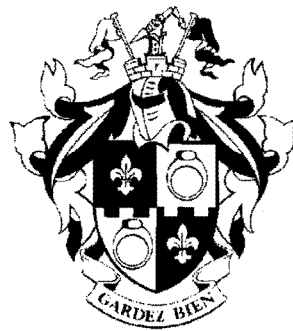


FISCAL PLANNING AND THE NEW MAINTENANCE OF EFFORT LAW

OLO Report 2013-1

Companion Document for Council Presentation



OFFICE OF LEGISLATIVE OVERSIGHT

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Council Presentation available at <http://www.montgomerycountymd.gov/olo>

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FISCAL PLANNING AND THE NEW MAINTENANCE OF EFFORT LAW

Introduction

In 2010, the Council adopted a balanced Six-Year Fiscal Plan to help the County achieve a structurally balanced budget for future years. Earlier this year, the Maryland General Assembly created conditions that challenge the Council's ability to achieve a structurally balanced budget. Specifically, the General Assembly:

- Amended the Maintenance of Effort (MOE) law, establishing a penalty provision that would intercept County income tax revenue equal to the amount by which the County reduced the per-student contribution amount from one year to the next and redirect it from the County to the Board.
- Approved a phased-in transfer of normal pension costs for MCPS teachers to the County.

In addition, the County Board of Education ("the Board") approved an FY13 operating budget that includes compensation changes that will put additional pressure on the FY14 and future year budgets.

The Council requested this OLO project to better understand the effects of the new MOE law and the Board's FY13 compensation changes on County fiscal planning. OLO's October 16th presentation to the Council (available at <http://www.montgomerycountymd.gov/olo>) provides information to help the Council strengthen its exercise of fiscal oversight over the MCPS budget. The topics listed below provide background and context for OLO's Council presentation.

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FISCAL PLANNING AND THE NEW MAINTENANCE OF EFFORT LAW

FINDINGS

Project Assignment: In 2010, the Council adopted a balanced Six-Year Fiscal Plan to help the County achieve a structurally balanced budget for future years. Earlier this year, the Maryland General Assembly created conditions that challenge the Council's ability to achieve a structurally balanced budget. Specifically, the General Assembly:

- Amended the Maintenance of Effort (MOE) law, establishing a penalty provision that would intercept County income tax revenue equal to the amount by which the County reduced the per-student contribution amount from one year to the next and redirect it from the County to the Board.
- Approved a phased-in transfer of normal pension costs for MCPS teachers to the County.

In addition, the County Board of Education ("the Board") approved an FY13 operating budget that includes compensation changes that will put additional pressure on the FY14 and future year budgets.

The Council requested this OLO project to better understand the effects of the new MOE law and the Board's FY13 compensation changes on County fiscal planning. This summary presents OLO's findings in two parts: the first part summarizes how the General Assembly's actions will affect budget and fiscal planning decisions in FY14 and beyond; Part II describes the Board's FY13 compensation decisions and their effect on future year budgets.

I: HOW STATE AND BOARD ACTIONS CHANGE THE COUNCIL'S RESPONSIBILITIES

The 2012 Maintenance of Effort (MOE) law requires that the County provide MCPS with an annual minimum mandated per-student funding allocation. This allocation is based on the previous year's funding level and cannot be revised downward. Further, increases in the County's local contribution to MCPS that exceed MOE in any year are irrevocably built into the base; and, in subsequent years, MOE requirements are mandated at this new, higher figure.

Projections show MCPS enrollment will continue to rise at an average rate of 1.1% each year through FY18. This guarantees that, regardless of the County's financial situation, the Council's appropriation to MCPS will continue to rise, even if funding never exceeds MOE.

The passage of the MOE law significantly impacts how the County must address both short and long-term fiscal planning. In the short term, the County's approved Fiscal Plan projects a 5.2% reduction in resources available to the County Government and M-NCPPC in FY14. Furthermore, as MCPS enrollment in recent years has exceeded projections, funding MCPS at the MOE level could require nearly a 2% annual increase in the County's contribution to MCPS. Given current revenue projections, funding MCPS above MOE could require offsetting reductions in the County Government and M-NCPPC budgets in FY15 and beyond.

From a long-term perspective, a decision to fund MCPS above MOE in any one year establishes a new, permanently increased funding level. As such, when considering each year's operating budget, the Council must assess the availability of resources not only for the upcoming year, but for all future years as well.

Finding 1: Under the amended MOE law, a decision to exceed MOE in one year will permanently increase the County's annual per student contribution to MCPS. The County Government and M-NCPPC bear the entire risk of uncertain future year resources.

The amended MOE law creates a new risk exposure for Maryland counties (with stable or growing public school enrollment). Under the previous MOE law, Maryland counties could reassess public school funding levels annually and reduce the per student local contribution, if deemed necessary, to address changing economic conditions or community needs. As the new MOE law does not allow counties to lower the per student contribution, any increase in the local contribution to the school system would constitute a permanent, irreversible increase in a county's largest spending category.¹ In other words, a budget decision to increase the local per student contribution would not only affect the budget in that year, but in all subsequent years as well.

In addition to MOE, other variables that the County Council must consider when making long-term budget decisions include:

- **County Revenues.** County tax revenues are a function of economic conditions such as resident income and property values. These conditions are volatile and difficult to predict.
- **Public School Enrollment.** The MOE law establishes a minimum per student local contribution. As enrollment grows, the County must raise its contribution to MCPS. No other agency has a parallel guarantee of increased funding to accommodate increased demand.
- **"Non-Operating Budget Uses".** This term refers to County funding obligations not included in agency operating budgets including debt service payments, capital budget current revenue funding, reserve set-asides, and other post-employment benefits. Proper funding of these obligations is an important element in preserving the County's AAA bond rating.

The new MOE law shields MCPS from revenue downturns, changes in school enrollment, and escalating non-operating budget costs. Should these variables reduce resources available for agency use, the local contribution to MCPS cannot fall below the MOE-mandated amount. In contrast, the County Government and M-NCPPC bear the entire risk of declining resources. The Council must assess these risk factors in order to perform its long-term fiscal planning and annual budgeting responsibilities, specifically regarding the allocation of resources among K-12 education, public safety, transportation, economic development, and other County services.

Finding 2: Absent increased revenue, raising the local contribution to MCPS above the MOE requirement would necessitate offsetting reductions in other agency budgets in FY14 and potentially in FY15 and beyond.

According to the County's approved Fiscal Plan, resources available for agency use² are projected to increase at an average annual rate of 2.4% from FY13 through FY18. While the Fiscal Plan anticipates an upturn in revenues, the projected rate of growth for agency resources is significantly below the 8.7% annual average rate experienced between FY04 and FY08.

¹ The new MOE law does include waiver provisions. However, the waiver provisions do not authorize counties to lower the per student contribution without approval of State and/or Local Boards of Education. As the decision on a waiver is beyond the authority of the counties, counties cannot reasonably construct a budget under the assumption of a waiver.

² Resources available for agency use are the resources that the Council has available to appropriate to MCPS, the County Government, Montgomery College, and M-NCPPC.

At the same time that resources available for agency use are expected to remain tight, pressure exists from at least two cost drivers in the MCPS budget that could trigger offsetting reductions to other agency budgets.

- **Enrollment.** The MOE law requires the County's local contribution to MCPS to keep pace with actual enrollment growth. Under current MCPS enrollment projections, the County's contribution to the school system would increase by an average annual rate of 1.1% from FY13 through FY18. Over the past five years, however, actual enrollment exceeded MCPS' projections by an average rate of 0.7% per year. If actual enrollment continues to exceed projections by 0.7% per year, the annual County contribution to MCPS could increase by about 1.8% annually, instead of 1.1%.
- **Teacher Pensions.** Earlier this year, the Maryland General Assembly approved legislation mandating a phased-in transfer of public school teachers' normal pension costs to the counties. This shift in teacher pension costs will obligate the County to pay an additional \$27.2 million in FY13 increasing to \$44.4 million by FY16. Overall, factoring in the effects of both the pension cost shift and actual enrollment exceeding projections, the County's cumulative obligation to fund MCPS could grow by 2.1% per year from FY13 through FY18.

Thus, the State's new MOE and pension laws could require the County to increase its annual funding to MCPS by an average annual rate of 2.1% from FY13 to FY18, nearly the same growth rate projected for total resources available for agency use. Should the Council approve per student funding above the MOE level, then resources available for agencies other than MCPS would necessarily have to grow at a lower rate than MCPS, resulting in funding decreases for the County Government and M-NCPPC. Alternatively, the Council would need to raise additional revenues to generate sufficient resources to fund an increase in the MOE contribution and to preserve some budget growth for other agencies.

II: A REVIEW OF THE BOARD'S FY13 COMPENSATION CHANGES

All County agencies, including MCPS, faced severe budget constraints in FY10 through FY12. The Board of Education met this fiscal challenge by foregoing compensation increases for their staff and by cutting school-based positions. In FY11 and FY12, the Board approved budgets that did not include step increases or cost-of-living adjustments for MCPS employees. In addition, the Board reduced personnel costs by eliminating more than 500 school-based positions. Specifically,

- In FY11, the Board eliminated 252 classroom positions, increasing average class size by one student. This yielded savings of \$16.2 million in FY11 and FY12; and
- In FY12, the Board cut 266 school-based positions, including academic intervention teachers, assistant school administrators, college preparation teachers, counselors, English composition teachers, ESOL teachers, instrumental music teachers, media assistants, paraeducators, reading recovery teachers, and reserve teachers, and special education staff. This yielded savings of \$15.0 million in FY12.

For FY13, MCPS had sufficient resources at the MOE funding level to increase personnel costs by \$47 million. The Board chose to allocate the entire \$47 million to employee compensation through multiple forms of salary increases. Notably, the Board did not elect to spend any available resources to restore school-based positions cut in FY11 and FY12. Moreover, the Board approved compensation increases with full costs that will not fit within the FY13 budget and that will increase FY14 costs by an additional \$18 million.

Summary of Board's Compensation Decisions: The FY13 operating budget that the Board submitted to the Council included \$47 million reserved for unspecified compensation increases. (The Board did not finalize its compensation decisions before the Council completed work on the FY13 budget.) The Board could have taken one of three approaches to allocating the \$47 million:

- Increase the size of the workforce (e.g., restore some of the school-based positions eliminated because of budget constraints in FY11 and FY12);
- Increase employee compensation rates; or
- Increase both workforce size and employee compensation.

As the table shows, the Board chose to allocate the entire \$47 million to compensation increases, foregoing any restorations of school based positions cut in FY11 and FY12.

FY13 Compensation Change	FY13 Cost / (Savings) ³
July 2012 Step (for employees hired before Feb. 2012)	\$33.2 million
May 2013 Step (for employees who would have been eligible for a FY11 step) (FY13 cost)	\$4.4 million
Longevity Increments (for employees who achieved longevity milestones in FY11-13)	\$5.9 million
Two percent salary adjustment for employees not eligible for step or longevity increment	\$7.0 million
Increase in co-pays for non-generic drugs and doctor visits (FY13 savings)	(\$4.5 million)

Finding 3: Approved FY13 MCPS compensation changes have a net annualized cost equivalent of approximately 750 positions.

Since budgeting involves tradeoffs, decisions that allocate resources between compensation and workforce size inherently carry an opportunity cost. The cost of allocating finite resources to increase compensation by the Board is a foregone opportunity to increase workforce size. Conversely, the cost of allocating resources to increase workforce size is a foregone opportunity to increase employee compensation.

In the FY13 MCPS budget, the Board elected to allocate its new personnel resources entirely to employee compensation increases. In FY13, the \$47 million cost of this decision is approximately equivalent to the cost of adding 550 full time equivalent positions (FTEs).⁴ In FY14, the \$18 million net cost of this decision is roughly equivalent to the cost of hiring 200 FTEs. In sum, the total cost of the FY13 compensation changes is equivalent to the cost of 750 additional positions.

³ All cost and savings estimates in this paper are tax supported amounts. Compensation changes will increase costs in MCPS non-tax supported funds by an additional \$0.7 million.

⁴ Based on the average cost per FTE (including salaries and locally paid benefits for all MCPS positions) of \$85,400.

Finding 4: The FY13 appropriation to MCPS was sufficient to both increase employee compensation and restore some staffing reductions.

As mentioned above, the Board approved FY11 and FY12 operating budgets that included no employee pay increases and eliminated more than 500 school-based positions. In FY13, the Board had sufficient funds within the \$2.03 billion appropriated by the Council to allocate \$47 million to increase employee pay, restore cut positions, or a combination of both. The table below displays some illustrative compensation alternatives and their corresponding savings compared to the Board-approved compensation package.

Examples of FY13 MCPS Compensation Alternatives

Compensation Alternative		FY13 Savings Compared to Board's Approved Compensation Package
1	Award \$2,000 Lump Sum Payment in Lieu of Salary Increases	\$3.2 million
2a	Award Single Step (no second step in May 2013) in July 2012	\$4.4 million
2b	in September 2012	\$9.9 million
2c	in January 2013	\$21.0 million
3	Postpone Longevity Adjustments	\$5.9 million
3a	Reduce Salary Increase of Employees Ineligible for Step/Longevity from 2% to 1%	\$3.5 million
3b	from 2% to 0%	\$7.0 million
3c	Raise Health Cost Share by 5%	\$6.5 million

Savings from select combinations of these alternatives would have been sufficient to restore some of the positions cut in the previous two years while still raising compensation. For example, the Board could have awarded a single full-year step without a second step (alternative 2a), saving \$4.4 million; and awarded a one percent salary increase for employees not eligible for step or longevity adjustments (alternative 3a), saving \$3.5 million. In sum, this package would have reduced costs by \$7.9 million compared to the package approved by the Board. A cost reduction of this amount would have been sufficient to restore funding (\$7.7 million) for 150 of the school-based positions eliminated in FY12, including all the positions listed below.

Academic Intervention Teachers	Assistant School Administrators
College Preparation Teachers	Counselors
English Composition Teachers	ESOL Teachers
Instrumental Music Teachers	Media Assistants
Paraeducators / Lunch Room Aides	Reading Recovery Teachers
Reserve Teachers	Special Education Staffing

Finding 5: The compensation changes included in the approved FY13 MCPS budget will increase FY14 costs by a net additional \$18 million. This amount is equivalent to about three-quarters of the required FY14 MOE funding increase triggered by growing student enrollment.

The State's MOE formula requires the County to increase next year's local contribution to MCPS to accommodate new students based on last year's actual enrollment growth. Under MOE, the County is projected to raise its FY13 contribution to MCPS by \$23.5 million in FY14 to account for an enrollment increase of approximately 2,000 K-12 students.

Beyond the \$47 million in compensation cost increases in FY13, the Board approved compensation changes that will increase FY14 costs by a net additional \$18 million. This will occur because the compensation package includes two items that will not fully take effect until FY14. Specifically,

- The Board approved a second step to be implemented in May 2013 that has an annualized cost of \$26.6 million. A relatively small portion of the annualized cost of the second step (\$4.4 million) will be incurred in FY13; the bulk of the cost of the second step (\$22.2 million) will not be incurred until FY14.
- The Board approved an increase in employee co-pays for some non-generic drugs and doctor visits. Implementation of this health plan item follows the calendar year. This measure will take effect in January 2013 and will reduce costs by an estimated \$4.6 million during the last six months of FY13; an additional \$4.6 million in savings will be realized in FY14.

All told, the FY14 cost of the second step minus the FY14 savings from the co-pay increase equals nearly \$18 million. This new obligation will consume about three-quarters of the required \$23.5 million FY14 MOE increase attributable to growing student enrollment.

In addition, two other Board decisions will put pressure on the FY14 MCPS operating budget:

- Both the Executive and the Council urged County agencies to offer lump sum payments in lieu of salary increases in FY13. The Board's decision to increase salaries raised base costs thereby creating a recurring obligation in FY14 and beyond.
- In FY12, the Council encouraged all County agencies, including MCPS, to control benefit costs by raising the employee share of health insurance premiums by five percent. The Board declined to adjust the MCPS health insurance cost share formula in both FY12 and FY13.

MAINTENANCE OF EFFORT REQUIREMENTS AND MCPS FUNDING

State Education law requires a local jurisdiction to fund its school system at a minimum level known as Maintenance of Effort (MOE). The State formula that determines the threshold funding level based on prior year enrollment and per student local contribution. In any year that the local appropriation exceeds the required funding level, the resulting higher per student amount becomes the minimum for the following year. The local contribution requirement is independent of any other funding, such as State or Federal aid. State law requires that each county maintain its per student funding level from year to year. Amendments to the MOE law in 2012 established a new funding floor, tightened eligibility requirements for the waiver process and strengthened the violation penalties.

Local Contributions to MCPS and State MOE Funding Requirements, FY02-FY13

Table 1-1 displays the County's annual per student funding requirements for MCPS under MOE and actual Council per student appropriations from FY02 to FY13.¹ In sum, for the ten-year period from FY03 through FY13, enrollment increased 10.1% and the County's local contribution increased 20.4%.

Table 1-1. Per Student MOE Requirements and Per Student Actual Contributions, FY02 to FY13

Fiscal Year	MOE Enrollment (Actual prior year enrollment)	Per Pupil Funding		Actual Contribution – MOE Requirement	Actual Contribution/ MOE Requirement
		MOE Requirement	Actual Contribution		
FY03	129,628	\$8,106	\$8,307	\$201	102%
FY04	132,619	8,307	8,566	259	103%
FY05	133,580	8,566	9,107	541	106%
FY06	134,432	9,107	9,539	432	105%
FY07	135,267	9,539	10,203	664	107%
FY08	134,631	10,203	10,794	591	106%
FY09	134,563	10,794	11,249	455	104%
FY10 (w/o debt)	135,969	11,249	10,664	(\$585)	95%
FY11	138,139	10,644	10,244	(\$400)	96%
FY12	140,394	10,644 ²	9,759	(\$885)	92%
FY13	142,757	9,759 ³	9,759	0	100%

Source: See footnote 1.

¹ Table 1-1 includes unpublished data compiled by MCPS, the County Council, and County Government to determine the County's annual MOE requirement. Exhibit 1-1, on page 11, shows FY10-FY12 per student MOE amounts for other Maryland counties.

² Prior to the 2012 amendments to MOE, the law provided that a county that had received a waiver in one year could base its next year's MOE amount on the higher of the previous two years. Since the County received a waiver in FY11, its FY12 amount is based on the FY10 per student amount.

³ The amended MOE law allows counties that have a local income tax rate of 3.2% and that missed MOE in FY2012 to rebase at the FY12 level in FY13.

Original Provisions in the State MOE Law

The State law related to MOE has three primary parts:⁴

- The **funding level** specifies that the local jurisdiction must appropriate at least as much per student as the prior year. As a result, the yearly minimum appropriation is the previous year's total local appropriation adjusted only for increases or decreases in enrollment. The law prohibits "artificial shifting" of programs between county and school budgets to affect the MOE calculation or meet the requirement. Md. Code Educ. 50202(d)(1) and (2)
- The **waiver provision** allows local jurisdictions to apply to the State Board of Education for a temporary or partial waiver from the MOE provisions. The original waiver provision had only one process in which the State Board could grant a waiver if it determined "that the county's fiscal condition significantly impedes the county's ability to fund the maintenance of effort requirement." It did not contain any factors for consideration, did not specify an appeal process, and required only that the Board hold a public hearing. The law indicated that the Board would establish regulations. Md. Code, Educ. 5-202(d)(7-10). As described below, the amended law addressed some of the shortcomings of the original law.
- The **penalty** for not meeting MOE originally required that if the State Superintendent or the State Board found that a county had not met MOE, the Comptroller must withhold the increase over the prior year allocated to a local jurisdiction in the General State School Fund. This penalty was limited to three streams of State aid, i.e, Foundation Aid, the Geographic Cost of Education Index (GCEI), and Supplemental Grants, accounted for in the General Education Aid category. The amended law changed the penalty provisions as described below.

2012 Amendments

The amendments approved by the General Assembly in 2012 changed all three parts of the MOE law. Generally, the amendments establish the State's five year moving average of education effort as a new funding floor; establish the authority to override local charter limits on property taxes; and create a penalty for noncompliance that intercepts and redirects county tax revenue to local school boards, effectively eliminating a county's fiscal authority to determine its own per student funding levels.

Amendments to the funding level provisions

The amendments establish the 5 year moving average of education effort as a new funding parameter for determining per student MOE amounts for some counties and exclude debt service from any MOE calculation.⁵ To ensure local share revenue exists to meet per pupil MOE requirements, the law also creates the authority to exceed a county charter's local property tax limits.

⁴ State of Maryland Code, § 5-202(d), 5-213

⁵ "Education effort" is a measure of education appropriation relative to the local wealth base. State law defines "wealth" as the sum of 100% of net taxable income (reported by the State Comptroller) plus 100% of the assessed value of the operating real property of public utilities, 40% of the assessed valuation of all other real property, and 50% of assessed value of personal property (reported by State Department of Assessment and Taxation). The "local wealth base" is the local portion of these values.

Changes to the per student MOE requirements. The new law adds a provision §5-202 (d)(2) that could increase the per pupil MOE requirement of counties whose education effort is below the statewide 5-year moving average. The provision states that if a county's education effort is below the statewide 5-year moving average, beginning in 2015 its per pupil amount will be increased by the lesser of: A) a county's increase in local wealth per student; B) the statewide average increase in local wealth per student; or C) 2.5%.

This provision ensures that the statewide average of education effort will not decrease. It could stay the same if local wealth tax bases remain static and counties do not increase their education appropriations. Or, it could be driven up if those factors or other economic conditions increase.

As noted below, under the amended MOE law, the statewide education effort 5-year average is an eligibility measure for one of the new waiver provisions. As such, this requirement puts potential upward pressure on the average and on all counties' appropriations.

Debt service exclusion. The new law explicitly excludes debt service incurred for school construction from any MOE calculation.

Authority to exceed charter property tax limits to fund education. Md. Code, Educ. §5-104 (a) provides that counties "shall levy and collect a tax on the assessable property of the county which, together with other local revenue available,...will produce the amounts necessary to meet the appropriations made in the approved annual budget of the county board."

The new law adds §5-104 (d), which allows property tax collection above any limit on rate or revenues set by a county charter "for the sole purpose of funding the approved budget of the county's board." It goes on to specify that all revenues collected above the charter limited amount be appropriated to the county board.

Amendments to the Waiver Provisions

The MOE law passed in the 2012 session establishes three processes for counties to obtain waivers from the MOE requirement. There is still no process to appeal the State Board's decision for any of the new waivers.

Fiscal condition waiver. Similar to the previous waiver process, this waiver allows a county to apply for a one-year waiver from the MOE requirement if a county can show that its fiscal condition "significantly impedes" its ability to fund MOE.

A county must apply to the State Board of Education, which must hold a public hearing and receive a preliminary assessment of the request from the State Superintendent. Then, the State Board can approve or deny the request in whole or in part. The law now specifies several factors for the State Board to consider in making its determination⁶. If a county receives this type of waiver, its next year's MOE requirement returns to the per student amount before the waiver.

⁶ The factors for consideration are: external environmental or economic factors; a county's tax base; rate of inflation relative to student population growth; statutory ability to raise revenues; history of exceeding MOE; agreement between a county and a local board; reductions in State aid; number of waivers a county has received in the last five years; and the history of compensation adjustments for county and local board employees.

Recurring cost waiver. This waiver allows a county to reduce its per student contribution by an amount attributable to recurring cost savings. The MOE reduction can be less than but cannot be more than the amount of the identified reduction in recurring costs. This amount must be agreed to by the local board of education and, if the reduction relates to personnel or personnel costs, by the employee bargaining unit. If this waiver is granted, the MOE per student amount is reduced by the agreed to amount going forward.

Rebasing waiver. A county that has applied for and received the one-year fiscal condition waiver can also request a waiver to reduce the per student amount going forward if it has “submitted sufficient evidence that the factors...will affect the county’s ongoing ability” to meet MOE.

To be eligible to receive this waiver a county must have an education appropriation greater than the statewide 5-year moving average of education effort (adjusted for local wealth). If a county meets both the waiver and funding criteria to apply, the State Board considers factors such as taxing authority and history of exceeding MOE in determining whether to approve the waiver. If the State Board approves the rebasing waiver, a county can be eligible for a waiver of 1, 2, or 3 percent of its MOE depending on the difference between the statewide 5-year moving average of education effort and the county’s 5-year average education effort.

In sum, the waiver processes remain uncertain and ultimately out of the Council’s control:

- The State Board of Education continues to have decision-making authority over MOE requests.
- One of the two processes to lower the per student requirement for more than one year requires approval of the local board and employee associations, who have a strong incentive to keep and reallocate any identified savings rather than reduce the required funding level.
- The other rebasing process has a high funding bar to clear for eligibility and a constrained waiver amount even if successful. The eligibility criteria of exceeding the statewide average will also be a moving target varying by statewide economic conditions, jurisdictions’ relative wealth, and other counties funding decisions.

Amendments to the Penalty Provisions

Income tax revenue penalty for noncompliance. The new penalty provision states that if a county is certified to be noncompliant with MOE, the Comptroller shall intercept county income tax revenue equal to the amount by which the county failed to meet MOE. The law then states that the Comptroller shall distribute that amount to the local board.⁷ The end result of this process is that it is impossible to fail to meet MOE.

⁷ The 2012 session added a new penalty section that follows the same process for a county’s failure to meet the local share of the foundation floor amount; however, this funding requirement is very low and not likely to be an issue.

Exhibit 1-1. Changes in Per Pupil Maintenance of Effort Amounts by Maryland School System, FY10-FY12

School System	Fiscal 2010		Fiscal 2011		Fiscal 2012		Change from Req FY 2010	
	Required	Appropriated	Required	Appropriated	Required	Appropriated	Dollars	Percent
Allegany	\$3,164	\$3,220	\$3,249	\$3,249	\$3,249	\$3,316	\$153	4.8%
Anne Arundel	7,700	7,713	7,713	7,713	7,713	7,550	(150)	-1.9%
Baltimore City	2,561	2,561	2,561	2,561	2,964	3,080	519	20.2%
Baltimore	6,339	6,647	6,647	6,647	6,647	6,648	309	4.9%
Calvert	5,899	6,198	6,198	6,316	6,316	6,660	761	12.9%
Caroline	2,312	2,312	2,377	2,377	2,377	2,377	65	2.8%
Carroll	5,620	6,001	6,001	6,001	6,001	6,011	391	7.0%
Cecil	4,375	4,376	4,376	4,376	4,376	4,376	1	0.0%
Charles	5,611	5,611	5,611	5,611	5,611	5,611	0	0.0%
Dorchester	3,941	3,941	3,941	3,941	3,941	3,770	(172)	-4.4%
Frederick	5,625	5,628	5,628	5,628	5,628	5,638	13	0.2%
Garrett	5,270	5,397	5,397	5,537	5,537	6,087	817	15.5%
Harford	5,528	5,599	5,599	5,678	5,678	5,701	172	3.1%
Howard	9,225	9,225	9,225	9,225	9,225	9,225	0	0.0%
Kent	8,000	8,328	8,328	8,328	8,328	7,925	(75)	-0.9%
Montgomery	11,249	10,664	10,664	10,244	10,664	9,758	(1,491)	-13.3%
Prince George's	4,428	4,332	4,429	4,429	4,429	4,429	1	0.0%
Queen Anne's	6,332	6,414	6,414	6,414	6,414	5,812	(519)	-8.2%
St. Mary's	4,639	4,639	4,640	4,640	4,640	4,686	47	1.0%
Somerset	3,165	3,178	3,178	3,192	3,192	3,194	29	0.9%
Talbot	8,032	8,034	8,034	8,034	8,034	7,611	(421)	-5.2%
Washington	4,059	4,135	4,136	4,136	4,136	4,136	77	1.9%
Wicomico	3,624	3,624	3,624	3,094	3,624	2,617	(1,007)	-27.8%
Worcester	11,389	11,389	11,389	11,389	11,389	11,389	0	0.0%

Note: Shaded boxes indicate funding below the required per pupil amounts.

Source: Maryland State Department of Education; Department of Legislative Services. "Maintenance of Effort Update: Presentation to the House Appropriations Committee and House Committee on Ways and Means," January 20, 2012, p.14, Exhibit originally titled "Seven Counties Have Reduced Their Per Pupil MOE Amounts for Fiscal 2013."

THE COUNTY'S APPROVED TAX SUPPORTED FISCAL PLAN SUMMARY

Under Section 302 of the County Charter, the County Executive must submit six year programs for public services and fiscal policy with his recommended budget in March and the Council must approve these programs around the time it approves the budget in May. Each six year fiscal plan summary displays current fiscal projections.

The approved FY13-FY18 Tax Supported Fiscal Plan¹, displayed on the following pages, shows:

- revenue assumptions;
- allocations to non-operating budget uses, e.g., debt service, reserves, retiree health insurance pre-funding;
- resources available for agency uses; and,
- agency allocations.

Assumptions exist for revenue and non-operating budget uses for FY13 through FY18; assumptions about the allocations for agency uses are projected through FY14. In keeping with a policy that the Council approved in 2010, the current fiscal plan summary is structurally balanced; it limits expenditures and other uses of resources to annually available revenues; and it separately displays reserves at policy levels.²

¹ See Council Resolution 17-479, Approval of the County's Tax Supported Fiscal Plan Summary for the FY13-18 Public Services Program, adopted June 26, 2012.

² See Council Resolution No. 16-1415, Reserve and Selected Fiscal Policies, adopted June 29, 2010.

County Council Approved FY13-18 Public Services Program

Tax Supported Fiscal Plan Summary

(\$ in Millions)														
	App. FY12	Estimate FY12	% Chg. FY12-13	App. FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
Total Revenues	5-26-11		App/Bud	5-24-12										
1 Property Tax (less PDs)	1,462.2	1,437.0	0.0%	1,462.2	3.0%	1,505.8	3.1%	1,553.2	3.5%	1,608.2	3.5%	1,664.5	3.1%	1,715.4
2 Income Tax	1,117.2	1,227.1	13.1%	1,263.6	2.6%	1,296.6	6.6%	1,382.0	4.7%	1,446.4	3.5%	1,497.6	3.4%	1,548.2
3 Transfer/Recordation Tax	143.5	123.9	-4.8%	136.6	2.9%	140.5	5.6%	148.4	7.4%	159.4	7.4%	171.2	5.6%	180.8
4 Investment Income	1.6	0.2	-70.3%	0.5	33.6%	0.6	94.0%	1.2	134.2%	2.9	55.8%	4.5	26.3%	5.7
5 Other Taxes	325.3	311.6	-6.5%	304.1	1.4%	308.5	2.2%	315.1	1.7%	320.5	1.1%	324.1	0.9%	327.0
6 Other Revenues	842.2	839.0	4.9%	883.4	0.8%	890.2	0.2%	892.5	0.2%	894.6	0.2%	896.8	0.2%	899.0
7 Total Revenues	3,892.1	3,938.8	4.1%	4,050.4	2.3%	4,142.2	3.6%	4,292.5	3.3%	4,432.1	2.9%	4,558.8	2.6%	4,676.1
8														
9 Net Transfers In (Out)	41.3	40.1	-6.3%	38.7	2.9%	39.8	2.9%	40.9	2.7%	42.0	2.7%	43.1	2.7%	44.3
10 Total Revenues and Transfers Available	3,933.4	3,978.9	4.0%	4,089.0	2.3%	4,182.0	3.6%	4,333.4	3.2%	4,474.1	2.9%	4,601.9	2.6%	4,720.4
11														
12 Non-Operating Budget Use of Revenues														
13 Debt Service	296.2	279.0	2.5%	303.5	6.8%	324.3	9.6%	355.3	5.4%	374.6	4.1%	389.8	0.0%	389.8
14 PAYGO	31.0	31.0	-4.8%	29.5	20.3%	35.5	56.3%	55.5	0.0%	55.5	0.0%	55.5	0.0%	55.5
15 CIP Current Revenue	35.0	37.7	43.5%	50.2	62.1%	81.4	-26.8%	59.5	-2.7%	58.0	-1.8%	56.9	16.2%	66.1
16 Change in Montgomery College Reserves	(9.0)	(4.0)	46.4%	(4.8)	100.0%	-	n/a	-	n/a	-	n/a	-	n/a	-
17 Change in MNCPPC Reserves	(1.5)	(2.5)	30.6%	(1.1)	109.3%	0.1	27.9%	0.1	14.1%	0.1	0.4%	0.1	35.5%	0.2
18 Change in MCPS Reserves	(17.0)	10.5	0.0%	(17.0)	4.1%	(16.3)	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0
19 Change in MCG Special Fund Reserves	22.8	(0.5)	-12.5%	20.0	-99.9%	0.0	172.1%	0.1	25.2%	0.1	-9.6%	0.1	-10.6%	0.1
20 Contribution to General Fund Undesignated Reserves	68.4	104.5	-144.5%	(29.6)	106.7%	2.0	172.1%	5.4	25.2%	6.8	-9.6%	6.1	-10.6%	5.5
21 Contribution to Revenue Stabilization Reserves	20.4	45.1	3.6%	21.2	3.1%	21.8	4.1%	22.7	3.6%	23.5	3.6%	24.4	2.8%	25.1
22 Retiree Health Insurance Pre-Funding	49.6	49.6	112.3%	105.4	35.5%	142.8	20.4%	171.9	0.0%	171.9	0.0%	171.9	0.0%	171.9
23 Set Aside for other uses (supplemental appropriations)	0.2	0.2	-67.2%	0.1	30441.4%	20.1	0.0%	20.1	0.0%	20.1	0.0%	20.1	0.0%	20.1
24 Total Other Uses of Resources	494.3	550.6	-3.4%	477.5	28.1%	611.7	12.9%	690.7	2.9%	710.5	2.0%	724.9	1.3%	734.2
25 Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)	3,439.1	3,428.4	5.0%	3,611.5	-1.1%	3,570.3	2.0%	3,642.7	3.3%	3,763.6	3.0%	3,877.0	2.8%	3,986.2
26														
27 Agency Uses														
28														
29 Montgomery County Public Schools (MCPS)	1,950.9	1,923.8	4.0%	2,028.9	1.5%	2,058.4								
30 Montgomery College (MC)	218.0	214.6	0.4%	218.8	0.0%	218.8								
31 MNCPPC (w/o Debt Service)	94.3	94.3	4.9%	98.9	-5.2%	93.8								
32 MCG	1,175.8	1,195.7	7.6%	1,265.0	-5.2%	1,199.3								
33 Available to Allocate to Agencies FY15-18							n/a	3,642.7	3.3%	3,763.6	3.0%	3,877.0	2.8%	3,986.2
34 Agency Uses	3,439.1	3,428.4	5.0%	3,611.5	-1.1%	3,570.3	2.0%	3,642.7	3.3%	3,763.6	3.0%	3,877.0	2.8%	3,986.2
35 Total Uses	3,933.4	3,978.9	4.0%	4,089.0	2.3%	4,182.0	3.6%	4,333.4	3.2%	4,474.1	2.8%	4,601.9	2.6%	4,720.4
36 (Gap)/Available	0.0	0.0		0.0		0.0		0.0		0.0		0.0		0.0

Notes:

1. FY13 property tax revenue is \$26 million below the Charter limit using a \$692 income tax offset credit. The Charter limit is assumed FY14-18.
2. May 2010 fuel/energy tax revenue increase is reduced by 10% in FY13-18.
3. Reserve contributions at the policy level and consistent with legal requirements.
4. PAYGO, debt service, and current revenue reflect the approved FY13-18 Capital Improvements Program.
5. Retiree health insurance pre-funding is increased up to full funding by FY15 and then is flat beyond FY15. FY14 is year 7 of 8-year funding schedule.
6. State aid and other intergovernmental revenues are flat in FY14-18.
7. Projected FY14 allocation for MCPS and Montgomery College assumes County funding at maintenance of effort, plus the pension shift for MCPS. This allocation does not include potential increases to State aid and other possible agency resources, such as higher-than-expected fund balance.

County Council Approved FY13-18 Public Services Program
Tax Supported Fiscal Plan Summary

(\$ in Millions)														
	App. FY12	Est FY12	% Chg. FY12-13	App. FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
37 Beginning Reserves														
38 Unrestricted General Fund	66.9	64.0	152.0%	168.6	-17.5%	139.0	1.4%	141.0	3.8%	146.4	4.6%	153.2	4.0%	159.3
39 Revenue Stabilization Fund	94.1	94.5	47.7%	139.6	15.2%	160.8	13.6%	182.6	12.4%	205.3	11.5%	228.8	10.7%	253.2
40 Total Reserves	161.0	158.6	90.9%	308.1	-2.7%	299.8	7.9%	323.6	8.7%	351.7	8.6%	382.0	8.0%	412.6
41														
42 Additions to Reserves														
43 Unrestricted General Fund	66.4	104.5	-144.5%	-29.6	106.7%	2.0	172.1%	5.4	25.2%	6.8	-9.6%	6.1	-10.6%	5.5
44 Revenue Stabilization Fund	20.4	45.1	6.0%	21.2	3.1%	21.8	4.1%	22.7	3.6%	23.5	3.6%	24.4	2.8%	25.1
45 Total Change in Reserves	86.9	149.6	-109.7%	-8.4	384.0%	23.8	18.1%	28.1	7.8%	30.3	0.6%	30.5	0.1%	30.6
46														
47 Ending Reserves														
48 Unrestricted General Fund	133.3	168.6	4.3%	139.0	1.4%	141.0	3.8%	146.4	4.6%	153.2	4.0%	159.3	3.4%	164.8
49 Revenue Stabilization Fund	114.5	139.6	40.4%	160.8	13.6%	182.6	12.4%	205.3	11.5%	228.8	10.7%	253.2	9.9%	278.3
50 Total Reserves	247.8	308.1	20.9%	299.8	7.9%	323.6	8.7%	351.7	8.6%	382.0	8.0%	412.6	7.4%	443.1
51 Reserves as a % of Adjusted Governmental Revenues	6.1%	7.5%		7.1%		7.4%		7.8%		8.2%		8.7%		9.1%
52 Other Reserves														
53 Montgomery College	7.0	11.2	-7.6%	6.4	0.0%	6.4	0.0%	6.4	0.0%	6.4	0.0%	6.4	0.0%	6.4
54 M-NCPPC	3.7	4.8	0.7%	3.8	2.6%	3.9	3.2%	4.0	3.6%	4.1	3.5%	4.3	4.5%	4.5
55 MCPS	0.0	33.3	n/a	16.3	-100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
56 MCG Special Funds	2.6	(18.4)	-37.4%	1.6	1.4%	1.6	3.8%	1.7	4.6%	1.8	4.0%	1.8	3.4%	1.9
57 MCG + Agency Reserves as a % of Adjusted Govt Revenues	6.5%	8.3%		7.8%		7.7%		8.1%		8.5%		8.9%		9.3%
58														
59 Retiree Health Insurance Pre-Funding														
60 Montgomery County Public Schools (MCPS)	20.0	20.0		58.9		80.3		101.6		100.9		99.7		99.7
61 Montgomery College (MC)	1.0	1.0		1.8		2.4		3.1		3.0		2.8		2.8
62 MNCPPC	2.6	2.6		3.4		6.3		7.7		7.4		7.2		7.2
63 MCG	26.1	26.1		41.4		53.8		59.5		60.6		62.2		62.2
64 Subtotal Retiree Health Insurance Pre-Funding	49.6	49.6		105.4		142.8		171.9		171.9		171.9		171.9
65														
66 Adjusted Governmental Revenues														
67 Total Tax Supported Revenues	3,892.1	3,938.8	4.1%	4,050.4	2.3%	4,142.2	3.6%	4,292.6	3.3%	4,432.1	2.9%	4,568.8	2.6%	4,676.1
68 Capital Projects Fund	45.6	60.3	43.7%	65.5	52.1%	99.6	2.3%	101.9	-11.8%	89.9	1.1%	90.8	-11.0%	80.8
69 Grants	108.9	108.9	-1.7%	107.0	2.9%	110.1	2.9%	113.3	2.7%	116.3	2.7%	119.4	2.7%	122.6
70 Total Adjusted Governmental Revenues	4,046.6	4,108.0	4.4%	4,222.8	3.1%	4,351.9	3.6%	4,507.8	2.9%	4,638.3	2.8%	4,769.0	2.3%	4,879.6

COUNTY TAX SUPPORTED REVENUE, FY03 –FY12

County Revenue Trends, FY03 to FY12

Table 3-1 shows annual changes in actual and budgeted tax-supported revenue from FY03 through FY12 (estimated) during that period. Total revenue grew by \$1,540 million or 64%.

Comparison of Actual and Budgeted Revenue, FY03 to FY12

The comparison of budgeted and actual revenue shows actual revenue exceeded budgeted revenue between FY04 and FY07; whereas since FY08, projections fell below budgeted revenue in all but one year (FY12). Between FY08 and FY11, revenue shortfalls grew from \$50 million in FY08 to \$95 million in FY09, peaking at \$244 million in FY10. Most recently, the shortfall was \$113 million in FY11.

Table 3-1. Comparison of Actual and Budgeted Tax-Supported Revenue, FY03 to FY12 (Millions of \$)

Fiscal Year	Actual Revenue	Annual Change		Budgeted Revenue	Actual minus Budgeted	
		\$	%		Difference	Variance
FY03	\$2,399			\$2,404	\$(5)	(0.2%)
FY04	2,700	\$301	12.5%	2,634	66	2.4%
FY05	2,967	267	9.9%	2,871	96	3.2%
FY06	3,214	247	8.3%	3,041	173	5.4%
FY07	3,484	270	8.4%	3,321	162	4.7%
FY08	3,575	91	2.6%	3,625	(50)	(1.4%)
FY09	3,681	106	3.0%	3,776	(95)	(2.6%)
FY10	3,561	(120)	-3.3%	3,805	(244)	(6.9%)
FY11	3,666	105	2.9%	3,779	(113)	(3.1%)
FY12 ¹	3,939	273	7.4%	3,892	47	1.2%
Ten year average difference between actual and budgeted revenue						±3.10%

Source: Montgomery County Operating Budgets

¹ Actual revenue for FY12 is estimated.

COUNTY BUDGET TRENDS, FY03 – FY13

County Aggregate Operating Budgets

The tax-supported (or aggregate) operating budget allocates resources based on the County's tax supported capacity. It includes all revenue sources from both County taxes, e.g., property, income and other taxes, and from intergovernmental aid. It excludes other revenue sources, such as enterprise funds, specific grants, and tuition and tuition related charges at the College.

Table 4-1 shows County Aggregate Operating Budgets (including debt service) from FY03 to FY13. The data show the County's Aggregate Operating Budget grew \$1,544 million, from \$2,471 million to \$4,015 million between FY03 to FY13. This reflects an annual average growth rate of 5.0%.

Table 4-1. County Aggregate Operating Budgets, FY03 to FY13 (Millions of \$)

Fiscal Year	Approved Aggregate Operating Budget (including debt service)	Annual Increase	FY03-FY13 Increase
FY03	\$2,471		
FY04	2,629	+\$158	6.4%
FY05	2,843	+213	8.1%
FY06	3,061	+219	7.7%
FY07	3,402	+241	11.1%
FY08	3,656	+254	7.5%
FY09	3,772	+116	3.2%
FY10 ¹	3,729	(43)	(1.1%)
FY11	3,603	(126)	(3.4%)
FY12	3,771	+168	4.7%
FY13	4,015	+244	6.5%

Source: Council Operating Budget Resolutions

¹ This amount does not reflect a double appropriation of \$79.5 million of MCPS related debt service to both Montgomery County Government and MCPS.

Agency Operating Budget Trends, FY03 to FY13

Table 4-2 displays County Aggregate Operating Budgets (including debt service) by agency from FY03 to FY13 and with agency and debt service shares. The data show:

- Every agency budget saw steady growth through FY09. Growth continued through FY10 for both MCPS and the College.
- As noted above, the Aggregate Operating Budgets exclude tuition and tuition related charges at the College. Since FY10, the College's budget has contracted whereas the budgets for MCPS, MCG, and MNCPPC have contracted and recovered.
- In FY13, only MCPS' budget surpasses its previous peak whereas all of the other agencies' budgets are below their previous peaks.
- At \$304 million, the FY13 Debt Service budget exceeds the College and MNCPPC combined operating budgets (at \$133.3 million and \$99 million respectively).
- Retiree Health Prefunding in FY13 exceeds MNCPPC's budget.
- Among the agencies, MCPS accounts for 52% of the overall budget compared to 33% for Montgomery County Government (MCG), 4% for the College and 3% for MNCPPC.

Table 4-2. County Aggregate Operating Budget Appropriations by Agency, FY03 to FY13 (Millions of \$)

Fiscal Year	MCPS	College	MCG	MNCPPC	Debt Service	Current Revenue	Retiree Health Prefunding	Total
FY03	\$1,266.6	\$91.7	\$799.0	\$69.4	\$196.4	\$48.1		\$2,471.2
FY04	1,388.9	94.8	837.6	70.2	202.9	34.9		2,629.3
FY05	1,491.7	99.2	929.6	77.5	208.1	36.6		2,842.7
FY06	1,592.2	107.9	1,035.7	84.3	220.4	21.0		3,061.5
FY07	1,724.4	121.6	1,181.3	89.5	224.2	61.4		3,402.4
FY08	1,852.2	135.7	1,260.6	98.4	239.5	70.7		3,656.4
FY09	1,937.0	114.8	1,279.4	106.4	252.7	51.7		3,772.0
FY10 ²	2,020.1	147.5	1,251.2	106.6	251.5	32.1		3,808.9
FY11	1,919.8	139.0	1,163.6	92.7	264.0	23.8		3,602.9
FY12	1,950.9	137.5	1,222.9	96.9	296.2	66.0		3,770.5
FY13	2,028.9	133.3	1,265.0	98.9	303.5	79.7	\$105.4	4,014.7
Share	52%	4%	33%	3%	7%	1%	0%	100%

Source: Council Operating Budget Resolutions

² This amount reflects a double appropriation of \$79.5 million of MCPS related debt service to both Montgomery County Government and MCPS.

Agency Operating Budget Trends, FY03 to FY13

Table 4-3 displays aggregate operating budget changes by agency from FY03 to FY13. The data show:

- MCPS and MCG operating budgets increases (at \$762 million and \$466 million respectively) account for about 80% of the 10-year growth in the Aggregate Operating Budget.
- Growth in Non Agency Uses, (e.g., Debt Service at \$107 million, Current Revenue +\$32 million and Retiree Health Prefunding at \$105 million) account for 16% of the total increase.
- Increases in the College (+\$42 million) and MNCPPC (+\$30 million) operating budgets combined account for less than 5% of the total increase.

Table 4-3. Annual Change in County Aggregate Operating Budgets by Agency: FY03 to FY13 (Millions of \$)

Fiscal Year	MCPS	College	MCG	MNCPPC	Debt Service	Current Revenue	Ret. Health Prefunding	Total
FY03								
FY04	\$122.2	\$3.2	\$38.6	\$0.8	\$6.5	(\$13.2)	0.0	\$158.2
FY05	102.8	4.4	92.0	7.2	5.2	1.7	0.0	213.4
FY06	100.5	8.7	106.1	6.8	12.3	(15.6)	0.0	218.8
FY07	132.2	13.7	145.6	5.2	3.8	40.4	0.0	340.9
FY08	127.8	14.1	79.3	8.9	15.3	8.7	0.0	254.0
FY09	84.8	9.1	18.8	8.0	13.2	(18.3)	0.0	115.6
FY10	83.1	2.6	(28.3)	0.2	(1.2)	(19.6)	0.0	36.9
FY11	(100.2)	(8.4)	(87.6)	(14.0)	12.6	(8.3)	0.0	(206.0)
FY12	31.1	(1.5)	59.4	4.3	32.2	42.2	0.0	167.6
FY13	78.0	(4.2)	42.1	2.0	7.3	13.7	\$105.4	244.2
\$ Change	+\$762.2	+\$41.7	+\$466.0	+\$29.5	+\$107.2	+ \$31.7	+\$105.4	+\$1,543.6

Source: Council Operating Budget Resolutions

Table 4-4 shows the growth rates among the agencies' operating budgets. At 2%, the average aggregate operating budget growth rate over the second half of the decade (FY09-FY13) is one-fourth that of the first five years (FY04-FY08). (See bold numbers in the Total column.)

Table 4-4. Annual Change in County Aggregate Operating Budgets by Agency: FY03 to FY13

Fiscal Year	MCPS	College	MCG	MNCPPC	Debt Service	Current Revenue	Total
FY03							
FY04	9.7%	3.5%	4.8%	1.2%	3.3%	(27.4%)	6.4%
FY05	7.4%	4.6%	11.0%	10.3%	2.6%	5.0%	8.1%
FY06	6.7%	8.7%	11.4%	8.8%	5.9%	(42.7%)	7.7%
FY07	8.3%	12.7%	14.1%	6.2%	1.7%	192.2%	11.1%
FY08	7.4%	11.6%	6.7%	9.9%	6.8%	14.1%	7.5%
FY09	4.6%	6.7%	1.5%	8.1%	5.5%	(26.2%)	3.2%
FY10	4.3%	1.8%	(2.2%)	0.2%	(0.5%)	(38.0%)	1.0%
FY11	(5.0%)	(5.7%)	(7.0%)	(13.1%)	5.0%	(25.8%)	(5.4%)
FY12	1.6%	(1.1%)	5.1%	4.6%	12.2%	177.5%	4.7%
FY13	4.0%	(3.1%)	3.4%	2.1%	2.5%	20.8%	6.5%
FY04-FY08 Ave	7.9%	8.2%	9.6%	7.3%	4.1%	28.2%	8.2%
FY09-FY13 Ave	1.9%	-0.3%	0.2%	0.4%	4.9%	21.7%	2.0%
Difference	-6.0 points	-8.5 points	-9.4 points	-6.9 points	+0.8 pts	-6.5pts	-6.2 pts
FY04-FY13 Ave	4.9%	4.0%	4.9%	3.8%	4.5%	25.0%	5.1%

Source: Council Operating Budget Resolutions

The difference in average growth rates between the second and first half of the decade varies by agency. From largest to smallest, the reductions were:

- -9.4 points for MCG (from 9.6% to 0.2%);
- -8.5 points for the College (from 8.2% to -0.3%);
- -6.9 points for MNCPPC (from 7.3% to 0.4%); and
- -6.0 points for MCPS (from 7.9% to 1.9%).

AGENCY COMPENSATION TRENDS, FY03 – FY13

The agency budgets that the Council approves each May reflect compensation agreements with represented and non-represented employees negotiated with each agency's board and bargaining units. Most agreements address salary increments (steps) and cost of living adjustments, and some address lump sum payments, top of range adjustments or longevity. The following pages display FY03-FY13 agency compensation data prepared by Mr. Farber, Council Staff Director, for the Government Operations Committee's May 1, 2012 worksession.

Exhibit 5-1. Summary of Agency Compensation Agreements by Bargaining Unit and Component

Agency	Bargaining Unit	Increments	Incremented Weighted Average	Negotiated Salary Schedule Increase	Lump Sum Payment	Top of range adjustments	Longevity
Montgomery County Public Schools	Teachers	✓	✓	✓	✓		
	Admin. and Supervisory Personnel (MCAAP)	✓	✓	✓	✓		✓
	Business and Operations Administrators (MCBOA) (as of FY09)	✓	✓	✓		✓	✓
	Supporting Services Employees (SEIU Local 500)	✓	✓	✓	✓		
	Non-Represented	Varies by the bargaining unit that covers the position.					
Agency	Bargaining Unit	Increment		General Adjustment (COLA)	Lump sum payment	Top of range adjustment	Longevity
Montgomery County Government	Police (FOP)	✓		✓	✓	✓	✓
	Fire (IAFF)	✓		✓	✓		✓
	Office, Professional and Technical/Service, Labor, and Trade Bargaining Units (MCGEO)	✓		✓	✓	✓	✓
	Non-Represented	✓		✓	✓	✓	✓
Montgomery College	Faculty (AAUP)	✓		✓	✓	✓	
	Administrators	✓			✓	✓	
	Staff – Non Bargaining and Bargaining	✓		✓	✓	✓	
Maryland-National Capital Park and Planning Commission	Non-Represented	✓		✓	✓	✓	
	Service/Labor, Trades, Office/Clerical (MCGEO)	✓		✓	✓	✓	
	Park Police (FOP, Lodge 30)	✓		✓	✓	✓	
Washington Suburban Sanitary Commission							
	AFSCME	✓		✓			
	Non-Represented	✓		✓			

Source: Memorandum to the Government Operations and Fiscal Policy Committee from Stephen B. Farber, Council Staff Director dated April 27, 2012, Item #1, May 1, 2012.

MONTGOMERY COUNTY PUBLIC SCHOOLS

REC

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Teachers (MCEA)											
Increment	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	0.0%	(s)	
Increment-weighted average (a)	1.9%	1.9%	1.9%	2.0%	1.9%	2.2%	2.3%	2.1%	0.0%(q)	(s)	
Negotiated salary schedule increase	4.0% (e)	4.0% (e)	2.0%	2.75%	4.0%(k)	4.8%(l)	5.0%(m)	0.0%(p)	0.0%(q)	0.0%(r)	(t)
Lump-sum payment (b)	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$0	\$400	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Admin. and Supervisory Personnel (MCAAP)											
Increment	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.00%	0%	(s)	
Increment-weighted average (a) (d)	0.9%	0.8%	0.9%	1.1%	0.9%	1.1%	1.2%	1.1%	0.0% (q)	(s)	(t)
Negotiated salary schedule increase	3.0%	3.0% (f)	2.0%(i)	2.0%(j)	4.0%(k)	4.8%(l)	5.0%(m)	0.0%(p)	0.0%(q)	0.0%(r)	
Lump-sum payment	-	-	\$1,500(h)	\$1,500(h)	\$1,500-	\$1,500-	\$1,500-	\$1,500-	\$1,500-	\$1,500-	
Top of range adjustment	-	-	-	-	\$3,000(h)	\$3,000(h)	\$3,000(h)	3,000(h)	3,000(h)	3,000(h)	
Business and Operations Administrators (MCBOA)											
Increment							(n)	3.00%	0.0%	(s)	
Increment-weighted average							(n)	1.6%	0.0% (q)	(s)	(t)
Negotiated salary schedule increase							(n)	0.0%(p)	0.0%(q)	0.0%(r)	
Lump-sum payment							-	-	-	-	
Top of range adjustment							(n)	\$1,500-\$4,500(o)	\$1,500-\$4,500(o)	\$1,500-\$4,500(o)	
Supporting Services Employees (SEIU Local 500)											
Increment	1.7-5.6%	1.6-5.6%	1.6-5.6%	1.6-5.6%	1.9-5.6%	1.9-5.6%	1.9-5.5%	1.9-5.5%	0%	(s)	
Increment-weighted average (a)	1.8%	1.9%	1.8%	1.9%	1.6%	1.9%	1.8%	1.7%	0.0% (q)	(s)	(t)
Negotiated salary schedule increase	3.0%	3.0% (g)	2.0%	2.75%	4.0%(k)	4.8%(l)	5.0%(m)	0.0%(p)	0.0%(q)	0.0%(r)	
Lump-sum payment (c)	\$100	\$100	\$100	\$200	\$200	\$200	\$200	\$200	\$200	\$200	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Non-Represented	All non-represented employees (except 18 nonscheduled employees including Executive staff, Board staff, and the chief negotiator) receive the same increments and other salary adjustments as the bargaining units for which these positions are covered.										
Increment											
Negotiated salary schedule increase											
Lump-sum payment											
Top of range adjustment											

- i) The number provided in the chart represents the weighted average increase received by eligible employees. It is based on the number of employees who receive the step increment at various points (anniversary dates) in the year. An average annual cost of the salary increments is used for this analysis.
- j) For FY 1996 through FY 1999, a bonus payment of \$300 was provided to any substitute teacher who worked 100 or more days. Beginning FY 2002, an incentive payment of \$400 is provided to any substitute teacher who works 45 or more days within a semester. In conjunction with this change, the retiree substitute incentive plan was eliminated in FY 2002.
- k) A lump sum net payment of \$100 each year for employees with 22 or more years of service. This amount increased to \$200 for FY 2006.
- l) The negotiated agreement with MCAAP provided for the addition of one step on salary scales N through Q beginning July 1, 1997 (FY 1998) and July 1, 1999 (FY 2000). The amount of this impact is included in the increment-weighted average for each year.

- (e) The negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 5.0% for FY 2001 and 4.0% for FY 2002 while an additional 1.0% from the State was applied to this salary schedule each year for a net increase of 6.0% for FY 2001 and 5.0% for FY 2002. For FY 2003 and FY 2004, the negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 4.0% and added two more days to the work year for 10-month employees for an equivalent of an additional 1.0% applied to the salary schedule for a net increase of 5.0% for each year. The FY 2004 negotiated agreement with MCEA provided for a salary schedule increase of 4.0% implemented on 10/31/03 for 12-month unit members and 12/1/03, for 10-month unit members, resulting in a 3.66% salary impact.
- (f) For FY 2004, the negotiated agreement with MCAAP provided for a salary schedule increase of 3.0% implemented on 10/7/03, for 12-month unit members and 11/8/03, for 11-month assistant school administrators, resulting in a 1.87% salary impact.
- (g) For FY 2004, the negotiated agreement with SEIU Local 500 provided for a salary schedule increase of 3.0% implement on 10/7/03 for 12 month unit members and 11/8/03, for all other unit members, resulting in a 2.05% salary impact.
- (h) Effective October 1, 2004, the negotiated agreement with MCAAP provided an annual longevity supplement of \$1,500 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS. Effective December 1, 2006, the negotiated agreement with MCAAP provided an annual longevity supplement of \$1,500 for each unit member who completed five or more years as an administrator and/or supervisor with MCPS. Subsequent to that date, the negotiated agreement with MCAAP provided an annual longevity supplement of \$3,000 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS. Payments are deferred for employees who first became eligible for lump sum payments in FY 2011.
- (i) For FY 2005, the negotiated agreement with MCAAP provided for a salary schedule increase of 2.0% implemented on 10/2/04, for 12-month unit members and 11/13/04, for 11-month assistant school administrators, resulting in a 1.49% salary impact.
- (j) For FY 2006, the negotiated agreement with MCAAP provided for a 2% salary schedule increase and salary scale adjustments equivalent to an average of an additional 0.75%.
- (k) For FY 2007, the negotiated agreement with MCEA and SEIU Local 500 provided for a salary schedule increase of 3.0% on 7/1/06 and an additional 1.0% effective mid-year, resulting in a 3.5% salary impact. The negotiated agreement with MCAAP provided for a salary schedule increase of 4.0% and scale adjustments effective November 1, 2006, resulting in a 3.5% average salary impact.
- (l) For FY 2008, the negotiated agreement with MCAAP, MCEA, and SEIU Local 500 provided for a 4.8% salary schedule increase and other compensation changes equivalent to an average of an additional 0.2% for a total of 5.0%.
- (m) For FY 2009, the negotiated agreement with MCAAP, MCEA, and SEIU Local 500 provided for a 5.0% salary schedule increase.
- (n) During FY 2008, the BOE approved the formation of a fourth bargaining unit - The Montgomery County Business and Operations Administrators (MCBOA). In FY 2009, the compensation for these employees was included in the SEIU salary numbers.
- (o) Unit members receive a \$1,500 longevity supplement at 5, 10, and 15 years of service.
- (p) The 2008-2010 contracts with MCAAP, MCBOA, MCEA, and SEIU Local 500 included, for FY 2010, a 5.3% COLA and other salary-related improvements. Due to the fiscal situation, the unions agreed to forgo the FY 2010 COLA and salary-related improvements.
- (q) Due to the fiscal situation, there was no COLA or increments for FY 2011.
- (r) Due to the fiscal situation, there is no COLA budgeted for FY 2012.
- (s) Rates for increments and average increments to be determined in final action on the FY 2012 Budget.
- (t) The Board of Education is still in negotiations with the employee unions relative to economic terms for FY 2013.

MONTGOMERY COUNTY GOVERNMENT

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	REC FY13
<u>Police (FOP)</u>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	(a)	2.0%	2.0%(d)	2.75%	(j)	-	4.0%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(s)
Top of range adjustment	-	-	(e)	-	-	-	-	-	-	-	-
Longevity	-	-	-	(h)	-	(l)	-	-	-	-	(t)
<u>Fire (IAFF)</u>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	5.0%	3.5%	3.5%	(i)	(k)	5.0%	2%+2%(p)	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(s)
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Longevity	-	(b)	(b)	-	-	-	-	(q)	-	-	(u)
<u>Office, Professional, and Technical Bargaining Unit/Service, Labor, and Trade Bargaining Unit (MCGEO)</u>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	3.5%	3.75%(c)	2.0%(d)	2.75%	(j)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(s)
Top of range adjustment	-	-	(f)	-	-	(m)	-	(r)	-	-	-
Longevity	-	-	-	-	-	-	-	-	-	-	(v)
<u>Non-Represented</u>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	3.5%	2.0%	2.0%(d)	2.75%	(j)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	(n)	(n)	(n)	(n)	-	-	-	(s) (w)
Top of range adjustment	-	-	(g)	(o)	(o)	(o)	(o)	-	-	-	-
Longevity	-	-	-	-	-	-	-	-	-	-	(o)

(a) 3.0% effective 7/02; 1.0% effective 1/03.

(b) Pay plan adjustment equal to 3.5%.

(c) Effective 11/30/03.

(d) Effective 9/5/04.

(e) Return to uniform pay plan starting 1/9/05 for unit members with 20 years of completed service.

(f) Starting 1/9/05 employees who have completed 20 years of service and are at the maximum of their pay grade will receive a longevity increment of 2%.

(g) Range expansion of 1.75%, 3.75% for employees in the Management Leadership Service.

(h) Effective 1/8/06 current min/max salary schedule will be converted to a matrix based step schedule.

(i) 3% effective 7/10/05; 1% effective 1/8/06.

(j) 3.0% effective 7/9/06; 1.0% effective 1/7/07.

(k) 4.0% effective 7/9/06; 1.0% effective 1/7/07.

- (l) Increase wage rate of Step 0, Year 1, by \$3,151 with promotions and increments calculated from that point. Equals an adjustment of 7.5%.
- (m) Increase longevity percentage by 1.0%, effective 1/6/08.
- (n) Performance lump sum award: 2% for exceptional and 1% for highly successful.
- (o) Longevity/performance increment for employees who completed 20 years of service after two consecutive years with a performance rating of exceptional or highly successful: 1% added to base pay and effective 1/7/07, 2% added to base pay.
- (p) 2.0% effective 7/6/08; 2.0% effective 1/4/09.
- (q) A new longevity adjustment at 28 years of service in July 2009 and additional steps on the salary in July 2010.
- (r) 3.0% longevity increase.
- (s) \$2,000 lump sum payment to employees who completed probationary period by July 1, 2012.
- (t) 3.5% longevity for FOP bargaining unit members who completed 20 years of service
- (u) 3.5% longevity increase for IAFF bargaining unit members who completed 20 years of service and a 3.5% longevity increase for IAFF bargaining unit members who completed 28 years of service.
- (v) 3% longevity for OPT/SLT (MCGEO) bargaining unit members who completed 20 years of service.
- (w) MLS receive \$2,000 or 2% of salary (whichever is greater). Public Safety Management (Police, Fire, Corrections, and Sheriffs) will receive \$2,000 lump sum payment.

MONTGOMERY COLLEGE

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	REC FY13
Faculty (AAUP)									(j)		
Increment	-	\$1,167	-	-	-	-	-	-	-	-	-
General adjustment (COLA)	6.5%(a)	3.625%(c)	1.6%	2.75%	3.75%	5.3%	5.5%	-	-	-	-
Lump-sum payment	-	-	\$1,879	\$1,931	\$2,019	\$2,125	\$2,242	\$2,372(i)	-	2.0%(m)	-
Top of range adjustment	-	(d)	1.6%(f)	2.75%(g)	3.75%(h)	5.3%	5.5%	-	-	-	-
Administrators	4.0%- 6.25%	2.5%- 4.25%	3.65%- 4.15%	4.75%- 5.5%	3.75% 6.5%	4.75%- 7.5%	4.75%- 7.0%	0%	(k)	-	-
Increment	-	-	-	-	-	-	-	-	-	-	-
General adjustment (COLA)	-	(e)	-	-	-	-	-	-	-	2.0%(m)	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	4.0%	3.6%	2%	2.75%	3.75%	4.75%	5.0%	-	-	-	-
Staff - Non-Bargaining and Bargaining									(l)		
Increment	(b)	2.0%	3.25%	2.75%	2.75%	3.0%	3.0%	3.0%	-	-	-
General adjustment (COLA)	4.0%	3.6%(c)	2.0%	2.75%	3.75%	4.75%	5.0%	-	-	-	-
Lump-sum payment	(b)	-	-	-	-	-	-	\$500(i)	-	2.0% (m)	-
Top of range adjustment	-	3.6%	2.0%	2.75%	3.75%	4.75%	5.0%	-	-	-	-

- (a) Faculty earning the maximum salary received a 5% increase to \$76,323. Faculty below the maximum received an increase of 3.71% plus \$1,964 up to a new maximum of \$76,323.
- (b) Non-bargaining support staff received \$1,190; AFSCME staff received an increment of 2.25% instead.
- (c) Delayed by 4.6 months of fiscal year.
- (d) Not to exceed \$79,090.
- (e) Up to \$2,000 based on performance for those at top of range.
- (f) Not to exceed \$80,355 or \$81,955 for those eligible for a one-time longevity increase.
- (g) Not to exceed \$82,565 or \$84,165 for those eligible for a one-time longevity increase.
- (h) Not to exceed \$85,661 or \$87,261 for those eligible for a one-time longevity increase. COLA – 3% effective 7/1/06 plus 1.5% effective 1/1/07.
- (i) Staff- lump sum one-time payment of \$500 for employees at top of scale; faculty – lump sum one-time payment ranging from \$500-1,000 depending on salary; base pay increase of \$2,372 is delayed until October 23, 2009.
- (j) Faculty furloughed 3 days based on academic year calendar (equivalent to 4 staff days).
- (k) Administrators furloughed 8 days.
- (l) Staff furloughed 4 days below grade N; 8 days grade N and above.
- (m) One-time payment not added to the base. However, this may change based on the agreement the county reached with its unions.

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	REC FY13
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA) (effective date)	3.25%(a)	2.5% (9/03)	2.7% (7/04)	2.8% (7/05)	3.0%	3.25% (7/07)	3.25% (7/08)	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(i)
Top of range adjustment	-	-	-	-	7.0%	-	-	(g)	-	-	-
Service/Labor, Trades, and Office/Clerical Bargaining Units (MCGEO, Local 1994)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	\$780(h)	0.0%	0.0%	0.0%
General adjustment (COLA) (effective date)	3.25%(a)	2.5% (9/03)	2.7% (7/04)	2.8% (7/05)	3.0%	3.25%	3.25%	\$640(h)	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(i)
Top of range adjustment	-	-	-	-	3.5%	3.5%	-	-	-	-	-
Park Police (FOP, Lodge 30)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA) (effective date)	3.5%(b)	2.75% (4/04)	2.5%(c)	3.5%(d)	4.5%(e)	4.5%(f)	3.25% (7/08)	3.75% (7/09)	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(i)
Top of range adjustment	-	-	(c)	-	-	-	-	-	-	-	-

- (a) 2.5% COLA effective 7/02; .75% COLA effective 10/02.
- (b) 2.5% COLA effective 02/03; 1.0% COLA effective 11/02 and an additional 2.5% COLA for Sergeants only in 8/02.
- (c) 2.5% COLA for officers below the rank of Sergeant effective 5/05. Sergeants were granted a 5.0% COLA effective 5/05. One new step (2.5%) added for Sergeants (P05) only.
- (d) 2.5% COLA effective 7/05. Plus additional 1% COLA provided 4/06 in exchange for officers paying 100% of Long Term Disability premiums.
- (e) 3.5% COLA effective 7/06 plus additional 1% COLA effective 7/06 in exchange for officers paying 100% of Long Term Disability premiums.
- (f) 3.5% COLA effective 7/07 plus an additional 1% COLA increase effective 7/07 in exchange for officers paying 100% of Long Term Disability premiums.
- (g) 3.75% range adjustment for Park Police Command Staff.
- (h) FY10: replacing a normal COLA and merit, a \$1,420 (pro-rated) wage adjustment instead was provided to each MCGEO member (applied up to, but not beyond the top of the grade), effective first pay period following July 1, 2009. Of the \$1,420, \$640 is distributed to every MCGEO member, and the rest \$780 (maximum assuming satisfactory performance rating) was pro-rated based on anniversary date and adjusted based on performance rating.
- (i) The Commission has included funding for a one-time payment that is not an addition to base salary in our FY13 Proposed Budget. Compensation is subject to current labor negotiations with MCGEO and the FOP. The two County Councils will be determining whether to fund the Commission's proposed FY13 compensation at the May 10 bi-county meeting.

WASHINGTON SUBURBAN SANITARY COMMISSION

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	REC FY13
AFSCME										
Merit pay adjustment (a)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)
General adjustment (COLA)	3.0%(c)	2.0%	2.0%	3.5%	3.75%	3.5%	0.0%	0.0%	2.0%(e)	2.0%(e)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-
Non-Represented										
Merit pay adjustment (a)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	0.0%	0.0%	3.0%(d)
General adjustment (COLA)	3.0%(c)	2.0%	2.0%	3.5%	3.75%	3.5%	0.0%	0.0%	0.0%	2.0%(e)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-

- (a) WSSC has a performance based merit pay system. Adjustments to base pay are based upon annual employee evaluations. In FY09, a new Performance Management System applies to all employees except those reporting directly to the Commissioners or in a bargaining unit. A rating of 3.0 and above will result in a corresponding percentage pay increase. A rating below 3.0 will result in a Performance Improvement Plan (PIP). Employees rated below a 2.0 numerical rating or employees who do not successfully complete their PIP are subject to release.

The merit pay salary adjustments associated with each performance rating category FY94-FY08 were:

	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
Superior	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	0.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Commendable	-	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Fully satisfactory	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Needs improvement	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unsatisfactory	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

- (b) Merit pay adjustment was replaced with skill-based compensation for some bargaining unit employees in FY02.
(c) General adjustment (COLA) was effective October 2003 when COLAs and merit increases were no longer limited by State Law.
(d) Employees at grade maximum who receive above average evaluations may receive a onetime cash payment.
(e) Contract ratified by the union and approved by the Commission includes a 2.0% COLA for represented employees.

MCPS CURRENT FUND REVENUE TRENDS, FY01-FY13

In 2002, the General Assembly enacted the Bridge to Excellence in Public Schools Act (BTE) to equalize funding for education among counties and increase funding overall. In Montgomery County, revenue for education grew due to the combined effects of:

- Rapid State revenue growth under implementation of BTE;
- Rapid appreciation of the County's property tax base; and
- A sustained level of locally appropriated county tax dollars for education.

Revenue Trends for MCPS Operating Expenses

Tables 6-1, 6-2, and 6-3 display revenue sources for the MCPS' operating expense budgets (the Current Fund¹). The tables disaggregate local and state revenue to highlight changes in these revenue sources. The "All Other" column combines Federal, Other, Fund Balance and Specific Grants.

- FY13 revenue from all sources is \$922.2 million higher compared to FY02 (before implementation of the Bridge to Excellence).
- County and State revenue increases were \$458.5 million and \$411.8 million respectively.

Table 6-1. Revenue for MCPS' Operating Expense Budget FY02 to FY13 (Millions of \$)

Fiscal Year	Local Contribution	State Aid	All Other	Total MCPS Current Fund
FY01 (Pre BTE)	\$ 961.0	\$176.5	\$42.8	\$1,180.3
FY02	1,029.7	204.7	49.2	\$1,283.7
FY03	1,064.9	226.7	74.1	\$1,365.7
FY04	1,133.0	251.7	67.1	\$1,451.8
FY05	1,211.30	270.7	81.5	\$1,563.5
FY06	1,272.6	302.7	87.6	\$1,662.9
FY07	1,381.6	335.4	83.3	\$1,800.2
FY08	1,449.1	390.4	91.2	\$1,930.7
FY09	1,513.6	424.5	98.8	\$2,036.9
FY10	1,527.6	440.1	176.8	\$2,144.5
FY11	1,415.1	471.1	161.9	\$2,048.1
FY12	1,370.1	559.5	100.6	\$2,030.3
FY13	1,419.5	588.3	94.7	\$2,102.5
Change FY01-FY13	+ \$ 458.5	+\$ 411.80	+\$ 51.9	+ \$ 922.2

Source: MCPS Adopted Operating Budgets

¹ According to the Financial Reporting Manual for Maryland Public Schools, the Current Expense fund is the composite of the General Fund and all Special Revenue Funds except the Food Service Fund and Special Revenue funds set up for capital projects. The Current Expense Fund accounts for the basic education programs and includes all financial resources used for the basic operations of the school system.

Total revenue accounted for in the MCPS Current Fund grew steadily through FY10, declined in FY11 and FY12, and recovered in FY13. Since FY01, total revenue grew 44%, fueled by County and State revenue increases of 32% and 70% respectively. State revenue grew more than twice as fast as County revenue.

Table 6-2. Annual Change for MCPS' Revenue by Source, FY02 to FY13 (Millions of \$)

Fiscal Year	\$ Change			Total \$ Change
	Local	State	All Other	
FY02	\$68.7	\$28.2	\$6.4	\$103.3
FY03	35.2	22.0	24.9	82.1
FY04	68.1	25.0	(7.0)	86.1
FY05	78.3	19.0	14.4	111.7
FY06	61.3	32.0	6.1	99.4
FY07	109.0	32.7	(4.3)	137.4
FY08	67.5	55.0	7.9	130.4
FY09	64.5	34.1	7.6	106.2
FY10	14.0	15.6	78.0	107.6
FY11	(112.5)	31.0	(14.9)	(96.4)
FY12	(45.0)	88.4	(61.3)	(17.9)
FY13	49.4	28.8	(5.9)	72.3
Change FY01-FY13	+ \$458.5	+ \$411.8	+ \$51.9	+ \$922.2

Source: MCPS Operating Budgets

Since State revenue outpaced local revenue growth, the county's FY13 revenue share fell compared to FY01. In FY13, county revenue accounts for 68% of all revenue, compared to 81% in FY01, a decline of 13 points.

Table 6-3. Revenue Shares for MCPS' Operating Expense Budget, FY01 to FY13 (Millions of \$)

Fiscal Year	Local	State	All Other
FY01	81%	15%	4%
FY02	80%	16%	4%
FY03	78%	17%	5%
FY04	78%	17%	5%
FY05	77%	17%	5%
FY06	77%	18%	5%
FY07	77%	19%	5%
FY08	75%	20%	5%
FY09	74%	21%	5%
FY10	71%	21%	8%
FY11	69%	23%	8%
FY12	67%	28%	5%
FY13	68%	28%	5%

Source: MCPS Operating Budgets

MCPS OPERATING BUDGET SUMMARIES, FY11 – FY13

The MCPS Operating Budget approved by the Board of Education presents a summary of budget changes (Table 7-1) to track items such as enrollment, employee salaries and benefits, inflation and reductions to central services, support operations and school based positions. Exhibit 7-1 presents summary data for the FY11 - FY13 MCPS Operating Budgets. Exhibit 7-2, on the next three pages, provides MCPS budget tables that detail each year's additions and reductions. Exhibit 7-3, on the last page, presents Public Education Finance data from the 2010 U.S. Census that shows expenditure detail for Maryland's school systems.

Exhibit 7-1. Summary of MCPS Operating Budgets, FY11 to FY13

	FY11	FY12	FY13
Fiscal Year Operating Budget	\$2,104.2	\$2,086.8	\$2,160.0
FY10-FY11 Change	(\$96.7)		
FY11-FY12 Change	(\$17.4)		
FY12-FY13 Change	\$73.2		
Item	FY11	FY12	FY13
Enrollment Changes Subtotal	\$14.8	\$17.5	\$14.6
New School Space Subtotal	\$1.0	\$0.9	\$1.8
Employee Salaries Subtotal	\$0.0	\$14.6	\$25.3
Employee Benefits and Insurance Subtotal	\$33.1	\$33.0	\$37.7
Inflation and Other Subtotal	(\$6.4)	\$41.5	\$3.0
Reductions Subtotal	(\$139.2)	(\$124.9)	(\$9.2)
Less Enterprise Funds	(\$56.1)	(\$56.5)	(\$57.5)
Less Grants	(\$128.2)	(\$79.3)	(\$73.7)
Spending Affordability Budget	\$1,919.9	\$1,951.0	\$2,028.8
Revenue Increase by Source			
Local	(\$112.4)	(\$45.0)	\$49.4
State	\$48.5	\$88.7	\$28.8
Federal	\$1.2	(\$66.4)	(\$5.9)
Other	\$0.3	(\$1.8)	\$0.0
Fund Balance	(\$33.9)	\$6.7	N.A.
Enterprise	(\$0.4)	\$0.4	\$0.9
Total Revenue Increase	(\$96.7)	(\$17.4)	\$73.2

Source: MCPS Operating Budget Summary, Table 1A.

TABLE 1A
FY 2011 OPERATING BUDGET - SUMMARY OF BUDGET CHANGES
(\$ in millions)

ITEM	AMOUNT
FY 2010 OPERATING BUDGET	\$2,200.9
ENROLLMENT CHANGES	
Elementary/Secondary	7.8
Special Education	2.1
ESOL	1.0
PreKindergarten	0.4
Transportation/Food Service/Facilities/Plant Ops/Other	0.1
Benefits for Staff	3.4
Subtotal	\$14.8
NEW SCHOOLS/SPACE	\$1.0
EMPLOYEE SALARIES	
Continuing Salary Costs	-
Benefits for Continuing Salary Costs	-
Subtotal	\$0.0
EMPLOYEE BENEFITS AND INSURANCE	
Employee Benefit Plan (active)	21.0
Employee Benefit Plan (retired)	4.9
Retirement	3.1
Tuition Reimbursement	0.2
FICA/Self-insurance/Workers' Compensation	3.9
Subtotal	\$33.1
INFLATION AND OTHER	
Utilities	(5.5)
Special Education Including Non-public Tuition	(2.1)
Transportation	2.2
Facilities/Plant Operations/Maintenance	0.2
Food Service	(0.3)
Other	(0.9)
Subtotal	(\$6.4)

ITEM	AMOUNT
REDUCTIONS	
Central Office Positions and Resources	(6.5)
Class Size by 1 Student	(16.2)
Classroom Teachers from Reserve	(0.6)
Academic Intervention, Special Program, Focus, Staff Development, Reading, Reading Initiative, Middle School Reform Teachers	(4.8)
Counselors	(0.7)
Speech Pathologists and OT/PTs	(0.9)
Psychologists and PPWs	(0.5)
Media Assistants	(0.2)
Elementary Paraeducators	(1.0)
Maintenance Positions	(0.3)
Staff Development Training Plan	(1.0)
Staff Development Substitutes	(1.2)
Teacher Substitutes	(0.1)
High School Plus	(0.3)
Middle School Collaborative Planning	(1.3)
Students Engaged in Pathways to Achievement (SEPA)	(0.1)
Elementary Class I Stipends/Activity Buses	(0.7)
Other K-12 Savings	(0.9)
Furniture and Equipment	(0.9)
Textbooks, Instructional Materials, Media Materials	(7.9)
Bus Replacement	(0.2)
Bus Fuel (Biodiesel)	(0.4)
Local Travel Mileage/Travel Out	(0.1)
Cable Television	(0.1)
Office Supplies	(0.1)
Technology	(0.3)
Grant Program Reductions	(0.5)
Retiree Health Trust Fund	(11.9)
Debt Service Reimbursement	(79.5)
Subtotal	(\$139.2)
FY 2011 BUDGET	\$2,104.2
FY 2010- FY 2011 CHANGE	(\$96.7)
Less Enterprise funds	(56.1)
Less Grants	(128.2)
SPENDING AFFORDABILITY BUDGET	\$1,919.9
REVENUE INCREASE BY SOURCE	
Local	(112.4)
State	48.5
Federal	1.2
Other	0.3
Fund Balance	(33.9)
Enterprise	(0.4)
TOTAL REVENUE INCREASE	(\$96.7)

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

ITEM	AMOUNT
FY 2011 OPERATING BUDGET	\$2,104.2
ENROLLMENT CHANGES	
Elementary/Secondary	13.0
Special Education	3.3
PreKindergarten	0.3
ESOL	0.9
Subtotal	\$17.5
NEW SCHOOLS/SPACE	\$0.9
EMPLOYEE SALARIES - CONTINUING SALARIES	
COSTS FOR CURRENT EMPLOYEES (including benefits)	\$14.6
EMPLOYEE BENEFITS AND INSURANCE	
Employee Benefits Plan (active)	12.9
Employee Benefits Plan (retired)	5.7
Retirement	11.5
FICA/Self-Insurance/Workers' Compensation	2.9
Subtotal	\$33.0
INFLATION AND OTHER	
Textbooks, Instructional and Media Materials	0.6
Utilities	2.8
Special Education Including Non-public Tuition	2.1
Transportation	1.5
Facilities/Plant Operations/Maintenance	0.7
Technology	0.5
ARRA Grants	(13.7)
Other Grant Projects - Revenue Changes	(0.7)
Other	0.1
Contribution to Retiree Health Benefit Trust Fund (OPEB)	47.6
Subtotal	\$41.5
REDUCTIONS	
Central Services:	
Office of School Performance	(0.2)
Office of the Deputy Superintendent of Schools	(0.2)
Office of Shared Accountability	(0.2)
Office of Curriculum and Instructional Programs	(1.8)
Office of Special Education and Student Services	(1.3)
Office of the Chief Operating Officer	(1.8)
Office of the Chief Technology Officer	(1.9)
Office of Human Resources and Development	(1.1)
Office of the Superintendent of Schools	(0.3)
Support Operations:	
Utilities Efficiencies	(1.2)
Transportation - Seek Waiver of 25 Buses, Route Efficiency	(0.9)

ITEM	AMOUNT
REDUCTIONS	
School Based:	
School Improvement Planning Funds, Furniture & Equipment, Other	(0.8)
Assistant School Administrators	(0.2)
Reserve Teachers	(1.3)
Academic Intervention Teachers	(0.6)
Reading Recovery Teachers	(0.5)
Staff Development Teachers	(3.7)
ESOL Teachers	(0.1)
Instrumental Music Teachers	(0.1)
Career Prep Teachers	(0.3)
Counselors	(0.6)
English Composition Assistants	(0.5)
Instructional Technology Systems Specialists	(0.7)
Paraeducators, Elem/Middle Lunch Hour Aides, Parent Comm. Coordinators	(1.7)
High School Teacher Assistants	(0.1)
Instructional Data Assistants	(1.0)
Media Assistants	(1.4)
School Secretaries	(0.6)
Athletics	(0.7)
Inflationary Costs for Textbooks and Instructional/Media Materials	(0.6)
Special Education Staffing Ratios	(0.4)
Secondary Learning Centers	(1.2)
Special Education Non-public Tuition	(2.1)
Other:	
Salary Steps and Longevities	(28.0)
Contribution to Retiree Health Benefit Trust Fund (OPEB)	(47.6)
Retirement Administration Fee	2.8
Employee Benefit Costs	(22.0)
Subtotal	(\$124.9)
FY 2012 BUDGET	\$2,086.8
FY 2012 - FY 2011 CHANGE	(\$17.4)
Less Enterprise funds	(56.5)
Less Grants	(79.3)
SPENDING AFFORDABILITY BUDGET	\$1,951.0
REVENUE CHANGE SOURCE	
Local	(45.0)
State	88.7
Federal	(66.4)
Other	(1.8)
Fund Balance	6.7
Enterprise	0.4
TOTAL REVENUE INCREASE	(\$17.4)

TABLE 1A
FY 2013 OPERATING BUDGET - SUMMARY OF BUDGET CHANGES FY 2012 - FY 2013
(\$ in millions)

ITEM	FTE	AMOUNT
FY 2012 OPERATING BUDGET	20,612.226	\$2,086.8
ENROLLMENT CHANGES		
Elementary/Secondary	134.975	9.2
Special Education	59.368	3.9
ESOL/Prekindergarten	15.725	1.1
Transportation	5.625	0.4
Subtotal	215.693	\$14.6
NEW SCHOOLS/SPACE	16.125	\$1.8
EMPLOYEE SALARIES - CONTINUING SALARIES		
COSTS FOR CURRENT EMPLOYEES (including benefits)		\$25.3
EMPLOYEE BENEFITS AND INSURANCE		
Employee Benefits Plan (active)		7.5
Employee Benefits Plan (retired)		1.2
Retirement		2.5
FICA/Self-Insurance/Workers' Compensation		(0.7)
Pension Shift from State of Maryland		27.2
Subtotal		\$37.7
INFLATION AND OTHER		
School Restructuring/Programs	5.600	0.8
Textbooks, Instructional and Media Materials		0.8
Utilities		(3.7)
Special Education Including Non-public Tuition	14.475	1.4
Transportation		2.3
Maintenance		0.2
Facilities Management		0.4
Grant Revenue Reductions		(0.2)
Other	2.400	1.0
Subtotal	22.475	\$3.0

ITEM	AMOUNT
EFFICIENCIES & REDUCTIONS	
Central Services:	
K-12 and Office of School Performance	(1.500) (0.8)
Office of the Deputy Superintendent of Schools	(0.500) (0.1)
Office of Shared Accountability	(1.500) (0.2)
Office of Curriculum and Instructional Programs	(2.250) (0.5)
Office of Special Education and Student Services	(5.000) (0.7)
Office of the Chief Operating Officer	(6.000) (1.0)
Office of the Chief Technology Officer	
Office of Human Resources and Development	(1.000) (1.6)
Office of the Superintendent of Schools	
Subtotal	(17.750) (\$6.4)
School-based/Support Operations:	
Elementary Schools	
Middle Schools	
High Schools	
Office of School Performance	
Office of Curriculum and Instructional Programs	
Office of Special Education and Student Services	
Office of the Chief Operating Officer	(5.625) (0.7)
Subtotal	(5.625) (2.8)
Total Efficiencies & Reductions	(23.375) (\$9.2)
FY 2013 BUDGET	20,843.144 \$2,160.0
FY 2012-FY 2013 CHANGE	230.918 \$73.2
Less Enterprise funds	(619.948) (57.5)
Less Grants	(472.138) (73.7)
SPENDING AFFORDABILITY BUDGET	19,751.058 \$2,028.8
REVENUE INCREASE BY SOURCE	
Local	49.4
State	28.8
Federal	(5.9)
Other	0.0
Enterprise	0.9
TOTAL REVENUE INCREASE	\$73.2

Table 15.

Finances of Individual Public Elementary-Secondary School Systems With Enrollments of 10,000 or More: 2009-2010—Con.

(In thousands of dollars. Detail may not add to total because of rounding. For meaning of abbreviations and symbols, see introductory text)

Geographic area	Elementary-secondary expenditure									
	Total	Total	Current spending							
			For selected objects		For selected functions					
			Salaries and wages	Employee benefits	Total ²	Salaries and wages	Employee benefits	Support services		
LOUISIANA—Con.										
Independent Schools:—Con.										
Rapides Parish	220,838	214,354	127,965	49,713	132,342	88,692	33,972	67,052	9,137	11,151
St Landry Parish	153,137	144,419	87,341	35,489	88,622	58,568	23,274	45,693	6,853	4,866
St Tammany Parish	508,544	408,864	248,467	115,654	250,628	167,576	74,462	136,030	17,188	15,984
Tangipahoa Parish	176,584	171,812	103,845	36,121	101,063	68,181	23,106	60,318	8,621	8,711
Terrebonne Parish	178,226	174,610	108,882	41,561	109,332	75,174	26,805	54,613	8,453	10,832
Dependent Schools:—Con.										
Louisiana Recovery Schools	286,690	173,255	84,953	21,170	68,129	51,475	11,750	99,350	11,833	19,041
MARYLAND—Con.										
Dependent Schools:—Con.										
Anne Arundel County	1,094,472	951,987	571,294	237,362	591,609	394,509	168,945	323,955	38,962	50,196
Baltimore	1,364,829	1,219,052	685,531	264,165	725,118	443,596	174,642	453,406	48,362	79,809
Baltimore County	1,534,466	1,370,482	809,392	354,513	840,520	533,997	245,056	477,873	71,565	62,559
Calvert County	238,701	219,195	135,539	47,663	137,072	97,453	35,545	70,430	9,414	7,549
Carroll County	375,789	346,827	204,068	82,312	209,241	138,041	58,202	125,719	17,548	18,827
Cecil County	217,219	194,343	118,733	45,572	119,726	80,141	33,604	65,832	8,996	11,905
Charles County	366,669	344,282	202,363	72,441	194,189	139,564	44,790	130,111	17,897	15,403
Frederick County	597,610	491,492	306,685	118,229	303,223	207,170	82,862	168,868	23,976	27,693
Harford County	584,162	479,502	278,348	122,925	292,779	192,271	87,544	165,745	20,851	23,588
Howard County	830,246	751,311	463,499	161,328	475,060	331,868	119,119	242,529	34,130	42,344
Montgomery County	2,579,354	2,210,511	1,427,786	594,698	1,434,291	978,560	417,678	699,487	90,536	116,219
Prince Georges County	1,946,892	1,783,365	1,098,401	425,283	1,033,463	703,810	265,135	669,947	96,910	87,243
St Marys County	227,687	211,974	120,968	49,225	126,550	82,391	33,473	75,452	9,020	11,644
Washington County	298,436	270,013	163,377	58,834	159,034	108,533	40,676	95,983	9,222	18,452
Wicomico County	231,439	191,022	114,129	42,770	113,166	76,835	29,815	68,024	12,691	11,736
MASSACHUSETTS—Con.										
Dependent Schools:—Con.										
Boston	1,121,918	1,077,082	625,738	168,796	631,172	413,071	111,405	397,775	62,144	102,113
Brockton	231,469	223,862	118,246	62,335	141,922	77,526	44,502	81,003	19,984	19,247
Lawrence	214,892	202,697	108,768	48,251	130,752	74,090	35,146	62,771	13,375	13,037
Lowell	222,076	212,610	114,990	53,178	145,849	84,789	40,282	60,192	15,599	8,710
Lynn	214,019	199,818	100,460	59,504	126,678	71,790	43,327	64,763	16,825	13,815
New Bedford	228,232	194,911	100,322	54,108	118,309	65,579	40,052	67,617	19,561	12,658
Newton	302,770	222,034	125,772	59,286	146,679	89,526	44,340	70,288	16,877	13,609
Springfield	461,572	426,163	211,723	94,499	263,959	142,206	70,132	146,267	23,617	34,594
Worcester	434,421	386,628	198,367	106,568	277,762	148,989	82,739	95,339	17,589	9,881
MICHIGAN—Con.										
Independent Schools:—Con.										
Ann Arbor	245,765	221,608	125,288	58,385	122,266	80,095	36,152	88,237	25,158	10,872
Chippewa Valley	171,425	139,497	85,936	36,316	87,267	59,315	24,192	46,601	11,228	4,465
Dearborn	223,299	209,995	124,488	55,660	122,073	79,889	35,124	79,404	17,381	13,562
Detroit	1,319,743	1,169,059	623,029	287,769	651,102	406,161	175,382	471,326	84,245	74,576
Farmington	174,386	166,092	97,353	48,441	98,442	62,253	30,220	62,158	16,269	9,921
Flint	187,264	183,350	98,582	48,659	98,026	61,496	30,187	71,878	12,608	13,285
Forest Hills	137,471	100,349	59,228	26,776	64,538	42,292	19,185	30,143	3,788	3,309
Grand Rapids	270,743	232,951	123,754	62,930	132,661	79,746	41,056	89,209	16,483	19,383
Huron Valley	111,532	96,639	54,900	25,526	53,340	35,195	15,719	37,747	8,567	3,727
Kalamazoo	159,149	132,897	71,869	34,164	75,953	45,686	21,947	49,494	9,318	10,361
L'Anse Creuse	156,423	119,531	67,558	34,643	72,140	44,710	22,881	41,037	8,910	5,438
Lansing	179,727	169,730	93,434	48,295	93,173	57,695	29,858	68,848	15,212	9,809
Livonia	191,017	181,175	108,457	51,914	106,882	70,011	33,404	65,879	15,131	10,327
Plymouth-Canton Community	193,973	173,782	100,022	49,945	100,745	65,317	31,945	62,749	10,790	8,672
Port Huron Area	106,341	104,413	60,191	29,745	67,302	42,255	20,715	33,043	6,130	6,002
Rochester Community	170,744	155,666	91,373	41,834	90,744	59,002	26,626	57,770	14,844	5,949
Traverse City	107,541	93,319	54,909	24,503	53,351	35,717	15,616	33,221	3,459	4,499
Troy	153,149	138,834	73,408	33,866	83,312	54,392	24,365	45,248	10,226	7,001
Utica Community	306,227	280,091	173,084	76,808	177,886	121,163	49,582	90,245	16,048	7,537
Walled Lake Consolidated	186,728	171,826	91,654	52,167	104,937	57,047	35,037	60,431	13,658	7,482
Warren Consolidated	179,796	170,322	102,974	46,621	101,800	66,740	28,876	61,514	14,401	6,055
Waterford Township	133,129	118,514	66,293	31,015	66,633	42,764	20,181	44,257	11,217	4,670
Wayne-Westland Community	153,265	145,647	84,007	38,801	77,577	49,599	22,080	62,288	16,346	8,106

See footnotes at end of table.

MCPS ENROLLMENT, FY03 - FY12

Student enrollment is one factor that determines the County's annual Maintenance of Effort requirement and the corresponding mandatory local appropriation to MCPS. The State's Maintenance of Effort law defines "Enrollment for MOE" (also referred to as "MOE enrollment") and establishes a formula to calculate the MOE contribution. Under State law,

- The definition of MOE enrollment is a subset of "total enrollment." MOE enrollment excludes categories such as Pre-Kindergarten, Head Start.
- The MOE formula adjusts based on annual enrollment changes. If MOE enrollment increases, the County's contribution for the upcoming year must match the previous year's enrollment growth. If enrollment declines, the MOE formula adjusts the contribution downward.

MCPS publishes actual and projected total enrollment data developed by the Department of Planning and Capital Programming in its operating budgets. MCPS, OMB and Council staff jointly maintain an internal working document to track these data. (See Topic 1, Table 1-1.)

To examine the accuracy of MCPS' enrollment projections for MOE purposes, OLO disaggregated total enrollment data from MCPS' operating budgets into two groups. In the tables that follow, the K-12 enrollment data serves as a proxy for MOE enrollment. The Pre-Kindergarten (including special education pre-kindergarten) and Head Start data is not counted for MOE purposes; however, it is included to provide a complete dataset of total MCPS enrollment.

MCPS Total Enrollment, FY03 - FY12

Table 8-1 shows MCPS' actual total enrollment from FY03 through FY12. September 30 is the official enrollment date. On September 30, 2011, 146,497 students were enrolled in MCPS, including 142,868 K-12 students.

Table 8-1. Actual Enrollment, FY03 to FY12

Fiscal Year	Enrollment Year	PreK and Head Start	K-12	Total Enrollment
FY03	2002	2,015	136,876	138,891
FY04	2003	2,287	136,916	139,203
FY05	2004	2,426	136,911	139,337
FY06	2005	2,402	136,985	139,387
FY07	2006	2,412	135,386	137,798
FY08	2007	2,432	135,313	137,745
FY09	2008	2,496	136,780	139,276
FY10	2009	3,416	138,361	141,777
FY11	2010	3,512	140,552	144,064
FY12	2011	3,629	142,868	146,497

Source: MCPS Operating Budgets

Variance in MCPS' Projected and Actual K-12 Enrollment, FY03 - FY12

Table 8.2 compares MCPS' projected and actual enrollments and the annual variance between the two from FY03 through FY12 for K-12 enrollment only. The enrollment counts show that one-year projections overestimated actual enrollment in every year but one from FY03 through FY07. Conversely, from FY08 through FY12, actual enrollment exceeded projections.

The variance between projected and actual enrollment was small throughout the ten-year period.

- From FY03 to FY07, when projections overestimated actual enrollment, the variance averaged 832 students or 0.6%.
- From FY08 to FY12, when projections underestimated actual enrollment, the variance averaged 1009 students or 0.74 percent.

Table 8.2 K-12 Projected and Actual Enrollment and Variance, FY03 to FY12¹

Fiscal Year	One-year projection	Actual enrollment	Variance (Projected-Actual)	Variance
FY03	136,421	136,876	(455)	(0.33%)
FY04	138,468	136,916	1,552	1.12%
FY05	137,928	136,911	1,017	0.74%
FY06	136,988	136,985	3	0%
FY07	137,427	135,386	2,041	1.49%
FY08	134,498	135,313	(815)	(0.61%)
FY09	135,279	136,780	(1,501)	(1.11%)
FY10	136,858	138,361	(1,503)	(1.10%)
FY11	139,436	140,552	(1,116)	(0.80%)
FY12	142,756	142,868	(112)	-0.08%
Average, FY03-FY07			832	0.60%
Average, FY08-FY12			-1009	(0.74%)

Source: MCPS Operating Budgets

¹ Does not include enrollment in pre-kindergarten or Head Start programs

Fiscal Planning and the New Maintenance of Effort Law

**Office of Legislative Oversight Presentation to
Montgomery County Council
October 16, 2012**

Today's Presentation

- 1. Changes in State Law**
- 2. FY13 MCPS Operating Budget:
Options and Decisions**
- 3. MOE and Funding of Other
County Agencies**

Responsibilities

County Council:

Determines annual budget appropriation for each County agency.

Oversees County fiscal policies and sets tax rates.

Board of Education:

Decides how to spend dollars appropriated by the Council.

Sets MCPS goals and policies.

Changes in State Law

General Assembly:

- Approved phased-in transfer of teacher pension costs to counties.
- Amended Maintenance of Effort (MOE) law to withhold income tax revenue from counties equal to reduction in per-student contribution.

Maintenance of Effort Law

County per student contribution: once raised, cannot be lowered to reflect changes in:

- economic conditions**
- community needs**

Decision to fund above MOE in any year sets an irreversibly higher annual contribution requirement.

Waiver: Council does not have authority to rebase per student contribution without approval of State and/or Local Boards of Education.

Maintenance of Effort Law

In setting annual budgets, Council must assess resource availability not only for upcoming year, but for all future years as well.

Future year resources uncertain because of unpredictability, volatility of:

- Economic conditions / tax revenues**
- Intergovernmental aid**
- School enrollment**
- Past Commitments (e.g., retiree health costs)**

Maintenance of Effort Law

Given uncertainty of future year revenues, MOE law introduces new risk for counties (with stable or growing public school enrollment):

Are future resources so certain to allow for a permanent, irreversible increase in County's largest spending category?

MCPS FY13 Operating Budget: Options and Decisions

BOE Measures to Control Personnel Costs

FY10

- **No cost-of-living adjustment**

FY11

- **No step increases or cost-of-living adjustments**
- **Increase in class size of one student
(saved \$16.2 million by eliminating 252 FTEs)**

BOE Measures to Control Personnel Costs

FY12

- **No step increases or cost-of-living adjustments**
- **Elimination of 266 school-based FTEs
(saved \$15.0 million)**

Eliminated Positions Included (150 FTEs):

Academic Intervention Teachers

College Prep Teachers

English Composition Teachers

Instrumental Music Teachers

Paraeducators / Lunch Room Aides

Reading Recovery Teachers

Assistant School Administrators

Counselors

ESOL Teachers

Media Assistants

Parent Comm. Coordinators

Reserve Teachers

Special Education Staffing

FY13 MCPS Personnel Costs

salaries, FICA, group insurance, pension for active employees

BOE Approved Total Cost

\$1,734.4 million

Includes:

- **Salary Increases** **\$51.7 million**
(two steps, longevity adjustments,
raises for employees not eligible for steps/longevity)
- **Increased Copays, Reduced Travel** - **\$4.7 million**

**Cost without approved
compensation changes**

\$1,687.4 million

FY13 MCPS Personnel Costs

	Total Cost (millions)	FY13 FTEs	Avg. Cost / FTE
Without Comp. Changes	\$1,687.4	19,752	\$85,400
BOE Approved	\$1,734.4	19,752	\$87,800

**Compensation changes increased
average cost per FTE by \$2,400**

Personnel Costs

Average Cost per FTE

x

Number of FTEs

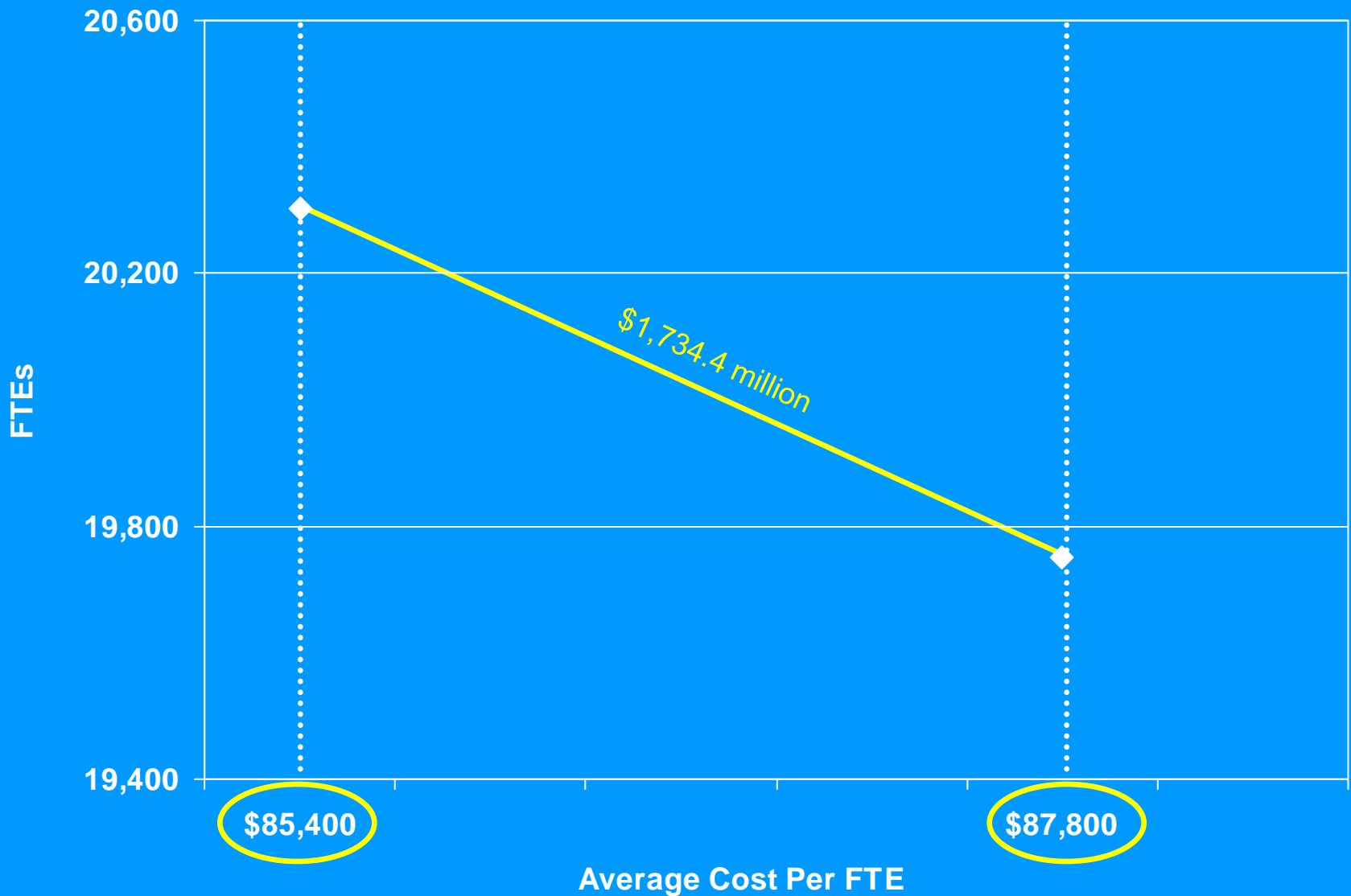
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Total Personnel Cost

= \$1,734.4 million

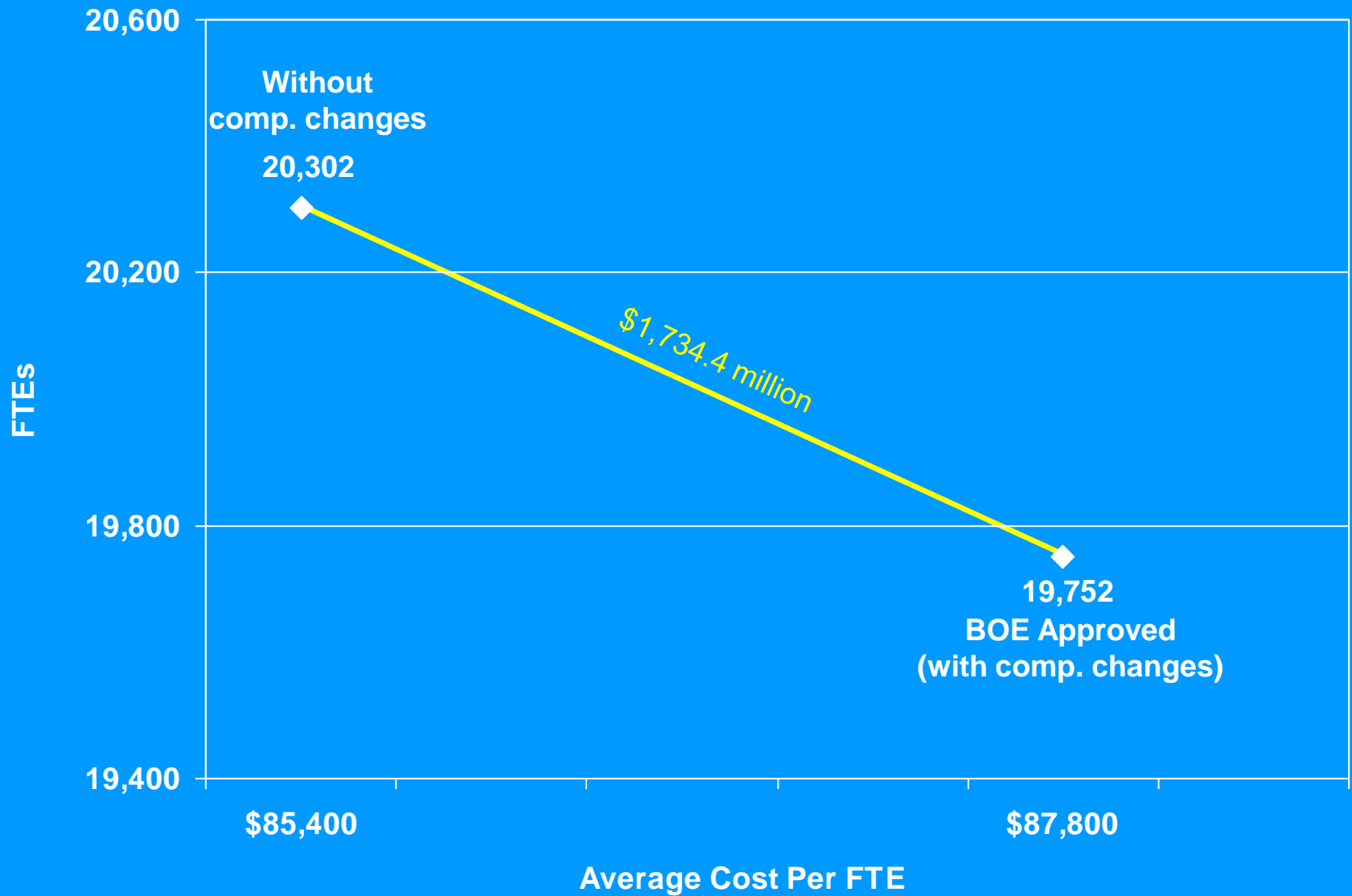
FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



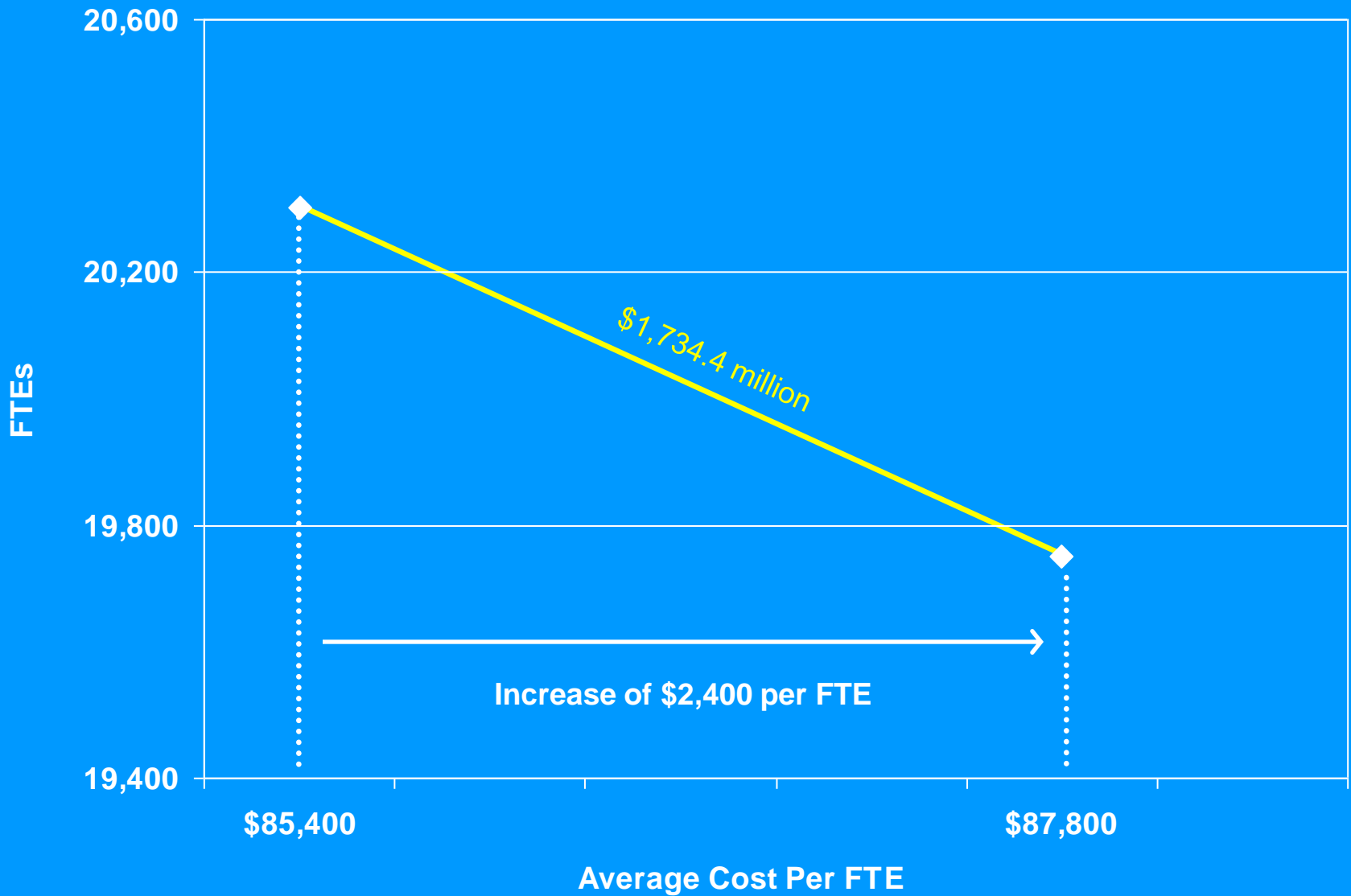
FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



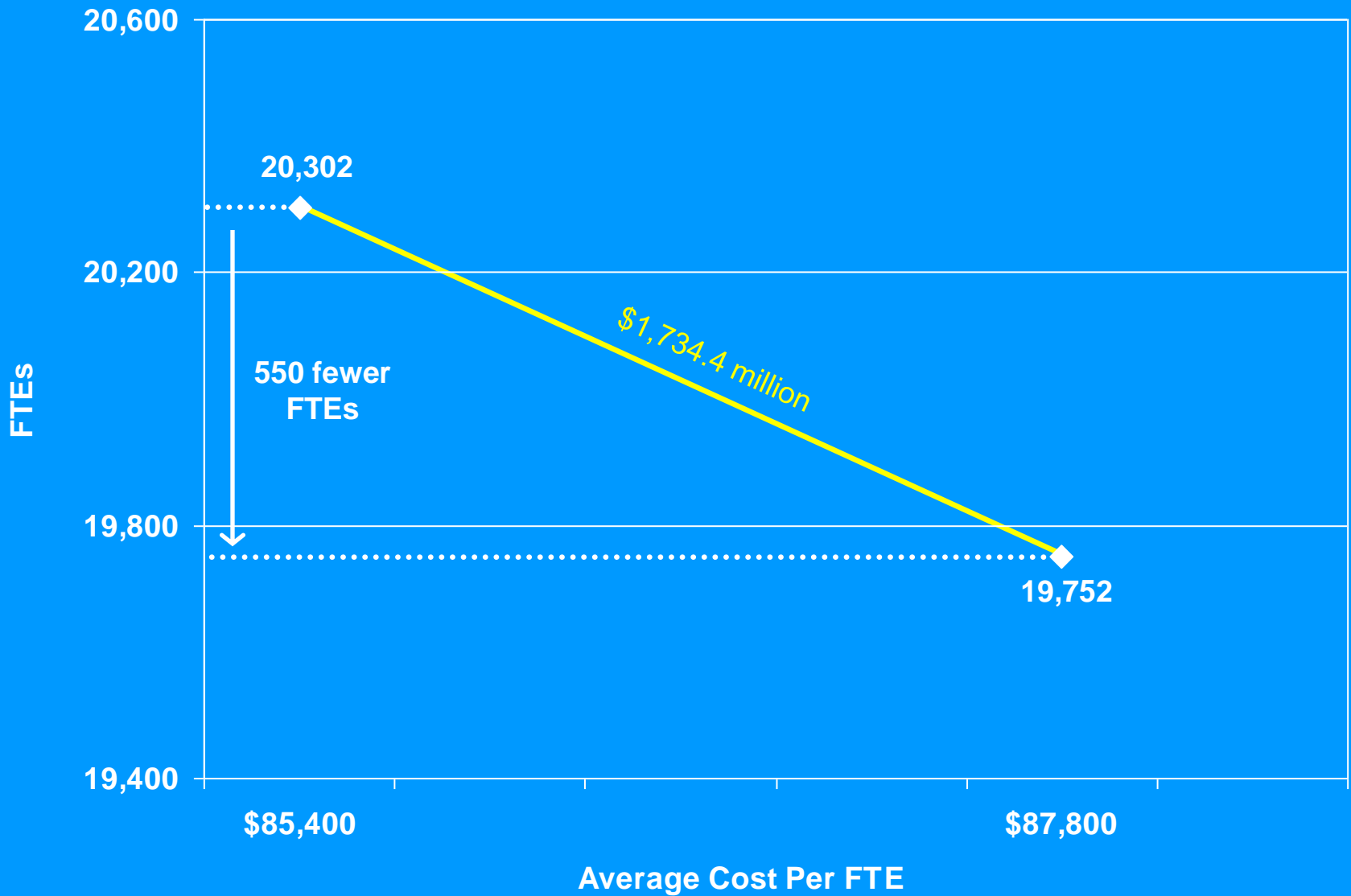
FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



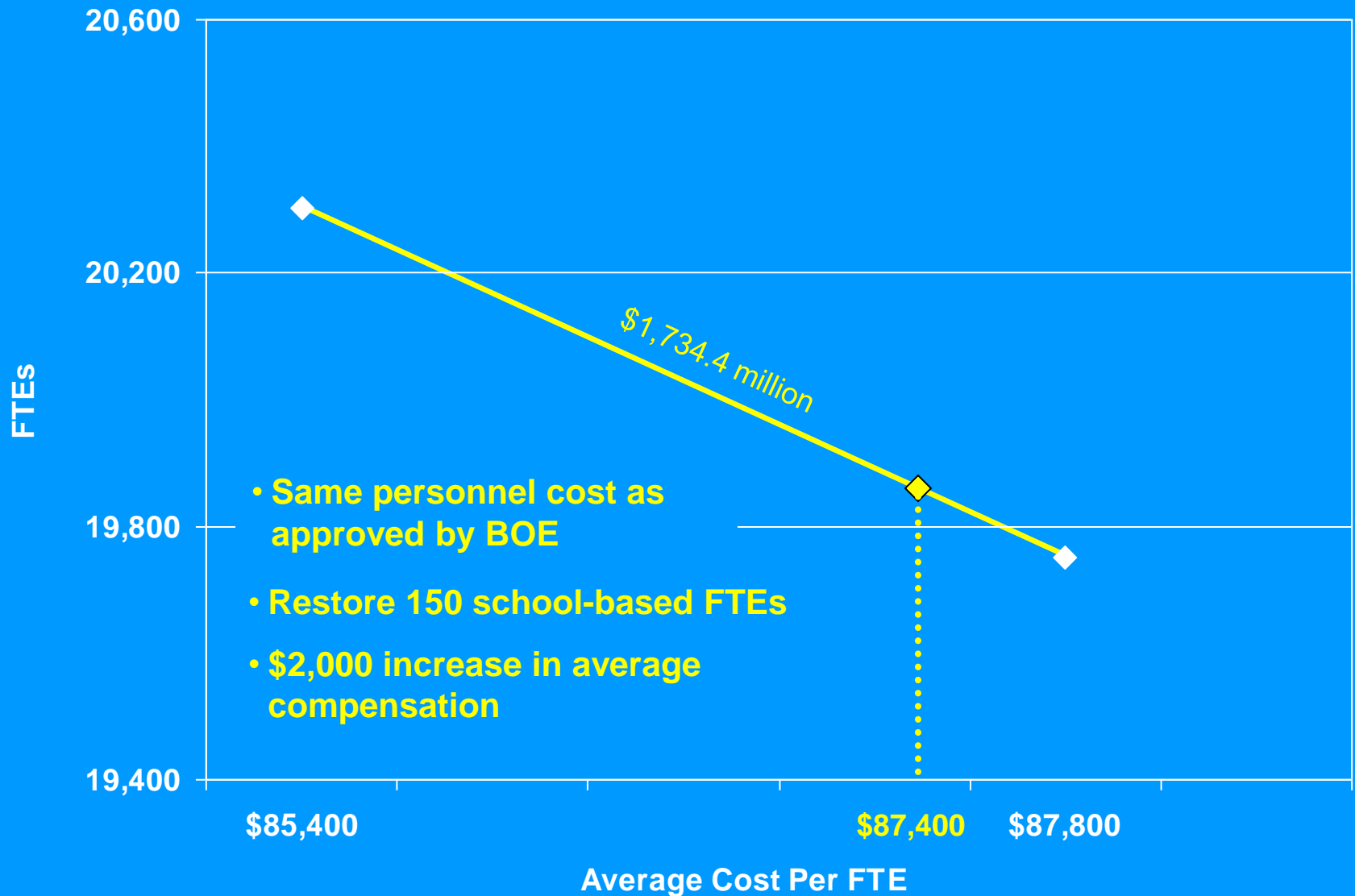
FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



MCPS Personnel Costs

Total FY13 Costs: **\$1,734.4 million**

Excludes:

- **Additional Annualized Cost of May 2013 Step (deferred until FY14)** **\$22.5 million**
- **Additional Annualized Savings from Increased Co-pays** **- \$4.6 million**

Annualized FY13 Costs: **\$1,752.3 million**

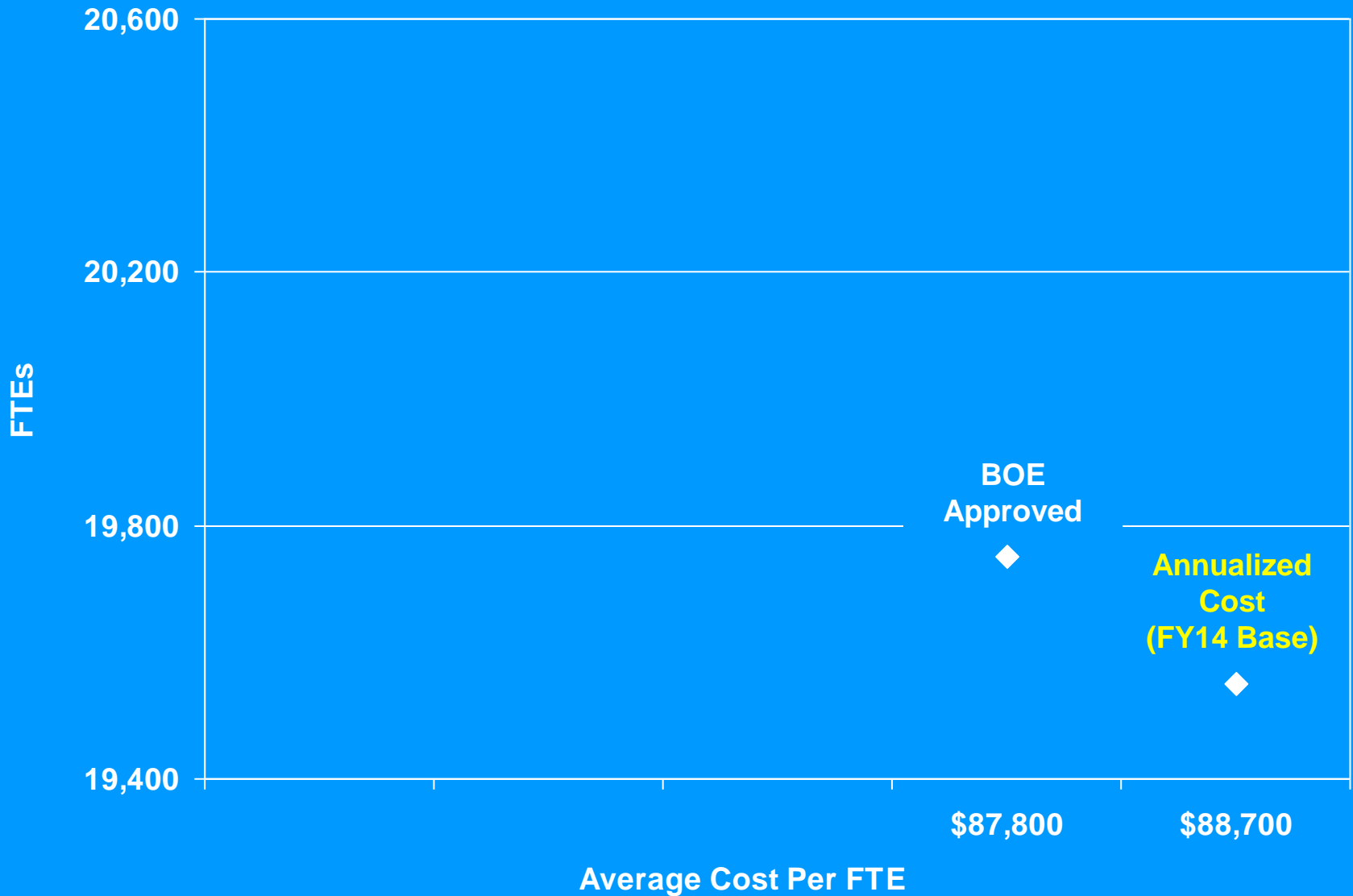
FY13 MCPS Personnel Costs

	Total Cost (millions)	FTEs	Avg. Cost / FTE
Without BOE Comp. Changes	\$1,687.4	19,752	\$85,400
BOE Approved	\$1,734.7	19,752	\$87,800
Annualized Cost (incl. 2 nd step)	\$1,752.3	19,752	\$88,700

Compensation changes will increase average cost per FTE by \$3,300 (or 3.9%) by end of FY13.

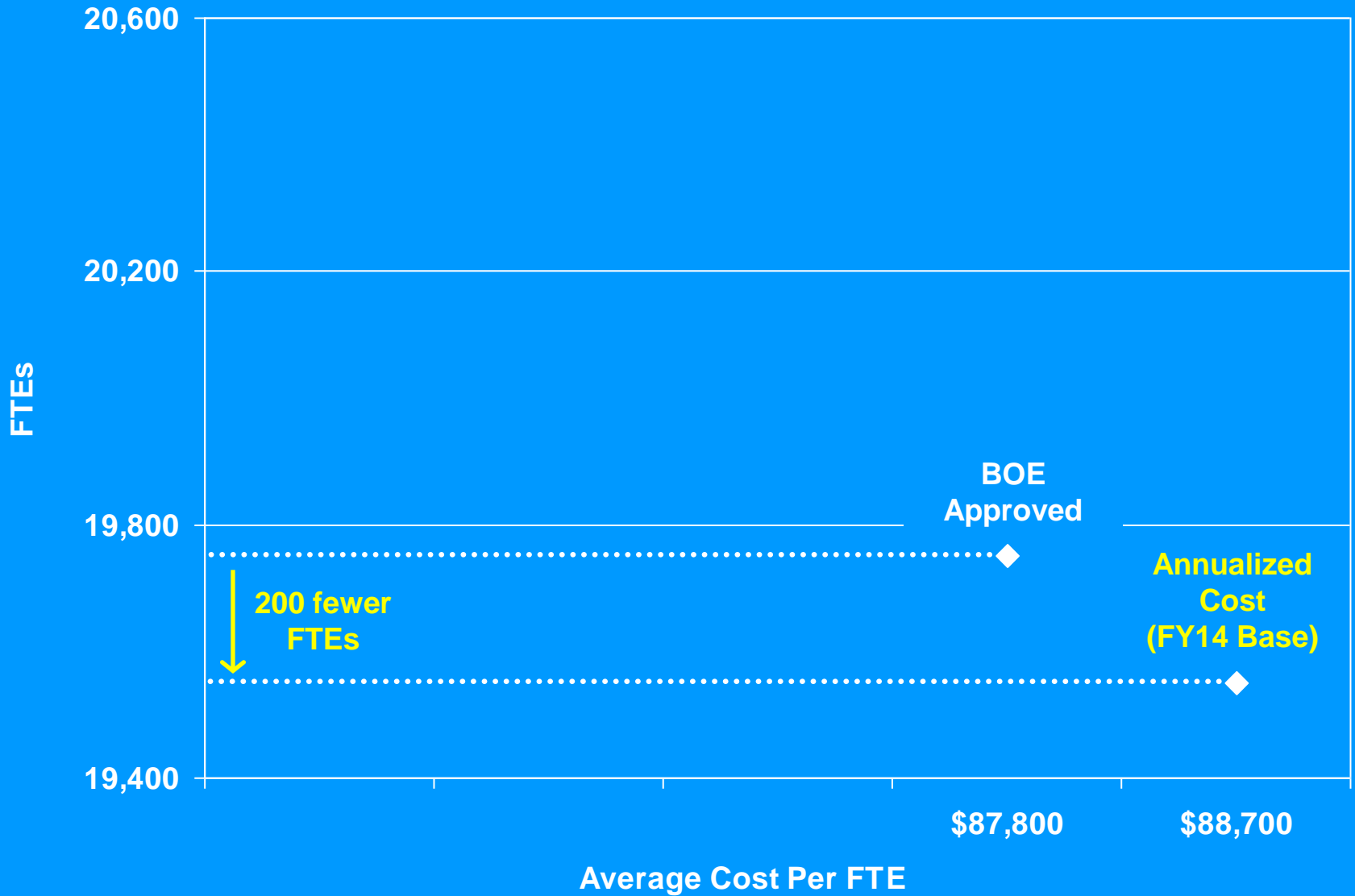
FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



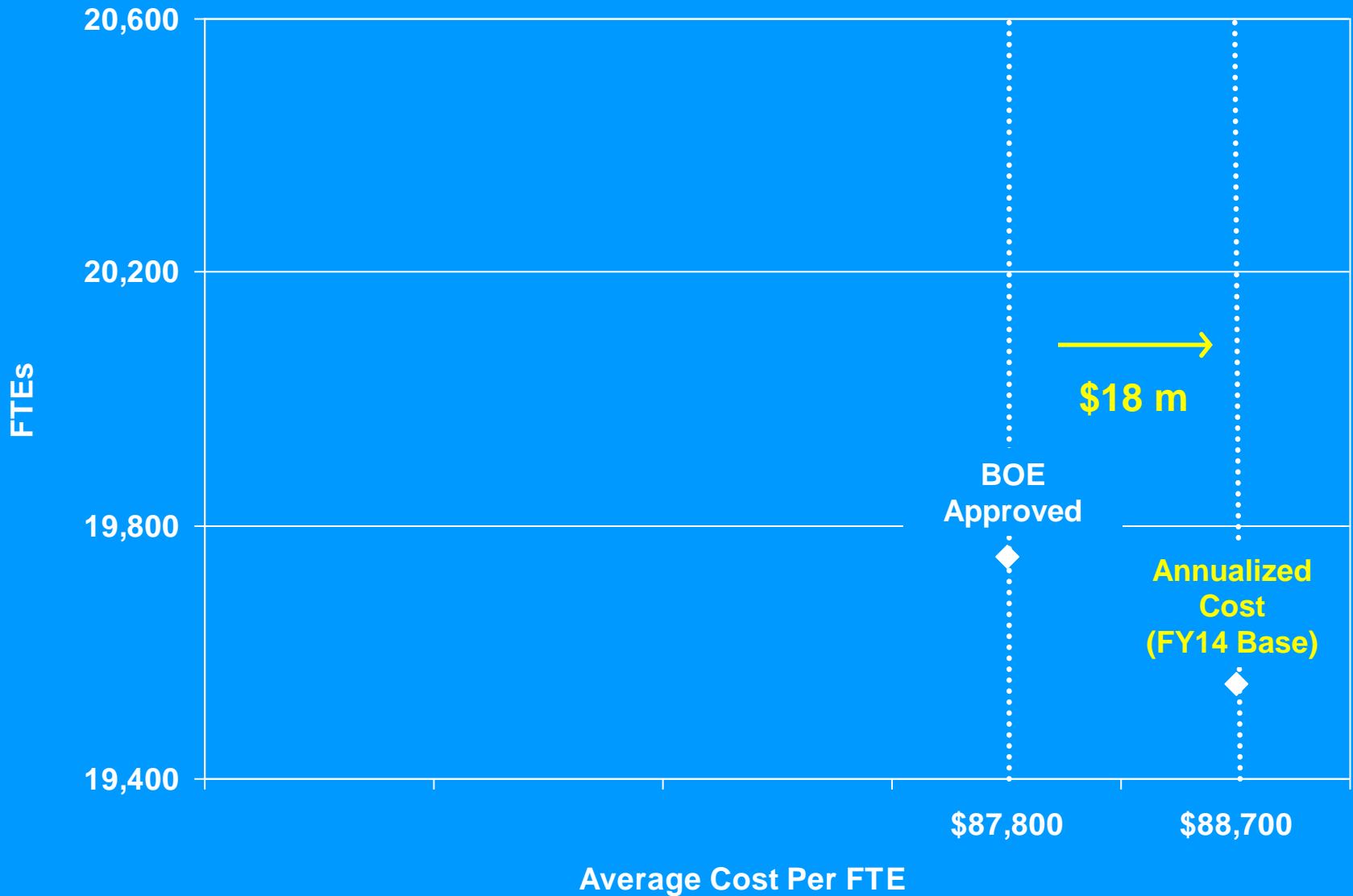
FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



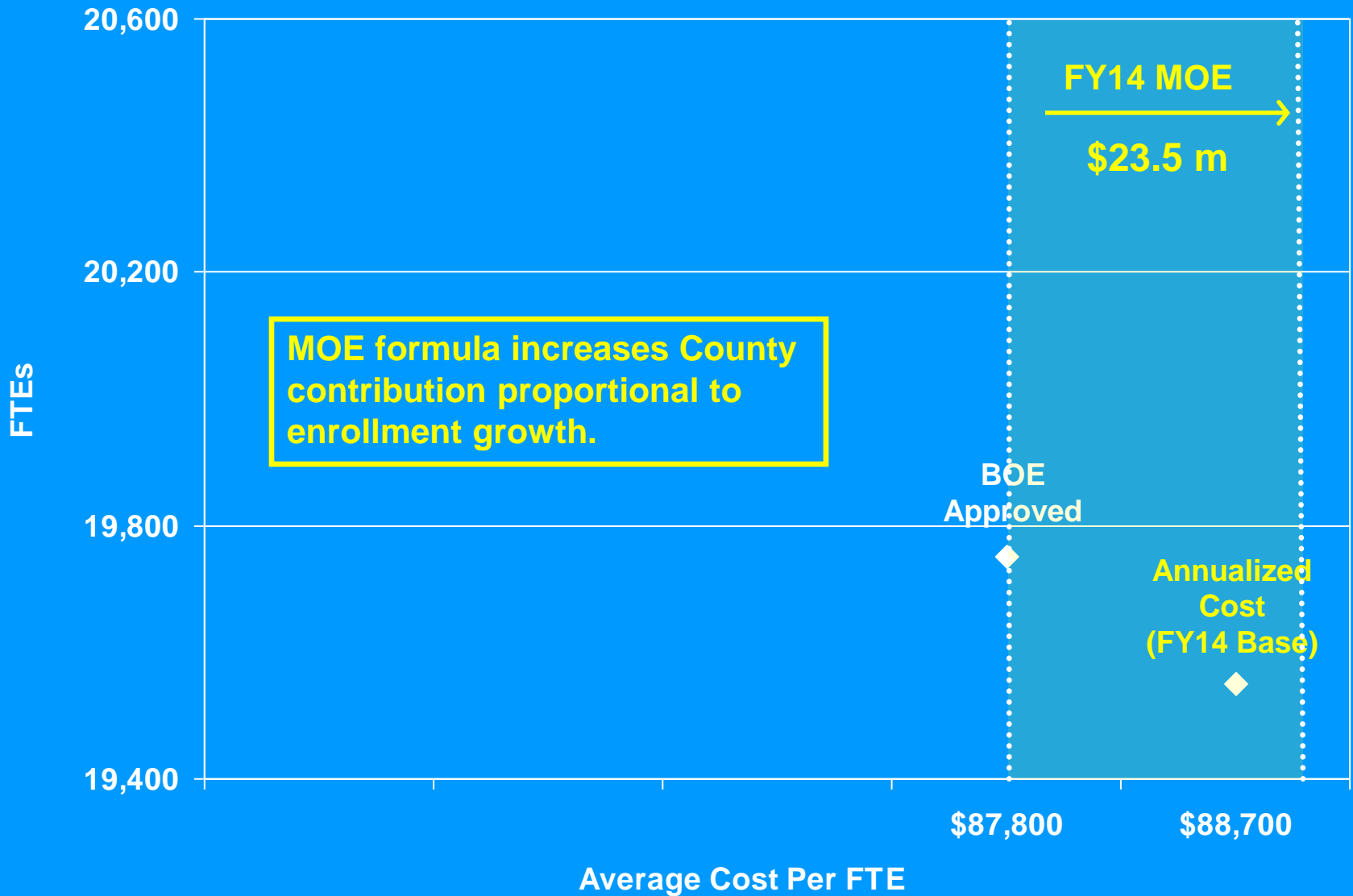
FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



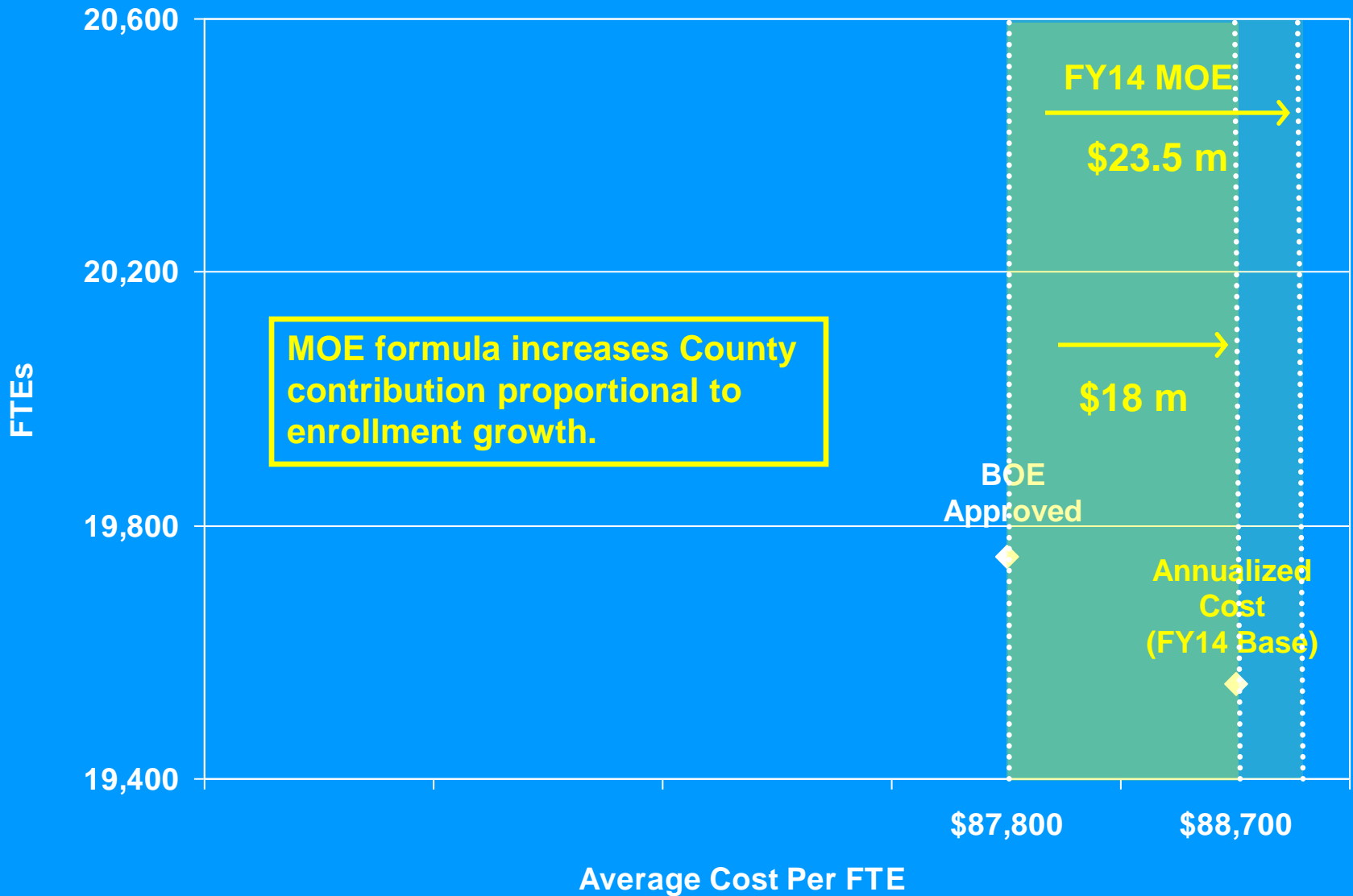
FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



FY13 MCPS FTEs and Average Cost Per FTE

(at total personnel cost of \$1,734.4 million)



Compensation in FY13 MCPS Budget

Salary Cost Increases

First Step (July 2012)	\$33.2 m
Second Step (May 2013)	\$4.4 m (\$26.6 m in FY14)
Longevity Increases	\$5.9 m
2% Raises for Employees Ineligible for Steps/Longevity	\$7.0 m

Benefit Cost Decreases

Increased Copays	-\$4.6 m (- \$9.1 m in FY14)
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Benefits Unchanged

Employee Health Insurance Cost Share	\$6.5 m (half year) \$13.1 m (full year) per 5% increase
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FY13 Compensation Alternatives

Compensation Alternative	FY13 Savings Compared to Board Approved Package
Award \$2,000 Lump Sum in lieu of Salary Increases	\$3.2 million
Award Single Step (no May 2013 step) in July 2012 in September 2012 in January 2013	\$4.4 million \$9.9 million \$21.0 million
Postpone Longevity Increases	\$5.9 million
Reduce Salary Increases for Employees Ineligible for Steps/Longevity from 2% to 1% from 2% to 0%	\$3.5 million \$7.0 million

Compensation Alternative Example 1

Restore 150 Positions Cut in FY12

Academic Intervention Teachers	Asst. School Administrators
College Prep Teachers	Counselors
English Composition Teachers	ESOL Teachers
Instrumental Music Teachers	Media Assistants
Paraeducators	Lunch Room Aides
Parent Comm. Coordinators	Reading Recovery Teachers
Reserve Teachers	Special Education Staffing

Cost:
\$7.7 m

Alternative Compensation Package

Award Single Step (or lump sum equivalent)
1% for Step/Longevity Ineligible Employees

Savings:
\$7.9 m

Compensation Alternative Example 2

Restore 150 Positions Cut in FY12

Academic Intervention Teachers	Asst. School Administrators
College Prep Teachers	Counselors
English Composition Teachers	ESOL Teachers
Instrumental Music Teachers	Media Assistants
Paraeducators	Lunch Room Aides
Parent Comm. Coordinators	Reading Recovery Teachers
Reserve Teachers	Special Education Staffing

Cost:
\$7.7 m

Alternative Compensation Package

Award \$2,000 Lump Sum in lieu of Salary Increases
Raise Health Insurance Employee Cost Share by 5%

Savings:
\$9.7 m

FY13 MCPS Budget

Net Annualized Cost of FY13 Compensation Changes:

FY13	\$47 million
FY14	\$18 million (\$27m for 2nd step minus \$9m from co-pay savings)
Total	\$65 million (equivalent to cost of 750 FTEs)

FY14 Cost Comparison

**Second Step, Full Year Cost:
\$26.6 million**

**Decrease Class Size 1 Student:
\$16.2 million**

**Restore 150
Positions:
\$7.7 million**

\$0

\$10

\$20

Summary Points:

MCPS Approved Budget

BOE had room in FY13 budget to accommodate \$47 million increase in personnel costs.

Options:

- **Restore cut positions (↑ number of FTEs);**
- **Increase compensation (↑ cost per FTE); or**
- **Combination of both.**

Summary Points:

MCPS Approved Budget

- **Board of Education allocated \$47 million entirely to compensation increases – no restoration of cut positions.**
- **Total annualized cost of FY13 MCPS compensation changes is \$65 million.**
- **Annualized cost of FY13 compensation increases is equivalent to cost of 750 FTEs.**

Summary Points:

MCPS Approved Budget

FY13 MCPS appropriation was sufficient to increase compensation and restore staffing reductions.

Example: Funding was sufficient to:

- **Restore 150 school-based positions cut in FY12.**

AND

- **Award a single step increase and longevity adjustments.**

Summary Points:

MCPS Approved Budget

BOE decisions that will impact FY14 budget include:

- **Deferred cost of second step**
(exceeds cost of reducing class size by one student and restoring 150 school-based positions)
- **Salary increases in base budget**
(unlike lump sum, permanent increase in personnel costs)
- **Continued demand for position restorations**
- **Increased health insurance co-pays / maintenance of health insurance cost share**

MOE and Funding Available for County Agencies

(based on approved Fiscal Plan)

Maintenance of Effort Law

Given uncertainty of future year revenues,
MOE law introduces new risk for counties
(with stable or growing public school enrollment):

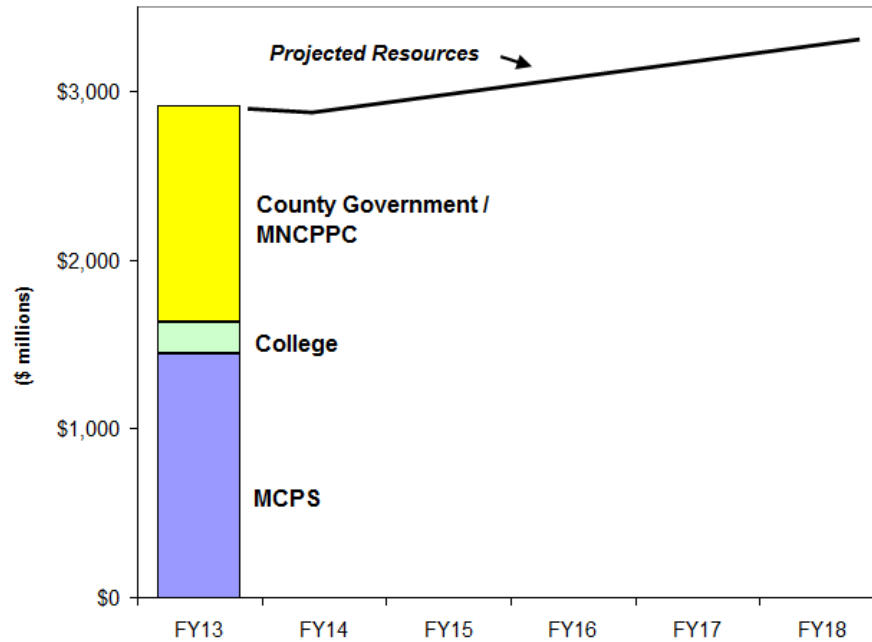
*Are future resources so certain to allow for
a permanent, irreversible increase in
County's largest spending category?*

Approved Fiscal Plan

Does not show possible variations in:

- **Revenue generation**
(from changes in economic conditions or tax rates)
- **State Aid**
(assumes no future year change in school aid)
- **Amount set aside for non-operating budget uses**
(debt service, reserves, PAYGO, OPEB)
- **Allocation of resources among agencies**

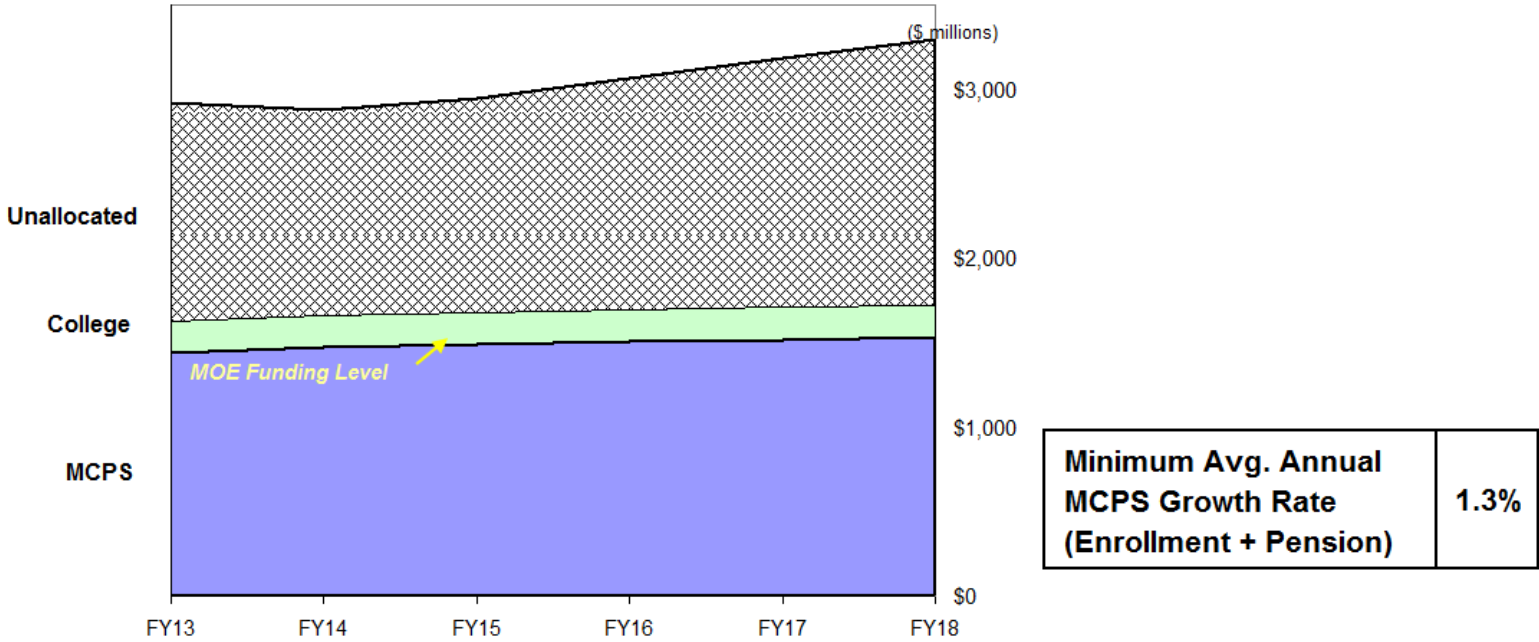
County Resources Available for Agency Use: FY13 - FY18



County Resources Available for Agency Use: Average Annual Growth Rate

FY13 - FY18 (Projected)	2.4%
FY04 - FY08 (Actual)	8.7%

County Resources Available for Agency Use: FY13 - FY18



Note: MOE funding level is based on MCPS enrollment projections and includes funding for pension transfer.

Summary Points:

Fiscal Planning Under New MOE Law

- Projected FY13-18 rate of growth for agency resources is significantly below mid-2000's rate.
- Funding MCPS above MOE could require offsetting reductions in other agency budgets and/or tax increases (based on current revenue projections and school enrollment trends).
- MOE protects MCPS against revenue downturns; MCG and MNCPPC bear entire risk of declining resources.

Summary Points:

Fiscal Planning Under New MOE Law

- New MOE requirements remove Council's discretion over about one half of budget.
- Given irreversible nature of exceeding MOE, Council must assess certainty of future year resources before making budget decisions.

Fiscal Planning Under New MOE Law: Council's Responsibilities

To oversee budgeting and fiscal policies in light of:

- **community needs (K-12 education, public safety, health & human services, transportation, economic development, etc.)**
- **projected revenues and volatility of economy**
- **new MOE requirements**
- **tax burden on residents/businesses**
- **long-term financial stewardship
(e.g. protecting AAA rating).**

Fiscal Planning Under New MOE Law: Board of Education's Responsibilities

To make funding decisions that:

- allocate finite resources to address school system's priority needs**
- are sustainable within projected long-term resource availability.**

Fiscal Planning

and the

New Maintenance of Effort Law