

FY 2009 QUESTION NUMBER: 18

QUESTION:

Respond to the issues presented in the testimony provided on behalf of the Montgomery County Taxpayers League (MCTL).

BUDGET PAGE REFERENCE: Various

ANSWER:

Below are the individual questions raised questions by the MCTL and the responses.

**a. Why is there no revenue for FY 2009 from the FY 2008 fund balance?**

The County Council must determine annually how much projected MCPS fund balance should be used to provide appropriation for the next budget year as part of its final budget decisions. That amount reduces required additional local appropriation. For FY 2008, the Council determined to appropriate \$7.3 million in FY 2007 fund balance which resulted from expenditure savings made by MCPS during FY 2007. Over the last four years, MCPS has returned approximately \$40 million in savings to the county that reduced required local tax support. The FY 2009 amount will be set later in the budget year based on the projected fund balance at that time. The comprehensive expenditure restrictions and hiring freeze implemented on November 30, 2007, are intended to make available additional FY 2008 fund balance that may help to minimize the FY 2009 fiscal gap projected by the county executive.

**b. Why is amount for tuition for non-resident students projected to be the same as FY 2008? Shouldn't they be paying more? What is MCPS doing to ensure that only students living in the county receive a free education? How many students were found to be in violation this year?**

Each year the Board of Education sets nonresident tuition rates. The calculation is based the approved operating budget, the cost of debt service, and the current revenue funding in the capital budget. The FY 2008 rates are \$13,790 for K-6 students, \$13,627 for secondary school students, and \$27,919 for special education. The amount of actual revenue collected for FY 2007 was \$1,024,574. While the \$1 million projected for both FY 2008 and FY 2009 is in line with actual experience, the amount that will be collected is dependent upon the rates (that typically are higher than the prior year) and the number of students who will pay.

To ensure that only students living in Montgomery County receive a free education MCPS administers the Grade 8 Residency Verification program. This program is designed to obtain the necessary documentation from parent(s)/guardian(s) to establish bona-fide Montgomery County residency, and to ensure that all grade 8 students are enrolled and attending the correct attendance area schools, based on their place of residence or are enrolled in approved program placement. Eleven investigations were conducted during the 2006-2007 school year and one investigation has been conducted during the current 2007-2008 school year for issues related to

Montgomery County residency. As a result of 11 investigations conducted during the 2006-2007 school year, three families were found to be non-residents and were required to pay tuition.

**c. How much has been collected for activity fees? Why is there no change projected? Why are we collecting an average of \$16 per student when the fees are much higher?**

For the current year, MCPS has budgeted \$955,000 in fee revenue and has received \$745,500 so far this year from 25,925 students, representing an average fee of \$28.75 per student. In FY 2007, MCPS received \$544,364 in ECA fees from 28,204 students, representing an average fee of \$19.30 per student. ECA fees are payable only by secondary students who participate in covered extracurricular activities. In both FY 2007 and 2008, the average fee collected represented approximately 96% of the full ECA fee of \$20 in FY 2007 and \$30 in FY 2008. Because the revenue is on target for FY 2008, this same amount is anticipated for FY 2009.

**d. With utility costs increasing, why is the MCPS projection decreasing? What makes staff believe that consumption will be lower than last year?**

While utility rates have risen steeply over the past five years, MCPS has set in place market mechanisms to stabilize its energy prices and reduce price risks, looking out up to three years into the future. For electricity procurement, MCPS has established a wholesale account on the PJM electric system. This individual account allows us to purchase electric price futures at rates significantly better than the retail standard offer of service; as a result we are experiencing more stable electric rates than in the past. We have futures positions at similar rates out into FY 2009. In natural gas MCPS has also “locked-in” futures positions for this year, and part of next year, which provide a cushion against possible price increases.

The projection for utilities is also lower because of comprehensive efforts by MCPS to reduce consumption. In the past few years MCPS has significantly expanded its programs to reduce energy waste by students and staff, spent \$2.5 million per year on energy conservation projects, and opened the first LEED (Leadership in Energy and Environmental Design) Gold certified public school in Maryland. Specific conservation projects included:

Changing 400,000 fluorescent lamps system wide to newly-developed improved lamps with longer life and a 25 percent reduction in lighting energy use.

Replacing all parking lot timers with newly-developed electronic time clocks that provide automatic sunset and sunrise time compensation.

Installing or upgrading energy management systems at ten schools per year.

Automatically reducing peak electric use during the summer hours the utilities use to set the peak load contribution charges for MCPS facilities for the year.

Developing teams of technicians in Maintenance to fine-tune heating and cooling thermostats and associated pneumatic control systems in all schools, to avoid overheating and overcooling of facilities.

The above measures are conservatively projected to reduce MCPS electric use by \$2 million per year, and natural gas use by \$1 million per year in FY 2009. We believe that these savings, in

conjunction with rate stabilization measures noted above, will result in FY 2009 utility costs being lower than FY 2008.

Complete information can be found in our [Resource Conservation Plan](#), and at our website: [www.greenschoolsfocus.org](http://www.greenschoolsfocus.org)

**e. What is the change in both miscellaneous revenue and expense providing a positive balance of \$195,000?**

There is not a positive balance between miscellaneous revenue and miscellaneous expense of \$195,000. The question has confused miscellaneous revenue from other sources, which is projected to increase from \$495,000 to \$800,000 in FY 2009 with miscellaneous expenses, which are shown on Table 1 on the operating budget. Miscellaneous revenue from state sources is projected to increase from \$250,000 to \$750,000 in FY 2009. Miscellaneous revenue from state sources reflects primarily tuition of out-of-county students from other Maryland jurisdictions. Miscellaneous revenue from other sources covers a variety of revenue items, including interest earned on bank balances.

**f. Explain the high increase in salaries in the budget for the Department of Transportation.**

The following factors make up the \$6.3 million salary increase for the Department of Transportation:

There is \$6.2 million budgeted for continuing and negotiated salary costs 1,744.75 positions for FY 2009. The remaining net amount of \$100,000 will allow MCPS to implement the new supervisory staff to comply with the Supporting Services Professional Growth System (SSPGS). The plan, which was implemented at the Clarksburg Depot during FY 2007 and Shady Grove North and South Depots during FY 2008, has lowered the employee to supervisor ratio to 20:1 and has had a positive impact on bus operations.

**g. Explain the \$2.5 million requested for Miscellaneous, Future Supported projects.**

The Provision for Future Supported projects is a budgeted appropriation approved by the County Council each year to provide a lump sum appropriation for anticipated grants not yet awarded but expected from non-county sources. The Council provides direction for the use of this appropriation. When an eligible grant is awarded and approved by the Board of Education, appropriation is transferred from the Provision for Future Supported Projects to the eligible grant project accounts. This avoids the need to obtain advance Council approval for each specific grant when the source of revenue is a non-county source. The Council has set a limit of \$200,000 on grants that qualify for the use of this appropriation. The miscellaneous amount of \$2.5 million is approximately the same as in the current year and represents an initial estimate of the cost of employee benefits and other miscellaneous expenditures for future grants. Once actual grants are received, the funds are transferred as needed to other accounts based on approved grant project budgets. The Provision for Future Supported Projects has no impact on the tax-supported budget.

**h. Why does MCPS need to follow the IRS guidelines on mileage reimbursement?**

The contract agreements with the employee organizations stipulate that the mileage allowance will be based on Internal Revenue Service guidelines.