

MEMORANDUM

June 7, 2007

To: Education Committee

From: Elaine Bonner-Tompkins, Senior Legislative Analyst *EBT*
Office of Legislative Oversight

Subject: **Worksession on Office of Legislative Oversight Report 2007-5, *Key Fiscal Indicators for Montgomery County Public Schools***

This packet provides information to assist the Education Committee in developing recommendations for Council action on the key fiscal indicators described in Office of Legislative Oversight (OLO) Report 2007-5, *Key Fiscal Indicators for Montgomery County Public Schools (MCPS)*. The primary intent of this report is to improve the Council's familiarity with the MCPS base budget and to provide context for annual budget requests and discussions of budget trends with MCPS and members of the community. The Council received and released this report on February 27, and the Education Committee held two worksessions on March 5 and April 9 to review and discuss the report.

Dr. Marshall Spatz, Director of MCPS' Department of Management, Budget and Planning is scheduled to participate in this worksession.

This packet is organized into three parts:

- Part A summarizes the 12 key fiscal indicators recommended by OLO;
- Part B offers OLO's recommendations for next steps; and
- Part C addresses Council information requests for MCPS on key fiscal indicators.

A. Summary of 12 Key Fiscal Indicators

The chart below offers a recap of the 12 key fiscal indicators originally recommended by OLO. An introduction to the indicators and brief description of each are attached on © 6-8. The chart below also identifies which indicators that were updated in late March with FY08 Board of Education budget request data. The one-page FY08 updates for each indicator are attached beginning on © 10.

Key Fiscal Indicator	Updated with FY08 BOE data?
Indicator 1: Total Operating Budget by Revenue Source	Yes
Indicator 2: Sources of Federal and State Revenue	Yes
Indicator 3: Expenditures by State Budget Category	Yes
Indicator 4: Tax Supported Positions, Salaries, and Benefits by Bargaining Unit	Yes
Indicator 5: Starting and Average Salaries for Selected Positions	No
Indicator 6: Retiree Health Benefits	No
Indicator 7: Multi-Year Costs for Selected MCPS Initiatives	Yes
Indicator 8: Special Education Costs	Yes
Indicator 9: Operations, Maintenance, Transportation and Utilities	Yes
Indicator 10: Per Student Costs by Grade Span	Yes
Indicator 11: Per Student Cost by Disability Status	No
Indicator 12: Per Student Cost by School Type/Service	No

B. OLO's Recommendations for Next Steps

During the Council briefing and Education Committee worksessions, Councilmembers offered a number of comments and recommendations for improving upon the indicators recommended. A list of comments generated is attached, starting on © 17. Based on a review of these comments, OLO recommends the following next steps:

- The Council should adopt the 12 key fiscal indicators and ask legislative staff to provide one-page biannual updates that report five year trend data each July (e.g. FY04 to FY08 data on per student costs) and marginal budget data each February (e.g. FY08 adopted budget compared to FY09 BOE request for school plant operations);
- The Council should ask staff to develop two additional indicators that track:
 - a. The average cost per classroom by school type and grade level;
 - b. The cost of services delivered to MCPS by other County-funded agencies (e.g. student health services and ball field maintenance).

OLO recommends tabling further discussion on the pilot indicators that attempt to capture MCPS' efficiency at reaching selected student benchmarks until after the FY09 budget development season.

OLO further advises the Council against requesting written responses to each of the suggested questions included in the report due to the breadth and number of questions posed. OLO recommends that the Education Committee request that MCPS respond in written form to no more than two suggested questions per key fiscal indicator. MCPS has provided written responses to selected suggested questions for Indicators 4-6 focused on compensation for the Education Committee's April 20 worksession on the FY08 Operating Budget (see © 21).

OLO also suggests that the Education Committee table making any decisions for legislative staff to address the suggestions from Councilmembers below with the option to address these at a later date if time permits:

- Track key fiscal indicators for longer time frames;
- Develop three additional indicators that:
 - Link new teacher positions to class size reduction;
 - Track MCPS' costs of delivering behavioral health services; and
 - Describe "what works" and the most effective investments that the school system can make.

C. Follow-up on Councilmembers' Requests for Information from MCPS

A number of requests for MCPS information emerged during the course of the Council's and the Education Committee's review of the key fiscal indicators. In particular, Councilmembers have expressed interest in:

- A report from MCPS on grant-funded projects that are expected to sunset annually, and information on MCPS' policies for transitioning grant-funded programs into the budget;
- A report from MCPS that describes the lag time between identifying students eligible for special programs and the receipt of Federal and State funds that are based on the numbers of eligible students;
- Information on how student eligibility for special services is verified by MCPS and reported to the State, and how the State allocates funding for special services based on student enrollment;

- Information on whether the school system has a “better” measure than eligibility for free and reduced price meals (FARMS) to approximate poverty rates among MCPS students, and data on MCPS’ efforts to better identify and deliver services to low-income students who do not enroll in FARMS;
- Data on how much funding is allocated for 10-month teachers who deliver instruction in the classroom.

OLO recommends that the Education Committee forward a formal request to MCPS articulating which specific information requests that MCPS should address and by when.

ATTACHMENTS	BEGINS AT
Executive Summary of OLO Report 2007-5	© 1
Comments from the Superintendent of Schools, dated 2/20/07	© 5
OLO’s introduction to the indicators	© 6
FY08 Updates to Key Fiscal Indicators #1-4 and #7-10	© 9
Summary list of issues and questions raised by Councilmembers on key fiscal indicators	© 17
MCPS response to Education Committee’s questions regarding compensation (Indicators 4-6) for FY08 Operating Budget Worksession - April 20, 2007 (packet addendum)	© 21

KEY FISCAL INDICATORS

MONTGOMERY COUNTY PUBLIC SCHOOLS

OFFICE OF LEGISLATIVE OVERSIGHT REPORT 2007-5

FEBRUARY 27, 2007

OVERVIEW

The Montgomery County Public Schools' FY07 operating budget of \$1.85 billion represents almost half of the \$3.88 billion that the County Council appropriated to County-funded agencies. Local tax dollars fund about three-fourths of MCPS' operating budget.

This report responds to the County Council's request for Office of Legislative Oversight (OLO) to recommend a dozen fiscal indicators of the MCPS operating budget. Fiscal indicators are quantitative measures of funding and spending that provide information on sources of revenue, resource allocation, major cost drivers, and expenditure trends. It is anticipated that the Council will use these fiscal indicators to:

- Become more familiar with MCPS' base budget;
- Provide context for MCPS' annual operating budget requests for new funding; and
- Discuss funding and expenditure trends with MCPS and members of the community.

Combined with data on student performance, a review of fiscal indicators can facilitate understanding of the efficiency and effectiveness of MCPS' operations and activities. While recognizing that no single measure, such as average per student cost or change in average teacher salary, can be used to determine funding decisions, such indicators can serve as barometers of the fiscal performance of the school system.

ENROLLMENT AND DEMOGRAPHIC TRENDS

Enrollment and demographic trends are important building blocks for the MCPS operating budget. Following a period of steady growth for more than two decades, MCPS' enrollment has now leveled off. MCPS' current school year enrollment of 137,798 students represents a small decline (1.1%) compared to last year.

Reflecting changes in the County's demographics, MCPS' student population notably changed during the past three decades with respect to its racial/ethnic composition, percent of students who receive free and reduced-priced meals (FARMS), and number of English language learners. Between FY75 and FY05:

- The number of African-American, Hispanic, Asian-American, and American Indian students increased from 11 to 57 percent of total enrollment;
- The number of students receiving FARMS almost quadrupled; and
- Enrollment of English language learners increased to almost 10 percent of all students.

Total enrollment and other demographic characteristics have changed less dramatically in recent years.

LEGISLATORS' USE OF FINANCIAL AND PERFORMANCE DATA

Legislators routinely make decisions about how to allocate money. Historically, funding decisions have rarely been based on the large numbers of performance measures that agencies generate. Reasons for this include:

- Concerns about accuracy and reliability of the data;
- Limited relevance of the large quantity of data provided; and
- Insufficient understanding of how to connect the data to resource allocation.

To date, there are few examples of school systems using fiscal indicators to capture their efficiencies, particularly with regard to the return on spending in education. However, recognizing the benefits of data and analysis that links the investment of public resources to desired outcomes, current efforts are underway across the country to strengthen the connection between educational inputs and outcomes. This OLO project assignment reflects the County Council's interests in moving in this direction.

Recommended Fiscal Indicators

OLO developed 12 fiscal indicators that provide an overview of the MCPS operating budget. The indicators are organized into the three major categories listed below. Most indicators provide multiple years of trend data. Several also include comparative data from other area school systems.

Category A – Revenues and Expenditures

Indicator 1, Total Operating Budget by Revenue Source, tracks MCPS' total annual operating budget and the relative contributions of the major revenue sources that fund the school system. It includes a ranking of Maryland school systems by the percent of their respective operating budgets supported by local funds.

Indicator 2, Sources of Federal and State Revenue, provides more detail on the State and Federal revenue that MCPS receives. It includes trend data on funding that MCPS has received from the Bridge to Excellence, No Child Left Behind, and the Individuals with Disabilities Education Act programs.

Indicator 3, Expenditures by State Budget Category, presents MCPS' budget according to the State budget categories defined by the Maryland State Department of Education. State law mandates that the Council use these categories to allocate funds within the MCPS budget.

Category B – Major Budget Components and Cost Drivers

Indicator 4, Tax Supported Positions, Salaries, and Benefits by Bargaining Unit, tracks the cost of salaries and benefits for MCPS employees, broken out by bargaining unit. This measure focuses on tax supported positions, and excludes those funded by grants, enterprise, and special revenue funds.

Indicator 5, Starting and Average Salaries for Teachers, Paraeducators, Bus Operators, and Principals, provides salary data for four positions. Teachers, paraeducators, bus operators, and principals account for two-thirds of the MCPS workforce. This indicator also compares teacher salaries across area school systems.

Indicator 6, Expenditures for Retiree Health Benefits, presents the costs of health benefits for MCPS retirees and their dependents. This indicator tracks past, current, and projected costs of retiree health, including the anticipated contributions to the MCPS Retiree Health Trust Fund that will begin in FY08.

Indicator 7, Multi-Year Costs of Selected MCPS Initiatives, tracks the annual and cumulative costs of three major MCPS initiatives implemented since FY01: class size reduction, special education enhancements, and additional elementary school assistant principals.

Indicator 8, Special Education Costs, tracks the expenditures for special education operations and services, including transportation for individuals with disabilities, ages 0 to 21.

Indicator 9, Cost of School Plant Operations, Maintenance, Transportation, and Utilities, provides data on major non-instructional costs, such as cleaning of facilities, repairs, bus maintenance, and electricity.

Category C – Per Student Expenditures

Indicator 10, Per Student Cost by Grade Span, presents MCPS' calculations of per student costs for kindergarten, elementary, secondary, and K-12 students. It also compares MCPS' average cost per student to other area school districts, using data from the Washington Area Boards of Education.

Indicator 11, Per Student Cost by Disability Status, compares MCPS' average per student cost to estimates of per student costs for students with and without disabilities.

Indicator 12, Per Student Cost by School Type and Service Category, compares MCPS' average per student costs in Focus (i.e. high poverty) and Non-focus Elementary, Middle, High, and Special schools. It includes a list of all MCPS elementary schools in descending order of FY06 per student school-based costs.

Selected Findings from Fiscal Indicators

Key findings from OLO's review of MCPS fiscal indicators include:

- a. MCPS' FY07 budget of \$1.85 billion is \$436 million (31%) larger than it was four years ago. During this time, enrollment remained around 139,000 students and MCPS experienced small increases in the number of students receiving FARMS, English as a second language services, and special education services.
- b. In FY07, County tax dollars pay for 74% of MCPS' operating budget; the State funds 18% and the Federal government funds 4%. Enterprise and Special Funds (3%) and other sources (1%) make up the balance.
- c. Recent increases in State and Federal funds are largely determined by the numbers of MCPS students eligible for FARMS, English language acquisition services, and special education programs. Since FY04, State and Federal funding generated by these populations increased by almost \$80 million.
- d. MCPS' FY07 tax supported workforce of 20,028 FTEs is represented by Montgomery County Education Association (MCEA) – 57%; Service Employees International Union Local 500 (SEIU) – 39%; and Montgomery County Association of Administrative and Supervisory Personnel (MCAASP) – 4%. Only 22 staff members are not represented.
- e. Between FY03 and FY06, MCPS added 422 teachers to the workforce: 31 in FY04, 161 in FY05, and 230 in FY06. MCPS' starting teacher's salary in FY06 was \$542 higher and average teacher's salary was \$4,524 higher compared to Fairfax County Public Schools.
- f. For tax supported MCPS employees, the component costs of salaries and benefits have been increasing at notably different rates. Specifically, between FY04 and FY06, salaries increased 12%; group insurance costs increased 24%; and retirement (i.e., pension) contributions increased 77%.
- g. MCPS' annual spending on retiree health benefits will more than triple, from \$35 million in FY07 to \$129 million in FY12. This is due to increasing health care costs plus annual payments into the Retiree Health Trust Fund, which is being created to fund MCPS' future retiree health liability, estimated at \$1.3 billion.
- h. Between FY03 and FY06, special education costs increased 32% from \$213 to \$280 million. During this time, the number of students with disabilities enrolled in MCPS schools and non-public placements remained steady at about 13% of all students whose education is funded through MCPS. In FY06, students with disabilities totaled 18,321.
- i. To demonstrate the difference between new and ongoing program costs, OLO tracked funding since FY01 for class size reduction, special education enhancements, and elementary assistant principals. During this time, new annual funding totaled \$40.5 million, while the total cumulative cost of these initiatives was \$145.8 million.
- j. FY07 data compiled by the Washington Area Boards of Education ranks MCPS' average per student costs of \$13,446 as the highest among area school systems with enrollment larger than 50,000. Fairfax County Public Schools' average per student cost (\$12,853) ranks second.
- k. The differential between MCPS' per student costs at the elementary vs. secondary grades has increased in recent years. In FY03, per student costs at the elementary level were \$265 more than the per student costs at the secondary level; by FY06, this difference had increased to \$515.
- l. In FY06, MCPS' average cost of educating a student without disabilities was \$10,043. This was less than half the average cost of educating a student with disabilities enrolled in an MCPS school (\$22,018), and one-fifth the cost of educating a student with disabilities in a private placement (\$53,958).
- m. To show funding differences between Focus (i.e., high-poverty) and Non-focus elementary schools, OLO calculated per student costs (for school-based services) by school type. In FY06, average school-based per student costs at Focus elementary schools was \$10,117 compared to \$8,336 at Non-focus school.

Linking Inputs to Outcomes and Next Steps

THE RESEARCH

Research on the correlation between higher levels of funding and improved student performance generally finds ambiguous and sometimes conflicting results. Some studies conclude there is no evidence of a relationship between the amount of money spent and student achievement, while others find a substantial connection.

A causal link between educational inputs and outputs is difficult to prove. Factors other than school-based inputs (e.g., family background, socioeconomic conditions) are known to have a measurable impact on student achievement. Further, there are limitations and biases in the tests used to measure student achievement.

Some research suggests that investment in certain reform strategies can make a difference in student achievement. In particular, "successful" strategies identified in the literature include targeting resources to improve the performance of struggling learners; smaller class sizes for disadvantaged groups; improving teacher quality; and rigorous curriculum and course offerings.

TWO PILOT INDICATORS FOR DISCUSSION

OLO's report introduces two pilot MCPS indicators for the purpose of launching a discussion about ways to measure the efficiency and effectiveness of the County's substantial spending on education. Beyond measuring costs per student, these pilot indicators attempt to measure the cost per "successful" student. While remaining cognizant of the measurement challenges, OLO suggests tracking changes in MCPS' unit costs that compare changes in spending to student achievement.

- Pilot Indicator A, Algebra High School Assessment Proficiency (HSA), measures the unit cost of Algebra HSA proficient students. This State assessment test is one of four that members of the Class of 2009 and beyond must pass to graduate from high school. This pilot indicator compares FY03 to FY06 changes in the four-year cost of high school to Algebra HSA proficiency rates by student groups.
- Pilot Indicator B, Advanced Placement/Honors Class Participation, measures the unit cost of students participating in one or more AP/Honors classes. MCPS has a goal to increase the rate of AP/Honors participation to 75%. This pilot indicator compares changes in the cost of high school to AP/Honors participation rates by student groups.

Preliminary analysis by OLO suggests that MCPS increased its efficiency on the pilot indicator for Algebra HSA proficiency and decreased its efficiency on the pilot indicator for AP/Honors class participation. For both indicators, unit costs declined most significantly for African-Americans, Hispanics, students receiving FARMS, students with disabilities, and English language learners.

RECOMMENDED NEXT STEPS

The Office of Legislative Oversight recommends that the County Council:

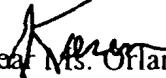
1. Adopt a package of fiscal indicators for the MCPS operating budget, including decisions on the format and frequency for providing future updates to the Council.
2. Direct staff to produce an updated version of the adopted indicators that reflects the Board of Education's FY08 Recommended Operating Budget.
3. Determine the need for additional comparative data from other school districts.
4. Consider assigning OLO an FY08 Work Program project to develop a parallel package of key fiscal indicators for MCPS Capital Budget and Capital Improvement Program (CIP).

For a complete copy of OLO-Report 2007-5, go to: www.montgomerycountymd.gov/olo



February 20, 2007

Ms. Karen Orlansky
Director, Office of Legislative Oversight
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear  Ms. Orlansky:

Thank you for providing the draft report from the Office of Legislative Oversight for the Montgomery County Public Schools (MCPS) Fiscal Indicators project. This project has provided a comprehensive review of fiscal indicators relevant to the MCPS operating budget. MCPS staff has reviewed the draft report and found it to be thoughtfully written and helpful to our common goal of making the MCPS budget more understandable to the public and a more useful tool to elected officials.

I appreciate the collaborative relationship that Ms. Elaine Bonner-Tompkins developed with the many MCPS staff with whom she worked during the project. She provided them with ongoing opportunities for input into the development of fiscal indicators and accepted many of their suggestions. MCPS staff has carefully reviewed drafts of the report and provided specific suggestions and comments regarding the MCPS data used. Staff agrees that the findings and recommendations are appropriate.

The members of the Board of Education and I look forward to working with the County Council as this report is reviewed and discussed. I believe the development of useful fiscal indicators for MCPS and other county agencies will be an ongoing process that will prove most valuable. The goal will be to ensure that MCPS remains the high performing school district that our constituents expect and deserve.

Respectfully,



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

JDW:vnb

Copy to:

Members of the Board of Education
Executive Staff
Mr. Ikheloa

Office of the Superintendent of Schools

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

Chapter IV: Key Fiscal Indicators for the MCPS Operating Budget

The fiscal indicators outlined in this chapter together provide an overview of MCPS' operating budget. The next page lists the 12 proposed indicators, which are organized into three general categories: Revenues and Expenditures; Major Budget Components and Cost Drivers; and Per Student Expenditures. The write-up of each fiscal indicator includes:

- An introductory description of what it measures;
- One or more data tables with accompanying graphics;
- Bullet points that highlight the major findings;
- Recommended issues and questions for Council discussion; and
- Caveats regarding the data used for that indicator and/or how it should be interpreted.

Sources of data. MCPS' published operating and capital budget documents served as the primary source of MCPS data. A number of indicators employ information from other MCPS data sources, including the *Program Budget* and *Schools at a Glance*. The two sources of comparative information were on-line databases compiled by the Washington Area Boards of Education and the Maryland State Department of Education. The Appendix contains a complete list of resources used by OLO in compiling the indicators.

Time frames. Nine of the 12 indicators include five years of data, FY03 through FY07. Alternative time frames were used for some indicators based on availability of MCPS data or for the purpose of making comparisons with data provided by an outside source.

Actual vs. budgeted data. Unless otherwise noted, expense, enrollment and position data for previous fiscal years (through FY06) represent actual expenditures, enrollment, and positions. FY07 data are budgeted expenditures, as published in MCPS' FY07 approved operating budget. Because actual and budgeted numbers represent different types of information, the data tables describing expenditures calculate percent change for the four years of actuals, FY03 through FY06. Because the revenue amounts for FY07 are no longer "estimated," data tables describing revenue changes over time use five years of data, FY03 through FY07.

Dollars in millions/rounding. In most cases, the data tables present budget information in millions of dollars. The percent calculations do not always add to 100 due to rounding. The Appendix (© 12) provides additional technical notes on OLO's calculations of per student costs in Indicator 11.

Summary of student performance targets provided for reference in the Appendix. As explained earlier, fiscal indicators are defined as quantitative measures related to funding. MCPS has invested considerable effort in identifying and measuring targets for student performance, which are summarized and published in MCPS' strategic plan, *Our Call to Action: Pursuit of Excellence*. The Appendix (©2-8) contains a brief overview of this document and provides data on selected student performance targets from MCPS' most recent strategic plan update.

Category A - Revenues and Expenditures		Begins on Page #
Indicator 1: Total Operating Budget by Revenue Source	This indicator measures MCPS' total annual operating budget and the relative contributions of the different revenue sources that fund the school system. It includes a ranking of Maryland school systems by the percent of their budget supported by local funds.	22
Indicator 2: Sources of Federal and State Revenue	This indicator provides more detail on the sources of State and Federal revenue that fund approximately one-fourth of the MCPS operating budget. It includes trend data on changes in revenue received from Bridge to Excellence, No Child Left Behind, and the Individuals with Disabilities Education Act programs.	25
Indicator 3: Expenditures by State Budget Category	This indicator summarizes MCPS' budget by the major State budget categories. State law requires the County Council to appropriate funds according to these standardized categories defined by the Maryland Department of Education.	29
Category B - Major Budget Components and Cost Drivers		
Indicator 4: Tax Supported Positions, Salaries, and Benefits by Bargaining Unit	This indicator provides data on the size of the MCPS workforce and the costs of salaries and benefits for current employees. Specifically, cost data are provided by bargaining unit in four categories: salaries; social security; group insurance; and retirement.	34
Indicator 5: Starting and Average Salaries for Teachers, Paraeducators, Bus Operators, and Principals	This indicator presents starting and average salary data for four MCPS positions: Teachers (10 month positions); Paraeducators; Bus Operators; and Principals. Added together, these four positions represent about two-thirds of the MCPS workforce. It includes comparative data from other area school systems on starting and average teacher salaries.	39
Indicator 6: Expenditures for Retiree Health Benefits	This indicator contains data on the past and future estimated costs of health benefits for MCPS retirees. It includes: <ul style="list-style-type: none"> • FY03-FY07 data on the annual "pay-as-you-go" costs of retiree health benefits paid by MCPS; and • MCPS' estimates on FY08-FY12 future costs of retiree health benefits, for both the annual pay-as-you-go expenses and annual contributions to the Retiree Health Trust Fund. 	44
Indicator 7: Multi-Year Costs of Selected MCPS Initiatives	This indicator tracks the annual and cumulative costs of three major MCPS initiatives from FY01 to FY06: <ul style="list-style-type: none"> • Class size reduction; • Special education investments/least restrictive environment initiatives; and • Additional elementary school assistant principals. 	46

Category B - Major Budget Components and Cost Drivers (continued)		Begins on Page #
Indicator 8: Special Education Costs	<p>This indicator tracks the cost of delivering special education and related services (e.g., occupational therapy) to students with disabilities. It shows costs divided into five categories:</p> <ul style="list-style-type: none"> • K-12 special education services; • Early intervention and preschool special education services; • Non-Public placements; • Special education transportation; and • Costs of personnel benefits for staff who deliver special education services and provide transportation to students with disabilities. 	49
Indicator 9: Cost of School Plant Operations, Maintenance, Transportation, and Utilities	<p>This indicator tracks the costs of the following non-instructional costs:</p> <ul style="list-style-type: none"> • School Plant Operations, which includes the routine cleaning of MCPS facilities; • Maintenance, which includes maintenance and repair services; • Transportation, which includes maintaining and operating MCPS' bus fleet; • Utilities, which includes the costs of electricity, heating oil, natural gas, propane, and water and sewer for all MCPS facilities. 	52
Category C - Per Student Expenditures		
Indicator 10: Per Student Cost by Grade Span	<p>This indicator presents average per student cost calculations based on MCPS' calculations of average per student costs for four groups: kindergarteners, elementary students, secondary students, and all students in grades K-12. It also includes a comparison of average per student costs among MCPS and other area school districts.</p>	54
Indicator 11: Per Student Cost by Disability Status	<p>This indicator presents average per student cost calculations for different cohorts of students: students without disabilities; students with disabilities in MCPS schools; and students with disabilities in private placements. OLO also calculates a K-12 per student cost, which adds back in the data on students in private placements.</p>	58
Indicator 12: Per Student Cost by School Type and Service Category	<p>This indicator presents average per student costs for school-based costs by the following "types" of schools:</p> <ul style="list-style-type: none"> • Focus elementary schools (i.e., high poverty schools) • Non-focus elementary schools; • Middle schools; • High schools; • Special schools for students with disabilities. <p>It includes a ranking of all MCPS elementary schools in descending order of FY06 per student school-based costs.</p>	61

**Category A – Revenues and Expenditures
Updated with Board of Education FY08 Budget Request**

INDICATOR 1: TOTAL OPERATING BUDGET BY REVENUE SOURCE, FY07-FY08

This indicator measures MCPS' total annual operating budget and the relative contributions of the major revenue sources that fund the school system. Comparing the FY07 adopted budget to the FY08 Board of Education budget request, the data track:

- Increases in total funds that the Council appropriates to MCPS;
- Relative contributions of revenue from the County, State, and Federal government;
- Amount of revenue from Enterprise and Special Funds and other sources; and
- Annual changes in dollars by revenue source.

Board of Education Requested Operating Budget by Revenue Source, FY07-FY08

Revenue Source	Funding (\$ in millions)		FY07-08 Change		Percent of MCPS Budget	
	FY07	FY08	\$	%	FY07	FY08
County	1,384.7	1,464.1	79.4	5.7	74	74
State	335.4	390.4	55.0	16.4	18	20
Federal	65.0	64.7	-0.3	-0.5	4	3
Enterprise & Special Funds ¹	52.1	54.3	2.2	4.2	3	3
Other ²	14.3	14.9	0.6	4.2	1	1
Total	\$1,851.5	\$1,988.4	\$137.0	7.4%	100%	100%

Selected highlights based on the Board's FY08 budget request follow:

- The operating budget increases by \$137 million (7.4%) from \$1.851 billion in FY07 to \$1.988 billion in FY08.
- The County's contribution to MCPS increases by \$79.4 million (5.7%) from \$1.385 billion in FY07 to \$1.464 billion in FY08.³ Yet the County's share as a percent of the operating budget remains at 74 percent.
- The State's contribution increases by \$55 million (16.4%) from \$335 million in FY07 to \$390 million in FY08. The State's share of the operating budget increases from 18 to 20 percent of the total.

¹ Includes Enterprise Funds (School Food Service, Adult Education, Real Estate Management, Field Trips, and Entrepreneurial Activities), and the Instructional Television Special Revenue Fund.

² Includes revenue from tuition and fees, hospital teaching, private grants and "miscellaneous." During a fiscal year, as new grants are received, funds budgeted in Other Revenue are reclassified to other sources depending on the source of the grant. Consequently, FY07 adopted budget data are not comparable to FY03 to FY06 actual data.

³ The Board's FY08 operating budget request is \$4.7 million more than the Superintendent's FY08 recommended budget. The Superintendent's budget included \$22.7 million in State revenue to fund the Geographic Cost of Education Index (GCEI) under Bridge to Excellence. The Board's request assumes no State revenue from GCEI and instead requests \$23.3 million more in additional County revenue to support its proposed FY08 budget.

Category A – Revenues and Expenditures
Updated with Board of Education FY08 Budget Request

INDICATOR 2: SOURCES OF FEDERAL AND STATE REVENUE, FY07 - FY08

This indicator provides more detail on the State and Federal revenue most of which is formula driven, based on MCPS enrollment of students eligible for free and reduced-priced meals, special education, and English language acquisition services. Indicator 2 uses adopted budget data for FY07 and the Board of Education's FY08 Operating budget request.

Sources of State and Federal Revenue, FY07-FY08

Revenue Source/Program	FY07	FY08	Change FY07 to FY08	
State of Maryland	(\$ in millions)		\$	%
Bridge to Excellence	294.6	348.1	53.5	18.2
- <i>Compensatory Education</i>	58.1	82.5	24.4	42.0
- <i>Limited English Proficiency</i>	28.4	38.0	9.6	33.8
- <i>Special Education</i>	27.1	34.1	7.0	25.8
State Grant Programs	1.3	1.3	0.0	0.0
Transportation	28.3	30.7	2.4	8.5
Non-Public Placements	11.3	10.3	-1.0	-8.8
Total State Revenue	\$335.4	\$390.4	\$55.0	16.4%
- <i>Additional State revenue generated by students with special needs</i>	<i>\$113.6</i>	<i>\$154.6</i>	<i>\$41.0</i>	<i>36.1%</i>
Federal Government	(\$ in millions)		\$	%
No Child Left Behind	28.8	28.5	-0.2	-0.8
- <i>Compensatory Education -Title I</i>	20.1	19.8	-0.3	-1.5
- <i>English Language Acquisition -Title III</i>	2.9	3.1	0.2	6.9
<i>Special Education</i>	27.4	27.4	-0.1	-0.4
Medical Assistance Program	4.2	4.1	-0.1	-2.4
Head Start	3.3	3.2	-0.1	-3.0
Other Programs	1.5	1.5	0.0	0.0
Total Federal Revenue	\$65.0	\$64.7	-\$0.3	-0.5%
- <i>Additional revenue for students with special needs programs</i>	<i>\$50.4</i>	<i>\$50.3</i>	<i>-\$0.1</i>	<i>-0.1%</i>

Selected highlights based on the Board's FY08 budget request follow:

- The overall Federal allocation to the MCPS operating budget remains unchanged between FY07 and FY08, declining from \$65.0 million to \$64.7 million (less than 1%).
- State revenues to MCPS increase by \$55 million (16%) from \$335 million in FY07 to \$390 million in FY08. This estimate assumes that the CGEI is not funded.
- State funding generated by MCPS' special needs population increases by \$41.1 million (36.2%) from FY07-FY08.

**Category A – Revenues and Expenditures
Updated with Board of Education FY08 Budget Request**

INDICATOR 3: EXPENDITURES BY STATE BUDGET CATEGORY, FY07 – FY08

This indicator summarizes MCPS' expenditures by State budget category. State law requires the County Council to appropriate funds to MCPS according to standardized categories defined by the Maryland State Department of Education (MSDE). The table below compares the FY07 adopted budget to the FY08 Board of Education Operating Budget request.

Board of Education's FY08 Request by State Budget Category, FY07-FY08

State Budget Categories		FY07	FY08	Change FY07-08	
		(\$ in millions)		\$	%
1	Administration	38.3	43.3	5.0	13.1
2	Mid-level Administration	118.4	130.9	12.6	10.6
3	Instructional Salaries	763.2	809.4	46.3	6.1
4	Textbooks & Instructional Supplies	35.6	35.5	-0.1	-0.4
5	Other Instructional Costs	19.5	20.0	0.5	2.8
6	Special Education	227.8	243.7	15.9	7.0
7	Student Personnel Services	10.4	11.1	0.7	7.2
8	Health Services	*	*	*	*
9	Student Transportation	79.8	84.7	4.9	6.2
10	Operation of Plant and Equipment	104.1	112.7	8.6	8.2
11	Maintenance of Plant	30.7	33.0	2.4	7.8
12	Fixed Charges	371.5	409.4	37.9	10.2
	Enterprise and Special Funds	52.1	54.3	2.2	4.2
	TOTAL	\$1,851.5	\$1,988.4	\$136.9	7.4%

Selected highlights based on the Board's FY08 budget request follow:

- The State categories of Instructional Salaries, Special Education, and Fixed Charges (i.e., employee benefits) account for almost three-fourths of the FY08 BOE budget request.
- Between FY07 and FY08, the largest percent increases occur in three categories - Administration by 13 percent, Mid-Level Administration by 11 percent, and Fixed Charges (i.e., employee benefits) by 10 percent.
- Textbooks and Instructional Supplies are the only State expense category anticipated to decline between FY07 and FY08 from \$35.6 million to \$33.5 million (less than 1%).

**Category B – Major Budget Components and Cost Drivers
Updated with Board of Education FY08 Budget Request**

INDICATOR 4: TAX SUPPORTED POSITIONS, SALARIES, & BENEFITS, FY07 – FY08

This indicator tracks the cost of salaries and benefits, number of positions, and average cost of salaries/benefits per tax supported position. Tax supported positions represents approximately 90 percent of the MCPS workforce. Data for this indicator are presented for positions overall and by MCPS' three bargaining units for the FY07 adopted operating budget and the FY08 Board of Education request. Additionally, data are provided on four components of compensation for active employees: salaries; Social Security; group insurance; and retirement. The table below incorporates data on the "nonscheduled" employees into the MCAASP totals.

Tax Supported Salaries, Benefits, Positions & Average Cost per FTE by Bargaining Unit, FY07-FY08

	FY07 Budget	FY08 Request	Change FY07-08	
			#	%
Salaries and Benefits for Total MCPS Workforce (\$ in millions)				
Salaries	\$1,191.0	\$1,279.8	88.8	7.5
Social Security	\$89.2	\$96.0	6.8	7.6
Group Insurance	\$164.1	\$174.2	10.1	6.2
Retirement	\$55.8	\$56.8	1.0	1.8
Total	\$1,500.0	\$1,606.7	\$106.7	7.1%
Salaries and Benefits by Bargaining Unit (\$ in millions)				
MCEA members	\$1,021.2	\$1,086.4	65.2	6.4
SEIU members	\$368.8	\$399.1	30.3	8.2
MCAASP and Non Scheduled	\$110.0	\$121.3	11.3	10.3
Total	\$1,500.0	\$1,606.7	\$106.7	7.1%
Number of Filled Positions (FTEs) by Bargaining Unit				
MCEA	11,329.6	11,373.6	44.0	0.4
SEIU	7,205.2	7,304.5	99.3	4.1
MCAASP and Nonscheduled	872.3	898.3	26.0	3.0
Total	19,407.0	19,576.4	169.4	0.9%
Average Cost per FTE by Bargaining Unit				
MCEA	\$90,132	\$95,518	\$5,386	6.0%
SEIU	\$51,186	\$54,631	\$3,445	6.7%
MCAASP and Nonscheduled	\$126,152	\$135,031	\$8,879	7.0%

Selected highlights based on the Board's FY08 budget request follow:

- The number of tax supported positions increases by 169.4 FTE's (1%) from FY07 to FY08. In particular, the number of MCEA FTE's increases by 44 (<1%), the number of SEIU FTE's increases by 99.3 (4%), and the number of MCAASP FTE's increases by 26 (3%);
- The amount that MCPS expends on salaries and benefits for active tax supported positions increase by \$106.7 million (7%) from 1.6 billion in FY07 to \$1.6 billion in FY08; and
- The average cost per MCEA position increases by 6 percent to \$95,518; the average cost per SEIU position increases by nearly 7 percent to \$54,631; and the average cost per MCAASP position increases by 7 percent to \$135,031.

**Category B – Major Budget Components and Cost Drivers
Updated with Board of Education FY08 Budget Request**

INDICATOR 7: MULTI-YEAR COSTS OF SELECTED MCPS INITIATIVES, FY07 – FY08

This indicator estimates the costs of three MCPS initiatives implemented since FY01: class size reduction, special education enhancements, and elementary school assistant principals. Indicator 7 provides data on new funds appropriated in FY07 and FY08 for each initiative plus the continuing costs of delivering the same services approved between FY01 and FY07 with no inflationary adjustment. The annual “total initiative cost” for each initiative is calculated as same service funding plus any program expansion costs provided in MCPS’ approved budget.

Estimated Costs and FTE’s for Three Selected Initiatives, FY01-FY08

	Annual Costs/FTE’s				Total Costs/FTE’s			
	FY07	FY08	FY07-FY08 Change		FY01-FY07	FY01-FY08	FY07-FY08 Change	
			#	%			#	%
Cost of Class Size Reduction (\$ in millions)								
New Funds	1.6	0.2	-1.4	-87.5	25.4	25.6	0.2	0.7
Same Service since FY01	23.8	25.4	1.6	6.7	74.4	99.8	25.4	34.1
Total Costs	\$25.4	\$25.6	\$0.2	0.7	\$99.8	\$125.4	\$25.6	25.7
Cost of Special Education Enhancements (\$ in millions)								
New Funds	3.8	0.1	-3.7	-97.4	12.0	12.1	0.1	0.8
Same Service since FY01	8.2	12.0	3.8	46.3	28.2	40.2	12.0	42.6
Total Costs	\$12.0	\$12.1	\$0.1	0.8	\$40.2	\$52.3	\$12.1	30.1
Cost of New Elementary School Assistant Principals (\$ in millions)								
New Funds	1.6	1.6	0	0	3.1	4.7	1.6	51.6
Same Service since FY01	1.5	3.1	1.6	106.7	2.7	5.8	3.1	114.8
Total Costs	\$3.1	\$4.7	\$1.6	51.6	\$5.8	\$10.5	\$4.7	81.0
Cost of Three Initiatives (\$ in millions)								
New Funding for All Three	7.0	1.9	-5.1	-72.9	40.5	42.4	1.9	4.7
Total Cost for All Three	\$40.5	\$42.4	\$1.9	4.7	\$145.8	\$188.2	\$42.4	29.1
FTE’s for Three Initiatives								
Class Size Reduction	28.0	3.0	-25.0	-89.3	523.0	526.0	3.0	0.6
Special Ed. Enhancements	74.9	1.0	-73.9	-98.7	237.7	238.7	1.0	0.4
New Elem. Asst. Principals	15.0	15.0	0	0	33.0	48.0	15.0	45.5
Total FTE’s for All Three	117.9	19.0	-98.9	-83.9	793.7	812.7	19.0	2.3

Selected highlights based on the Board’s FY08 budget request follow:

- New funding for the three initiatives totals \$1.9 million in FY08. The addition of 15 new elementary school assistant principals accounts for 84 percent of this cost (\$1.6 million).
- The cost to continue the same program services increases significantly. Between FY07 and FY08, the cost of maintaining class size reductions increases by \$25 million (34%), the cost to continue special education enhancements increases by \$12 million (43%); and the cost to maintain elementary school assistant principals positions increases by \$3.1 million (115%).
- The total cost of these three initiatives increases by \$42 million (29%) from \$146 million in FY07 to \$188 million in FY08. This amount is equal to \$146 million in continuing program costs on top of the \$42 million in new funding since FY01.

**Category B – Major Budget Components and Cost Drivers
Updated with Board of Education FY08 Budget Request**

INDICATOR 8: SPECIAL EDUCATION COSTS, FY07 – FY08

Indicator 8 tracks special education and related service costs in five categories:

- K-12 Special Education Services¹ for children with disabilities age 6-21;
- Early Intervention and Preschool Services² for children with disabilities age 0-5;
- Non-Public Placements for students with disabilities in private schools at public expense;
- Transportation for transporting students with disabilities to school; and
- Special Education Benefits for staff who deliver services to students with disabilities.

This indicator compares FY07 adopted budget data to the Board of Education's FY08 budget request. Indicator 8 also tracks anticipated special education enrollment by placement.

Special Education Expenditures and Enrollment, FY07 – FY08

Special Education Cost	Expenditures (\$ in millions)		FY07-08 Change		% of Operating Budget	
	FY07	FY08	\$	%	FY07	FY08
K-12 Special Education Services	165.0	178.1	13.1	7.9	9	9
Early Intervention and Preschool Services	30.1	32.0	1.9	6.2	2	2
Non-Public Placements	32.7	32.1	-0.6	-1.7	2	2
Transportation	32.3	33.7	1.4	4.4	2	2
Estimated Benefits ³	47.4	48.3	0.9	1.8	3	2
TOTAL	\$307.5	\$324.2	\$16.7	5.4%	17%	16%
Student in:	Number of Students with Disabilities**		#	%	% of MCPS- Funded Students	
MCPS Facility	17,218	17,400	182	1.1	12	13
Non-Public Placement***	591	661	70	11.8	*	*
TOTAL	17,809	18,061	252	1.4%	13%	13%

*Value is less than one percent; ** FY07 numbers of students are an unofficial count; FY08 numbers from FY08 Capital Budget and Amendments; ***Non-Public Placements are not included in total MCPS enrollment.

Selected highlights based on the Board's FY08 budget request follow:

- Special education costs increase by \$16.7 million (5.4%) to \$324.2 million. Yet, special education's share of the MCPS budget decreases from 17 to 16 percent.
- The cost of K-12 services increases by 8 percent compared to early intervention and preschool services increasing by 6 percent and transportation increasing by 4 percent.
- The enrollment of students with disabilities served in MCPS facilities increases by 1 percent compared to a 12 percent increase in non-public placements.

¹ Calculated as State Budget Category 6 minus the costs of Non-Public Placements and pre-school and early intervening services for children with disabilities.

² Includes Division of Preschool Special Education and Related Services and Home and School Based services for Infants, Toddlers, and Preschoolers with Disabilities (IDEA Education).

³ Benefits estimated as 22.3% of FY07 salaries and 23.5% of FY08 salaries for Category 6 and transportation staff.

Category B – Major Budget Components and Cost Drivers

INDICATOR 9: COST OF SCHOOL PLANT OPERATIONS, MAINTENANCE, TRANSPORTATION, AND UTILITIES

This indicator tracks the major non-instructional costs of the school system. FY07 data reflect budgeted costs, and FY08 track the Board of Education’s FY08 operating budget request. The five-year trend data track changes in expenditures for:

- School Plant Operations, which includes the routine cleaning of MCPS facilities and the support of community use activities;
- Maintenance, which includes maintenance and repair services, environmental services, capital asset replacements, and automated energy management operations;
- Transportation, which includes maintaining and operating MCPS’ bus fleet; and
- Utilities which includes the costs of electricity, heating oil, natural gas, propane, and water and sewer for all MCPS facilities.

School Plant Operations, Maintenance, Transportation, and Utilities Costs, FY08 Request

Activity	Expenditures (\$ in millions)		Percent of MCPS Budget		FY07-08 \$ Change	FY07-08 % Change
	FY07	FY08	FY07	FY08		
School Plant Operations	51.4	55.5	3	3	4.1	8.1
Maintenance	27.9	29.8	2	1	1.9	7.1
Transportation	79.0	83.2	4	4	4.2	5.2
Utilities	41.4	44.9	2	2	3.5	8.5
TOTAL	\$199.7	\$213.40	11%	11%	\$13.7	6.9%

New Key Findings:

- In FY08, the approved budgets for school plant operations, maintenance, transportation, and utilities combined to \$213 million, which is 10 percent of the total MCPS budget.
- Between FY07 and FY08, while the amount spent on these non-instructional costs increased by \$13.7 million, these costs continued to account for a steady 6.9% of the MCPS budget.
- A comparison of percent cost increases across these four categories of non-instructional costs between FY07 and FY08 show substantial differences. The costs of school plant operations increased 8 percent, maintenance increased 7 percent, transportation increased 5 percent, and utilities for plant operations and equipment increased almost 9 percent.

**Category C – Per Student Expenditures
Updated with Board of Education FY08 Budget Request**

INDICATOR 10: PER STUDENT COST BY GRADE SPAN, FY07 – FY08

This indicator tracks FY07 to FY08 changes in per student costs for three groups¹: (1) elementary students, (2) secondary students, and (3) all students in grades K-12. Data reflects the FY07 adopted budget and FY08 Board of Education Budget request.

MCPS calculates per student costs based on the State formula that the agency must use to request reimbursements (e.g. Non-Public Placements). These calculations exclude the cost of pre-K, summer school, community services, non-public placements, and enterprise funds because these expenditures do not match to students enrolled in grades K-12. The dollar amounts included and excluded in MCPS' student cost calculations are listed in the table below.

MCPS Average Costs per Student by Grade Span, FY07-FY08

MCPS Data by Grade Span	FY07	FY08	FY07-FY08 Change	
			\$	%
Kindergarten	\$10,509	---	---	---
Elementary	\$13,349	\$13,928	578	4.3
Secondary	\$12,566	\$13,764	1,198	9.5
K-12	\$12,718	\$13,836	1,118	8.8
MCPS Operating Budget (\$ in millions)				
Operating Budget	\$1,851.50	\$1,988.40	\$136,904,794	7.4%
Used in Calculation	\$1,721.50	\$1,857.20	\$137,803,222	8.0%
Amount Excluded	\$132.11	\$131.21	-\$898,428	-0.7%
Percent Excluded	7.1%	6.6%	---	---

Selected highlights based on the Board's FY08 budget request follow:

- Per K-12 student costs increase by \$1,198 (9%) from \$12,718 in FY07 to \$13,836 in FY08.
- Per elementary student costs increase by \$578 (4%) from \$13,349 in FY07 to \$13,928 in FY08.
- Per secondary student costs increase by \$1,198 (10%) from \$12,566 in FY07 to \$13,764 in FY08.
- Like FY07, MCPS excludes about \$130 million its calculation of per student costs in FY08. However, the percent of expenditures excluded from per student cost calculations drops from 7.1 percent of the operating budget in FY07 to 6.6 percent in FY08.

¹ With adoption of full day kindergarten, in FY08, these per student costs are included among elementary students.

Issues and Questions Raised to Date by Councilmembers Updated April 3, 2007

Issues/Questions Raised on February 27, 2007

The issues and related questions raised by the Council on February 27th, following the receipt and release of OLO Report 2007-5, are summarized below.

Issue: Suggestions for Additional Fiscal Indicators

- An indicator on the cost of a “classroom” and the cost of adding additional classrooms,
- An indicator that links resources for class size reduction to the number of additional classrooms, teaching stations, and classes,
- An indicator that tracks the costs (school-based and centralized) of providing behavioral health services,
- One or more indicators that describe “what works” and capture the most cost effective investments that the school system can make.

Issue: Concerns about Terminology

- The use of the terms “cost” and “expenditures” interchangeably does not provide a sufficient distinction between what was spent vs. what it actually costs to get a desired result,
- The use of the term “indicator” may be misleading because it connotes that the data alone reveals whether the agency is headed in the “right” or “wrong” direction.

Issue: Concerns about sources and uses of data

- Consideration should be given to compiling data trends for longer time frames,
- The per student cost data should include more explanations as to why the costs vary,
- There are problems with using data compiled by the State Department of Education, especially comparative data, because of the inconsistencies in how school systems report and track data,
- Data collection and confirmation of the integrity and accuracy of data sources should precede both an analysis and discussion of cost trends and efficiency,
- Comparing MCPS’ costs to other school systems may not be valid because of how different jurisdictions fund school-related activities, e.g., school health services, after-school activities.

Issue: Linking fiscal indicators to measures of student success and concerns about the two pilot indicators

- Over time, the Council should tie the fiscal indicators to MCPS strategic plan,
- Questions and concerns were raised about how MCPS’ *Call to Action* currently defines and measures student success,
- The benchmarks selected for use in the pilot indicators are not the right measures of student success for the Council to track over time.

Other Comments

- In exercising appropriate fiscal oversight, the Council should keep in mind the respective roles of the Council and Board of Education,
- The Council should focus on performance outcomes and the efficient/effective use of resources rather than specific programmatic issues,
- The Council should find out how the data collection and budget reporting practices of the schools compare to those of other County-funded agencies.

Issues and Questions Raised on March 5, 2007

The issues and related questions raised by Councilmembers during the Education Committee worksession on March 5 are summarized below.

Issue: Use of Fiscal Indicators Data

- The key fiscal indicators should be used to help the Council explore what is known, what is not known, and how resources are being allocated to be able to ask better questions,
- Questions were raised about the process of incorporating the key fiscal indicators into this year's review of the MCPS budget and how Councilmembers' questions will be included in the dialogue,
- In their upcoming discussions and use of the key fiscal indicator data, the Council should keep in mind the boundaries between the role of the Council and the role of the Board of Education.

Issue: Suggestions for Additional Fiscal Indicators

- An indicator that tracks cost per classroom and how many new teacher positions are related to class size reduction,
- An indicator that captures the cost of other agency funds (e.g., County Government, Park & Planning) spent on MCPS-related activities, including health services and ball field maintenance.

Issue: Suggested Additions to Indicator 1, Total Operating Budget by Revenue Source

- Table 6, Maryland School Systems Ranked by Percent of FY07 Budget Supported by Local Funds, should include additional explanation to reflect the fact that different school districts across the state budget different items in their respective school budgets,
- Additional years of historical data would provide a more complete picture of the changes in MCPS' revenue sources,
- It would be useful to referencing the rates of inflation that occurred during the years for which data are provided.

Issue: Suggested Additions to Indicator 2, Sources of Federal and State Revenues

- This indicator should include more explanation of what is included in Compensatory Education; specifically, to explain that Compensatory Education approximates poverty because it is related to FARMS eligibility,
- Table 8, State and Federal Revenue Tied to Students with Special Needs should include enrollment data on students eligible for special services. (Currently these data are included in Chapter 2 of the OLO report.)

Issue: Suggested Additions to Indicator 3, Expenditures by State Budget Category

- Additional years of historical data would help Councilmembers ask better questions about changes over time in the amounts appropriated to specific State budget categories,
- The write-up should include an explanation of what is included (and excluded) from State budget category 8 – Health Services,
- The write-up should include an explanation of what is included in State Budget Category 14 – Community Services.

Issue: Additional Data and Information Requests

Councilmembers expressed interest in

- A report from MCPS on grant-funded projects that are expected to sunset annually, and information on MCPS' policies for transitioning grant-funded programs into the budget,
- A report from MCPS that describes the lag time between identifying students eligible for special programs and the receipt of Federal and State funds that are based on the numbers of eligible students,
- Information on how student eligibility for special services is verified by MCPS and reported to the State, and how the State allocates funding for special services based on student enrollment,
- Finding out whether the school has a “better” measure than FARMS to approximate poverty rates among MCPS students; and more information on MCPS' efforts to better identify and deliver services to low-income students who do not enroll in FARMS,
- Data on how much funding is allocated for 10-month teachers who deliver instruction in the classroom.

Other Questions/Comments

- Will the Council be prepared to identify specific reductions (beyond just the State budget categories) if the Council is unable to fully fund the BOE operating budget request?
- The MFP Committee would like to be able to compare “total compensation” (that includes costs of compensation beyond salaries and benefits) across County agencies and with other local government jurisdictions in the region.

Issues and Questions Raised since Education Committee Worksession on March 5th

The following additional questions and concerns were shared with OLO staff following the March 5th Education Committee worksession.

Issue: Specific suggestions/comments on Indicators #8 and #11

- What is the Council's role relative to providing oversight for MCPS and its proposed special education programming? What does the Council need to know about special education to exercise its oversight role with respect to MCPS on this issue?
- For Indicator 8, Special Education Costs, it would be helpful to understand the proportion of students with disabilities served in Learning Centers and other self-contained options, i.e. placement patterns by service environments,
- For Indicator 8, it would be helpful to track MCPS' legal costs related to special education and due process hearings by fiscal year,
- For Indicator 11, Per Student Costs by Disability Status, it would be helpful to add an explanation of the range of costs represented by per student costs for students with disabilities in MCPS facilities.

Issue: Follow-up questions on MCPS' class size reduction initiative

- Has MCPS reached a plateau in some initiatives such as all-day kindergarten and class-size reduction? If so, what other activities should the school system and Council consider to make improvements? What is the ideal after class sizes are reduced?
- Are class sizes actually down to what they need to be? How many teachers do they really need to do the job? What is the difference between the amount that MCPS' requests for funds and what MCPS needs to meet its strategic goals related to student performance?

Issue: Alignment between MCPS and Montgomery College Standards for English and math

- Has MCPS compared its standards in English and math to Montgomery College's standards for entering students? As a measure of college readiness, MCPS should develop and monitor a standard that reflects the number of MCPS graduates who require remedial English and math at Montgomery College and perhaps other in-State institutions of higher education.

MCPS Response to Selected Questions on OLO Key Fiscal Indicators 4-6
*Addendum to April 19, 2007 packet for Education Committee worksession on
FY08 Operating Budget (Compensation)*

Indicator 4:

1. Of the increases in the costs of tax supported positions since FY04, what proportion is explained by higher costs of salaries/benefits for the current workforce vs. the cost of adding additional staff? Does this answer differ by bargaining unit?

Attached is a chart that shows increases in the costs of positions annually since FY 2004 (see Attachment 1). It shows the proportion that results from continuing and negotiated salary increases for existing employees, compared to increases for the additions of positions due to enrollment growth, new schools, and improvement initiatives. The information indicates that the majority of salary cost increases has resulted from salary increases for existing employees rather than the addition of new positions.

2. What explains the 77 percent in the County's retirement contributions for active tax supported employees between FY04 and FY06? What are MCPS' estimates of the agency's retirement costs for the next three to five years?

The increases in retirement contributions are the result of actuarially determined rates. The calculations by our actuary encompass investment returns, age and longevity of employees and retirees, salary and future cost of living assumptions as well as numbers of participating employees. During the period from FY 2004 through FY 2006, the pension fund was impacted by investment losses of 2001 and 2002. These investment returns are smoothed over a five year period, so they continue to increase the budgetary contributions. Additionally, during this period, the number of employees increased as class sizes were reduced and full-day kindergarten was phased in at the same time that wages increased, and a review of actuarial assumptions all affected the contribution rates. MCPS also included the costs from the 2006 pension enhancements in the contribution rate in 2006, increasing it from 3.74 percent to 4.85 percent.

The BOE contributions for the next three to five years are projected to be approximately 4.2 percent of the total salaries. However, this percentage may increase to improve the funded rates of the retirement plan.

3. What strategies has MCPS undertaken in recent years to contain costs of benefits for employees and retirees and with what effect? Are there additional strategies planned going forward?

MCPS has made significant changes to our benefit plans to slow the rate of cost increases. These include the introduction of three-tiered formulary co-pay plans with higher copayments for active and retired plan participants, higher emergency room visit co-pays, increased co-pays for doctor visits for certain HMO plan participants, mandatory use of generic drugs, mandatory use of the lower cost mail order pharmacy for purchase of maintenance medications, limits on certain medications (e.g., erectile dysfunction, fungus treatments), specialized approval processes for certain medications (e.g, smoking cessation medications require participation in a smoking cessation program), and use of specialized

MCPS Response to Selected Questions on OLO Key Fiscal Indicators 4-6, continued.

pharmacies for biotech drugs. MCPS and the county funded agencies are bidding their prescription drug and health insurance programs this summer with the expectation of achieving deeper discounts, leveraging our collective purchasing power, identifying opportunities to more efficiently deliver health care with improved disease management capabilities, and focus on improved outcomes. Additional discussions are ongoing regarding cost containment options.

Indicator 5:

1. How does MCPS compensation for employees compare to its competitors (e.g. Fairfax)? How does the cost of living in Montgomery County compare to its competitors?

Each school year, the Montgomery County Public Schools (MCPS) participates in completing the Washington Area Board of Educations Survey (WABE). The participating school divisions are Alexandria, Falls Church, and Manassas cities and Arlington, Fairfax, Loudoun, Montgomery, Prince George's and Prince William counties. Salary information is collected by school division for teachers and instructional assistants. Total compensation packages are not collected for the school divisions.

The contract work hours varies from each school division. Teachers in MCPS work 1,560 contract hours. In the Fairfax County Public Schools (FCPS), teachers work 1,455 hours, a difference of 105 additional contract hours for teachers in MCPS.

A teacher's salary on Step 1 with a Bachelor's Degree in FCPS earns \$224 more each year than in MCPS. However, in MCPS, an average teacher salary is \$3,973 more than in FCPS. A MCPS teacher's salary on Step 9 with a Master's Degree is \$3,477 and the maximum teacher's salary is \$5,785 more than FCPS. The factors of teacher longevity and the increased contract hours of MCPS staff influence the salary scales (see Attachment 2).

Arlington County Public Schools (ACPS) contract hours are 1,500 and their teacher salaries are the highest in the region. The ACPS teacher average salary is \$69,156, \$2,545 more than teachers in MCPS. An ACPS teacher's salary on Step 9 with a Master's Degree is \$2,457 and the maximum teacher's salary is \$2,804 more than MCPS. (Attachment 2).

2. How many qualified applicants does MCPS receive for each posted vacancy for the four positions considered here? Has this number changed in recent years?

Teachers

Applicants new to MCPS do not apply to specific-school based vacancies. They form a pool of elementary, secondary or special education candidates who are referred to principals for interviews. The applicant pool and number of vacancies can vary significantly over the course of a school year. During the period of October 1, 2005 –

MCPS Response to Selected Questions on OLO Key Fiscal Indicators 4-6, continued.

September 1, 2006, OHR received resumes from 7,587 applicants. Of that number, OHR offered 1,401 contracts and 1,288 candidates were hired.

The number of qualified applicants, especially in critical needs areas has decreased in recent years because of a nationwide teacher shortage (e.g., special education). However, the MCPS Higher Education Partnership Programs with local colleges and universities that offer participants teacher preparation and career enhancement opportunities provide a vehicle for increasing the availability of qualified teachers. Student teachers and participants in the partnership programs with George Washington University, Johns Hopkins University, and the University of Maryland comprised 255 of the new hires in FY 2007.

Principals

On average, MCPS receives ten or fewer principal applications for each posted vacancy. MCPS has developed a “grow your own” leadership development program. This program is essential due to the critical shortage of school-based administrators. Most of our current principals participated in the MCPS Leadership Development Program. This program is designed to train assistant principals to become effective school-based leaders and to improve student learning. The program provides thoughtfully planned and integrated training and support to new administrators from their first year as a student support specialist (secondary), to a two-year assistant principal component, to a full-time principal internship (elementary) to training and support as a new principal. At the elementary level, we currently have 34 assistant principals in their first year of training, 20 assistant principals in their second year of training, and 13 principal interns. At the secondary level, we have 27 assistant principals in their first year of training, 26 assistant principals in their second year of training and 16 assistant principals in the aspiring principals program.

Bus Operators

Most applicants for bus operators have little experience and are not qualified to serve as bus operators. Therefore, MCPS provides a commercial learners training class to prepare qualified applicants for bus operator positions. The Department of Transportation accepts an average of 5 to 10 new “walk-in” applications each day. In a typical month, there are 90 qualified candidates working to obtain their commercial learners permit, and there are on the average 20 people per month who complete bus operator training and obtain their commercial drivers license (CDL/PS).

The following table summarizes the number of bus operators that MCPS has hired each year from FY04 – to the present.

MCPS Response to Selected Questions on OLO Key Fiscal Indicators 4-6, continued.

Fiscal Year	Number of Hires
FY 2004	236
FY 2005	232
FY 2006	266
FY 2007 to date	247

Paraeducators

The Office of Human Resources (OHR) receives a steady stream of qualified applicants for regular and special education paraeducators. While the special education positions are more difficult to fill because of the position duties, over 800 applications have been pre-screened and are qualified to apply for the current 36 positions that are posted on the vacancy database. The number of qualified applicants has not changed in recent years.

3. Have increases in average salaries helped to mediate problems of turnover? In particular, among teachers, what impact, if any, have increases in average salaries had on reducing turnover in high need areas such as special education and English as a second language?

Increases in average salaries may be a contributing factor in helping reduce problems of turnover. As of October 15, 2005, the teacher turnover rate was 37.2 percent for teachers with five years of MCPS teaching experience while nationally the turnover rate is 50 percent. Consulting teacher and mentor support contributed to a reduction in teacher turnover. Numerous other supports such as staff development, tuition reimbursement, and career development promote teacher longevity with MCPS.

MCPS is able to acquire many of our ESOL teachers from our own partnerships, and we are able to fill our ESOL vacancies. However, special education continues to be a critical area, especially at the secondary level. Often special educators who hold dual certification transfer to general education positions. Speech pathologists and occupational and physical therapists are difficult to recruit and hire because higher education institutions do not graduate enough candidates. In addition, MCPS competes with the private sector which offers higher salaries and lower caseloads.

4. What flexibility does MCPS have to attract teaching candidates in hard to serve areas: what incentive or perks are available? Are pay differentials available?

Teachers who are graduated in the top 10 percent of their graduating class can receive a bonus of \$1,000 from the Maryland State Department of Education. National Board Certified Teachers (NBCT) receives a bonus of \$2,000 from the Maryland State Department of Education and a match of \$2,000 from MCPS. There also is financial support for the application process. As a result of the recent negotiated agreement with MCEA, other nationally certified teachers will be provided an additional \$700 supplement in FY 2008. These positions include speech pathologists, occupational therapists, physical therapists, counselors and psychologists.

MCPS Response to Selected Questions on OLO Key Fiscal Indicators 4-6, continued.

Although there are no signing incentives, teachers receive credit for their teaching experience and other benefits such as tuition reimbursement and opportunities for advancement.

Indicator 6:

1. How many current retirees and dependents are eligible for retiree benefits? What proportion participates in MCPS' current plan? What level of participation is anticipated in the future?

The overwhelming majority (almost 80 percent) of eligible retirees participate in the MCPS retiree health plans. MCPS does not track retirees who do not participate or the reasons why they don't participate; however, from experience, we know that some who are not enrolled in our benefit plans are covered under an MCPS active employee spouse's coverage. Others have opted out of the health plan because they have access to lower cost coverage elsewhere. Several years ago (with the County Council's urging), MCPS agreed to allow retirees to "opt out" of the medical plans if they had access to coverage elsewhere, with the understanding they could re-enter the MCPS plan at a later date if the other coverage was no longer available. This allowed us to shift cost away from the MCPS plans to the plans of other employers. To be eligible to re-enroll in MCPS's plan after retirement, retirees must have been covered by a MCPS health plan on or after July 1, 1998 and provide proof of coverage for the 12 months prior to the date at which they seek to resume MCPS coverage. Because of the quality of MCPS health benefit programs and the trend to eliminate health care for retirees in private industry, it is anticipated that the level of retiree participation in the MCPS health benefits will continue. Current participation of retirees and eligible dependents in medical plans total 6,607 individuals, dental 6,797, prescription 5,820, and vision 6,649. This is out of a total of 8,523 eligible retirees and surviving spouses.

2. How are the levels and packages for retiree benefits determined? How many years of service are required for an employee to be eligible for retiree health benefits? For dependents?

The levels of retiree benefits are determined in consultation with the retiree and employee associations. Eligibility for benefits is not based on years of service, but rather on eligibility for retirement. The typical employee is eligible for benefits at age 62 with at least five years of service or after 30 years of employment. New dependents may not be added after retirement, but eligible dependents are covered.

