

MEMORANDUM

April 22, 2003

TO: Education Committee

FROM: Karen Orlansky<sup>Ko</sup>, Director  
Craig Howard, Legislative Analyst<sup>CH</sup>  
Office of Legislative Oversight

SUBJECT: **OLO Memorandum Report: Projected Year-End Deficit in FY 03 Budget for Student Transportation**

In mid-February, Montgomery County Public Schools (MCPS) had projected a \$1.9 million FY 03 year-end deficit in Category 9, Student Transportation. The Superintendent's latest financial report to the Board of Education (dated April 10, 2003) states that, as a result of increased deficits in salary accounts, increasing fuel costs, and increased expenses due to inclement weather make-up days, the projected year-end deficit in Category 9 is now \$3.6 million.<sup>1</sup>

The attached memorandum report responds to questions that the Council asked the Office of Legislative Oversight to answer about the projected year-end FY 03 deficit in Category 9. Staff recommends the Education Committee's worksession begin with a brief overview of OLO's findings, followed by discussion of the six issues recommended for Council discussion. Descriptions of the six issues (listed below) begin on page 16 of the attached report:

1. Internal and external factors that determine MCPS' transportation costs.
2. FY 03 cost increases that MCPS could not have easily predicted.
3. MCPS' five-year history of higher-than-budgeted personnel costs in Category 9.
4. Continued cost pressures on Category 9 and likelihood of a similar deficit in FY 04.
5. The practice of providing free transportation to non-public schools for students who are not enrolled in MCPS.
6. The County's efforts to track and influence Congressional action that could adversely affect MCPS' transportation costs.

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<sup>1</sup> The Superintendent's latest financial report to the Board of Education, dated April 10, 2003 shows that projected deficits in Categories 6 and 9 are offset by projected surpluses in Categories 1, 2, 3, 4, 5, 10, and 11 for a bottom-line projected surplus of \$900,000. A copy of this report is attached at ©19.



## MEMORANDUM

April 11, 2003

TO: County Council

FROM: Karen Orlansky<sup>KO</sup>, Director  
Craig Howard, Legislative Analyst<sup>CH</sup>  
Office of Legislative Oversight

SUBJECT: **Assignment re: Projected Year-End Deficit in FY 03 Budget for Student Transportation**

This memorandum report responds to questions that the Council asked the Office of Legislative Oversight to answer about the projected year-end FY 03 spending deficit in Category 9, Student Transportation. In mid-February, Montgomery County Public Schools (MCPS) staff had projected that the Category 9 year-end deficit would be \$1.9 million, due largely to expenses associated with special education transportation.

Since February, MCPS' monthly financial reports indicate the projected year-end deficit in Category 9 has increased. In March, MCPS revised the projected year-end Category 9 deficit from \$1.9 to \$2.1 million. The Superintendent's latest financial report to the Board of Education (dated April 10, 2003) states that, as a result of increased deficits in salary accounts, increasing fuel costs, and increased expenses due to inclement weather make-up days, the projected year-end deficit in Category 9 is now \$3.6 million.<sup>1</sup>

This memorandum is organized as follows:

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<b>Part C, Answers to Council Questions</b> , contains answers to the specific questions posed by the Council.	8
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<sup>1</sup> MCPS' revised year-end projections are contained in the Superintendent's monthly financial report to the Board of Education, dated April 10, 2003. The report shows that projected deficits in Categories 6 and 9 are offset by projected surpluses in Categories 1, 2, 3, 4, 5, 10, and 11 for a bottom-line projected surplus of \$900,000. A copy of this report is attached at ©19.



## **A. THE ASSIGNMENT**

In mid-February, the Board of Education informed the Council that even with a hard freeze imposed on FY 03 spending, MCPS will have difficulty contributing to the FY 03 budget savings plan. One reason cited for this difficulty was a projected deficit of \$1.9 million in Category 9, Student Transportation. According to MCPS staff, much of this deficit is due to higher than budgeted expenses associated with special education transportation.

To further understand this issue, the Council asked the Office of Legislative Oversight to answer a number of specific questions related to student transportation costs. The Council assigned this short-term project to OLO during a full Council discussion of the FY 03 Budget Savings Plan Review Committee Report.

### **Scope of Assignment**

The Council asked the Office of Legislative Oversight to answer the following questions:

1. What assumptions did MCPS use to develop the FY 03 budget request for special education transportation, e.g., mileage, fuel rates, number of buses, number of students, number/cost of drivers and attendants, number of routes, cost of adjusting routes, etc.? What was the basis for each assumption?
2. To date, how do MCPS' actual FY 03 expenditures for special education transportation match the assumptions used in developing the FY 03 budget request and where do they differ?
3. What has been the recent history of the variance between budgeted and actual expenditures in Category 9, Student Transportation? How about in the specific area of special education transportation expenditures?
4. Given the projected FY 03 deficit in Category 9, Student Transportation, what changes (if any) did MCPS make to the process of developing the FY 04 special education transportation budget request?

## **B. BACKGROUND ON STUDENT TRANSPORTATION SERVICES**

### **1. Category 9, Student Transportation**

State law requires all counties and Baltimore City to appropriate and record expenditures for education in standardized state budget categories, one of which is Category 9, Student Transportation. **In FY 03, MCPS' total authorized expenditures for Category 9 was \$55,982,334.** This amount represented approximately 4% of the total \$1.4 billion appropriated to MCPS in FY 03.

Category 9, Student Transportation includes all expenses associated with the:

- Operation of all regular and special program bus service;
- Lease/purchase, fuel, vehicle maintenance and repair for MCPS' fleet of more than 1,150 buses and 750 other vehicles;
- Recruitment and training of bus operators and bus attendants; and
- Administration, e.g., planning, accounting, personnel, and related services for the more than 1,800 permanent and temporary employees in MCPS' Department of Transportation.

## 2. Regular vs. Special Program Transportation

MCPS provides daily transportation services to approximately 97,000 students of the 138,000 students enrolled for the 2002-2003 school year. MCPS provides a combination of "regular" and "special" transportation services.

- **"Regular" service is the transportation of students to their neighborhood school.** MCPS provides regular transportation services to about 83,000 students, or 86% of all students transported.
- **"Special" service is the transportation of students either beyond their neighborhood school boundaries and/or transportation that includes some type of specialized service, e.g., bus attendant, curb-to-curb service.** MCPS provides special transportation services to about 14,000 students, or 14% of all students transported.

The area of "special" transportation services in turn consists of two major sub-groups, students enrolled in special education programs and students enrolled in other special/magnet programs.

**The transportation of students enrolled in special education programs that provide 15+ hours per week of service.** Requirements for special transportation services are identified in each student's Individual Education Program (IEP). Much of the transportation in this category is curb-to-curb service and most trips include a bus attendant. As of March 2003, the Department of Transportation reports providing special transportation services to 8,166 students enrolled in special education programs that provide 15+ hours per/week of services. The location of special education services is most often in an MCPS facility, but can be a non-public school located within or outside of Montgomery County.

Attachment A (©1) lists, by school, the number of MCPS students transported to non-public placements in the Washington D.C. area, as of March 2003. The buses transporting these 656 students also provide rides to about 50 students who are not enrolled in MCPS (see Issue #5, page 19.) Attachment B (©3) lists, by school, the number of MCPS students enrolled in non-public placements outside of the region.

**The transportation of students enrolled in other types of special programs not located at their neighborhood school, e.g., magnet programs, programs for the highly gifted, ESOL centers, alternative programs.** MCPS transports most of these students from designated pick-up points, i.e., not curb-to-curb service. As of March 2003, MCPS transported 5,646 elementary, middle, and high school students to different special/magnet programs located throughout the County; Attachment C (©4) lists the specific programs and current numbers of students transported.

**Another growing sub-group of special transportation is related to MCPS' implementation of federal mandates, i.e., McKinney-Vento Homeless Assistance Act, No Child Left Behind Act.** The next section (begins on page 5) further explains these transportation requirements.

The table below lists the numbers of students and average Category 9 cost per student by the different categories of transportation service. The data show that the average cost per student ranges from \$300 to \$3,305. As the footnote to the table explains, these average Category 9 cost calculations exclude the cost of employee benefits, which are funded separately in Category 12, Fixed Charges.

**TABLE 1  
NUMBER OF MCPS STUDENTS TRANSPORTED BY TYPE OF TRANSPORTATION SERVICE  
AND AVERAGE COST PER STUDENT\*  
MARCH 2003**

<b>Type of Transportation Service</b>	<b>Number of Students Transported</b>	<b>Average Cost per Student*</b>
Regular bus service to neighborhood schools	83,107	\$300
Special Transportation	14,032	--
Special bus service to special education programs	8,166	\$3,305
Special bus service to special programs, other than special education	5,646	\$800**
Special bus service to students who are homeless	120	\$1,600
Cross-attendance area busing related to implementation of No Child Left Behind Act	100	\$800***
<b>TOTAL NUMBER OF STUDENTS TRANSPORTED</b>	<b>97,032</b>	<b>--</b>

\*The average cost is calculated by dividing the estimated Category 9 cost of providing each type of transportation service by the number of students transported; it excludes employee benefit costs, which are funded in Category 12, Fixed Charges.

\*\*Represents the average cost for transporting students to magnet programs only; average costs for transportation to the other types of special programs are not available.

\*\*\*Represents MCPS staff estimate used for budgeting purposes; not based on actual costs.

Source: MCPS and OLO, March 2003

### 3. Federal and State Legal Requirements that Affect Transportation Costs

A number of federal laws and state regulations directly influence the cost of transportation services that MCPS provides. This section summarizes the major requirements.

**a. Individuals with Disabilities Education Act (IDEA)** – The federal IDEA legislation identifies transportation as a “related service” along with others such as psychological services, physical and occupational therapy, and recreation services. The law requires that all “related services” be provided free of charge to qualifying students.

Each MCPS student receiving special education services has an Individual Education Program (IEP). The IEP details the location and substance of special services that the student will receive. The location of special education services is most often in an MCPS facility, but can be a non-public school located within or outside of Montgomery County.

The IEP indicates whether the student needs specialized transportation, either because the program is not at the student’s home school or to meet the needs of the student’s disability. The specific options for specialized transportation listed in the IEP are:

- Aide;
- Curb-to-curb;
- Seat belt;
- Safety belt;
- Safety vest;
- Lift;
- Wheelchair; and
- Other (with space for written comments/directions).

Attachment D (©6) contains a copy of the section in the IEP form (Section VII) that identifies the student’s special transportation needs.

**b. No Child Left Behind Act** – The federal No Child Left Behind Act requires school districts to provide cross attendance area busing, at parental request, for children attending “failing schools.” If a school is identified as a “failing school” and does not meet yearly progress requirements, the law requires the local educational agency (LEA) to provide all students enrolled in the school with the option to transfer to another public school served by the LEA. The law also requires the LEA to provide, or pay for the provision of, transportation to the other public school(s).

During the 2002-2003 school year, parents of approximately 100 out of the 6,000 eligible students in ten MCPS schools chose to transfer their children to another school. In a revised process for the upcoming school year, MCPS will offer parents more than one transfer option to choose from. As a result of this change, MCPS staff anticipate that the number of students requiring special transportation associated with the No Child Left Behind Act will increase in the 2003-2004 school year.

**c. McKinney-Vento Homeless Assistance Act** – The Federal McKinney-Vento Homeless Assistance Act, reauthorized in January 2002, sets forth certain educational rights and protections for children and youth who are experiencing homelessness.<sup>2</sup>

The McKinney-Vento Act defines “homeless” to mean individuals who lack a fixed, regular, and adequate nighttime residence, including children and youth that are:

- Living with friends or relatives due to loss of housing or economic hardship;
- Living in an emergency or transitional shelter;
- Living in a hotel, motel, or other location used to house homeless families; or
- Living in a place not designed or ordinarily used for housing, e.g., cars, parks, public spaces, abandoned buildings.

It also includes runaways and children/youth awaiting foster care placement. The law provides that students who are homeless have the right to be enrolled in the school that is in the student’s “best interest,” which is either:

- The student’s “school of origin,” defined as the school the student attended before becoming homeless or the school in which the student was last enrolled; or
- The school assigned to the area where the student is currently residing.

By law, a student who is homeless has the right to stay enrolled and get free transportation to the school selected as serving his/her “best interest” for the entire time the student is homeless and until the end of the academic year in which he/she moves into permanent housing.

The McKinney-Vento Act states that school districts must provide transportation for homeless students to their school of origin, even if they reside outside of the school district during the period that they are homeless. The law states that this transportation must be provided or arranged by the school district, or as a joint effort between school districts.

According to MCPS’ Department of Transportation staff, transportation is provided to students in homeless situations in one of the following ways (listed in order of priority):

- Use an existing bus route;
- Modify an existing bus route;
- Provide the student with fare for the use of public transportation;
- Reimburse the student’s parent for providing transportation; or
- Use a taxi or other private transportation source.

The Department of Transportation estimates that the FY 03 cost of providing special transportation services to students in homeless situations is \$245,000 (as of April 2003).

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<sup>2</sup> A class action law suit concerning MCPS’ implementation of the McKinney-Vento Homeless Assistance Act is currently pending in the United States District Court. As of this writing, settlement negotiations are in progress.

**d. State Regulations** – Maryland regulations (COMAR 13A.06.07) set forth numerous requirements that relate to student transportation, including training and certification requirements for school bus operators; and safety and preventative maintenance inspection requirements for buses used to transport students. State regulations also require pre-employment, reasonable cause, random, and post-accident drug and alcohol testing for all school bus operators.

State regulations require written route instructions for each route, which must address safety considerations such as the visibility of stopped buses, prohibitions against the crossing of four-lane highways, establishment of safe loading zones; maximum load factors, and restrictions on standees.

Maryland law (§ 7-804, Annotated Code of Maryland) requires all buses over 12 years old to be retired, regardless of mileage or condition. However, the law provides that school districts can seek a waiver from the State to operate a bus for additional years.

#### **4. MCPS Policies that Affect Transportation Costs**

The following policies, adopted by the Board of Education, also influence transportation costs. The first concerns transportation for special/magnet programs and the second concerns the location of special education programs.

**MCPS Policy Regarding Special/Magnet Program Transportation.** MCPS regulation EEA-RA, *Transportation of Students*, (most recently revised in 1998), states that, “Transportation is provided for regular education, special/magnet programs, alternative programs, and special education program as required by the policies of the Board of Education.” The Board’s current policy is to provide transportation to students enrolled in special and magnet programs using centralized bus stops, usually at neighborhood elementary schools.

As of March 2003, MCPS transports 5,646 elementary, middle, and high school students to different special/magnet programs located throughout the County. Attachment C (©4) lists the different special/magnet programs and current numbers of students transported.

**Cluster-based program delivery for special education.** In FY 98, MCPS launched a multi-year initiative to provide services to students with disabilities in their home school or as close to their home school as possible. The consolidation of special education programs, either within or close to the cluster schools where students live, is part of MCPS’ overall effort to place students with disabilities in the least restrictive environment and integrate students with disabilities in regular schools and classrooms. It also enables students with disabilities to stay in one school for their elementary education and avoid disruptive transitions.



MCPS anticipated that another positive outcome of the cluster-based program delivery model for special education would be reduced transportation costs. The expectation was that more students would attend schools closer to their homes. In turn, this would mean fewer bus miles traveled and more students with disabilities being mainstreamed onto regular buses.

## **5. Transportation Changes During the School Year**

A final factor that affects MCPS' transportation costs is the dynamic nature of the demands placed on the Department of Transportation.

MCPS reports that the Department of Transportation receives an average of 40-50 Notices of Placement Action (NOAs) each day. A NOA is the internal MCPS document that directs the Department of Transportation to alter the transportation service provided to a student. The change contained in an NOA can range from a different pick-up or drop-off location for certain days of the week to a change in school placement.

Department of Transportation staff estimate that 90% of the NOAs received are for special education students; the Department receives NOAs from the Department of Special Education and from individual schools. Staff estimate that approximately 60-70% of the NOAs related to special education students require a change in routing or pick-up/drop-off location.

## **C. ANSWERS TO THE COUNCIL'S QUESTIONS**

**Question #1:** *What assumptions did MCPS use to develop the FY 03 budget request for special education transportation, e.g., mileage, fuel rates, number of buses, number of students, number/cost of drivers and attendants, number of routes, cost of adjusting routes, etc.? What was the basis for each assumption?*

**Budget preparation schedule.** MCPS staff prepared the agency's FY 03 student transportation budget request in the fall of 2001. The data available at that time included actual expenses for prior years through FY 01 and the approved budget for FY 02. This budget preparation schedule is no different than that followed for the rest of MCPS and other County-funded agencies.

**MCPS does not develop or maintain separate budgets for regular vs. special transportation services.** Based upon data that are available, MCPS staff estimate that regular transportation costs account for 47% of all Category 9 expenses and special transportation costs account for the other 53%.

**Budget Approach and Cost Assumptions.** MCPS staff explain the agency's approach to developing the FY 03 Category 9 budget request as follows:

In the fall of 2001, MCPS used a zero based budget approach in developing the FY 03 request for Category 9, Student Transportation. The FY 02 base was adjusted to reflect adjustments for non-reoccurring items such as TIF payments and reductions in vehicle replacements. In addition, the FY 02 base was reduced as MCPS was able to refinance their bus lease/purchase agreements to take advantage of lower interest rates and projected fuel costs.

After adjusting the base, the impacts of the projected FY 03 enrollment increases for regular education students, special education students, and special programs were factored into the adjusted FY 02 base budget. These amounts were then compared to the total projected number of bus routes estimated for FY 03.

In addition, the FY 03 total projected numbers of routes were compared against the projected number of buses to ensure that the department's operation had a sufficient spare fleet to replace buses that are routinely taken out of service for repairs and maintenance. (Source: MCPS Department of Management, Budget, and Planning)

**The projected increase in special education enrollment is one of the key assumptions that the Department of Transportation uses in developing its annual budget request. Other important budget assumptions include the cost of diesel fuel, assumed savings from staff turnover and lapse, and assumed savings from the in-cluster special education model.**

Assumption re: special education enrollment. Based upon past years' experience, MCPS' Department of Management, Budget, and Planning (DMBP) prepares the Category 9 budget request based upon the assumption that 96% of students who receive more than 15 hours of special education services per week (formerly levels 4/5 students) will require special education transportation services.

The FY 03 budget request for Category 9 assumed that 200 more students would be enrolled in 15+ hours per week special education programs than the number budgeted for in FY 02. The Department of Planning and Capital Programming, in consultation with the Department of Special Education, provided this projection to DMBP.

Based upon the assumed increased need to transport 192 special education students (96% of 200), DMBP then calculated the additional number of buses and staff needed based upon the following three assumptions:

- Load factor for special education buses – 17.2 children per bus.
- Bus Operators – 0.875 FTE per bus.
- Bus Attendants – 0.819 FTE per bus.

Using these assumptions, DMBP estimated that the Department of Transportation needed the following additional resources to meet the growing need for special education transportation in FY 03:

- 12 growth buses for special education
- 10.5 FTEs of bus operator time.
- 9.8 FTEs of bus attendant time.

DMBP then reduced these needs by 50% to reflect projected savings from the cluster-based program delivery model. As a result, the additional needs for special education that were used to develop the FY 03 transportation budget were:

- 6 growth buses for special education.
- 5.25 FTEs of bus operator time.
- 4.9 FTEs of bus attendant time.

Based on these additional needs, MCPS calculated that, compared to the FY 02 approved budget, the FY 03 Category 9 budget needed an additional \$381,843 for special education transportation.

Assumption re: Diesel Fuel. Another key assumption that directly affects the annual Category 9 budget request is the cost of diesel fuel. The budgeted cost of fuel for all County-funded agencies is determined each year by the Interagency Committee on Energy and Utilities Management (ICEUM). For FY 03, ICEUM established \$1.05 per gallon as the budgeted cost for diesel fuel.

MCPS' FY 03 budget included \$2.9 million for diesel fuel. This was based upon the assumption that MCPS busses would travel 18 million miles and consume approximately 2.7 million gallons of diesel fuel. This request assumed an average fuel economy of 6.63 miles per gallon. (Based on these assumptions, fuel expenditures would increase or decrease by \$27,000 for every 1¢ change in the average per gallon cost of diesel fuel.)

Other FY 03 Budget Assumptions. According to MCPS staff, enrollment growth formulas have been adjusted over the last three years to reflect the in-cluster delivery model for special education services. This in turn resulted in a reduction to the number of bus attendants, bus operators, and buses built into the annual Category 9 budget request. The FY 03 budget assumed a savings of \$250,000 from the in-cluster special education model.

In addition, the Category 9 budget request is always adjusted for expected lapse savings, based on historical staff turnover patterns. The FY 03 budget assumed a savings from turnover and lapse of \$824,346.

**Question #2:** To date, how do MCPS' actual FY 03 expenditures for special education transportation match the assumptions used in developing the FY 03 budget request and where do they differ?

The Department of Transportation's budget consists of six objects of expenditure:

- *Position Salaries* – includes salary and benefit costs for all full-time Department of Transportation employees.
- *Non-Position Salaries* – includes costs for substitute bus operators, substitute bus attendants, and overtime.
- *Contractual* – includes costs for bus repairs, and drug testing.
- *Supplies* – includes costs for bus fuel and bus parts.
- *Other* – includes costs for local travel, training support, and staff vehicle fuel.
- *Furniture & Equipment* – Includes the cost for the lease purchase of buses.

Table 2 (below) lists the amounts originally budgeted in each of the six objects of expenditure. **As stated earlier, the Department tracks transportation expenses system-wide, and does not maintain separate accounts for regular vs. special transportation services.** The data show that 75% of the Department's budget is for personnel (position and non-position salary objects of expenditure). The budget for supplies, which includes the purchase of fuel, accounts for another 10% of the transportation budget.

**TABLE 2**  
**FY 03 CATEGORY 9 BUDGET BY OBJECT OF EXPENDITURE**

Object of Expenditure	Budgeted Amount (in \$000's)	Percent of Total Category 9 Budget
Personnel		
Position Salaries	\$41,091	73%
Non-Position Salaries	1,089	2%
<b>Subtotal for Personnel</b>	<b>\$42,180</b>	
Contractual	780	2%
Supplies	5,320	10%
Other	1,905	3%
Furniture and Equipment	5,797	10%
<b>TOTAL</b>	<b>\$55,982</b>	<b>100%</b>

Source: MCPS, Department of Management, Budget, and Planning

**MCPS' mid-year (December 2002) expense report showed that areas with substantial variance between budgeted and actual expenses included non-position salaries, position salaries, and bus fuel.**

Specifically, the December 2002 reports showed that:

- Non-position salary expenses were projected to end the year with a deficit of \$3.3 million. This included larger than budgeted expenses for substitute bus operators, substitute bus attendants, and regular rate overtime; a contributing factor was the hiring freeze placed on bus attendant positions during the second half of FY 03.
- Position salary expenses were projected to end the year with a surplus of \$932,840. This surplus is due to permanent, full-time positions not being filled, which also explains the higher than budgeted expenditures for overtime and substitutes.
- Within supplies, the bus fuel line item had a projected deficit of \$195,465.

**The projected FY 03 year-end Category 9 deficit is now \$3.6 million.** MCPS updates the agency's year-end spending projections monthly. In March, MCPS revised the projected year-end deficit in Category 9 from \$1.9 million to \$2.1 million. As of early April, the projected Category 9 year-end deficit was revised to \$3.6 million, which represents a variance of 6.5% from the approved Category 9 budget.

Attachment H (©10) summarizes the changes in the Category 9 deficit, as projected by MCPS' recent monthly financial reports. The factors explaining the difference between budgeted and actual spending in Category 9 are mostly the same in April as they were several months ago. The projected non-position salaries deficit is now \$3.6 million and the diesel fuel line-item projected deficit is now \$836,000.<sup>3</sup> The additional reason is the inclement winter weather and the transportation costs associated with three make-up days.

### **Factors Contributing to Higher than Budgeted FY 03 Transportation Expenses**

MCPS staff identify multiple factors (listed below) as contributing to higher than budgeted transportation expenses in FY 03.

**Enrollment in special education classes requiring special transportation services increased more than twice what the FY 03 budget request had assumed.** The Category 9 budget request was developed on the assumption that the number of special education students requiring special transportation services would increase by 200 students. However, MCPS reports that special classes enrollment during FY 03 actually increased from 7,352 to 7,843, an increase of 491 students. (See Attachment E, ©7.)

To meet this additional demand for special transportation services, MCPS hired additional substitute bus operators and bus attendants and is paying overtime to full-time employees. **The estimated FY 03 cost associated with providing transportation services to an additional 300 special education students is approximately \$558,000.** This total does not include any costs for purchasing additional buses because MCPS used its spare fleet to provide the additional transportation service.

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<sup>3</sup> Due to savings in items other than fuel, the bottom line deficit in the supplies object of expenditure shown at ©10 is \$295,948.

*Note: MCPS is in the process of developing an improved data collection and tracking system for special education. This project, which will include a mainframe data connection between special education and transportation, should help immensely to improve the overall coordination between the two functions. MCPS staff anticipate this data system will be up and running by the summer of 2003, in time for the preparation of the FY 05 budget.*

**An increasing number of students in non-public placements.** A subset of the students receiving special education services is enrolled in private schools. Transportation to some of these schools, especially to locations outside of Montgomery County, is particularly costly. Attachment A (©1) lists, by school, the current numbers of students transported to non-public placements. Attachment F (©8) shows the five-year trend of numbers of students in non-public placements.

**Increased numbers of students in homeless situations who need special transportation.** In January 2002, MCPS was providing special transportation services to 68 students in homeless situations. As of March 2003, MCPS staff report this number has increased to 120 students. The estimated FY 03 cost of providing transportation for these students back to their respective schools of origin is \$245,000 (as of April 2003). No funds were included in the FY 03 budget for transporting students who are homeless.

**Higher fuel prices and lower fuel efficiency.** MCPS' FY 03 budget request assumed that diesel fuel would cost \$1.05 per gallon. MCPS staff now estimate that the average price paid for fuel in FY 03 will be \$1.20 per gallon, an increase of \$0.15 per gallon over the budgeted amount.

In addition, MCPS staff report that the fuel efficiency of MCPS' buses has decreased from an average of 6.63 miles per gallon in FY 02 to 6.2 miles per gallon in FY 03; this reduced efficiency means that one additional gallon of fuel is consumed on average for every 100 miles traveled. MCPS staff believe this change is primarily a result of increased traffic congestion.

As of early April, based upon a combination of higher fuel costs and reduced fuel efficiency, MCPS staff project the actual expenses for diesel fuel will exceed the FY 03 budgeted amount by \$836K.

**Transportation costs for inclement weather make-up days.** The Superintendent's April 2003 financial report to the Board of Education (©19) states that the Category 9 cost to make up three instructional days lost due to inclement weather during the current school year is \$538,000. This breaks down into \$488,000 for position salaries and \$50,000 for non-position salaries.

**Other assumed savings not realized.** As reviewed above, MCPS' FY 03 transportation budget had assumed savings from the special education cluster model (\$250,000) and turnover/lapse (\$824,346). The Department of Transportation reports that the anticipated savings were not realized from either of these specific items.

**Question #3:** *What has been the recent history of the variance between budgeted and actual expenditures in Category 9, Student Transportation? How about in the specific area of special education transportation expenditures?*

Table 3 (below) summarizes MCPS' budgeted vs. actual transportation costs from FY 99 through FY 02. The data show that:

- In FY 99, FY 00, and FY 01, actual expenses were within 1% of budgeted amounts;
- In FY 02, actual expenses exceeded the budgeted amount by 3.7%.

**TABLE 3**  
**CATEGORY 9, STUDENT TRANSPORTATION\***  
**BUDGETED VS. ACTUAL EXPENDITURES: FY 99 – FY 02**  
**(\$ IN 000'S)**

<b>Fiscal Year</b>	<b>Budgeted Amount</b>	<b>Actual Expenditures</b>	<b>Surplus/ (Deficit)</b>	<b>Variance</b>
FY 99	\$45,003	\$45,115	(\$112)	0.2%
FY 00	\$48,537	\$48,652	(\$115)	0.2%
FY 01	\$53,672	\$54,253	(\$581)	1.1%
FY 02	\$56,093	\$58,167	(\$2,074)	3.7%

Source: MCPS, Department of Management, Budget, and Planning

**A review of the more detailed accounting of Category 9 spending suggests that for the past four years, an increasing gap between actual and budgeted personnel expenses was offset each year (until FY 02) by one-time savings in other Category 9 expenses. See Attachment G (©9).**

Category 9 funding for personnel is divided between the position salaries and non-position salary objects of expenditure. A four-year history for these two categories shows that the non-positions object of expenditure has run an annual deficit of at least \$2.5 million since FY 99. The combined balance of the two personnel objects of expenditure evidences an increasing gap between budgeted and actual expenses with a deficit of \$0.7 million in FY 99 and FY 00, approximately \$1 million in FY 01, and close to \$3 million in FY 02. (See Table 4, page 15)

This increasing gap in personnel expenses did not result in an end-of-year transfer until FY 02. This is because one-time savings in other Category 9 expenses offset the higher than budgeted personnel expenses. For example, MCPS found savings from lower than budgeted fuel costs and re-financing of buses. Starting last fiscal year and continuing into FY 03, however, Category 9 was no longer able to find savings in other objects of expenditure, which then led to the bottom-line deficit in Category 9 expenses.

**TABLE 4**  
**BUDGETED VS. ACTUAL EXPENDITURES FOR PERSONNEL IN CATEGORY 9**  
**FY 99 – FY 02**

Personnel Expenses	Surplus/(Deficit) (\$ in 000's)			
	FY 99	FY 00	FY 01	FY 02
Position Salaries	\$1,822	\$2,363	\$2,395	\$1,090
Non-Position Salaries	(\$2,598)	(\$3,089)	(\$3,383)	(\$4,079)
<b>TOTAL</b>	<b>(\$775)</b>	<b>(\$727)</b>	<b>(\$993)</b>	<b>(\$2,989)</b>

Source: Data excerpted from MCPS data on Category 9 spending reported by object of expenditure.

Because MCPS does not track special education transportation costs separately, it is difficult to quantify how much of the Category 9 deficit is due to regular vs. special education transportation expenses. However, as reviewed in the response to Question #2, many of the cost pressures on MCPS' Department of Transportation relate to special (non-neighborhood) transportation, e.g., increased number of special education students, increased number of students in homeless situations needing special transportation, the costs associated with hiring substitute bus attendants, and overtime resulting from route changes.

**Question #4:** *Given the projected FY 03 deficit in Category 9, Student Transportation, what changes (if any) did MCPS make to the process of developing the FY 04 special education transportation budget request?*

As a result of the FY 02 year-end deficit in Category 9, MCPS staff made some changes to the process of developing the FY 04 budget request for student transportation. Specifically, the FY 04 budget request includes additional funding related to both personnel and diesel fuel expenditures.

Compared to the FY 03 approved budget, MCPS adjusted the FY 04 budget request by adding:

- \$2.2 million in the position salaries and non-position salaries objects of expenditure to fund an additional 98.3 FTEs, substitute bus operators and attendants, and part-time and regular rate overtime; and
- \$160,000 to the supplies object of expenditure for fuel based on an assumption that diesel fuel would cost an average of \$1.10 per gallon in FY 04.



The Board of Education’s FY 04 budget request for Category 9 is \$61.4 million. This total represents the \$60 million in the Superintendent’s recommended FY 04 budget plus \$1.4 million added in the final budget request approved by the Board of Education in March 2003. The Board added \$1.4 million to Category 9 for negotiated salary and benefit increases plus \$34K for transportation costs associated with the Upcounty Center for Highly Able Middle Students.

**D. RECOMMENDED ISSUES FOR COUNCIL DISCUSSION**

This section outlines six issues that the Office of Legislative Oversight recommends for Council discussion. Issues #1 through #4 directly concern the Category 9 budget, and Issues #5 and #6 are related policy issues.

**Issue #1: A complex mix of internal and external factors determines MCPS’ transportation costs.**

While MCPS’ Department of Transportation makes many of the decisions that affect MCPS’ transportation costs (e.g., hiring, bus routing), a number of significant cost factors are outside of the Department’s control. Some transportation costs result from laws and market forces largely external to MCPS (e.g., federal legislation, diesel fuel costs) and others reflect decisions made in other parts of MCPS (e.g., Department of Special Education, Department of Planning and Capital Programming).

The chart below lists examples of key decisions made respectively by the Department of Transportation and other departments within MCPS, and variables external to MCPS that directly affect MCPS’ transportation costs.

<b>Who Makes the Decision</b>	<b>Examples of Decisions/Factors that Affect Transportation Costs</b>	<b>Examples of Variables External to MCPS</b>
MCPS Department of Transportation	<ul style="list-style-type: none"> <li>• Hiring</li> <li>• Routing</li> <li>• Bus purchases/leasing</li> </ul>	<ul style="list-style-type: none"> <li>• Number of school age children</li> <li>• General economic condition/labor market</li> </ul>
Other MCPS Departments: <ul style="list-style-type: none"> <li>• Special Education</li> <li>• Student Services</li> <li>• Planning and Capital Programming</li> <li>• Association Relations</li> </ul>	<ul style="list-style-type: none"> <li>• Numbers and placement of special education students</li> <li>• Specialized transportation requirements, e.g., bus attendant, seat restraints</li> <li>• Location of programs in MCPS facilities that require special transportation</li> <li>• Labor agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Interest rates</li> <li>• Price of diesel fuel</li> <li>• Individuals with Disabilities Education Act (IDEA)</li> <li>• McKinney-Vento Homeless Assistance Act</li> <li>• No Child Left Behind Act</li> <li>• Federal Head Start regulations</li> </ul>

**Issue #2: A portion of the projected year-end Category 9 deficit is due to cost increases in FY 03 that MCPS could not have easily predicted.**

A recurring challenge to preparing budgets is trying to predict costs at least 15 months in advance. Multiple reasons explain why Category 9 spending in FY 03 is now projected to be approximately \$3.6 million higher than the amount budgeted. A portion of the year-end deficit is due to factors that MCPS could not have easily predicted in the fall of 2001:

- **An increase in the number of students requiring transportation to special education programs that is more than double the projected increase.** In the fall of 2001, MCPS projected that additional 200 special education students would require special transportation services in FY 03. The actual increase this year turned out to be closer to 500 students. (See Attachment E at ©7.)

While history shows a trend of increasing enrollment in special education programs, the gap between the projected and actual increase in FY 03 was unusually large. MCPS estimates that transporting these additional 300 students cost the Department of Transportation \$558,000 in unanticipated FY 03 expenses.

- **The number of children in homeless situations who require special transportation services.** The McKinney-Vento Homeless Assistance Act, reauthorized in January 2002, sets forth certain educational rights and protections for children who are experiencing homelessness. MCPS estimates that the special transportation services being provided as a result of the McKinney-Vento Act cost the Department of Transportation \$245,000 in unanticipated FY 03 expenses (as of April 2003).
- **Substantial increase in the cost of diesel fuel.** Consistent with the decisions made by the Interagency Committee on Energy and Utilities Management (ICEUM), the FY 03 budget assumed a diesel fuel cost of \$1.05 per gallon. Given the substantial increases in actual fuel costs during the past 12 months, this budget assumption turned out to be too low by at least \$0.15 per gallon. MCPS estimates that fuel price increases cost the Department of Transportation approximately \$836,000 in unanticipated FY 03 expenses.

**Issue #3: Category 9 has a five-year history of higher-than-budgeted personnel costs.**

The five-year history of Category 9 shows that actual total expenditures came within 1% of the budgeted amounts in FY 99, FY 00, and FY 01. Such a small variance in a large and complex account is considered a sign of good budget and management decision-making.

At the same time, the five-year history of Category 9's objects of expenditure shows that a notable gap between actual and budgeted personnel expenses started at least four years ago. This gap, which was \$0.7 million in FY 99 and FY 00, increased to almost \$1 million in FY 01 and \$3 million in FY 02.

Because this trend was identifiable in the fall of 2001 (when the FY 03 budget was being developed), it is arguable that it should have signaled MCPS staff that the FY 03 Category 9 budget request warranted review and adjustment. This observation is consistent with the Superintendent's March 11<sup>th</sup> report to the Board of Education, which stated that the projected FY 03 deficit "reflects a continuation of the under budgeting of Category 9."

The spending history of Category 9 suggests that the increasing gap between actual and budgeted personnel expenses was offset each year (until FY 02) by one-time savings in other Category 9 expenses. For example, savings from lower than budgeted fuel costs and savings from re-financing of buses offset the higher than budgeted personnel expenses. Starting last fiscal year and continuing into FY 03, however, there were no additional opportunities found for savings, which then led to the bottom-line deficit in Category 9 expenses.

**Issue #4: Upward cost pressures on Category 9 are likely to continue. Without adjustment, Category 9 is likely to run a similar deficit in FY 04.**

The issues that OLO learned about during the course of completing this assignment suggest that the cost pressures on Category 9 will continue. As submitted to the Council, the Board of Education's FY 04 budget request will likely result in the same (or larger) gap between actual and budgeted expenses in Category 9.

Upward cost pressures on non-neighborhood transportation services that result from increasing enrollments in special education programs and special/magnet programs show no signs of decreasing. Other cost pressures on transportation that will almost certainly continue into FY 04 are high diesel fuel prices and costs related to implementation of the McKinney-Vento Homeless Assistance Act and the No Child Left Behind Act.

**OLO recommends that the Council request MCPS to re-visit all of the cost assumptions used to prepare the Category 9 budget. Some base assumptions will almost certainly need revision in order to avoid future Category 9 year-end deficits.**

One area that deserves immediate attention is the connection between special education enrollment projections and the Category 9 budget request. The projected enrollment for special education programs increased by 307 students between the release of the Superintendent's FY 04 Recommended Operating Budget and the Board of Education's FY 04 Approved Operating Budget.

As a result of this projected special education enrollment increase, the Board increased the Department of Special Education's FY 04 budget request by \$914,000. Category 9, however, did not receive a budget increase related to these revised special education enrollment projections. This means that the Category 9 budget request the Council has before it for review does not reflect the increased transportation costs associated with serving approximately 300 more special education students.

*Note: MCPS' current project to develop a mainframe connection between special education enrollment and transportation should help to improve the overall coordination of data between the two functions. MCPS staff anticipate this data system will be up and running by the summer of 2003, in time for the preparation of the FY 05 budget.*

**Issue #5: MCPS is providing free transportation to non-public schools for about 50 students who are not enrolled in MCPS.**

In the course of reviewing MCPS data for this assignment, OLO learned that, based upon a County Code provision (codified in 1965), MCPS provides free transportation to non-public schools for some students who are not enrolled in MCPS. According to MCPS staff, as of March 2003, MCPS provides this service to approximately 50 students.

These 50 students, referred to as “on and alongs,” reside close to MCPS-enrolled students that are already being transported to non-public placements. The “on and along” students are not enrolled in MCPS and attend non-public schools as a result of unilateral placement decisions made by a parent.

MCPS staff explain that MCPS provides this service based upon County Code Sections §44-7 and §44-8). The Board of Education Policy EEA, *Student Transportation* states the availability of this transportation service, with reference to the County law. Attachment I is the exhibit from the policy that includes a copy of the statutory language (©11); Attachment J (©12) is the MCPS student transportation policy, with reference to the transporting of non-public school students on page 2.

**OLO believes the practice of providing free MCPS transportation to a select group of students not enrolled in MCPS raises policy, equity, and potential fiscal issues that deserve Council discussion.** To provide for a discussion based upon a more complete understanding of the facts, OLO recommends the Council ask MCPS to provide a report that includes the following information:

- Background on the origin and legal framework for providing this service. (This should include the history of when the County law, which references “denominational and parochial school students,” started applying to the broader category of non-public school students.)
- A detailed explanation of how this service works in practice, including: how parents learn about the service; the process for requesting service; the criteria MCPS uses to agree or refuse to provide the service; and examples of where the service was refused.
- Data on the number of students transported by MCPS as “on and alongs” for each of the past five years and names of the schools that these students were transported to.
- The estimated annual cost of providing the service. (If the estimated annual cost is zero, then a full explanation of why there is no marginal cost should be provided.)

**Issue #6: Montgomery County’s efforts to track and influence Congressional action that could adversely affect MCPS’ transportation costs.**

The McKinney-Vento Homeless Assistance Act is an example of a federal government action that has a substantial impact on MCPS’ transportation costs. Similar to recent discussions about the federal Head Start regulations (that now require seat restraints and bus attendants on buses transporting Head Start students), the Council did not learn about the impact of McKinney-Vento on local transportation costs until MCPS is faced with implementing the legal requirements.

**In order to avoid similar costly “surprises” in the future, OLO recommends the Council examine whether the County is allocating sufficient resources to tracking, analyzing, and influencing final decision-making on federal legislation and related regulations that may lead to unfunded federal mandates.**

## LIST OF ATTACHMENTS

Attachment	Document	Circle Number
A	Number of MCPS Students Transported to Non-Public Placements, Listed by School, March 2003	1
B	Number of MCPS Students Enrolled in Out-of-Region Placements, Listed by School, March 2003	3
C	Number of Students Transported to Special/Magnet/Alternative Programs, March 2003	4
D	Excerpt from Individualized Education Program Form, Part VII	6
E	Actual and Projected Special Education Services and Enrollment, January 23, 2003	7
F	Non-Public Special Education Enrollment by Program, Actuals for School Year 97-98 to 01-02 and Projected for 02-03	8
G	MCPS Transportation Costs – Budgeted verses Actual Expenditures, FY 99 – FY 02	9
H	MCPS Transportation Costs – FY 03 Year-End Projected Variance	10
I	MCPS Exhibit EEA-EA, Student Transportation	11
J	Montgomery County Board of Education Policy EEA, Student Transportation	12
K	April 10, 2003 Memorandum from the Superintendent to the Board of Education, Monthly Financial Report and Year-end Projections as of February 28, 2003	19

**NUMBER OF MCPS STUDENTS TRANSPORTED TO NON-PUBLIC PLACEMENTS  
LISTED BY SCHOOL  
MARCH 2003**

School	Address	Number of Students
Chelsea School	711 Pershing Drive Silver Spring, MD 20950	8
The Children's Guild	5702 Sargent Road Chillum, MD 20882	4
Community School of Maryland	4511 Bestor Drive Rockville, MD 20853	9
	Mount Zion Road Brookeville, MD	10
	201 Valleybrook Drive Silver Spring, MD 20904	2
The Foundation School	5320 Marinelli Road Rockville, MD 20852	63
The Frost School	4915 Aspen Hill Road Rockville, MD 20852	30
Grafton School, Inc.	12301 Academy Way Rockville, MD 20853	18
Harbour School – Annapolis	1277 Green Holly Drive Annapolis, MD 21401	11
Harbour School – Baltimore	11251 Dolfield Boulevard Owings Mills, MD 21117	19
High Road Academy	12350 Hall Shop Road Fulton, MD 20759	25
The Ivymount School	11614 Seven Locks Road Rockville, MD 20854	79
The Jefferson School	2940 Point of Rocks Road Jefferson, MD 21755	11
	230 West Patrick Street PO Box 382 Frederick, MD 21705	4
	2502 Littlestown Pike Westminster, MD 21158	1
Katherine Thomas School	9975 Medical Center Drive Rockville, MD	13
Kennedy Krieger	1750 E. Fairmount Avenue Blatimore, MD 21231	4
Kingsbury Day School	5000 14 <sup>th</sup> Street, NW Washington, DC	2

## MCPS STUDENTS TRANSPORTED TO NONPUBLIC SCHOOLS, CONT.

School	Address	Number of Students
Lab School of Washington	4759 Reservoir Road, NW Washington, DC 20007	26
Leary School of Virginia	6349 Lincolnia Road Alexandria, VA 22312	7
The Lodge School	610 East Diamond Avenue, Suite E Gaithersburg, MD 20877	36
Lourie Center School	12301 Academy Way Rockville, MD 20852	6
Maryland School for the Blind	3501 Taylor Avenue Baltimore, MD 21236	12
Maryland School for the Deaf	8169 Old Montgomery Road Columbia, MD 21044	3
	101 Clarke Place Frederick, MD 21705	40
Maryland Primary Achievement Center	10611 Tenbrook Drive Silver Spring, MD 20901	76
	205 South Summit Avenue Gaithersburg, MD 20877	
National Children's Center	6200 Second Street, NW Washington, DC 20011	8
Oakmont School	17051 Oakmont Avenue Gaithersburg, MD 20877	38
Pathways School	1200 University Boulevard Silver Spring, MD 20901	14
Phillips School	8920 Whiskey Bottom Road Laurel, MD 2087	12
	7010 Braddock Road Annandale, VA 22003	13
The Ridge School	14901 Broschart Road Rockville, MD 20850	26
St. Coletta School	207 South Peyton Street Alexandria, VA 22314	26
<b>Total Number of MCPS Students Transported to Non-Public Placements</b>		<b>656</b>

Source: MCPS, Department of Special Education and Department of Transportation



**NUMBER OF MCPS STUDENTS ENROLLED IN OUT-OF-REGION PLACEMENTS  
LISTED BY SCHOOL  
MARCH 2003**

<b>School</b>	<b>Location</b>	<b>Number of Students</b>	<b>Placed By</b>
Bennington School	Bennington, Vermont	1	Department of Juvenile Justice
Camphill	Glenmore, PA	1	Montgomery County Public Schools
Centerview School	Northbrook, IL	1	Montgomery County Public Schools
Devereaux	West Chester, PA	1	Montgomery County Public Schools
Devereaux	Washington, CT	1	Montgomery County Public Schools
Grafton	Berryville, VA	3	Montgomery County Public Schools
Pines School	Portsmouth, VA	4	Department of Juvenile Justice
		1	Montgomery County Public Schools
<b>Total Number of MCPS Students Enrolled in Out-of-Region Placements</b>			<b>13</b>

Source: MCPS Department of Special Education

**NUMBER OF STUDENTS TRANSPORTED TO SPECIAL/MAGNET/ALTERNATIVE PROGRAMS  
MARCH 2003**

<b>Program</b>	<b>Location</b>	<b>Number of Students</b>
International Baccalaureate	Richard Montgomery HS	307
Global Ecology	Poolsville HS	155
French Immersion	Maryvale ES	276
	Sligo Creek ES	218
	Gaithersburg ES	17
Gifted and Talented (elementary schools)	Fox Chapel ES	101
	Cold Spring ES	138
	Lucy Barnsley ES	92
	Clearspring ES	47
	Charles R. Drew ES	104
	Pine Crest ES	48
Other Magnet (elementary, middle, and high schools)	Chevy Chase ES	42
	Forest Knolls ES	52
	Piney Branch ES	557
	Takoma Park ES	22
	Rosemary Hills ES	292
	East Silver Spring ES	6
	New Hampshire Estates ES	858
	Rolling Terrace ES	2
	Rock Creek Forest ES	195
	Highland View ES	284
	Eastern MS	5
	Silver Spring International MS	23
	Takoma Park MS	35
	Montgomery Blair HS	497
Multidisciplinary educational training & support (elementary, middle, and high schools)	Broad Acres ES	8
	Chevy Chase ES	29
	South Lake ES	11
	Eastern MS	3
	Montgomery Village MS	14
	Parkland MS	1
	Sligo MS	5
	Takoma Park MS	19
	Julius West MS	26
	White Oak MS	13
	Springbrook HS	9
Table continued on next page....		

**NUMBER OF STUDENTS TRANSPORTED TO SPECIAL/MAGNET/ALTERNATIVE PROGRAMS  
MARCH 2003 (CONTINUED)**

<b>Program</b>	<b>Location</b>	<b>Number of Students</b>
ESOL High School Centers	Bethesda-Chevy Chase, Blair, Blake, Einstein, Gaithersburg, Walter Johnson, John F. Kennedy, Magruder, Richard Montgomery, Paint Branch, Quince Orchard, Rockville, Seneca Valley, Sherwood, Springbrook, Wheaton, and Walt Whitman	495
Glenmont Alternative Program (middle school)	Silver Spring	35
Career and Technology Education (high school)	Thomas Edison HS	399
Journey Alternative Program (high school)	Emory Grove Center, Gaithersburg	52
Tahoma Alternative Program (high school)	Bethesda	43
Phoenix II Alternative Program (high school)	Emory Grove Center, Gaithersburg	25
Randolph Academy Alternative Program (high school)	Silver Spring	40
Kingsley Wilderness Project (high school)	Clarksburg	22
Hadley Farms Alternative Program	Gaithersburg	24
<b>Total number of MCPS students transported to special/magnet and alternative programs</b>		<b>5,646</b>

Source: MCPS Department of Transportation

Office of Student and Community Services  
Department of Special Education  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland 20850

INDIVIDUALIZED EDUCATION PROGRAM  
CONFIDENTIAL

Student Name \_\_\_\_\_ Last \_\_\_\_\_ First \_\_\_\_\_ MI \_\_\_\_\_ ID# \_\_\_\_\_ Meeting Date \_\_\_\_/\_\_\_\_/\_\_\_\_

**11** PART IV: LEAST RESTRICTIVE ENVIRONMENT: LRE reflects the setting where the student will receive special education instruction. LRE is not determined by the amount of special education service. Directions: Consider each option in the order listed until the IEP team recommends an option as the LRE. Explain why each option was rejected or recommended, including the benefits and the harmful effects.

Given the student's IEP goals and objectives and the recommended supplementary aids and services, can the student be educated in:

Yes  No The general education classroom: includes students who receive special education and related services outside the general education classroom for less than 21% of the school week (refer to p. 8, II. A).

Yes  No (Pre-K includes any combination of typical early childhood settings with no pull-out services, e.g., EEEP, Headstart.) Resource/classroom combination: includes students who receive special education and related services outside the general education classroom for 21 to 60% of the school week (refer to p. 8, II. A).

Yes  No (Pre-K includes pull-out from typical early childhood setting.) Special classroom: includes students who receive special education and related services outside the general education classroom for more than 60% of the school week (refer to p. 8, II. A).

Yes  No (Pre-K includes separate class in school or private child care facility.) A separate special education day school: includes students who receive 50% or more of their instruction in a separate facility as day students.

Yes  No If "Yes,"  Public?  Nonpublic? A residential facility: placement as a residential student for educational reasons.

Yes  No If "Yes,"  Public?  Nonpublic? Home and Hospital Teaching: includes students who receive greater than 50% of their instruction at home or in a hospital setting. Service needs must be reviewed by the IEP team in 60 calendar days.

Yes  No If "Yes,"  At home?  In a hospital? Additional Pre-School Only Options:

Yes  No At home: includes child for whom it is appropriate to receive services at home; not single service.  
 Yes  No In an itinerant setting: includes child who receives only speech and/or language at school or other location.

**12** Part V: PLACEMENT DECISION: The placement decision is based on present levels of performance, IEP goals, and recommended special education and related services. Program: \_\_\_\_\_ Location of services (assigned school): \_\_\_\_\_

**13** Anticipated duration of services: Start date: \_\_\_\_/\_\_\_\_/\_\_\_\_ End date: \_\_\_\_/\_\_\_\_/\_\_\_\_ Start date: \_\_\_\_/\_\_\_\_/\_\_\_\_ End date: \_\_\_\_/\_\_\_\_/\_\_\_\_ Annual review date: \_\_\_\_/\_\_\_\_/\_\_\_\_  
Part VI: REFERRAL FOR CONSIDERATION OF ALTERNATIVE PLACEMENT:  N/A  Yes: Interim program: \_\_\_\_\_ Location: \_\_\_\_\_ Start date: \_\_\_\_/\_\_\_\_/\_\_\_\_

**14** PART VII: SPECIALIZED TRANSPORTATION:  
 Specialized transportation because program is not at student's home school  
 Specialized transportation to meet the needs of the student's disability:  Aide  Curb-to-curb  Seat belt  Safety belt  Safety vest  Lift  Wheelchair  Other \_\_\_\_\_

**15** Part VIII: ESY CONSIDERATIONS  Yes  No Is ESY being considered? If "Yes," go to page 10 of MCPS Form 336-51. If "No," go to page 13 of MCPS Form 336-51.

# ACTUAL AND PROJECTED SPECIAL EDUCATION SERVICES AND ENROLLMENT

Continued

Revised January 23, 2003

Program	Actual Enrollment			Forecast
	FY01 2000-01	FY02 2001-02	FY03 2002-03	FY04 2003-04
<b>Physical Disabilities</b>				
Resource Program Services	2717	2841	2959	3000
Special Classes	67	59	52	55
<b>Speech and Language Disabilities</b>				
Resource Program Services				
Preschool	773	870	700	900
K-12	8574	8179	8371	8417
Private & Parochial	255	312	242	250
Special Classes				
Preschool	91	60	67	70
Augmentative Communications	15	11	10	11
School Age - Elementary	214	208	211	210
<b>Transition Services (18 to 21 year olds)</b>				
Off site transition services			26	40
<b>Preschool and Early Childhood Programs</b>				
Preschool Education Program (PEP):				
PEP Regular	212	235	216	250
Intensive Needs	33	37	37	42
Medically Fragile	16	12	11	14
Beginnings Classes	24	35	21	25
Early Childhood Classes	68	70	49	60
<b>TOTAL</b>	<b>353</b>	<b>389</b>	<b>334</b>	<b>391</b>
<b>GRAND TOTALS</b>				
<b>Resource Program Services</b>	<b>18554</b>	<b>18468</b>	<b>18225</b>	<b>18783</b>
<b>Special Classes Enrollment</b>	<b>7435</b>	<b>7352</b>	<b>7843</b>	<b>8239</b>

2002-03 enrollment is preliminary, based on average of November, 2002 and December, 2002 enrollment.

Notes: Actual enrollment based on taking average monthly enrollment for the year for each program, November to May, except for PEP and Preschool Speech.

PEP enrollment and Preschool Speech Resource Program Services and Speech Preschool Special Classes are as of the end of May. Forecast for these is for peak level in each forecast year.

Mark Twain Satellite enrollment is combined with Emotional Disabilities Cluster Model, High School, for forecast years.

Enrollment shown for Resource Program Services reflect the number of resource services students receive. Some students receive more than one resource service.

Enrollment shown for all other programs reflect the number of students who are enrolled in classes, receiving fifteen or more hours of special education instruction.

Programs for Students with Learning Disabilities includes enrollment include Pre-Academic, Special Classes (Primary and Intermediate), and Learning Disabled/ Gifted and Talented (LD/GT).

Forecasts are developed cooperatively by the Dept. of Planning and Capital Programming and Dept. of Special Education.

**Nonpublic Special Education Enrollment by Program**  
**Actuals for school year 97-98 to 01-02 and projected for 02-03**

Non-Public Enrollment by Program	School Year					
	97-98	98-99	99-00	00-01	01-02	Projected 02-03
Residential	27	16	17	14	15	23
School-Age Day	422	444	451	445	480	527
Preschool	66	56	36	47	61	65
MD School for the Blind	15	15	14	13	14	14
MD School for the Deaf	0	0	0	3	3	3
Jointly Funded	29	28	19	20	38	40
Family Clause	6	3	4	2	3	4
SRI	47	36	40	49	36	0
<b>Total</b>	<b>612</b>	<b>598</b>	<b>581</b>	<b>593</b>	<b>650</b>	<b>676</b>

Source: MCPS, Department of Special Education

**MCPS Transportation Costs - Budgeted versus Actual Expenditures  
FY 99 - FY 02**

Source: MCPS - Department of Management, Budget, and Planning

	FY 1999			FY 2000		
	Budget	Actual	Variance	Budget	Actual	Variance
Positions	32,697,824	30,874,903	1,822,921	34,717,778	32,355,256	2,362,522
Nonpositions	1,482,567	4,080,244	(2,597,677)	1,253,407	4,342,818	(3,089,411)
Contractual	614,030	690,928	(76,898)	962,019	798,351	163,668
Supplies	4,469,235	3,795,547	673,688	4,534,598	4,396,509	138,089
Other	1,045,322	1,071,130	(25,808)	1,203,541	774,779	428,762
Equipment	4,694,428	4,602,036	92,392	5,866,020	5,984,700	(118,680)
<b>Total</b>	<b>45,003,406</b>	<b>45,114,788</b>	<b>(111,382)</b>	<b>48,537,363</b>	<b>48,652,413</b>	<b>(115,050)</b>

	FY 2001			FY 2002		
	Budget	Actual	Variance	Budget	Actual	Variance
Positions	37,646,549	35,251,551	2,394,998	39,209,587	38,119,861	1,089,726
Nonpositions	1,188,743	4,576,516	(3,387,773)	1,024,142	5,102,634	(4,078,492)
Contractual	680,879	674,315	6,564	753,314	810,015	(56,701)
Supplies	5,260,288	5,083,690	176,598	5,940,544	4,847,683	1,092,861
Other	1,140,668	847,601	293,067	879,022	849,257	29,765
Equipment	7,755,333	7,819,568	(64,235)	8,286,356	8,437,406	(151,050)
<b>Total</b>	<b>53,672,460</b>	<b>54,253,241</b>	<b>(580,781)</b>	<b>56,092,965</b>	<b>58,166,856</b>	<b>(2,073,891)</b>

**MCPS Transportation Costs - FY 03 Year-End Projected Variance**

Source: MCPS - Department of Management, Budget, and Planning

	<b>FY 2003 Budget</b>	<b>Year-End Surplus/(Deficit)</b>		
		<b>December Projection</b>	<b>January Projection</b>	<b>February Projection</b>
Positions	41,091,401	932,840	806,066	315,741
Nonpositions	1,083,503	(3,272,075)	(3,343,664)	(3,555,367)
Contractual	690,336	(16,458)	(32,887)	(43,447)
Supplies	5,320,404	366,964	368,192	(295,948)
Other	885,513	18,669	20,671	20,671
Equipment	5,796,585	11,559	11,144	10,144
<b>Total</b>	<b>54,867,742</b>	<b>(1,958,501)</b>	<b>(2,170,478)</b>	<b>(3,548,206)</b>



# EXHIBIT MONTGOMERY COUNTY PUBLIC SCHOOLS

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## Student Transportation

### §44-7. Denominational and parochial school students entitled to transportation

All children who attended any denominational or parochial nonprofit schools in the county which schools do not receive state aid and who reside on, along or near to the public highways of the county, on which there is now or hereafter operated a public school bus or conveyance provided by the board of education of such county for transporting children to and from the public schools of the county, shall be entitled to transportation on the buses or conveyances, and the same shall be provided for them by the board of education of the county, subject to the conditions hereinafter set forth, from a point on the public highways nearest or most accessible to their respective homes to a point on such public highways nearest or most accessible to their respective schools, without changing the routes of such buses or conveyances now or hereafter established by the board of education of the county for transporting children to and from the public schools, and such transportation shall be provided by the board of education, as aforesaid, for all the children attending schools described herein, upon the same terms and conditions as now or as may be hereafter established by the board of education of the county for children attending public schools. (Mont. Co. Code 1965, §21-2; 1945, ch. 977, §1).

### §44-8 Cost of transportation of students; levy and appropriation; charge to students

The council is hereby authorized to levy and appropriate annually sufficient funds to defray any costs incurred by it in carrying into effect the provisions of §44-7 and for the establishment of new bus routes, if in their discretion the board of education of the county and the council deem it desirable to establish new routes and to purchase additional buses, for the transportation to and from school of children attending schools not receiving state aid. The transportation of children to and from schools not receiving state aid shall be upon such reasonable terms and conditions as the board of education may from time to time determine but in no event shall the amount charged children attending such schools for using such buses or conveyances be greater or less than the amount charged children attending the public schools for the same kind of transportation. (Mont. Co. Code 1965, § 21-3, ch. 977 § 1.)

*Source:* *Montgomery County Code*, 1994, §§ 44-7 and 44-8.

*MCPS Exhibit History:* New Exhibit September 1996.

EEA

# POLICY

## BOARD OF EDUCATION OF MONTGOMERY COUNTY

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**Related Entries:** EEA-RA, EEA-EA, EBH-RA, EBI-EA, JEE, JEE-RA, KLA

**Responsible Office:** Chief Operating Officer

### Student Transportation

#### A. PURPOSE

To delineate MCPS transportation services and safety guidelines for transporting public and nonpublic school students

#### B. ISSUE

The Montgomery County Public Schools is authorized by the regulations of the State of Maryland to provide safe and efficient transportation to the students residing within the county. It is the Montgomery County Board of Education's responsibility to establish the parameters under which students are deemed eligible for such transportation. Furthermore, it is the shared responsibility of the Montgomery County Board of Education and other state and local government departments to assure student safety in walking to and from school.

#### C. POSITION

1. The Board of Education encourages participation and involvement of PTA's and other citizens in the identification and resolution of transportation and safety issues.
2. Eligibility for Transportation
  - a) General Terms and Conditions for Public and Nonpublic School Students
    - (1) The Board of Education adopted attendance areas for each school will be the basis upon which transportation service is provided. Under special circumstances, students may ride established bus routes across attendance boundaries for valid educational reasons.
    - (2) Mixed grade/age level student loads shall be permitted.

## EEA

- (3) The walking distance factor for student transportation eligibility will be as follows:

Elementary Schools -- 1 mile  
 Middle Schools -- 1.5 miles  
 Senior High Schools -- 2.0 miles

as measured from nearest point of residential property to the curb in front of the nearest door accessible for entry by students to the school (In the implementation of these mileage distances, the superintendent of schools is authorized to extend by one-tenth of a mile from these distances in establishing the line of demarcation between walking and transported students.)

- (4) The distance factors above may be modified if safety or other conditions warrant. Such modifications shall be terminated when safety hazards or other conditions are corrected.
- (5) MCPS will provide appropriate transportation service to students with disabilities in accordance with applicable laws and program placement as defined by the student's Individual Education Program (I.E.P.)
- b) Nonpublic School students may be transported as specified under provisions of the Montgomery County Code, as shown in Exhibit EEA-EA. This service will be provided only on established bus routes having available seating capacity, designed to serve public schools in keeping with the terms and conditions as set forth in this policy.
3. Factors and Standards for Determining Transportation Safety and Safe Walking Conditions
- a) Transportation may be provided for distances less than that authorized by Board policy if a condition is considered hazardous to the safety of students walking to or from school, or to establish a reasonable boundary. Such conditions shall be reviewed by the transportation department on an annual basis and corrected, where feasible, by the responsible agency as soon as possible. The public is encouraged to express their views on the safety of bus stops and/or recommended walking routes, by writing to the director of the Department of Transportation. In the event that a disagreement arises between the public's views and that of the transportation department on the hazardous nature of the condition, a joint assessment will be conducted by an

## EEA

interagency team including MCPS transportation staff, MCPS School Safety and Security Department staff, the Montgomery County Police Department School Safety Unit staff and the Department of Public Works and Transportation. The public's views will be considered in this assessment. The team's recommendation will be forwarded to the Director of Transportation for a final decision and notification of all parties. This decision can be appealed to the Chief Operating Officer in writing within ten days and the Chief Operating Officer shall render a decision on behalf of the Superintendent of Schools within fifteen calendar days after receipt of the appeal, advising the appellant of the right to further appeal to the Board of Education within thirty days.

Upon receipt of a timely appeal to the Board of Education from a decision of the Chief Operating Officer, acting as the designee of the Superintendent of Schools, the Board shall consider the appeal pursuant to procedures set forth in Policy BLB: *Rules of Procedure in Appeals and Hearings*. Moreover, prior to the Board's rendering a final decision on an appeal pertaining to the addition or deletion of a school bus stop or the elimination or moving of a school bus route, a public hearing shall be conducted as follows:

- (1) No later than twenty days prior to its being held, the appellant(s) and the PTA for the schools in question shall be notified in writing that a public hearing will be held as to the matter in dispute.
- (2) The public hearing may be held as part of a regularly scheduled business meeting or a special meeting called for this purpose.
- (3) Those wishing to testify shall call the Office of the Board of Education, with three minutes allotted to each speaker, provided that the Board may reasonably restrict the number of speakers and seek to balance speakers with varying points of view, except that the appellant(s) and the designee of the Superintendent shall each be provided with ten minutes to present their respective position. Copies of written testimony also shall be received as part of the record.
- (4) Subsequent to the close of the public hearing, the Board may deliberate among themselves in closed session. However, upon reaching a decision, a vote shall be taken in public session and the individual vote of each Member shall be recorded on the public record. A written Opinion shall be issued after its approval by the Board.

## EEA

- b) The following factors shall be considered in determining the need for student transportation service within the walking distance:
- (1) Absence of traffic signals, lined crosswalks, or other traffic control devices to assist secondary school students, or the absence of an adult crossing guard to assist elementary school students who are required to cross a multilane highway as listed on the Maryland Highway Map.
  - (2) Presence of building and other construction activities, other safety hazards, or natural or man made barriers that create potentially dangerous situations on an established walking route and where other walking routes are not available.
  - (3) Absence of a sidewalk, or in some cases absence of a buffer strip or guard rail between sidewalk and road, along a major highway or heavily traveled street in a residential area
  - (4) Students who, because of physical or mental disabilities, are not able to perform the walking assignments expected of students enrolled in general education classes
- c) The following standards shall be considered in making decisions relative to the factors listed above:
- (1) Students are expected to walk safely without sidewalks in residential subdivisions, on side streets, and to bus stops along roads where traffic is not heavy, where space is available at the side of the road, or where the road is of sufficient width to allow walking off the main road. Buses are not an alternative to the absence of sidewalks in a subdivision unless other safety factors such as inadequate sight distances are determined to jeopardize student safety. Communities desirous of obtaining sidewalks should initiate their requests with the appropriate governmental agencies.
  - (2) Schools will supplement parental teaching of safe walking practices by emphasizing the need for safe walking practices while en route to and from school.
  - (3) Sidewalks, where available, should be so constructed and designed so that students can walk safely on them.

**EEA**

- (4) The absence of buffer strips between a sidewalk and the traveled portion of the roadway, or the presence of telephone poles, bushes, trees or protruding objects or signs on the sidewalk shall be considered in determining if the walkway is safe.
- (5) MCPS staff, in cooperation with the Montgomery County Police Department's School Safety Unit, the Montgomery County Department of Public Works and Transportation and the Maryland State Highway Administration shall work diligently to make certain that in every instance involving school children the need for safe walkways is made clear to the responsible county and state agencies.
- (6) Snow and/or ice accumulation on sidewalks during inclement weather shall not be considered sufficient cause for providing transportation. Parent help is needed on those few days when all walking students are subject to the same conditions. When snow or ice causes conditions that are generally considered unsafe, school may be canceled or the starting time delayed until heavy traffic has subsided.
- (7) Crossing guards may be employed, by the Montgomery County Police Department, to assist students in crossing intersections. MCPS will request their assignment when the presence of a crossing guard will enhance safety and when, it is more economical to utilize crossing guards than to provide bus transportation.
- (8) Secondary students are expected to be able to cross all controlled intersections safely except that middle school students are not required to cross mainline railroad tracks at grade level.
- (9) Elementary school students are expected to be able to cross controlled intersections safely except on major highways and mainline railroad tracks at grade level. It is recognized that in some instances this may not apply to five-and six-year-olds.
- (10) Students are expected to be able to walk to established bus stops to await the arrival of school buses. While waiting, students should observe safe practices, respect persons and private property, and stand well off the traveled portion of the road.
- (11) Students are expected to walk across private property only where paths or foot bridges are constructed and maintained by a public agency such as the Maryland-National Capital Park and Planning

**EEA**

Commission, the Department of Public Works, the Montgomery County Public Schools or are part of walkways provided by a homeowners association or similar private development group.

- d) MCPS school buses shall operate in accordance with the State of Maryland COMAR 13A.06.07.
  - e) In the interest of increased student safety and route efficiency, no MCPS bus shall be routed onto a dead end, cul de sac or other street requiring the bus to perform a three point turn or backing up maneuver to exit, unless the alternative bus stop would present a safety hazard. Similarly, no MCPS bus shall be required to travel on an undedicated street or private road not maintained by the state or county.
4. The principals and presidents of the PTA or equivalent parent organization of public and nonpublic schools shall be notified in writing by the superintendent of schools or his/her designee of any prospective changes in bus service preceding the new school year. If budget or other Board of Education action makes systemwide change necessary, a general notification to the public will follow within ten calendar days and a specific notice to parents and communities affected by the change will follow as soon as possible thereafter. The superintendent of schools is obligated to assure that affected communities and parents are informed.
  5. In those instances when parents are pre-approved jointly by the Department of Transportation and the Department of Special Education to provide transportation services to special education students, the reimbursement shall not exceed the Board-approved mileage rate for staff travel.

**D. DESIRED OUTCOME**

Implementation of this policy will assure that the students of the Montgomery County Public Schools will have safe walking routes and a safe and efficient system of student transportation.

**E. IMPLEMENTATION STRATEGIES**

The superintendent will develop regulations to implement this policy as needed.

EEA

**F. REVIEW AND REPORTING**

This policy will be reviewed on an ongoing basis in accordance with the Board of Education policy review process.

***Policy History:*** Adopted by Resolution No. 89-78, February 13, 1978; amended by Resolution No. 219-78, March 14, 1978, Resolution No. 718-78, October 10, 1978, and Resolution No. 725-79, August 20, 1979; amended by Resolution No. 403-84, July 23, 1984; reformatted in accordance with Resolution No. 333-86, June 12, 1986, and Resolution No. 438-86, August 12, 1986, and accepted by Resolution No. 147-87, February 25, 1987; amended by Resolution No. 284-97, May 13, 1997; amended by Resolution No. 616-01, November 13, 2001.




DISCUSSION  
5.0

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

April 10, 2003

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: Monthly Financial Report and Year-end Projections as of February 28, 2003

This financial report reflects the actual financial condition of the Montgomery County Public Schools (MCPS) as of February 28, 2003, and projections through June 30, 2003.

REVENUE

Total revenue is projected to be \$1,429,401,014. This amount is \$2,139,809 more than the revised budgeted amount. Projected county, state, federal, and other revenues are described below.

**County**

The projected revenue from the county is \$1,063,665,993.

**State**

The projected revenue from the state has increased \$1,024,000 over last month to \$186,200,000. The increase is due to additional reimbursement for nonpublic placement of special education students.

**Federal**

The projected revenue from Impact Aid is \$290,000.

**Other**

The projected revenue from other sources is \$2,870,000.

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**Supported Projects**

The anticipated revenue for supported projects is \$115,424,454. This estimate also includes \$11,968,726 carried forward from FY 2002 and \$3,130,657 in supplemental appropriations. Projects approved through February 28, 2003, have been assigned \$110,064,742.

**EXPENDITURES**

There is a projected surplus of \$900,000 through February 28, 2003. Projected surpluses in Categories 1, 2, 3, 4, 5, 10, and 11 are partially offset by deficits in Categories 6 and 9. This report reflects the costs incurred as a result of the severe weather in February. The cost for snow removal and overtime for staff to make up instructional days lost due to inclement weather is \$2 million. The cost for snow removal increased expenditures in Category 10 Operation of Plant and Equipment by \$239,000 for emergency overtime; in Category 11 Maintenance of Plant by \$151,000 for emergency overtime, \$20,000 for additional materials, \$34,000 for equipment parts, and \$322,000 for contractual services; and in Category 12 Fixed Charges by \$30,000 for FICA. The cost to make up three instructional days lost due to inclement weather increased expenditures in Category 2 Mid-Level Administration by \$68,000 for position salaries, in Category 3 Instructional Salaries by \$20,000 for position salaries, in Category 6 Special Education by \$383,000 for position salaries, in Category 9 Student Transportation by \$488,000 for position salaries and \$50,000 for non-position salaries, in Category 12 Fixed Charges by \$77,000 for FICA, and in Category 61 Food Services by \$124,000 for position salaries. Savings projected as a result of additional expenditure restrictions imposed on March 12, 2003, will offset the additional costs resulting from inclement weather.

After the first financial review of the year in early October, following the opening of schools and the encumbrance of salaries for ten-month employees, staff concluded that it was necessary to begin imposing restrictions on expenditures. By acting as early as possible, before the extent of the financial problem was fully known, it was possible to achieve the maximum savings for the remainder of the fiscal year. All managers developed specific expenditure plans that detailed, by account, how much they needed to spend for the rest of the fiscal year to meet compliance requirements and to implement high priority instructional programs. The chief operating officer reviewed these expenditure plans during October. As a result, savings were identified in some budget categories that were needed to offset deficits in other categories. In addition, the expenditure plans identified savings within categories that would mitigate the effects of higher than anticipated costs in those areas.

The initial financial analysis showed that the balances in teacher salary accounts were about \$4 million less than we would have expected to have at that point in the fiscal year. Extensive review of these accounts indicated that we have experienced lower turnover than was assumed when the budget was built during the fall of 2001. Other employers in the Washington Metropolitan Area and nationally also have experienced significantly lower turnover during the last two years. We also found that the more than 1,000 new teachers hired for the new school year entered at a higher rate than budgeted because they have greater teaching experience. In general, greater stability of

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employment has resulted in lower turnover and lapse savings than would have been predicted from historical experience. In addition, MCPS experienced higher salaries than anticipated from the realignment and reorganization of many positions in the FY 2003 budget. When reorganized positions are filled with more experienced employees than anticipated, salary costs are higher than budgeted. After one year, the actual salary level of these positions will be priced as part of continuing salary adjustments, but for the first year there will be unanticipated discrepancies from budget.

The projected FY 2003 deficit in Category 9 Student Transportation now totals \$3,600,000. The increase over last month is a result of significant diesel fuel price increases, costs of providing transportation for the additional instructional days, and increases in overtime expense for the inclement weather during February. In FY 2002, Category 9 ended the year with a deficit of \$1,880,000. Diesel fuel prices continue to rise, and \$650,000 of the projected deficit relates to fuel costs. However, most of the deficit relates to higher costs for employee salaries, both position and non-position. Part of this deficit relates to the costs of substitute bus operators and bus attendants for special education routes. During the last two years, the formula used for budgeting transportation for special education was cut back to reflect expected savings from enrolling special education students at their home schools. Although the cluster model approach has reduced transportation costs, the savings were not as great as assumed when the budget was developed. Even more important, we are serving more than 200 special education students than anticipated this school year, resulting in significantly higher costs in Category 6 Special Education and Category 9 Student Transportation. The costs in both Category 6 and Category 9 for the increased number of students requiring nonpublic placements, well beyond the numbers projected when the budget was prepared, also have had a significant impact on the deficits in these two categories. As a result of the projected deficits, the County Council has requested the Office of Legislative Oversight to take a closer look at the costs of special education transportation. Staff is cooperating fully with this review.

In addition to special education, transportation costs have been significantly impacted by the effect of the McKinney-Vento Act relating to the education of homeless students. The broad definition of homelessness contained in this law has resulted in more students than expected being bused to their former school from homeless shelters or other temporary housing. In some cases, special buses are required for a handful of students from outside the district.

The negotiated agreement between SEIU Local 500, Montgomery County Council of Supporting Services Employees, and MCPS requires 66 percent of all routes (766 routes) to be staffed by 40-hour per week bus operators. This was designed to generate more full-time bus operators. It was anticipated that this addition of full-time positions would reduce the need for part-time and regular-rate overtime salary payments. However, the limitations of route configurations made this saving less than had been anticipated. In addition, when these new bus operator positions were created, the hours for special education bus attendants were not increased. However, route reconfiguration caused the bus attendants to work more hours, contributing to the salary deficit in Category 9.

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Category 6 Special Education is projected to have a deficit for FY 2003 of \$3,200,000. The largest factor in that projected deficit (\$1,700,000) is a higher than anticipated cost for nonpublic placement. During the last two years, we have experienced a significant increase in the average number of special education students who require nonpublic placement, from 593 in FY 2001 to 692 in FY 2003. The increase in the number of students requiring nonpublic placement contributes about \$1,100,000 to the deficit. The Maryland State Department of Education rate increases authorized to nonpublic providers have been greater than the assumptions made when the budget was developed. This resulted in a deficit of about \$600,000. State reimbursement revenue also has grown to offset these new higher rates for nonpublic placement. In addition to the cost of nonpublic placement, higher enrollment in special education has contributed to the deficit. There has been an increase of more than 200 students in special education programs, which has resulted in an increase of \$600,000 in the cost of position and non-position salaries for teachers and special education instructional assistants to serve special education students. Legal costs, including payments to attorneys and costs related to legal settlements, are expected to exceed budgeted estimates by \$100,000. Finally, the \$800,000 increase in the projected deficit is primarily due to the cost for providing three additional instructional days and the county executive's decision not to recommend a supplemental appropriation for non-public placements requested by the Board of Education.

As a result of the ongoing review of the financial report and expenditure plans presented by managers, further reductions in planned expenditures were implemented. Through October and November, these restrictions were steadily tightened. However, an effort was made to avoid impacting school instructional programs, so only limited reductions in school staffing and expenditures occurred. After a review of expenditure projections at the end of November showed that projected shortfalls had not yet been fully corrected by offsetting savings, staff concluded that there was no alternative to a hardening of the position freeze and the expenditure restrictions. On December 19, a "hard freeze" on all positions was implemented, including most teacher positions. Long-term substitutes will cover classes for the remainder of the school year in the event of teacher vacancies. As a result of these restrictions, we have projected savings of \$2.2 million in Category 1 and Category 2 administrative expenditures, \$3.6 million in textbooks and instructional materials (Category 4) and other instructional costs (Category 5), and \$1.0 million in support operations, including building services operations and maintenance of plant and equipment. In addition, other savings have been generated in Categories 3, 6, and 9 to offset deficits in accounts in these categories. On February 10, 2003, I imposed further expenditure restrictions that affected all MCPS units, including schools. Following the period of inclement weather in February, additional restrictions were imposed on March 12, 2003, to generate sufficient savings to offset higher costs. The "hard" position freeze remains in effect.

The following provides an explanation for each of the categorical variations:

#### **Administration—Category 1**

The projected surplus of \$1,200,000 has increased \$100,000 to \$1,300,000 in Category 1 Administration as a result of additional salary lapse and reduced contractual expenses as a result of the expanded freeze restrictions.

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**Mid-Level Administration—Category 2**

The projected surplus of \$600,000 in Category 2 Mid-Level Administration has increased by \$300,000 to \$900,000. This is the result of new expenditure restrictions that reduced projected costs for staff development substitutes, temporary part-time, and other staff development costs. These reductions are partially offset by the added cost of providing three additional days of instruction.

**Instructional Salaries—Category 3**

The projected deficit of \$1,000,000 in Category 3 Instructional Salaries is now projected to be in surplus by \$1,400,000. This is the direct result of the projected impact of the current expenditure restrictions now in place that reduced projected nonposition salary expenditures for staff development and other functions. However, this is partially offset by additional costs for providing three additional instructional days due to inclement weather.

**Textbooks and Instructional Supplies—Category 4**

The projected surplus of \$2,200,000 has increased \$600,000 to \$2,800,000 in Category 4 Textbooks and Instructional Supplies due to the comprehensive expenditure restrictions imposed since October 1, 2002.

**Other Instructional Costs—Category 5**

The projected surplus of \$500,000 has increased \$300,000 to \$800,000 in Category 5 Other Instructional Costs, primarily due to projected reductions in contractual services and other expenses as a result of the comprehensive expenditure restrictions.

**Special Education—Category 6**

The projected deficit of \$2,400,000 has increased \$800,000 to \$3,200,000 in Category 6 Special Education partially due to increased costs for providing three additional instructional days. In addition, the county executive's decision not to recommend a supplemental appropriation for nonpublic placements also has added to the projected deficit. This funding will now be used as additional year-end fund balance to provide additional resources for FY 2004. These items are partially offset by the impact of the current expenditure freeze that has reduced nonposition salary expenses.

**Student Transportation—Category 9**

The projected deficit of \$2,100,000 has increased \$1,500,000 to \$3,600,000 in Category 9 Student Transportation as a result of increased deficits in salary accounts and increasing fuel costs. Rising fuel costs, currently at \$1.54 per gallon, added \$640,000 to the projected deficit. In addition, three additional days of instruction have increased transportation costs \$638,000. These amounts coupled with higher nonposition salary costs account for the \$1,500,000 increase in the deficit.

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

The projected surplus of \$400,000 has decreased \$200,000 to \$200,000 in Category 10 Operation of Plant and Equipment. This is primarily due to increased emergency overtime for snow removal during February.

**Maintenance of Plant—Category 11**

The projected surplus of \$700,000 has decreased by \$400,000 to \$300,000 in Category 11 Maintenance of Plant. Additional emergency overtime and contractual costs associated with snow removal during February are primarily responsible for this increase.

**Fixed Charges—Category 12**

Higher than anticipated charges for medical and prescription drug services under the Employee Benefit Plan (EBP) for both active and retired employees must be offset by the fund balance reserve in the EBP fund. These higher costs result from higher payments to medical and prescription providers and from increases in usage patterns. At this time, it does not appear that there will be a net deficit in Category 12; however, increased costs will be reflected in a reduction in the year-end fund balance for the EBP. In addition, lower interest rates for the past three years have reduced the available fund balance below earlier projections. It is anticipated that the retiree health fund balance will run down faster than previously estimated and will be eliminated by the end of this fiscal year.

**SUMMARY**

This report reflects the projected financial condition through February 28, 2003, based on program requirements and estimates made by primary and secondary account managers. At this time, revenues have a projected surplus of \$2,139,809 while expenses have a projected surplus of \$900,000. Staff will continue to closely monitor both revenues and expenditures.

JDW:LAB:MCS:rup

Attachments

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**Monthly Financial Report and Year-end Projections**  
**As of February 28, 2003**

**REVENUE**

Source	FY 2003 Original Budget	Revised Budget	Projection		Current Report Variance Over (Under) Revised Budget
			As of 2/28/2003	As of 1/31/2003	
County	\$1,063,665,993	\$1,063,665,993	\$1,063,665,993	\$1,063,665,993	\$ -
State	184,425,414	184,425,414	186,200,000	185,176,000	1,774,586
Federal	160,000	160,000	290,000	290,000	130,000
Other	2,865,209	2,865,209	2,870,000	2,870,000	4,791
Appropriated fund balance	14,303,430	14,303,430	14,533,862	14,533,862	230,432
<b>Subtotal</b>	<b>1,265,420,046</b>	<b>1,265,420,046</b>	<b>1,267,559,855</b>	<b>1,266,535,855</b>	<b>2,139,809</b>
Food Services	35,640,454	35,640,454	35,640,454	35,640,454	-
Adult Education	5,241,120	5,241,120	5,241,120	5,241,120	-
Real Estate Management	1,539,644	1,539,644	1,539,644	1,539,644	-
Field Trip	1,973,567	1,973,567	1,973,567	1,973,567	-
Entrepreneurial Activities	946,920	946,920	946,920	946,920	-
Instructional Television	1,075,000	1,075,000	1,075,000	1,075,000	-
Supported Projects	100,325,071	115,424,454 (a)	115,424,454	112,293,797	-
<b>Total</b>	<b><u>\$1,412,161,822</u></b>	<b><u>\$1,427,261,205</u></b>	<b><u>\$1,429,401,014</u></b>	<b><u>\$1,425,246,357</u></b>	<b><u>\$ 2,139,809</u></b>

Notes:

(a) Includes \$11,968,726 carried forward from FY 2002 and \$3,130,657 in supplemental appropriations.

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**Monthly Financial Report and Year-end Projections**  
**As of February 28, 2003**

**EXPENDITURES**

Category	Authorized Expenditures	Expenditures and Encumbrances 2/28/2003	Projected Expenditures 6/30/2003	Current Report Projected Year-end Balance	Prior Report Projected Year-end Balance	Variance Over (Under)	(a) Percentage
01 Administration	\$ 29,701,026	\$ 26,656,760	\$ 1,744,266	\$ 1,300,000	\$ 1,200,000	\$ 100,000	4.38
02 Mid-level Administration	90,448,583	88,060,872	1,487,711	900,000	600,000	300,000	1.00
03 Instructional Salaries	584,722,704	568,214,680	15,108,024	1,400,000	(1,000,000)	2,400,000	0.24
04 Textbooks and Supplies	22,576,054	17,773,112	11,603,614	2,800,000	2,200,000	600,000	12.40
05 Other Instructional Costs	10,821,523	8,293,722	1,727,801	800,000	500,000	300,000	7.39
06 Special Education	147,984,862	133,909,902	17,274,960	(3,200,000)	(2,400,000)	(800,000)	(2.16)
07 Student Personnel Services	6,122,441	6,035,846	86,595	-	-	-	-
08 Health Services	40,434	13,698	26,736	-	-	-	-
09 Student Transportation	55,105,516	52,169,668	6,535,848	(3,600,000)	(2,100,000)	(1,500,000)	(6.53)
10 Operation of Plant/Equipment	78,588,971	65,214,134	13,174,837	200,000	400,000	(200,000)	0.25
11 Maintenance of Plant	24,922,573	22,352,482	2,270,091	300,000	700,000	(400,000)	1.20
12 Fixed Charges	214,335,359	147,148,198	67,187,161	-	-	-	-
14 Community Services	50,000	50,000	-	-	-	-	-
Subtotal	1,265,420,046	1,135,893,074	138,227,644	900,000	100,000	800,000	0.07
61 Food Services	35,640,454	25,793,542	9,846,912	-	-	-	-
41 Adult Education	5,241,120	3,421,481	1,819,639	-	-	-	-
51 Real Estate Management	1,539,644	1,224,354	315,290	-	-	-	-
71 Field Trip	1,973,567	785,454	1,188,113	-	-	-	-
81 Entrepreneurial Activities	946,920	794,455	152,465	-	-	-	-
37 Instructional Television Supported Projects	1,075,000 115,424,454	923,927 90,492,069	151,073 24,932,385	-	-	-	-
<b>Total</b>	<b>\$ 1,427,261,205</b>	<b>\$ 1,259,328,356</b>	<b>\$ 176,633,521</b>	<b>\$ 900,000</b>	<b>\$ 100,000</b>	<b>\$ 800,000</b>	<b>0.06</b>

Note:

(a) Percentage of projected year-end balance to authorized expenditures.