

ED COMMITTEE #1
April 4, 2011
Worksession

MEMORANDUM

April 1, 2011

TO: Education Committee

FROM: Essie McGuire, Legislative Analyst 

SUBJECT: **Worksession – FY12 Operating Budget, Montgomery County Public Schools**

Today the Education Committee will begin its review of the FY12 Operating Budget for the Montgomery County Public Schools. The following individuals are expected to participate in today's worksession:

- Christopher Barclay, President, Montgomery County Board of Education
- Shirley Brandman, Vice President, Montgomery County Board of Education
- Frank Stetson, Chief School Performance Officer, MCPS
- Marshall Spatz, Director of Management, Budget, and Planning, MCPS
- Blaise DeFazio, Montgomery County Office of Management and Budget

This packet is divided into three sections:

- I. Overview of Recommended Budget**, including Board of Education Request, County Executive Recommendation, and Superintendent's proposed reductions
- II. Overview of Revenues**, including local contribution, State Aid projections, and Federal funding, including ARRA funds
- III. Maintenance of Effort**, including status of FY12 waiver request

I. OVERVIEW OF RECOMMENDED BUDGET

BOARD OF EDUCATION'S REQUEST

The Board of Education requested a total of \$2,205,722,618 for the FY12 MCPS Operating Budget. This amount represents an increase of \$101,534,578 or 4.8 percent over the FY11 approved level. The FY12 tax-supported budget request is \$2,069,719,622. While this is an increase of nearly \$150 million over the FY11 tax-supported level, a more apples-to-apples comparison is to the FY11 tax-supported level plus the Federal ARRA dollars that contributed to State Aid formula funding in FY11.¹ **The Board's FY12 tax-supported request is an increase of \$118,615,662 or 6.1 percent over this comparable FY11 approved level.**

A summary table showing the major elements of the Board's request is attached on circle 4. Significant highlights include:

- **The Board's request did not include funds for a General Wage Adjustment, or COLA,** but did include \$32.4 million for continuing salaries, including step increases and associated benefits. The Board has not completed negotiations with its employee unions for the upcoming fiscal year.
- The Board's request included additional funds of \$17.5 million associated with **increased enrollment.** A summary chart of actual and projected enrollment is attached on circle 9 and associated cost information is attached on circles 28-29.
- **The Board projects a total enrollment for FY12 of 146,709.** This is an increase of 2,645 over the actual enrollment for FY11. Comparing enrollment projections (which affect the budget changes year to year), the FY12 budget projection is an increase of 3,400 over the projected (and budgeted) FY11 level (circle 9).
- **Enrollment of students with Limited English Proficiency and students from families with low incomes continues to increase.** For the current school year, approximately 13 percent of students participate in ESOL services and nearly 31 percent are eligible for Free and Reduced Meals (FARMS). Both figures are projected to increase next year.
- The Board's request included significant **increases due to increased employee and retiree benefits,** totaling \$33.0 million. The Board's request included a total of \$47.6 million to fund Other Post Employment Benefits (OPEB).
- **The Board's budget does not include any programmatic reductions for FY12.** The Board adopted the Superintendent's recommendation which did identify \$6 million and 21.7

¹ The State used Federal American Reinvestment and Recovery Act (ARRA) funds to fill K-12 formula funding in FY10 and FY11. For comparisons with FY12, the tax-supported level in FY11 is too low by this amount (\$31.3 million) which was budgeted in the grant fund per Federal requirements. All State Aid in FY12 is in the tax-supported budget, and the State backfilled most of the ARRA funds used in the formulas. For most comparisons, Council staff will use the FY11 State Aid plus ARRA funds and indicate what base is being used.

FTE in central and support services reductions. The Superintendent's budget stated specifically that there are **no reductions to school-based services** in the FY12 recommendation. The budget also includes no new initiatives, but does include funds to accommodate increased enrollment and other cost increases.

- **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 Board allocated the net increase in revenues to OPEB in anticipation of potential reductions in State or local revenue during the budget process.

COUNTY EXECUTIVE'S RECOMMENDATION

The County Executive recommended a total MCPS appropriation of \$2,123,491,984. This recommended appropriation level would require a waiver from the State Maintenance of Effort (MOE) law (details discussed below in Part III of this packet). Relative comparisons of the Executive's recommendation include:

- The County Executive's recommendation is \$82.2 million below the Board of Education's request, but it is a **year-to-year increase of \$19.3 million over the total FY11 MCPS approved budget.**
- The County Executive's tax-supported recommendation for FY12 is \$82.1 million below the Board's request, but **only \$44.5 million below the Superintendent's FY12 recommendation** (which included no school-based program reductions).
- While the Executive's recommendation for County funds is \$82.1 million below the MOE level assumed by the Superintendent and the Board, that decrease in funding is partially offset by the significant increase (\$37 million) in State Aid that occurred after the Superintendent's recommendation and was accounted for in the Board's budget.

The following tax-supported comparisons use FY11 State Aid plus ARRA dollars for an apples-to-apples comparison between FY11 and FY12.

- **The Executive's tax-supported FY12 recommendation is an increase of \$36.5 million (1.8 percent) over the comparable FY11 approved tax-supported budget.** The Board's FY12 tax-supported request was an increase of \$118.6 million above FY11 and the Superintendent's recommendation was an increase of \$81.1 million over FY11.
- The chart on circle 13 shows the FY12 Executive recommendation for the MCPS budget compared to other agencies and some County departments. *This chart uses FY11 tax-supported funding without ARRA dollars, which is why it shows an increase of 3.5 percent for MCPS. Even at an adjusted 1.8 percent increase, the MCPS increase is larger than any other agency,* and compares to year-to-year reductions for Fire and Rescue Services (-1.7 percent), Health and Human Services (-4.9 percent), and Public Libraries (-9.7 percent).

SUPERINTENDENT'S PROPOSED REDUCTIONS

Shortly after release of his FY12 operating budget recommendation, the Superintendent released a list of potential non-recommended reductions that could be necessary depending on the final FY12 appropriation (circles 19-23). **This list, which totals \$45 million and 608 FTE, is preliminary and reflects reductions from the FY12 budget request, not from current approved levels.** Some of these reductions were reflected in the Superintendent's preliminary staffing allocations to schools, following a necessarily cautious approach to allow schools and employees to plan for potential reductions and to allow for an orderly transfer process. However, **none of the reductions are final** until first, the Council approves a budget appropriation for MCPS, and second, the Board of Education makes final policy and allocation decisions in June.

On March 15, the Superintendent sent a memorandum to the Board of Education detailing his proposed response to the County Executive's recommended FY12 appropriation for MCPS (circles 24-26). The Superintendent indicated that the potential reductions he previously distributed combined with reductions in OPEB, step and longevity increases, and employee benefit plans could be considered if the Council did not approve increased funding above the County Executive's recommendation.

Council staff notes that as detailed above, the Executive's total recommendation is a reduction of \$40.3 million from the Superintendent's recommendation and his tax-supported total is a reduction of \$44.5 million from the Superintendent's tax-supported recommendation. The Superintendent's budget documents specifically state that "FY2012 reductions do not affect school-based services." The Superintendent's budget also included funds necessary for increased enrollment and other cost increases.

The Superintendent's recommended budget included \$6.0 million for OPEB funding and \$28.0 million for steps and longevity increases. Council staff notes that together, these two items close all but \$10.5 million of the gap between the Superintendent's and Executive's tax-supported recommendations before any programmatic reductions, such as those on the Superintendent's non-recommended list, are necessary. The effect of the County Executive's recommendation for OPEB on the MCPS budget is unclear. The Council's final determination about OPEB funding for all agencies could affect the reductions that would be necessary in the MCPS budget allocation.

II. OVERVIEW OF REVENUES

Table 1 below shows the MCPS operating budgets by revenue source for the FY11 approved level, the FY12 Superintendent Recommendation, the FY12 Board of Education Request, and the FY12 County Executive Recommendation.

Source	FY11 Approved		FY12 Sup Rec		FY12 BOE Request		FY12 CE Rec	
	\$	% of total						
County	1,415,085,344	67.3%	1,497,190,404	69.2%	1,497,190,404	67.9%	1,415,085,344	66.6%
Fund Balance	10,300,000	0.5%	14,677,655	0.7%	15,300,000	0.7%	15,300,000	0.7%
State	488,622,834	23.2%	516,059,222	23.8%	553,258,510	25.1%	553,258,510	26.1%
Federal	119,057,183	5.7%	65,558,362	3.0%	69,936,017	3.2%	69,936,017	3.3%
Other Sources	15,002,004	0.7%	13,633,004	0.6%	13,378,271	0.6%	13,378,271	0.6%
Enterprise	54,630,165	2.6%	55,108,742	2.5%	55,108,742	2.5%	55,108,742	2.6%
Special Funds	1,490,510	0.1%	1,550,674	0.1%	1,550,674	0.1%	1,425,000	0.1%
Tax-sptd Total	1,919,842,746		2,032,152,722		2,069,719,622		1,987,614,562	
Grand Total	2,104,188,040		2,163,778,063		2,205,722,618		2,123,491,884	

The FY11 tax-supported total in this table does not include Federal ARRA dollars. The apples-to-apples FY11 tax-supported total including ARRA dollars for FY11 is \$1,951,103,960.

Local Contribution

- The County Executive's recommendation reflects the County contribution at the level of the County's current MOE waiver request (addressed below in Part III of the packet.) **This level is the same as the FY11 County contribution.**
- The fund balance reflects current year savings achieved by the school system, projected to total \$15.3 million in FY12. These funds are available to be a resource to MCPS for the following fiscal year; typically, the County Council reappropriates the fund balance to MCPS as part of the FY12 operating budget resolution.

State Aid

- State Aid continues to increase, and comprises a larger portion of the overall budget than in previous years. State Aid increased significantly between the Superintendent's recommendation and the Board of Education's approved budget request.
- State Aid increases both because of increased enrollment and because of a decline in the relative wealth in the County under the wealth adjustment calculation. Montgomery County is experiencing by far the most enrollment growth in Maryland. Half of all Maryland jurisdictions experienced a decline in enrollment from FY10 to FY11.
- The Governor's FY12 budget used State funds to replace the Federal ARRA dollars that expired in FY11 and that had been used to maintain K-12 education formula funding in FY10 and FY11.
- The Governor's budget continued to fund the Geographic Cost of Education Index (GCEI), a total of \$32.2 million for Montgomery County in FY12.

- The component of State Aid related to students from families with low income increased \$10.5 million in FY12, reflecting increased enrollment in this demographic area. The total State funding for this category increased from \$94.6 million to \$105.1 million.
- The component of State Aid related to students with Limited English Proficiency increased by \$5.3 million, from \$43.8 million in FY11 to \$49.1 million in FY12.
- This table reflects the State Aid projections 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.
- At this juncture, the Budget Reconciliation and Financing Act (BRFA) contains an additional \$6.6 million estimated in education aid for MCPS. This potential increase reflects an increase in the FY12 per pupil amount for the Thornton formula funding over the Governor's budget recommendation; it keeps the same per pupil amount as FY11. However, the BRFA also includes a potential charge to local boards for pension administration costs, which could result in a cost to MCPS of \$2.7 million. The Council will continue to monitor these and other potential changes and adjust revenue assumptions accordingly.

Federal Aid

- MCPS received ARRA funds in FY10 and FY11 through the State Aid education formula funding. This amount totaled \$31.3 million in FY11. The State did restore the ARRA funds in the formulas, avoiding precipitous drops in education aid for all jurisdictions.
- MCPS also received \$22.4 million in FY10-11 ARRA funds for Title I and IDEA grants; these funds have also expired, and have not been restored by any source.
- MCPS received a total of \$5.9 million for Title I in FY11. With the loss of this funding, two schools have lost their Title I status and the associated resources.
- Of the \$16.5 million MCPS received in FY11 for IDEA, the FY12 operating budget restores \$8.7 million in tax-supported expenditures. These funds will primarily support Hours Based Staffing and the Reading Recovery program. When the ARRA grant for IDEA began in FY10, MCPS allocated some of the funding to one-time expenses, but indicated its intent to fund Hours Based Staffing and other priority initiatives that would need to be continued on tax-supported funding at the end of the ARRA grant period.

III. 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 establishes a formula through which local jurisdictions fund school systems at a minimum of the same per pupil funding level as the previous year, adjusted for enrollment. The formula 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's MOE amount maintains the level of its local contribution to the school system, adjusted only for enrollment. The consequence of 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.

FY12 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 provision and approve this County contribution, pending final Council funding decisions, in a letter dated March 31 (attached at circle 27). 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.

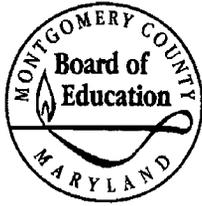
In FY11, the State Board also extended its waiver application and review timeline due to pending legislation in the General Assembly. The County filed a similar intent letter by April 1, 2010, filed a complete waiver application per the State Board's instructions on May 3, 2010, and the State Board held a public hearing and made its determination to approve the County's waiver application on May 25, 2010.

BOARD OF EDUCATION RESPONSE

On March 28, the Board of Education passed a resolution indicating its support for the County's MOE waiver under certain conditions: 1) that the Council fund the full amount of the County Executive's tax-supported recommendation; 2) that the Council not transfer any functions or expenditures from the County Government budget without additional appropriation; and 3) that the FY13 MOE level be based on the FY12 MOE per pupil amount regardless of waiver level or actual appropriation. This resolution is attached at circles 17-18.²

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² On March 2, the County Board of Education filed a petition with the State Board of Education seeking a declaratory ruling to prevent the County Council from further reducing the Executive's recommended budget level and establishing that MOE is an absolute requirement absent a waiver from the State Board of Education. The County Attorney and the Council Attorneys disagree with the Board's interpretation of the law. The County will file an opposition to the petition. The State Board is expected to review this matter in April.



MONTGOMERY COUNTY BOARD OF EDUCATION

850 Hungerford Drive ♦ Rockville, Maryland 20850

March 1, 2011

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

Dear Mr. Leggett, Ms. Ervin, and Councilmembers:

On behalf of the outstanding students and employees in Montgomery County Public Schools (MCPS), I am submitting the Board of Education's Operating Budget request for Fiscal Year 2012 (FY 2012) for your consideration.

The members of the Board of Education are well aware of the fiscal challenges facing our county and that is why we are submitting a budget at the lowest level allowed under state law. This \$2.2 billion request includes no new programs or initiatives, but allows us to continue to provide a high quality education to the growing number of students in Montgomery County.

As you are aware, the Board of Education has worked very closely with you to address the economic difficulties facing the county. We have endorsed efforts to waive the state's Maintenance of Effort (MOE) provision, allowing the County Council to fund our students' education at \$250 million below MOE for the past two years. In fact, we are spending about \$1,000 less per student this year (FY 2011) than we did last year. Working with MCPS leadership and staff, we have saved \$300 million during the past three years through a variety of cost-saving measures, including:

- The elimination of more than 400 positions and an increase in class size by an average of one student across the system in FY 2011;
- A twenty percent reduction in our central administrative services, requiring us to realign several offices and eliminate others;
- Asking our employees to go without a cost of living increase for the past two years and the elimination of step increases last year, saving the county more than \$115 million, annually; and
- Hiring freezes and expenditure restrictions for the past three years.

This budget request also includes \$15 million in savings that will be carried forward to FY 2012—yet another indication of our commitment to austerity and responsible stewardship.

Despite these reductions in staff and resources, our students are performing at the highest levels ever. In fact, just last month, it was announced that exactly half of the MCPS graduating class of 2010 received a college-ready score of 3 or higher on at least one Advanced Placement (AP) exam—nearly twice the rate for the state and three times the rate of the nation. This record-setting performance comes on the heels of an all-time high for student performance on the SAT, record achievement in kindergarten reading proficiency, and an unprecedented number of students receiving college scholarships.

MCPS staff and student excellence has been recognized nationally at the highest levels. In November, MCPS was named a 2010 recipient of the Malcolm Baldrige National Quality Award, the highest presidential honor an American organization can receive. MCPS is just the sixth school district to ever receive the Baldrige award and is the largest by far. In October, MCPS was named a finalist for the Broad Prize for

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Urban Education, which honors large school districts that have raised student performance while narrowing racial and socioeconomic achievement gaps. MCPS is the first district in Maryland and the Washington DC region to be named a finalist.

These honors are an affirmation that MCPS is dedicated to sound business practices, financial responsibility, continuous improvement, and, most of all, outstanding results for all students. The credit for our progress belongs to the MCPS staff. It is even more impressive that this record-setting achievement has occurred during a time of dramatic fiscal reductions.

But we cannot reasonably expect these gains to continue. At some point, financial constrictions will cut deeply enough, to negatively impact student outcomes. The members of the Board of Education believe this point is perilously close.

Our budget request seeks an increase of approximately three percent in educational programs to account for a rise in enrollment of more than 3,300 students and continued increases in the number of students requiring English for Speakers of Other Languages and Free and Reduced-price Meals System services.

The budget assumes an \$82 million increase in local funding in order to meet the state's MOE requirement. If we do not receive any additional revenue from the county, the consequences could be dire. While we have not discussed specific recommendations, the loss of local revenue will undoubtedly require such drastic actions as staff cuts, an increase in class size, and the elimination of valuable programs and support services. Additionally, if the county does not meet MOE, the district faces a fine of at least \$22 million from the state, which will lead to even more difficult staff and programmatic cuts.

Montgomery County always has made education a top priority in its budget, even in the face of difficult economic times and for this we are grateful. Governor Martin O'Malley demonstrated his continued commitment to education in his FY 2012 budget by increasing state aid for Montgomery County by \$64 million—about \$37 million more than expected. We appreciate the Governor's ongoing commitment to education and ask you to follow his lead. We urge all Montgomery County leaders to work together to see that the Governor's proposal becomes law.

The Board of Education is ready and willing to work closely with the county executive and the County Council to pass a responsible budget that meets the needs of our community's children while being good stewards of the public's money. It is imperative that we not back away from our legal and moral obligation to provide an outstanding education to each and every student in our public schools. These children get but one chance at an education and we must give them every opportunity to succeed.

This community has been a steadfast supporter of its schools and I look forward to a continuation of that laudable tradition as we complete the work on the FY 2012 budget. On behalf of the entire MCPS community, thank you for your continued commitment to education.

Sincerely,



Christopher S. Barclay
President

TABLE 1
SUMMARY OF RESOURCES
BY OBJECT OF EXPENDITURE

OBJECT OF EXPENDITURE	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2011 CURRENT	FY 2012 BUDGET	FY 2012 CHANGE
POSITIONS					
Administrative	717,000	701,200	702,200	705,000	2,800
Business/Operations Admin.	94,000	94,000	94,000	94,000	
Professional	11,915,500	11,732,280	11,733,280	11,887,330	154,050
Supporting Services	8,224,415	8,216,203	8,221,203	8,229,161	7,958
TOTAL POSITIONS	20,950,915	20,743,683	20,750,683	20,915,491	164,808
01 SALARIES & WAGES					
Administrative	\$89,770,560	\$88,738,366	\$88,828,173	\$89,246,953	\$418,780
Business/Operations Admin.	8,564,618	8,910,149	8,910,149	8,866,355	(43,794)
Professional	919,636,615	911,675,893	911,818,386	926,226,396	14,408,010
Supporting Services	337,492,615	339,231,929	339,458,721	343,545,150	4,086,429
TOTAL POSITION DOLLARS	1,355,464,408	1,348,556,337	1,349,015,429	1,367,884,854	18,869,425
OTHER SALARIES					
Administrative	754,186	497,576	497,576	697,576	200,000
Professional	50,692,543	57,029,835	56,914,231	53,251,558	(3,662,673)
Supporting Services	22,930,579	21,312,571	21,139,842	20,942,768	(197,074)
TOTAL OTHER SALARIES	74,377,308	78,839,982	78,551,649	74,891,902	(3,659,747)
TOTAL SALARIES AND WAGES	1,429,841,716	1,427,396,319	1,427,567,078	1,442,776,756	15,209,678
02 CONTRACTUAL SERVICES	24,819,484	27,015,492	27,076,044	25,880,231	(1,195,813)
03 SUPPLIES & MATERIALS	61,932,324	64,626,127	64,705,327	64,447,174	(258,153)
04 OTHER					
Staff Dev & Travel	2,734,645	3,356,900	3,356,686	3,260,183	(96,503)
Insur & Fixed Charges	444,635,618	467,718,706	467,547,074	553,240,806	85,693,732
Utilities	44,348,956	43,097,838	43,029,338	44,964,178	1,934,840
Grants & Other	55,625,670	55,165,058	55,231,145	56,967,371	1,736,226
TOTAL OTHER	547,344,889	569,338,502	569,164,243	658,432,538	89,268,295
05 EQUIPMENT	15,028,588	15,811,600	15,675,348	14,185,919	(1,489,429)
GRAND TOTAL AMOUNTS	\$2,078,967,001	\$2,104,188,040	\$2,104,188,040	\$2,205,722,618	\$101,534,578

TABLE 1A
FY 2012 OPERATING BUDGET - SUMMARY OF BUDGET CHANGES
(\$ in millions)

ITEM	AMOUNT	ITEM	AMOUNT
FY 2011 OPERATING BUDGET	\$2,104.2	REDUCTIONS	
ENROLLMENT CHANGES		Central Services:	
Elementary/Secondary	13.0	Office of School Performance	(0.2)
Special Education	3.3	Office of the Deputy Superintendent of Schools	(0.1)
PreKindergarten	0.3	Office of Curriculum and Instructional Programs	(0.7)
ESOL	0.9	Office of Special Education and Student Services	(0.3)
Subtotal	\$17.5	Office of the Chief Operating Officer	(1.2)
NEW SCHOOLS/SPACE	\$0.9	Office of the Chief Technology Officer	(0.7)
EMPLOYEE SALARIES - CONTINUING SALARIES		Office of Human Resources and Development	(0.5)
COSTS FOR CURRENT EMPLOYEES (including benefits)	\$14.6	Office of the Superintendent of Schools	(0.1)
EMPLOYEE BENEFITS AND INSURANCE		Support Operations:	
Employee Benefits Plan (active)	12.9	Utilities - Peak Load Management	(1.2)
Employee Benefits Plan (retired)	5.7	Transportation - Seek Waiver of 25 Buses; Route Efficiency	(0.9)
Retirement	11.5	Other:	
FICA/Self-Insurance/Workers' Compensation	2.9	Elementary School Improvement Planning Funds	(0.1)
Subtotal	\$33.0	Subtotal	(\$6.0)
INFLATION AND OTHER		OTHER - Prefunding of Retiree Health Benefits	47.6
Textbooks, Instructional and Media Materials	0.6	FY 2012 BUDGET	\$2,205.7
Utilities	2.8	FY 2010- FY 2011 CHANGE	\$101.5
Special Education Including Non-public Tuition	2.1	Less Enterprise funds	(56.7)
Transportation	1.5	Less Grants	(79.3)
Facilities/Plant Operations/Maintenance	0.7	SPENDING AFFORDABILITY BUDGET	\$2,069.7
Technology	0.5	REVENUE INCREASE BY SOURCE	
ARRA Grants	(13.7)	Local	82.1
Other Grant Projects - Revenue Changes	(0.7)	State	82.1
Other	0.1	Federal	(66.7)
Subtotal	(\$6.1)	Other	(1.6)
		Fund Balance	5.0
		Enterprise	0.6
		TOTAL REVENUE INCREASE	\$101.5

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**TABLE 2
BUDGET REVENUE BY SOURCE**

SOURCE	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2011 CURRENT	FY 2012 ESTIMATED
CURRENT FUND				
From the County:	\$ 1,428,500,970	\$1,415,085,344	\$1,415,085,344	\$1,497,190,404
From the State:				
Bridge to Excellence				
Foundation Grant	223,603,678	264,653,233	247,142,612	286,234,231
Geographic Cost of Education Index	9,841,663	9,538,130	9,538,130	32,217,371
Limited English Proficient	42,741,912	43,826,987	43,826,987	49,080,794
Compensatory Education	88,497,924	94,625,835	94,625,835	105,084,989
Students with Disabilities - Formula	32,534,697	33,485,077	33,485,077	33,838,306
Students with Disabilities - Reimbursement	10,704,742	10,704,742	10,704,742	10,842,176
Transportation	31,266,432	31,038,830	31,038,830	35,210,643
Miscellaneous	273,727	750,000	750,000	750,000
Programs financed through State Grants	2,363,295			
Total from the State	441,828,070	488,622,834	471,112,213	553,258,510
From the Federal Government:				
Impact Aid	229,218	245,000	245,000	245,000
Programs financed through Federal Grants	120,775,845	118,802,528	136,322,804	69,691,017
Total from the Federal Government	121,005,063	119,047,528	136,567,804	69,936,017
From Other Sources:				
Tuition and Fees				
D.C. Welfare	337,468	250,000	250,000	270,000
Nonresident Pupils	422,884	925,000	925,000	750,000
Summer School	1,896,222	1,982,536	1,982,536	1,281,148
Outdoor Education	429,884	496,905	496,905	574,560
Student Activities Fee	702,841	795,000	795,000	690,000
Hospital Teaching	241,297	240,127	240,127	0
Miscellaneous	1,242,202	900,000	900,000	160,000
Programs financed through Private Grants	8,991,083	9,422,091	9,412,436	9,652,563
Total from Other Sources	14,263,881	15,011,659	15,002,004	13,378,271
Fund Balance	44,200,000	10,300,000	10,300,000	15,300,000
Total Current Fund	2,049,797,984	2,048,067,365	2,048,067,365	2,149,063,202
ENTERPRISE & SPECIAL FUNDS				
School Food Service Fund:				
State	1,004,518	1,067,287	1,017,718	1,024,608
National School Lunch, Special Milk and Free Lunch Programs	20,354,898	18,746,883	19,519,206	21,424,368
Child Care Food Program	1,085,248	700,000	900,000	900,000
Sale of Meals and other	21,118,221	26,526,084	25,603,330	23,676,359
Total School Food Service Fund	43,562,885	47,040,254	47,040,254	47,025,335

**TABLE 2
BUDGET REVENUE BY SOURCE**

SOURCE	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2011 CURRENT	FY 2012 ESTIMATED
Real Estate Management Fund:				
Rental fees	2,667,604	3,071,095	3,071,095	3,266,430
Total Real Estate Management Fund	2,667,604	3,071,095	3,071,095	3,266,430
Field Trip Fund:				
Fees	1,543,871	2,354,716	2,354,716	2,122,819
Total Field Trip Fund	1,543,871	2,354,716	2,354,716	2,122,819
Entrepreneurial Activities Fund:				
Fees	1,849,158	2,164,100	2,164,100	2,694,158
Total Entrepreneurial Activities Fund	1,849,158	2,164,100	2,164,100	2,694,158
Total Enterprise Funds	49,623,518	54,630,165	54,630,165	55,108,742
Instructional Television Special Revenue Fund:				
Cable Television Plan	1,581,510	1,490,510	1,490,510	1,550,674
Total Instructional Special Revenue Fund	1,581,510	1,490,510	1,490,510	1,550,674
GRAND TOTAL	\$2,101,003,012	\$2,104,188,040	\$2,104,188,040	\$2,205,722,618

Tax - Supported Budget	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2011 CURRENT	FY 2012 ESTIMATED
Grand Total	\$2,101,003,012	\$2,104,188,040	\$2,104,188,040	\$2,205,722,618
Less:				
Grants	(132,130,223)	(128,224,619)	(145,735,240)	(79,343,580)
Enterprise Funds	(49,623,518)	(54,630,165)	(54,630,165)	(55,108,742)
Special Revenue Fund	(1,581,510)	(1,490,510)	(1,490,510)	(1,550,674)
Grand Total - Tax-Supported Budget	\$1,917,667,761	\$1,919,842,746	\$1,902,332,125	\$2,069,719,622

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**

Program Name and Source of Funding	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2011 CURRENT	FY 2012 ESTIMATED
<u>Budgeted</u>				
FEDERAL AID: NO CHILD LEFT BEHIND (NCLB)				
Title I - A (941/949)	\$ 19,813,177	\$ 17,776,299	\$ 17,776,299	\$ 18,040,997
Title I - A (ARRA) (941/949)	5,915,321	5,906,005	5,906,005	
Subtotal	25,728,498	23,682,304	23,682,304	18,040,997
Title I - D				
Neglected and Delinquent Youth (937)	150,733	166,875	166,875	191,957
Total Title I	25,879,231	23,849,179	23,849,179	18,232,954
Title II - A				
Skillful Teacher Program (915)	521,940	604,923	604,923	604,923
Consulting Teachers (961)	3,596,158	3,524,474	3,530,698	3,448,908
Staff Development Team (960)		279,219	279,219	361,009
Subtotal	4,118,098	4,408,616	4,414,840	4,414,840
Title II - D				
Enhancing Education through Technology (918)	189,322	154,242	154,242	-
Total Title II	4,307,420	4,562,858	4,569,082	4,414,840
Title III				
Limited English Proficiency (927)	3,208,282	3,388,305	3,388,305	3,388,305
Title IV				
Safe & Drug Free Schools & Communities Act (926)	568,636	-	-	-
Title V				
Innovative Educational Programs (997)	114,821	-	-	-
Title VII				
American Indian Education (903)	21,751	23,685	29,028	29,028
SUBTOTAL	34,100,141	31,824,027	31,836,594	26,065,127
OTHER FEDERAL, STATE, AND LOCAL AID				
State Fiscal Stabilization Fund (SFSF) (901)				
Federal (ARRA)	27,844,286	31,261,214	31,261,214	-
Head Start Child Development (932)				
Federal	3,374,329	3,435,318	3,433,406	3,433,406
Individuals with Disabilities Education (907/913/963/964/ 965/966/967)				
Federal	29,063,581	29,673,104	29,673,104	29,160,564
Federal (ARRA)	14,301,894	16,488,837	16,488,837	-
Subtotal	43,365,475	46,161,941	46,161,941	29,160,564
Infants and Toddlers (930)				
Federal	776,463	928,528	928,528	974,844

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

Program Name and Source of Funding	FY 2010 ACTUAL	FY 2011 BUDGET	FY 2011 CURRENT	FY 2012 ESTIMATED
Education Jobs Fund (935) Federal				4,377,655
Medical Assistance Program (939) Federal	4,519,801	3,881,982	3,881,982	4,364,436
National Institutes of Health (NIH) (908) Other				254,733
Provision for Future Supported Projects (999) Other	8,991,083	9,422,091	9,412,436	9,397,830
Carl D. Perkins Career & Technical Ed. Improvement (951) Federal	1,056,691	1,309,518	1,309,518	1,314,985
County	379,794	249,464	249,464	249,464
Subtotal	1,436,485	1,558,982	1,558,982	1,564,449
SUBTOTAL	30,307,922	96,650,056	96,636,489	53,273,184
TOTAL	\$ 124,408,063	\$ 128,474,083	\$ 128,474,083	\$ 79,338,311

Summary of Funding Sources				
Federal	\$ 115,037,186	\$ 118,802,528	\$ 118,812,183	\$ 69,691,017
State				
County	379,794	249,464	249,464	249,464
Other	8,991,083	9,422,091	9,412,436	9,652,563
GRAND TOTAL	\$ 124,408,063	\$ 128,474,083	\$ 128,474,083	\$ 79,593,044

FOR INFORMATION ONLY			
Non-Budgeted Grants Received as of November 30, 2010 - Continuation is Dependent on Future Funding			
Homeless Children and Youth			\$ 130,000
Youth in Natural Resources - Dept. of Interior			1,153
Perkins - Career and Technology Education			32,656
IDEA - Alternative Maryland School Assessment			29,954
IDEA - Adequate Yearly Progress (AYP)			91,250
IDEA - Transition			44,564
IDEA - Early Childhood Links (EC)			75,500
IDEA - Least Restrictive Environment (LRE)			98,572
IDEA - Emotionally Disabled (ED)			62,000
Education Cluster Model (thru DHHS)			172,050
ARRA - Infants and Toddlers			1,023,843
SUBTOTAL FEDERAL FUNDING			1,761,542
Science, Technology, Engineering, and Mathematics (STEM)			104,079
Maryland Model for School Readiness (MMSR) Program			88,082
Judith Hoyer Childcare & Education (Judy Centers)			524,988
Fine Arts			33,555
SUBTOTAL STATE FUNDING			750,704
Mid-Atlantic Dairy Association			200,000
National Institute of Standards and Technology Project			14,000
National Defense Education Program			30,000
Learn and Serve America			21,869
Howard Hughes Medical Institute			545,000
SUBTOTAL OTHER			810,869
TOTAL			\$ 3,323,115

**TABLE 4
SUMMARY OF STUDENT ENROLLMENT - FY 2009 THROUGH FY 2012**

DESCRIPTION	(1)	(2)	(3)	(4)	(5)	CHANGE	
	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012	COLUMN (5) LESS	
	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET	COLUMN (4)	
	9/30/2008	9/30/2009	10/30/2010	10/30/2009	10/30/2010	#	%
ENROLLMENT							
PRE-KINDERGARTEN	1,878	1,973	1,965	2,025	2,085	60	3.0
HEAD START	618	618	618	618	618		
KINDERGARTEN	10,250	10,605	10,917	10,575	11,075	500	4.7
GRADES 1-5	49,892	51,399	53,281	53,006	54,802	1,796	3.4
SUBTOTAL ELEMENTARY	62,638	64,595	66,781	66,224	68,580	2,356	3.6
GRADES 6-8	30,871	30,890	30,754	30,532	31,097	565	1.9
SUBTOTAL MIDDLE	30,871	30,890	30,754	30,532	31,097	565	1.9
GRADES 9-12	44,240	44,580	44,807	44,386	44,894	508	1.1
SUBTOTAL HIGH	44,240	44,580	44,807	44,386	44,894	508	1.1
SUBTOTAL PRE-K - GRADE 12	137,749	140,065	142,342	141,142	144,571	3,429	2.4
SPECIAL EDUCATION							
PRE-KINDERGARTEN	639	825	929	1,230	1,250	20	1.6
SPECIAL CENTERS	511	514	463	462	463	1	0.2
SUBTOTAL SPECIAL EDUCATION	1,150	1,339	1,392	1,692	1,713	21	1.2
ALTERNATIVE PROGRAMS	179	219	213	225	225		
GATEWAY TO COLLEGE	198	154	117	250	200	(50)	(20.0)
GRAND TOTAL	139,276	141,777	144,064	143,309	146,709	3,400	2.4

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

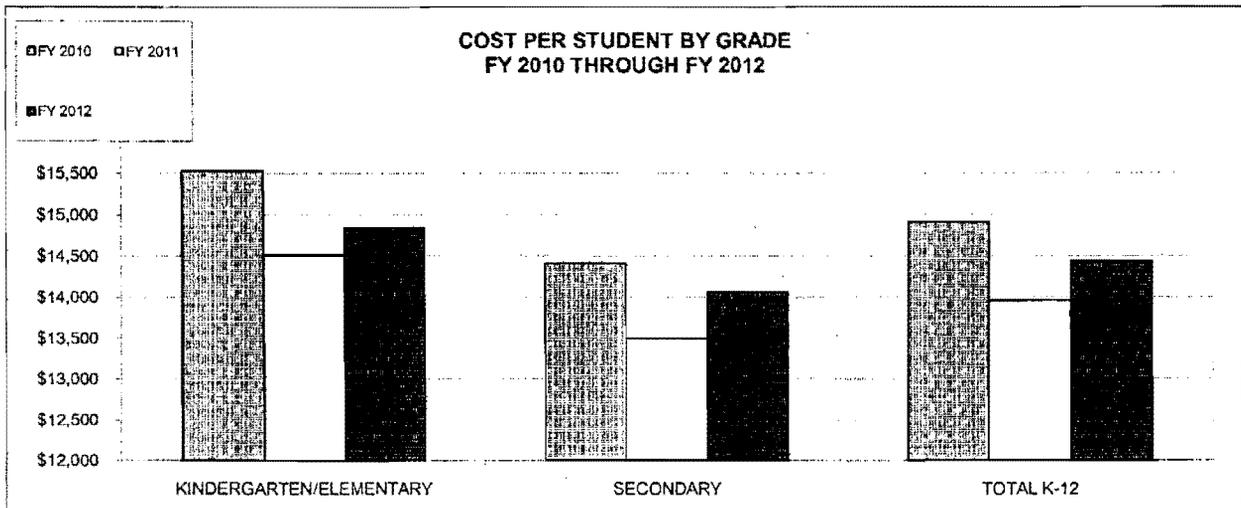
NOTE: Grade enrollments for FY 2009 - FY 2012 include special education students

**TABLE 5
ALLOCATION OF STAFFING**

POSITIONS	CURRENT FY 2011	BUDGET FY 2012	CHANGE
Executive	17.000	17.000	-
Administrative	201.200	202.000	0.800
Business/Operations Administrator	94.000	94.000	-
Other Professional	198.500	194.200	(4.300)
Principal/Assistant Principal	484.000	486.000	2.000
Teacher	10,240.670	10,396.620	155.950
Special Education Specialist	479.600	483.300	3.700
Media Specialist	197.500	197.500	-
Counselor	461.000	460.000	(1.000)
Psychologist	96.205	95.805	(0.400)
Social Worker	14.805	14.905	0.100
Pupil Personnel Worker	45.000	45.000	-
Instructional Aide and Assistant	2,413.430	2,410.788	(2.642)
Secretarial/Clerical/Data Support	746.950	745.050	(1.900)
IT Systems Specialist	143.000	140.000	(3.000)
Security	224.000	224.000	-
Cafeteria	556.448	556.448	-
Building Services	1,318.200	1,335.200	17.000
Facilities Management/Maintenance	343.500	347.500	4.000
Supply/Property Management	52.500	51.500	(1.000)
Transportation	1,695.000	1,685.900	(9.100)
Other Support Personnel	728.175	732.775	4.600
TOTAL	20,750.683	20,915.491	164.808

COST PER STUDENT BY GRADE SPAN

	KINDERGARTEN/ ELEMENTARY	SECONDARY	TOTAL K-12	AMOUNT EXCLUDED*	TOTAL BUDGET**
FY 2010 ACTUAL					
EXPENDITURES	\$965,419,538	\$1,089,391,977	\$2,054,811,515	146,115,485	2,200,927,000
STUDENTS 9/30/09 (ACTUAL)	62,162	75,565	137,727		
COST PER STUDENT	\$15,531	\$14,417	\$14,919		
FY 2011 BUDGET					
EXPENDITURES	\$934,138,474	\$1,026,467,933	\$1,960,606,407	143,581,633	\$2,104,188,040
STUDENTS 9/30/10 (CURRENT)	64,355	76,040	140,395		
COST PER STUDENT	\$14,515	\$13,499	\$13,965		
FY 2012 BUDGET					
EXPENDITURES	\$979,974,491	\$1,076,920,837	\$2,056,895,328	148,827,290	\$2,205,722,618
STUDENTS 9/30/11 (PROJECTED)	66,017	76,539	142,556		
COST PER STUDENT	\$14,844	\$14,070	\$14,429		



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 2011 FIGURES REFLECT CURRENT APPROVED BUDGET.

SUMMARY OF NEGOTIATIONS

During FY 2010, the Board of Education reached agreement on four-year contracts with all four bargaining units. All contracts will expire June 30, 2014. The bargaining units are the Montgomery County Education Association (MCEA), representing certificated non-administrative employees; SEIU Local 500, representing supporting services employees; and the Montgomery County Association of Administrators and Principals (MCAAP/MCBOA), representing certificated administrators and non-certificated supervisory employees in separate units. The two MCAAP unit contracts are contained in a single document covering both units.

The contracts all provide for no step increases and no cost-of-living adjustments. All contracts provide for reopened negotiations on economic provisions during each of the next three years, and up to two additional Articles of the Agreement during the second year of the Agreements. In addition, all contracts provide for reopened negotiations if the County Government provides higher compensation or other economic benefits for any of its employee organizations during the term of the Agreements, unless the Board is able to match such increases for school system employees.

During FY 2010, the bargaining groups agreed to participate in joint negotiations regarding benefits for the term of the Agreements.

The District is in negotiations with all groups regarding wages effective July 1, 2011, and the District contributions for insurance benefit plans.

AGENCY ALLOCATIONS

Smillions

Agency	FY11 Approved	% change from FY10	FY12 Rec.
MCPS	\$1,919.8	-1.1%	+3.5%
College	215.8	-0.8%	-1.6%
County Government	1,164.4	-6.9%	+1.0%
MNCPPC	92.5	-13.2%	-2.2%

FY10 approved excludes \$79.5m for MCPS for debt service.

Sample budgets in County Government

	FY11 Approved	% change from FY10	FY12 Rec.
Fire & Rescue	\$182.1	-5.6%	-1.7%
Police	231.3	-6.1%	+0.5%
HHS	177.8	-8.4%	-4.9%
Transit Services	104.3	-3.9%	-1.8%
Libraries	28.9	-23.1%	-9.7%*
Recreation	25.9	-15.4%	-5.5%
Transportation	35.5	-23.8%	-3.3%

*Compared to FY09, Libraries is down 36%.

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

March 28, 2011

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: Non-Recommended Reductions to the Fiscal Year 2012 Operating Budget

On February 8, 2011, the Montgomery County Council approved Spending Affordability Guidelines (SAG) for the Fiscal Year (FY) 2012 Operating Budget. As required by the Montgomery County Code, Section 20-62, each tax-supported county agency including Montgomery County Public Schools (MCPS) must state no later than March 31 of each year how it would reduce its operating budget for the succeeding fiscal year if its budget request exceeds the SAG allocation approved by the County Council for that agency.

Background

The County Council approved a SAG allocation for MCPS of \$1,863,900,000. The Council also approved a separate allocation for MCPS of \$53,200,000 dedicated to the Retiree Health Trust Fund for Other Post-Employment Benefits (OPEB). On February 14, 2011, the Board of Education adopted a FY 2012 Operating Budget Request for tax-supported funds of \$2,069,719,622 including \$47,660,833 for OPEB contribution. Excluding OPEB contributions, the Board of Education's request exceeds the SAG allocation to MCPS by \$158,158,789 (8.5 percent). Section 20-62 of the Montgomery County Code requires each agency whose budget request exceeds the spending allocation approved by the Council to submit "prioritized expenditure reductions" that would be necessary to comply with the allocation no later than March 31.

On March 15, 2011, County Executive Isiah Leggett presented his FY 2012 Recommended Operating Budget. He recommended a total of \$2,123,491,884 for MCPS, including \$1,987,614,562 in tax-supported resources (excluding grants and enterprise funds) and \$1,415,085,344 in local contribution, which is the same amount of local funding as the FY 2011 Approved Operating Budget. If approved by the County Council, the county executive's recommendation will require tax-supported reductions of \$82.1 million (4.0 percent) from the Board of Education's FY 2012 Operating Budget Request. This amount is equal to the increase

in local contribution required by the state Maintenance of Effort (MOE) law. These reductions will be extremely painful for schools and employees. Any possible further reductions will significantly endanger the quality of education for MCPS students.

Spending Affordability Guidelines

The County Council's SAG allocation for MCPS assumes that each tax-supported county agency will make a 2.9 percent reduction in its current tax-supported budget. While this approach treats each agency equally, it does not discriminate among agencies based on need. Councilmembers often have stated that education is their top priority for local funding. This makes sense because the support for public schools is a basic local government function, the only such function specifically guaranteed by the Maryland State Constitution. In FY 2012, MCPS expects to serve an additional 3,400 students who require classroom teachers and other mandatory services. Not providing additional funding for this purpose would supplant state aid specifically based on higher enrollment and force reductions in services for all students in order to serve the additional students. The Board of Education also faces higher costs for unavoidable expenses such as health care and retirement costs for current employees, higher diesel fuel prices, higher utilities costs because of the increased county energy tax, and higher costs for textbooks and instructional materials. The MOE formula does not provide automatic local funding for any increased costs other than increased enrollment. Without additional funding to meet higher expenses, services to students must be reduced. Recognizing such priority for education, the County Council increased the proportion for tax-supported funding for MCPS schools in FY 2011, even as it was reducing local funding for schools. With temporary federal aid discontinued for FY 2012, MCPS needs increased local support to meet its increased costs. The SAG allocation does not take into account any of these factors.

As a result of these continuing needs, the Board of Education's Operating Budget Request exceeds the SAG allocation—excluding the allocation for the OPEB contribution—by \$158,158,789. When the County Council adopted SAG on February 8, 2011, several councilmembers stated that the February guidelines were almost meaningless until the resources available to the county were clearer based on the county executive's March 15 recommendation. This expectation is confirmed by the information in the county executive's budget. Therefore, there seems to be no practical rationale at this time for developing a list of \$158.2 million in potential reductions based on such outdated assumptions. Regarding the county executive's recommendation, on March 2, 2011, I issued a list of potential reductions totaling \$45.1 million and including reductions of 608.4 positions. A copy of this list is attached. These and other reductions, such as the amount budgeted for OPEB, step and longevity increases, and employee benefit plans must be considered if funding is not received at a level greater than the county executive's recommendation.

MOE Waiver

The county executive's budget recommendation will require a waiver of the MOE law. The MOE requirement for local contribution for FY 2012 is \$1,497,190,404, based on \$10,664 per student. 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 of \$82,105,060. Without an MOE waiver, MCPS may face a penalty of the loss of increased state aid of at least \$22.4 million.

Although I find the county executive's recommendation very disappointing, MCPS faces the impact of the penalty if no waiver is approved. Therefore, I am reluctantly 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. Over the past three years, we have saved more than \$300 million, including foregoing salary increases for MCPS employees who deserve greater pay because of the outstanding results they are achieving for students. If this waiver request is approved, MCPS will have absorbed total reductions below the minimum MOE requirement of \$300,502,574 for the last three years.

Mr. Leggett intends to submit a request for an MOE waiver to the Maryland State Board of Education (State Board) by the current deadline of March 31, 2011. Pursuant to Section 5-202 (d) (7) of the Annotated Code of Maryland, Education Article, Mr. Leggett will state that the county's fiscal condition prevents it from funding the MOE requirement without seriously impairing other county services. Pursuant to State Board procedure, the Montgomery County Board of Education must state its position on this request no later than April 10, 2011. It is expected that the State Board will schedule a public hearing on the county request during April 2011. The Board of Education will have an opportunity to participate in that public hearing. Thus, it is important that the Board of Education makes its position clear on the county's waiver request. The following resolution therefore is recommended for the Board of Education's consideration.

WHEREAS, The Board of Education submitted the Fiscal Year 2012 Operating Budget Request totaling \$2,205,722,618 on March 1, 2011, including \$2,069,719,622 for tax-supported funds; and

WHEREAS, The Board of Education's request exceeds the Montgomery County Public Schools Spending Affordability Guidelines allocation of \$1,863,900,000 and a separate allocation for Other Post-Employment Benefits for retiree health prefunding of \$53,200,000 by \$158,158,789 (8.5 percent) approved by the County Council on February 8, 2011; and

WHEREAS, Section 20-62 of the Montgomery County Code requires each agency whose budget request exceeds the spending allocation approved by the Council to submit "prioritized

expenditure reductions" that would be necessary to comply with the allocation no later than March 31; and

WHEREAS, On March 2, 2011, I issued a list of potential expenditure reductions that would be necessary if the Board of Education's budget request is not funded at the required Maintenance of Effort level of local contribution; and

WHEREAS, The county executive recommended a tax-supported amount of \$1,987,614,562 in tax-supported expenditures for Fiscal Year 2012 on March 15, 2011, including a local contribution of \$1,415,085,344; and

WHEREAS, Montgomery County intends to request a waiver totaling \$82,105,060 of the Maintenance of Effort requirement of a local contribution of \$1,497,190,404 (\$10,664 per student), 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, 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, 2011; 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 Fiscal Year 2012 Operating Budget requires the Board of Education to make \$82.1 million in non-recommended reductions in its Fiscal Year 2012 Operating Budget Request; and

WHEREAS, No further reductions below that amount 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 Fiscal Year 2012, 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 \$1,987,614,562 in tax-supported resources (excluding grants and enterprise funds) recommended by the county executive on March 15, 2011, is fully funded by the County Council without reducing the county executive's appropriation. This amount necessitates \$82.1 million in non-recommended reductions in the Board of Education's Operating Budget Request.

2. The Fiscal Year 2012 appropriation does not include any transfers of functions or expenditures from the county government's budget to the Board of Education's budget unless the amount of the transfer is added to the amount recommended by the county executive.
3. Local contribution for Fiscal Year 2013 will be based on the Fiscal Year 2012 required amount of \$10,664 per student in order to prevent a permanent reduction in the required level of local support, unless subsequent action of the Maryland General Assembly changes the amount of the Fiscal Year 2013 requirement by law; and be it further

Resolved, That further reductions below that amount would seriously endanger the quality of education for Montgomery County Public Schools' students; and be it further

Resolved, That the attached list of potential budget reductions meets the requirements of county law for spending affordability guidelines. These and other reductions, such as the amount budgeted for Other Post-Employment Benefits, step and longevity increases, and employee benefit plans must be considered if funding is not received at a level greater than the county executive's recommendation; 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

MONTGOMERY COUNTY PUBLIC SCHOOLS

FISCAL YEAR 2012 OPERATING BUDGET

REVISED SUMMARY OF POTENTIAL BUDGET REDUCTIONS

In the event that Montgomery County Public Schools does not receive local funding for the Fiscal Year (FY) 2012 Operating Budget at the minimum Maintenance of Effort (MOE) level, it will be necessary to consider significant service reductions in the base budget. The amount of reductions will depend on how much local funding is actually received compared to the amount required by MOE. The following revised list contains potential major reductions in the budget and shows modifications since the list was originally issued. The list is not in any priority order, but will give stakeholders an overall idea of what reductions may be necessary to consider before the FY 2012 Operating Budget is approved in June 2011.

Item	Description	FTE	Savings
1	Class Size—An increase of an average of 1 student per class at the elementary and middle school levels and by .4 at the high school level would eliminate 193.4 168.4 teacher positions. This is in addition to the 240.0 positions cut to increase class size by an average of 1 for FY 2011.	193.4 168.4	\$12,608,419 \$10,978,582
2	Academic Intervention Teachers—Cutting 13.0 of the 46.4 elementary and 10.0 of the 38.5 middle school positions would significantly impact support for struggling students. This is over and above 33.8 positions cut in FY 2010 and FY 2011.	23.0	\$1,499,450
3	Staff Development Teachers—Reducing the 181.1 positions budgeted for elementary, secondary schools, special/alternative education by 79.4 51.2 (44 28 percent) would leave 101.7 129.9 positions.	79.4 51.2	\$5,761,618 \$3,715,300
4	Reading Recovery [®] Teachers—This would eliminate the support currently provided by Reading Recovery [®] teachers to elementary students who have reading delays. However, we will restore 7.0 teachers to support reading in 14 schools.	15.0 8.0	\$968,903 \$516,748
5	Instrumental Music Teachers—A reduction of 4.0 of the 37.2 instrumental music teacher positions would require that students receive instruction in larger groups and some students may receive less support.	4.0	\$260,774

Item	Description	FTE	Savings
6	School Counselors—A cut of 10.0 5.0 elementary and 10.0 middle school counselors would increase the ratio of students to professionals and severely impact services to at-risk students. In FY 2011, 9.0 school counselor positions were cut from the budget.	20.0	\$1,628,625
		15.0	\$1,272,544
7	Elementary Paraeducators, Lunch Hour Aides, Parent Community Coordinators—A cut of 20.0 paraeducators, 6.0 lunch hour aides, and 2.2 parent community coordinators will reduce support at a time of significant student growth. There was a reduction of 27.0 paraeducator positions in FY 2011.	28.2	\$1,077,784
8	Instructional Data Assistants—A reduction of 16.4 elementary and 4.75 middle school positions will reduce support to administrators and teachers who use student data to drive educational decisions.	21.1	\$1,003,753
9	Media Assistants—A reduction of 23.0 elementary, 8.0 middle, and 7.5 high school positions will require a change in the current enrollment-based guidelines for allocating these positions to schools. Overall, support to students will be decreased. There were 10.5 media assistant positions cut over the last two years.	38.5	\$1,597,511
10	Middle School Extended Day/Year Program—The elimination of middle school after-school and summer school programs would cut services to middle school students who require significant support and are at risk of academic failure.		\$1,568,046
11	Assistant School Administrators—There would be a reduction of 8.0 2.0 of 15.0 middle school positions and 10.0 2.0 of 20.0 high school positions. These positions provide valuable support to the school administrative team, teachers, students, and the school community.	16.0	\$2,002,052
		4.0	\$500,512
12	Security Assistants—School security staff will be reduced by cutting 10.0 2.0 positions at middle schools (from 69.0 to 59.0 67.0 positions), and 10.0 2.0 positions at high schools (from 112.0 to 102.0 110.0 positions). This reduction in staff would impact the ability of schools to maintain a secure learning environment.	20.0	\$858,655
		4.0	\$171,731

Item	Description	FTE	Savings
13	Outdoor Education—Eliminating this program would deprive students of opportunities to participate in a variety of outdoor environmental field activities, including the overnight program for sixth grade students.	7.0	\$596,767
14	ESOL Counselors/Staffing Ratios—A reduction of 5.0 4.0 ESOL counselors would reduce the number of positions from 11.0 to 6.0 7.0. A reduction of 9.1 teacher positions would increase the student-to-staff ratio by .8 for elementary schools, .5 for middle schools, and .6 for high schools. There was a reduction of 6.0 ESOL teacher positions in the FY 2011 budget.	14.1 13.1	\$956,712 \$884,022
15	Vocational Support/Career Preparation Teachers—Vocational support teachers would be reduced by 50 25 percent – from 20.0 to 10.0 15.0 positions. Career preparation teachers also would be cut by 50 25 percent from 20.5 to 10.5 15.5 positions. Remaining staff will have to serve more students with less individual attention.	20.0 10.0	\$1,303,870 \$651,934
16	Reduce High School English Composition Assistants—Reduce 9.75 of 58.3 English composition assistants. Staff would have less time to assist individual students and teachers. This will reduce valuable support guiding students to postsecondary careers.	9.75	\$456,421
17	High School Career Information Coordinators—Change schedule of high school career information coordinators from 12- to 10-month positions (same number of days as media assistants). This will reduce valuable support to students during the summer.		\$264,141
18	Eliminate High School Activity Buses—Eliminate bus availability for students participating in after-school and extracurricular activities. Students will need to arrange their own transportation home to continue participation. Elementary school activity bus service was eliminated in FY 2011.		\$294,000
19	Reduce Funds for High School Athletics—Reduce stipends and other expenses that support high school athletics. This cut could reduce the number of coaches, games, practices, and/or teams in various sports. This will result in fewer athletic opportunities for students and could result in additional extracurricular fees to offset budget reductions.		\$1,080,000

Item	Description	FTE	Savings
20	Reduce Building Service Workers—Reduce 60.0 building service worker positions from a total of 1,262 school-based positions (5 percent). Remaining staff would clean more space and there would be less flexibility in assignments. Some preventive maintenance likely will be delayed.	60.0	\$2,422,981
21	Instructional Technology Systems Specialists (ITSS)—Reduce 8.0 out of 38.0 middle school ITSS positions and 1.0 out of 26.0 high school positions. The reduced level of support will result in longer waiting periods to resolve technology hardware and software problems that arise during the school day.	9.0	\$694,276
22	Middle School Lunch Hour Aides—Reduce 20.0 lunch-hour aide positions from the 34.6 budgeted for middle schools for FY 2012. Without these positions, school administrators and security staff will have responsibility to supervise students during lunch periods.	20.0	\$622,302
23	High School Secretaries 1—Eliminate 13.25 of the 82.9 school secretary I positions (18 percent) at the high school level. Completion of general office responsibilities will be delayed. Students, parents, staff, and visitors will be required to wait longer for assistance. Also, cut a .5 registrar position.	13.75	\$572,063
24	High School Teacher Assistants—Reduce 3.575 teacher assistant positions at the high school level.	3.575	\$119,661
25	Reduce School Furniture and Equipment and Other K-12 Resources—Delay restoration of school furniture and equipment reductions made in FY 2011. Schools will have to continue using older furniture and equipment, except for emergency needs, until budget resources can be restored. Other reductions would reduce temporary part-time salaries for support of school improvement needs and reduce the cost of school contractual services.		\$864,000
26	Secondary Learning Centers—Continue phase-out of high school learning centers. Students already in secondary learning centers will remain through Grade 12. In addition, change staffing ratios in remaining center classes to match similar classes in other special education programs.	17.9	\$1,034,630

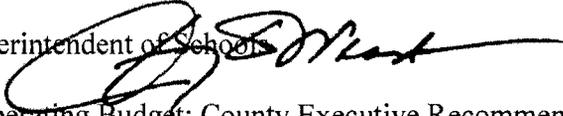
Item	Description	FTE	Savings
27	Infants and Toddlers and Preschool Programs—Reduce 26 17.55 teacher and paraeducator positions in Infants and Toddlers and Preschool programs. Staff will need to serve more students weekly in classroom and home settings. No required services will be reduced.	26.0 17.55	\$1,594,111 \$1,103,055
28	Special Education Staffing Ratios—Change staffing ratios in special education programs, including Learning and Academic Disabilities (LAD), Gifted and Talented/Learning Disabled (GT/LD), and Deaf and Hard of Hearing (DHOH) programs. LAD ratio would change from 14:1 to 15:1, GT/LD from 13:1 to 16:1, and DHOH from 15:1 to 17:1. Current services would continue based on individual student plans.	23.2	\$1,478,018
29	Special Education Nonpublic Tuition—Reduce projected rate increases for tuition for special education students in nonpublic placement based on lower inflation expectations. State sets tuition rates for nonpublic programs.		\$1,410,630 \$2,166,213
30	Central Office Administrative Expenditures—Reduce 13.1 38.1 central office administrative positions. Reduce non-position central office expenditures, including temporary part-time salaries, contractual services, supplies, and other expenditures. The FY 2012 budget already includes \$3.8 million in central office reductions. Over last three years, central office cuts have totaled 174.2 positions and a total of \$28 million—a 20 percent reduction in these expenditures.	13.1 38.1	\$2,715,713 \$5,015,713
31	Increases for Inflation—Eliminate projected 3 percent increase for inflation for textbooks and instructional materials.		\$656,928
	Total	649.9 608.369	\$47,976,216 \$45,139,860

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

March 15, 2011

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: Fiscal Year 2012 Operating Budget: County Executive Recommendation

On March 15, 2011, County Executive Isiah Leggett presented his Fiscal Year (FY) 2012 Recommended Operating Budget. He recommended a total of \$2,123,491,884 for Montgomery County Public Schools (MCPS). This is an increase of \$19,303,844 (0.9 percent) from the FY 2011 Operating Budget of \$2,104,188,040 as approved by the County Council in May 2010. Mr. Leggett's recommendation is \$82,230,734 (3.7 percent) less than the Board of Education's FY 2012 Operating Budget Request of \$2,205,722,618. Attached are excerpts from the budget summary issued by the county Office of Management and Budget.

Mr. Leggett expressed very firm support of his recommendation for MCPS funding, saying that "I cannot go one dollar below this \$82 million [reduction]." Further cuts would be "risky and will jeopardize getting a[n] [Maintenance of Effort] MOE waiver" from the Maryland State Board of Education. He promised to "fight any changes to go below this number." While I am disappointed that Mr. Leggett does not recommend full funding of the Board's request at the MOE level, any reductions below that level would have a devastating impact on the classroom and the quality of instruction that make possible the extraordinary results in student achievement that we have achieved.

In terms of tax-supported funds (the spending affordability budget, excluding grants and enterprise funds), the county executive recommended \$1,987,614,562. This is an increase of \$67,771,816 (3.5 percent) from the original FY 2011 Operating Budget of \$1,919,842,746. Mr. Leggett's recommendation for the tax-supported budget is \$82,105,060 (4.0 percent) less than Board of Education's FY 2012 Operating Budget Request of \$2,069,719,622. Mr. Leggett's recommendation is \$123.7 million greater than the Spending Affordability Guidelines (SAG) of \$1,863,900,000 set by the County Council on February 8, 2011.

The county executive's recommendation for local contribution of \$1,415,085,344 is the same amount approved for the FY 2011 Operating Budget. It is \$82,105,060 (5.8 percent) lower than the minimum MOE requirement for local contribution of \$1,497,190,404. The MOE law requires Montgomery County to appropriate an increase in local contribution of \$82,105,060 above the FY 2011 local contribution to equal the same amount per student (\$10,664) for

increased student enrollment of 4,423.5 eligible FTE students compared to FY 2010. Because Mr. Leggett's recommendation is less than the MOE requirement, the county will need a waiver of the MOE requirement if the County Council adopts his recommendation. Without an MOE waiver, MCPS may face a penalty of the loss of increased state aid of at least \$22.4 million.

The county executive's budget recommends following the Charter limit on property taxes through a \$692 tax credit for owner-occupied residential property. This approach requires a four-cent increase in property tax rates. Other revenue increases include a five-cent excise tax on carryout bags and an 8.5 percent increase in water and sewer rates, both of which are credited to non-tax supported funds.

At the press conference held to release the budget recommendation, Mr. Leggett said that he had closed a \$300 million shortfall to balance the budget. Closing the budget shortfall includes the following major steps:

1. FY 2011 savings by all tax-supported agencies of \$36 million
2. Elimination of 216 County Government positions, including 139 filled positions and other service reductions to save a total of \$80 million
3. Reductions in the FY 2012 Operating Budget Request for MCPS of \$82.1 million and an MOE waiver
4. Reductions in the budget of \$13.5 million for the Maryland-National Capital Park and Planning Commission (M-NCPPC)
5. No salary increments for employees in tax-supported agencies to save \$37 million
6. Increased county government employee payments for group insurance, increased employee payments of 2 percent of salary for defined benefit retirement, and reduction of county contribution to defined contribution retirement plans of 2 percent to save \$30 million in FY 2012

The total FY 2012 Recommended Operating Budget increases by \$76.5 million (3.8 percent) from the FY 2011 Approved Budget. Mr. Leggett recommended a 0.9 percent increase for MCPS, 48.8 percent of total county expenditures and 57.3 percent of tax-supported expenditures excluding debt service. For FY 2011, MCPS received 49.3 percent of total county spending and 56.6 percent of tax-supported expenditures. The 0.9 percent MCPS total increase compares with an increase of 1.5 percent for County Government and 0.5 percent for Montgomery College, and a 1.9 percent decrease for M-NCPPC.

Although the county executive's recommendation provides an increase of \$19.3 million for MCPS compared to the FY 2011 Operating Budget, there is a decrease of \$82.2 million from the Board's request. I have previously issued a list of potential reductions totaling \$47.1 million, which included reductions of 608.4 positions. These and other reductions, such as the amount budgeted for Other Post-Employment Benefits, step and longevity increases, and employee benefit plans must be considered if funding is not received at a level greater than the county executive's recommendation.

In addition to this fiscal gap indicated by the county executive's Recommended Operating Budget, MCPS faces other potential funding obstacles at the state level. If the Maryland State Board of Education fails to grant a MOE waiver, the school system could be obligated for a penalty of at least \$22 million in the loss of increased state aid. The Maryland General Assembly also is considering a variety of proposals to make changes in state aid formulas, such as a change in the date for calculating local wealth. Finally, the legislature is reviewing several plans to transfer part of the state's obligation for teacher pensions to local school boards. If any of these proposals are adopted, MCPS may face a greater fiscal gap in securing funding for the FY 2012 Operating Budget.

Based on further analysis of the county executive's recommendation, I will provide additional financial details. 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, 2011, at 7:00 p.m. The County Council's Education Committee has scheduled its initial work session on the MCPS budget on April 4, 2011, at 2:00 p.m. in the 3rd floor Council Conference Room.

If you have any questions, please contact Mr. Larry A. Bowers, chief operating officer, at 301-279-3626 or Dr. Marshall C. Spatz, director, Department of Management, Budget, and Planning, at 301-279-3547.

JDW:jp

Attachment

Copy to:

Executive Staff
Ms. Cuttitta
Dr. Newman
Mr. Prouty
Ms. Tribble



ROCKVILLE, MARYLAND

March 31, 2011

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) provision in Section 5-202(d)(1)(ii). The basis for this request is that the County's fiscal condition significantly impedes it from funding the MOE amount.

The County Executive's Recommended FY12 Operating Budget includes local funding of \$1,415,085,344 for K-12 public education. At this time, Montgomery County requests a waiver of the MOE provision to permit local funding at the level of \$1,415,085,344. This amount is below the County's MOE level by \$82,105,060 or 5.5% of the total MOE amount. The County Council has not completed its work on the FY12 Operating Budget. The Council will communicate the results of its deliberations at or before the State Board's public hearing on this matter.

The County Executive's total FY12 Recommended operating budget for MCPS including local funding, State education aid, federal grants, and other revenues is \$2,123,491,884.

Thank you for your consideration.

Sincerely,

Isiah Leggett
Montgomery County Executive

Valerie Ervin, President
President, Montgomery County Council

IL/VE:jb

c: Montgomery County Council
Christopher Barclay, 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
Melanie Wenger, Office of Intergovernmental Relations

Montgomery County Public Schools

FY 2012 OPERATING BUDGET

Enrollment

The Montgomery County Public Schools (MCPS) FY 2012 Operating Budget will increase by \$17,217,442 because of enrollment changes. Enrollment growth impacts most aspects of the operating budget, such as requirements for instructional staffing, instructional materials (textbooks and supplies), other school-based supporting services, and new and expanded school facilities. Below are details of the reasons for the increase.

Enrollment Projections

- Official enrollment for the 2010-11 school year is 144,064 students. This is an increase of 2,287 students from FY 2010, and 813 more than what was projected and budgeted for in the FY 2011 Operating Budget.
- Enrollment is projected to be 146,649 students in FY 2012, which is 2,585 more than this year, and 3,340 more than what was budgeted for in the FY 2011 Operating Budget.
- The main reasons for higher enrollment in FY 2011 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 2012 is 66,017, up 1,662 from this year's actual enrollment of 64,355. Kindergarten enrollment is projected to be 11,100 next year, the first year it has ever topped 11,000.
- Secondary school enrollment is projected to increase in FY 2012, but less dramatically than elementary enrollment. Grades 6-8 enrollment is projected at 31,212, an increase of 350 from this year's actual enrollment of 30,862. Grades 9-12 enrollment is projected at 45,527, an increase of 192 from this year's actual enrollment of 45,335.
- Increases in elementary school enrollments are now beginning to move up to middle schools, and will hit high schools several years from now. Significant total enrollment increases will occur over the six-year forecast period. By FY 2017, MCPS is projected to have 154,684 students enrolled, 10,620 more than this year.

Costs Related to Enrollment Changes

Budget calculations are based on changes in projected enrollment. Staffing allocations to schools based on enrollment projections are zero-based each year. Ratios of staff to students approved each year by the Board of Education as part of the Operating Budget Request are applied to projected enrollment at each school as the basis of initial staffing allocations. Individual school allocations may be modified by the Office of School Performance before classes begin if individual school needs suggest different staffing levels.

Since actual enrollment was 813 students above budget in FY 2011, additional resources will need to be requested in the FY 2012 budget for these students. In addition to these students, another increase of 2,527 students is projected for FY 2012, for a total 3,340 students above the budgeted level for FY 2011.

- Total costs related to enrollment growth will increase by \$17,217,442.
- This fall there are 557 more students in Grades K-5 than were projected. The projection of 1,739 additional Grades K-5 students in FY 2012, results in a cumulative increase of 2,296 students from what is budgeted for in FY 2011 to what is projected for FY 2012. This number of additional students requires an additional 117.2 classroom teacher positions, 4.5 media assistant positions, and 6.25 lunch hour aide positions at a total cost of \$8,441,546.
- This fall there are 222 more students in Grades 6-8 than were projected and budgeted for. The projection of 343 more middle school students in FY 2012 results in an increase of 565 students from what was budgeted for in FY 2011 to what is projected for FY 2012. This number of additional students requires 35.0 additional classroom teacher positions at a total cost of \$2,374,553.
- This fall there are 421 more students in Grades 9-12 than were projected and budgeted for. The projection of 87 more high school students in FY 2012 results in an increase of 508 students from what was budgeted for the FY 2011 to what is projected for FY 2012. This number of additional students requires an additional 29.4 classroom teacher positions, 3.0 assistant school administrator positions, and .875 additional supporting services positions for a total increase of \$2,184,474.
- This fall there are 21 more students in special education prekindergarten programs and special program centers. There are 50 fewer students in the Gateway to College program.
- This fall there is a projected increase of 750 ESOL students, for a total of 18,650. This number of projected additional students requires 15.5 additional classroom teacher positions and 3.5 fewer paraeducator positions at a total cost of \$900,994.
- Growth in special education requires the addition of 7.0 classroom teacher positions, 1.8 speech pathologists, and 15.5 paraeducator positions, partially offset by 0.9 fewer occupational and physical therapist positions, at a total cost of \$1,199,389. Special education students are now included in the total count of students by grade level. Costs for substitutes and instructional materials for additional special education students total \$407,834. An increase in the number of students expected to require non-public placement increases the budget for tuition payments by \$1,690,246.
- There are other costs related to enrollment changes such as \$263,219 for substitutes, \$61,053 for textbooks, \$32,005 for media centers, and \$339,827 for instructional materials.
- Employee benefits costs related to enrollment changes result in a net increase of \$3,480,987.