

ED COMMITTEE #1&2
April 8, 2013
Worksession

MEMORANDUM

April 5, 2013

TO: Education Committee

FROM: Essie McGuire, Senior Legislative Analyst 

SUBJECT: **Worksession – FY14 Operating Budget, Montgomery County Public Schools and Review of the MCPS Monthly Financial Report**

Today the Education Committee will begin its review of the FY14 Operating Budget request of the Montgomery County Public Schools (MCPS) and review the most recent MCPS monthly financial report. The following individuals are expected to participate in today's worksession:

- Christopher Barclay, President, Board of Education
- Philip Kaufman, Vice President, Board of Education
- Joshua Starr, Superintendent
- Larry Bowers, Chief Operating Officer, MCPS
- Thomas Klausing, Director of Management, Budget, and Planning, MCPS

The Education Committee has scheduled four worksessions to review the MCPS operating budget, as well as a joint Committee worksession with the Health and Human Services (HHS) Committee to discuss jointly reviewed services.

Today the Education Committee will begin its review with an overview of the Board's request, the County Executive's recommendation, revenues and expenditures, and requested funding and positions by State category. The Committee will return in a later worksession to review compensation issues in more depth, including the negotiated FY14 agreements, the funds budgeted in Category 12, the MCPS pension fund, and the Active Employee and Retiree Group Insurance Funds.

The Committee intends to continue its work on the recent Office of Legislative Oversight (OLO) Report 2013-4, *The Achievement Gap in Montgomery County – A FY2013 Update*, by focusing its budget review on the Board's priorities to close the achievement gap and how the requested budget and its program elements achieve those priorities. The Committee's next operating budget worksession on April 19 will begin this discussion.

I. OVERVIEW OF RECOMMENDED BUDGET

BOARD OF EDUCATION'S REQUEST

The Board of Education requested a total of \$2,225,791,798 for the FY14 MCPS Operating Budget. This amount represents an increase of \$57,494,265 or 2.65 percent over the current FY13 level. The FY14 tax-supported budget request is \$2,084,709,114. The tax-supported budget request is \$55,837,719 over the approved FY13 tax-supported amount, an increase of 2.75 percent.

A summary table showing the major elements of the Board's request is attached on circle 11. Significant highlights include the following:

- The Board requested a **local contribution of \$9.97 million above the Maintenance of Effort (MOE) level** required for FY14. The required MOE for FY14 of \$1.413 billion is an increase of \$21.5 million in County funds over the FY13 approved level, due to enrollment increases.
- The Board's request includes a **total of \$34.5 million in County funds for as the local contribution to State retirement for teachers**, as required by the General Assembly last year. This FY14 amount is an increase of \$7.3 million over the FY13 contribution amount.
- The Board's request includes **an additional 398.7 FTE** over the approved FY13 level, for a total of 21,241.8 FTE requested in FY14. These increases are primarily in teachers and instructional aides.
- The Board projects a **total enrollment of 151,354 for FY14**. This is an increase of 2,575 over the actual FY13 enrollment. Comparing enrollment projections (which affect the budget changes year to year), the FY14 budget projection is an increase of 2,336 over the projected (and budgeted) FY13 level (circle 16). The actual FY13 enrollment is a slight decrease (239 students) from the projected and budgeted FY13 level.
- Enrollment of students with **Limited English Proficiency** is projected to increase by 786, for a total of 21,367 students. Enrollment of students eligible for **Free and Reduced Meals (FARMS)** is projected to increase by 2,065, for a total of 45,984 students.
- The budget includes a total of **\$18.59 million for salary increases in FY14 for employees**. On March 21 the Board approved agreements with its employee associations that provide a step for eligible employees and a 2 percent increase for employees not eligible for a step increase. These increases would take effect in February 2014. The budget also includes \$22.4 million necessary to annualize the cost of the second FY13 step that will be implemented on May 4. Employees who were eligible for a step in FY11 will receive this second step increase.
- MCPS reports that its actual expenses for employee health care continue to be lower than expected. As a result, the Board's request reduces the Superintendent's original December

budget amount for employee health plans by \$14.4 million. The Council has just received the April 1 report from the Board on Category 12 expenditures, and the Education Committee will further review the Board’s assumptions for both compensation and benefits in a subsequent budget worksession.

- The Board’s budget identifies a total **increase of 118.3 FTE and \$12.7 million for strategic program restorations and enhancements**. These identified program additions are listed in Table 1A on circle 11, and more fully described on circles 4-6 and 19-25.

COUNTY EXECUTIVE’S RECOMMENDATION

The County Executive recommended full funding of the Board’s request for the MCPS FY14 Operating Budget. This includes the County contribution at the MOE level of \$1.413 billion and assumes the same level of State Aid as the Board. There is one difference in funding source between the County Executive’s recommendation and the Board’s request. The Board requested \$1.424 billion in County funds (excluding State pensions), which is \$9.97 million above MOE, and \$17 million in unexpended appropriation fund balance. The County Executive recommended new local dollars at the MOE level of \$1.413 billion, and recommended the \$9.97 million difference come from the unexpended appropriation fund balance, increasing that amount to \$27 million. This issue is discussed more fully in the Overview of Revenues section below.

The County Executive typically recommends only aggregate totals for the MCPS operating budget and does not identify category allocations, as the Council is required to do in its final appropriation.

The County Executive’s budget includes a summary chart of additional County support for MCPS in his recommended FY14 budget. The Council began tracking this related funding in recent years, to have fuller context of all the County dollars that directly benefit the school system in addition to the MCPS agency appropriation. As these funds are not appropriated to the school system, they do not count toward the MOE requirement.

The chart below shows a recommended FY14 total of \$286.1 million above the MCPS local appropriation in additional County support for the school system. This amount is larger than any single County department, including the FY14 recommended budget for the Department of Police (\$260.6 million) and the Fire and Rescue Service (\$218.6 million).

Additional County support for MCPS FY14		
Debt service on school construction		\$124.5 million
Pre-funding retiree health benefits		\$87.8 million
Technology Modernization		\$22.1 million
Support Services: includes		\$51.7 million
School Health	\$19.7 million	
School Security	\$6.3 million	
Other educational supports	\$25.7 million	
Total		\$286.1 million

LOCAL CONTRIBUTION FOR STATE RETIREMENT

In its 2012 session, the General Assembly required that counties begin contributing local funds toward the cost of the State pension plans for teachers. The law establishes a set phase-in schedule of contributions for each local jurisdiction from FY13-16. Montgomery County’s requirement is below:

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

For FY13-16 these amounts are required in addition to a county’s MOE requirement. The law specifies that the FY16 payment be included in the base budget appropriation calculation for determining the per pupil amount for the FY17 MOE level.

FUTURE FISCAL IMPACT

The Executive’s recommendation fully funds the Board’s FY13 requests while maintaining County funding at the Maintenance of Effort level. Any increase to the County contribution of new dollars above MOE adds to the base calculation for the next year and cannot be reduced in future years (absent a waiver).

The table below shows the projected MOE through the State required phase-in period for the pension payments, using both the current per pupil amount to calculate MOE in FY14 and showing the MOE per pupil amount that would result if the Board’s requested FY14 increase of \$10 million was added to the MOE base. The higher per pupil amounts shown in FY16 and FY17 reflect the required inclusion of the final year of the pension payment into the MOE base calculation for FY17. This table uses the MCPS enrollment projections published October 2012.

	FY13	FY14	FY15	FY16	FY17
Enrollment	144,869	147,253	148,489	150,312	151,697
Per Pupil Amount	9,759	9,759	9,759	10,058	10,058
MOE	1,392,286,148	1,413,738,905	1,437,042,027	1,449,104,151	1,511,796,161
Pension	27,227,553	34,511,689	37,809,551	44,356,785	
Total County Contr.	1,419,513,701	1,448,250,594	1,474,851,578	1,493,460,936	
County Contribution if FY14 MOE increases by \$10 million as requested					
Per Pupil Amount		9,828	9,828	10,126	10,126
MOE		1,423,710,749	1,447,139,684	1,459,286,565	1,522,103,585
Pension	27,227,553	34,511,689	37,809,551	44,356,785	
Total County Contr.		1,458,222,438	1,484,949,235	1,503,643,350	

Under current projections, MOE will increase each year for MCPS due to enrollment alone aside from any base funding increases. This growth combined with the required contributions to State pension costs results in a required increase in the annual County contribution to MCPS of nearly \$100 million from FY14 to FY17.

While the per pupil amount increase in FY14 of \$68 appears small at the margin, it results in a \$10.1 million increase in MOE for FY15. The additional \$10 million per year results in a cumulative total of \$40.6 million between FY14-FY17 above what the County would be required to contribute if the FY14 budget remained at the current MOE requirement.

This table assumes that the only increase above MOE in this time period is the requested \$10 million in FY14; in fact, any increases above MOE in future years would continue to add to the base going forward. In budget discussions and in other public statements, Board members have expressed concern that an MOE budget going forward will not be sufficient to meet both compensation and program needs, and that future requests are likely to exceed MOE.

Once the pension contribution is added to the MOE calculation, the per pupil amount increases by nearly \$300 per student. Again, this increase will continue into the future under current law. If the FY14 MOE is increased by \$10 million, the resulting FY17 per pupil calculation for MOE will be \$367 higher than the current per pupil amount.

II. OVERVIEW OF REVENUES

Table 1 below shows the MCPS operating budgets by revenue source for the FY12 approved level, the FY13 approved level, the FY14 Board of Education Request, and the FY14 County Executive recommendation.

Source	FY12 Approved		FY13 Approved		FY14 BOE Request		FY14 CE Rec	
	\$	% of total						
County	1,370,101,480	65.7%	1,392,286,148	64.5%	1,423,710,749	64.0%	1,413,738,298	63.5%
for St pensions			27,227,553	1.3%	34,511,689	1.6%	34,511,689	1.6%
Fund Balance	17,000,000	0.8%	17,000,000	0.8%	17,000,000	0.8%	26,972,451	1.2%
State	559,837,103	26.8%	588,331,986	27.2%	605,360,968	27.2%	605,360,968	27.2%
Federal	70,140,226	3.4%	64,522,375	3.0%	72,680,788	3.3%	72,680,788	3.3%
Other Sources	13,174,062	0.6%	13,174,062	0.6%	12,174,062	0.5%	12,174,062	0.5%
Enterprise	55,108,742	2.6%	56,029,880	2.6%	58,876,281	2.6%	58,876,281	2.6%
Special Funds	1,425,000	0.1%	1,457,591	0.1%	1,477,261	0.1%	1,477,261	0.1%
Tax-sptd Total	1,950,909,291		2,028,871,395		2,084,709,114		2,084,709,114	
Grand Total	2,086,786,613		2,160,029,595		2,225,791,798		2,225,791,798	

Local Contribution

- The FY14 MOE contribution amount is \$1.413 billion, based on a per pupil amount of \$9,759. This is an increase of \$21.5 million due to increased enrollment.
- The Board of Education requested \$9.97 million more than MOE; the County Executive recommended local contribution at the MOE level. The County Executive's recommendation would maintain the per pupil requirement at the \$9,759 level for calculating the following fiscal year's MOE.
- Local funding is further increased by \$7.3 million for the required pension contribution, which totals \$34.5 million in FY14 and is 1.6 percent of the overall budget.

Fund Balance

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

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

MCPS ended FY11 with a cumulative fund balance of \$29.0 million. The Council appropriated \$17 million of that amount for the FY12 budget, leaving a balance of \$11.9 million. MCPS then ended FY12 with a fund balance of \$28.6 million; added to the FY11 carry over amount resulted in a total cumulative fund balance of \$40.5 million. The Council appropriated \$17 million of that amount for the FY13 budget, leaving an unappropriated fund balance of \$23.5 million.

The most recent monthly financial report projects an FY13 year end fund balance of \$17.2 million. Combined with the current unappropriated balance of \$23.5 million, a total of \$40.7 million in fund balance is available to be reappropriated to MCPS under the current projection. The FY13 projection is likely to grow by the end of the fiscal year, as historically, the projection each spring has been less than the ultimate year-end actual fund balance.

FY	Year End	Used for next FY	Rem. Balance
FY11	\$29.0 m	\$17.0 m	\$11.9 m
FY12	\$28.6 m	\$17.0 m	\$23.5m
FY13 (CE Rec)	\$17.2 m	\$27.0 m	\$13.7m

Of the \$40.7 million available, MCPS requested \$17 million be reappropriated and the County Executive recommended that \$27 million be reappropriated. Either approach would leave significant unappropriated fund balance, either \$23.7 million or \$13.7 million, going into FY14. Council staff notes that prudent budgeting and appropriate expenditure practices will result in yearly surplus, and acknowledges that MCPS has contributed significant savings to support its budget in these difficult years. At the same time, MCPS is not required by law or policy to maintain any amount of fund balance year to year, other than not ending the year in deficit.

Large carry over amounts are a relatively recent occurrence. MCPS ended FY07 with a net surplus of \$12.3 million, of which \$7.3 million was appropriated for the FY08 budget. FY08 ended with a \$17.9 million surplus, all of which was used for the FY09 budget. State Aid calculation errors and mid-year savings plans resulted in large surpluses for FY09 (\$20.7 million plus \$24.2 million from the State to correct underfunded State Aid) and FY10 (\$31.2 million).

While the year-end balances are large dollar amounts, it is important to remember their relationship to the entire tax-supported appropriation. The FY12 year-end balance of \$28.6 million is 1.5 percent of the approved tax-supported FY12 appropriation.

The financial report that reflects activity through January 31 and was presented to the Board of Education on March 12 is attached at circles 26-31. The Board is scheduled to receive its next financial report on April 23, and the Education Committee will review any relevant updated information at its following budget worksession.

State Aid

- State Aid continues to increase, with a total increase of \$17.0 million over the FY13 approved level. For FY14, State aid comprises the same share of the overall budget as in FY13, at 27.2 percent.
- The State Aid increase is driven by the County's continued enrollment growth overall. Montgomery County is experiencing by far the most enrollment growth in Maryland in terms of absolute numbers; even in percentage growth, with 1.5% growth from FY13-FY14, Montgomery County is third highest in the State. Thirteen of the 24 Maryland jurisdictions saw declining enrollment from FY13-FY14.
- The component of State Aid related to students from families with low incomes increased \$6.6 million to a total of \$121.8 million in FY14, reflecting increased enrollment in this demographic area.
- The amount of State Aid related to students with Limited English Proficiency increased by \$2.7 million to \$57.8 million in FY14, reflecting increased enrollment in this demographic as well.

Federal Aid

- The Board's assumption of Federal Aid is essentially level from FY13, at \$72.3 million and 3.3 percent of the overall budget.

IV. OVERVIEW OF EXPENDITURES

State law requires each school system to classify expenditures according to certain categories, and requires the Council to appropriate funding by total amounts in each category. The Board of Education has full authority to allocate funds within each category, but cannot transfer funds between or among categories without Council approval.

The tables that follow provide detail of the Board's requested budget as well as recent approved budgets according to these State categories.

REQUESTED EXPENDITURES BY STATE CATEGORY

Table 2 on the next page shows the expenditures for each State category and their respective shares of the total budget from the approved FY10 level through the FY14 request. Highlights include:

- Instruction, defined in the State's financial reports as the sum of categories 2-6, accounts for 60.4 percent of the requested budget. This is roughly the same percent of the total throughout the four-year period, down slightly from the high point of 61.4 percent of the FY11 approved level.
- Each category in the Instructional subgroup increased in these four years except for Category 4, Textbooks and Instructional Supplies, and Category 5, Other Instructional Costs.
- School and Student Services, defined as categories 7-11, comprises 11.6 percent of the budget in FY14, roughly the same as FY10 and slightly below the high point of 12.1 percent in FY12. Category 9, Student Transportation, and Category 11, Maintenance of Plant, both increased over the FY10 approved level. The other categories in this subgroup decreased.
- The category with the largest and most consistent growth is Category 12, Fixed Charges. This category increased \$77.5 million since FY10, and in FY14 takes up 3.3 percent more of the budget than in FY10 at 23.6 percent of the total. This category includes primarily employee benefit (health and pension) expenditures.
- In total, Table 2 shows that the FY14 request continues to raise the total MCPS budget well above the difficult economic years of FY10-12. The FY14 request is nearly \$105 million above the FY10 appropriation excluding debt service.

Table 2: Expenditure by State Budget Category

Category	FY10 Approved	FY10 %of total	FY11 Approved	FY11 %of total	FY12 Approved	FY12 %of total	FY13 Approved	FY13 %of total	FY14 Requested	FY14 %of total
Instruction										
2-Mid-Level Administration	135,871,420	6.2%	138,804,115	6.6%	136,245,378	6.5%	138,311,388	6.4%	138,632,510	6.2%
3-Instructional Salaries	855,776,714	38.9%	834,965,124	39.7%	820,070,900	39.3%	840,255,615	38.9%	876,163,830	39.4%
4-Textbooks and Instr Supplies	31,903,762	1.4%	24,901,955	1.2%	24,948,820	1.2%	25,106,168	1.2%	24,848,778	1.1%
5-Other Instr Costs	15,093,701	0.7%	14,373,591	0.7%	13,855,214	0.7%	13,449,902	0.6%	12,815,866	0.6%
6-Special Education	280,339,274	12.7%	279,165,638	13.3%	272,431,548	13.1%	278,758,723	12.9%	291,609,530	13.1%
Subtotal: Instruction	1,318,984,871	59.9%	1,292,210,423	61.4%	1,267,551,860	60.7%	1,295,881,796	60.0%	1,344,070,514	60.4%
School and Student Services										
7-Student Personnel Services	11,175,378	0.5%	11,201,334	0.5%	11,041,328	0.5%	11,008,660	0.5%	10,964,290	0.5%
8-Health Services	41,002	0.0%	44,590	0.0%	54,670	0.0%	37,402	0.0%	37,402	0.0%
9-Student Transportation	92,765,998	4.2%	93,946,059	4.5%	93,197,127	4.5%	95,686,527	4.4%	97,678,646	4.4%
10-Operation of Plant and Equip	118,589,104	5.4%	115,000,527	5.5%	115,657,090	5.5%	113,480,416	5.3%	114,880,406	5.2%
11-Maintenance of Plant	33,938,236	1.5%	33,015,967	1.6%	32,396,397	1.6%	33,780,373	1.6%	34,105,404	1.5%
Subtotal: Sch and St Services	256,509,718	11.7%	253,208,477	12.0%	252,346,612	12.1%	253,993,378	11.8%	257,666,148	11.6%
Other										
12-Fixed Charges	447,319,098	20.3%	463,288,825	22.0%	471,779,702	22.6%	514,125,636	23.8%	524,786,162	23.6%
1-Administration	41,874,103	1.9%	39,151,145	1.9%	38,366,202	1.8%	38,332,819	1.8%	38,453,655	1.7%
14-Community Services	208,495	0.0%	208,495	0.0%	208,495	0.0%	208,495	0.0%	461,777	0.0%
Subtotal: Other	489,401,696	22.2%	502,648,465	23.9%	510,354,399	24.5%	552,666,950	25.6%	563,701,594	25.3%
Non-Categorized Expenditure:										
Debt Service	79,537,322									
37-Special Revenue Fund	1,581,510	0.1%	1,490,510	0.1%	1,425,000	0.1%	1,457,591	0.1%	1,477,261	0.1%
51-Real Estate Fund	2,651,095	0.1%	3,071,095	0.1%	3,266,430	0.2%	3,520,603	0.2%	2,920,399	0.1%
61-Food Service Fund	47,821,972	2.2%	47,040,254	2.2%	46,897,045	2.2%	47,476,295	2.2%	51,189,670	2.3%
71-Field Trip Fund	2,314,716	0.1%	2,354,716	0.1%	2,122,819	0.1%	2,026,046	0.1%	1,917,672	0.1%
81-Entrepreneurial Activities	1,774,100	0.1%	2,164,100	0.1%	2,822,448	0.1%	3,006,936	0.1%	2,848,540	0.1%
Subtotal: Special/Ent Funds	56,143,393	2.6%	56,120,675	2.7%	56,533,742	2.7%	57,487,471	2.7%	60,353,542	2.7%
Grand Total	2,200,577,000	100.0%	2,104,188,040	100.0%	2,086,786,613	100.0%	2,160,029,595	100.0%	2,225,791,798	100.0%

FY10 total w/o DS is 2,121,039,678

REQUESTED POSITIONS BY STATE CATEGORY

Table 3 on the next page shows the positions for each State category and their respective shares of all positions in the budget from the approved FY10 level through the FY14 request. Highlights include:

- The overall distribution of positions has not changed very much since FY10. The five categories in the Instruction subgroup contain 78.2 percent of all positions in the FY14 request; in FY10 they contained 78.0 percent. The School and Student Services subgroup has stayed essentially level at just over 17 percent.
- Of the eight major categories that have positions (not including enterprise funds),
 - Four categories increased positions from FY10-14: Category 2, Mid-level Administration; Category 3, Instructional Salaries; Category 6, Special Education; Category 10, Operation of Plant and Equipment; and
 - Only one category has decreased by more than 10 FTE since FY10: Category 1, Administration.
- Positions in Category 3, Instructional Salaries, comprise 52.3 percent of all positions in the budget. This share of the total has remained fairly constant in this time period.
- In total, the FY14 request is an increase of 398.7 FTE over the FY13 approved and an increase of 289.3 FTE over the FY10 approved level. Again, the FY14 request begins to move well above the difficult economic years of FY10-12.

Table 3: Positions by State Budget Category

Category	FY10 Approved	FY10 %of total	FY11 Approved	FY11 %of total	FY12 Approved	FY12 %of total	FY13 Approved	FY13 %of total	FY14 Requested	FY14 %of total
Instruction										
2-Mid-Level Administration	1,661.375	7.9%	1,682.875	8.1%	1,669.325	8.1%	1,672.675	8.0%	1,676.100	7.9%
3-Instructional Salaries	11,064.365	52.8%	10,804.200	52.1%	10,684.088	51.8%	10,838.413	52.0%	11,099.670	52.3%
4-Textbooks and Instr Supplies	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%
5-Other Instr Costs	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%
6-Special Education	3,612.989	17.2%	3,661.255	17.6%	3,661.735	17.8%	3,733.703	17.9%	3,829.455	18.0%
Subtotal: Instruction	16,338.729	78.0%	16,148.330	77.8%	16,015.148	77.7%	16,244.791	77.9%	16,605.225	78.2%
School and Student Services										
7-Student Personnel Services	110.900	0.5%	110.305	0.5%	108.705	0.5%	106.505	0.5%	107.900	0.5%
8-Health Services	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%
9-Student Transportation	1,742.250	8.3%	1,742.250	8.4%	1,733.150	8.4%	1,733.150	8.3%	1,733.090	8.2%
10-Operation of Plant and Equip	1,398.200	6.7%	1,406.700	6.8%	1,429.700	6.9%	1,431.200	6.9%	1,457.200	6.9%
11-Maintenance of Plant	388.000	1.9%	380.000	1.8%	380.000	1.8%	380.000	1.8%	386.000	1.8%
Subtotal: Sch and St Services	3,639.350	17.4%	3,639.255	17.5%	3,651.555	17.7%	3,650.855	17.5%	3,684.190	17.3%
Other										
12-Fixed Charges	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%
1-Administration	356.062	1.7%	338.650	1.6%	327.050	1.6%	327.550	1.6%	332.880	1.6%
14-Community Services	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%
Subtotal: Other	356.062	1.7%	338.650	1.6%	327.050	1.6%	327.550	1.6%	332.880	1.6%
37-Special Revenue Fund	14.000	0.1%	14.000	0.1%	12.500	0.1%	12.500	0.1%	12.500	0.1%
41-Adult Education Fund	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%	0.000	0.0%
51-Real Estate Fund	6.500	0.0%	6.500	0.0%	6.500	0.0%	7.000	0.0%	7.000	0.0%
61-Food Service Fund	583.448	2.8%	583.448	2.8%	583.448	2.8%	582.948	2.8%	582.948	2.7%
71-Field Trip Fund	4.500	0.0%	4.500	0.0%	4.500	0.0%	4.500	0.0%	4.500	0.0%
81-Entrepreneurial Activities	10.000	0.0%	9.000	0.0%	9.000	0.0%	13.000	0.1%	12.600	0.1%
Subtotal: Special/Ent Funds	618.448	3.0%	617.448	3.0%	615.948	3.0%	619.948	3.0%	619.548	2.9%
Grand Total	20,952.589	100.0%	20,743.683	100.0%	20,609.701	100.0%	20,843.144	100.0%	21,241.843	100.0%

ALLOCATION OF STAFFING

Table 5 in the Board's budget shows the allocation of staffing by type of position (circle 17). The table presents this information for FY10-14; Council staff has calculated the relative share of the total for each classification in FY10 and FY14 and the differences between FY10 and FY14 on circle 18.

- The positions with the largest numerical increase from FY10-14 are teachers, special education specialists, and building service workers. These positions are closely associated with increased enrollment.
- Student support and services positions such as counselors, psychologists, social workers, pupil personnel workers, and instructional aides and assistants have declined or stayed very level since FY10. This would indicate increasing caseloads for these positions or reduced service levels, given the rising enrollment during this time period.
- The significant decrease in teachers between FY10-11 largely reflects the Board's decision to increase class size by 1 in FY11. The number of teachers increases in FY12 and again in FY13, reflecting increases in enrollment.
- The positions with the largest decreases since FY10 are administrative, secretarial and clerical support, other professional, and other support personnel.
- **The relative share of each type of position remains essentially the same from FY10 to FY14.** For example, in FY14 teachers comprise 50.6% of all FTE; executive and administrative staff 1.0%; instructional aides and assistants 12.3%; and transportation personnel 7.9%. These percentages are very close to or the same as the FY10 percentages of total FTE.

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

February 25, 2013

MEMORANDUM

To: Members of the Board of Education

From: Joshua P. Starr, Superintendent of Schools 

Subject: Adoption of the Fiscal Year 2014 Operating Budget

Executive Summary

I am submitting to the Board of Education my amended Fiscal Year (FY) 2014 Recommended Operating Budget totaling \$2,225,791,798. This is an increase of \$57,494,265, or 2.65 percent, over the current FY 2013 budget. The tax-supported budget (excluding grants and enterprise funds) is \$2,084,709,114, an increase of \$55,857,330 (2.75 percent) over the current FY 2013 tax supported budget. My amended budget is \$9,972,451 over the \$1,448,249,987 that the county is required to provide under Maintenance of Effort (MOE). The amended budget of \$2,225,791,798 is an increase of \$8,544,142 over the \$2,217,247,656 that I recommended in the FY 2014 Operating Budget submitted to the Board of Education on December 11, 2012.

The reasons for the revision to the budget submitted to the Board of Education on December 11, 2012, include an increase of \$7,048,593 in state aid that is reflected in Governor Martin O'Malley's FY 2014 budget. There also is an increase of \$1.111 million as a result of the Governor's expansion of the Maryland Meals for Achievement (MMFA) Program. Further, I am recommending an increase of \$3,988,617 for additional strategic restorations and enhancements. While negotiations between the Board of Education and its employee associations are not completed, I am including a placeholder amount of \$18,594,525 for salaries for our employees. These additional costs are offset by a reduction of \$14,400,000 in the amount budgeted for the Employee Health Benefits Plan, a reduction of \$350,000 for special education students in non-public schools, and a reduction of \$400,000 in the amount budgeted for utilities. Following is a summary chart that reflects the revisions to the FY 2014 Operating Budget.

FY 2014 OPERATING BUDGET

	<u>FY 2013 BUDGET</u>	<u>FY 2014 DEC. REC</u>	<u>FY 2014 REVISED</u>	<u>FY 13-14 CHANGE</u>
Total Expenditures	\$2,168,297,533	\$2,217,247,656	\$2,225,791,798	\$57,494,265
<u>Revenue</u>				
Local Revenue	1,419,513,701	1,458,246,167	1,458,222,438	38,708,737
State Revenue	588,312,375	598,312,375	605,360,968	17,048,593
Fed/Other Revenue	<u>160,471,457</u>	<u>160,689,114</u>	<u>162,208,392</u>	<u>1,736,935</u>
Total Revenue	\$2,168,297,533	\$2,217,247,656	\$2,225,791,798	\$57,494,265

On January 10 and January 17, 2013, the Board of Education held public hearings on the Superintendent's Recommended FY 2014 Operating Budget. In addition, on January 22 and January 24, 2013, the Board of Education held work sessions on the budget. The details of the revisions to the FY 2014 Operating Budget submitted to the Board of Education on December 11, 2012, follow.

Revenue*State Aid*

On January 16, 2013, Governor Martin O'Malley released his FY 2014 budget, which results in an increase in state aid for Montgomery County Public Schools (MCPS) of \$17,048,593 over FY 2013, for a total of \$605,360,968 in state aid. This amount is \$7,048,593 more than the \$598,312,375 of state aid included in my Recommended FY 2014 Operating Budget. The projected state aid increase results from several factors.

There is a net increase in the basic Foundation Program aid of \$3.7 million over FY 2013 for a total of \$305,839,903. The per pupil amount that was used for the calculation of Foundation Program aid increased by 1.01 percent to a total of \$6,829 per pupil in FY 2014. Also, state wealth dropped by 1.9 percent from FY 2013 to FY 2014; however, Montgomery County's wealth decreased by only 0.3 percent. Therefore, Montgomery County's wealth relative to the state's wealth increased from 23.8 percent to 24.2 percent.

The FY 2014 state aid estimate for MCPS also includes \$33,636,554 for full funding of the Geographic Cost of Education Index, an increase of \$840,258 over the FY 2013 Operating Budget.

Additionally, there is an increase of \$6,630,885 in Compensatory aid over FY 2013 due to an increase of 2,065 students (for a total of 45,980) eligible to participate in the Free and Reduced-price Meals System Program. There is an increase of \$2,668,682 in Limited English Proficient aid due to an increase of 786 students eligible for English for Speakers of Other Languages services (for a total of 21,367 students). In addition, there is an increase of \$1,199,266 in Transportation aid, and an increase of \$246,298 in the Special Education formula aid. Finally, reimbursement for special education students in nonpublic placements is expected to increase by \$1,811,177 over the budgeted amount for FY 2013.

The anticipated state aid increase does not affect the county's obligation to provide MOE in FY 2014. The MOE requirement is based on the previous local contribution; therefore, it is not affected in any way by the amount of state aid for FY 2014.

Local Contribution

The amount of local contribution that is requested to fund my amended budget is \$1,458,222,438, or \$9,972,451 over the local contribution required under MOE. The amount of local contribution needed to meet the MOE requirement is \$1,448,249,987, which is \$28,736,286 higher than the local contribution budgeted for FY 2013. This represents an increase of \$21,452,150 based on the per pupil amount of \$9,759 and an increase in the number of students. The per pupil amount is the same amount as FY 2013. The \$28.7 million increase in the local contribution also includes an increase of \$7,284,136 over the \$27,227,553 budgeted in FY 2013 for the shift of the cost for teacher pensions from the state to the county.

Enterprise and Special Funds

The governor's FY 2014 budget includes \$1.8 million to expand the MMFA Program. MCPS is slated to receive \$1.111 million. Therefore, both revenues and expenditures for the Food Services Enterprise Fund are increased by \$1.111 million. In addition, \$400,000 additional revenue beyond the amount included in the December, 11, 2012, operating budget is projected in grants and enterprise funds.

Expenditure Reductions

Employee Benefits Health Plan

During the period FY 2010 through FY 2012, actual expense trends for employee health care expenses for MCPS employees and retirees have been significantly lower than national and regional trends. The implementation of wellness programs, plan design changes, rebidding of health care services, and lower than expected claims have all contributed in lowering actual health care expenses for MCPS.

The savings generated by lower actual expenses over this period has provided an opportunity for MCPS to establish a fund balance to absorb significant rate or claim increases without jeopardizing the financial integrity of the trust fund. MCPS strives to maintain a fund balance equal to 5 percent of health care expenses for any given year for both active and retired employees.

Based on recent experience, lower claim trends this year allow for a reduction in the amount required to be contributed to the Employee Benefits Plan Trust Fund for FY 2014. FY 2013 costs are projected to be significantly below budget, which will increase the fund balance at the end of FY 2013 and reduce the base amount for the FY 2014 calculation. As a result, the FY 2014 budget can be reduced by \$14.4 million.

Special Education Students in Nonpublic Placements

The FY 2014 Operating Budget that I recommended to the Board of Education on December 11, 2012, included an increase of \$1,612,104 for tuition for special education students attending nonpublic programs. This amount included \$847,084 for an increase in the number of students and \$765,020 for a projected tuition rate increase of two percent. Updated estimates of the number of projected students in nonpublic schools allows for a reduction of the enrollment projection for FY 2014. Reducing the number of additional students projected to attend nonpublic school-age day programs next year allows for a budget reduction of \$350,000.

Utilities

This year, the rates for natural gas have been approximately seven and one-half cents lower than the FY 2013 budgeted rates. This trend allows for a reduction in the base amount used to calculate the cost for natural gas for FY 2014 and provides for a budgetary savings of \$400,000 for next year.

Expenditure Increases

Negotiations with Employee Associations

Although negotiations between the Board of Education and the associations that represent MCPS employees have been ongoing for several months, we were not able to reach agreement in time to include the economic provisions in my recommended budget. Therefore, I am recommending a placeholder amount of \$18,594,525 for salary increases for our employees for FY 2014.

Strategic Restorations and Enhancements

I am requesting 27.8 additional positions and \$3,988,617 in strategic restorations and enhancements over and above the resources recommended in my December 11, 2012, budget. These are discussed in more detail below.

Psychologist Positions

During the past several years, the caseload of school psychologists has been increasing. To address the growth in student enrollment from recent years and the increasing caseloads, 5.0 additional psychologist positions and \$341,028 are recommended to be added to the budget.

Middle Years Programme

The International Baccalaureate (IB) Middle Years Programme (MYP) is a Grade 6 through Grade 10 framework of academic challenge that encourages students to embrace and understand the connections between traditional subjects and the real world and become critical and reflective thinkers. Currently, Seneca Valley High School has an IB Diploma Programme, but its feeder middle schools do not have a Middle Years IB Programme. It is recommended that the program be added at Dr. Martin Luther King, Jr. and Roberto W. Clemente middle schools. The cost to add this program at the two schools is \$234,986, including the salaries and benefits for 1.6 (two .8 full-time equivalent) coordinator positions.

Maintenance Workers

The Division of Maintenance continues to experience a growing demand for maintenance and repair services resulting from increases in the number, size, age, and utilization of MCPS facilities. From FY 2003 through FY 2012, the amount of space maintained by the division grew by more than 12 percent, for a total of more than 24 million square feet. No additional staff was added during the same period. In addition, the demand for service has increased due to complex mechanical systems and mandated compliance with federal, state, and county regulations pertaining to environmental protection, fire protection, school security, and emergency preparedness. To help address this workload, 8.0 additional maintenance worker positions and \$433,265 are recommended.

High School Teachers

The MCPS budget includes 21.5 teacher positions to reduce class size in Grade 9 English, mathematics, science, and social studies for the Downcounty Consortium (DCC) schools. Allocations to schools are based on a formula that determines the number of additional teacher positions required to reduce the class size. In addition to the DCC schools, Watkins Mill, Springbrook, and Gaithersburg high schools have a Free and Reduced-price Meals System rate greater than 40 percent. Therefore, I am recommending that Grade 9 mathematics and English class sizes in these three schools be reduced, requiring an increase of 6.2 teacher positions and \$406,677.

Elementary Counselors

I am recommending the addition of 2.0 elementary counselor positions and \$147,170. As part of budget reductions in recent years, smaller elementary schools were reduced by either a .5 or 1.0

specialist position and had the option of reducing a staff development teacher, reading specialist, counselor, or media specialist. My December 11, 2012, recommended budget, restores a .5 counselor position at seven elementary schools to provide the schools with a 1.0 position. There are seven other schools that have a .5 counselor position. Consistent with the Board's interest pertaining to the social and emotional well-being of students, and to help ensure that students come to school each day ready to learn, I am recommending that an additional .5 counselor position be added at four more schools that currently have a half-time counselor.

Professional Development—Curriculum 2.0

My recommended FY 2014 Operating Budget includes an additional \$1,549,475 over the \$1,006,537 already budgeted to support continued professional development and collaborative planning time in elementary schools and at the secondary level for the expanded implementation of Curriculum 2.0 and the Common Core State Standards. Since the budget was released in December, a considerable amount of feedback has been received from teachers and administrators, which indicates that additional resources are necessary for professional development to ensure successful implementation. As a result, an additional \$2,128,078 is recommended for teachers to work on curriculum development during the summer, training for K-5 teachers, and substitutes to provide teachers time for collaborative planning.

Support for Programs to Close the Achievement Gap

During the Board of Education's hearings on the operating budget and recently during the Public Comments portion of the February 12, 2012, Board of Education meeting, several groups have presented information about programs in schools that are providing supports to Black or African American and Hispanic/Latino students and helping to address the gaps in achievement between these students and their White and Asian peers. I am recommending funding \$100,000 in the FY 2014 Operating Budget to not only support those programs that have been successful but to expand these programs to other schools. A process will be developed for groups to submit proposals to extend the work of some of these successful programs.

Special Education Paraeducators

I am recommending an increase of 5.0 special education paraeducator positions and \$197,413. The positions will be placed in reserve and used to allocate to schools when additional support is needed to serve students with disabilities.

Conclusion

The FY 2014 Operating Budget that I am recommending to the Board of Education reflects the culmination of extensive internal and external feedback and the interests of the Board of Education. As I have indicated before, this budget is considered a step forward and is part of a multi-year effort to address the educational needs of our students. This budget reflects three areas of focus – keeping up with our continued enrollment growth, reenergizing our efforts to

narrow the achievement gap, and investing in our dedicated and capable staff. However, this budget does not include all that the school system needs. This budget provides the necessary funding for MCPS in FY 2014 to continue to make the outstanding academic progress that our parents and community expect and support.

Recommended Resolution

WHEREAS, The superintendent of schools presented the Recommended Fiscal Year 2014 Operating Budget of \$2,217,247,656 to the Board of Education on December 11, 2012; and

WHEREAS, The Recommended Fiscal Year 2014 Operating Budget includes the Fiscal Year 2014 Special Education Staffing Plan; and

WHEREAS, Increases of state aid for Montgomery County Public Schools as recommended in the governor's budget on January 16, 2013, total \$17,048,593; and

WHEREAS, The county's local contribution required under Maintenance of Effort is \$1,448,249,987; and

WHEREAS, The Superintendent's Recommended Fiscal Year 2014 Operating Budget as amended includes a local contribution request of \$1,458,222,438, which is \$9,972,451 over the required local contribution under Maintenance of Effort; and

WHEREAS, Fund Balance of \$17,000,000 is available for appropriation in Fiscal Year 2014; and

WHEREAS, Additional state funding for the Maryland Meals for Achievement Program increase budgeted expenditures and revenue for the Food Services Enterprise Fund in the amount of \$1,111,000; and

WHEREAS, Lower projected costs for employee health care allow for a reduction in the Fiscal Year 2014 budget of \$14,400,000; and

WHEREAS, Fewer special education students are projected to require educational services in nonpublic schools which will result in budgetary reduction of \$350,000; and

WHEREAS, Current costs for natural gas are lower than budgeted and will result in a Fiscal Year 2014 budget reduction of \$400,000; and

WHEREAS, An additional \$341,028 is recommended for five additional psychologist positions to reduce the ratio of students to psychologists; and

WHEREAS, An additional \$234,986 and 1.6 coordinator positions is recommended to add the International Baccalaureate Middle Years Programme at Dr. Martin Luther King, Jr. and Roberto W. Clemente middle schools; and

WHEREAS, An additional \$433,265 is recommended for eight maintenance worker positions in support of the growing demand for maintenance and repair services; and

WHEREAS, An additional \$406,677 is recommended for 6.2 high school teacher positions at Watkins Mill, Springbrook and Gaithersburg high schools with Free and Reduced-price Meals System rates greater than 40 percent; and

WHEREAS, An additional \$147,170 is recommended for two elementary school counselor positions in four schools; and

WHEREAS, An additional \$2,128,078 is recommended for training and support for Curriculum 2.0; and

WHEREAS, An additional \$100,000 is recommended to provide support for programs to close the achievement gap; and

WHEREAS, An additional \$197,413 is recommended for 5.0 special education paraeducator positions to be placed in reserve to allocate to schools when additional support is needed to serve students with disabilities; now therefore be it

Resolved, That the Montgomery County Board of Education approves the Fiscal Year 2014 Special Education Staffing Plan as outlined in the Superintendent's Recommended Fiscal Year 2014 Operating Budget; and be it further

Resolved, That upon final approval of the Fiscal Year 2014 Operating Budget in June 2013, the Special Education Staffing Plan will be submitted to the Maryland State Department of Education; and be it further

Resolved, That the Montgomery County Board of Education adopts the Superintendent's Recommended Fiscal Year 2014 Operating Budget as amended totaling \$2,225,791,798 as follows:

<u>Category</u>	Superintendent's Amended <u>Operating Budget</u>
1 Administration	\$ 38,453,655
2 Mid-level Administration	138,632,510
3 Instructional Salaries	876,163,830
4 Textbooks and Instructional Supplies	24,848,778
5 Other Instructional Costs	12,815,866
6 Special Education	291,609,530
7 Student Personnel Services	10,964,290
8 Health Services	37,402
9 Student Transportation	97,678,646
10 Operation of Plant and Equipment	114,880,406
11 Maintenance of Plant	34,105,404
12 Fixed Charges	524,786,162
14 Community Services	461,777
37 MCPS Television Special Revenue Fund	1,477,261
51 Real Estate Fund	2,920,399
61 Food Service Fund	51,189,670
71 Field Trip Fund	1,917,672
81 Entrepreneurial Activities	2,848,540
Total	<u>\$2,225,791,798</u>

-JPS:LAB:TPK:jp

TABLE 1
SUMMARY OF RESOURCES
BY OBJECT OF EXPENDITURE

OBJECT OF EXPENDITURE	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2013 CURRENT	FY 2014 BUDGET	FY 2014 CHANGE
POSITIONS					
Administrative	701.000	699.000	700.000	705.201	5.201
Business/Operations Admin.	92.000	92.000	92.000	91.629	(.371)
Professional	11,744.730	11,922.480	11,950.380	12,253.670	303.290
Supporting Services	8,074.496	8,129.664	8,119.226	8,191.343	72.117
TOTAL POSITIONS	20,612.226	20,843.144	20,861.606	21,241.843	380.237
01 SALARIES & WAGES					
Administrative	\$86,746,835	\$89,105,835	\$89,222,435	\$90,510,059	\$1,287,624
Business/Operations Admin.	8,175,371	8,648,824	8,648,824	8,842,660	193,836
Professional	886,753,233	922,485,401	924,698,695	957,485,027	32,786,332
Supporting Services	323,092,461	341,761,446	341,774,693	348,471,854	6,697,161
TOTAL POSITION DOLLARS	1,304,767,900	1,362,001,506	1,364,344,647	1,405,309,600	40,964,953
OTHER SALARIES					
Administrative	415,834	382,576	382,576	382,576	
Professional	51,438,126	51,349,064	53,056,193	57,662,833	4,606,640
Supporting Services	21,129,269	20,703,678	22,264,616	24,136,488	1,871,872
TOTAL OTHER SALARIES	72,983,229	72,435,318	75,703,385	82,181,897	6,478,512
TOTAL SALARIES AND WAGES	1,377,751,129	1,434,436,824	1,440,048,032	1,487,491,497	47,443,465
02 CONTRACTUAL SERVICES	25,282,316	24,947,219	24,913,189	25,171,342	258,153
03 SUPPLIES & MATERIALS	65,916,385	66,036,062	67,209,283	68,979,037	1,769,754
04 OTHER					
Local/Other Travel	2,354,057	2,586,848	2,600,853	3,008,762	407,909
Insur & Employee Benefits	482,937,643	525,701,924	527,106,085	536,798,214	9,692,129
Utilities	40,549,810	41,396,374	41,396,374	39,799,058	(1,597,316)
Miscellaneous	49,028,861	51,292,737	51,328,189	50,986,236	(341,953)
TOTAL OTHER	574,870,371	620,977,883	622,431,501	630,592,270	8,160,769
05 EQUIPMENT	14,113,849	13,631,607	13,695,528	13,557,652	(137,876)
GRAND TOTAL AMOUNTS	\$2,057,934,050	\$2,160,029,595	\$2,168,297,533	\$2,225,791,798	\$57,494,265

TABLE 1A
FY 2014/OPERATING BUDGET - SUMMARY OF BUDGET CHANGE S FY 2013 - FY 2014
(\$ in millions)

ITEM	FTE	AMOUNT
FY 2013 CURRENT OPERATING BUDGET	20,861.606	\$2,168.3
ENROLLMENT CHANGES		
Elementary/Secondary	127.400	8.7
Special Education	101.564	8.1
ESOL	22.200	1.5
Transportation/Food Services/School Plant Operations	32.440	2.5
Subtotal	283.604	\$20.8
NEW SCHOOLS	1.000	\$0.1
EMPLOYEE SALARIES - CONTINUING SALARIES COSTS FOR CURRENT EMPLOYEES (including benefits) (1)		
		\$25.7
EMPLOYEE BENEFITS AND INSURANCE		
Employee Benefits Plan (active)		(10.4)
Employee Benefits Plan (retired)		(2.0)
Retirement		4.5
FICA/Self-Insurance/Workers' Compensation, Fire Insurance		1.6
Pension Shift from State of Maryland		7.3
Subtotal		\$1.0
INFLATION AND OTHER		
Textbooks, Instructional Materials, Building/Maintenance Supplies		0.7
Utilities		(2.5)
Special Education Including Non-public Tuition		0.9
Transportation		0.3
Food Services		1.6
Facilities Management		0.4
Grants Revenue		0.1
Other	4.815	(0.1)
Subtotal	4.815	\$1.4
EFFICIENCIES & REDUCTIONS		
Central Services	(5.670)	(1.9)
Support Operations (Buses/Bus Operators, Bus Supplies)	(10.500)	(0.8)
School-Based (Inflation, Phase-out of Secondary Learning Cen	(11.312)	(1.5)
Subtotal	(27.482)	(\$4.2)

ITEM	FTE	AMOUNT
STRATEGIC PROGRAM RESTORATIONS AND ENHANCEMENTS		
Expanded Implementation of Curriculum 2.0	2.000	3.6
Elementary Math Teachers	10.000	0.6
Elementary Teacher-level Support Positions	11.000	0.7
Middle School Focus Teachers	30.000	2.0
Middle School Staff Development Teachers	22.800	1.5
Consulting Teachers	4.000	0.3
Staff Development Substitutes		0.8
Achieving Collegiate Excellence and Success (ACES) Program		0.1
Preventions, Interventions, and Personalized Learning	1.000	0.3
Elementary Instrumental Music Teachers	5.000	0.3
Elementary Assistant School Administrators and Secretaries	4.500	0.4
Baseline Testing for High School Athletes		0.1
Equity Certificate Program	0.200	0.1
Psychologists	5.000	0.4
Elementary Counselors	2.000	0.2
High School Teachers to Reduce Class Size in Grade 9 Math & English	6.200	0.4
Middle Years IB Program - M.L. King Jr. & R. Clemente Middle Schools	1.600	0.2
Maintenance Positions	8.000	0.4
Special Education Paraeducators	5.000	0.2
Support for Programs to Close the Achievement Gap		0.1
Subtotal	118.300	\$12.7

FY 2014 BUDGET	21,241.843	\$2,225.8
FY 2013-FY 2014 CHANGE	380.237	\$57.5
Less Enterprise funds	(619.948)	(60.4)
Less Grants	(472.138)	(80.7)
SPENDING AFFORDABILITY BUDGET	20,149.757	\$2,084.7

REVENUE INCREASE BY SOURCE		
Local (2)		38.7
State		17.1
Federal		0.9
Other		(1.0)
Enterprise		1.8
TOTAL REVENUE INCREASE		\$57.5

(1) Includes placeholder amount of \$18,594,525 pending completion of negotiations between the Board of Education and the employee bargaining units
(2) The increase in the required local contribution is \$28,736,286 (\$21,452,150 for MOE and \$7,284,136 for the pension shift from the state)

**TABLE 2
BUDGET REVENUE BY SOURCE**

SOURCE	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2013 CURRENT	FY 2014 ESTIMATED
CURRENT FUND				
From the County:	\$1,370,101,480	\$1,392,286,148	\$1,392,286,148	\$1,423,710,749
Local Contribution for State Retirement		27,227,553	27,227,553	34,511,689
Total from the County	1,370,101,480	1,419,513,701	1,419,513,701	1,458,222,438
From the State:				
Bridge to Excellence				
Foundation Grant	290,050,156	302,207,487	302,187,876	305,839,903
Geographic Cost of Education Index	31,954,820	32,796,296	32,796,296	33,636,554
Limited English Proficient	49,786,885	55,107,686	55,107,686	57,776,368
Compensatory Education	106,595,114	115,208,321	115,208,321	121,839,206
Students with Disabilities - Formula	34,348,730	34,967,952	34,967,952	35,214,250
Students with Disabilities - Reimbursement	11,152,803	11,543,388	11,543,388	13,354,565
Transportation	35,210,643	36,100,856	36,100,856	37,300,122
Miscellaneous	301,431	400,000	400,000	400,000
Programs financed through State Grants	1,797,840			
Total from the State	561,198,422	588,331,986	588,312,375	605,360,968
From the Federal Government:				
Impact Aid	448,477	300,000	300,000	400,000
Emergency Reimbursements				
Additional Education Jobs Fund Revenue				
Programs financed through Federal Grants	79,411,513	64,222,375	71,509,924	72,280,788
Total from the Federal Government	79,859,990	64,522,375	71,809,924	72,680,788
From Other Sources:				
Tuition and Fees				
D.C. Welfare	193,921	270,000	270,000	200,000
Nonresident Pupils	695,231	750,000	750,000	725,000
Summer School	1,601,910	1,281,148	1,281,148	1,305,000
Outdoor Education	476,871	574,560	574,560	525,000
Student Activities Fee	711,032	690,000	690,000	725,000
Miscellaneous	667,985	160,000	160,000	245,708
Programs financed through Private Grants	865,613	9,448,354	9,448,354	8,448,354
Total from Other Sources	5,212,563	13,174,062	13,174,062	12,174,062
Fund Balance	17,000,000	17,000,000	17,000,000	17,000,000
Total Current Fund	2,033,372,455	2,102,542,124	2,109,810,062	2,165,438,256
ENTERPRISE & SPECIAL FUNDS				
School Food Service Fund:				
State	958,588	1,018,607	1,125,607	2,236,607
National School Lunch, Special Milk and Free Lunch Programs	29,579,681	23,683,878	24,280,196	28,797,309
Child Care Food Program		1,000,000	1,296,682	1,334,335
Sale of Meals and other	19,312,601	21,773,810	21,773,810	18,821,419
Total School Food Service Fund	49,850,870	47,476,295	48,476,295	51,189,670
Real Estate Management Fund:				
Rental fees	2,892,122	3,520,603	3,520,603	2,920,399
Total Real Estate Management Fund	2,892,122	3,520,603	3,520,603	2,920,399

**TABLE 2
BUDGET REVENUE BY SOURCE**

SOURCE	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2013 CURRENT	FY 2014 ESTIMATED
Field Trip Fund:				
Fees	1,778,378	2,026,046	2,026,046	1,917,672
Total Field Trip Fund	1,778,378	2,026,046	2,026,046	1,917,672
Entrepreneurial Activities Fund:				
Fees	2,186,618	3,006,936	3,006,936	2,848,540
Total Entrepreneurial Activities Fund	2,186,618	3,006,936	3,006,936	2,848,540
Total Enterprise Funds	56,707,988	56,029,880	57,029,880	58,876,281
Instructional Television Special Revenue Fund:				
Cable Television Plan	1,425,000	1,457,591	1,457,591	1,477,261
Total Instructional Special Revenue Fund	1,425,000	1,457,591	1,457,591	1,477,261
GRAND TOTAL	\$2,091,505,443	\$2,160,029,595	\$2,168,297,533	\$2,225,791,798

Tax - Supported Budget	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2013 CURRENT	FY 2014 ESTIMATED
Grand Total	\$2,091,505,443	\$2,160,029,595	\$2,168,297,533	\$2,225,791,798
Less:				
Grants	(82,074,966)	(73,670,729)	(80,958,278)	(80,729,142)
Enterprise Funds	(56,707,988)	(56,029,880)	(57,029,880)	(58,876,281)
Special Revenue Fund	(1,425,000)	(1,457,591)	(1,457,591)	(1,477,261)
Grand Total - Tax-Supported Budget	\$1,951,297,489	\$2,028,871,395	\$2,028,851,784	\$2,084,709,114

The Adult Education Fund was created July 1, 1991, but was discontinued effective July 1, 2006, because the program was transferred to Montgomery College and the Montgomery County Department of Recreation. The Real Estate Management Fund was created July 1, 1992. The Field Trip Fund was created effective July 1, 1993. The Entrepreneurial Activities Fund was created effective July 1, 1998. The Instructional Television Special Revenue Fund was created July 1, 2000.

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

Program Name and Source of Funding	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2013 CURRENT	FY 2014 ESTIMATED
Carl D. Perkins Career & Technical Ed. Improvement (951) Federal County Subtotal	1,204,534	1,142,086	1,142,086	1,085,027
SUBTOTAL	53,923,611	48,739,984	48,759,595	49,101,095
TOTAL	\$ 82,049,838	\$ 73,670,729	\$ 80,958,278	\$ 80,729,142

<u>Summary of Funding Sources</u>				
Federal	\$ 77,079,867	\$ 64,222,375	\$ 71,509,924	\$ 72,280,788
State	-	-	-	-
County	-	-	-	-
Other	4,969,971	9,448,354	9,448,354	8,448,354
GRAND TOTAL	\$ 82,049,838	\$ 73,670,729	\$ 80,958,278	\$ 80,729,142

FOR INFORMATION ONLY			
Additional grant appropriation through the Provision for Future Supported Projects			
National Institute of Standards Summer Institute			\$ 10,000
Perkins - Career and Technology			153,228
Infants and Toddlers			70,878
National Institute of Standards - Research Experience-Teachers			16,000
Education Cluster Model (thru DHHS)			125,750
Neglected and Delinquent Youth			32,876
Head Start			115,973
IDEA - Part B			797,715
Medical Assistance			541,948
National Defense Education Program			55,000
Fine Arts Initiative			30,921
Building Bridges			118,000
Expanding Bridges			667,596
SUBTOTAL FEDERAL FUNDING			2,735,885
Educator Effectiveness Academy			1,500
Maryland Model for School Readiness (MMSR) Program			84,700
Judith Hoyer Childcare & Education (Judy Centers)			524,988
Project Lead the Way - Biomedical Sciences			19,999
SUBTOTAL STATE FUNDING			631,187
Defined Contribution Plan			75,000
Inovative Minds of Tomorrow Institute			15,000
SUBTOTAL OTHER			90,000
TOTAL			\$ 3,457,072

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

Program Name and Source of Funding	FY 2012 ACTUAL	FY 2013 BUDGET	FY 2013 CURRENT	FY 2014 ESTIMATED
<u>Budgeted</u>				
FEDERAL AID: NO CHILD LEFT BEHIND (NCLB)				
Title I - A (941/949)	\$ 20,478,168	\$ 17,414,740	\$ 24,682,678	\$ 23,957,144
Subtotal	20,478,168	17,414,740	24,682,678	23,957,144
Title I - D				
Neglected and Delinquent Youth (937)	177,941	137,644	137,644	131,896
Total Title I	20,656,109	17,552,384	24,820,322	24,089,040
Title II - A				
Skillful Teaching and Leading Program (915)	704,578	426,723	426,723	355,443
Teacher Mentoring		178,200	178,200	249,480
Consulting Teachers (961)	2,961,268	3,134,958	3,134,958	3,205,176
Staff Development Team (960)	287			
Subtotal	3,666,133	3,739,881	3,739,881	3,810,099
Title II - D				
Enhancing Education through Technology (918)		-	-	-
Total Title II	3,666,133	3,739,881	3,739,881	3,810,099
Title III				
Limited English Proficiency (927)	3,761,008	3,609,452	3,609,452	3,699,880
Title VII				
American Indian Education (903)	42,977	29,028	29,028	29,028
SUBTOTAL	28,126,227	24,930,745	32,198,683	31,628,047
OTHER FEDERAL, STATE, AND LOCAL AID				
State Fiscal Stabilization Fund (SFSF) (901)				
Federal (ARRA)	1,902,103	-	-	-
Head Start Child Development (932)				
Federal	4,040,526	3,433,406	3,433,406	3,535,742
Individuals with Disabilities Education (907/913/963/964/ 965/966/967)				
Federal	31,698,674	29,425,299	29,425,299	30,314,319
Federal (ARRA)		-	-	-
Subtotal	31,698,674	29,425,299	29,425,299	30,314,319
Infants and Toddlers (930)				
Federal	1,378,418	974,844	974,844	1,050,088
Education Jobs Fund (935)				
Federal*	4,377,655		19,611	
Medical Assistance Program (939)				
Federal	4,097,476	4,061,262	4,061,262	4,412,832
National Institutes of Health (NIH) (908)				
Federal	254,254	254,733	254,733	254,733
Provision for Future Supported Projects (999)				
Other	4,969,971	9,448,354	9,448,354	8,448,354

**TABLE 4
SUMMARY OF STUDENT ENROLLMENT - FY 2011 THROUGH FY 2014**

DESCRIPTION	(1)	(2)	(3)	(4)	(5)	CHANGE	
	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014	COLUMN (5) LESS	
	ACTUAL	ACTUAL	ACTUAL	BUDGET	Projected	COLUMN (4)	
	9/30/2010	9/30/2011	9/30/2012	9/30/2012	9/30/2013	#	%
ENROLLMENT							
PRE-KINDERGARTEN	1,965	2,060	1,989	2,145	2,145		
HEAD START	618	618	618	618	628	10	1.6
KINDERGARTEN	10,917	11,380	11,620	11,425	11,466	41	0.4
GRADES 1-5 / 6 *	53,281	54,994	56,768	56,717	58,360	1,643	2.9
SUBTOTAL ELEMENTARY	66,781	69,052	70,995	70,905	72,599	1,694	2.4
GRADES 6-8 **	30,754	30,972	31,228	31,145	32,037	892	2.9
SUBTOTAL MIDDLE	30,754	30,972	31,228	31,145	32,037	892	2.9
GRADES 9-12	44,807	44,764	44,707	44,830	44,505	(325)	(0.7)
SUBTOTAL HIGH	44,807	44,764	44,707	44,830	44,505	(325)	(0.7)
SUBTOTAL PRE-K - GRADE 12	142,342	144,788	146,930	146,880	149,141	2,261	1.5
SPECIAL EDUCATION							
PRE-KINDERGARTEN	929	951	1,030	1,250	1,213	(37)	(3.6)
SPECIAL CENTERS	463	444	485	503	540	37	7.6
SUBTOTAL SPECIAL EDUCATION	1,392	1,395	1,515	1,753	1,753	-	4
MONTESSORI CHARTER SCHOOL			68	-	101	101	148.5
ALTERNATIVE PROGRAMS	213	185	137	225	225	-	-
GATEWAY TO COLLEGE	117	129	129	160	134	(26)	(20.2)
GRAND TOTAL	144,064	146,497	148,779	149,018	151,354	2,336	1.6

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

NOTE: Grade enrollments for include special education students

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

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

**TABLE 5
ALLOCATION OF STAFFING**

POSITIONS	BUDGET FY 2010	BUDGET FY 2011	BUDGET FY 2012	CURRENT FY 2013	BUDGET FY 2014	FY 14 - FY 13 CHANGE
Executive	19.000	17.000	17.000	19.000	19.000	-
Administrative - (directors, supervisors, program coordinators, executive assistants)	213.000	200.200	199.000	195.000	196.701	1.701
Business/Operations Administrator - (leadership positions supervised by directors and supervisors)	94.000	94.000	92.000	92.000	91.629	(0.371)
Other Professional - (12-month instructional/ evaluation specialists)	210.800	198.500	186.900	182.300	184.500	2.200
Principal/Assistant Principal	485.000	484.000	484.000	486.000	489.500	3.500
Teacher	10,408.500	10,239.670	10,281.220	10,475.070	10,753.120	278.050
Special Education Specialist (speech pathologists, physical/occupational therapists)	469.500	479.600	482.400	495.200	506.750	11.550
Media Specialist	201.500	197.500	189.200	190.200	192.200	2.000
Counselor	467.000	461.000	451.300	453.300	456.300	3.000
Psychologist	97.100	96.205	94.805	94.905	100.000	5.095
Social Worker	14.100	14.805	13.905	14.405	14.800	0.395
Pupil Personnel Worker	47.000	45.000	45.000	45.000	45.000	-
Instructional Aide and Assistant (paraeducators, media assistants, lunch-hour aides, parent assistants, instructional data assistants)	2,614.880	2,627.980	2,519.048	2,560.253	2,603.605	43.352
Secretarial/Clerical/Data Support (secretarial, clerical, personnel/transportation/fiscal/other lower grade program/data assistants)	1,020.837	1,000.025	997.250	988.100	987.125	(0.975)
IT Systems Specialist	144.500	143.000	131.000	131.000	131.000	-
Security - (includes all positions except those in lines 2,3,14 above)	229.000	227.000	227.000	227.000	227.000	-
Cafeteria - (Includes all positions except those in lines 2,3,14,15 above)	557.448	557.488	556.448	557.948	558.948	1.000
Building Services - (includes all positions except those in lines 2,3,14 above)	1,309.700	1,319.200	1,335.200	1,342.700	1,364.700	22.000
Facilities Management/Maintenance - (includes all positions except those in lines 2,3,14,15 above)	349.000	347.000	344.500	345.000	353.000	8.000
Supply/Property Management - (includes all positions except those in lines 2, 3,14,15 above)	54.500	53.500	53.000	47.000	50.000	3.000
Transportation - (includes all positions except those in lines 2,3 14,15 above)	1,694.750	1,695.750	1,687.650	1,685.650	1,685.590	(0.060)
Other Support Personnel - (business, technology human resources,communications, printing, and other support staff)	248.800	245.260	224.400	234.575	231.375	(3.200)
TOTAL	20,949.915	20,743.683	20,612.226	20,861.606	21,241.843	380.237

(17)

**TABLE 5
ALLOCATION OF STAFFING**

POSITIONS	FY 2010	FY 2011	FY 2012	FY 2013	FY2014	Diff FY14-10	FY10 % of total	FY14 % of total
Executive	19.000	17.000	17.000	19.000	19.000	0.000	0.1%	0.1%
Administrative	213.000	200.200	199.000	195.000	196.701	-16.299	1.0%	0.9%
Business/Operations Administrator	94.000	94.000	92.000	92.000	91.629	-2.371	0.4%	0.4%
Other Professional	210.800	198.500	186.900	182.300	184.500	-26.300	1.0%	0.9%
Principal/Assistant Principal	485.000	484.000	484.000	486.000	489.500	4.500	2.3%	2.3%
Teacher	10,408.500	10,239.670	10,281.220	10,475.070	10,753.120	344.620	49.7%	50.6%
Special Education Specialist	469.500	479.600	482.400	495.200	506.750	37.250	2.2%	2.4%
Media Specialist	201.500	197.500	189.200	190.200	192.200	-9.300	1.0%	0.9%
Counselor	467.000	461.000	451.300	453.300	456.300	-10.700	2.2%	2.1%
Psychologist	97.100	96.205	94.805	94.905	100.000	2.900	0.5%	0.5%
Social Worker	14.100	14.805	13.905	14.405	14.800	0.700	0.1%	0.1%
Pupil Personnel Worker	47.000	45.000	45.000	45.000	45.000	-2.000	0.2%	0.2%
Instructional Aide and Assistant	2,614.880	2,627.980	2,519.048	2,560.253	2,603.605	-11.275	12.5%	12.3%
Secretarial/Clerical Support	1,020.837	1,000.025	997.250	988.100	987.125	-33.712	4.9%	4.6%
IT Systems Specialist	144.500	143.000	131.000	131.000	131.000	-13.500	0.7%	0.6%
Security	229.000	227.000	227.000	227.000	227.000	-2.000	1.1%	1.1%
Cafeteria	557.448	557.488	556.448	557.948	558.948	1.500	2.7%	2.6%
Building Services	1,309.700	1,319.200	1,335.200	1,342.700	1,364.700	55.000	6.3%	6.4%
Facilities Management/Maintenance	349.000	347.000	344.500	345.000	353.000	4.000	1.7%	1.7%
Supply/Property Management	54.500	53.500	53.000	47.000	50.000	-4.500	0.3%	0.2%
Transportation	1,694.750	1,695.750	1,687.650	1,685.650	1,685.590	-9.160	8.1%	7.9%
Other Support Personnel	248.800	245.260	224.400	234.575	231.375	-17.425	1.2%	1.1%

**Montgomery County Public Schools
FY 2014 Operating Budget**

Strategic Program Restorations and Enhancements

Although the majority (92 percent) of the additional resources included the FY 2014 Operating Budget are needed just to maintain current service levels, funding is necessary to begin to address the educational priorities of the superintendent and Board of Education that allow for the continuation of progress that has been made, provide for a renewed focus on closing the achievement gap, and preparing for new State and Federal reforms. Since FY 2009, as a result of the economic recession, over 1,350 positions and more than \$160 million have been cut from the budget, many of which were funded in earlier years to improve the academic success of our students. Since the county's economic growth continues to be slow, a multiyear approach for program restoration and enhancement of resources will be necessary. However, resources are needed now to ensure that our current students are college and career ready. For FY 2014, an increase of 90.5 positions and \$8.7 million is requested to begin to address our educational priorities and needs.

The following is a chart of the FY 2014 recommended program restorations and enhancements. This chart is followed by a narrative description of each item.

Item	FTE	Amount
Expanded Implementation of Curriculum 2.0	2.0	\$ 1,549,475
Elementary Math Teachers	10.0	655,934
Elementary Teacher-Level Support Positions	11.0	721,528
Middle School Focus Teachers	30.0	1,967,803
Middle School Staff Development Teachers	22.8	1,495,530
Consulting Teachers	4.0	314,854
Staff Development Substitutes for Middle and High Schools	-	800,000
Achieving Collegiate Excellence and Success (ACES) Program	-	94,000
Preventions, Interventions, and Personalized Learning	1.0	263,089
Elementary Instrumental Music Teachers	5.0	327,967
Elementary Assistant School Administrators	3.0	373,961
Elementary School Secretary I Positions	1.5	62,200
Baseline Testing for High School Students	-	75,000
Equity Certificate Program	0.2	27,988
TOTAL	90.5	\$ 8,729,329

Expanded Implementation of Curriculum 2.0 - \$1,549,475

Several major upgrades to curriculum are under way, including the integration of Thinking and Academic Success Skills in all content areas at the elementary level and the implementation of the Common Core State Standards in kindergarten through Grade 12. MCPS has implemented these upgrades, known collectively as Curriculum 2.0, in kindergarten through Grade 3 and has initiated implementation of the literacy standards and standards for mathematical practices in secondary schools. In the 2013–2014 school year, Curriculum 2.0 will expand to Grades 4 and 5 in elementary school, Algebra I in secondary schools, and across the curriculum in literacy at the secondary level. The MCPS Curriculum 2.0 implementation plan will help school staff develop students as life-long critical thinkers and learners, and help prepare the district for the Partnership for Assessment of Readiness for College and Careers (PARCC) assessments, scheduled to begin in the 2014–2015 school year.

The operating budget currently includes \$1,006,537 to support substitute and stipend time for Curriculum 2.0 professional development and collaborative planning time. With the expansion of the rollout of Curriculum 2.0 to Grades 4 and 5, as well as mathematics and literacy at the secondary level, an additional \$1,549,475 is recommended for FY 2014 to support continued professional development and collaborative planning time in elementary schools and at the secondary level. Professional development will include core team trainings and collaborative planning time implemented through substitute and afterschool stipend time. In addition, based on feedback from staff and parents, face-to-face professional development will be offered to Grade 4 and 5 teachers and Algebra I teachers. An allocation of substitutes and stipends will be provided to secondary schools to provide time for Algebra I teachers, English teachers, and other content area teachers for professional development and planning time related to literacy. The professional development allocation also will include funding to support Advanced Placement teachers to help them with changes in standards and instruction in specified courses offered by the College Board.

Implementing Curriculum 2.0 and meeting the recommendations of the Mathematics Work Group require a significant change in mathematics curriculum and instruction. To respond to the needs of schools for direct support related to mathematics instruction, the Office of Curriculum and Instructional Programs will establish a mathematics implementation team. Comprised of an administrator, secretary, and six instructional specialists, members of the team will focus on direct support to teachers. The team's full-time school support will include coaching teachers, participating in school team collaborative planning, modeling classroom instruction, and leading system-level teacher professional development mathematics sessions. The team will be established through the realignment of existing positions, the use of funding MCPS realized through Pearson's purchase of MCPS elementary curriculum, and the use of grant funding.

10.0 Elementary Math Teachers - \$655,934

In 2010, the Mathematics Work Group recommended that MCPS discontinue the practice of allowing students to skip grades to access accelerated and enriched instruction but continue to provide challenging math practices for students who demonstrate consistent proficiency. The acceleration and enrichment built into Curriculum 2.0 has challenged the vast majority of students in the grade-level curriculum. However, principals and parents report that some

students have demonstrated consistent proficiency in the grade-level curriculum and need additional challenge. MCPS is designing curriculum beginning in Grade 4 to help meet the needs of these students. The students who meet this designation would take the equivalent of mathematics curriculum for Grades 4, 5, and 6 during Grades 4 and 5. It is anticipated that some schools will develop alternative schedules and programming options to support students with the compacted mathematics curriculum, and will require additional staffing. The number of students who will be served by the compacted curriculum will not be known until the articulation process is completed. At that time, program and schedule options will be reviewed for each school. The FY 2014 Operating Budget includes 10.0 elementary math teacher positions that will be allocated to schools that require additional support. The positions will each serve a number of schools on a daily basis.

11.0 Positions for Elementary Schools that had Staff Development Teacher, Reading Specialist, Counselor, or Media Specialist Reductions - \$721,528

Over the past five years, 47 small and mid-size elementary schools lost either a .5 or 1.0 teacher-level support position. These positions include the staff development teachers, reading specialists, media specialists, and counselors. Small and mid-size non-focus schools had a reduction of either 1.0 or .5, while focus schools had a reduction of a .5 position. Schools determined which of the four positions to reduce based on the needs of the school. Prior to these reductions, all elementary schools had a full-time allocation for each of these four positions.

Schools have struggled to provide support to students and teachers with these reductions, and principals have identified restoration as a high priority. It has been challenging to provide counseling services to all the students that need the support and to provide support to teachers as they have been implementing Curriculum 2.0. In addition, media centers have had to close and reading support has not been available for half the day.

The total reduction over the past five years was 36.0 positions, and the recommendation is to restore 30 percent of the positions that were cut, or 11.0 positions. Some of these will be allocated to schools that lost 1.0 positions, while others will be for schools that lost .5 positions. The restoration will be based on total K-5 enrollment. After the restoration, 12 schools will be restored to 4.0 positions and will no longer have a reduced allocation, 21 schools will have a total reduction of .5 among the four positions, and 13 schools will maintain a 1.0 reduction and one school will maintain a 1.5 reduction. These 14 schools are our smallest schools.

30.0 Middle School Focus Teachers - \$1,967,803

A key area of focus in FY 2014 will be improving middle school instruction. Some of the most significant gaps in achievement between White and Asian students and Black and Latino students are at the middle school level. The budget includes an additional 30.0 focus teacher positions to provide instruction to students who have not been successful in mathematics and English in the regular classroom setting and who will benefit from this additional support. The teacher positions will be allocated to schools based on the numbers of students who will benefit from this additional support in these subject areas. The intent is to lower the student teacher ratios for instruction and provide high quality teachers to provide this instruction. Professional

development will be provided to the teachers who are selected for these positions so that they understand the expectations and have the skills to be successful.

22.8 Middle School Staff Development Teachers - \$1,495,530

Budget reductions over the past years resulted in each middle school losing a .6 staff development teacher position. Rather than having a full-time staff development teacher, each school has been allocated a .4 staff development teacher, resulting in less support for teachers. An increase of 22.8 staff development teachers will restore the .6 position to each of the 38 middle schools. This additional staff development support will be used to improve instructional practices and increase rigor for all middle school students. Full-time staff development teachers help to build professional learning communities and improve instruction and learning. These staff development teachers will work with and train classroom teachers so they know how to work with students who are struggling and need extra support. In addition, the curriculum changes that will result from the Common Core State Standards will require more focused support and assistance, which can only be accomplished by making these staff development teacher positions full-time.

4.0 Consulting Teachers - \$314,854

Consulting teachers provide intensive, individualized instructional support and resources to novice teachers and teachers who have been identified as needing to improve. Consulting teachers' caseloads are dependent on the number of novice teachers hired in a year and the number of teachers identified as underperforming.

Prior to FY 2011, the consulting teachers' average caseload was 16 to 17 clients. This ratio provided time for consulting teachers to assist clients, conduct informal visits and observations, and complete the required formal observations and other reports. Last year, the ratio increased to 21 clients to 1 consulting teacher, and this year, the ratio is more than 22 to 1.

Adding 4.0 consulting teachers will result in a total of 33.0 consulting teacher positions. If the program serves the same number of underperforming and novice teachers in 2013–2014 that it did in 2012–2013, the caseload ratio will be reduced to about 18.5 to 1. The reduced caseload will allow consulting teachers more time for focused support of teachers.

Staff development Substitutes for Middle and High Schools - \$800,000

As a result of budget reductions over the past five years, staff development substitute time was cut from the budget. Staff development substitutes were allocated to schools to provide teachers time to work together to improve instruction through professional development. Professional learning communities provide the opportunity for teachers to work together to review data and study instructional practices to improve learning in all classrooms. The restoration of a portion of the staff development substitutes will allow teachers time to work in professional learning communities. This restoration will occur in middle schools (an average of one day per classroom teacher) and high schools (an average of two days per classroom teacher). Elementary schools will be allocated substitute time for professional learning through the Curriculum 2.0 professional development plan.

Achieving Collegiate Excellence and Success - \$94,000

For FY 2014, the operating budget includes \$94,000 for the Achieving Collegiate Excellence and Success (ACES) Program. This program is designed to create a seamless educational pathway and support structure for students from high school to college completion. The program is aimed at those who are underrepresented in higher education, including African American, Hispanic, and low-income students, as well as those who would be the first in their family to attend college.

ACES is a collaborative effort among MCPS, Montgomery College, and the Universities at Shady Grove. Students who are identified to be part of 'ACES Ready' during the articulation to 9th grade will be provided comprehensive interventions and support to help keep them on track for college enrollment and completion. As they enter 11th grade they will apply to the 'ACES program' and at that point will be assigned to a coach from Montgomery College who will work with them and their families to create and support a college-going and academic success trajectory. These students will continue to receive coaching and support services while they are enrolled in Montgomery College as they work towards their associate's degree and throughout their time at the Universities of Shady Grove (or within the University System of Maryland) as they work towards their bachelor's degree.

This program will be offered initially at the following eight high schools: Montgomery Blair, Albert Einstein, Gaithersburg, John F. Kennedy, Northwood, Rockville, Watkins Mill, and Wheaton. The funding will allow the eight schools to offer summer programs to the first group of rising 9th graders and will include college tours and visits; auditing of college-level classes; an introduction to college life; building an electronic portfolio; and parent meetings. In addition, during the summer of 2013, the first group of rising 10th graders will participate in a summer program to prepare them for Advanced Placement classes and student-specific academic interventions and supports.

Preventions, Interventions, and Personalized Learning - \$263,089

To help close the achievement gap, a key priority is to ensure that resources are available to students who are struggling and supports are available to teachers and school staff. The Office of Teaching, Learning, and Programs has begun work to build the systems, structures, and mindsets that support, enable, and lead to enhance student achievement. During FY 2014, the focus of the work will be to collect and analyze data on intervention resources that are currently available and utilized, assess whether the interventions are producing desired results, and determine where resources should be targeted to achieve maximum results for students. A strong infrastructure across the MCPS organization is needed to administer and implement this systemic long-term view. In addition, student support teams will be created in 25-30 schools, comprised of counselors, resource teachers, staff development teachers, paraeducators, security staff, and reading specialists. The teams will monitor interventions, analyze data, and problem solve to determine the most effective intervention strategies for students. The FY 2014 budget includes a 1.0 supervisor position and \$104,921 to lead this effort. In addition, \$158,168 is budgeted for summer training for staff on progress monitoring and differentiation teaching strategies for students, and for substitutes for the school team members in the 25-30 schools for two days of intensive team work.

5.0 Elementary Instrumental Music Teachers - \$327,967

Elementary instrumental music teachers are requested to restore positions that were cut in the past, address an increase in enrollment in music in elementary schools, and an increased emphasis in the arts. Since FY 2008, enrollment in elementary instrumental music has increased by 2,947 students from 10,082 to 13,029. The additional positions will lower classes sizes for the weekly instruction. Instrumental music teachers work with small groups for approximately 30 minutes per section. They work with between eight and ten groups per day. The additional 5.0 teachers will reduce class sizes from an average of 8.2 to 7.2 and allow for more focused time and support for this instruction.

3.0 Assistant School Administrators and 1.5 School Secretaries - \$436,161

The three largest elementary schools will have an enrollment that is more than 950 students in FY 2014. To address the administrative needs of these large elementary schools, each school will be allocated an assistant school administrator and an additional .5 10-month school secretary I position. Currently, these schools have two administrators (a principal and an assistant principal) and 2.5 secretaries. The additional allocation will result in each school having three administrators and three secretaries. This level of administrative staffing will provide each school with support for the operations and management of the school as well as the instructional leadership required to implement Curriculum 2.0 effectively next year. The additional secretarial allocation will provide support with the management of attendance, phone calls, and paperwork associated with operating a larger elementary school.

Baseline Testing - \$75,000

The FY 2014 operating budget includes \$75,000 to administer baseline testing, a neuropsychological test designed to assist in determining whether an athlete is sufficiently recovered from a concussion to return to active participation. Baseline testing involves an athlete taking a test in various areas of cognitive performance prior to the start of a sport season in order to establish a "baseline" of cognitive skills. If a player suffers a concussion, subsequent baseline tests are administered and compared to the original test. Baseline testing can be used in conjunction with other methods or assessment techniques to determine when an athlete may safely return to play after suffering a concussion.

The funds will be used to contract with outside agencies to administer and maintain baseline tests at high schools. There are several medical groups in Montgomery County that are able to implement or assist in implementing baseline testing for concussions at MCPS high schools.

Equity Certificate Program - \$27,988

MCPS, the Montgomery County Education Association (MCEA), and McDaniel College have developed and are implementing a graduate-level program that will lead to the certificate in "Equity and Excellence in Education." This program addresses the need to support teachers and other school personnel in their acquisition and use of best practices in equitable teaching that focus on cultural diversity. The certificate program has five graduate courses: Foundations of Social Justice Teaching, Race and Ethnicity in American Education, Culturally Reflective

Teaching, Leadership for Equity and Excellence, and Research and Action for Equity and Excellence.

Multiple cohorts of participants will be created and will move through the certificate program courses simultaneously or on varying schedules, depending on when they begin the first course as a cohort. There has been a great deal of interest in this program by MCPS staff, and a .2 teacher-level position and \$27,988 is requested to assume some responsibility for coordinating the program.

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

March 12, 2013

MEMORANDUM

To: Members of the Board of Education
From: Joshua P. Starr, Superintendent of Schools
Subject: Monthly Financial Report

This financial report reflects the actual financial condition of Montgomery County Public Schools (MCPS) as of January 31, 2013, and projections through June 30, 2013, based on program requirements and estimates made by primary and secondary account managers. At this time, revenues have a projected surplus of \$2.7 million, and expenses have a projected surplus of \$14.5 million.

Due to Fiscal Year (FY) 2011 comprehensive expenditure restrictions, MCPS ended the year with an expenditure surplus. The FY 2012 Operating Budget included a fund balance of \$17.0 million of the total savings as a source of appropriation, leaving a fund balance of \$11.9 million. This balance, together with the FY 2012 expenditure and revenue surplus of \$28.6 million, equals \$40.5 million that will be available to fund future operating budgets. The County Council used \$17.0 million of the fund balance as a source of revenue for the FY 2013 Operating Budget, leaving an available balance of \$23.5 million. Based on the revenue and expenditure projections as of January 31, 2013, the FY 2013 fund balance will be \$40.7 million at year end. My expectation is that the available fund balance will be used for appropriation over several years to avoid any sudden increase in the need for local contribution to replace fund balance as a revenue source.

Staff will continue to closely monitor both revenues and expenditures. A discussion of the actual financial condition of MCPS as of January 31, 2013, and projected revenues and expenditures through June 30, 2013, follows. In addition, the attachments provide detailed financial information.

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

REVENUE

Total revenue is projected to be \$2,186,610,210, which is \$2.7 million more than the revised budget. The amount projected is the same as last month.

County

The projected revenue from the county is \$1,419,513,701.

State

The projected revenue from the state is \$590,494,275, which is \$2.2 million more than the revised amount budgeted for state aid.

Federal

The projected revenue from Impact Aid is \$450,000, which is \$150,000 more than the amount estimated in the FY 2013 Operating Budget.

Other

The projected revenue from other sources is \$4,075,708, which is \$350,000 more than the revised budget.

Appropriated Fund Balance

The projected revenue from appropriated fund balance is \$24,069,165. This amount includes \$7,069,165 for prior-year encumbrances.

Enterprise Funds

The projected revenue from enterprise funds is \$57,818,378.

Supported Projects

The anticipated revenue for supported projects is \$90,188,893. This estimate includes \$9,230,705 for funds carried forward from FY 2012. Projects approved this month have been assigned \$85,598,425. Revenue has increased by \$7,267,938 due the adoption of the a supplemental appropriation for the Title I Program.

EXPENDITURES

There is a projected surplus of \$14,500,000. This is an increase of \$800,000 over the amount projected last month. There are projected surpluses in Category 1, Administration; Category 2, Mid-level Administration; Category 3, Instructional Salaries; and Category 10, Operation of

Plant and Equipment. Expenditures for all other categories are projected to be on budget by the end of the fiscal year. The following provides an explanation of the projections for each category, including changes from the prior month.

Category 1—Administration

The overall projected end-of-year surplus of \$500,000 in Category 1, Administration, remains the same from last month. As of January 31, 2013, 91 percent of the funds budgeted in the category have been spent or encumbered. It is projected that an additional \$2.8 million or 7 percent of budgeted funds will be spent during the remainder of the year. There currently are 12.4 vacant Full-time Equivalent (FTE) positions. The balances associated with these vacancies are offset by the estimated amount that will be needed to fill the vacancies, resulting in an overall projected position salary surplus of \$810,000. There is no change from the surplus projected last month. The surplus of \$286,000 in temporary part-time salaries and the deficit of \$94,000 projected last month in the other expenditure category remain the same. The amount projected for supplies and materials is projected to be on budget as reported last month. There is no change from the \$502,000 deficit projected last month in contractual services. The deficit is due to higher than budgeted costs for legal services and the hiring of outside contractors for technology services as a result of vacant positions.

Category 2—Mid-level Administration

The projected end-of-year surplus of in Category 2, Mid-level Administration, is \$2.8 million, an increase of \$100,000 over the amount reported last month. As of January 31, 2013, 97 percent of the funds budgeted in this category have been spent or encumbered, and it is anticipated that an additional \$1.4 million or 1 percent of budgeted funds will be expended during the remaining months of the year. Most of the surplus (\$2.5 million) is related to position salary balances. Currently, there are 18 vacant FTE positions, 3 more vacancies than last month. As a result, the projected surplus in position salaries has increased by \$100,000 from last month. The projection for temporary part-time salaries is projected to be on budget as reported last month. Also, the overall surplus of \$300,000 in contractual services, supplies and materials, and other expenditures is the same as reported last month. This surplus consists of many small amounts in many Category 2 accounts spread among several MCPS units.

Category 3—Instructional Salaries

The projected end-of-year surplus in Category 3, Instructional Salaries, of \$9.5 million reported last month has increased by \$500,000 to \$10.0 million. As of January 31, 2013, approximately 96.4 percent of the funds budgeted in Category 3, Instructional Salaries, have been spent or encumbered. It is projected that an additional \$19.5 million or 2.4 percent of the budgeted amount will be spent during the remainder of the year. The \$7.9 million surplus projected for position salaries remains the same as last month. There are approximately 159 vacant FTE positions, 38 more vacancies than last month. There is not a significant difference between the long-term substitute salaries projected for these vacancies last month and the salary amount now projected as a result of filling the positions. The net surplus of \$1.6 million in non-position



salary accounts has increased by \$500,000 to a total of \$2.1 million based on updated projections for short-term substitutes and other part-time salaries, sick and annual leave payout, and expenditures for long-term leave.

Category 4—Textbooks and Instructional Supplies

Expenditures in Category 4, Textbooks and Instructional Supplies, are expected be on budget, and there is no change in the projection from last month. As of January 31, 2013, approximately 65 percent of the funds budgeted in this category have been spent or encumbered. Remaining funds are projected to be spent throughout the rest of the fiscal year for textbooks, instructional supplies and materials, media materials, and school equipment purchases that cost less than \$1,000.

Category 5—Other Instructional Costs

Expenditures in Category 5, Other Instructional Costs, are projected to be on budget, and there is no change from the prior month. As of January 31, 2013, approximately 70 percent of the funds budgeted in the category have been spent or encumbered. Examples of expenditures that will be made throughout the rest of the fiscal year include costs for interscholastic sports, replacement of school furniture and equipment, maintenance of duplicating equipment, and students living in out-of-county placements.

Category 6—Special Education

Expenditures for Category 6, Special Education, are projected to be on budget. As of January 31, 2013, 99 percent of the funds budgeted in this category have been spent or encumbered. Position salary balances are projected to be in deficit by \$380,000, which is the same as reported last month. The deficit of \$160,000 in temporary part-time salaries remains the same as last month. The deficit is primarily a result of higher than budgeted expenses for long-term leave and increased costs for part-time employees. There is a deficit of \$460,000 based on actual billing and projected spending for contractual speech, occupational therapy, and physical therapy services for students. This is \$125,000 higher than the \$335,000 deficit projected last month. The surplus of \$850,000 reported last month for tuition for students remains the same as last month. The projected net surplus of \$25,000 in textbooks, instructional materials, and equipment for students has increased by \$125,000 to \$150,000.

Category 7—Student Personnel Services

As reported last month, expenditures for Category 7, Student Personnel Services, are projected to be on budget. As of January 31, 2013, approximately 96 percent of all budgeted funds in the category have been spent or encumbered. There is a 0.9 vacant FTE position, the same as last month, and the projected position salary surplus of \$90,000 remains unchanged. Expenditures for part-time salaries and operating expenses will continue to be made throughout the year and are expected to offset the surplus in positions salaries.

Category 9—Student Transportation

The projection for Category 9, Student Transportation, remains the same as reported last month and is expected to be on budget. As of January 31, 2013, approximately 87 percent of all budgeted funds in the category have been spent or encumbered. There are 99 position vacancies, 11 fewer than last month. This change has little impact on the overall Category 9 projection because changes in position salaries generally are offset by changes in temporary part-time school bus operator salaries. Additional expenditures will be made for school bus parts and repairs throughout the year. While fuel prices as of the end of January are the same as the budgeted price per gallon, prices are volatile. It is anticipated at this time that expenditures for school bus fuel will be on budget.

Category 10—Operation of Plant and Equipment

The projected end-of-year surplus of \$1.0 million for Category 10, Operation of Plant and Equipment, has increased by \$200,000 to \$1.2 million. Approximately 78 percent of all budgeted funds in this category have been spent or encumbered. Most of the remaining funds will be spent throughout the year on substitute building service worker salaries and utilities. Currently, there are 19 FTE position vacancies, primarily building service positions, one more vacancy than last month. The position salary surplus of \$130,000 and the projected deficit of \$550,000 for temporary part-time salaries remains the same as reported last month. The deficit in temporary part-time salaries is due to higher than budgeted expenses for long-term leave and projected part-time salary needs. The \$1.3 million surplus projected in utilities has increased by \$200,000 to \$1.5 million due to more favorable rates for natural gas. There is a surplus in electricity due to the fact that consumption is expected to be three percent lower than estimated when the budget was developed. Also, there is a surplus in water and sewer due to lower than anticipated usage. Utilities projections are based on prior-year consumption trends and are adjusted for increased square footage of building space and weather factors. The surplus of \$120,000 projected last month for supplies and equipment is unchanged from last month.

Category 11—Maintenance of Plant

Expenditures in Category 11, Maintenance of Plant, are projected to be on budget, as reported last month. Approximately 89 percent of budgeted funds have been spent or encumbered as of January 31, 2013, and all funds are expected to be spent by year end. There are currently 18 FTE position vacancies and position salary savings from lapse and turnover is projected to be \$600,000 as reported last month. Also, the projected deficit of \$170,000 in long-term leave remains the same, as does the \$430,000 deficit projected last month for contractual maintenance services, maintenance supplies, and vehicle operating costs.

Category 12—Fixed Charges

There is no change in the projection for Category 12, Fixed Charges, and expenditures are projected to be on budget. Approximately 65 percent of budgeted funds have been spent as of January 31, 2013. The projected deficit of \$150,000 for unemployment insurance due to trends

showing higher than expected claims is unchanged from last month. Also, there is a projected deficit of \$100,000 for the *Federal Insurance Contribution Act* (FICA) tax. These deficits are offset by a projected surplus of \$250,000 for tuition payments made on behalf of students attending Johns Hopkins and George Washington universities. MCPS has partnerships with these universities; MCPS pays the tuition for students who then work in MCPS classrooms and are paid at long-term substitute rates rather than permanent teacher salary amounts. The surplus is due to fewer students participating in the partnership programs.

JPS:LAB:TPK:jp

Attachments