

ED COMMITTEE #1&2  
April 20, 2016  
**Worksession**

**MEMORANDUM**

April 18, 2016

TO: Education Committee

FROM: Essie McGuire, Senior Legislative Analyst 

SUBJECT: **Worksession – FY17 Operating Budget, Montgomery County Public Schools and Review of the MCPS Monthly Financial Report**

Today the Education Committee will begin its review of the FY17 Operating Budget for the Montgomery County Public Schools (MCPS) and review the most recent MCPS monthly financial report. The following individuals are expected to participate in today's worksession:

- Michael Durso, President, Board of Education
- Judith Docca, Vice President, Board of Education
- Larry Bowers, Interim Superintendent
- Andrew Zuckerman, Chief Operating Officer, MCPS

This is the first of three scheduled Education Committee budget worksessions. Today the Committee will review the major components of the Board of Education's FY17 Operating Budget request.

This packet is presented in three parts:

- I. **Overview of Recommended Budget**, including the Board of Education's request, the County Executive's recommendation, Maintenance of Effort, and compensation
- II. **Overview of Revenues**, including local contribution, fund balance, and State Aid
- III. **Overview of the Board's programmatic amendments**, highlighting the components that the Board of Education added to the budget request to address educational policy goals

## I. OVERVIEW OF RECOMMENDED BUDGET

### BOARD OF EDUCATION'S REQUEST

The Board of Education requested a total of \$2,498,633,541 for the FY17 MCPS Operating Budget. This amount represents an increase of \$180,244,605 or 7.8 percent over the current FY16 level. The FY17 tax supported budget request is \$2,355,902,240. The tax supported budget request is \$179,376,697 over the approved FY16 tax-supported amount, an increase of 8.2 percent.

A summary table showing the major elements of the Board's request is attached on circle 9. Significant highlights include the following:

- The Board requested a **local contribution of \$133.6 million above the Maintenance of Effort (MOE) level** required for FY17. The required MOE for FY17 of \$1.528 billion is an increase of \$20.7 million in County funds over the FY16 approved total County contribution, due to enrollment increases.
- The Board's request includes a **total of \$58.7 million for the local contribution to State retirement for teachers**, as required by the General Assembly in 2012. This FY17 amount is an increase of \$7.9 million over the FY16 contribution amount, and is the first year that the full amount is included within MOE and not specified separately by statute.
- The Board's request includes an **additional 801.5 FTE** over the approved FY16 level, for a total of 22,248.7 FTE requested in FY17. These increases are primarily in teachers and instructional aides.
- The Board projects a **total enrollment of 159,016 for FY17**. This is an increase of 2,569 over the actual FY16 enrollment. Comparing enrollment projections (which affect the budget changes year to year), the FY17 budget projection is an increase of 2,502 over the projected (and budgeted) FY16 level (circle 14). The actual FY16 enrollment is only 67 fewer students from the projected and budgeted FY16 level.
- Enrollment of students with **Limited English Proficiency** is projected to increase by 1,570, for a total of 22,650 students for FY17. MCPS reports that the FY17 budget includes an additional 32.6 ESOL teacher positions and \$2.2 million to serve the increased number of students.
- Enrollment of students eligible for **Free and Reduced Meals (FARMS)** continues to rise, with a total of 54,542 students in the current year. The FY17 FARMS enrollment increase is a smaller increase than MCPS has been experiencing in recent years. The total represents 34.8 percent of the total student population in the current year.

**COUNTY EXECUTIVE’S RECOMMENDATION**

The County Executive recommended a total of \$2,454,309,521 for the MCPS FY17 operating budget, which is an increase of \$135.9 million or 5.9 percent over the approved FY16 level. This recommendation represents a decrease of \$44.3 million from the Board’s request. The County Executive recommended a County contribution of \$1.617 billion, which is \$89.3 million above the required Maintenance of Effort (MOE) funding level for FY17.

The County Executive also recommended that MCPS use \$27.2 million from the County’s Consolidated Retiree Health Benefits Trust (OPEB Trust) in FY17 to support funding for retiree health claims in FY17. The Board’s budget assumes that the County will contribute this amount outside of the MCPS budget; the Executive’s recommendation would repeat the action taken in FY16 to address this cost issue. The Committee will more fully discuss the details and implications of this recommendation at a subsequent worksession. As these funds have already been appropriated in prior years, the recommendation does not add to the County’s FY17 expenditures nor to the FY17 MOE appropriation level.

The County Executive typically recommends only aggregate totals for the MCPS operating budget and does not identify category allocations. State law requires both the County Executive and the Council to specify changes in category recommendations. However, for many years only the Council has followed this requirement in its final appropriation.

**Related County support:** The County Executive’s budget includes a summary chart of additional County support for MCPS in his recommended FY16 budget. The Council began tracking this related funding in recent years, to have fuller context of all the County dollars that directly benefit the school system in addition to the MCPS agency appropriation. As these funds are not appropriated to the school system, they do not count toward the MOE requirement.

The chart below shows a recommended FY17 total of \$300.2 million above the MCPS local appropriation in additional County support for the school system. This amount is larger than the largest County departments, including the FY17 recommended budget for the Department of Police (\$265.8 million), the Department of Health and Human Services (\$212.7 million), and the Fire and Rescue Service (\$213.2 million).

<b>Additional County support for MCPS in FY17</b>		
Debt service on school construction		\$150.2 million
Pre-funding retiree health benefits		\$63.1 million
Technology Modernization		\$21.4 million
Support Services		\$65.5 million
<b>Total</b>		<b>\$300.2 million</b>

Many of the services included in the “support services” category above are funded in the Department of Health and Human Services, such as School Health Services, Linkages to Learning, and funding for the George B. Thomas Learning Academy. The Education Committee will discuss these and other related early childhood services in a joint worksession with the

Health and Human Services Committee. Support services also includes nearly \$2 million for School Resource Officers and nearly \$6 million for crossing guards.

**MAINTENANCE OF EFFORT**

The State MOE law requires local jurisdictions to fund school systems at the same amount per pupil as the prior year. Any increase to the County contribution of new dollars above MOE adds to the base calculation for the next year and cannot be reduced in future years (absent a waiver). There are also provisions to remove non-recurring costs from the MOE calculation if the costs are approved by the Maryland State Department of Education (MSDE).

The Council has funded the school system at the required MOE level since FY13. Since MOE is a per pupil amount, the total funding level adjusts according to enrollment changes. As Montgomery County has been experiencing significant enrollment increases in recent years, meeting the MOE requirement resulted in increases to the County contributions of \$21.5 million in FY14; \$25.3 million in FY15; and \$24.2 million in FY16. New County funding of \$20.7 million would be needed to meet MOE in FY17.

**Pension Shift:** In its 2012 session, the General Assembly required that counties begin contributing local funds toward the cost of the State pension plan for teachers (and other school employees eligible to participate in the State pension system). The law established a set phase-in schedule of contributions for each local jurisdiction from FY13-16. Montgomery County’s requirement is below:

FY13	FY14	FY15	FY16
\$27.2 million	\$34.5 million	\$37.8 million	\$44.4 million

For FY13-16 these amounts were required in addition to a county’s MOE requirement. The law specifies that the FY16 payment be included in the base budget appropriation calculation for determining the per pupil amount for the FY17 MOE level. **This has the effect of increasing the per pupil amount by nearly \$300, from \$9,759 in FY16 to \$10,054 per pupil in FY17.**

The County Executive’s recommendation would be a very significant increase in the MOE funding level for FY17, adding \$89.3 million to the base amount for future MOE calculations. The Board of Education’s request would add \$133.6 million to the MOE base.

The table below shows the possible effects on the County’s MOE from FY16 to FY18, using the most recent enrollment projections.

	FY16	FY17	FY18
<b>Enrollment</b>	150,097	152,011	154,610
<b>Per Pupil Amount</b>	9,759	10,054	10,054
<b>MOE</b>	1,463,274,812	1,528,355,725	1,554,489,262
<b>Pension</b>	44,356,785		
<b>Total County Contr.</b>	1,507,631,597		
<b>County contribution at CE Rec Level, \$89.3m above MOE</b>			
<b>CE Rec</b>		1,617,631,597	
<b>CE Rec Per Pupil</b>		10,642	10,642
<b>MOE</b>			1,645,291,673
<b>County contribution at BOE Rqst Level, \$133.6m above MOE</b>			
<b>BOE Rqst</b>		1,661,955,617	
<b>BOE Rqst Per Pupil</b>		10,933	10,933
<b>MOE</b>			1,690,373,595

As noted above, the FY17 per pupil MOE requirement increased by nearly \$300 over the FY16 level due to incorporation of the pension shift. If the Council were to fund an MOE budget in FY17, the MOE requirement in FY18 would be an increase of \$26.1 million under current enrollment projections.

The County Executive's recommended funding level would increase the per pupil requirement by an additional \$588 per pupil. The resulting MOE increase in FY18 would be \$27.7 million over the FY17 contribution level, but \$90.8 million over what would have been required if the MOE level was maintained at its current requirement.

The Board's requested funding level would increase the per pupil requirement by \$879 per pupil. The resulting MOE increase in FY18 would be \$28.4 million over the FY17 contribution level, but \$135.9 million over what would have been required if the MOE level was maintained at its current requirement.

This table illustrates the compounding nature of an increase in the MOE requirement in any given year. Whatever funding is added to the base must be carried forward while also adding significant increments for enrollment at a higher per pupil rate.

## COMPENSATION

**The Board's budget includes a total of \$74.1 million for salary increases in FY17 for employees.** FY17 is the third year of a three-year agreement approved by the Board in March 2014. The FY17 increase includes a step increase for eligible employees; a general wage adjustment of 2 percent; and a second "make-up" step for employees who would have been eligible to receive a step in 2012. The table below shows the FY17 cost for each compensation element, as well as the cost that must be assumed in FY18 to annualize each element.

	<b>GWA</b>	<b>1<sup>st</sup> Step</b>	<b>2<sup>nd</sup> Step</b>	<b>Longevity</b>	<b>Total</b>
FY17 Cost Increase	\$31.5	\$31.1	\$9.8	\$1.6	\$74.1
FY18 Cost Increase	\$34.0	\$33.1	\$28.3	\$2.5	\$97.9
<b>Difference to be added in FY18</b>	<b>\$2.5</b>	<b>\$2.0</b>	<b>\$18.5</b>	<b>\$0.9</b>	<b>\$23.8</b>

The FY18 impact of the agreements is that \$23.8 million would need to be added to the MCPS budget in FY18 just to complete implementation of the FY17 increases, before any further compensation adjustments (or other programmatic enhancements or cost increases) are made. As noted above, the MOE increase from FY17 to FY18 could be between \$26 million to \$28 million, depending on the FY17 funding level. At any FY17 funding level, if the agreements are fully implemented, nearly all of the anticipated MOE funding increase in FY18 would already be committed to address FY17 compensation.

The Government Operations and Fiscal Policy and Education Committees will review compensation and benefits for all agencies in a joint worksession on April 21. The MCPS agreements have a GWA higher than two of the three County bargaining units, but lower than the GWA included in Montgomery College’s agreements. However, the College does not have a second “make-up” step; MCPS and two of the three County bargaining units do.

The Council expressed during its operating budget overview and in other discussions that its priority in FY17 is for County residents to experience tangible improvements in services, and for the school system to make investments that impact class size, the achievement gap, and other educational policy goals, particularly if there is to be a property tax increase. **The challenge this year for the Council and the Board of Education will be how to prioritize and accommodate programmatic investments within the affordability and sustainability parameters set by the Council.**

## II. OVERVIEW OF REVENUES

Table 1 below shows the MCPS operating budgets by revenue source for the FY15 approved level, the FY16 approved level, the FY17 Board of Education Request, and the FY17 County Executive recommendation.

Source	FY15 Approved		FY16 Approved		FY17 BOE Request		FY17 CE Rec	
	\$	% of total						
County	1,439,045,758	63.2%	1,463,274,812	63.1%	1,661,955,617	66.5%	1,617,631,597	65.9%
for St pension	37,809,551	1.7%	44,356,785	1.9%				
Fund Balance	38,172,451	1.7%	33,162,633	1.4%	33,162,633	1.3%	33,162,633	1.4%
State	618,765,933	27.2%	632,069,558	27.3%	657,437,390	26.3%	657,437,390	26.8%
Federal	69,855,580	3.1%	71,917,356	3.1%	71,738,683	2.9%	71,738,683	2.9%
Other Sources	12,324,062	0.5%	10,836,959	0.5%	10,571,804	0.4%	10,571,804	0.4%
Enterprise	59,195,025	2.6%	61,116,624	2.6%	62,024,623	2.5%	62,024,623	2.5%
Special Funds	1,595,624	0.1%	1,654,209	0.1%	1,742,791	0.1%	1,742,791	0.1%
Tax-sptd Total	<b>2,138,069,401</b>		<b>2,176,525,543</b>		<b>2,355,902,240</b>		<b>2,311,578,220</b>	
Grand Total	<b>2,276,763,984</b>		<b>2,318,388,936</b>		<b>2,498,633,541</b>		<b>2,454,309,521</b>	

### Local Contribution

- The County Executive's recommended County contribution of \$1.618 billion is \$89.3 million above the MOE required funding level, and an increase of \$110.0 million over the FY16 County contribution.
- The Board of Education requested a County contribution of \$133.6 million over the MOE level.
- In FY17, a total of \$58.7 million is required for the pension contribution to the State. The required pension contribution to the State is approximately 2.4% of the Board of Education's total request for FY17.
- The County's contribution is 66.5% of the Board's total request. The proportion of local funding has remained around 63% in recent years. Montgomery County contributes one of the highest proportions of local funding for public schools in the State. Only 9 local jurisdictions contribute more than half of their school system's total revenue.

### Fund Balance

The Board requested that \$33.2 million of fund balance be reappropriated for the FY17 budget, and the County Executive assumed the same level of fund balance in his FY17 recommendation. This is the same amount of fund balance that was appropriated for the FY16 operating budget.

The fund balance reflects savings achieved by the school system and funds not spent in a given fiscal year. **These funds cannot be spent by MCPS until they are appropriated by the Council.** Typically, the Council reappropriates fund balance as a resource for the following year's budget as part of the annual appropriation resolution. The fund balance appropriation is not part of MOE, in that it does not affect the per pupil amount nor can it be counted toward the County's MOE contribution.

MCPS' fund balance consists of unspent appropriation. MCPS is prohibited by State law from ending the year in deficit; as a result, MCPS ends each year with some surplus. The unusually large carry over amounts of recent years are due in large part to several consecutive years of savings plans, hiring and expenditure restrictions, and budget uncertainty that MCPS has experienced along with all County agencies.

The Council appropriated \$33.2 million in fund balance as a resource for the FY16 operating budget. On July 1, the Chief Administrative Officer wrote to all outside agencies requesting their participation in a FY16 Savings Plan. On July 15, MCPS implemented a comprehensive set of expenditure restrictions including a hiring freeze to generate savings as a resource for funding the FY17 budget. The restrictions imposed on July 15 applied only to central services functions, and all parties agreed that MCPS could not determine further expenditure restrictions until after the start of the school year. On September 17, the Interim Superintendent implemented restrictions for school based expenditures as well.

**The most recent monthly financial report (circles 17-26) reflects conditions as of February 29, and projects a total FY16 fund balance of \$32.7 million.** This amount consists of a projected expenditure surplus of \$30.5 million; a projected revenue deficit of \$1.8 million; and \$3.9 million carried over from remaining FY15 fund balance.

This report indicates that at this time there is a funding gap of approximately \$500,000 between the projected year-end fund balance and the fund balance assumption in the Board and Executive recommendations. A number of factors will affect the ultimate year-end fund balance as well as what amount the Council should appropriate for FY17. MCPS could generate additional savings in the remainder of the fiscal year to meet the target amount. One challenge will be how many additional days must be added to the school year due to weather closings. Additionally, Council staff notes that the report assumes \$4 million will be transferred from Category 12 to the internal Employees Group Insurance Fund to address a projected fund deficit there; the Committee will review this and other employee benefit and fund balance issues more fully in a subsequent worksession. The Committee can make a final recommendation on the fund balance assumption for FY17 following review of these and any other factors.

**At this juncture, it is important to note that use of fund balance as a recurring resource for a significant amount of the operating budget has become a structural issue for the MCPS budget.** For some time the school system has operated under continual expenditure restrictions to maintain savings for use in the following fiscal year. For several years during and immediately following the recession, MCPS had unusually large fund balances carried over even with significant appropriation. As noted above, the Committee has discussed the range of unusual factors that led to this pattern, including issues with State Aid, MOE, and overall budget

uncertainty. As these factors have changed, so has the pattern with respect to generating fund balance.

This structural issue is not easily resolved. While it is unsustainable for the system to perpetually operate under extensive restrictions, there are not readily available means to replace what has become a \$30 million annual resource. **The Committee and the Board may need to consider what approaches, one of which may need to include identifying structural savings, can begin to decrease reliance on this amount of fund balance in future years.**

### **State Aid**

- State Aid increases by a total of \$25.4 million over the FY16 level.
- A large component of this increase is the full funding of the Geographic Cost of Education Index (GCEI), which totals nearly \$36 million in FY17 and is an increase of \$18.2 million over the FY16 level. The General Assembly last year mandated funding for GCEI going forward; previously GCEI had not been required in State law.
- The other factor increasing State Aid for MCPS is the ongoing increase in enrollment. Funds for general enrollment as well as for numbers of students from low income families and students with Limited English Proficiency all increased over the FY16 levels.

## OVERVIEW OF THE BOARD'S PROGRAMMATIC AMENDMENTS

The Interim Superintendent's recommended operating budget increased funding primarily to cover cost increases related to the negotiated compensation agreements, other employee benefits, and enrollment increases. The Interim Superintendent's budget included \$2.8 million and 13 FTE to restore selected strategic priority measures, including: expansion of the Students Engaged in Pathways to Achievement (SEPA) program; additional Parent Community Coordinators; expansion for the Achieving College Excellence and Success (ACES) program; and other supports.

The Board of Education's February request amended the Superintendent's request by adding a total of \$45.7 million and 545.6 FTE to reduce class size, address the achievement gap, and support student success. The Board's resolution outlining these amendments is on circles 4-7.

As noted earlier, the central discussion point for the MCPS budget this year is how to prioritize programmatic enhancements and initiatives. Board members and Councilmembers have heard from constituents about the needs for additional staffing and other supports in schools, and are concerned to invest strategically to impact the fundamental policy goal of increasing educational success for all students.

The Committee may want to discuss the elements of the proposed amendments more fully with the Board and the Interim Superintendent to understand the relative impact and priority of components within the set. In the tables below, Council staff has grouped items together as another means of presentation for today's discussion. *Council staff used the description available in the Board's memorandum as a basis for these groupings. There is overlap between some groups; for example, many of the student support positions are also identified as targeted to support impacted schools. This presentation is only meant to facilitate seeing the totals differently across certain elements, not to imply purpose or priority for any given item.*

<b>Class size reduction</b>		
	<b>FTE</b>	<b>Funding Rqst</b>
K Class size	31	\$2,111,599
Grades 1-2 class size	57	\$3,882,618
Grades 1-2 class size	13	\$885,509
Grade 3 class size	12	\$817,393
Grade 3 class size	14	\$953,626
Grade 4-5 class size	27	\$1,839,135
Grade 4-5 class size	27	\$1,839,135
MS Class size	29.1	\$1,982,179
MS Class size	29.1	\$1,982,179
MS Class size	30.8	\$2,097,976
HS class size	37	\$2,520,296
HS class size	37	\$2,520,296
HS class size	39.7	\$2,704,210
Instr Music class size	3	\$204,348
Instr Music class size	3	\$204,348
<b>Subtotal</b>	<b>389.7</b>	<b>\$26,544,847</b>

<b>Instructional Supplies</b>		
	<b>FTE</b>	<b>Funding Rqst</b>
Chromebooks		\$3,000,000
Read 180		\$641,599
Textbooks/Software		\$870,214
<b>Subtotal</b>		<b>\$4,511,813</b>

<b>Expand program</b>		
	<b>FTE</b>	<b>Funding Rqst</b>
PreK	17.5	\$1,003,054
Home school model	9.7	\$934,026
Home school model	9.7	\$934,026
MS leadership model	4.8	\$326,957
MS leadership model	7.2	\$490,436
<b>Subtotal</b>	<b>48.9</b>	<b>\$3,688,499</b>

<b>Identified to address Achievement Gap or to support Impacted Schools</b>		
	<b>FTE</b>	<b>Funding Rqst</b>
Focus teachers	33.2	\$2,261,455
Minority Prog Enhancements		\$246,448
Prof Development		\$2,500,000
Math Paraed	11.25	\$482,839
Parent Comm Coordinators	5	\$310,072
<b>Subtotal</b>	<b>49.45</b>	<b>\$5,800,814</b>

<b>Student Support Positions</b>		
	<b>FTE</b>	<b>Funding Rqst</b>
ES Counselor	2.5	\$182,115
ES Counselor	8	\$582,768
ES Counselor	4	\$291,384
Psychologists	6	\$560,858
Psychologists	6	\$560,858
PPW	4	\$369,080
PPW	4	\$369,080
<b>Subtotal</b>	<b>34.5</b>	<b>\$2,916,143</b>

<b>Other</b>		
	<b>FTE</b>	<b>Funding Rqst</b>
Asst Principals, ES	3	\$389,344
BOE budget analyst	1	\$129,786
Maintenance-General	9	\$751,937
Maintenance-IAQ	10	\$810,056
Graduation Venues		\$113,000
<b>Subtotal</b>	<b>23</b>	<b>\$2,194,123</b>

<b>Total</b>	<b>545.55</b>	<b>\$45,656,239</b>
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The class size reductions are intended to restore class size guidelines to 2009 levels, which could loosely be described as a reduction of 2 students per class for most schools. The Board took action twice since 2009 to increase class size; however, it was not a uniform increase each time. In FY11, the Board adopted an increase of approximately 1 student per class across the system. In FY16, however, the Board differentiated the increase with lower increases for schools with high FARMS eligibility. For example, in Grades K-2, class sizes increased by 1 in all non-focus schools, but did not increase in focus schools. For secondary schools, class size increased by .5 for schools with high FARMS eligibility and by 1 in other schools. As Committee members are aware, these figures are budget allocation guidelines only, and implementation varies by actual school enrollment experience.



## **MONTGOMERY COUNTY BOARD OF EDUCATION**

850 Hungerford Drive ♦ Room 123 ♦ Rockville, Maryland 20850

February 29, 2016



The Honorable Isiah Leggett  
Montgomery County Executive  
Executive Office Building  
101 Monroe Street, 2nd Floor  
Rockville, Maryland 20850

The Honorable Nancy Floreen, President  
and Members of the Montgomery County Council  
Stella B. Werner Council Office Building  
100 Maryland Avenue, 6th Floor  
Rockville, Maryland 20850

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

I am pleased to submit the Montgomery County Board of Education's Fiscal Year (FY) 2017 Operating Budget Request for Montgomery County Public Schools (MCPS).

The Board of Education is requesting an operating budget of \$2,498,633,541 for MCPS for FY 2017. This is an increase of \$180,244,605, or 7.8 percent, compared to the current FY 2016 Operating Budget. This increase is necessary to fund the same level of services for a growing number of students enrolled in MCPS, previously negotiated agreements with our employee associations, rising costs in operations, and for strategic enhancements to close the achievement gap. The tax-supported operating budget (excluding grants and enterprise funds) is \$2,355,902,240. This budget includes \$23,950,000 needed to restore funding previously cut from the budget for retiree health benefits costs and \$7,910,862 needed in FY 2017 for the increase related to the shift of teacher pension costs from the state to the county. This budget assumes Montgomery County will continue to fund \$27,200,000 of retiree health benefits costs from the Consolidated Other Post-employment Benefits Trust Fund.

The MCPS FY 2017 Operating Budget request includes an increase of \$25.4 million in state aid including the full funding of the Geographic Cost of Education Index. In addition, state law requires the county to provide, at a minimum, \$19,241,342 in increased funding for MCPS to account for enrollment growth. However, the need is much greater in FY 2017, and the Board's operating budget request seeks \$133,599,892 more than the minimum funding level required by the state. This additional investment is essential if we are to maintain the quality of our school system and address the much needed work to improve the educational outcomes for all students.

As was the practice in FY 2015, MCPS implemented hiring and expenditure restrictions in FY 2016 to generate a fund balance by the end of the fiscal year equivalent to the \$33.2 million used to fund the FY 2016 MCPS Operating Budget. These restrictions began on July 20, 2015—three weeks into the fiscal year. As a result, based on the monthly financial report that was presented to the Board of Education on February 9, 2016, MCPS projects an FY 2016 fund balance of \$30.1 million. Mr. Larry A. Bowers, interim superintendent of schools, believes the remaining \$3.1 million can be saved by the end of the fiscal year.

The operating budget the Board of Education adopted on February 9, 2016, includes a spending increase designed to strengthen the school district's foundation, which has been squeezed during the past eight years by difficult economic times. The Board's operating budget request also accelerates efforts to close the achievement gap for African American, Latino, and economically disadvantaged students. This budget is a reinvestment in our students and our schools. As MCPS' enrollment grows to historic levels and the needs of our students expand, we must substantially increase our investment in our children.

The Board appreciated the interim superintendent of schools' recommended strategic enhancements, realignments, and reorganization aligned to our Operating Budget Interests adopted in September 2015. It was a sound down payment toward our future; however, we believe the situation is urgent and calls for a greater investment. Based on the wide range of input from the public and our analysis, the Board is asking the county executive and County Council for additional funding beyond the interim superintendent of schools' recommendation. We concur with Mr. Bowers' call to action in December 2015 that emphasized that we as a community cannot continue to fund the budget at the levels that we have for the past eight years and expect to close the achievement gap. It is no longer sufficient to fund the MCPS operating budget at the minimal funding level of Maintenance of Effort and use one-time sources to fund the budget, including hiring and spending restrictions to provide for our schools. We must find a way to invest more in public education in Montgomery County. We cannot cut our way out of this any longer.

Since 2009, enrollment has increased by 17,000 students; however, the budget has not kept pace with this growth and resulted in the elimination of more than 1,800 positions. While enrollment has increased by 12.4 percent, overall staffing in MCPS has risen by only 3.3 percent. Any further disinvestment in education is a disinvestment in the future of our children and our county.

The Board is recommending targeted, strategic enhancements totaling 558.550 Full-time Equivalent positions and \$48.6 million to improve student achievement and close the achievement gap. All of these enhancements are aligned to the District Implementation Plan and our Strategic Priorities (Strengthen the Foundation for Academic Success; Focus on Accountability and Results; Enhance our Culture of Collaboration and Respect; Focus on Human Capital Management; and Strengthen Partnerships and Engagement).

The Honorable Isiah Leggett  
The Honorable Nancy Floreen  
and Members of the County Council

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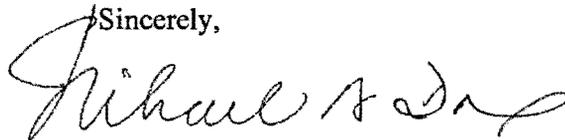
February 29, 2016

These enhancements include resources for reducing class size to 2009 levels; providing additional focus teachers in highly impacted schools to address the achievement gap; funding for increased professional development to support mathematics and literacy; enhancing career pathway options to increase enrollment in those programs; and providing investments in academic programs to close the achievement gap for African American, Latino, and economically disadvantaged students. These enhancements also include expanding the number of prekindergarten seats; increasing the number of school counselors, psychologists, and pupil personnel workers; adding additional parent community coordinators; expanding the home school special education model to more elementary schools; implementing courses and experiences for Grade 12 students to ensure college and career readiness; and enhancing dual language programs. Finally, there are critical investments in our workforce, including accelerating efforts to improve and diversify our teacher workforce and providing greater support to elementary mathematics teachers.

This FY 2017 Operating Budget request was developed through a variety of collaborations. The Board held two public hearings on January 7 and 14, 2016, in which we heard testimony from nearly 80 individuals. Board members spent a great number of hours analyzing the budget and proposed approximately 50 formal questions to MCPS staff, which eventually led to the Board's adopted operating budget request on February 9, 2016.

This budget is a call to action to fund our future. The Board recognizes the fiscal constraints that led to decreased funding in prior years, and we have done our part to improve efficiency and effectiveness and maximize every tax dollar while serving an increasing student population. Now is the time to invest in our children. We cannot wait another year. We must fund our future if we are to ensure that our children have the educational foundation they need to be successful. My colleagues and I look forward to working with you in the coming weeks to complete a budget for FY 2017 that meets the needs of our students.

Sincerely,



Michael A. Durso  
President

MAD:LAB:AMZ:tpk

Enclosure

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

February 9, 2016

**REVISED**  
**(As Adopted by the Board)**

MEMORANDUM

To: Members of the Board of Education

From: Michael A. Durso, President *MAD*

Subject: Amendment to the Superintendent's Recommended Fiscal Year 2017 Operating Budget

WHEREAS, On December 8, 2015, the interim superintendent of schools presented the Recommended Fiscal Year 2017 Operating Budget of \$2,453,323,284 to the Board of Education; and

WHEREAS, The Board of Education reviewed the budget and supports the Superintendent's Recommended Fiscal Year 2017 Operating Budget which includes funding for continued enrollment growth, increases in the cost of goods and services, negotiated salary increases for staff, the replacement of one-time funding sources for retirees' health care costs, and the continued shift of state pension costs to Montgomery County Public Schools; and

WHEREAS, The Board of Education supports the recommended enhancements as well as the realignments and reorganization that have been included in the budget that address the Board of Education's operating budget interests; and

WHEREAS, The Board of Education fully supports the recommended budget, but believes additional resources are needed to support student success, close the achievement gap for African-American, Latino, and economically disadvantaged students, and prepare all students to be college and career ready; and

WHEREAS, As a result, the Board of Education believes that additional resources should be requested to address the needs of all of our students and to close the achievement gap for African-American, Latino, and economically disadvantaged students; and

WHEREAS, This request for additional resources should be considered only after the Superintendent's Fiscal Year 2017 Operating Budget is fully funded; now therefore be it

Resolved, That the Board of Education amend the Superintendent's Recommended Fiscal Year 2017 Operating Budget in the amount of \$45,656,239, as outlined in the attachment, in the following categories:

Cat		Superintendent's Recommended FY2017 Operating Budget	Superintendent's Amended FY2017 Operating Budget	Board's Amendments FY2017 Operating Budget	Board's Recommended FY2017 Operating Budget
1	Administration	\$44,176,748	\$44,173,446	\$90,912	\$44,264,358
2	Mid-level Administration	146,504,145	146,356,435	432,947	146,789,382
3	Instructional Salaries	961,691,598	961,599,195	28,537,338	990,136,533
4	Textbooks/Instructional Supplies	24,984,639	24,984,639	4,465,214	29,449,853
5	Other Instructional Costs	12,589,881	12,589,881	17,394	12,607,275
6	Special Education	329,381,658	329,354,792	1,447,878	330,802,670
7	Student Personnel Services	11,844,596	11,838,479	572,128	12,410,607
8	Health Services	3,630	3,630		3,630
9	Student Transportation	106,239,681	106,236,201		106,236,201
10	Operation of Plant and Equipment	134,445,560	134,441,287		134,441,287
11	Maintenance of Plant	34,454,707	34,454,570	1,177,177	35,631,747
12	Fixed Charges	582,425,938	582,364,244	8,915,251	591,279,495
14	Community Services	813,089	813,089		813,089
37	MCPS Television Revenue Fund	1,742,791	1,742,791		1,742,791
51	Real Estate Fund	3,686,191	3,686,191		3,686,191
61	Food Service Fund	53,967,269	53,967,269		53,967,269
71	Field Trip Fund	2,006,361	2,006,361		2,006,361
81	Entrepreneurial Activities	2,364,802	2,364,802		2,364,802
Total		\$2,453,323,284	\$2,452,977,302	\$45,656,239	\$2,498,633,541

and be it further

Resolved, That the Board will review the attached spreadsheets and use it as guidance before it adopts a final budget in June, in alignment with its priorities.

MAD:lsh

Attachment

Board of Education  
Amendments to the FY2017 Operating Budget

Tier I		FTE	Total
Position	Change		
Kindergarten	Reduce average class size by 1	31.0	\$ 2,111,599
Grades 1-2	Reduce average class size by 1	57.0	\$ 3,882,618
Grade 3	Reduce average class size by 1	12.0	\$ 817,393
Grade 4-5	Reduce average class size by 1	27.0	\$ 1,839,135
Middle School	Reduce average class size by .5	29.1	\$ 1,982,179
High School	Reduce average class size by .5	37.0	\$ 2,520,296
Focus Teachers (Elementary)	Additional positions for highly impacted schools to address the achievement gap	14.0	\$ 953,626
Focus Teachers (Middle)	Additional positions for highly impacted schools to address the achievement gap	10.8	\$ 735,654
Focus Teachers (High)	Additional positions for highly impacted schools to address the achievement gap	8.4	\$ 572,175
Counselor Elementary	Allocate additional .5 to Title I schools with enrollment greater than 500	2.5	\$ 182,115
Graduations Venues	Provide additional financial support for our largest schools	-	\$ 113,000
<b>Tier I Total</b>		<b>228.8</b>	<b>\$ 15,709,790</b>
Tier II		FTE	Total
Position	Change		
Middle School	Reduce average class size by .5	29.1	\$ 1,982,179
High School	Reduce average class size by .5	37.0	\$ 2,520,296
Counselor Elementary	Allocate additional .5 to Focus schools greater than 600	8.0	\$ 582,768
Psychologists	Increase support for the coordinated student services program at our most impacted schools	6.0	\$ 560,858
PPW	Increase support for the coordinated student services program at our most impacted schools	4.0	\$ 369,080
Middle School Leadership Model	Add six more schools	4.8	\$ 326,957
Mathematics Paraeducator	Additional support for mathematics in elementary schools based on FARMS and mathematics achievement	11.25	\$ 482,839
Home School Model Expansion-Elementary	Expand HSM to three more clusters	9.7	\$ 934,026
Maintenance (IAQ Team)	Create an additional team	10.0	\$ 810,056
PreK Teachers	Add 20 half-day sections of PreK	17.5	\$ 1,003,054
Minority Program Enhancements	Increase support for academic programs to close the achievement gap for African-American, Latino, and economically disadvantaged students, expand STEP programs to four additional sites, and increase minority achievement extra-curricular programs	-	\$ 246,448
Parent Community Coordinators	Add positions to support more of our most impacted schools	5.0	\$ 310,072
Instrumental Music	Lower class sizes for elementary instrumental music	3.0	\$ 204,348

Board of Education  
Amendments to the FY2017 Operating Budget

Position	Change	FTE	Total
Professional Development	Professional development focused on closing the achievement gap in literacy and mathematics for African-American and Latino students, including strategies to reengage disconnected youth	-	\$ 2,500,000
Chromebooks	Technology enhancements so that additional grade levels and content areas have regular access to Chromebook technology	-	\$ 3,000,000
<b>Tier II Total</b>		<b>145.35</b>	<b>\$ 15,832,981</b>
Tier III			
Position	Change	FTE	Total
Grades 1-2	Reduce average class size by 1 in non-focus schools	13.0	\$ 885,509
Grade 3	Reduce average class size by 1	14.0	\$ 953,626
Grade 4-5	Reduce average class size by 1	27.0	\$ 1,839,135
Middle School	Reduce average class size in impacted schools by .5 and other schools by 1.0	30.8	\$ 2,097,976
High School	Reduce average class size in impacted schools by .5 and other schools by 1.0	39.7	\$ 2,704,210
Read 180	Upgrade Read 180 software and materials to support students reading below grade level	-	\$ 641,599
Textbooks/Software	Restore reductions to textbook funds allocated to schools	-	\$ 870,214
Counselor Elementary	Allocate additional .5 to non-focus schools greater than 700	4.0	\$ 291,384
Psychologist	Increase support for the coordinated student services program at our most impacted schools	6.0	\$ 560,858
PPW	Increase support for the coordinated student services program at our most impacted schools	4.0	\$ 369,080
Assistant Principal	Increase the number of schools with an assistant principal in elementary schools	3.0	\$ 389,344
Middle School Leadership Model	Add 9 additional schools	7.2	\$ 490,436
Home School Model Expansion	Expand HSM to 3 more clusters	9.7	\$ 934,026
Instrumental Music	Lower class sizes for elementary instrumental music	3.0	\$ 204,348
Budget Analyst	Provide additional budget analyst support to the Board of Education	1.0	\$ 129,786
Maintenance	Additional positions, vehicles and supplies	9.0	\$ 751,937
<b>Tier III Total</b>		<b>171.4</b>	<b>\$ 14,113,468</b>
<b>Total I-III</b>		<b>545.55</b>	<b>\$ 45,656,239</b>

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

OBJECT OF EXPENDITURE	FY 2015 ACTUAL	FY 2016 BUDGET	FY 2016 CURRENT	FY 2017 BUDGET	FY 2017 CHANGE
<b>POSITIONS</b>					
Administrative	717,700	706,200	707,200	715,100	7,900
Business/Operations Admin.	90,650	89,650	88,650	87,650	(1,000)
Professional	12,517,482	12,468,276	12,468,776	13,146,886	678,110
Supporting Services	8,262,157	8,181,423	8,182,623	8,299,090	116,467
<b>TOTAL POSITIONS</b>	<b>21,587,989</b>	<b>21,445,549</b>	<b>21,447,249</b>	<b>22,248,726</b>	<b>801,477</b>
<b>01 SALARIES &amp; WAGES</b>					
Administrative	\$92,258,189	\$95,569,558	\$95,672,848	\$98,216,222	\$2,543,374
Business/Operations Admin.	8,227,299	8,948,116	8,844,826	8,981,968	137,142
Professional	984,828,931	1,025,225,658	1,025,285,078	1,101,409,651	76,124,573
Supporting Services	350,906,239	369,933,797	369,914,377	381,145,104	11,230,727
<b>TOTAL POSITION DOLLARS</b>	<b>1,436,220,658</b>	<b>1,499,677,129</b>	<b>1,499,717,129</b>	<b>1,589,752,945</b>	<b>90,035,816</b>
<b>OTHER SALARIES</b>					
Administrative	331,121	397,576	397,576	405,528	7,952
Professional	58,930,766	57,277,647	57,277,647	61,660,713	4,383,066
Supporting Services	25,286,952	23,486,206	23,486,206	24,260,569	774,363
<b>TOTAL OTHER SALARIES</b>	<b>84,548,839</b>	<b>81,161,429</b>	<b>81,161,429</b>	<b>86,326,810</b>	<b>5,165,381</b>
<b>TOTAL SALARIES AND WAGES</b>	<b>1,520,769,497</b>	<b>1,580,838,558</b>	<b>1,580,878,558</b>	<b>1,676,079,755</b>	<b>95,201,197</b>
<b>02 CONTRACTUAL SERVICES</b>	<b>26,380,344</b>	<b>27,087,749</b>	<b>27,047,749</b>	<b>27,711,724</b>	<b>663,975</b>
<b>03 SUPPLIES &amp; MATERIALS</b>	<b>64,528,428</b>	<b>66,007,929</b>	<b>66,007,929</b>	<b>70,732,521</b>	<b>4,724,592</b>
<b>04 OTHER</b>					
Local/Other Travel	2,204,651	2,641,153	2,656,591	2,426,967	(229,624)
Insur & Employee Benefits	523,945,817	526,747,522	526,747,522	603,746,150	76,998,628
Utilities	39,502,871	40,510,945	40,510,945	41,564,244	1,053,299
Miscellaneous	51,392,202	56,564,075	56,548,637	58,147,316	1,598,679
<b>TOTAL OTHER</b>	<b>617,045,541</b>	<b>626,463,695</b>	<b>626,463,695</b>	<b>705,884,677</b>	<b>79,420,982</b>
<b>05 EQUIPMENT</b>	<b>15,117,717</b>	<b>17,991,005</b>	<b>17,991,005</b>	<b>18,224,864</b>	<b>233,859</b>
<b>GRAND TOTAL AMOUNTS</b>	<b>\$2,243,841,527</b>	<b>\$2,318,388,936</b>	<b>\$2,318,388,936</b>	<b>\$2,498,633,541</b>	<b>\$180,244,605</b>

**TABLE 1A**  
**SUMMARY OF BUDGET CHANGES FY 2016 - FY 2017**  
(\$ in millions)

ITEM	FTE	AMOUNT
<b>FY 2016 CURRENT OPERATING BUDGET</b>	<b>21,447.249</b>	<b>\$2,318.4</b>
<b>ENROLLMENT CHANGES</b>		
Elementary/Secondary	140.485	10.3
Special Education	57.972	4.5
ESOL	32.600	2.2
Transportation	16.000	1.6
<b>Subtotal</b>	<b>247.057</b>	<b>\$18.6</b>
<b>NEW SCHOOLS/ADDITIONAL SPACE</b>	<b>31.400</b>	<b>\$3.8</b>
<b>EMPLOYEE SALARIES - CONTINUING AND NEGOTIATED</b>		
<b>SALARIES FOR CURRENT EMPLOYEES (including benefits)</b>		<b>\$55.3</b>
<b>EMPLOYEE BENEFITS AND INSURANCE</b>		
Employee Benefits Plan (active) - Including Negotiated Changes		28.9
Employee Benefits Plan (retired)		9.8
Retirement		(11.6)
FICA/Self-Insurance/Workers' Compensation, Fire Insurance		(0.9)
Self-insurance, Worker's Compensation		0.2
Restoration of MCPS OPEB		23.9
Pension Shift from State		7.9
<b>Subtotal</b>		<b>\$58.2</b>
<b>INFLATION AND OTHER</b>		
Textbooks, Instructional Materials, Building/Maintenance Supplies		0.6
Utilities		0.6
Special Education		0.8
Transportation	4.000	0.3
Transportation - Diesel Fuel		(1.4)
Grants and Enterprise Funds	(0.555)	0.1
Other	(0.800)	0.5
<b>Subtotal</b>	<b>2.645</b>	<b>\$1.5</b>
<b>EFFICIENCIES &amp; REDUCTIONS</b>		
Central Services	(18.400)	(3.0)
Support Operations	(2.000)	(0.2)
School-Based	(17.775)	(2.5)
Mileage reimbursement reduction		(0.1)
<b>Subtotal</b>	<b>(38.175)</b>	<b>(\$5.8)</b>

ITEM	FTE	AMOUNT
<b>STRATEGIC PRIORITY ENHANCEMENTS</b>		
Reduce Class Sizes to 2009 Levels	383.700	\$26.1
Focus Teachers	33.200	2.3
Elementary Counselors	14.500	1.1
Psychologists and Pupil Personnel Workers	20.000	1.9
Graduation Venues		0.1
Maintenance including Indoor Air Quality Team	19.000	1.6
Textbooks, Technology and Software		4.5
Professional Development to Support Literacy and Mathematics		3.5
Parent Community Coordinators	10.000	0.6
Minority Program Enhancements		0.3
Elementary Mathematic Support	11.250	0.5
Pre-K Teachers	17.500	1.0
Elementary School Special Education	19.400	1.9
Middle School Leadership	12.000	0.8
Elementary School Administration	3.000	0.4
Instrumental Music	6.000	0.4
Budget Analyst Support for Board of Education	1.000	0.1
Dual Language Program		0.1
Children's Opportunity Fund		0.4
Career Readiness		0.1
Students Engaged in Pathways to Achievement	4.000	0.2
Marking Period Assessment Development		0.1
College and Career Readiness and College Completion Act		0.1
Teacher Workforce Diversity Initiative		0.1
Achieving College Excellence and Success		0.1
Cultural Proficiency	4.000	0.3
<b>Subtotal</b>	<b>558.550</b>	<b>\$48.6</b>
<b>FY 2017 OPERATING BUDGET</b>	<b>22,248.726</b>	<b>\$2,498.6</b>
<b>FY 2016 - FY 2017 CHANGE</b>	<b>801.477</b>	<b>\$180.2</b>
Less Grants		(79.0)
Less Enterprise funds		(63.7)
<b>SPENDING AFFORDABILITY BUDGET</b>	<b>22,248.726</b>	<b>\$2,355.9</b>
<b>REVENUE INCREASE BY SOURCE</b>		
Local		154.3
State		25.4
Federal		(0.2)
Other		(0.3)
Fund Balance		-
Enterprise/Special Revenue Funds		1.0
<b>TOTAL REVENUE INCREASE</b>		<b>\$180.2</b>

Numbers may not add due to rounding.

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**TABLE 2  
BUDGET REVENUE BY SOURCE**

<b>SOURCE</b>	<b>FY 2015 ACTUAL</b>	<b>FY 2016 BUDGET</b>	<b>FY 2016 CURRENT</b>	<b>FY 2017 ESTIMATED</b>
<b>CURRENT FUND</b>				
<b>From the County:</b>	\$1,439,045,758	\$1,463,274,812	\$1,463,274,812	\$1,661,955,617
Local Contribution for State Retirement	37,809,551	44,356,785	44,356,785	
Total from the County	1,476,855,309	1,507,631,597	1,507,631,597	1,661,955,617
<b>From the State:</b>				
Bridge to Excellence				
Foundation Grant	310,456,913	322,176,176	322,176,176	325,526,802
Geographic Cost of Education Index	34,394,095	17,744,167	17,744,167	35,976,870
Limited English Proficient	55,596,595	60,287,318	60,287,318	61,681,997
Compensatory Education	128,619,158	136,727,928	136,727,928	137,614,315
Students with Disabilities - Formula	35,861,741	36,565,418	36,565,418	37,620,077
Students with Disabilities - Reimbursement	17,037,526	17,737,979	17,737,979	17,270,242
Transportation	38,090,967	39,786,572	39,786,572	40,933,087
Miscellaneous	171,860	400,000	400,000	170,000
Programs financed through State Grants	6,225,301	644,000	644,000	644,000
Total from the State	626,454,156	632,069,558	632,069,558	657,437,390
<b>From the Federal Government:</b>				
Impact Aid	258,780	200,000	200,000	150,000
Programs financed through Federal Grants	71,503,473	71,717,356	71,717,356	71,588,683
Total from the Federal Government	71,762,253	71,917,356	71,917,356	71,738,683
<b>From Other Sources:</b>				
Tuition and Fees				
D.C. Welfare	115,020	200,000	200,000	120,000
Nonresident Pupils	704,032	680,000	680,000	530,000
Summer School	1,574,849	1,493,967	1,493,967	1,519,000
Outdoor Education	516,260	681,356	681,356	680,000
Student Activities Fee	703,269	756,500	756,500	691,600
Miscellaneous	496,950	293,932	293,932	300,000
Programs financed through Private Grants	823,051	6,731,204	6,731,204	6,731,204
Total from Other Sources	4,933,431	10,836,959	10,836,959	10,571,804
Fund Balance	38,172,451	33,162,633	33,162,633	33,162,633
Total Current Fund	2,218,177,600	2,255,618,103	2,255,618,103	2,434,866,127
<b>ENTERPRISE &amp; SPECIAL FUNDS</b>				
<b>School Food Service Fund:</b>				
State	2,081,616	2,259,860	2,259,860	2,305,057
National School Lunch, Special Milk and Free Lunch Programs	35,013,592	29,207,955	29,207,955	34,400,008
Sale of Meals and other	17,909,360	21,699,064	21,699,064	17,262,204
Total School Food Service Fund	55,004,568	53,166,879	53,166,879	53,967,269
<b>Real Estate Management Fund:</b>				
Rental fees	3,277,410	3,257,703	3,257,703	3,686,191
Total Real Estate Management Fund	3,277,410	3,257,703	3,257,703	3,686,191

**TABLE 2  
BUDGET REVENUE BY SOURCE**

<b>SOURCE</b>	<b>FY 2015 ACTUAL</b>	<b>FY 2016 BUDGET</b>	<b>FY 2016 CURRENT</b>	<b>FY 2017 ESTIMATED</b>
<b>Field Trip Fund:</b>				
Fees	2,003,127	1,991,533	1,991,533	2,006,361
Total Field Trip Fund	2,003,127	1,991,533	1,991,533	2,006,361
<b>Entrepreneurial Activities Fund:</b>				
Fees	2,205,227	2,700,509	2,700,509	2,364,802
Total Entrepreneurial Activities Fund	2,205,227	2,700,509	2,700,509	2,364,802
Total Enterprise Funds	62,490,332	61,116,624	61,116,624	62,024,623
<b>Instructional Television Special Revenue Fund:</b>				
Cable Television Plan	1,595,624	1,654,209	1,654,209	1,742,791
Total Instructional Special Revenue Fund	1,595,624	1,654,209	1,654,209	1,742,791
<b>GRAND TOTAL</b>	<b>\$2,282,263,556</b>	<b>\$2,318,388,936</b>	<b>\$2,318,388,936</b>	<b>\$2,498,633,541</b>

<b>Tax - Supported Budget</b>	<b>FY 2015 ACTUAL</b>	<b>FY 2016 BUDGET</b>	<b>FY 2016 CURRENT</b>	<b>FY 2017 ESTIMATED</b>
Grand Total	\$2,282,263,556	\$2,318,388,936	\$2,318,388,936	\$2,498,633,541
<b>Less:</b>				
Grants	(78,551,825)	(79,092,560)	(79,092,560)	(78,963,887)
Enterprise Funds	(62,490,332)	(61,116,624)	(61,116,624)	(62,024,623)
Special Revenue Fund	(1,595,624)	(1,654,209)	(1,654,209)	(1,742,791)
<b>Grand Total - Tax-Supported Budget</b>	<b>\$2,139,625,775</b>	<b>\$2,176,525,543</b>	<b>\$2,176,525,543</b>	<b>\$2,355,902,240</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 2015 ACTUAL</b>	<b>FY 2016 BUDGET</b>	<b>FY 2016 CURRENT</b>	<b>FY 2017 ESTIMATED</b>
<u><b>Budgeted</b></u>				
<b>FEDERAL AID: NO CHILD LEFT BEHIND (NCLB)</b>				
<b>Title I - A (941)</b>	\$ 18,332,660	\$ 23,022,664	\$ 23,022,664	\$ 22,790,115
Subtotal	18,332,660	23,022,664	23,022,664	22,790,115
<b>Title I - D</b>				
Neglected and Delinquent Youth (937)	135,502	131,896	131,896	140,137
Total Title I	18,468,162	23,154,560	23,154,560	22,930,252
<b>Title II - A</b>				
Skillful Teaching and Leading Program (915)	337,626	350,043	350,043	350,043
Teacher Mentoring (917)	215,382	254,880	254,880	254,880
Consulting Teachers (961)	2,902,171	2,902,171	2,902,171	2,902,171
Total Title II	3,455,179	3,507,094	3,507,094	3,507,094
<b>Title III</b>				
English Language Acquisition (927)	3,331,818	3,507,094	3,507,094	3,352,368
<b>Title VII</b>				
American Indian Education (903)	25,942	25,700	25,700	26,024
<b>SUBTOTAL</b>	<b>25,281,101</b>	<b>30,194,448</b>	<b>30,194,448</b>	<b>29,815,738</b>
<b>OTHER FEDERAL, STATE, AND LOCAL AID</b>				
Head Start Child Development (932)				
Federal	3,603,675	3,603,675	3,603,675	3,771,965
Individuals with Disabilities Education (907/913)				
Federal	29,718,897	30,611,365	30,611,365	30,557,523
Infants and Toddlers - Passthrough from Montgomery County Department of Health and Human Services (930)				
Federal	791,315	791,315	791,315	791,315
State	232,423	232,423	232,423	232,423
Judith P. Hoyer Child Care Centers State (904/905)	644,000	644,000	644,000	644,000
Medical Assistance Program (939)				
Federal	4,833,370	4,916,730	4,916,730	5,010,522
National Institutes of Health (NIH) (908)				
Federal	276,647	270,525	270,525	275,207
Provision for Future Supported Projects (999)				
Other	4,902,058	6,731,204	6,731,204	6,731,204
Carl D. Perkins Career & Technical Ed. Improvement (951)				
Federal	1,023,725	1,023,725	1,023,725	1,133,990
McKinney - Vento Homeless Children and Youth (910)				
Federal	-	73,150	73,150	-
<b>SUBTOTAL</b>	<b>46,026,110</b>	<b>48,898,112</b>	<b>48,898,112</b>	<b>49,148,149</b>
<b>TOTAL</b>	<b>\$ 71,307,211</b>	<b>\$ 79,092,560</b>	<b>\$ 79,092,560</b>	<b>\$ 78,963,887</b>

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

<b>Program Name and Source of Funding</b>	<b>FY 2015 ACTUAL</b>	<b>FY 2016 BUDGET</b>	<b>FY 2016 CURRENT</b>	<b>FY 2017 ESTIMATED</b>
<b><u>Summary of Funding Sources</u></b>				
Federal	\$ 65,761,153	\$ 71,717,356	\$ 71,717,356	\$ 71,588,683
State	644,000	644,000	644,000	644,000
County				
Other	4,902,058	6,731,204	6,731,204	6,731,204
<b>GRAND TOTAL</b>	<b>\$ 71,307,211</b>	<b>\$ 79,092,560</b>	<b>\$ 79,092,560</b>	<b>\$ 78,963,887</b>

**Additional grant appropriation through the Provision for Future Supported Projects as of November 10, 2015**

NIST Summer Institute		\$ 8,000
Title I - A		11,515
Title II - A		65,704
American Indian Education		324
IDEA - Preventative Services		154,783
<b>SUBTOTAL FEDERAL FUNDING</b>		<b>240,326</b>
National Defense Education Program		46,276
Race to the Top - Master Teacher		5,500
Ready 4 Kindergarten		115,055
<b>SUBTOTAL STATE FUNDING</b>		<b>166,831</b>
ED Cluster Project		62,985
Howard Hughes Medical Institute		545,000
<b>SUBTOTAL OTHER FUNDING</b>		<b>607,985</b>
<b>TOTAL</b>		<b>\$ 1,015,142</b>

**TABLE 4  
SUMMARY OF STUDENT ENROLLMENT - FY 2014 THROUGH FY 2017**

DESCRIPTION	(1) FY 2014 ACTUAL 9/30/2013	(2) FY 2015 ACTUAL 9/30/2014	(3) FY 2016 ACTUAL 9/30/2015	(4) FY 2016 BUDGET 9/30/2015	(5) FY 2017 PROJECTED 9/30/2016	CHANGE COLUMN (5) LESS COLUMN (4)	
						#	%
<b>ENROLLMENT</b>							
PRE-KINDERGARTEN	1,899	1,912	2,152	2,145	2,285	140	6.5%
HEAD START	628	628	628	628	628		
KINDERGARTEN	11,858	11,544	11,419	11,400	11,366	(34)	-0.3%
GRADES 1-5 / 6 *	58,121	59,584	60,186	60,390	60,730	340	0.6%
<b>SUBTOTAL ELEMENTARY</b>	<b>72,506</b>	<b>73,668</b>	<b>74,385</b>	<b>74,563</b>	<b>75,009</b>	<b>446</b>	<b>0.6%</b>
GRADES 6-8 **	32,125	33,167	34,106	34,236	34,991	755	2.2%
<b>SUBTOTAL MIDDLE</b>	<b>32,125</b>	<b>33,167</b>	<b>34,106</b>	<b>34,236</b>	<b>34,991</b>	<b>755</b>	<b>2.2%</b>
GRADES 9-12	44,759	45,257	45,797	45,496	46,817	1,321	2.9%
<b>SUBTOTAL HIGH</b>	<b>44,759</b>	<b>45,257</b>	<b>45,797</b>	<b>45,496</b>	<b>46,817</b>	<b>1,321</b>	<b>2.9%</b>
<b>SUBTOTAL PRE-K - GRADE 12</b>	<b>149,390</b>	<b>152,092</b>	<b>154,288</b>	<b>154,295</b>	<b>156,817</b>	<b>2,522</b>	<b>1.6%</b>
<b>SPECIAL EDUCATION</b>							
PRE-KINDERGARTEN	1,112	1,206	1,601	1,563	1,493	(70)	-4.5%
SPECIAL CENTERS	486	425	434	431	481	50	11.6%
<b>SUBTOTAL SPECIAL EDUCATION</b>	<b>1,598</b>	<b>1,631</b>	<b>2,035</b>	<b>1,994</b>	<b>1,974</b>	<b>(20)</b>	<b>-1.0%</b>
MONTESSORI CHARTER SCHOOL	99	-	-	-	-	-	-
ALTERNATIVE PROGRAMS	155	117	121	225	225	-	-
GATEWAY TO COLLEGE	47	12	3	-	-	-	-
<b>GRAND TOTAL</b>	<b>151,289</b>	<b>153,852</b>	<b>156,447</b>	<b>156,514</b>	<b>159,016</b>	<b>2,502</b>	<b>1.6%</b>

SOURCE: Division of Long-range Planning

NOTE: Grade enrollments include special education students

\* The Elementary enrollment figures include enrollment numbers for Chevy Chase and North Chevy Chase Grade 6.

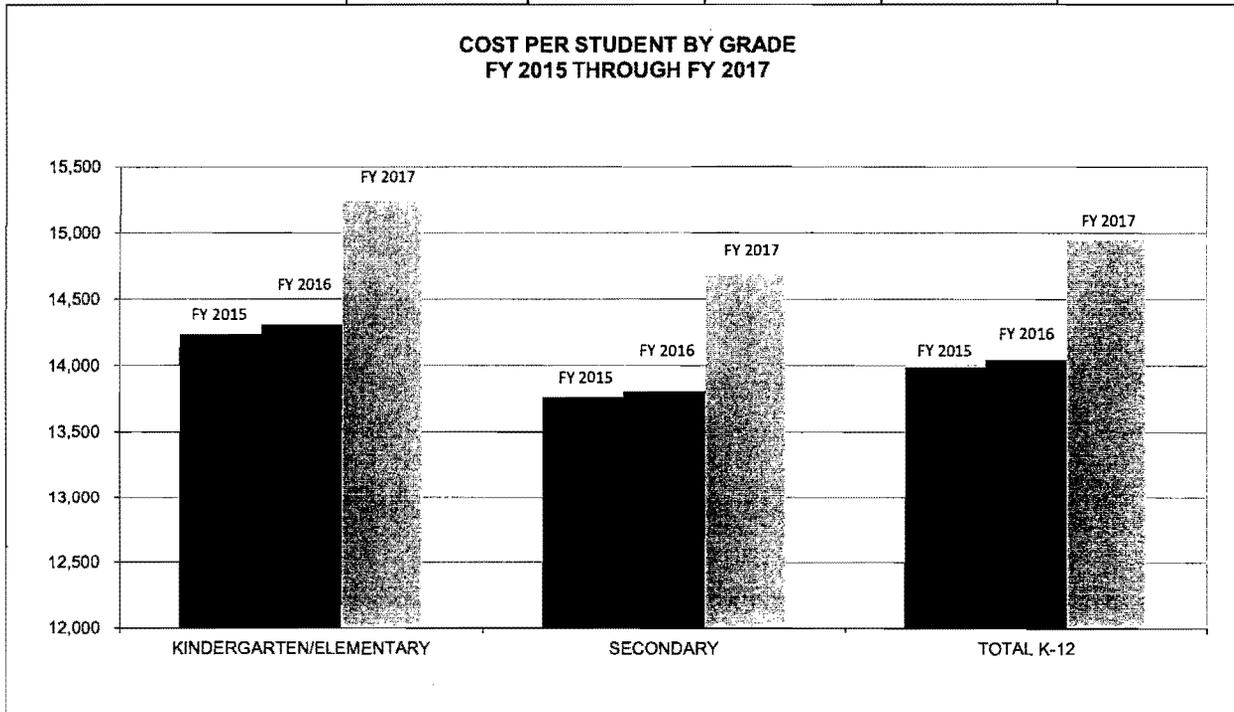
\*\* Excludes enrollment numbers for Chevy Chase and North Chevy Chase Grade 6 that are budgeted in the elementary schools' enrollment figures.

**TABLE 5  
ALLOCATION OF STAFFING**

	<b>POSITIONS</b>	<b>BUDGET FY 2012</b>	<b>BUDGET FY 2013</b>	<b>BUDGET FY 2014</b>	<b>BUDGET FY 2015</b>	<b>CURRENT FY 2016</b>	<b>BOE REQ. FY 2017</b>	<b>FY 16 - FY 17 CHANGE</b>
1	<b>Executive</b>	17.000	19.000	21.000	19.000	16.000	16.000	-
2	<b>Administrative</b> - (directors, supervisors, program coordinators, executive assistants)	199.000	195.000	196.700	204.700	199.700	196.600	(3.100)
3	<b>Business/Operations Administrator</b> - (leadership positions supervised by directors and supervisors)	92.000	92.000	91.650	90.650	88.650	87.650	(1.000)
4	<b>Other Professional</b> - (12-month instructional/evaluation specialists)	186.900	182.300	183.500	189.500	187.400	186.400	(1.000)
5	<b>Principal/Assistant Principal</b>	484.000	486.000	491.500	494.000	491.500	502.500	11.000
6	<b>Teacher</b>	10,281.220	10,475.070	10,759.420	10,984.160	10,940.304	11,576.114	635.810
7	<b>Special Education Specialist</b> (speech pathologists, physical/occupational therapists)	482.400	495.200	506.750	508.958	506.708	503.008	(3.700)
8	<b>Media Specialist</b>	189.200	190.200	192.200	195.500	195.500	196.500	1.000
9	<b>Counselor</b>	451.300	453.300	456.300	467.500	467.000	491.000	24.000
10	<b>Psychologist</b>	94.805	94.905	100.000	106.034	106.034	119.034	13.000
11	<b>Social Worker</b>	13.905	14.405	14.800	14.830	14.830	15.830	1.000
12	<b>Pupil Personnel Worker</b>	45.000	45.000	45.000	51.000	51.000	59.000	8.000
13	<b>Instructional Aide and Assistant</b> (paraeducators, media assistants, lunch-hour aides, parent assistants, instructional data assistants)	2,519.048	2,560.253	2,596.605	2,660.994	2,652.222	2,709.064	56.842
14	<b>Secretarial/Clerical/Data Support</b> (secretarial, clerical, personnel/transportation/fiscal/other lower grade program/data assistants)	997.250	988.100	986.625	983.250	963.225	964.975	1.750
15	<b>IT Systems Specialist</b>	131.000	131.000	131.000	133.000	109.000	108.000	(1.000)
16	<b>Security</b> - (includes all positions except those in lines 2,3,14 above)	227.000	227.000	227.000	229.000	232.000	232.000	-
17	<b>Cafeteria</b> - (Includes all positions except those in lines 2,3,14,15 above)	556.448	557.948	558.948	561.448	561.448	564.323	2.875
18	<b>Building Services</b> - (includes all positions except those in lines 2,3,14 above)	1,335.200	1,342.700	1,365.075	1,376.700	1,363.200	1,379.700	16.500
19	<b>Facilities Management/Maintenance</b> - (includes all positions except those in lines 2,3,14,15 above)	344.500	345.000	354.000	354.000	352.000	372.000	20.000
20	<b>Supply/Property Management</b> - (includes all positions except those in lines 2, 3,14,15 above)	53.000	47.000	50.000	51.500	51.500	51.500	-
21	<b>Transportation</b> - (includes all positions except those in lines 2,3,14,15 above)	1,687.650	1,685.650	1,685.590	1,685.590	1,673.153	1,693.153	20.000
22	<b>Other Support Personnel</b> - (business, technology human resources, communications, printing, and other support staff)	224.400	234.575	230.075	226.675	224.875	224.375	(0.500)
	<b>TOTAL</b>	<b>20,612,226</b>	<b>20,861,606</b>	<b>21,243,738</b>	<b>21,587,989</b>	<b>21,447,249</b>	<b>22,248,726</b>	<b>801,477</b>

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

	KINDERGARTEN/ ELEMENTARY	SECONDARY	TOTAL K-12*	AMOUNT EXCLUDED*	TOTAL BUDGET**
<b>FY 2015 BUDGET</b>					
EXPENDITURES	\$1,016,611,306	\$1,079,347,800	\$2,095,959,106	\$180,804,878	\$2,276,763,984
STUDENTS 9/30/14	71,451	78,491	149,942		
COST PER STUDENT	14,228	13,751	13,978		
<b>FY 2016 BUDGET</b>					
EXPENDITURES	1,027,204,678	1,109,773,603	2,136,978,281	181,410,655	2,318,388,936
STUDENTS 9/30/15	71,790	80,388	152,178		
COST PER STUDENT	14,308	13,805	14,043		
<b>FY 2017 BUDGET</b>					
EXPENDITURES	1,098,888,319	1,211,964,404	2,310,852,723	187,780,818	2,498,633,541
STUDENTS 9/30/16	72,096	82,514	154,610		
COST PER STUDENT	15,242	14,688	14,946		



**Notes:**

Enrollment figures used to calculate cost per student excludes students in Gateway to College and PreK/Head Start.

Operating budget funds used in the calculation excludes amounts for Summer School, Community Services, Tuition for Students with Disabilities in Private Placement, Prekindergarten, Infants and Toddlers, and Enterprise Funds.

FY 2016 Figures Reflect Current Approved Budget.

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

April 19, 2016

MEMORANDUM

To: Members of the Board of Education

From: Larry A. Bowers, Interim Superintendent of Schools

Subject: Monthly Financial Report

This financial report reflects the actual financial condition of Montgomery County Public Schools (MCPS) as of February 29, 2016, and projections through June 30, 2016, based on program requirements and estimates made by primary and secondary account managers. At this time, budgeted revenues have a projected deficit of \$1.8 million, and expenses have a projected surplus of \$30.5 million. The revenue deficit has increased by \$272,000 compared to the previous month's report. The expenditure surplus has increased by \$1.5 million from last month's report.

The County Council appropriated \$33,162,633 of fund balance to be used for the Fiscal Year (FY) 2016 Operating Budget. As a result of additional savings realized at the end of FY 2015, the FY 2016 beginning fund balance is \$3,962,275. Based on revenue and expenditure projections as of February 29, 2016, along with the beginning fund balance, the FY 2016 fund balance at year end will be \$32,660,275. This is \$1.2 million more than last month's projection. This amount will be used to help fund the FY 2017 Operating Budget. This leaves a funding gap of \$502,358 between what the County Council used to fund the FY 2016 Operating Budget and what currently is projected to be available to fund the FY 2017 Operating Budget.

On July 8, 2015, County Executive Isiah Leggett provided a memorandum to then County Council President George Leventhal, presenting FY 2016 savings plans for Montgomery County Government and the other tax-supported agencies including MCPS. Mr. Leggett indicated in his memorandum that the fiscal outlook for the remainder of FY 2016 and for FY 2017 is not positive. A major factor for this prediction is the *Comptroller of the Treasury of Maryland v. Wynne*, the United States Supreme Court decision about a type of income tax revenue that the county previously had received. This decision results in lower projected income tax revenue.

Mr. Leggett recommended that MCPS achieves \$10 million in savings during FY 2016. Due to this recommendation and concerns about the overall funding gap that we project for our FY 2017 Operating Budget, I determined that it was necessary to impose restrictions on expenditures

for central services to remain in effect until further notice. This was announced in my memorandum to the Board, Fiscal Year 2016 Operating Budget Expenditure Restrictions, dated July 15, 2015. Subsequently, the offices prepared spending plans for the remainder of FY 2016 reflecting savings that were submitted and approved. Following the opening of schools for the 2015–2016 school year, these expenditure restrictions were expanded to all schools on September 17, 2015. In addition, on March 24, 2016, we issued additional restrictions for the remainder of FY 2016. All remaining operating budget funds allocated to schools, including instructional materials, media and textbook funds, were frozen effective April 8, 2016. This includes special education materials funds.

Attachment 1 presents a chart displaying budgeted and projected revenues as reflected in this report. Attachment 2 is a chart detailing expenditure information by state category. The chart displays authorized (budgeted) expenditures, actual year-to-date expenditures and encumbrances, projected expenditures for the remainder of the fiscal year, and the projected year-end balance as reflected in this report.

## REVENUE

Total revenue is projected to be \$2,328,425,633, which is \$1.802 million less than the current budget of \$2,330,227,633. The projected deficit in total revenue has increased by \$272,000 from last month's report.

### County

The projected revenue from the county is \$1,507,631,597. This is the same as the amount budgeted for FY 2016 and projected last month.

### State

The projected revenue from the state is \$629,723,558, which is \$272,000 less than projected last month. This is \$1.702 million less than the amount budgeted for FY 2016.

### Federal

The projected revenue from Impact Aid is \$100,000 and is unchanged from last month's report. This is \$100,000 less than the \$200,000 budgeted for Impact Aid in FY 2016.

### Other

The projected revenue from other sources is \$4,105,755, which is the same as the amount budgeted, and there is no change from the prior month's projection.

**Appropriated Fund Balance**

The projected revenue from appropriated fund balance remains at \$35,921,456. This amount includes \$2,758,823 for prior-year encumbrances.

**Enterprise Funds**

The projected revenue from enterprise funds is \$62,853,548.

**Supported Projects**

The anticipated revenue for supported projects is \$88,089,719. This estimate includes \$7,995,353 carried forward from FY 2015. It includes a supplemental appropriation of \$267,406 for the 21st Century Community Learning Centers: Knight Time at Wheaton High School program grant. This supplemental appropriation was approved by the Board on January 12, 2016, and submitted to the County Council. Projects approved through February 29, 2016, have been assigned \$83,264,255.

**EXPENDITURES**

There is a projected expenditure surplus of \$30.5 million. This is \$1.5 million more than reported last month. There are projected surpluses in Category 1, Administration; Category 2, Mid-level Administration; Category 3, Instructional Salaries; Category 4, Textbooks and Instructional Supplies; Category 5, Other Instructional Costs; Category 6, Special Education; Category 7, Student Personnel Services; Category 9, Student Transportation; and Category 10, Operation of Plant and Equipment. At this time, Category 11, Maintenance of Plant, is projected to have a deficit of \$500,000, and Category 12, Fixed Charges, is projected to have a deficit of \$4.0 million. The following provides an explanation of the projections for each category.

**Category 1—Administration**

There is a projected end-of-year surplus of \$2.5 million in Category 1, Administration, and there is no change from last month's projection. As of February 29, 2016, 90.5 percent of the funds budgeted in this category have been spent or encumbered. It is projected that an additional \$1.7 million, or 3.9 percent, of budgeted funds will be spent during the remainder of the year. There currently are 21.02 vacant Full-time Equivalent (FTE) positions. The balances associated with these vacancies are partially offset by the estimated amount needed to fill some of the vacancies, resulting in an overall projected position salary surplus of \$2.4 million. Temporary part-time salaries are projected to have a surplus of \$100,000.

**Category 2—Mid-level Administration**

There is a projected end-of-year surplus in Category 2, Mid-level Administration, of \$4.0 million, and there is no change from last month's projection. As of February 29, 2016, 96.1 percent of the funds budgeted in this category have been spent or encumbered, and it is anticipated that an additional \$1.5 million, or 1.0 percent, of budgeted funds will be expended during the remaining months of the fiscal year. Currently, there are 46.47 vacant FTE positions, and \$3.7 million of the surplus is related to position salary balances. There is a projected surplus of \$200,000 for long-term leave. In addition, there is a projected surplus of \$50,000 in contractual services and \$50,000 in local travel, supplies, and materials.

**Category 3—Instructional Salaries**

Expenditures in Category 3, Instructional Salaries, are projected to have a surplus of \$14.0 million and is unchanged from last month's report. As of February 29, 2016, 96.6 percent of the funds budgeted in this category have been spent or encumbered. It is projected that an additional \$16.2 million, or 1.8 percent, of budgeted funds will be spent during the remainder of the year. Based on the most current data, there is a \$9.8 million surplus projected for position salaries and 273.384 vacant FTE positions, an increase of \$700,000 and an increase of 36.260 FTE vacancies from last month's report. Most of the vacant positions are being filled by long-term teacher substitutes. There is a \$4.2 million surplus projected in temporary part-time salaries, a decrease of \$700,000 from the prior month. This surplus primarily is due to long-term leave, sick and annual leave payments to employees, and savings in stipends and substitutes for professional development.

**Category 4—Textbooks and Instructional Supplies**

Expenditures in Category 4, Textbooks and Instructional Supplies, are projected to have a surplus of \$2.5 million, an increase of \$1,000,000 from last month's projection. As of February 29, 2016, approximately 77.7 percent of the funds budgeted in this category have been spent or encumbered. It is projected that an additional \$2.5 million, or 11.2 percent, of the budgeted amount will be spent during the remainder of the year. The potential for additional savings in FY 2016 to support the FY 2017 Operating Budget made it imperative to generate additional fund balance. To create the additional savings, effective April 8, 2016, all operating budget funds, including instructional materials, media and textbook funds that have been allocated to schools, were frozen. As a result of the additional restrictions, there is an increase of \$1,000,000 in projected surplus in this category. Remaining funds are projected to be spent throughout the rest of the fiscal year in nonschool based areas for office/program supplies and instructional supplies and materials that cost less than \$1,000, as well as centrally purchased instructional materials and textbooks.

**Category 5—Other Instructional Costs**

There is a projected end-of-year surplus in Category 5, Other Instructional Costs, of \$1.4 million, an increase of \$200,000 from last month's projection. As of February 29, 2016, 53.7 percent

of the funds budgeted in this category have been spent or encumbered. It is projected that \$4.0 million, or 34.2 percent, of budgeted funds will be spent during the remainder of the year for a variety of expenditures including costs for interscholastic sports, replacement of school furniture and equipment, outdoor and environmental education contractual services, and maintenance of duplicating equipment.

#### **Category 6—Special Education**

At this time, expenditures for Category 6, Special Education, are projected to have a surplus of \$2.0 million, an increase of \$200,000 from last month's projection. As of February 29, 2016, 95.9 percent of the funds budgeted in this category have been spent or encumbered. It is projected that an additional \$9.7 million, or 3.4 percent, will be spent during the remainder of the fiscal year. Based on the most current data, there are 99.965 vacant FTE positions, an increase of \$50,000 and 1.801 FTE vacancies from last month. Position salary balances resulting from vacant FTE positions are offset by long-term substitutes for classroom coverage and temporary part-time salaries and contractual services to provide services to students with disabilities as prescribed in their Individualized Education Program. This results in an overall surplus of \$2.3 million. There is a \$100,000 surplus projected in temporary part-time salaries primarily due to long-term leave, sick and annual leave payments to employees, and savings in stipends and substitutes for professional development. There is a \$150,000 surplus projected for contractual legal services for special education, and a \$150,000 surplus projected for school materials, an increase of \$150,000 from last month due to additional expenditure restrictions for spending during the remainder of the fiscal year for textbooks, instructional supplies and materials, and media materials.

Offsetting these surpluses is a \$700,000 deficit projected for tuition for students with disabilities served in nonpublic programs. This is based on a projected increase in the number of students enrolled in school-age day programs through the remainder of the year. The Office of Special Education and Student Services has been experiencing an increasing number of referrals for nonpublic programs for elementary and high school students with emotional disabilities and elementary students with autism. If the actual number of students placed this year exceeds the current projected number of students, the associated costs could result in a reduced surplus in Category 6.

#### **Category 7—Student Personnel Services**

Expenditures for Category 7, Student Personnel Services, are projected to have a surplus of \$400,000, an increase of \$100,000 from last month's projection. As of February 29, 2016, 95.3 percent of all budgeted funds in this category have been spent or encumbered. Currently, there are 4.440 position vacancies, the same as reflected in the previous month's report. In addition, \$133,000 or 1.2 percent of the budgeted amount will be spent by the end of FY 2016 on supplies, local travel, and contractual services. There is a projected salary balance of \$400,000 for the fiscal year.

**Category 9—Student Transportation**

Category 9, Student Transportation, is projected to have a surplus of \$4.7 million, and there is no change from last month's projection. As of February 29, 2016, approximately 85.4 percent of all budgeted funds in this category have been spent or encumbered. In addition, \$10.5 million, or 10.1 percent of all budgeted funds, will be spent by the end of FY 2016. Currently, there are 58.5 position vacancies with a position salary surplus projected at \$3.4 million. There are 0.3 more vacancies than reported last month. The surplus in position salary savings will be primarily offset by a \$4.0 million deficit projected in nonposition funding for temporary part-time bus operators and attendants who cover bus routes when positions are vacant. There is a projected surplus of \$4.8 million in bus fuel, bus parts, and supplies. The savings in bus fuel are based on lower actual prices for diesel fuel compared to the budget. The current diesel fuel price is \$1.46 per gallon, while diesel fuel is budgeted at \$3.00 per gallon. The fuel cost has increased by \$0.01 from the previous month's financial report. In addition, there is an expected savings of \$500,000 in the cost to purchase buses as a result of not purchasing 20 buses related to enrollment growth this year.

**Category 10—Operation of Plant and Equipment**

Expenditures for Category 10, Operation of Plant and Equipment, are projected to have a surplus of \$3.5 million. This is an increase of \$500,000 from last month's projection. As of February 29, 2016, approximately 83.1 percent of all budgeted funds in this category have been spent or encumbered. In addition, \$18.7 million, or 14.2 percent of all budgeted funds, will be spent by the end of the year. Currently, there are 104.7 FTE position vacancies, primarily in school plant operations for building services. This is 7.5 more vacancies than reported last month. As a result of the vacancies, there is a projected position salary surplus of \$2.8 million. This is an increase of \$300,000 from the prior month's report. However, the surplus in position salary savings will be offset by a \$900,000 deficit for building service substitute salaries to cover vacant positions. The deficit in nonposition salaries increased by \$200,000 from last month's report for substitute costs due to more permanent positions becoming vacant. In addition, there is a surplus of \$350,000 for relocatable classroom costs in the Department of Facilities Management. This is an increase of \$200,000 from the prior month's report. There also is a projected savings of \$1.25 million for utilities due to lower rates and consumption amounts for electricity and natural gas. This is an increase of \$200,000 from the prior month projection as a result of natural gas consumption being much lower than normal.

**Category 11—Maintenance of Plant**

Expenditures in Category 11, Maintenance of Plant, are projected to have a deficit of \$500,000. This reflects a decrease of \$500,000 from last month's projection. As of February 29, 2016, approximately 87.4 percent of budgeted funds have been spent or encumbered. In addition, \$4.9 million, or 14.0 percent of all budgeted funds, will be spent by the end of the year. There currently are 31.0 FTE position vacancies resulting in a projected savings of \$1.7 million

in position salaries. This is 3.0 fewer vacancies than reported last month. Salary amounts are offset by a projected deficit of \$100,000 for overtime costs. The surplus in position salaries also is offset by a projected deficit of \$1.8 million for maintenance and grounds-care supplies and contractual services. The deficit in contractual services is largely related to snow removal costs and additional radon testing in all schools. Last month's financial report included a deficit of \$1.1 million for maintenance supplies and contractual services. However, after a complete inventory of contractual invoices related to the January 2016 blizzard, Winter Storm "Jonas," the deficit has increased by \$700,000 in this month's report. In addition, there is a deficit of \$300,000 for vehicle operating costs, which remains unchanged from last month's report.

### **Category 12—Fixed Charges**

At this time, expenditures for Category 12, Fixed Charges, are projected to be \$4.0 million in deficit, and there is no change from last month's projection. Approximately 66.2 percent of budgeted funds have been spent as of February 29, 2016. Based on actual FY 2015 experience, the beginning fund balance in the MCPS Employees Group Insurance Fund for FY 2016 was \$8.8 million in deficit. Current projections for FY 2016 (based on eight months of actual data), for both active employees and retirees, reflect an additional deficit of \$2.2 million. This is primarily due to increased costs for claims and prescriptions experienced earlier in the fiscal year. The result is a total projected deficit of \$11.0 million in the fund by the end of the fiscal year. The projection in the fund balance has decreased by \$4.0 million from last month's financial report due to lower claims experienced over the winter months. In addition, Caremark rebates on prescription drugs have been reported higher than originally budgeted. The projected deficit of \$4.0 million in this category assumes that MCPS will contribute this additional amount to the MCPS Employees Group Insurance Fund by the end of the fiscal year. As a result, this allows for the projected MCPS Employees Group Insurance Fund balance to decrease from a deficit of \$11.0 million to \$7.0 million by the end of FY 2016.

LAB:AMZ:TPK:jp

Attachments

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**Monthly Financial Report and Year-end Projections**  
**As of February 29, 2016**

**REVENUE**

Source	FY 2016 Original Budget	Revised Budget (a)	Projection		Current Report Variance Over (Under) Revised Budget
			As of 2/29/2016	As of 1/31/2016	
County	\$ 1,507,631,597	\$ 1,507,631,597	\$ 1,507,631,597	\$ 1,507,631,597	\$ -
State	631,425,558	631,425,558	629,723,558	629,995,558	(1,702,000)
Federal	200,000	200,000	100,000	100,000	(100,000)
Other	4,105,755	4,105,755	4,105,755	4,105,755	-
Appropriated fund balance	33,162,633	35,921,456 (b)	35,921,456	35,921,456	-
<b>Subtotal</b>	<b>2,176,525,543</b>	<b>2,179,284,366</b>	<b>2,177,482,366</b>	<b>2,177,754,366</b>	<b>(1,802,000)</b>
Food Services	53,166,879	53,254,118	53,254,118	53,254,118	-
Real Estate Management	3,257,703	3,232,290	3,232,290	3,232,290	-
Field Trip	1,991,533	1,991,533	1,991,533	1,991,533	-
Entrepreneurial Activities	2,700,509	2,721,266	2,721,266	2,721,266	-
Instructional Television	1,654,209	1,654,341	1,654,341	1,654,341	-
Supported Projects	79,092,560	88,089,719 (c)	88,089,719	87,822,313	-
<b>Total</b>	<b>\$ 2,318,388,936</b>	<b>\$ 2,330,227,633</b>	<b>\$ 2,328,425,633</b>	<b>\$ 2,328,430,227</b>	<b>\$ (1,802,000)</b>

Notes:

- (a) Revised budget includes carryover of prior-year encumbrances.  
(b) Includes \$2,758,823 for prior-year encumbrances.  
(c) Includes \$7,995,353 carried forward from FY 2015. Includes a supplemental of \$267,406 approved by the Board on January 12, 2016, and submitted to the County Council.

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**Monthly Financial Report and Year-end Projections**  
**As of February 29, 2016**

**EXPENDITURES**

Category	Authorized Expenditures	Actual Year-to-Date Expenditures 2/29/2016	Encumbrances 2/29/2016	Expenditures and Encumbrances 2/29/2016	Projected Expenditures 6/30/2016	Current Report Projected Year-end Balance	Prior Report Projected Year-end Balance	Variance Over (Under)	(a) Percentage
01 Administration	\$ 44,398,773	\$ 25,826,619	\$ 14,337,314	\$ 40,163,933	\$ 1,734,840	\$ 2,500,000	\$ 2,500,000	\$ -	5.63
Position salaries		18,653,769	12,429,278	31,083,047					
Non-position salaries		408,258	0	408,258					
Operating expenses		6,764,591	1,908,036	8,672,627					
02 Mid-level Administration	141,535,131	81,452,356	54,622,107	136,074,463	1,460,668	4,000,000	4,000,000	-	2.83
Position salaries		79,433,364	54,389,164	133,822,528					
Non-position salaries		1,154,822	123,919	1,278,741					
Operating expenses		864,170	109,025	973,195					
03 Instructional Salaries	892,861,021	493,582,809	369,028,342	862,611,151	16,249,870.12	14,000,000	14,000,000	-	1.57
Position salaries		466,405,486	367,984,749	834,390,235					
Non-position salaries		27,177,323	1,043,593	28,220,916					
04 Textbooks and Supplies	22,595,154	16,535,797	1,028,865	17,564,661	2,530,493	2,500,000	1,500,000	1,000,000	11.06
05 Other Instructional Costs	11,594,882	4,852,525	1,373,494	6,226,019	3,968,864	1,400,000	1,200,000	200,000	12.07
06 Special Education	288,422,204	157,481,353	119,197,088	276,678,441	9,743,763	2,000,000	1,800,000	200,000	0.69
Position salaries		130,167,252	102,668,683	232,835,936					
Non-position salaries		4,022,439	355,923	4,378,361					
Operating expenses		23,291,662	16,172,482	39,464,144					
07 Student Personnel Services	11,330,637	6,564,881	4,232,906	10,797,787	132,850	400,000	300,000	100,000	3.53
Position salaries		6,379,213	4,231,792	10,611,005					
Non-position salaries		101,575	-	101,575					
Operating expenses		84,094	1,114	85,208					
08 Health Services	3,590	128.37	(0.01)	128.36	3,462			-	-
Position salaries		-	-	-					
Non-position salaries		-	-	-					
Operating expenses		128.37	(0.01)	128.36					

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
Monthly Financial Report and Year-end Projections  
As of February 29, 2016**

**EXPENDITURES**

Category	Authorized Expenditures	Actual Year-to-Date Expenditures 2/29/2016	Encumbrances 2/29/2016	Expenditures and Encumbrances 2/29/2016	Projected Expenditures 6/30/2016	Current Report Projected Year-end Balance	Prior Report Projected Year-end Balance	Variance Over (Under)	(a) Percentage
09 Student Transportation	104,265,086	57,203,671	31,816,438	89,020,110	10,544,976	4,700,000	4,700,000	-	4.51
Position salaries		36,962,898	29,253,847	66,216,745					
Non-position salaries		5,607,527	176,120	5,783,647					
Operating expenses		14,633,247	2,386,471	17,019,718					
10 Operation of Plant & Equipment	132,007,377	78,330,957	31,431,662	109,762,619	18,744,758	3,500,000	3,000,000	500,000	2.65
Position salaries		45,198,401	29,616,059	74,814,459					
Non-position salaries		2,285,754	450,134	2,735,888					
Operating expenses		30,846,802	1,365,470	32,212,272					
11 Maintenance of Plant	35,167,748	19,315,790	11,419,862	30,735,652	4,932,095.15	(500,000)		(500,000)	(1.42)
Position salaries		12,768,562	8,577,440	21,346,002					
Non-position salaries		470,420	206,044	676,463					
Operating expenses		6,076,809	2,636,378	8,713,187					
12 Fixed Charges	495,002,238	327,856,132	24,546	327,880,679	171,121,559	(4,000,000)	(4,000,000)	-	(0.81)
14 Community Services	100,525	52,750	0	52,750	47,775				
Non-position salaries		2,750	0	2,750					
Operating expenses		50,000	-	50,000				-	-
Subtotal	2,179,284,366	1,269,055,770	638,512,624	1,907,568,394	241,215,972	30,500,000	29,000,000	1,500,000	1.40
61 Food Services	53,254,118	35,166,221	8,615,257	43,781,478	9,472,640			-	-
51 Real Estate Management	3,232,290	2,850,809	582,865	3,433,674	(201,384)			-	-
71 Field Trip	1,991,533	1,054,026	130,575	1,184,601	806,932			-	-
81 Entrepreneurial Activities	2,721,266	1,688,464	382,568	2,071,032	650,234			-	-
37 Instructional Television Supported Projects	1,654,341	1,069,760	483,581	1,553,341	101,000			-	-
Supported Projects	88,089,719	45,124,321	20,248,493	65,372,814	22,716,905			-	-
Total	\$ 2,330,227,633	\$ 1,356,009,370	\$ 668,955,963	\$ 2,024,965,333	\$ 274,762,300	\$ 30,500,000	\$ 29,000,000	\$ 1,500,000	1.31
	2,242,144,537								

Note: 271,715,972  
(a) Percentage of projected year-end balance to authorized expenditures.