



December 11, 2008

Dear Members of the Board of Education:

Each year when we develop the budget plan for the upcoming fiscal year, we are guided by the fundamental belief that we must do what is in the best interest of the children. In good economic times, we have been able to accelerate successful programs and add new ones to enhance our students' achievement. In difficult times, we work to preserve successful programs and streamline our operations to minimize impact on the classroom and to avoid compromising our progress. Unfortunately, we are now in a period of great economic challenge that will require us to make many difficult choices. Given the severity of the economic crisis, next year will not allow for any new initiatives, but rather it will require much sacrifice. I believe my recommended Fiscal Year 2010 Operating Budget charts a fiscally prudent course in these uncertain times.

Anticipating the substantial challenge that we will be facing next year, I took early action last September to enact a current year budget-savings plan that included a freeze on hiring and severe restrictions on spending. By implementing these measures early in the year, I sought to generate as much savings as possible to help the County address its budget deficit. These stringent restrictions will be critical to our FY 2010 budget, particularly given the fact that the County's projected budget deficit appears to be approaching \$500 million. Our budget restrictions for this year will generate approximately \$20 million in savings that will be available to fund the FY 2010 budget.

I am proposing for FY 2010 an absolutely bare-bones budget that would increase next year, in actual dollars, by only \$40.2 million to \$2.1 billion—or less than 2 percent above that of the current \$2.07 billion budget. There will be no new County funds needed, other than those we will save from this year. The requested increase is approximately \$136 million below the \$176 million we would have needed if we had sought just to meet the same level of services for next year, including funding for the negotiated collective bargaining agreements, enrollment growth, and inflationary costs. Given the fiscal situation, it became absolutely clear that it would not be possible to go forward with that level of request.

In order to help close the budget gap, we worked with our employee associations to renegotiate the collective bargaining agreements and came to a tentative agreement on a plan to forego the cost-of-living wage adjustments that were slated for next year. The agreements will need to be ratified by the employee association memberships and that process will take place over the next month. I know how difficult it is for employees to forego their wage increases, especially in such uncertain times. But this is the reality we are facing. I must commend the associations and their outstanding leaders for stepping forward and helping us lead the system through this financial crisis, with shared sacrifice. We enjoy a strong collaborative relationship with the associations and much of the progress we have been able to enjoy over the last 10 years is the fruit of these excellent relationships. Together, we are working to preserve jobs and minimize, to the greatest extent possible, impacts on classroom instruction. I also want to commend the leadership of the Montgomery County Council of Parent Teacher Associations (MCCPTA) for their work with us during the budget process during this difficult year. The perspective of parents during the budget process is especially important and valuable when having to make tough decisions.

My FY 2010 recommended budget of \$2.1 billion is predicated largely on the following key factors:

**Revenue Assumptions:**

- No new County funds for FY 2010. The only additional local funding we would anticipate is that generated from the current year's savings efforts, which will yield \$20 million.

**Office of the Superintendent of Schools**

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

- Additional State funding of approximately \$20 million, an estimated amount based on the current funding formula and the increased student enrollment. This assumes that the Geographic Cost of Education Index (GCEI) will be fully funded, as provided under state law.

**Budget Reductions and Cost-Savings Efforts:**

- The elimination of \$89 million of negotiated cost-of-living wage adjustments for MCPS employees.
- Deferral of \$11 million for pre-funding health costs for future retirees.
- \$35.5 million in savings that will be achieved in FY 2010 from program eliminations or reductions, and the abolishment of approximately 280 positions.

Despite the fiscal challenge we are facing next year, I am determined to ensure that any budget reductions that are made will have the least possible impact on students and classroom instruction. My goal in formulating this budget has been to preserve those initiatives and services that are helping to raise the academic achievement level for our students. The budget that I am recommending avoids any across-the-board increase in class size, although that may not be possible if we suffer any additional loss in expected funding.

Fixed cost increases in the budget include \$26.0 million more for employee health insurance, \$20.5 million for enrollment growth (to cover costs for about 2,800 additional students over this year and next); \$19.6 million for step increases for eligible employees, and \$9.4 million for inflationary costs. Despite these \$75.5 million in additional costs, the \$35.5 million in reductions I have made allow me to limit my recommendation to the \$40 million increase.

Other items of note about our formation of this budget include the following:

- Since FY 2001, our operating budget has included reductions totaling \$111.5 million from the base budget, making possible nearly all the funding for \$116.9 million of higher priority initiatives.
- MCPS has central administrative costs of 2 percent of the total budget, one of the lowest percentages in the state. Based on the most recent state data, if MCPS were at the state average, central administrative costs would be at least \$9 million higher.
- Approximately 30 percent of the FY 2010 reductions will come from central services functions (\$10.5 million).

This is my 10th year as superintendent, and without a doubt, this has been our most challenging budget year. I remain concerned that given the national economic downturn, we may have to make even tougher decisions in the years ahead.

What gives me the most encouragement is that our decisions are truly made in the interests of the children and the families that we are so privileged to serve. They are served by some of the finest educators and employees in America, and I appreciate the fact that our employees and their associations have worked together with us on this budget to make substantial sacrifices of their own, on behalf of the students that benefit from their excellence and dedication.

Montgomery County is a community that has always invested first in education and, in turn, in the future of our county, our state and our nation. The year ahead will challenge our resilience, but I know that with your leadership as a Board of Education and with the support of our County and State leaders, we will be able to ensure that MCPS will continue to be able to provide educational excellence for all of our students.

Respectfully,



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