANGE</b>	<b>\$62.4</b>
Employee Benefit Plan (retired)	4.9	Less Enterprise funds	(56.6)
Retirement	3.1	Less Grants	(128.4)
Tuition Reimbursement	0.2	<b>SPENDING AFFORDABILITY BUDGET</b>	<b>\$2,078.3</b>
FICA/Self-insurance/Workers' Compensation	3.9	<b>REVENUE INCREASE BY SOURCE</b>	
<b>Subtotal</b>	<b>\$33.1</b>	Local	26.4
		State	48.4
		Federal	1.8
		Other	(0.2)
		Fund Balance	(14.2)
		Enterprise	0.2
		<b>TOTAL REVENUE INCREASE</b>	<b>\$62.4</b>

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**TABLE 2  
BUDGET REVENUE BY SOURCE**

<b>SOURCE</b>	<b>FY 2009 ACTUAL</b>	<b>FY 2010 BUDGET</b>	<b>FY 2010 CURRENT</b>	<b>FY 2011 ESTIMATED</b>
<b>CURRENT FUND</b>				
<b>From the County:</b>	\$ 1,513,763,860	\$1,529,554,447	\$1,527,534,160	\$1,553,934,287
<b>From the State:</b>				
Bridge to Excellence				
Foundation Grant	190,233,753	223,582,900	223,603,678	264,591,855
Supplemental Grant	10,039,105			
Limited English Proficient	42,602,132	42,741,657	42,741,912	42,761,205
Compensatory Education	85,772,752	88,497,375	88,497,924	94,625,966
Students with Disabilities - Formula	32,771,701	32,668,658	32,668,658	32,894,560
Students with Disabilities - Reimbursement	13,232,446	11,304,742	11,304,742	11,704,742
Transportation	31,481,949	31,266,002	31,266,432	31,611,353
Miscellaneous	726,086	750,000	750,000	750,000
Geographic Cost of Education Index	18,373,381	9,277,914	9,278,167	9,538,593
Programs financed through State Grants	4,280,641	0	0	0
Total from the State	429,513,946	440,089,248	440,111,513	488,478,274
<b>From the Federal Government:</b>				
Impact Aid	139,884	245,000	245,000	245,000
Programs financed through Federal Grants	70,980,835	115,364,261	117,565,461	119,402,145
Total from the Federal Government	71,120,719	115,609,261	117,810,461	119,647,145
<b>From Other Sources:</b>				
Tuition and Fees				
D.C. Welfare	269,705	250,000	250,000	250,000
Nonresident Pupils	682,761	925,000	925,000	925,000
Summer School	1,832,839	1,982,536	1,982,536	1,982,536
RICA				
Evening High School	93,852			
Outdoor Education	425,552	496,905	496,905	496,905
Student Activities Fee	724,903	795,000	795,000	795,000
Hospital Teaching	217,405	240,127	240,127	240,127
Miscellaneous	879,176	1,300,000	1,300,000	900,000
Programs financed through Private Grants	776,690	8,991,083	8,787,905	8,977,343
Total from Other Sources	5,902,883	14,980,651	14,777,473	14,566,911
Fund Balance	17,927,455	44,200,000	44,200,000	30,000,000
Total Current Fund	2,038,228,863	2,144,433,607	2,144,433,607	2,206,626,617
<b>ENTERPRISE &amp; SPECIAL FUNDS</b>				
<b>School Food Service Fund:</b>				
State	985,094	1,067,287	1,067,287	1,067,287
National School Lunch, Special Milk and Free Lunch Programs	18,311,345	18,746,883	18,746,883	18,746,883
Child Care Food Program		700,000	700,000	700,000
Sale of Meals and other	22,348,729	27,307,802	27,307,802	26,848,831
Total School Food Service Fund	41,645,168	47,821,972	47,821,972	47,363,001

**TABLE 2  
BUDGET REVENUE BY SOURCE**

<b>SOURCE</b>	<b>FY 2009 ACTUAL</b>	<b>FY 2010 BUDGET</b>	<b>FY 2010 CURRENT</b>	<b>FY 2011 ESTIMATED</b>
<b>Real Estate Management Fund:</b>				
Rental fees	2,397,720	2,651,095	3,001,095	3,074,719
Total Real Estate Management Fund	2,397,720	2,651,095	3,001,095	3,074,719
<b>Field Trip Fund:</b>				
Fees	1,578,741	2,314,716	2,314,716	2,369,952
Total Field Trip Fund	1,578,741	2,314,716	2,314,716	2,369,952
<b>Entrepreneurial Activities Fund:</b>				
Fees	1,872,573	1,774,100	1,774,100	2,232,614
Total Entrepreneurial Activities Fund	1,872,573	1,774,100	1,774,100	2,232,614
Total Enterprise Funds	47,494,202	54,561,883	54,911,883	55,040,286
<b>Instructional Television Special Revenue Fund:</b>				
Cable Television Plan	1,582,830	1,581,510	1,581,510	1,619,507
Total Instructional Special Revenue Fund	1,582,830	1,581,510	1,581,510	1,619,507
<b>GRAND TOTAL</b>	<b>\$2,087,305,895</b>	<b>\$2,200,577,000</b>	<b>\$2,200,927,000</b>	<b>\$2,263,286,410</b>

<b>Tax - Supported Budget</b>	<b>FY 2009 ACTUAL</b>	<b>FY 2010 BUDGET</b>	<b>FY 2010 CURRENT</b>	<b>FY 2011 ESTIMATED</b>
Grand Total	\$2,087,305,895	\$2,200,577,000	\$2,200,927,000	\$2,263,286,410
<b>Less:</b>				
Grants	(76,038,166)	(124,355,344)	(126,353,366)	(128,379,488)
Enterprise Funds	(47,494,202)	(54,561,883)	(54,911,883)	(55,040,286)
Special Revenue Fund	(1,582,830)	(1,581,510)	(1,581,510)	(1,619,507)
<b>Grand Total - Tax-Supported Budget</b>	<b>\$1,962,190,697</b>	<b>\$2,020,078,263</b>	<b>\$2,018,080,241</b>	<b>\$2,078,247,129</b>

The Adult Education Fund was created July 1, 1991, but was discontinued effective July 1, 2006, because the program was transferred to Montgomery College and the Montgomery County Department of Recreation. The Real Estate Management Fund was created July 1, 1992. The Field Trip Fund was created effective July 1, 1993. The Entrepreneurial Activities Fund was created effective July 1, 1998. The Instructional Television Special Revenue Fund was created July 1, 2000.

**TABLE 3  
REVENUE SUMMARY FOR GRANT PROGRAMS BY SOURCE OF FUNDS**

<b>Program Name and Source of Funding</b>	<b>FY 2009 ACTUAL</b>	<b>FY 2010 BUDGET</b>	<b>FY 2010 CURRENT</b>	<b>FY 2011 ESTIMATED</b>
<u>Budgeted</u>				
<b>FEDERAL AID: NO CHILD LEFT BEHIND (NCLB)</b>				
Title I - A (941/949)	\$ 21,221,798	\$ 19,466,779	\$ 19,466,779	\$ 18,435,970
Title I - A (ARRA) (941/949)	-	6,100,000	5,906,005	5,906,005
<b>Title I - D</b>				
Neglected and Delinquent Youth (937)	134,488	114,051	166,875	166,875
<b>Subtotal</b>	<b>21,356,286</b>	<b>25,680,830</b>	<b>25,539,659</b>	<b>24,508,850</b>
<b>Title II - A</b>				
Skillful Teacher Program (915)	604,923	604,923	604,923	604,923
Consulting Teachers (961)	3,707,825	3,672,598	3,679,111	3,311,808
<b>Title II - D</b>				
Enhancing Education through Technology (918)	279,314	183,272	161,203	154,242
<b>Subtotal</b>	<b>4,592,062</b>	<b>4,460,793</b>	<b>4,445,237</b>	<b>4,070,973</b>
<b>Title III</b>				
Limited English Proficiency (927)	3,367,798	3,207,854	3,502,034	3,564,888
<b>Title IV</b>				
Safe & Drug Free Schools & Communities Act (926)	471,535	475,361	445,593	444,748
<b>Title V</b>				
Innovative Educational Programs (997)	31,536	-	-	-
<b>Title VII</b>				
American Indian Education (903)	26,527	22,290	23,685	23,685
<b>SUBTOTAL</b>	<b>29,845,744</b>	<b>33,847,128</b>	<b>33,956,208</b>	<b>32,613,144</b>
<b>OTHER FEDERAL, STATE, AND LOCAL AID</b>				
State Fiscal Stabilization Fund (SFSF) (901) Federal (ARRA)	-	27,845,773	27,844,286	31,263,019
Aging Schools (972) State	1,095,902	-	-	-
Head Start Child Development (932) Federal Federal (ARRA)	3,268,873	3,268,873	3,374,329	3,435,318
Individuals with Disabilities Education (913/963/964/966/967) Federal Federal (ARRA)	27,721,893	27,672,924 16,156,689	29,338,798 16,488,837	29,673,104 16,488,837
Infants and Toddlers (930) Federal	823,222	937,156	928,528	928,528
Medical Assistance Program (939) Federal	3,255,047	4,519,801	4,519,801	3,881,982
Provision for Future Supported Projects (999) Other	9,901,378	8,991,083	8,787,905	8,977,343

**TABLE 3  
REVENUE SUMMARY FOR GRANT PROGRAMS BY SOURCE OF FUNDS**

Program Name and Source of Funding	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2010 CURRENT	FY 2011 ESTIMATED
Carl D. Perkins Career & Technical Ed. Improvement (951)				
Federal	1,031,472	1,115,917	1,114,674	1,118,213
County	276,419	379,794	379,794	379,794
Subtotal	1,307,891	1,495,711	1,494,468	1,498,007
<b>SUBTOTAL</b>	<b>47,374,206</b>	<b>90,888,010</b>	<b>92,776,952</b>	<b>96,146,136</b>
<b>TOTAL</b>	<b>\$ 77,219,950</b>	<b>\$ 124,735,138</b>	<b>\$ 126,733,160</b>	<b>\$ 128,769,282</b>

<b>Summary of Funding Sources</b>				
Federal	\$ 65,946,251	\$ 115,364,261	\$ 117,565,461	\$ 119,402,145
State	1,095,902	-	-	-
County	276,419	379,794	379,794	379,794
Other	9,901,378	8,991,083	8,787,905	8,977,343
<b>GRAND TOTAL</b>	<b>\$ 77,219,950</b>	<b>\$ 124,735,138</b>	<b>\$ 126,733,160</b>	<b>\$ 128,769,282</b>

<b>FOR INFORMATION ONLY</b>				
<b>Non-Budgeted Grants Received as of November 2009 - Continuation Is Dependent on Future Funding</b>				
Title V-D, Fund for the Improvement of Education			\$ 143,000	
Perkins Vocational Education (5 projects)			54,988	
Learn and Serve			7,828	
Homeless Education Grant			60,000	
IDEA - Enabling Students with Emotional Disabilities			62,816	
IDEA - ED Cluster Model			185,000	
IDEA - Least Restrictive Environment (LRE)			38,800	
IDEA - A/R/MSA			20,000	
IDEA - Transition Drop-out Grad Gap			40,000	
IDEA - High School Assessments			329,866	
IDEA - AYP			151,259	
Reading First			565,167	
Ambassadors Invested in Mentorship			154,259	
ARRA - Equipment			72,305	
ARRA - Head Start			259,330	
ARRA - Infants and Toddlers			208,534	
ARRA - Neglected and Delinquent Youth			58,594	
ARRA - Homeless Children and Youth			85,000	
<b>SUBTOTAL FEDERAL FUNDING</b>			<b>2,496,746</b>	
Judith Hoyer Childcare & Education-Silver Spring Center			202,988	
Judith Hoyer Childcare & Education-Gaithersburg Center			322,000	
Infants and Toddlers - Part C			51,884	
Chess Grants			24,800	
Maryland Model for School Readiness (MMSR) Program			105,785	
<b>SUBTOTAL STATE FUNDING</b>			<b>707,457</b>	
Naval Architects and Marine Engineers Program			22,574	
Startalk			28,399	
Families Who Read Succeed			49,020	
Bridge Lawn Care			15,000	
Study Circles			10,000	
<b>SUBTOTAL OTHER</b>			<b>124,993</b>	
<b>TOTAL</b>			<b>\$ 3,329,196</b>	

**TABLE 4**  
**SUMMARY OF STUDENT ENROLLMENT - FY 2008 THROUGH FY 2011**

DESCRIPTION	(1)	(2)	(3)	(4)	(5)	CHANGE	
	FY 2008 ACTUAL 9/30/2007	FY 2009 ACTUAL 9/30/2008	FY 2010 ACTUAL 9/30/2009	FY 2010 BUDGET 10/30/2008	FY 2011 BUDGET 10/30/2009	COLUMN (5) LESS COLUMN (4)	
						#	%
<b>ENROLLMENT</b>							
PRE-KINDERGARTEN	1,833	1,878	1,973	1,905	2,025	120	6.5
HEAD START	599	618	618	618	618		
KINDERGARTEN	9,749	10,250	10,605	10,352	10,575	223	2.3
GRADES 1-5	48,827	49,892	51,399	50,691	53,006	2,315	4.7
<b>SUBTOTAL ELEMENTARY</b>	<b>61,008</b>	<b>62,638</b>	<b>64,595</b>	<b>63,566</b>	<b>66,224</b>	<b>2,658</b>	<b>4.4</b>
GRADES 6-8	30,911	30,871	30,890	30,155	30,532	377	1.2
<b>SUBTOTAL MIDDLE</b>	<b>30,911</b>	<b>30,871</b>	<b>30,890</b>	<b>30,155</b>	<b>30,532</b>	<b>377</b>	<b>1.2</b>
GRADES 9-12	44,245	44,240	44,580	44,511	44,386	(125)	(0.3)
<b>SUBTOTAL HIGH</b>	<b>44,245</b>	<b>44,240</b>	<b>44,580</b>	<b>44,511</b>	<b>44,386</b>	<b>(125)</b>	<b>(0.3)</b>
<b>SUBTOTAL PRE-K - GRADE 12</b>	<b>136,164</b>	<b>137,749</b>	<b>140,065</b>	<b>138,232</b>	<b>141,142</b>	<b>2,910</b>	<b>2.1</b>
<b>SPECIAL EDUCATION</b>							
PRE-KINDERGARTEN	585	639	825	1,119	1,230	111	
SPECIAL PROGRAM CENTERS	561	511	514	674	462	(212)	(37.8)
<b>SUBTOTAL SPECIAL EDUCATION</b>	<b>1,146</b>	<b>1,150</b>	<b>1,339</b>	<b>1,793</b>	<b>1,692</b>	<b>(101)</b>	<b>(5.8)</b>
ALTERNATIVE PROGRAMS	212	179	219	225	225		
GATEWAY TO COLLEGE	223	198	154	250	250		
<b>GRAND TOTAL</b>	<b>137,745</b>	<b>139,276</b>	<b>141,777</b>	<b>140,500</b>	<b>143,309</b>	<b>2,809</b>	<b>2.0</b>

SOURCE: Projected enrollment by the Division of Long-range Planning

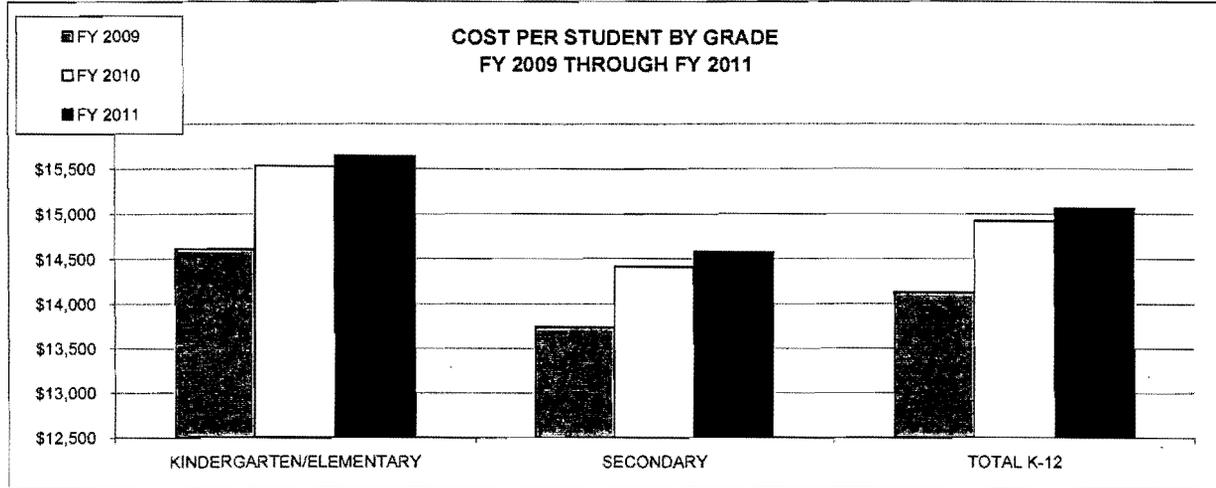
NOTE: Grade enrollments for FY 2008 - FY 2011 include special education students

**TABLE 5  
ALLOCATION OF STAFFING**

POSITIONS	CURRENT FY 2010	BUDGET FY 2011	CHANGE
Executive	19.000	19.000	
Administrative	213.000	213.000	
Business/Operations Administrator	94.000	94.000	
Principal/Assistant Principal	485.000	485.000	
Other Professional	210.800	210.800	
Teacher	10,408.500	10,580.070	171.570
Special Education Specialist	469.500	488.600	19.100
Media Specialist	201.500	201.500	
Counselor	467.000	467.000	
Psychologist	97.100	97.205	0.105
Social Worker	14.100	14.805	0.705
Pupil Personnel Worker	47.000	47.000	
Instructional Aide/Assistant	2,614.880	2,655.720	40.840
Secretarial/Clerical Support	1,053.387	1,052.387	(1.000)
IT Systems Specialist	144.500	143.500	(1.000)
Security	230.000	229.000	(1.000)
Cafeteria	557.448	557.448	
Building Services	1,308.700	1,318.200	9.500
Facilities Management/Maintenance	350.500	350.500	
Supply/Property Management	52.500	52.500	
Transportation	1,694.750	1,694.750	
Other Support (Business, Technology, Research, Human Resources, Communications, etc.)	216.750	215.750	(1.000)
<b>TOTAL</b>	<b>20,949.915</b>	<b>21,187.735</b>	<b>237.820</b>

**TABLE 6  
COST PER STUDENT BY GRADE SPAN**

	KINDERGARTEN/ ELEMENTARY	SECONDARY	TOTAL K-12	AMOUNT EXCLUDED*	TOTAL BUDGET**
<b>FY 2009 ACTUAL</b>					
EXPENDITURES	\$888,244,110	\$1,041,255,456	\$1,929,499,566	\$137,959,231	\$2,067,458,797
STUDENTS 9/30/08 (ACTUAL)	60,781	75,801	136,582		
COST PER STUDENT	\$14,614	\$13,737	\$14,127		
<b>FY 2010 BUDGET</b>					
EXPENDITURES	\$965,419,538	\$1,089,391,977	\$2,054,811,515	\$146,115,485	\$2,200,927,000
STUDENTS 9/30/09 (CURRENT)	62,162	75,565	137,727		
COST PER STUDENT	\$15,531	\$14,417	\$14,919		
<b>FY 2011 BUDGET</b>					
EXPENDITURES	\$1,013,731,988	\$1,101,908,512	\$2,115,640,500	147,645,910	\$2,263,286,410
STUDENTS 9/30/10 (PROJECTED)	64,811	75,605	140,416		
COST PER STUDENT	\$15,641	\$14,575	\$15,067		



**Notes:**

\* SUMMER SCHOOL, COMMUNITY SERVICES, TUITION FOR STUDENTS WITH DISABILITIES IN PRIVATE PLACEMENT, AND ENTERPRISE FUND ACCOUNTS ARE EXCLUDED FROM COST OF REGULAR DAY SCHOOL OPERATIONS

\*\* FY 2010 FIGURES REFLECT CURRENT APPROVED BUDGET.

# Montgomery County Public Schools

## FY 2011 OPERATING BUDGET

### Enrollment

The Montgomery County Public Schools (MCPS) FY 2011 Operating Budget will increase by \$14,792,498 because of enrollment changes. Below are details of the reasons for the increase.

- Enrollment growth impacts most aspects of the Operating Budget, such as requirements for instructional staffing, student transportation (operators, attendants, and buses), instructional materials (textbooks and supplies), other school-based supporting services, and new and expanded school facilities.

### Enrollment Projections

- Official enrollment for the 2009-2010 school year is 141,777 students. This is an increase of 2,501 students from FY 2009, and 1,277 more than what was projected and budgeted for in the FY 2010 Operating Budget.
- Enrollment is projected to be 143,309 students in FY 2011, which is 1,532 more than this year, and 2,809 more than what was budgeted for in the FY 2010 Operating Budget.
- The main reasons for higher enrollment in FY 2010 include:
  - Higher numbers of resident births since 2000, now arriving in elementary schools
  - A reduction in out migration of households from Montgomery County
  - Increased enrollment into MCPS from county private schools
- Elementary school enrollment is projected to increase next year. The projection for Grades K-5 enrollment in FY 2011 is 63,581, up 1,577 from this year's actual enrollment of 62,004. Kindergarten enrollment is projected to be 10,575 next year, the third year this enrollment has topped 10,000.
- Secondary school enrollment is projected to decline in FY 2011. Middle school enrollment is projected at 30,532, a decline of 358 from this year's actual enrollment of 30,890. High school enrollment is projected at 44,386, a decline of 194 from this year's actual enrollment of 44,580.

- Increases in elementary school enrollment will be somewhat offset by decreases in secondary enrollment for the next several years. However, significant total enrollment increases will occur over the six-year forecast period. By FY 2016, Montgomery County Public Schools is projected to have 148,043 students enrolled, 6,266 more than this year.

### **Costs Related to Enrollment Changes**

Budget calculations are based on changes in projected enrollment. Since actual enrollment was 1,277 students above projection in FY 2010, additional resources will need to be requested in the FY 2011 budget for these students. In addition to these students, another increase of 1,532 students is projected for FY 2011, for a total 2,809 students above the budgeted level for FY 2010.

- Total costs related to enrollment growth will increase by \$14,792,498.
- This fall there are 961 more students in elementary schools than were projected and budgeted for. The projection of 1,577 additional elementary students in FY 2011, results in a cumulative increase of 2,538 students from what is budgeted for in FY 2010 to what is projected for FY 2011. This number of additional students requires an additional 138.7 classroom teacher positions and 4.775 lunch hour aide positions at a total cost of \$7,553,449.
- This fall there are 735 more students in middle school than were projected and budgeted for. The projection of 358 fewer middle school students in FY 2011 results in a net increase of 377 students from what was budgeted for in FY 2010 to what is projected for FY 2011. This number of additional students requires 21.0 additional classroom teacher positions at a total cost of \$1,100,568.
- This fall there are 69 more students in high schools than were projected and budgeted for. The projection of 194 fewer high school students in FY 2011 results in a net decrease of 125 students from what was budgeted for the FY 2010 to what is projected for FY 2011. This number of fewer students requires an 16.0 fewer classroom teacher positions for a total decrease of \$875,077.
- This fall there are projected increases of 500 ESOL students. This number of projected additional students requires 21.0 additional classroom teacher positions and 2.5 fewer paraeducator positions at a total cost of \$1,026,131.
- This fall there is a projected increase of 7 additional pre-kindergarten classes to comply with state mandates to serve an additional 140 children. This number of projected additional students requires 3.5 additional classroom teacher positions, 2.625 additional paraeducator positions, and 1.3 additional social services support positions at a total cost of \$423,440.

- Growth in special education requires the addition of 16.0 classroom teacher positions, 9.6 speech pathologists, 5.5 occupational and physical therapist positions, and 26.74 paraeducator positions at a total cost of \$2,115,007. Special education students are now included in the total count of students by grade level. A decrease in the number of students expected to require non-public placement decreases the budget for tuition payments by \$441,282.
- There are other costs related to enrollment changes such as \$180,724 for substitutes, \$95,599 for textbooks, \$33,935 for media centers, and \$157,783 for instructional materials. In addition, there are related changes such as additional square footage added to schools to accommodate enrollment growth. Costs for building services (\$288,439) and utilities (\$870,005) will add \$1,158,444 to the budget. Additional transportation costs related to enrollment growth add \$88,880 to the budget.
- Employee benefits costs related to enrollment changes result in a net increase of \$3,346,194.

## Montgomery County Public Schools

### FY 2011 OPERATING BUDGET

#### New Schools

The Montgomery County Public Schools (MCPS) FY 2011 Operating Budget will increase by a net of \$1,007,976, reflecting the effects of opening new schools. Below are details of the reasons for the decrease.

- The budgetary impact of new schools is a result of the combination of positions added to a school because of the school building itself and one-time start-up costs.
- Costs associated with the opening of new schools rather than enrollment growth include building administrators, reading teachers, staff development teachers, building service workers, secretaries, and other positions. New school costs also include utilities, media and instructional materials, custodial supplies, equipment, food services, and other non-personnel costs.
- One-time costs come out of the budget in the year after the building opens or a grade is added. As a result, the incremental impact of new schools in any single year may be either an increase or decrease.
- In FY 2011, no new schools will open. Part of the one-time costs relative to the opening of the William B. Gibbs, Jr., Elementary School will cease after FY 2010, resulting in a partial decrease in new schools costs.
- The increase of costs related to the addition of 185,000 square feet at several school buildings totals 9.5 building services positions and \$1,270,999. The net decrease in one-time costs related to the William B. Gibbs, Jr., Elementary School is \$263,023.

# Montgomery County Public Schools

## FY 2011 OPERATING BUDGET

### Continuing Salaries

Continuing salaries and related employee benefits will increase the FY 2011 Operating Budget by \$25,908,503. Continuing salary costs are tied to the negotiated agreements. They include annual salary increments for eligible employees, adjusted by savings for expected employee lapse and turnover. Employee pay is based on salary schedules, published as part of the operating budget, for each pay grade and step. As employees increase their experience, they reach higher steps on the salary schedule. In addition, teacher salaries depend on educational levels. Salaries for supporting services employees depend on the number of hours worked in addition to their years of service.

### Continuing Salaries

Changes in employee salaries are determined by negotiated agreements with four employee organizations:

- Montgomery County Education Association (MCEA) representing teachers and other professional employees
  - SEIU Local 500 representing supporting services employees
  - Montgomery County Association of Administrators and Principals (MCAAP) representing administrators
  - Montgomery County Business and Operations Administrators (MCBOA) representing non-certificated supervisory employees
- 
- Employees receive continuing salary increases related to seniority (steps and longevity). Increases include scheduled annual increments for employees with satisfactory service who are still progressing along salary schedules and for teachers who accumulate sufficient graduate credits to move to a higher salary schedule lane.
  - Included in net continuing salary costs is lapse (savings resulting from short-term vacancies) and turnover (savings from replacing a senior employee with a lower-paid junior employee) savings based on historical experience.
  - The total budget increase for continuing salary costs and related benefits of \$25.9 million includes \$18.5 million for MCEA, \$6.4 million for SEIU Local 500, \$0.1 million for MCBOA, and \$0.9 million for MCAAP.
  - Continuing salaries increase the total budget by 1.2 percent and the budget for salaries and wages by 1.7 percent. As a result of lower than normal turnover due

to the economic downturn, continuing salary costs are increasing more than in most years.

- Budgeted salary costs for FY 2011 assume that all new employees will be hired at the budgeted new-hire rate for their position, including BA4 for regular education teachers and BA6 for special education teachers.

# Montgomery County Public Schools

## FY 2011 OPERATING BUDGET

### Employee Benefits

The Montgomery County Public Schools (MCPS) FY 2011 Operating Budget includes \$517.9 million to provide employee benefits (23 percent of the total operating budget). This is an increase of \$67.8 million (15.1 percent). Health and life insurance coverage for current active and retired employees and their families are provided through the Employee Benefit Plan (EBP). Other employee benefits include retirement, social security (FICA), worker's compensation and other self-insurance, and tuition reimbursement. The operating budget also includes an increase of \$30.9 million for the fourth year of an eight-year phase-in of payments required for the Retiree Health Trust Fund for Other Post-Employment Benefits (OPEB) to pre-fund retiree health benefits. See a separate section on OPEB.

#### Health and Life Insurance

- MCPS works with a consultant firm, Aon Consulting, one of the leading firms in the nation with expertise in employee benefit plan administration. Aon studies both national trends and actual MCPS experience to develop projections of future costs. These projections have been very close to actual results for the last several years.
- Joint negotiations with employee unions have resulted in a series of health care plan design changes, including higher co-pays for some plans, changes in pharmaceutical access, and new plan administration.
- The projected budget increase assumes a 7.7 percent cost increase trend in FY 2011. This rate is higher than in previous years and much higher than the expected rate of inflation. The projection reflects the net of inflationary cost increases and the positive effects of cost containment initiatives and cooperation with other county agencies, including rebidding contracts with third party administrators. In addition to implementing additional efficiencies, the MCPS budget has included the impact of a reduction in the number of new retirees in FY 2011 and the overall impact an economic contraction has on the ability to pass on higher costs for employee health benefits.
- The budget for health and life insurance for active employees will rise by \$21,001,690. Active employees pay an average of 10 percent of plan expenses, although this varies by plan.
- The budget for retiree health care costs will increase by \$4,932,580. Retirees pay 36 percent of plan costs.

## Other Employee Benefits

The cost of other employee benefits is expected to increase by \$7.2 million in FY 2011.

- The cost for current retirement programs will increase by \$3.1 million based on 4.70 percent of salary. Investment gains and losses in the retirement fund are smoothed over five years. Thus, some past losses have not yet been fully realized, and there will be a gradual recognition of significant losses and a consequent increase in the percentage of salary used to calculate retirement contributions. As a result of these anticipated actuarial losses, long-term concerns remain about the funded status of the retirement plan.
- Because salary schedules have not changed, contributions to social security are projected to remain the same in FY 2011.
- Self-insurance costs for worker's compensation will increase by \$3.9 million in FY 2011, a 40 percent increase. MCPS participates in an inter-agency risk management fund. That fund has sustained significant investment and operating losses, although the volume of MCPS self-insurance claims has not changed significantly.
- There also is an increase of \$200,000 for tuition reimbursement as more employees take courses to maintain certification and increase job skills.

## Montgomery County Public Schools

### FY 2011 OPERATING BUDGET

#### Funding Retiree Benefits - OPEB

The Montgomery County Public Schools (MCPS) FY 2011 Operating Budget includes an increase of \$30,942,250 million to continue pre-funding of Other Post-Employment health and life insurance Benefits (OPEB) for retired employees, made necessary by the rulings of the Government Accounting Standards Board (GASB). Total pre-funding in the FY 2011 budget is \$42.9 million. This pre-funding is necessary to assure retired and active employees that future retiree health insurance costs will be fully funded, and to protect the County's AAA bond rating.

- GASB defines what are considered to be Generally Accepted Accounting Principles (GAAP) for governmental entities, including public school districts. GASB statements 43 and 45 related to disclosure of liabilities for Other Post-Employment Benefits (OPEB).
- OPEB include retiree medical, dental, life insurance, and other benefits not covered by a pension plan.
- MCPS has taken action to limit its liabilities under the new rulings. With the cooperation of retiree representatives, the Board of Education adjusted the share of health and life insurance benefit payments made by retirees to 36 percent of total costs with MCPS responsible for 64 percent.
- Plan sponsors such as MCPS, began to comply with the new rulings beginning in FY 2008. They must determine through an actuarial study and disclose in financial reports OPEB liabilities as they are incurred. MCPS commissioned its pension actuary, Mercer, to conduct the required actuarial analysis.
- The new approach differs from past practice that permitted employers to pay for such benefits on a "pay as you go" basis. Until 1978, MCPS pre-funded retiree insurance benefits. That fund was finally exhausted in FY 2003. After that, the operating budget paid the full cost of retiree benefits.
- Although GASB does not require government bodies to pre-fund OPEB obligations, bond rating agencies expect large governmental entities with favorable bond ratings to phase-in OPEB funding over a period of years, with a plan to achieve full funding of the liabilities. As a result, all County funded agencies have decided to phase-in required pre-funding over no more than eight years. By the end of that period, MCPS would be contributing approximately \$80 million annually to fund the OPEB unfunded accrued liability. FY 2011 is the fourth year of the phase-in period.

- MCPS has established a trust fund to hold and invest employer contributions. Investment earnings of the trust fund will reduce the ultimate cost to the operating budget.
- The FY 2010 budget includes \$12.0 million in contributions for the third year of the eight-year phase-in period. The adverse economic situation and budget shortfalls made it necessary for the County Council to reduce OPEB funding. This has created a shortfall in the phase-in plan. The County Government made no payments to its OPEB trust fund in FY 2010. The County Council required MCPS to delay making the FY 2010 payment to the trust fund until June 30, 2010, in case the money is needed to deal with revenue shortfalls later this fiscal year.
- The FY 2011 budget includes an increase of \$30.9 million to restore the payment schedule to the original eight-year phase-in period. This will make possible a total payment of \$42.9 million. Because of the effects of the recession, the County Council may decide again to postpone required OPEB contributions. That may effectively delay completion of the phase-in period.
- As economic conditions improve, MCPS will make additional contributions to achieve the complete phase-in of required payments within eight years based on actuarial recommendations. This will enable MCPS to achieve full funding of anticipated OPEB obligations.

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 15, 2010

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: FY 2011 Operating Budget: County Executive Recommendation

On March 15, 2010, County Executive Isiah Leggett presented his Fiscal Year 2011 Recommended Operating Budget. He recommended a total of \$2.13 billion for Montgomery County Public Schools (MCPS). This is a decrease of \$75 million (3.4 percent) from the approved FY 2010 Operating Budget of \$2.20 billion. Mr. Leggett's recommendation is actually 6.1 percent less—\$137.7 million—than the Board of Education's FY 2011 Operating Budget Request of \$2.26 billion. (See attachment for detailed numbers).

The recommended budget provides about \$1,000 less per student for next year compared to this fiscal year and about the same amount as FY 2009. This budget recommendation by Mr. Leggett will require a waiver of the Maintenance of Effort (MOE) law. Without a MOE waiver, MCPS may face a penalty of the loss of increased state aid up to \$53.1 million. Thus, I will be recommending to you that we join with the County Government in seeking a waiver from the MOE requirement. It is important to point out that MCPS has been exceedingly cooperative with the County Government as it confronts the worst economic downturn in decades. You will recall that MCPS agreed to allow the county to use its increased state aid for two years in a row (\$70 million in FY 2010 and \$53 million in FY 2011) in lieu of local increases in education spending despite the increases in enrollment. Mr. Leggett made a point of thanking the Board for its leadership and cooperation in these difficult economic times.

The county executive's budget recommends following the Charter limit on property taxes through a \$693 tax credit for owner-occupied residential property, with constant tax rates. Other revenue increases include an increase in the Energy tax (\$50 million) and a new ambulance fee charged directly to third-party payers (\$15 million). County reserves remain at five percent of resources. In addition, the budget assumes a withdrawal of \$102 million from the Rainy Day Fund in FY 2010.

At the press conference held to release the budget recommendation, Mr. Leggett said that he had closed a \$779 million shortfall to balance the budget. Closing the budget shortfall included the following major steps:

1. FY 2010 savings of \$100 million
2. Elimination of 450 County Government positions, including 230 filled positions
3. Reductions in the MCPS FY 2011 Operating Budget of \$137.7 million and a MOE waiver
4. Reductions in the budgets of Montgomery College (\$8.3 million) and the Maryland-National Capital Park and Planning Commission (\$15.1 million)
5. A ten-day furlough for county non-public safety employees
6. No general wage adjustment or salary increments for employees (COLAs and Steps)
7. Deferral of contributions for Other Post-Employment Benefits (OPEB) to pre-fund retiree health benefits
8. Reductions in county services in all departments
9. Increased revenue from the Energy tax (\$50 million) and an ambulance fee (\$15 million)
10. Maintaining the level of reserves at five percent, instead of the county policy level of six percent
11. Withdrawing \$102 million from the Rainy Day Fund in FY 2010.

The total FY 2011 Recommended Operating Budget is reduced by \$169.7 million (3.8 percent) from the FY 2010 Approved Budget. This is the first decrease in county expenditures since before the County Charter system was instituted in 1968. Mr. Leggett called attention to growing unemployment and continued weakness of the national and local economic situations. Because of the length of the recession, Mr. Leggett envisions a structural budget problem for several years in the future. He thanked the members of the Board of Education, the superintendent of schools, and employee union leaders for their cooperation.

Overall, Mr. Leggett recommended that MCPS receive 49.4 percent of total county expenditures compared to 48.3 percent of total county spending in FY 2010, excluding the transfer of \$79.5 million of debt service reimbursement to the MCPS budget. The net result is a 3.4 percent decrease from the FY 2010 Operating Budget for MCPS compared to a decrease of 5.4 percent for County Government, 2.3 percent for Montgomery College, and 12.5 percent for the Maryland-National Capital Park and Planning Commission.

MCPS will be absorbing the \$137.7 million in cuts despite enrollment growth of 2,800 students and an increase in the number of students receiving free and reduced price meals of 3,700 in the last year alone, as well as an increase of 900 students receiving English Language services. As I mentioned earlier, cuts of this magnitude will reduce MCPS' budget to a level of spending that is below the approved FY 2010 budget. The cost per student will drop about \$1,000 from \$15,067 to approximately \$14,124 – nearly the same cost as FY 2009.

Due to an increase in state aid, the Board included a reserve of \$37.2 million in the budget passed in February and forwarded to the county executive. This funding, if approved by the legislature, would offset some of the \$137.7 million in required cuts. The remaining cuts may include:

- Elimination of all OPEB contributions (retiree health trust fund) - \$42.9 million
- Elimination of salary increments (steps) - \$25.9 million
- Increase of class size by 1 student at all grade levels - \$16 million

- Central services reductions - \$6.0 million
- Other savings and reductions - \$10.3 million

We will continue to analyze the county executive's recommendation and I will send you additional financial details as warranted. I will keep you informed of future developments as the County Council begins its review of the MCPS budget. The Council's public hearings begin on April 5, 2010, at 7:00 p.m. The County Council's Education Committee has scheduled its initial worksession on the MCPS budget on April 8, 2010. If you have any questions, please call Mr. Larry A. Bowers, chief operating officer at 301-279-3626; or Dr. Marshall Spatz, director, Management, Budget, and Planning at 301-279-3547.

JDW:jp

Attachments

Copy to:  
Executive Staff

MONTGOMERY COUNTY PUBLIC SCHOOLS

COUNTY EXECUTIVE RECOMMENDATION  
 FY 2011 OPERATING BUDGET  
 March 15, 2010

	<u>FY 2010 Approved</u>	<u>Board of Education Request</u>	<u>County Executive Recommended</u>	<u>Change from BOE Request</u>
FY 2011 Total	\$2,200,577,000	\$2,263,286,410	\$2,125,542,225	
Increase / (Decrease)		62,709,410	(75,034,775)	(\$137,744,185)
Percent Increase / (Decrease)		2.8%	-3.4%	
FY 2011 Tax-supported	\$2,020,078,263	\$2,078,247,129	\$1,940,540,941	
Increase / (Decrease)		58,168,866	(79,537,322)	(137,706,188)
Percent Increase / (Decrease)		2.9%	-3.9%	
FY 2011 Tax-supported w/o Debt Service	\$1,940,540,941	\$2,078,247,129	\$1,940,540,941	
Increase / (Decrease)		137,706,188	0	(137,706,188)
Percent Increase / (Decrease)		7.1%	0.0%	
FY 2011 Local Contribution	\$1,529,554,447	\$1,553,934,287	\$1,416,228,099	
Increase / (Decrease)		24,379,840	(113,326,348)	(137,706,188)
Percent Increase / (Decrease)		1.6%	-7.4%	
FY 2011 Local Contribution w/o Debt Service	\$1,450,017,125	\$1,553,934,287	\$1,416,228,099	
Increase / (Decrease)		103,917,162	(33,789,026)	(137,706,188)
Percent Increase / (Decrease)		7.2%	-2.3%	

<b>BUDGET SUMMARY BY AGENCY</b>				
(\$ in Millions)				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>FISCAL YEAR</b>	<b>TAX SUPPORTED</b>	<b>GRANT SUPPORTED</b>	<b>SELF SUPPORTED</b>	<b>GRAND TOTAL</b>
<b>MONTGOMERY COUNTY GOVERNMENT</b>				
FY10 Approved	1,251.2	115.6	263.5	1,630.3
FY11 Recommended	1,174.7	112.6	255.7	1,543.0
Percent Change From FY10	-6.1%	-2.6%	-2.9%	-5.4%
<b>MONTGOMERY COUNTY PUBLIC SCHOOLS</b>				
FY10 Approved	2,020.1	124.4	56.1	2,200.6
FY11 Recommended	1,940.5	128.4	56.6	2,125.5
Percent Change From FY10	-3.9%	3.2%	0.9%	-3.4%
<b>MONTGOMERY COLLEGE</b>				
FY10 Approved	217.5	19.1	28.9	265.6
FY11 Recommended	209.2	21.0	29.1	259.4
Percent Change From FY10	-3.8%	9.8%	0.6%	-2.3%
<b>MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION</b>				
FY10 Approved	106.6	0.6	16.7	123.9
FY11 Recommended	91.6	0.6	16.3	108.4
Percent Change From FY10	-14.1%	0.0%	-2.4%	-12.5%
<b>ALL AGENCIES WITHOUT DEBT SERVICE</b>				
FY10 Approved	3,595.4	259.7	365.2	4,220.3
FY11 Recommended	3,416.1	262.6	357.7	4,036.3
Percent Change From FY10	-5.0%	1.1%	-2.1%	-4.4%
<b>DEBT SERVICE: GENERAL OBLIGATION &amp; LONG TERM LEASES</b>				
FY10 Approved	251.5	-	2.2	253.6
FY11 Recommended	265.0	-	2.9	267.9
Percent Change From FY10	5.4%	0.0%	33.6%	5.6%
<b>TOTAL BUDGETS</b>				
FY10 Approved	3,846.9	259.7	367.4	4,474.0
FY11 Recommended	3,681.1	262.6	360.6	4,304.3
Percent Change From FY10	-4.3%	1.1%	-1.8%	-3.8%

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 24, 2010

MEMORANDUM

To: Principals and Directors

From: Jerry D. Weast, Superintendent of Schools 

Subject: FY 2011 Central Services Reductions and Reorganization

The budget outlook for Montgomery County Public Schools (MCPS) requires us to make difficult budget reductions for FY 2011. As school-based administrators already know, when staffing allocations went out on March 5, 2010, there were significant reductions in positions. On March 22, 2010, the Board of Education was informed of central services reductions of \$6.5 million and 49 positions and the reorganization of certain central services functions. This memorandum informs you of the organizational changes that will be made in FY 2011. With the reductions being made for FY 2011, the total number of central services positions eliminated over the past three years will be 172 positions and \$23.5 million.

It is not possible to make these types of reductions without focusing the work of the offices in central services on a limited number of priorities. We cannot continue to provide all of the services and supports that have been provided in the past with an 18 percent reduction in resources. Therefore, I have directed staff to focus our work on the following four priorities:

- Human resources and implementation of the three professional growth systems
- Accelerated development of the curriculum, the online learning community, and support to schools
- Information technology that supports other strategic priorities
- Accountability and monitoring

In order to focus our work on these four priorities at the same time we are cutting \$6.5 million, it is necessary to reorganize some offices in central services. The major change is that the Office of Organizational Development (OOD) will be eliminated, and the different units within this office will be moved to the offices of Human Resources (OHR), Curriculum and Instructional Programs (OCIP), and the Chief Technology Officer (OCTO).

**Human Resources and the Professional Growth Systems**

The reorganization will focus on fully developing the MCPS professional growth systems (PGS). The goal is that all employees will follow the PGS continuum throughout their tenure with MCPS. Since the professional growth systems are built on the expectation that support will be

provided throughout this continuum, the structures used to implement and oversee this continuum must be integrated.

The new Office of Human Resources and Development will oversee and coordinate the PGS services. This office will include all of those functions currently in OHR and the following functions previously managed in OOD:

- University partnerships for employees
- Continuing Professional Development courses
- Tuition reimbursement
- Induction of new employees, including mentoring
- Professional growth systems, including Observing and Analyzing/Skillful Teaching courses, Peer Assistance and Review panels, consulting teachers and principals, and professional growth consultants
- Leadership development including the Professional Learning Community Institute, development of leaders (Assistant Principal 1s, Assistant Principal 2s, and interns), and succession planning
- Support staff training, including the paraeducator program
- Equity strategies, training, and development

#### **Accelerated Development of the Elementary Integrated Curriculum and the Secondary Online Learning Community and School Support**

Curriculum development and delivery will be accomplished through the *myMCPS* online learning community. Using *myMCPS*, curriculum development and dissemination will no longer be a centrally controlled model but instead will be a collaborative online model that harnesses the best thinking of MCPS teachers, administrators, parents, and students. Likewise, professional development related to curriculum will move from a predominantly face-to-face presentation model to a just-in-time, on-demand, online model. Two project teams will be formed, one at the elementary level and another at the secondary level. The Elementary Integrated Curriculum Team will focus on the development and implementation of the elementary integrated curriculum and assessments. The Secondary Curriculum and Professional Development Team will ensure continuity of rigorous curricula and assessments from the elementary level through Advanced Placement and International Baccalaureate courses in all content areas.

The reorganization moves the work of the Curriculum Training and Development Team from OOD to OCIP. OCIP will oversee and coordinate the implementation of all of the curriculum, including providing support to school-based teachers and teams. This includes professional development related to curriculum implementation. This work will be critical as the elementary integrated curriculum is developed and implemented. Curriculum writing, professional development, instructional resources and materials, Universal Design for Learning, and technology integration all will be the responsibility of the teams developing the new integrated curriculum.

To support the related professional development, the Staff Development Teacher Project Team (SDTPT) in OOD will be reassigned to OCIP. This team provides direct support to schools through six staff development specialists. The realignment of SDTPT to OCIP will foster a more cohesive approach to school support through greater collaboration with the directors of instruction and achievement and supervisors of the curriculum content areas.

### **Information Technology Initiatives that Support Other Strategic Priorities**

A critical priority is to integrate technology-based teaching and learning in the classroom. Teachers have been engaged in professional development on inquiry-based lessons that provide access to digital content and engage all students in the use of technology. To support this work and ensure that there is job-embedded technology professional development, the Department of Technology Consulting will be reassigned from OOD to OCTO. This department will continue to manage the Center for Technology Innovation, the school system's primary technology training center.

### **Ensuring Accountability and Monitoring the Work**

Critical to achieving the mission of MCPS "to provide a high-quality, world-class education that ensures success for every student through excellence in teaching and learning" is the systematic and systemic monitoring of student performance in every school. We have developed continuous improvement processes that focus on outcomes and data-driven decision making intended to reduce the variance in results between schools and groups of students. Central services offices have responsibility for monitoring progress and making changes to processes or structures if the intended purpose or targets are not being met. The offices of School Performance and Shared Accountability use a range of measures to monitor student achievement and cross-functional teams of central services and school-based staff study student performance data by drilling down to root causes and recommending plans for improvement.

### **Next Steps**

Executive staff is informing their staff of the organizational changes and communicating plans to eliminate positions this week. OHR will work with anyone whose position has been eliminated to ensure that he or she knows the process for applying for school-based positions or other positions in MCPS and the related timelines. In addition, I am confident that OHR will work with school-based administrators to identify appropriate positions for these staff members that will utilize their skills and broad-based experience.

I anticipate further refinements to the reorganization of central services as we implement the changes described in this memorandum.

JDW:rlc

Copy to:  
Executive Staff



ROCKVILLE, MARYLAND

March 31, 2010

Mr. Anthony South  
Executive Director  
Maryland State Board of Education  
200 West Baltimore Street  
Baltimore, Maryland 21201

Dear Mr. South:

Pursuant to Section 5-202(d)(7) of Maryland Code, Education Article, Montgomery County requests a waiver from the State's Maintenance of Effort (MOE) requirement as defined under Section 5-202(d)(1)-(6). The basis for this request is that the County's fiscal condition significantly impedes it from funding the MOE requirement. Based on the attached email of March 24, 2010, we are providing you with the amount of the requested waiver and the percentage of the total MOE amount the waiver request represents.

The County Executive's Recommended FY11 Operating Budget includes local funding of \$1,415,085,344 for K-12 public education. Montgomery County requests a waiver of its MOE requirement to permit local funding at the level of \$1,415,085,344.

This amount is below the County's MOE requirement by either \$138,848,943 (8.9 percent of the total MOE amount) or \$58,043,862 (3.9 percent of the total MOE amount). The latter amount reflects advice rendered by Assistant Attorney General Bonnie Kirkland in a February 26, 2010 letter to Senator Richard Madaleno; in that letter Ms. Kirkland advised that \$79.5 million in debt service appropriated to MCPS in FY10 should not be counted in calculating the County's MOE requirement for FY11. A copy of Ms. Kirkland's advice is attached. A final resolution of this issue, however, is not necessary for the purpose of resolving the County's request for an MOE waiver for FY11 because the waiver can be quantified at the local funding level of \$1,415,085,344.

The County Executive's total FY11 Recommended operating budget for MCPS including local funding, State education aid, federal grants, and other revenues is \$2,125,542,225.

Mr. Anthony South  
March 31, 2010  
Page 2

Thank you for your consideration.

Sincerely,



Isiah Leggett  
Montgomery County Executive



Nancy Floreen, President  
Montgomery County Council

IL/NF:jb

c: Montgomery County Council  
Patricia O'Neill, President, Montgomery County Board of Education  
Jerry D. Weast, Ed.D, Superintendent, Montgomery County Public Schools  
Richard S. Madaleno, Jr., Senator, District 18  
Brian J. Feldman, Delegate, District 15

Attachments: April 1, 2010 MOE Waiver Request Filing  
Letter from Assistant Attorney General Bonnie A. Kirkland, February 26, 2010

### **April 1, 2010 MOE Waiver Request Filing**

At its March 23, 2010 board meeting, the State Board of Education determined that any county requesting an FY 2011 waiver of maintenance of effort (MOE) must send a letter to the State Board by April 1, 2010 stating the amount of the requested waiver and the percentage of the total MOE amount the waiver request represents. The letter should be sent to:

Anthony South, Executive Director  
Maryland State Board of Education  
200 West Baltimore Street  
Baltimore, MD 21201

After legislative enactment of any changes to the MOE process and substance, the State Board will announce the FY 2011 MOE waiver process and the deadlines that will apply. If you have further questions, please contact Mr. South at 410-767-0467 or [tsouth@msde.state.md.us](mailto:tsouth@msde.state.md.us)

DOUGLAS F. GANSLER  
ATTORNEY GENERAL

KATHERINE WINFREE  
Chief Deputy Attorney General

JOHN B. HOWARD, JR.  
Deputy Attorney General



DAN FRIEDMAN  
Counsel to the General Assembly

SANDRA BENSON BRANTLEY  
BONNIE A. KIRKLAND  
KATHRYN M. ROWE  
Assistant Attorneys General

THE ATTORNEY GENERAL OF MARYLAND  
OFFICE OF COUNSEL TO THE GENERAL ASSEMBLY

February 26, 2010

The Honorable Richard S. Madaleno, Jr.  
Senate of Maryland  
203 James Senate Office Building  
Annapolis, Maryland 21401-1991

Dear Senator Madaleno:

You have requested additional advice concerning the calculation of Montgomery County's FY 11 maintenance of effort target. Your questions and my advice are below.

**Background**

In order to receive the full State share of the foundation program for the local school system, State law requires a county to appropriate local funds for its school operating budget "in an amount no less than the product of the county's full-time equivalent enrollment for the current fiscal year and the local appropriation on a per pupil basis for the prior fiscal year." Education Article ("ED"), §5-202(d)(1)(ii). This is commonly referred to as the maintenance of effort ("MOE") requirement. A county's local appropriation for its school system is made up of its local foundation share, additional amounts necessary to satisfy its MOE requirement, and any other amounts over the MOE that the county chooses to appropriate.<sup>1</sup>

Under State education law, the local school board, Montgomery County Public Schools (MCPS), must submit its proposed budget to the county government. ED §5-102. The County Executive may deny in whole or reduce in part major categories of the local school board's proposed budget, and he must explain in writing the reasons for the denial or reduction. The County Council may restore any denial or reduction. ED §5-102(c).

As you note in your letter, the November 2009 Opinion of the Attorney General concluded that \$79.5 million that Montgomery County appropriated in the MCPS operating budget for debt service on school construction bonds could not be used to meet the County's FY 10 MOE requirement because it had not been appropriated in the MCPS operating budget

<sup>1</sup> For a more extensive description of the foundation program and the computation of the MOE, see 94 *Opinions of the Attorney General* 177 (2009).

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The Honorable Richard S. Madaleno, Jr.  
February 26, 2010  
Page 2

for the prior fiscal year. 94 *Opinions of the Attorney General* 177 (2009). The County appropriation for MCPS in FY 10 was \$1,529,565,696. That amount included the \$79.5 million for debt service.

### Questions

- (1) **You first ask whether the \$79.5 million that the County appropriated in the Montgomery County Public Schools (MCPS) FY 10 operating budget must be included as part of the FY 10 local appropriation for the purpose of calculating the County's FY 11 MOE target.**

For the purpose of this question, I assume your question relates to the amount that is required for FY 11 MOE purposes and not whether \$79.5 million for debt service is required to be included in the FY 11 MCPS budget.

In my letter of advice to you dated January 11, 2010, I concluded that the County level of funding for determining the next fiscal year's MOE requirement is \$1,529,565,696, the County appropriation for MCPS in FY 10 and an amount that included the \$79.5 million for debt service, notwithstanding that the \$79.5 was found to be impermissible for the purpose of satisfying the County's FY10 MOE requirement.<sup>2</sup> That amount was based on an assumption that an appropriation for debt service would be included in the FY 11 MCPS budget. For the purpose of determining the MOE requirement for FY 11, the county's highest local appropriation to its school operating budget for the prior fiscal year is to be used. ED §5-202(d)(2). This amount was roughly \$1.52 billion.

The county's highest local appropriation shall exclude: (1) a nonrecurring cost that is supplemental to the regular school operating budget, if the exclusion qualifies under regulations adopted by the State Board; and (2) a cost of a program that has been shifted from the county school operating budget to the county operating budget. ED §5-202(d)(3). Thus, for the purpose of calculating the FY 11 MOE target, it is appropriate to determine if either of these exclusions would apply to the \$79.5 million in debt service.

First, debt service is not a nonrecurring cost. It is a recurring cost that was shifted to the FY 10 MCPS operating budget for the purpose of increasing the County appropriation to the required MOE amount. Thus, the first exclusion is inapplicable.

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<sup>2</sup> The amount will actually be slightly different because the MOE target is computed from the number of students anticipated in the upcoming year multiplied by the per pupil expenditure for the prior year. Thus, for the purpose of the rest of this letter, I will use "roughly \$1.52 billion" for simplicity.

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The Honorable Richard S. Madaleno, Jr.  
February 26, 2010  
Page 3

If the debt service program is shifted back to the County budget, however, that amount should be excluded from the calculation of the FY 11 MOE amount. ED §5-202(d)(3)(ii). As was explained in the November opinion:

the test whether a county has met its MOE obligation is to be computed on an "apples to apples" basis. See Letter of Assistant Attorney General Robert A. Zarnoch to Delegate Norman H. Conway (January 2, 1996) at pp.2-3 & n. 1 ("artificial" shifting of education expenses to be disregarded for MOE purposes whether it involves shifting into or out of the local board's budget). Thus, it appears that, in order to assess accurately whether a county has met that obligation, the computation must include one of the following adjustments: (1) the debt service appropriation for the current fiscal year must be excluded from the comparison; or (2) an equivalent portion of the appropriation for school debt service in the prior county budget must be included as part of the "highest local appropriation to [the] school operating budget for the prior fiscal year" in the computation of the target MOE level. Otherwise, the computation does not accurately assess changes in county support, as intended by the MOE law.

94 *Op. Atty. Gen.* at 197-98. If \$79.5 million in debt service were to remain in the MCPS budget, the MOE for the FY 11 would be roughly 1.52 billion. If it is shifted back to the County's operating budget, it would have the effect of reducing the FY 11 MOE target by \$79.5 million, to roughly \$1.44 billion. This may have the effect of creating an incentive for a county to fail to meet its MOE requirement in one year, thereby lowering its MOE requirement for the following year, contrary to the purpose of the MOE requirement. Chapter 487 of the Laws of 2009 addressed such a circumstance when a temporary or partial waiver is granted. In such instance, the minimum appropriation of local funds to satisfy the MOE requirement shall be calculated based on the appropriation for the prior fiscal year or the second prior fiscal year, whichever is greater. ED § 5-202(d)(7)(v). Thus, if a county fails to meet its MOE obligation and does not obtain a waiver, its school system is penalized by loss of the increment of State aid, but the county may have a lower target for MOE in the subsequent year than if it had satisfied its MOE obligation or obtained a waiver. By contrast, if the county satisfies MOE or obtains a waiver, its school system avoids the penalty but the county may have a higher MOE target for the subsequent year. The General Assembly may wish to consider whether these alternatives create incentives for counties that are consistent with its purpose in establishing the MOE requirement.

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The Honorable Richard S. Madaleno, Jr.  
February 26, 2010  
Page 4

- (2) **If the \$79.5 million must be included in calculating the County's FY 11 MOE target, may the County include debt service in the MCPS operating budget and have it count toward meeting the County's FY 11 MOE target?**

Yes. Regardless of the amount required to meet the County's FY 11 MOE target, an appropriation for debt service may be included in the FY 11 MCPS budget for the purpose of satisfying the County's FY 11 MOE requirement. In the November 2009 Opinion, Attorney General Gansler concluded that:

an appropriation of local funds in the school operating budget for recurring debt service payments for public school construction may be counted toward satisfaction of a county's MOE target. However, the transfer of a debt service obligation from the county budget to the school system budget may affect how it is counted for MOE purposes in the year in which the transfer is made....In our opinion, the inclusion of an appropriation for debt service in the Fiscal Year 2010 budget for a local school system cannot be used to satisfy the MOE target if the same expense – and appropriation – were not a part of the computation of the highest local appropriation for the school operating budget for the prior fiscal year – Fiscal Year 2009.

94 *Op. Atty. Gen.* at 196-98 (2009). Thus, it is my view that, while the \$79.5 million in debt service was not allowed to be included for the purpose of meeting the FY 10 MOE requirement (the year in which the shift from the County budget to the MCPS budget was made), if debt service is included in the MCPS budget, it may now be used for that purpose.

- (3) **If the answer is yes, does the Montgomery County Board of Education (BOE) have to request or consent to inclusion of debt service for it to count toward MOE?**

Whether it is for the purpose of counting toward meeting the MOE target or is over and above the MOE target, it is my view that it is primarily the BOE's decision on whether to include debt service in its proposed budget or consent to its inclusion.<sup>3</sup> As was explained in the November opinion:

The power to regulate a school system's expenditures by conditioning how appropriated funds must be spent is constrained by the State's preemption of education policy. 85 *Opinions of the Attorney General* 167, 172 & n.2; see also *McCarthy v. Board of Education of Anne Arundel County*, 280 Md. 634,

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<sup>3</sup> On February 17, 2010 the BOE adopted its FY 11 operating budget, which did not include debt service. See <http://www.montgomeryschoolsmd.org/departments/budget/>.

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The Honorable Richard S. Madaleno, Jr.  
February 26, 2010  
Page 5

643-651, 374 A.2d 1155 (1977), *Board of Education of Montgomery County v. Montgomery County*, 237 Md. 191, 205 A.2d 202 (1964). In other words, any conditions set by a county government on local board expenditures may not impinge on the school board's discretion to set education policy in accordance with State law.

94 *Op. Atty. Gen.* at 180, n.5 (2009). Thus, in my view, it is up to MCPS to develop its proposed budget. Further, it was noted that:

the dedication of school board funds to debt service was not requested by the local boards in their proposed budgets, but rather imposed by the counties as a condition on the expenditure of part of the local funds appropriated in the school board budget. The imposition of such a condition on the school board budget could itself be contrary to the State education law if it has the effect of interfering with education policy. *See* note 5 above.

*Id.* at n. 20. Thus, it is not clear that the County government on its own may include items in the MCPS budget that were not included in the proposed budget. It would be reasonable to assume that a local government and the local board of education would work cooperatively to reach agreement on what items should be included in the local school budget.

- (4) **Without regard to the issue of BOE consent, may the County include more than \$79.5 million in debt service and have it count toward meeting the County's FY 11 MOE target?**

According to the December 23, 2009 letter from Montgomery County to Dr. Grasmick, the County considered several programs in the County's operating budget that support the MCPS as options for transfer to the MCPS budget. One of those options was to transfer all or a portion of debt service on school construction bonds. Of the \$111.3 million in debt service, the County decided to shift \$79.5 to the MCPS budget. This amounts to slightly more than 71%. It is my view that inclusion of \$79.5 million in debt service or 71% of total debt service on school construction bonds would be justifiable for purposes of meeting the MOE requirement. Shifting an amount greater than that, however, would raise the same issues as were presented for FY 10, and thus, in my view, could not count towards meeting the County's FY 11 MOE target.

- (5) **The State Board of Education determined that federal aid should not be included in calculating the amount of State aid that should be withheld from MCPS as penalty for not meeting the FY 10 MOE requirement. If there is an increase in State aid in FY 11, how will the increase be calculated for FY 11 MOE purposes?**

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The Honorable Richard S. Madaleno, Jr.  
February 26, 2010  
Page 6

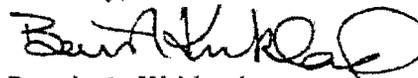
Failure to comply with its MOE requirement results in a penalty in the amount by which "the State's aid due the county in the current fiscal year exceeds the amount which the county received in the prior fiscal year." ED §5-213(b). Thus, if there is a determination that the MOE requirement for FY 11 was not met, the method for making the calculation of the penalty should be consistent with the way in which it was calculated for FY 10. Federal funds should not be included for that purpose.

**(6) How was the increase in State aid of \$23,422,297 for FY 10 MOE purposes calculated?**

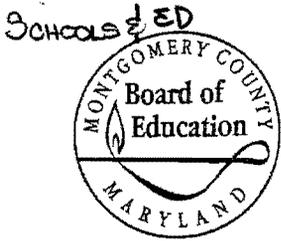
The State Board of Education (State Board) determined that federal funds should not be included in determining the increase in State aid for the purpose of calculating the penalty for failure to meet the FY 10 MOE requirement. In making its withhold decision, the State Board stated that "when only state dollars are counted, [MCPS] received a \$23,422,297 increase in State's aid in FY 2010," and "that amount should be the amount of the withhold." Maryland State Board of Education Opinion No. 10-05. Any request for additional information on how the State Board made that calculation should be directed to the State Board.

I hope this is responsive to your inquiry.

Sincerely,



Bonnie A. Kirkland  
Assistant Attorney General



**MONTGOMERY COUNTY BOARD OF EDUCATION**

850 Hungerford Drive ♦ Rockville, Maryland 20850

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March 23, 2010

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

055337

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

2010 MAR 25 AM 10:12

RECEIVED  
MONTGOMERY COUNTY  
COUNCIL

Dear Mr. Leggett and Mrs. Floreen:

I am transmitting a resolution adopted by the Board of Education at its meeting on March 22, 2010, to support Montgomery County's application for a waiver of the state Maintenance of Effort (MOE) requirement for the FY 2011 Operating Budget.

The resolution adopted by the Board specifically endorses the county executive's recommendation for the Montgomery County Public Schools (MCPS) FY 2011 Operating Budget. The Board understands that the recommendation will necessitate an unprecedented reduction of \$137.7 million in tax-supported funds below the Board of Education's Operating Budget Request. As you know, the Board of Education is required by state law to request a budget at a level that includes a local contribution no less than the MOE requirement. The members of the Board understand that the county's fiscal situation precludes making that local contribution without crippling other vital local government services. They know that in these difficult times all agencies must sacrifice to enable the county to maintain a balanced budget. The Board recognizes that MCPS must make major sacrifices, possibly including continued cuts in central support services, no wage increases for MCPS employees, delays in pre-funding retiree health care costs, significant increases in class size, and other major program reductions. The Board believes that the quality of education can be preserved with a budget at the level recommended by the county executive, but any further reductions will endanger the improvements in student achievement.

40

The Honorable Isiah Leggett  
The Honorable Nancy Floreen

2

March 23, 2010

Thank you very much for working so closely with the Board of Education and our staff to resolve the fiscal issues impacting the quality of education in Montgomery County. Our staff will be available to answer any questions.

Sincerely,



Patricia O'Neill  
President

PO:sz

Enclosure

Copy to:  
Members of the Board of Education  
Dr. Weast  
Executive Staff

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 22, 2010

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: Maintenance of Effort Waiver

On March 15, 2010, County Executive Isiah Leggett presented his Fiscal Year 2011 Recommended Operating Budget. He recommended a total of \$2,125,542,225 for Montgomery County Public Schools (MCPS), including \$1,940,540,941 in tax-supported resources (excluding grants and enterprise funds) and \$1,416,228,099 in local contribution. The county executive's recommendation, if approved by the County Council, will require reductions of \$137.7 million (6.3 percent) from the Board of Education's FY 2011 Operating Budget Request. This reduction actually exceeds the total increase requested by the Board for FY 2011, and provides exactly the same amount for educational programs as the FY 2010 operating budget despite a projected increase of 2,809 students. These reductions will be extremely painful to schools and employees. Any possible further reductions will significantly endanger the quality of education for MCPS students.

The county executive's budget recommendation will require a waiver of the Maintenance of Effort (MOE) law. Based on the most recent revenue information, the local contribution required for Mr. Leggett's recommended tax-supported budget is \$1,415,085,344. To avoid violating the MOE requirement, the county will need a waiver to be approved by the Maryland State Board of Education (State Board). Without a MOE waiver, MCPS may face a penalty of the loss of increased state aid up to \$52.4 million. I am recommending to you that we join with the County Government in seeking a waiver from the MOE requirement. It is important to point out that MCPS has been exceedingly cooperative with the County Government as it confronts the worst economic downturn in decades.

Mr. Leggett intends to submit a request for a MOE waiver to the Maryland State Board of Education by the current deadline of March 31, 2010. Pursuant to Section 5-202 (d) (7) of the Annotated Code of Maryland, Education Article, he will state that the county's fiscal condition prevents it from funding the MOE requirement without seriously impairing other county services. A copy of the relevant section of the code is attached. Pursuant to State Board procedure, the Montgomery County Board of Education must state its position on this request no

later than April 10, 2010. It is expected that the State Board will schedule a public hearing on the county request during April 2010. The Board of Education will have an opportunity to participate in that public hearing. Thus, it is important that the Board of Education make its position clear on the county's waiver request. The following resolution therefore is recommended for the Board's consideration.

WHEREAS, Montgomery County intends to request a waiver of the Maintenance of Effort requirement to permit a local contribution for FY 2011 of \$1,415,085,344, pursuant to Section 5-202 (d) (7) of the Annotated Code of Maryland, Education Article, because the county's fiscal condition prevents it from funding the Maintenance of Effort requirement without seriously impairing other county services; and

WHEREAS, This amount of local contribution will result in a total of \$1,940,540,941 in tax-supported resources (excluding grants and enterprise funds), which is exactly the same amount for educational programs in the FY 2010 operating budget despite a projected increase of 2,809 students; and

WHEREAS, Pursuant to Maryland State Board of Education procedures, the Montgomery County Board of Education must state its position on the county's waiver request no later than April 10, 2010; and

WHEREAS, Montgomery County Public Schools' staff has received information about the county's fiscal condition and has worked closely with county staff to review economic and revenue data; and

WHEREAS, The county executive's Recommended FY 2011 Operating Budget requires the Board of Education to make \$137.7 million in nonrecommended reductions in its FY 2011 Operating Budget Request; and

WHEREAS, No further reductions can be made without seriously endangering the quality of education for Montgomery County Public Schools' students; now therefore be it

Resolved, That the Board of Education supports the Montgomery County request for a waiver of the Maintenance of Effort requirements for FY 2011, if the following conditions are agreed to by the county executive and the County Council and are included in the action of the Maryland State Board of Education:

1. The operating budget amount of \$1,940,540,941 in tax-supported resources (excluding grants and enterprise funds) recommended by the county executive on March 15, 2010, is fully funded by the County Council. This amount necessitates \$137.7 million in nonrecommended reductions in the Board of Education's Operating Budget Request.

2. The FY 2011 appropriation does not include any transfers of functions or expenditures from the County Government budget to the Board of Education budget unless the amount of the transfer is added to the amount recommended by the county executive.
3. The Maintenance of Effort requirement for FY 2012 will be based on the FY 2010 level of \$11,249 per student, unless subsequent action of the General Assembly changes the amount of the FY 2012 requirement by law; and be it further

Resolved, That the president of the Board of Education be authorized to submit this resolution to the Maryland State Board of Education and to represent the Board of Education at a public hearing on the county's waiver request; and be it further

Resolved, That a copy of this resolution be sent to the county executive and the County Council.

JDW:LAB:MCS:jp

Attachment

## Article- Education

§5-202.

(d) (1) To be eligible to receive the State share of the foundation program:

(i) The county governing body shall levy an annual tax sufficient to provide an amount of revenue for elementary and secondary public education purposes equal to the local share of the foundation program; and

(ii) The county governing body shall appropriate local funds to the school operating budget in an amount no less than the product of the county's full-time equivalent enrollment for the current fiscal year and the local appropriation on a per pupil basis for the prior fiscal year.

(2) Except as provided in paragraph (3) of this subsection, for purposes of this subsection, the local appropriation on a per pupil basis for the prior fiscal year for a county is derived by dividing the county's highest local appropriation to its school operating budget for the prior fiscal year by the county's full-time equivalent enrollment for the prior fiscal year. For example, the calculation of the foundation aid for fiscal year 2003 shall be based on the highest local appropriation for the school operating budget for a county for fiscal year 2002. Program shifts between a county operating budget and a county school operating budget may not be used to artificially satisfy the requirements of this paragraph.

(3) For purposes of this subsection, for fiscal year 1997 and each subsequent fiscal year, the calculation of the county's highest local appropriation to its school operating budget for the prior fiscal year shall exclude:

(i) A nonrecurring cost that is supplemental to the regular school operating budget, if the exclusion qualifies under regulations adopted by the State Board; and

(ii) A cost of a program that has been shifted from the county school operating budget to the county operating budget.

(4) The county board must present satisfactory evidence to the county government that any appropriation under paragraph (3)(i) of this subsection is used only for the purpose designated by the county government in its request for approval.

(5) Any appropriation that is not excluded under paragraph (3)(i) of this subsection as a qualifying nonrecurring cost shall be included in calculating the county's highest local appropriation to its school operating budget.

(6) Qualifying nonrecurring costs, as defined in regulations adopted by the State Board, shall include but are not limited to:

(i) Computer laboratories;

(ii) Technology enhancement;

(iii) New instructional program start-up costs; and

(iv) Books other than classroom textbooks.

(7) (i) The provisions of this subsection do not apply to a county if the county is granted a temporary waiver or partial waiver from the provisions by the State Board of Education based on a determination that the county's fiscal condition significantly impedes the county's ability to fund the maintenance of effort requirement.

(ii) After a public hearing, the State Board of Education may grant a waiver under this paragraph in accordance with its regulations.

(iii) In order to qualify for the waiver under this paragraph for a fiscal year, a county shall make a request for a waiver to the State Board of Education by April 1 of the prior fiscal year.

(iv) The State Board of Education shall inform the county whether the waiver for a fiscal year is approved or denied in whole or in part by May 15 of the prior fiscal year.

*Schools + FD*



# MONTGOMERY COUNTY PUBLIC SCHOOLS

MARYLAND

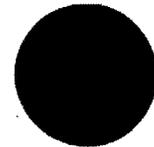
www.montgomeryschoolsmd.org

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March 22, 2010

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RECEIVED  
MONTGOMERY COUNTY  
COUNCIL

The Honorable Nancy Floreen, Council President  
The Honorable Valerie Ervin, Council Vice President and Chair, Education Committee  
Montgomery County Council  
Stella B. Werner Council Office Building  
100 Maryland Avenue  
Rockville, Maryland 20850

Dear Ms. Floreen and Ms. Ervin:

Thank you for your memorandum of March 18, 2010, regarding the FY 2011 Maintenance of Effort Waiver procedures, a copy of which is enclosed. In his March 15, 2010, Recommended Operating Budget, County Executive Isiah Leggett announced that he intends to request a waiver of the state Maintenance of Effort (MOE) requirement from the Maryland State Board of Education (State Board) because the county faces a revenue shortfall that makes it impossible to meet the MOE target without crippling other vital government services. This waiver is needed to approve his recommendation for the FY 2011 Operating Budget appropriation for Montgomery County Public Schools (MCPS) without incurring a penalty of the loss of increased state aid of up to \$52.4 million.

Mr. Leggett's total recommendation, \$2,125.5 million, includes \$1,940.5 million in tax-supported funds (excluding grant and enterprise funds). This level of funding includes \$1,416.2 million in local contribution, plus \$30.0 million in end-of-year fund balance, for a total local amount of \$1,446.2 million. This amount of local contribution is less than the MOE requirement and so necessitates a MOE waiver. The county executive's recommendation requires reductions of \$137.7 million (6.3 percent) from the Board of Education's FY 2011 Operating Budget Request. This provides the same amount for educational programs as the FY 2010 Operating Budget despite a projected increase of 2,809 students. It means that MCPS will not benefit directly from the expected additional state and federal aid to education and must make reductions to absorb the amount of debt service reimbursement appropriated in FY 2010. These reductions will be extremely painful to schools and employees. It is important to point out that MCPS has been exceedingly cooperative with the County government as it confronts the worst economic downturn in decades.

Because the FY 2010 MCPS Operating Budget includes \$79.5 million in debt service reimbursement, a question has arisen whether that amount should be included in or excluded from the calculation of MOE for FY 2011. The law on this subject is not clear because no parallel case has arisen since the MOE law was implemented. The text of the Maryland State law, Education Article Section 5-202 (d) (2), deals with situations in which the State Board grants a MOE waiver, but it does not specifically address a situation in which a waiver request is denied and the State Board subsequently rules that a county has not complied with the provisions of the MOE law. Senator Richard Madaleno, who has prepared legislation on the subject of MOE waiver procedures currently under

Office of the Superintendent of Schools

850 Hungerford Drive, Room 122 ♦ Rockville, Maryland 20850 ♦ 301-279-3381

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The Honorable Nancy Floreen  
The Honorable Valerie Ervin

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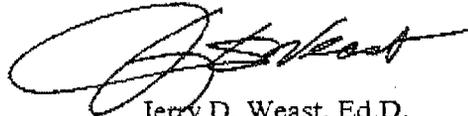
March 22, 2010

consideration by the General Assembly, asked for advice from the Office of Counsel to the General Assembly of the state Attorney General's office. In letters written on January 11, 2010, and February 26, 2010, the Office of Counsel offered advice on the issue of whether a county could reduce its MOE contribution if it includes in its appropriation items that do not meet the MOE requirement, such as appropriating debt service reimbursement for the first time. These letters offer contradictory advice and do not settle the legal question raised by Senator Madaleno. Ultimately, it is up to the State Board to decide this question.

If debt service is included in the FY 2011 calculation for the purpose of MOE, then the required amount of local contribution is \$1,553,934,287. If it is assumed that the FY 2011 budget transfers debt service reimbursement out of the MCPS budget, then the required local contribution to meet the MOE target would be \$1,473,129,206. In either case, the county will require a MOE waiver because the county executive's recommendation is less than either alternative. If debt service is included for FY 2011, the waiver would be \$138,848,943. If debt service is not included, the waiver would be \$58,043,862. Under either alternative, based on the latest revenue information received from the Maryland State Department of Education on March 11, 2010, the amount of local contribution recommended by the county executive would be \$1,415,085,344. I agree with you that regardless of whether debt service is included, the county needs to request that the State Board permit it to make a local contribution at the county executive's recommended amount without incurring a penalty of the loss of increased state aid of up to \$52.4 million.

The Board of Education will consider my recommendation to support a MOE waiver at the level recommended by the county executive at its meeting on March 22, 2010. If approved by the members of the Board, the resolution that I have offered will be presented to the State Board in support of the county's waiver application. The members of the Board and I look forward to continuing to work with you and with members of the County Council to address the fiscal issues facing Montgomery County while preserving the quality of education excellence of which we are all proud.

Respectfully,



Jerry D. Weast, Ed.D.  
Superintendent of Schools

JDW:sz

Enclosure

Copy to:

Members of the Board of Education  
Members of the County Council

47



# Montgomery County

## Office of Intergovernmental Relations

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ROCKVILLE: 240-777-6550

ANNAPOLIS (toll free): 301-261-2461

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SB 310

DATE: March 31, 2010

ASSIGNED TO: Ways and Means

CONTACT PERSON: Melanie Wenger

POSITION: Support with Amendments

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### Education – Maintenance of Effort Requirement – Process and Factors

Senate Bill 310 codifies and modifies the guidelines for the application and consideration of waivers from the State's maintenance of effort requirement which establishes the minimum level of funding a local subdivision must provide to its school system in a given fiscal year.

This bill differs substantially from its crossfile, House Bill 304, which passed the House last week. SB 310 was not amended by the Senate. Among other changes, HB 304 was amended to include: (1) an appeals process; (2) alterations to the timeline for submitting and considering waiver requests; (3) a requirement that the State Superintendent be a participant in the decision making; and (4) delaying by a year any penalty imposed for noncompliance with maintenance of effort requirements.

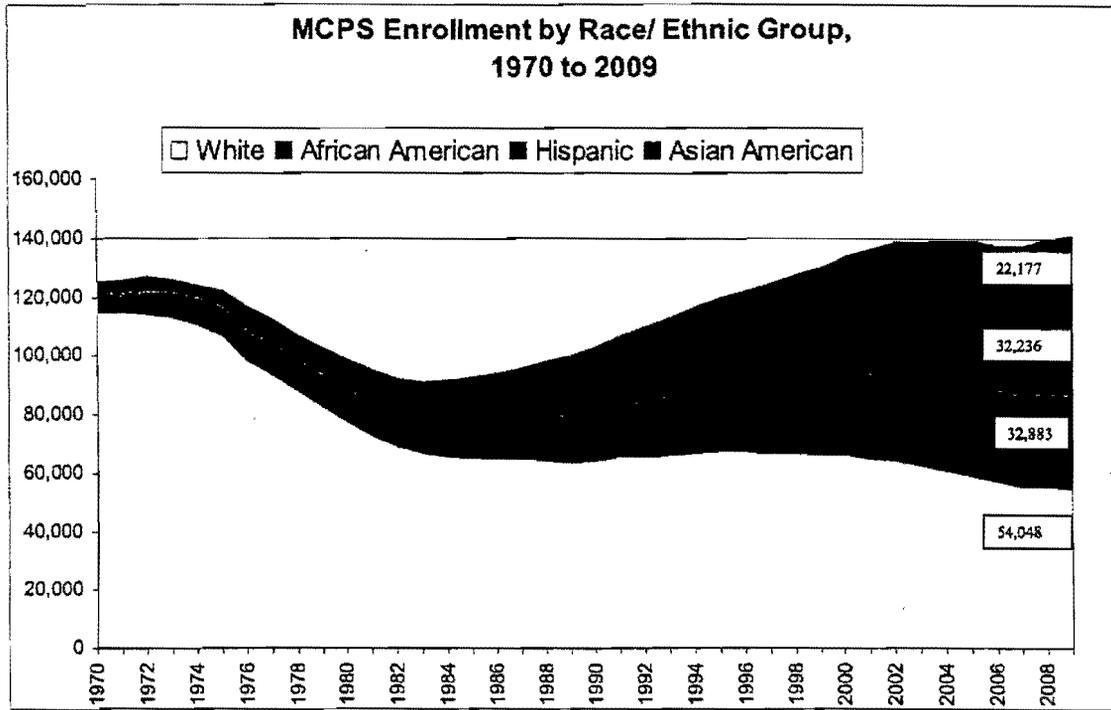
Montgomery County supports these changes and requests that at a minimum, they be incorporated in a final bill. Pertaining to the timeline, the final product should reflect the needs of subdivisions whose budget cycles conclude before June 1. Currently, neither bill adequately addresses that issue.

Other suggestions that should be considered include a requirement that greater weight be given to waiver requests that are supported by both the county government and the local school board. Another improvement would be to require the decision maker to seek external advice from an entity that has specific fiscal expertise to ensure that a thorough understanding of economic circumstances exists.

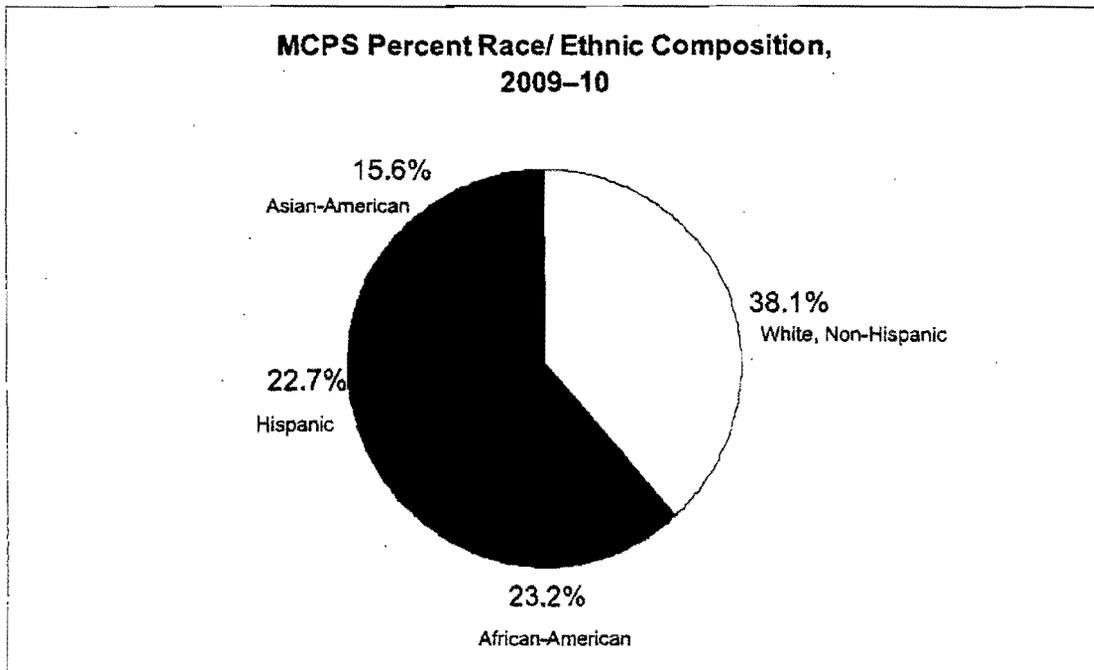
Today, Montgomery County filed a request for a wavier from its Fiscal Year 2011 maintenance of effort requirement, with the support of the local school board. Because the rewrites of the process for making application and considering waivers as reflected in these bills is not finalized, the rules of engagement remain unclear. For this reason, Montgomery County urges the General Assembly to act expeditiously to finalize its work on this emergency legislation.

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## Student Diversity Drives Enrollment Growth

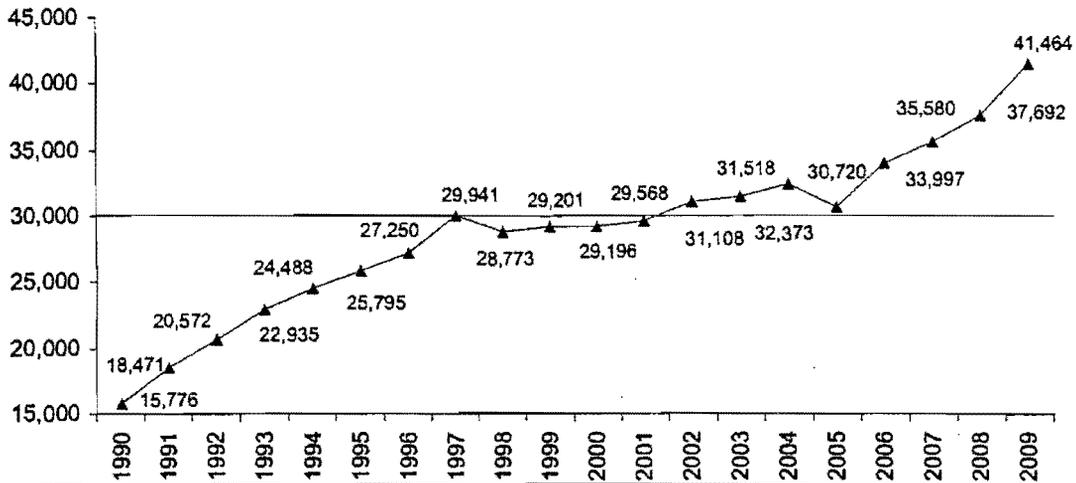


## Race/ Ethnic Trends



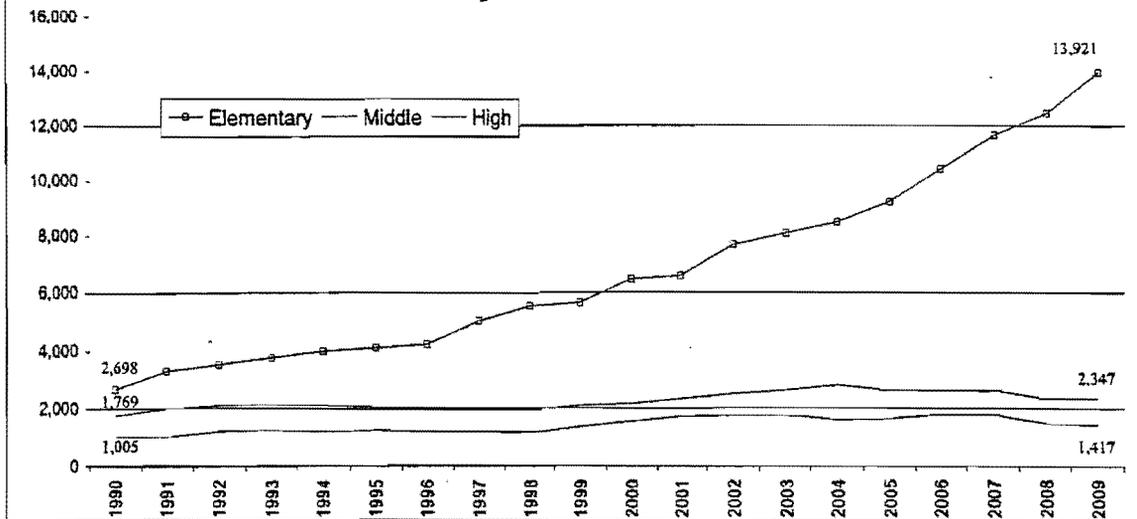
## 29.3% of MCPS Students Participate in FARMS Program in 2009–10

### MCPS Free and Reduced-Price Meals System (FARMS) Number Participating



## 12.5% of MCPS Students in ESOL Program in 2009–10 160 Countries and 140 Languages Represented

### MCPS ESOL Enrollment Trends by School Level



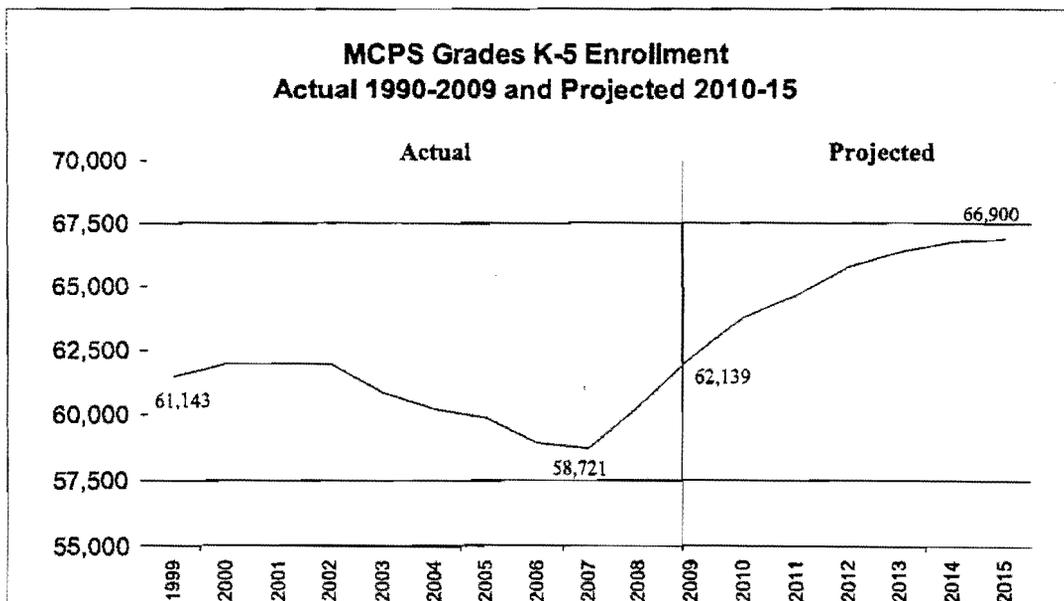
## Total MCPS Enrollment: 2008-09 to 2009-10

Grade	Official 2008-09 Enrollment	Official 2009-10 Enrollment	
K	10,276	10,626	350
1	10,295	10,744	449
2	9,832	10,473	641
3	10,095	10,046	-49
4	9,803	10,265	462
5	9,970	9,986	15
6	10,070	10,099	29
7	10,400	10,283	-117
8	10,516	10,615	99
9	11,776	11,855	79
10	11,159	11,321	162
11	11,052	10,971	-81
12	10,868	11,032	174
<hr/>			
K-5	60,271	62,139	1,868
6-8	30,986	30,997	11
9-12	44,845	45,179	334
K-12	136,102	138,315	2,213
<hr/>			
H.S./PreK	2,496	2,591	95
PreK Sp.Ed	678	871	193
<hr/>			
<b>TOTAL</b>	<b>139,276</b>	<b>141,777</b>	<b>2,501</b>

49,830

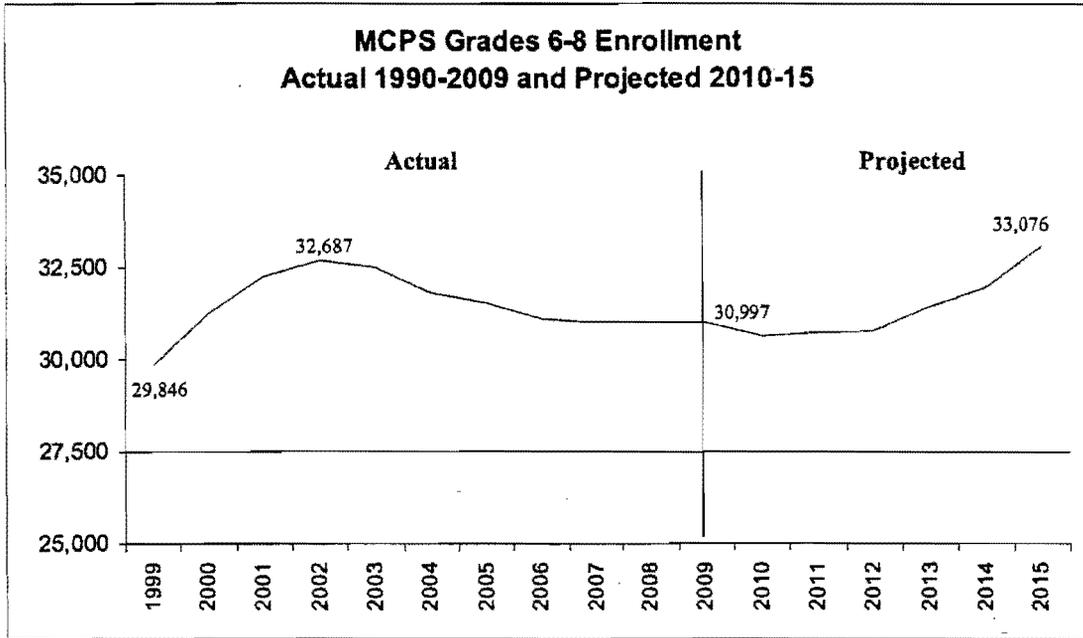
## MCPS Grades K-5 Enrollment

Actual 1999 to 2009, and Projected 2010 to 2015



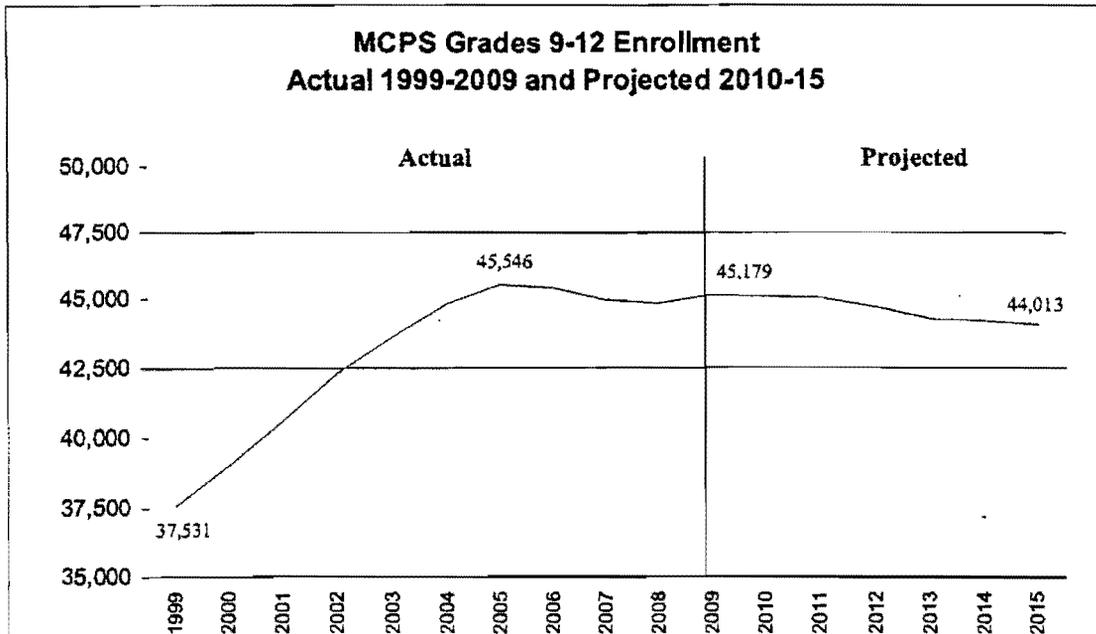
# MCPS Grades 6-8 Enrollment

Actual 1999 to 2009, and Projected 2010 to 2015



# MCPS Grades 9-12 Enrollment

Actual 1999 to 2009, and Projected 2010 to 2015



# MCPS Total Enrollment

Actual 1999 to 2009, and Projected 2010 to 2015

