

Montgomery County Public Schools

FY 2011 OPERATING BUDGET

Operating Budget Summary

The Superintendent's FY 2011 Recommended Operating Budget for the Montgomery County Public Schools (MCPS) totals \$2,226,134,843. This is an increase of \$25,207,843 (1.1 percent) more than the current FY 2010 Operating Budget of \$2,220,927,000. Excluding grants and enterprise funds, the superintendent's FY 2011 budget recommendation for the purpose of spending affordability is \$2,044,514,295. This is \$26,434,054 (1.3 percent) more than the current FY 2010 Operating Budget of \$2,018,080,241.

Below are details of major elements that will change the MCPS operating budget in FY 2011.

Expenditures

The FY 2011 Operating Budget includes increases of \$15.8 million in operating costs for growth in student enrollment and the effect of new schools/grades/space, \$59.0 million in compensation changes in salaries and employee benefits, \$30.9 million for the OPEB fund for retirees, which are partially offset by net reductions of \$1.0 million for inflationary increases and other required expenditures and \$79.5 million for debt service.

The recommended operating budget does not include any new or expanded program initiatives or program reductions. Because of fiscal constraints, the budget does not include any increase to advance initiatives to improve student achievement. Additionally, it may be necessary to consider reductions later in the budget process as the fiscal situation is clarified. Potential reductions are described elsewhere in this document.

Following are the major factors responsible for an increase in expenditures:

Enrollment Growth and New Schools/Grades/Space – The cost of enrollment growth of 2,809 additional students and the effect of new schools/grades/space add \$15.8 million to the FY 2011 Operating Budget.

Employee Salaries – Continuing salary costs for existing employees and related benefits increase the budget by \$25.9 million, but there is no general wage adjustment. The Board of Education and the employee unions are in negotiations for new contract provisions.

Employee Benefits and Insurance – There is an increase of \$33.1 million for benefits for existing and retired employees, including health and life insurance for active employees and retirees, retirement, social security, self-insurance costs, and tuition reimbursement.

Inflation and Other Changes – The effects of inflation and other cost increases required to maintain current service levels reduce the budget by a net of \$1.0 million.

Retiree Health Benefits – The operating budget includes an increase of \$30.9 million for Other Post Employment Benefits (OPEB) to safeguard future retiree health and life insurance benefits. The budgeted payment restores the schedule for pre-funding over an eight-year period.

Debt Service - The operating budget includes a decrease of \$79.5 million for debt service on school construction bonds. An opinion of the state attorney general has ruled that debt service may not be used to meet the state maintenance of local effort requirement for the first time. Hence, this program may not be shifted from the county budget to the Board of Education budget to meet the minimum local funding requirement.

Improvement Initiatives

Fiscal constraints make it impossible to add or expand improvement initiatives in FY 2011. As additional resources become available, strategic initiatives in the MCPS strategic plan: *Our Call to Action: Pursuit of Excellence FY 2009-2014* will resume. This operating budget will maintain existing priorities as much as possible consistent with fiscal realities.

Reductions and Realignments

Over the last two years the operating budget has been reduced by more than \$80 million and one-time savings totaling more than \$39 million have been made through a hiring freeze and comprehensive expenditure restrictions. Employees also agreed to forego a negotiated general wage increase in FY 2010, saving \$89 million. The reductions have included 122.8 positions and \$18.3 million (13 percent of the total) from central services. If Montgomery County Public Schools (MCPS) does not receive local funding for the FY 2011 Operating Budget at the minimum Maintenance of Effort (MOE) level, it will be necessary to consider significant service reductions in the base budget. The amount of reductions will depend on how much local funding is less than the MOE requirement. Existing resources also are redirected to higher priorities through realignments, which include a total of \$3.4 million realigned between units and other resources realigned within units.

Revenue

The FY 2011 Recommended Operating Budget will require 72 percent from local county contribution, an increase of \$26.4 million (1.7 percent). This is the minimum maintenance of effort (MOE) requirement of the same per pupil contribution that results from additional FY 2010 enrollment. The budget also requires 20 percent from the state of Maryland, 5 percent from the federal government, and 3 percent from enterprise fund activities and all other sources.

The recommended operating budget does not include any anticipated increase in state aid at this time because of fiscal uncertainty at the state level. If the county does not comply with state maintenance of effort requirements in FY 2010, the school system could face a severe penalty in the loss of increased state aid.