

FY2003

The Citizens Budget

MONTGOMERY COUNTY PUBLIC SCHOOLS



Our Call to Action Continues

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Letter from the Superintendent

December 6, 2001

Mrs. Nancy J. King, President
and Members of the Board of Education
Montgomery County Public Schools
850 Hungerford Drive
Rockville, Maryland 20850

Dear Mrs. King and Members of the Board of Education:

I am recommending a budget plan for Fiscal Year 2003 that incorporates reductions in certain current expenditures, primarily in central office and support operations, expansion of critical instructional initiatives, and maintenance of programs and services for a growing enrollment. Although the overall budget will increase by nearly \$71 million, including the opening of a new middle school, the recommended budget includes \$35 million in deferrals and cuts in programs and services that had been envisioned for next year. These reductions are necessitated by current and projected economic conditions affecting federal, state, and local funding.

Our continued success in strengthening the rigor of our educational program depends greatly on receiving funding that allows us to maintain the core improvements envisioned two years ago in *Our Call to Action*. I believe it is critical that we continue the momentum already under way in improving early childhood education, expanding professional staff development, continuing curriculum reform, and ensuring that technology is available to support quality and accountability. To do this requires sacrifice, hard work, and a resiliency in our commitment to improving academic achievement.

The early childhood improvements would expand full-day kindergarten to an additional 13 schools (for a total of 47). The Workforce Excellence improvements would permit the third-year implementation of the consulting teacher initiative and an expansion of the staff development substitute teacher program. The ongoing curriculum reform efforts would continue new efforts to add more rigorous content in high school. A redirection of technology resources would be implemented to continue the development of systems to provide principals and teachers with instructional data.

The Recommended Operating Budget of \$1.4 billion primarily includes the cost of maintaining school-based programs and services for a projected enrollment of 138,794 students next year, an increase of about 2,000 new students over this year.

The county contribution to the budget would increase by a modest 4.8 percent and include negotiated salary improvements for school system employees. The overall budget, including federal and state funding, would increase by 5.3 percent. As originally envisioned over the past two years, however, the FY 2003 budget would have increased by 8 percent or \$106 million. Many initiatives are being deferred, along with outright cuts and redeployment of staff.

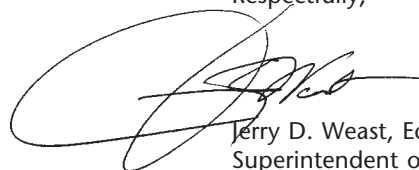
Altogether, the deferrals total \$12 million, and the reductions eliminate \$23 million from current operations, cutting 168 current positions. A freeze on hiring and expenditure restrictions are under way now, and steps have been taken already to consolidate all financial services. The cuts in central office and support functions account for 72 percent of the reductions, with 7.8 percent of the central office budget and 4.8 percent of the support operations budget being reduced. The remaining reductions cut less than 1 percent of the total school-based budget.

The reductions require a greater focus by a consolidated staff on the core mission of central office and support operations — curriculum development, staff development, monitoring, accountability, and required management functions.

The downturn in the economy will have an impact beyond next year, and it is prudent to start taking the appropriate steps now. State aid to Montgomery County is not likely to increase, especially under the recommendations of the Thornton Commission's study of education finance, equity, and excellence. The county now funds 77 percent of the budget, the highest local contribution in Maryland. Continued collaboration by the Board of Education with the County Executive, County Council, union representatives, and parent and community leaders is more important now than ever before.

We have the opportunity to build on several impressive successes in early literacy, curriculum reform, work force development, technology advances, and increased rigor and accountability. I am impressed with parent, staff, and community involvement in encouraging still higher standards, greater alignment of instructional strategies among and within schools, and responsibility within the entire community for improved teaching and learning.

Respectfully,



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

Program Highlights

The following are among the highlights of the superintendent's FY 2003 Recommended Operating Budget:

Fiscal Highlights

- The superintendent's FY 2003 Recommended Operating Budget for Montgomery County Public Schools totals \$1,398,594,671. This represents an overall increase of \$70,917,478, or 5.3 percent more than the \$1,327,677,193 current approved FY 2002 Operating Budget.
- Excluding grants and enterprise funds, the superintendent's recommended budget for the purpose of spending affordability is \$1,259,363,676. This represents an overall increase of \$59,743,485 or 5.0 percent more than the \$1,199,620,192 in the current FY 2002 Operating Budget.
- In FY 2003, the county is expected to provide funds for 77.2 percent of MCPS' total expenditures. State education aid and grants contribute 15.7 percent, federal grants contribute 2.9 percent, enterprise funds supported by federal aid and fees make up 3.2 percent, and fees and all other sources of revenue total 1.0 percent.
- The FY 2003 Operating Budget requires an increase in local funding of \$49.6 million or 4.8 percent. The state maintenance of effort requirement mandates the county to contribute an increase of at least \$21.4 million or 2.6 percent to cover enrollment growth. This leaves \$28.2 million in additional local funding needed.

Call to Action Program Improvements

- Expansion of full-day kindergarten with a revamped literacy-based curriculum and classes averaging 15:1 at an additional 13 schools for a total of 47 schools, adding 40.5 classroom teacher positions (\$1,913,725)
- Addition of a third year of 10.0 consulting teacher positions to help new teachers and those having difficulties in the classroom, including a 1.0 clerical support position (\$687,851)
- Extension of the staff development substitute teacher program to give teachers time to work with colleagues, concentrating on schools in the final Phase III of the new teacher evaluation system (\$589,013)
- Redirection of resources with the Office of Global Access Technology to support development and implementation of the Integrated Quality Management Systems to support teachers and improve student achievement (\$1,577,730)

Focusing on the Critical Mission

- The superintendent is recommending savings and program reductions totaling 168.4 positions and \$22,832,291. The largest part of the reductions involve central services and support operations (72 percent), with only 28 percent affecting school-based resources (0.6 percent of school-based resources).
- Central services units will focus on missions critical to schools: curriculum and assessment development, staff development, monitoring, accountability, and required management functions.
- Curriculum development will be concentrated in the Office of Instruction and Program Development (OIPD), with cross-functional curriculum teams responsible for the development of curriculum guides for teachers. Central services reduction of 9.7 positions and \$1,103,407 in OIPD.
- Staff development will be concentrated in the Office of Staff Development, unifying curriculum content and instructional process training through job-embedded staff development. A reduction of \$331,242 in OSD.
- Monitoring of schools will be concentrated in the Office of School Performance (OSP). Community superintendents will increase their presence in schools. School Performance Support Teams will be discontinued to permit staff to focus on critical tasks. Reductions of 21.4 central services positions and \$1,809,545 in OSP and the K-12 budget.
- Concentration of support for diverse learners and parent outreach in the Office of Student and Community Services (OSCS). Movement of the Department of ESOL and Parent Support to OSCS. Reductions of 13.5 central services positions and \$1,544,884 in OSCS.
- Transfer of accountability functions in the Office of Shared Accountability (OSA) to the superintendent's office under the chief of staff. Reduction of 2.0 positions and \$234,863 in OSA.
- Focus of the Office of the Chief Operating Officer on basic support and required management functions. Savings and efficiencies in transportation, utilities, maintenance, and business functions, including 27.3 positions and \$7,504,127.
- School-based reductions include 56.0 teacher positions (\$2,590,811), 25.0 instructional assistant positions (\$888,335), a reduction to a three-day Outdoor Education program for all Grade 6 students (\$88,684), reductions in signature programs by 20 percent (\$136,019), and other nonposition reductions (\$969,531).

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The Superintendent's Recommended Operating Budget

The superintendent's FY 2003 Recommended Operating Budget for the Montgomery County Public Schools totals \$1,398,594,671. This represents an overall increase of \$70,917,478, or 5.3 percent more than the \$1,327,677,193 currently approved FY 2002 Operating Budget. Excluding grants and enterprise funds, the superintendent's budget request for the purpose of spending affordability is \$1,259,363,676. This represents an overall increase

of \$59,743,485 or 5.0 percent more than the \$1,199,620,192 in the current FY 2002 Operating Budget. The FY 2003 budget recommendation includes increases in operating costs, initiatives for educational excellence, and savings and efficiencies. The influence of these factors is discussed below. Figure 1 summarizes the main items in each of these categories.

FIGURE 1

FY 2003 Superintendent's Recommended Operating Budget (\$ amounts in millions)

ITEM	AMOUNT	ITEM	AMOUNT
FY 2002 OPERATING BUDGET (November 2001)	\$1,327.7^(a)	CALL TO ACTION ONGOING INITIATIVES	
ENROLLMENT GROWTH		Class Size Reduction - Raise the Bar and Close the Gap	\$1.9
Elementary/Secondary	5.2	Full-day kindergarten @ 15:1 ratio	
Special Education/ESOL	3.2	Workforce Excellence	1.3
New schools	0.8	Consulting Teachers	0.7
Transportation/Food Service	1.1	Staff Development Substitute Teachers	0.6
Benefits for staff added for growth	1.6	Total Ongoing Initiatives	3.2
Total Growth and Related Benefits	11.9	SAVINGS AND REDUCTIONS^(b)	
EMPLOYEE SALARIES		Central Services Reductions	(5.9)
Negotiated agreements	40.5	Support Operations Reductions	(7.2)
Continuing salary costs	7.0	School-Based Reductions	(6.5)
Benefits for salary increases	3.9	Systemwide Employee Benefit Reductions	(1.7)
Total Salary and Related Benefits	51.4	Total Savings and Reductions	(21.3)
EMPLOYEE BENEFITS AND INSURANCE		RECOMMENDED FY 2003 BUDGET	\$1,398.6
Employee Benefit Plan (active)	9.0	Less enterprise funds	(46.4)
Employee Benefit Plan (retired)	4.7	Less grants	(92.8)
Workers' compensation	1.3	SPENDING AFFORDABILITY BUDGET	\$1,259.4
Other insurance	0.2		
Total Benefits and Insurance	15.2		
INFLATION AND OTHER			
Facilities	0.5		
Maintenance	0.4		
Plant Operations	0.8		
Special Education Nonpublic Tuition	2.9		
Transportation	0.9		
Nonrecurring supplemental appropriations	-		
Utilities	1.3		
Enterprise funds	0.8		
Additional support for grants	0.4		
Inflation and other changes	2.5		
Total Inflation and Other	10.5		

^(a) Includes supplemental appropriations of \$4.1 million for grants and enterprise funds.

^(b) Office of Global Access Technology redirection of \$1.5 million to IQMS for a total of \$22.8 million of savings and redirections.

Progress on Our Call to Action

In 1999, the Montgomery County Public Schools (MCPS) began to make fundamental reforms in the way the school system works. The goal is to raise the bar of expectations for all students and to close the achievement gap between groups. The Board of Education adopted a set of five academic priorities to which it committed itself and the entire school system for at least four years. These priorities are directed at providing a high-quality teacher in every classroom, and giving teachers the tools and support they need to raise the standards of academic performance.

In November 1999, the superintendent of schools issued Our Call to Action, a summary of the plan to improve the quality of education for all children through systematic reform. This plan comprehensively addressed the Board of Education's priorities. During the succeeding two years, the people of Montgomery County have enthusiastically supported this approach and made educational reform the top priority. As a result, MCPS has received a total of \$218 million or 20 percent in increased funding. More than \$51 million of this total permitted improvement initiatives to carry out Our Call to Action. This plan described a series of "trend bender" initiatives that have shaped budget and human resource recommendations.

Already we are seeing results from these improvements. In a study of more than 8,000 kindergarten students last year we found that the reforms put in place were instrumental in closing the gap. In particular, highly impacted

students—those from low-income families where English is not the first language—made great strides in reading skills by the end of the year. Those students who attended Head Start and full-day kindergarten showed the greatest gains.

The findings from the kindergarten initiative showed that there are several key components that must be present if student achievement is to improve. Most important, the components must work in concert to achieve successful results.

These key components of reform included a revised, more rigorous curriculum that stresses literacy skills. All kindergarten teachers received nearly 100 hours of coordinated training in the new curriculum and the instructional strategies necessary to make it effective. A new assessment system reviewed student progress three times during the year, allowing teachers to tailor instruction to individual needs. Full-day kindergarten with a class size of 15:1 permitted a 90-minute block of reading and writing and 30 minutes of mathematics instruction. County tax funding and federal Title I aid has provided \$4.9 million to make full-day kindergarten possible in 34 schools. Schools involved teachers, parents, and employee associations collaboratively throughout the process and were permitted the opportunity to change the program along the way to make it more effective. All these components taken together helped to achieve success. This coordinated approach will be the basis for extending reform from kindergarten to Grades 1 and 2 and eventually throughout the grades.



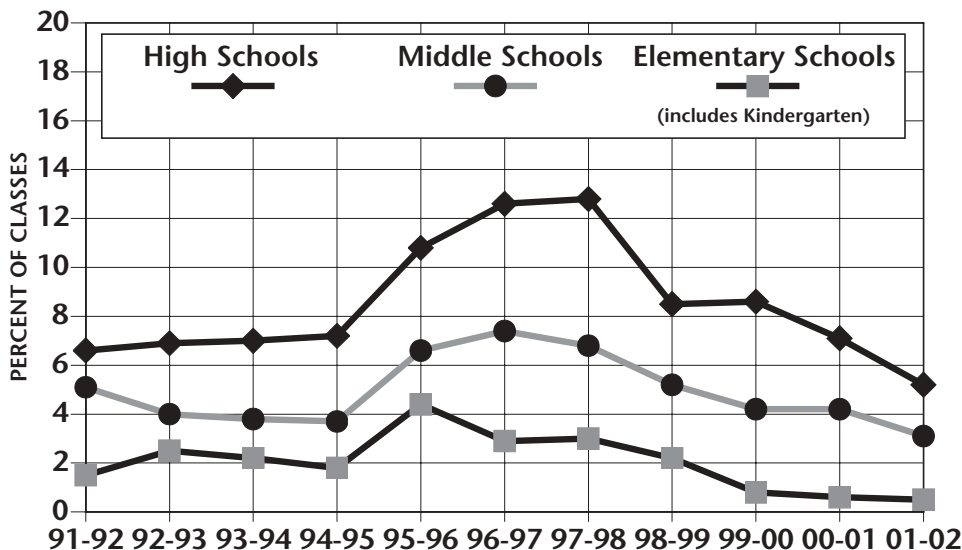
What was learned is that the teacher in the classroom makes the difference. As a result, additional resources have been concentrated in the classroom. During the past two years, nearly three-fourths of budget increases have gone for instruction. Since 1999, MCPS has added more than 1,500 new classroom teacher positions and more than 400 staff for special education.

During the past five years, MCPS has invested more than \$38.5 million annually in specifically targeted approaches to reduce class size. In addition to adding full-day kindergarten classes, this investment has enabled MCPS to reduce the number of oversized classes at all grade levels. Since FY 1998, the percentage of classes that exceed Board of Education maximum class size guidelines has dropped from 3 percent in elementary schools to 0.5 percent, from 7 percent in middle schools to 3 percent, and from 13 percent in high schools to 5 percent (see Figure 2). In addition to cutting the number of oversized classes, additional funding has significantly reduced average class size at all grade levels.

To provide a high-quality teacher in every classroom, a high-quality leader in every building, and high-quality supporting service staff at every location, MCPS has tripled its investment in work force training and development in the past two years from approximately \$11 million to nearly \$37 million. This Workforce Excellence initiative includes a staff development teacher in every school to coordinate job-embedded training and reduce the frequency of teacher absence from the classroom. This initiative alone cost more than \$6.1 million. New teachers benefited from an induction and mentoring program with consulting teachers to help them strengthen their skills and to identify those in need of

FIGURE 2

Classes Above Maximum Class Size Guidelines



improvement. The new teacher evaluation system, focused on student outcomes, has now been extended to 125 schools, with the remaining schools scheduled to join the system in FY 2003.

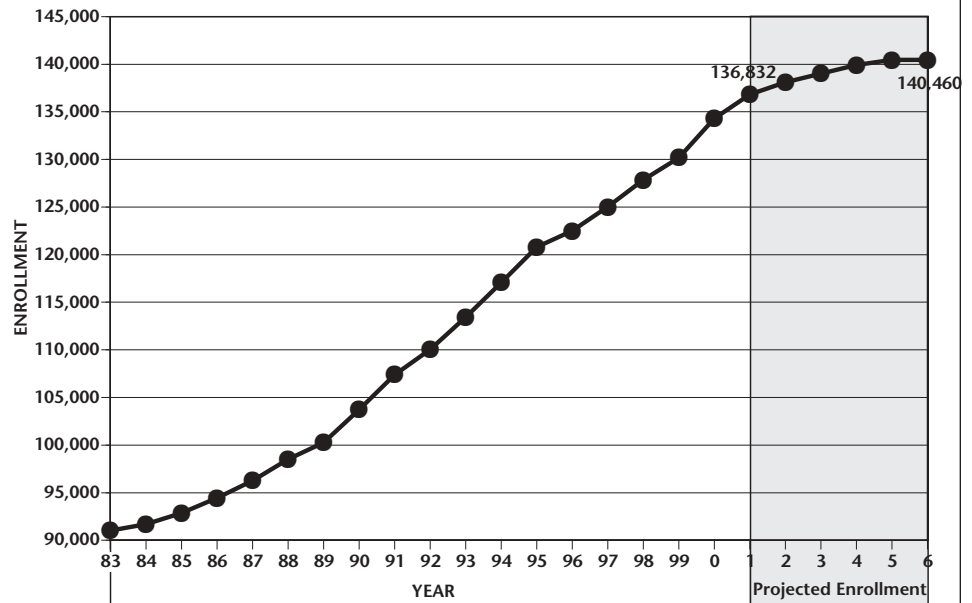
In addition to implementing a successful new kindergarten curriculum, the school system developed comprehensive pre-k-8 curriculum frameworks and instructional blueprints that are aligned with state, national, and international standards. A variety of new programs were introduced to accelerate the learning of students at all grade levels, allowing those at a satisfactory level to move forward faster with initiatives such as the William and Mary Language Arts program and providing support to those who required more intensive intervention with programs such as Soar to Success and summer pre-Algebra programs.

The Challenge of Diversity

The growth and diversity of the Montgomery County Public Schools make it all the more urgent that we sustain this plan and build on its success. Enrollment for the 2001-2002 school year is 136,832 — an all-time record. This is an increase of 2,652 students from last year. During the past decade, Montgomery County has been the 12th fastest growing district in the United States. Since 1983 the total enrollment in Montgomery County Public Schools has grown by 50 percent, from 91,030 in 1983 to 136,832 in 2002 (Figure 3). This rate of growth has imposed severe pressure on the school system. Facilities are not adequate to deal with this level of enrollment, and nearly 600 relocatable classrooms have been installed. Resources necessary for improvements in quality have been devoted to hiring enough teachers and other staff to accommodate this rate of enrollment growth. As a result of rapid growth, more than one-third of the teachers have been in our schools three years or less, and thus need more training and other support to become fully effective.

At the same time, the school system is rapidly changing, becoming more diverse, and being challenged in unique ways. One of the great strengths of our school system is its cultural, ethnic, and racial diversity. This is also one of its greatest challenges. The ethnic composition of the public schools has rapidly shifted from nearly all white to a diverse ethnic and racial blend (Figure 4). More than 5 of every 10 students today are classified as African American, Asian American, Hispanic, or Native American. For the first time last year, no group represented a majority of total enrollment. But even this does not accurately express the change because many students

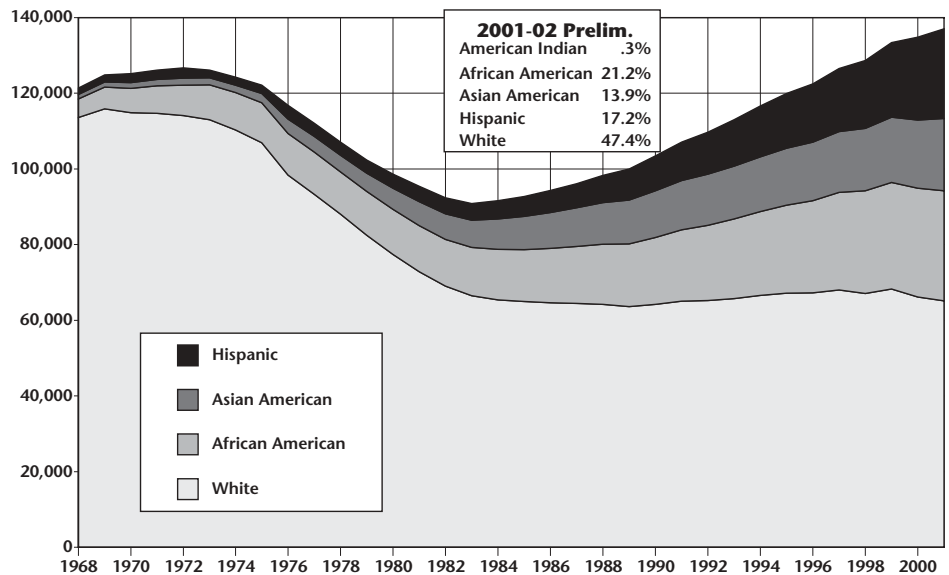
FIGURE 3
MCPS Total Enrollment



Source: Montgomery County Public Schools Department of Planning and Capital Programming.

FIGURE 4

MCPS Enrollment by Race/Ethnic Group



Source: Montgomery County Public Schools Office of Shared Accountability, October 2001.

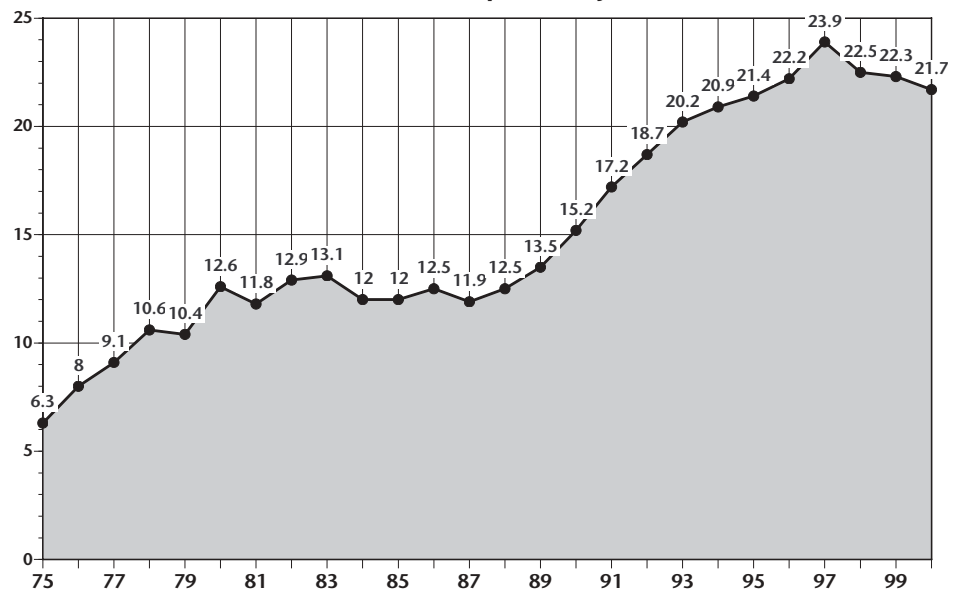
do not fit neatly into a single racial or ethnic designation. Our students have backgrounds including 138 foreign countries and 119 different languages spoken at home. Indeed, nearly 8 percent of our students this year are English language learners and, remarkably, the fastest growing portion of those students were born in the United States.

The different communities throughout Montgomery County vary greatly in their ethnic and racial composition. Communities along the major north-south transportation corridors of the county (Routes 29 and 355) are much more diverse than other areas. Indeed, schools within these areas differ distinctly in their ethnic composition from schools in the county's other suburbs. Many



FIGURE 5

Free and Reduced-Price Meal Program Percent Participation by Year



Source: MCPS Division of Food and Nutrition Services.

unprecedented demands for a highly educated work force. Montgomery County is one of the centers of this information economy, with rapid growth in the financial services, information technology, health care, and biotechnology industries. All students need improved access to modern technology to be ready to succeed in the new economy.

The rapid growth during the 1990s has provided the resources for school improvement, but it also has raised to new highs ex-

pectations for academic achievement. Schools must produce graduates ready to compete in this new economy. Parents and community members have increased their demands on schools and their attention to specific results in student achievement. Many have moved to Montgomery County especially because of the excellent reputation of its public schools. They deserve the best from their schools and expect to have a voice in the education of their children.

schools in the "core" area have a concentration of students who receive Free and Reduced-price Meal Service (FARMS). The percentage of students participating in FARMS increased during the past 12 years from 13.5 percent to 21.7 percent (see Figure 5). The more than 29,000 students participating in FARMS are greater than the total enrollment of 16 Maryland school districts. This diversity means that the challenges faced by individual schools differ greatly. Our schools must be ready to respond creatively to these differences. Teachers and other staff must meet the complex challenges inherent in this increasingly urbanized and metropolitan school district.

While Montgomery County's public schools experience significant diversity, they face the challenge of responding to a radically new information-based economy, with



Fiscal Overview

The increasingly serious economic situation across the nation and in the Washington metropolitan area will delay previously proposed improvement initiatives. County revenue is rising more slowly than in earlier years, about 3 percent annually in FY 2001–2002 and a projected 2 percent in FY 2003 compared with an average of 7 percent annually in FY 1997–2000. Because county fiscal reserves will not be as great at the end of FY 2002 as in previous years, resources will not be available for budget increases on the same scale as over the past three years. If there is a significant recession that affects the region, the economic situation could deteriorate further during FY 2002 and into FY 2003. This may result in budget gaps even larger than the approximately \$150 million previously estimated by county financial officials.

The Montgomery County Public Schools has actively collaborated in the past when county fiscal constraints limited the growth of the school systems budget. In October 2001, as soon as the depth of the fiscal situation became clear, the superintendent of schools imposed a comprehensive restriction on non-school-based FY 2002 expenditures. Without directly impacting classroom services, the freeze will make available for FY 2003 resources that can be saved during the current year. The superintendent consulted widely with school employees and community stakeholders as he developed the recommendations for the FY 2003 Operating Budget. Major changes have been made throughout the school system, concentrating on central services functions, to reduce the necessary increase for FY 2003 without unnecessarily affecting classroom instruction. Nevertheless, the continuing growth of enrollment, the need to provide competitive compensation for employees, and growing needs of a diverse student body require an increase in the FY 2003 Operating Budget. The details of these expenditure increases are explained later in this document.

These fiscal constraints require changes in the multiyear Call to Action plan adopted by the Board of Education as part of the FY 2002 Operating Budget Request. At that time, it was anticipated that the FY 2003 budget would increase by \$106 million (8 percent), in line with the average increases of \$109 million over the previous two years. This increase included \$89 million needed to maintain current services and \$17 million for improvement initiatives to continue the four-year reform plan. The economic downturn makes it evident that sufficient resources will not be available to permit this level of increase. At a minimum, a \$71 million increase is needed to fund negotiated salary and

benefits increases (\$66 million) and mandated special education and other rate increases (\$5 million). Given enrollment growth of 2 percent this year an increase of approximately 5 percent or \$71 million is reasonable to avoid crippling the momentum of progress. If fiscal constraints prevent an increase of at least \$71 million, it will be impossible to avoid severe reductions in resources for the classroom, including professional and support personnel, and classroom supplies and materials.

The request for an increase of \$71 million requires a reduction of \$35 million from the previous plan for the FY 2003 budget (Figure

7). As a result, most of the initiatives planned for FY 2003 must be delayed until more resources become available. In addition, \$22.8 million of reductions must be made within the base budget, reductions that will make an impact on current services. A total of \$16.3 million (72 percent) in reductions comes from central services and support operations, including 64.1 positions and \$7.4 million from central services and 17.3 positions and \$7.2 million from support operations. An additional \$1.7 million in reductions can be made for the systemwide costs of employee benefits (Figure 8).

FIGURE 6
Majority of Redirections will come from Central Office... Not From Schools

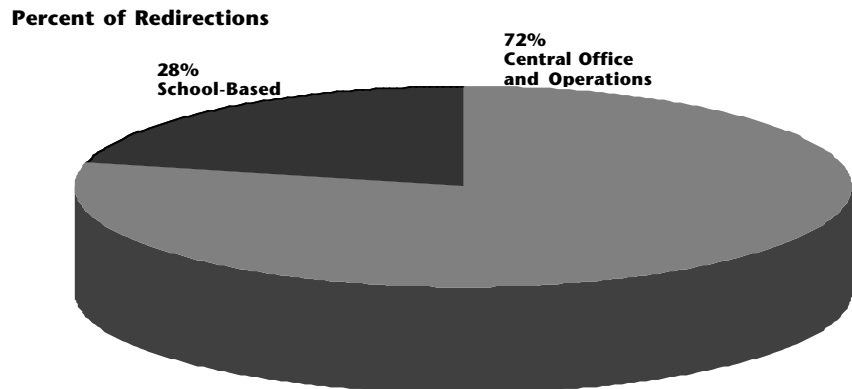
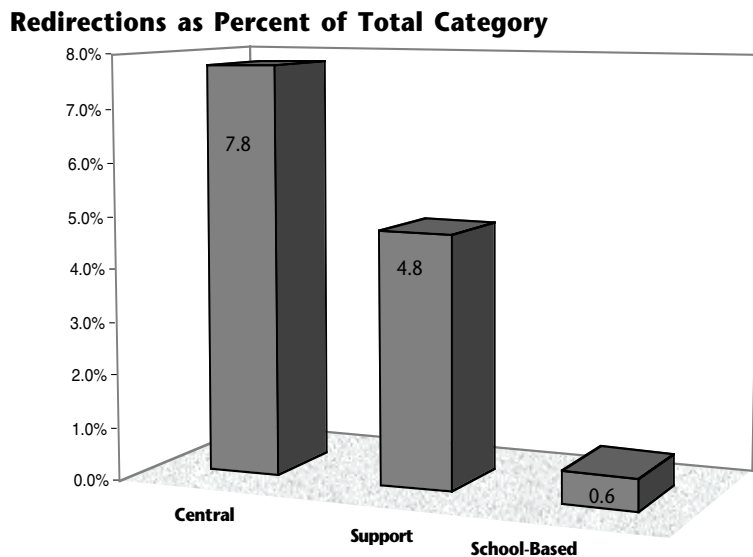


FIGURE 7
Largest Redirections in Central Office and Support Operations



Continuing Key Components of Reform

Despite these difficult fiscal constraints, the superintendent recommends a continuation of some of the key components of the multiyear reform initiatives. These high-priority initiatives include full-day kindergarten and Workforce Excellence. The superintendent recommends a total of 51.5 positions and \$3.2 million for these continuing initiatives. (Figure 8)

Building on the success of the kindergarten initiative, the superintendent recommends the expansion of full-day kindergarten to an additional 13 schools by adding 40.5 classroom teacher positions at a cost of \$1.9 million. This brings the total of schools with full-day kindergarten to 47, an increase of 38 schools in three years. In FY 2002, the addition of \$1.1 million in Title I federal funds permitted the addition of 6 schools to the 13 originally planned for FY 2002, enabling us to move forward faster than anticipated. The new schools added to this initiative will have a class size of 15 students, permitting the acceleration of learning using the new literacy-based kindergarten curriculum.

The superintendent also recommends moving forward with key elements of the Workforce Excellence trend bender to improve teaching quality. This initiative would add 10.0 consulting teacher positions, for a total of 50 consulting teachers, at a cost of \$611,000 to serve new and underperforming teachers. A total of \$589,000 will be added for more staff development substitute teachers to enable teachers to work with colleagues to build professional skills without disrupting classroom instruction. Each of these initiatives will be targeted at schools entering phase 3 of the new teacher evaluation system. The consulting teachers will continue to work with the Peer Assistance and Review (PAR) panel



(composed of teachers and administrators) that reviews the performance of new and underperforming teachers.

In order to strengthen school accountability, the superintendent plans to move forward with the new Integrated Quality Management Systems (IQMS) that will permit teachers, administrators, and parents to use technology to monitor student progress. In order to permit this important project to continue, 7.0 positions and \$1.6 million have been redirected within the Office of Global Access Technology. The details of this new system and the redirections are described in detail below.

Fiscal constraints have forced the postponement of other ongoing initiatives begun over the last two years. The original plan for FY 2003 called for a total of \$17.6 million of ongoing initiatives targeted at the trend benders identified as crucial to school improvement. Some of the key initiatives that have been delayed include the following:

- Reduction of oversize classes in elementary and secondary schools, including 46.5 positions at a cost of \$2.1 million
- Reduction of class size in Grades K–2 in highly impacted schools to a 17:1 ratio at 10 additional schools, including 33.0 positions at a cost of \$1.4 million
- Improvements in bilingual counseling and parent outreach for ESOL students, including 4.5 positions at a cost of \$230,000

- Further improvements in special education, including 24.0 positions at a cost of \$757,000
- Increases of counselors, psychologists, and pupil personnel workers, including 37.5 positions at a cost of \$2.3 million
- Improvements in access to technology in the classroom and in management functions, including 17.5 positions at a cost of \$2.1 million
- Increases in school security, including 11.0 positions at a cost of \$307,000

In order to permit the continuation of the most crucial initiatives while maintaining a reasonable total budget recommendation, the superintendent has identified \$22.8 million of reductions in the base budget, 1.6 percent of the current budget. This total includes the redirection of resources within OGAT to make possible the implementation of the IQMS. This is a larger reduction than has ever been recommended by a superintendent. Reductions on this scale require fundamental changes in how the school system operates to avoid damage to classroom instruction. These changes can be made only with the full participation of the entire school community, including parents, teachers, administrators, and supporting services employees. The development of these recommendations included unprecedented participation of all these groups, as well as active consultation with county elected officials. While it is not possible to make this amount of reductions without painful changes, it is possible to adjust to change by involving all those affected.

FIGURE 8
Call to Action Ongoing Initiatives
(thousands of dollars)

DESCRIPTION	POSITIONS	FY 2003 AMOUNT
Class Size Reduction		
Full-day Kindergarten @ 15:1 ratio	40.5	\$1,914
Workforce Excellence		
Consulting Teachers	11.0	688
Staff Development Substitute Teachers		589
TOTAL	51.5	\$3,191

Focus on the Critical Mission

From the first two years of Our Call to Action, MCPS has learned that it must focus on its critical mission. The trend bender initiatives incorporate this focus on areas critical to student achievement: early childhood, literacy, accountability, special education, partnerships, and work force and organizational excellence. The bulk of increased resources have focused on the classroom, including more than \$25 million over five years to reduce class size. This focus will not change because of limited resources. Less than 30 percent of needed reductions will come from the 80 percent of the budget consisting of school-based resources. More than 70 percent of the reductions will come from central services and support operations (see Figure 6).

The largest reductions come from central services. More than 7 percent of central office services will be reduced, redeployed to schools, or redirected within the central office to critical missions. For support operations, 5 percent will be reduced through productivity efficiencies. While this may delay some support services for schools, the health and safety of children will not be endangered. The 80 percent of the budget devoted to school-based functions will be reduced less than one percent (see Figure 7). These reductions will come only from services no longer needed because of other improvement initiatives or not used during FY 2002 to attain reductions for next year (see Figure 9).



Within the central office, critical functions are preserved and strengthened by redeploying existing resources to higher priority needs and streamlining how critical functions are provided. These changes result from a comprehensive review of central offices begun last year using the Baldrige Quality Management Criteria. A comprehensive self-assessment, reviewed by outside Baldrige evaluators and presented to the Board of Education in January 2001, pointed the way to significant management changes. This self-assessment identified several key components of reform:

- A rigorous curriculum
- A program of comprehensive staff development that avoids pulling teachers out of classrooms

- Ongoing monitoring and assessment to assure that curriculum is implemented as planned
- An effective organizational structure in which similar functions are provided in a unified way
- Collaboration with internal and external partners to maximize effectiveness, and
- Continuous improvement of processes to streamline operations and speed needed change.

Above all, the course of reform during the past two years, including external and internal program evaluations, showed clearly that it is the teacher who makes the difference, a highly qualified professional teaching staff with sufficient support to succeed with all children. The role of central services is to build capacity at the school level. We concluded that central services must concentrate on several crucial functions:

- Revising curriculum and assessment frameworks
- Providing staff development at the school level to implement curriculum
- Offering support for diverse learners who need special assistance to succeed
- Developing a system for evaluating schools to see that students are learning
- Implementing technology supports so that teachers and principals can monitor their own efforts

To make sure that staff can concentrate on these critical functions, lower priority work must be discontinued or delayed. Budget reductions will not compromise these critical functions. Indeed, focus on the critical mission will improve the school system's ability to get the most important work done. Many central office staff will be redeployed to schools or other assignments, but it is expected that all those redeployed will find positions within MCPS.

Developing Curriculum and Assessments

Quality teachers and principals can implement a rich curriculum, effective instruction, and ways of measuring progress for all students. Every area of instruction must support the intertwined goals of critical thinking and literacy to help students develop tools that increase their ability to think and communicate through language, mathematics and the sciences, technology, and the arts. In November 1999, the Our Call to Action Plan outlined a comprehensive balanced literacy program that would benefit students at all grade levels,

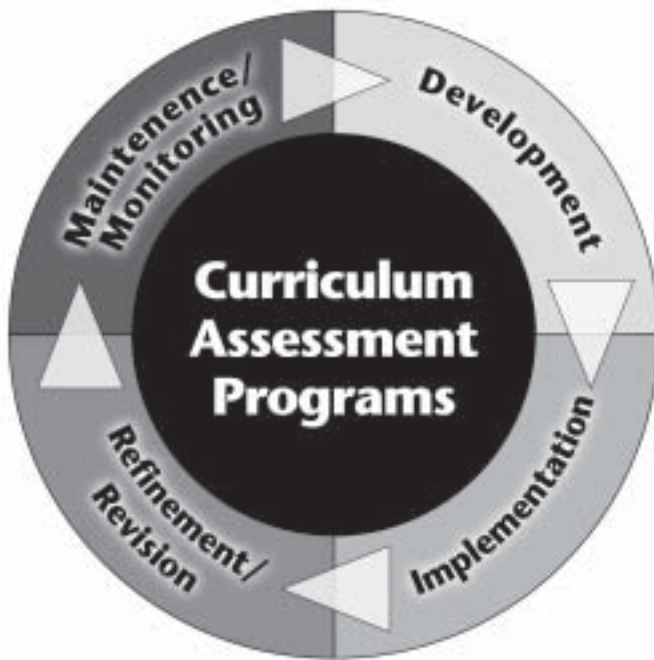
FIGURE 9
Summary of FY 2003 Reductions

Office	Total	
	FTE	Amount
K-12 Instruction	94.4	\$5,865,848
Deputy Superintendent/School Security	0.5	53,771
Office of School Performance	8.0	562,413
Office of Instruction and Program Development	12.7	1,442,173
Office of Staff Development		331,242
Office of Student and Community Services	16.5	1,825,382
Office of Human Resources		101,450
Office of Global Access Technology		201,336
Office of Global Access Technology*	7.0	1,779,066
Office of the Chief Operating Officer	27.3	7,504,127
BOE/Office of the Superintendent/OSA	2.0	234,863
Reduction of Inflation		781,346
Other Systemwide Reductions		2,350,610
TOTAL	168.4	\$22,832,291

Note: Dollars include employee benefits costs

* Funds reduced from the OGAT budget will be redirected to support the Integrated Quality Management Systems

Figure 10



raise the bar of expectations for all children, and help to reduce the opportunity gap among groups of children (Figure 10).

The Office of Instruction and Program Development (OIPD) is responsible for developing curriculum and assessment to enable all students to learn without limits (Figure 11). The curriculum consists of an overall framework, detailed curriculum blueprints, and guides to the written, taught, and assessed curriculum. In February 2001, the Board of Education approved Policy IFA Curriculum that provides guidance for the revision and public review of the MCPS curriculum. The policy emphasized the goals of academic rigor and inclusiveness of all diverse student needs, as well as the need for public participation in the review process. Based on this policy guidance, OIPD developed and issued pre-K-8 curriculum frameworks and blueprints for the 2001-2002 school year. During FY 2002, it is developing the first in a series of curriculum guides that will provide teachers with specific guidance for the development of lessons and assessments in each subject area.



In FY 2003, staff will focus on completing detailed guides for grades pre-K-8. The goal is to assure that the curriculum is aligned with state standards and consistent across MCPS. As part of the curriculum framework, formative assessments will provide teachers the ability to do ongoing monitoring of student achievement rather than waiting until the end of the year for the results of standard summative assessments. OIPD will continue to implement enriched and innovative program models for early childhood, for gifted and talented students, and for other students with special needs. Once curriculum is developed, OIPD staff will monitor results and make necessary revisions.

To carry out this work, OIPD has been reorganized into curriculum teams for each subject at each school level. A total of 12.6 instructional specialists will be realigned from other units to serve on these teams. These teams will include experts on subject content as well as experts in accelerated and enriched instruction, technology, special education, and staff development. In this way, the needs of all children will be considered as an integral part of curriculum development, not as separate curriculum. Teachers and parents will be fully involved in the development of the curriculum.

With this clear focus, the work of OIPD will be streamlined by eliminating other units. This will permit reduction of 9.7 central office positions and a total of \$1.1 million. Reductions include a 1.0 data technician in the Department of Curriculum and Instruction, a 1.0 instructional assistant position in the Department of Enriched and Innovative Instruction, 4.0 Title 1 instructional specialists, and a 0.2 secretary position in the Department of Career and Technology Education. The professional library will

be reconstituted to take advantage of improvements in access to materials through technology resources available to schools. Planning also is under way with Montgomery College and the county's Department of Public Libraries to explore how resources can be consolidated to improve professional research services while eliminating duplication. This will result in a reduction of 3.5 positions and \$200,000 for the professional library. In addition, the position of director of Instructional Support Programs is reconstituted to create a director of Elementary Education to focus on the development of a the new instructional model for Grades 1 and 2 based on the model of the kindergarten initiative.

Providing Staff Development

For MCPS to be successful in contributing to higher levels of student performance, there must be a quality teacher in every classroom, an outstanding principal in every school, and an excellent supporting services team. It is essential that each teacher, principal, and supporting services staff member have the knowledge, job skills, attitudes, and expectations to effect the optimum learning for each child (Figure 11). Teachers must know what to teach and how to teach it. Principals and other leaders must understand the most effective way to measure great teaching, including the essential role in student success played by attitudes and expectations.

The commitment to building staff competencies ranges from developing improved differentiated instructional strategies to using technology as an everyday tool. Staff development will continue to address the skills needed for strategic planning, utilizing Baldrige quality management criteria as a means for continuous improvement and for



modeling the teaching and learning processes at all levels of the organization.

Successful implementation of the curriculum requires extensive staff development that combines the content of what to teach and the instructional strategies that define how to teach. Two years ago, MCPS began to strengthen its professional development program. As part of the Workforce Excellence initiative, the Office of Staff Development was created to coordinate all staff development activities. MCPS nearly tripled its investment in staff development from \$13 million to a total of more than \$36 million, using redirected resources as well as more than \$14 million in new initiatives.

This investment has been accompanied by a major change in the way staff development occurs in schools. On-site job-embedded staff development right in the classroom has replaced much of the former pullout training. Staff development teachers in every school have assumed direct responsibility for the improvement of job competencies for every staff member. Mentor teachers are assigned to assist the development of the more than 1,300 new teachers hired annually. Consulting teachers work intensively with new and underperforming teachers as part of a career-long professional growth system. With the cooperation of the Montgomery County Education Association (MCEA), the new teacher evaluation system, first implemented in

FY 2001, will reach all schools by FY 2003. This new evaluation system focuses on student outcomes as a basis for reviewing teacher accomplishments and identifying those teachers who need further assistance. A parallel evaluation system for principals and other administrators is now under development as part of a partnership with the Montgomery County Association of Administrative and Supervisory Personnel (MCAASP).

As part of the redesign of central services, the Office of Staff Development will assume direct responsibility for providing nearly all staff development activities. All training and development will be aligned with the core initiatives, especially the infusion of the new curriculum (Figure 11). Staff will be better equipped to meet the needs of diverse learners. More staff development will take place at the school site with fewer disruptions to the instructional program. Using the job-embedded approach, the Office of Staff Development will combine content and process experts in teams that will provide training in the new curriculum. These changes will further strengthen the alignment of training and development efforts with high priority curriculum and instruction initiatives focused on improving student achievement. Where appropriate, the focus on technology tools, acceleration, and intervention will be infused into training activities. This new focus requires the realignment of resources from other units

in the central office to the Office of Staff Development. For FY 2003, this includes the realignment of 25.0 positions from Global Access Technology (16.0); the Office of Student and Community Services (1.0); the Office of Instruction and Program Development (2.0); and the K-12 instructional budget (6.0).

Monitoring School Performance

The community superintendents in the Office of School Performance (OSP), monitor the effectiveness of the curriculum development and staff development implementation. This office is central to assuring accountability at the school level. The community superintendents select, place, and evaluate principals. They review instructional plans submitted by schools and develop approaches to assure consistency across the system and within each cluster.

As a result of significant changes in the approach to school monitoring, community superintendents will increase their presence in schools and focus on principal supervision and evaluation. The directors of school performance will focus on school improvement planning and monitoring. They will use technology to assess patterns of school performance and monitor adherence to Shared Accountability targets for individual schools. Intervention at the school level will focus on those who need help the most. This approach will emphasize coordination with other central offices, bringing school concerns to bear on the provision of central services. The stress will be on teamwork as a tool, not an end in itself. During the past year, OSP supervised school performance teams that have provided direct support to schools from a variety of central office units. In order to focus these units more directly on their core missions, these performance teams will not be operational next year. The professional staff on those teams will concentrate on curriculum development and staff development.

As a result of these changes, there will be a reduction of 13.4 instructional specialist positions in OSP and the K-12 budget and a savings of \$1,247,000. An additional 14.6 instructional specialist positions are realigned to OIPD and OSD to serve on curriculum and staff development teams.

Offering Support for Diverse Learners

The Office of Student and Community Services will unify all efforts to provide support for diverse learners and to involve fully parents and communities to ensure success

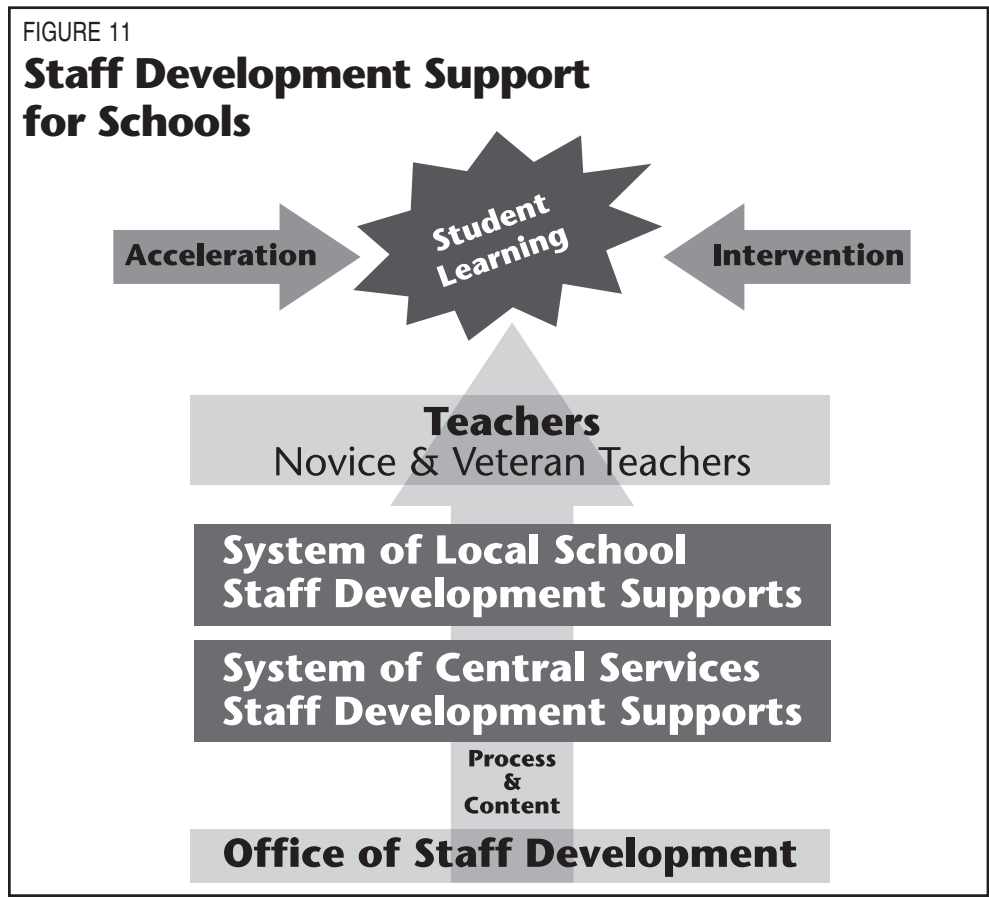
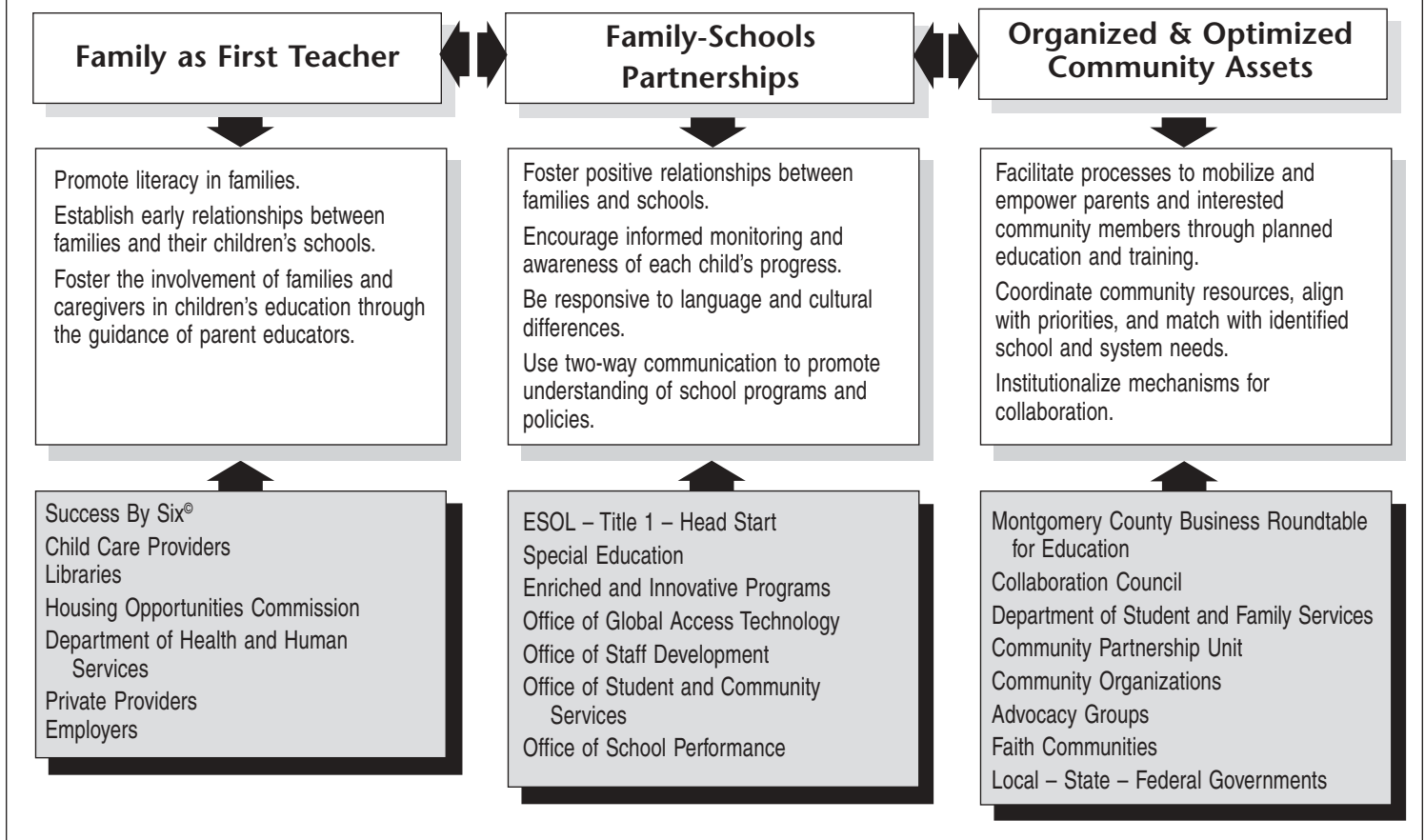


FIGURE 12

Family and Community Outreach for Academic Improvement



for all students. Students who require special education, English language learners, students who require alternative education programs, students with behavioral problems or emotional needs, and other students facing individual barriers to learning must meet common accountability standards measured by state and local examinations (Figure 12). Their success is a high priority for the school system. Much remains to be accomplished for these students. Without the full involvement of parents and community organizations, it will not be possible to reach our goals for these students.

Improving academic achievement for all students requires removing the emotional and mental health barriers that may prevent learning for any student. In FY 2002, implementation of the Foundations for Success program began in the Montgomery Blair Cluster. This new approach to counseling links guidance counselors, psychologists, pupil personnel workers, parents, teachers, and other professionals in a problem-solving cross-disciplinary approach to student behavioral and emotional issues. The addition of 6.0 counselor positions at elementary schools and 5.0 counselor positions at secondary schools re-

duced the caseload for counselors, PPWs, and psychologists, and facilitated the establishment of these interdisciplinary teams.

High-quality education must be provided for all children with special needs, who must achieve the same literacy goals as all other students. Enrollment in special education has grown rapidly. Montgomery County provides \$179 million annually, more than 84 percent of the total MCPS cost of special education, including employee benefits and mandated transportation. In recent years, the quality of special education instruction has been improved by the inclusion of students with more severe disabilities in regular schools and classrooms and by the retention of students with milder disabilities in regular education classrooms.

In special education, class size was reduced to FY 1995 levels in classes for students with Learning and Academic Disabilities (LAD). This initiative added 27.0 classroom teacher positions and 23.0 special education instructional assistant positions at a cost of \$1.9 million in FY 2002. Special education initiatives also included the addition of 6.0 psychologists and 57.3 positions to extend classroom time of special education instructional assistants.

During the past year, the Office of Student and Community Services extended parent outreach services, increased the outreach and translations of MCPS documents and publications, and increased the number of adult ESOL, civics, and basic education classes that are so crucial to enabling foreign-born parents to take an active role in their children's education.

The reorganization of central services will permit a unified approach to issues of support for diverse learners and parent involvement. The ESOL program is being transferred from the Office of Instruction and Program Development and upgraded to a department of ESOL and Parent Support in the Office of Student and Community Services. This transfer aligns ESOL services with existing student, parent, and community services. Services such as counseling, special needs assessment, and parent supports will benefit from a new accessibility. This reorganization also unifies programs for International Student Admissions, American Indian Education, and Emergency Immigrant Education under the OSCS umbrella. This new approach will improve support to ESOL parents and their children. The integrity of the ESOL curriculum and its



development within the context of the ESOL program will be maintained.

The critical Foundations for Success program will be aligned with the Office of Staff Development to increase coordinated staff development opportunities for counselors and other mental health professionals. We must make sure that these professionals fully understand the academic expectations set for students so that they can help students overcome barriers to learning. Using grant resources, we will continue to expand after-school and Saturday programs aimed at accelerating learning. OSCS also will redesign and coordinate all parent and community services. Parent outreach specialists in special education, ESOL, Title I, Head Start, and elsewhere throughout the school system will be part of a coordinated effort to assist student learning. The Parent-Community Council and other key stakeholder groups will review these plans to assure that all children and parents are included. As a result of this new approach, it is anticipated that 5.0 parent community positions can be discontinued. The exact shape of this new structure will be submitted to the Board of Education after a full review by community partners.

This new focused and coordinated response to student, school, parent, and community needs will decrease duplication of services and increase access to needed services for all students. As a result, many functions related to curriculum and staff development can be transferred to the Office of Instruction and Program development or the Office of Staff Development. This will result in a decrease of 13.5 central office positions and \$1,544,884 in savings. These reductions include 3.5 positions in field offices resulting from a consolidation of the field offices from 6 to 3 and the appointment of a coordinator for pupil personnel workers to parallel similar structures for psychologists and counselors. In the Department of Fam-

ily and Community Partnerships, there is a reduction of 3.0 positions, including the director, an instructional specialist, and a parent community coordinator. There is a reduction of a psychologist in the Department of ESOL and Parent Support. The Department of Special Education will have a reduction of 6.0 central office positions,

including 4.0 instructional specialists in the Division of Programs and Services and an instructional specialist and secretary position resulting from the consolidation of the Division of Equity Assurance and Compliance into the associate superintendent's office.

Providing Access to Technology

There is a bright future for students who have access to technology and know how to use it to navigate in a digital world, but those students who do not have access may miss out on the opportunities in the new economy. Our schools must have the wiring, equipment, software, and communications technologies that are needed to be connected to information and be ready for the future. Despite the multiyear technology modernization initiative, MCPS remains significantly behind many other school systems. Educational, business, and community leaders have joined MCPS to seek broader state funding and private partnerships to develop a technology refreshment program that will keep our information systems current. Meanwhile, we must continue ongoing initiatives to provide the basic technology support that students need to become technologically literate and to raise standards for academic achievement.

The Office of Global Access Technology (OGAT) provides integrated information technology planning, tools, and services to facilitate systemic reform essential for the success of all students. In FY 2003, through the capital budget 43 elementary schools and 13 alternative centers will receive technology modernization support. This means that, with the exception of three elementary schools being modernized in FY 2004, all schools will have received initially the technology needed to implement the Board of Education technology plan that was originally adopted in

1994. The capital budget provides peripherals and workstations, connections to local area networks in the school, connections to an MCPS wide-area network, access to the Internet, and some initial staff development for teachers on how to use technology. The operating budget must provide ongoing user support and instructional support for our schools to ensure technology has an impact on the teaching and learning processes. Information systems will be used for measuring performance and improving results. Technology refreshment, or scheduled upgrades to hardware and software, is a key factor in ensuring these goals are achieved.

For several years, OGAT's primary goal has been to expand Technology Modernization (Global Access) to all schools to improve computer access for all children. OGAT also implemented major new enterprise information systems, especially the new Human Resources Information System (HRIS). The new HRIS system links personnel, payroll, employee benefits, and financial information to facilitate business transactions through a single data base. This will produce major productivity gains and improve the speed and accuracy of personnel transactions. OGAT also has redesigned the MCPS Web site to improve communications with schools and parents.

In addition to expanding the Technology Modernization project, OGAT will focus in FY 2003 on the development of the innovative Integrated Quality Management Systems (IQMS). The goal of this new system is to improve Shared Accountability for student achievement and to target help to schools, teachers, and students who need help to achieve specified goals. The IQMS is a long-range project that will be the repository of information about the school system. IQMS is composed of two major systems, the Data Warehouse and the Instructional Management System. The data warehouse stores information from many sources, performs analysis, and delivers customized results to a



variety of users. The Instructional Management System (IMS) supports the new curriculum and accountability systems by providing parents, teachers, and administrators with user-friendly information for planning and targeting to make needed improvements in teaching and learning. IMS will help us better monitor student achievement as prescribed by the curriculum frameworks. During FY 2002, this new system is being piloted in four schools, and the plan is to launch the IMS in all elementary schools in FY 2003 and secondary schools in FY 2004.

To permit the expansion of Technology Modernization and the launch of the IQMS, the Office of Global Access Technology has reordered priorities. User support in schools may be delayed. In addition, training resources have been realigned to the Office of Staff Development to permit OGAT to concentrate on its core mission. Technology experts also will be part of curriculum development teams so that the new curriculum frameworks and instructional guides fully integrate technology into instructional practices. To permit this new focus, OGAT has realigned a total of \$1.6 million in resources to concentrate on building these powerful new systems. These realignments include 7.0 new central office positions. Additional reductions of \$201,336 have been made in supplies and materials. In addition, 16.0 Global Access positions have been realigned to the Office of Staff Development.

Support Operations

In addition to high-quality teachers and improved curriculum, schools need outstanding support services to serve students. This support includes technology, security, a healthy learning environment, and other organizational support. Approximately 10.6 percent of the MCPS budget or about \$148 million provides support to schools in such areas as transportation, maintenance, materials management, and business management. Savings, efficiencies, and other reductions in support operations will reduce this amount by 4.8 percent or \$7.2 million in FY 2003. Each unit will refocus its work on its core mission to support schools with non-emergency work deferred.

The recent downturn in the economy has made it possible to achieve savings in goods and services needed by schools without reducing the quantity or quality for services. Refinancing leases for the purchase of school buses, including obtaining lower interest rates and extending the lease terms of buses will save \$2.5 million in FY 2003. Improved scheduling of bus routes and deferral of bus replacement has permitted a reduction in the



number of buses needed next year at a savings of \$960,000. Lower projected prices for bus fuel, electricity, and other utilities will produce savings of \$1.6 million.

Utilities expenditures are influenced by several factors, including variations in outside temperatures, consumption patterns of users, an increased number of facilities, and changes in utility rates. The Interagency Committee on Energy and Utility Management (ICEUM) projects future utility rates.

MCPS has a comprehensive program to contain energy costs and reduce waste. Since 1978, this program has reduced energy consumption by 45 percent. MCPS has invested in innovative energy-saving measures, including computer operation of mechanical systems in most schools, high-efficiency lighting retrofits, and energy efficient designs for new buildings. An additional reduction of \$430,000 is projected based on anticipated rate reductions for electricity coupled with the continued success of energy-saving efforts. Higher energy prices, especially for fuel oil and natural gas, however, contribute to overall increases in utility costs.

MCPS will increase the number of building service worker positions in FY 2003 by 11.5 positions to reflect growth in the school space that must be cleaned and maintained. However, efficiencies in nonschool locations, including the central office and transportation depots will permit a reduction of 4.0 building service worker positions at a savings of \$167,000. School Plant Operations will achieve other savings totaling \$570,000 by reducing overtime commitments and other costs.

In addition to reductions in utility costs and building services, the Department of Facilities Management will cut 6.0 positions in maintenance without impairing basic functions and will reduce certain contractual work for additional savings of \$870,000. The Department of Materials Management will reduce furniture expenditures and generate other savings in relocation expenses and postage for total savings of \$258,000.

The Office of the Chief Operating Officer will make reductions in central business functions, including association relations, budget, controller, payroll, and planning and capital programming. These central business units have continued to take reductions in recent years. In FY 2003 central administrative and management services cost only 2.2 percent of the MCPS budget, the lowest percentage ever, and approximately half of what was spent proportionately 10 years ago. Nevertheless, additional reductions will force each of these offices to focus on required reports and other mandated functions and reduce other support that they provide to other offices and to schools. These reductions total 10.5 positions and total savings of \$464,000. The Department of Financial Services will continue repayment of a loan from the Technology Investment Fund (TIF) for the development of the Human Resources Information System (HRIS) by cutting 3.0 payroll positions no longer needed because of productivity improvements resulting from the implementation of HRIS.

In addition to these reductions, the provision of legal services has been redesigned through the Office of the Chief Operating Officer. Contract resources have been realigned to permit hiring an in-house counsel. This is expected to provide improved coordination of legal work and reduce unnecessary litigation costs. Some legal work will continue to be assigned to contract attorneys based on specific skills required, and additional legal work will be handled by the County Attorney.

Shared Accountability

The success of this refocused approach will be evaluated by the shared accountability for student achievement and organizational results. In FY 2000, the Office of Shared Accountability (OSA) was created to monitor student performance, assess the results of new initiatives, and review the effectiveness of existing programs. This office assists schools by converting data into useful information to improve performance. Consistent, systematic monitoring and the sharing of results provides a feedback loop to support efficient and effective systemic reform.

In order to carry out the mandates of Our Call to Action, OSA coordinated the creation of an accountability system based on state, national, and international standards. The office evaluates system operations, new initiatives, and existing programs, as well as reporting student progress at both individual school and system levels.

During FY 2001, the Board of Education adopted a shared accountability model for schools that combines specific measures, standards for performance, indicators of results, and specific annual targets for improvement geared to the specific needs of schools. The development of the IQMS information system will make it possible for schools to implement the new shared accountability model. The new teacher evaluation system, to be extended to all schools in FY 2003, will link evaluations to student outcomes. Thus, the new accountability system links curriculum, staff development, technology, and evaluation in a seamless system based on specific goals for student achievement.

In order to elevate further the role of OSA, this office will report directly to the chief of staff to the superintendent, assuring its independence and access to the superintendent. The position of associate superintendent has been eliminated at a savings of \$155,000. As part of the reorganization, a 1.0 administrative secretary position has been reduced at a savings of \$79,000.

As part of the County Council's Intensive Budget Review process, OSA will coordinate and supervise program evaluation. Already,

32 programs or initiatives have been evaluated or are in process of evaluation in collaboration with County Council and county executive staff. Completed evaluations include the Reading Initiative, full-day kindergarten, professional growth system for staff development, Parenting Resource Centers, and legal services. Over a period of four years, additional programs will be evaluated, either by internal staff or external evaluators. Where programs are not successful or of lower priority, they will be discontinued, reduced, or provided in a different way. As a result of completed evaluations, it has been determined to accelerate the completion of full-day kindergarten in highly impacted schools, to discontinue parenting resource centers despite their valuable work over more than 20 years, and to provide more legal services through in-house counsel rather than through contracted attorneys. Additional evaluations can be expected to reshape MCPS programs. OSA will continue to play a key role in the development of performance measures using the Baldrige Quality Management indicators.

School-Based Resources

One goal of the savings and reductions described above is to minimize the impact of the fiscal crisis on schools. Approximately 78 percent of the reductions involve non-school based resources and only 22 percent include school-based resources, although school-based expenditures constitute 70 percent of the total operating budget. Another 15 percent of the budget comprise employee benefits, most of which relates to school-based employees.

Reductions in schools do not impact essential classroom services. These reductions total 87.0 positions and \$6.5 million. A total of 56.0 teacher positions has been eliminated, although the total number of teacher positions will grow because of enrollment growth and the expansion of full-day kindergarten. These positions include 20.0 positions added for the Reading Initiative and 6 literacy teacher positions that have been allocated to schools that have implemented class size reduction initiatives of 17:1 in Grades 1 and 2. The other 30.0 teacher positions are Reading Initiative positions that have not been allocated to schools for FY 2002 because of class size reduction initiatives in these schools. Thus, schools will not lose resources that they received in FY 2002 except when they are allocated resources from two separate initiatives to serve the same schools.

School reductions also include 25.0 instructional assistant positions not allocated to schools in FY 2002, 2.0 Head Start non-classroom positions, a 1.0 Title I parent coordina-

tor, and 3.0 special education non-classroom teacher positions. These latter positions are eliminated as part of the systemwide consolidation of parent outreach positions. Each program will continue to have other parent outreach staff available.

A recent evaluation of all high school signature programs indicated the need for more rigor and challenge in some of these valuable programs. International Baccalaureate programs at Richard Montgomery, Bethesda-Chevy Chase and Springbrook high schools have shown the importance of instructional rigor in such programs. In order to make sure that all signature programs meet these criteria, resources for most signature programs will be budgeted centrally, with existing resources will be pooled with a 20 percent reduction in total resources. Schools will work with the director of Innovative High School Initiatives to improve the quality of signature programs. Only when these programs meet established criteria will allocations be released to schools. Individual schools may use other existing resources to enrich signature programs. Countywide programs, including the Richard Montgomery IB program, the Montgomery Blair High School magnet program, the Poolesville High School Global Ecology program, and the Northeast Consortium will continue to be budgeted individually.

Other school-based reductions include \$91,000 to reduce grade 6 Outdoor Education to a three-day, two-night program for all participants. There will be no change in the fee structure for this program because the additional day afforded half of the schools was paid entirely by county resources. There also is \$781,000 in reductions reflecting a lower estimate for inflation for textbooks and instructional materials, \$406,000 for lower estimates of non-instructional inflation and employee benefit savings, \$300,000 for reduced equipment purchases, \$110,000 in reduced substitute and stipend funds not needed for training programs, and \$560,000 in increased lapse resulting from an analysis of past trends. In short, this budget makes no reductions in essential school-based services.

Factors Increasing Operating Costs

Despite these reductions and realignments, the FY 2003 Operating Budget for Montgomery County Public Schools must increase. The cost of standard services essential to ensure that MCPS maintains high standards of educational excellence for all of Montgomery County's children continues to increase. Factors that contribute to increased operating costs include enrollment growth, opening new schools, negotiated salary costs, continuing salary costs, employee benefits and insurance, mandated rate increases, and inflation (see Figure 1).

These requested increases are offset by reductions of \$22.8 million resulting from program reductions, efficiencies, and cost-saving measures. These reductions are in addition to extensive program and position cuts and management efficiencies that have been made since FY 1991. This year the superintendent has undertaken an even more thorough review of existing programs to redirect resources toward more productive uses. Before making the \$22.8 million in reductions in the base budget identified above, the cost of standard services was set to increase by approximately \$89 million or 6.7 percent. This amount is in line with initial increases in the base budget of \$92 million in FY 2001 and \$87 million in FY 2002.

Enrollment Growth

One driving force behind the operating budget's continuing growth is the significant and continued increase in student enrollment (see Figure 3). Enrollment growth impacts most aspects of the operating budget, such as requirements for increased instructional staffing (for both regular and special education programs), additional student transportation (operators, attendants, and buses), more instructional materials (textbooks and supplies), and other school-based supporting services. A final item driven by enrollment growth is the need for both new and expanded school facilities (see Figure 13).

Salaries of additional teachers and other school-based personnel and costs associated with providing services for 2,141 additional elementary, secondary, ESOL, and special education students (budget-to-budget projections) in FY 2003 will increase the operating budget by \$11.6 million. With one new middle school (Einstein Middle School #2) scheduled to open in FY 2003, there is an increase of \$1.1 million in the budget for start-up costs (see Figure 1). The cost of transporting and feeding new students results in an increase of \$1.1 million. In addition, employee benefits costing \$1.6 million will be required for the new employees needed to serve the increased enrollment.

FIGURE 13

New Schools and Additions

NEW SCHOOLS	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Spark M. Matsunaga ES	X						
Einstein MS #2		X					
Northwood HS Reopening				X			
Rocky Hill MS Replacement Facility				X			
Quince Orchard MS #2						X	
Wheaton MS #2						X	
Clarksburg/Damascus ES #7							X
Clarksburg Area HS							X
NE Consortium ES #16							X
Northwest ES #7							X
Wheaton ES #6							X
SCHOOL ADDITIONS	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Churchill HS (24)	X						
Eastern MS (8)	X						
Northwest HS (12)	X						
Wheaton HS (18)	X						
Earle B. Wood MS (2)	X						
Wootton HS (26)	X						
Whitman HS (6)		X					
Wood Acres ES (6)		X					
Frost MS (14)		X					
Glen Haven ES (9)			X				
Greenwood ES (6)			X				
Walter Johnson HS (20)			X				
Lakewood ES (8)			X				
Montgomery Village MS (5)			X				
Oakland Terrace ES (4)			X				
Rockville HS (12)				X			
Somerset ES (6)				X			
Baker MS (6)						X	
Broad Acres ES (6)						X	
Forest Knolls ES (4)						X	
Gaithersburg ES (9)						X	
Gaithersburg HS (16)						X	
Kensington Parkwood ES (5)						X	
Northwest HS (20)						X	
Northwood HS (12)						X	
Rosemont ES (10)						X	
South Lake ES (6)						X	
Fields Road ES (6)							X
Watkins Mill ES (6)							X
Sherwood HS (12)							X

Note: Numbers in parentheses indicate additional classrooms.



Special Education Enrollment Growth

Enrollment for students with disabilities requiring special classes is projected to increase by 73 students, or 0.9 percent. The number of resource services for students with hearing impairments, resource program needs, and vision, speech, and physical disabilities will decrease by 470, or 2.2 percent. The overall increase in the number of students with disabilities will require an additional \$11.0 million in FY 2003. This will fund the salaries of 62.8 teachers, speech pathologists, occupational/physical therapists, and instructional assistant positions, as well as other growth-related costs, such as textbooks and instructional materials. The total direct cost for special education will be \$164.9 in FY 2003, an increase of \$11.0 million or 7.1 percent.

In addition to the overall increase in the number of special education students, there has been a rapid increase in the number of special education students with extremely intensive needs, many of whom require services not available in public schools. The increase in the number of students who require nonpublic placement from 662 in FY 2002 to a projected 689 in FY 2003, as well as state mandated rate increases for private providers, has increased the amount needed for nonpublic tuition by \$3.8 million. The Department of Special Education is continuing to explore ways to expand public programs for students with intensive needs to avoid expensive private placement.

ESOL Enrollment

Enrollment of English language learners (ELL) also has increased rapidly. In FY 2002, the number of students eligible for English for Speakers of Other Languages (ESOL) services rose by 420 to 10,614. During the past three years, ESOL enrollment has increased by 1,925 students (22.2 percent), the largest increase ever in Montgomery County of ELL students. Almost all of this growth was at the elementary school level. The number of ELL students in Montgomery County is greater than the total enrollment of nine Maryland school districts.

More than 42 percent of all ESOL students in Maryland are enrolled in Montgomery County Public Schools. The largest number of these ESOL students is at the elementary school level, with nearly half born in the United States. That fact implies that more must be done to help foreign-born adults acquire the English language skills necessary to help their children succeed in school. In FY 2003, ESOL enrollment is projected to increase by another 236 students. As a result of this enrollment increase, there will be a need for 7.2 positions and other expenditures for an increase in the operating budget of \$1.0 million.

Employee Salaries

Increases in employee salaries include negotiated salary increases and continuing salary costs that include salary increments or steps. Both of these are determined by negotiated agreements with three employee organizations: Montgomery County Education Association (MCEA), Montgomery County Council of Supporting Services Employees (MCCSSE), and

Montgomery County Association of Administrative and Supervisory Personnel (MCAASP).

Negotiated Agreements with Employees

In February 2000, the Board of Education reached agreements for three-year contracts with MCAASP and MCCSSE that will be effective through June 30, 2003. The MCAASP contract calls for a 3.0 percent across-the-board increase for FY 2003. The MCCSSE contract provides for a 3 percent increase in FY 2003. Funding of \$9.9 million for FY 2003 is included in the requested budget.

In February 2001, the Board of Education reached a three-year contract with MCEA that expires on June 30, 2004. The contract provides for a 5 percent salary adjustment in FY 2002, including 1 percent in state funding under the provisions of The Governor's Teacher Salary Challenge Act of 2000 (H. B. 1247). The final two years of the agreement, FY 2003 and FY 2004, include a 4 percent salary schedule increase and an additional 1 percent each year for the addition of two duty days each year to the work year for 10-month teachers. The settlement includes increases in stipends and supplements for teachers who have additional responsibilities, and increases the compensation for teachers involved in school system priority training outside their normal work day. Home and hospital teachers were included in the MCEA contract for the first time as a result of legislation passed in the 2000 Maryland General Assembly. Compensation for home and hospital teachers will increase 4 percent in FY 2003 and FY 2004. Compensation for substitute teachers will increase by 4 percent in each of the three years of the contract. The total cost in FY 2003 is \$33.7 million, with \$35.7 million projected in FY 2004. The provisions of the agreement with MCEA are expected to strengthen the ability of MCPS to recruit and retain the more than 1,000 teachers needed annually at a time of national teacher shortages. With the goal of having an excellent teacher in every classroom, this multiyear agreement is a powerful tool for raising the levels of student achievement.

Continuing Salary Costs

Also tied to the negotiated agreements are annual salary increments, which are part of continuing salary costs. As with most government workers, whether federal, state, or local, an MCPS employee's pay is based on a salary schedule that provides periodic increases for employees who perform satisfactorily. This applies only to those employees who have not reached the top step of their grade on the pay schedule. About 40 percent of all MCPS employees are at the top of

the schedule and are not eligible for incremental increases. Because certain benefits are tied to salary levels, some added benefit costs accrue along with continuing salary costs.

The total budget increase for continuing salary costs and related benefits is \$7.7 million. This increase includes \$7.0 million for scheduled annual increments for employees with satisfactory service who are still progressing along salary schedules and for teachers who accumulate sufficient graduate credits to move to a higher salary schedule. The remaining \$0.7 million is required for associated social security and retirement payments. Budgeted salary costs for FY 2003 are based on the assumption that all new employees will be hired at the budgeted new-hire rate for their position: for example, a bachelor's degree with three years' experience (BA 4) for new teachers. Included in continuing salary costs is \$15.1 million in lapse (savings resulting from short-term vacancies) and turnover (savings from replacing a senior employee with a lower-paid junior employee) based on historical experience.

Employee Benefits and Insurance

The cost of health insurance and other employee benefits represents approximately 17 percent of the total MCPS budget. Whereas ongoing efforts to contain costs have slowed the rate of increase in benefit plan costs, health care costs remain high.

The cost of health care is projected to increase by \$12.0 million because of inflation and other rate adjustments in health insurance coverage for active and retired employees. The increase for health care for active employees assumes an 8.0 percent cost increase trend, the net of savings and reductions resulting from the positive effects of cost-containment initiatives, negotiated changes to the benefit programs, and a variety of other miscellaneous factors.

The budget also reflects a need for the operating budget to assume a greater share of the costs of retiree health insurance. Historically, the Board's contribution to the cost of retiree health insurance was funded through the operating budget and from a prefunded trust fund account. Prefunding of this account was discontinued in the 1980s, and the available funds in the trust are declining. It is estimated that trust assets will be almost completely eliminated by the end of FY 2003, at which time the entire Board contribution for the retiree health plan must be funded by the operating budget. Retiree participants pay an average of 38 percent of the costs. In FY 2003, the total Board cost for the retirees' health benefits is projected to be \$22.2 million, of which \$16.3 million is included in the operating budget.

Costs for current retirement programs will decrease in FY 2002 by \$0.3 million based on 1.86 percent of salary, a reduction from FY 2002. Successful investment of trust fund assets during the past four years has increased the funded status to over 100 percent of projected obligations and has lessened larger demands on the operating budget. A five-year smoothing of investment gains and losses moderates changes in the required retirement contribution. However, this decrease

tenance and repairs, office and shop supplies, oil, tires, and tubes, and the Department of Materials Management, which will absorb cost increases for contractual maintenance and services, supplies, and replacement parts.

During the past three years, inflation in the Washington metropolitan area has remained at about 3 percent. Inflation increases are calculated for most budgeted items other than salaries, and increases for major items that have specific rates different from gen-



in contributions has been offset by additional retirement costs associated with staff increases and the impact of negotiated salary agreements. Recent setbacks in investment results, consistent with the performance of most public funds, may lead to increased demands for operating budget contributions in future years.

Costs for the MCPS contribution to the county's joint self-insurance fund will increase by \$1.9 million in FY 2003. This fund covers a variety of risk management insurance needs, including liability and fire insurance. Setbacks in the investment of self-insurance funds assets account for the bulk of the increase in the required contribution.

Inflation and Other Cost Increases

As has been true for the past several years, program staff is being asked to absorb the major effects of inflation within existing resources. Many programs that do not provide direct instructional services are absorbing 100 percent of the projected costs of inflation, at a savings of \$196,058. These reductions include the Department of Transportation, which will absorb cost increases for contractual main-

eral inflation rates are calculated separately. These include such items as utilities, tuition costs for students with disabilities who are in private placements, textbooks, and instructional materials. For other items in the budget, a projected inflation rate of 3 percent is used. However, in an effort to control inflation costs, the full cost of inflation has been cut by \$0.8 million in the FY 2003 Operating Budget. Although inflation has been recognized for textbooks, instructional materials, media center materials, and facilities maintenance—thus adding \$1.2 million to the budget—projected inflation increases for other noninstructional supplies and materials have been eliminated and the inflation projection for instructional materials has been reduced to 3 percent.

Other items requiring major increases include utilities (\$1.0 million) nonpublic tuition for special education students (\$3.8 million), maintenance (\$0.4 million), increased expenditure authority for enterprise funds that generate offsetting resources (\$2.3 million), additional support for grant projects (\$3.8 million), leases for relocatable classrooms (\$0.5 million), and other changes.

Securing Necessary Fiscal Resources

Budget requests are intended to reflect program and service needs. Yet this county's ability to fund public education needs is dependent on the fiscal environment, that is, the available resources and the level of other needs competing for these resources.

In this section, the following issues will be reviewed:

- Summary of revenues—including state and federal aid and the amount of local revenues
- Maintenance of effort—a state of Maryland law that ensures additional state aid will not supplant local revenues supporting public schools
- Spending affordability guidelines—a Montgomery County Charter amendment that ensures that annual guidelines for spending are based on projections of the available revenue

Summary of Revenues

Although in recent years, the share of the budget funded by state and federal governments has risen, the majority of the operating budget comes from county tax funds. In FY 2003, the county is expected to provide funds for approximately 77.2 percent of MCPS' total expenditures. State education aid and grants contribute about 15.7 percent, federal grants contribute 2.9 percent, enterprise funds supported by federal aid and fees make up 3.2 percent, and fees and all other sources of revenue total 1.0 percent (see Figure 14). The county percentage has declined gradually during the past decade as the Montgomery County share of state aid has increased. Nevertheless, MCPS still receives far less as a percentage from the state than other counties receive.

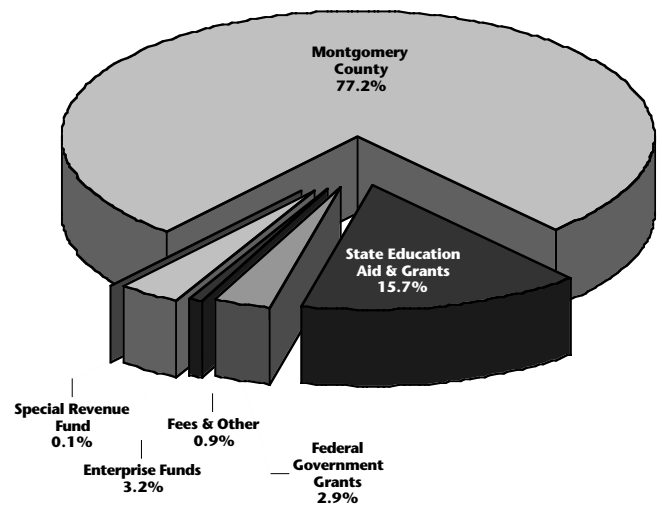
The statewide average of education funded by the state is 40 percent, as compared with 15 percent supplied to Montgomery County. This disparity results from wealth-based state aid formulas and from the fact that, as a whole, Maryland provides a lower percentage of education support than other states provide on average (49 percent). Because Montgomery County citizens are, on average, wealthier than citizens in other counties in the state, MCPS receives less state education aid per student than other school districts receive. Under the state's equalized education aid formula, the differences in funding among counties in this state are dramatic. For example, in FY 2003 Montgomery County is expected to receive only \$1,010.80 per student, whereas other Maryland counties are projected to receive an average of \$2,171 per student. Figure 15 shows the dif-

ferences in basic state aid per student among counties in Maryland. A state legislative commission has recently recommended significant changes in basic state aid formulas that would increase the disparity between aid to MCPS and other districts. The General Assembly will review these recommendations during the 2002 session.

Projected Funding Requirements as a Share of County Revenue

The citizens of Montgomery County have been generous to the schools and still provide almost 80 percent of the system's total resources, more than the percentage paid by any other county in Maryland. This support has enabled MCPS to maintain and improve a tradition of excellence. In the last decade, however, the public schools have not been a higher priority than other county services. Despite enrollment increases that are the 12th highest in the nation—more than 36 percent since FY 1990—the schools' share of the county budget has remained static at 48 percent (see Figure 16). Even including the school system's share of capital

FIGURE 14
School Revenues by Source
FY 2003 Requested Budget

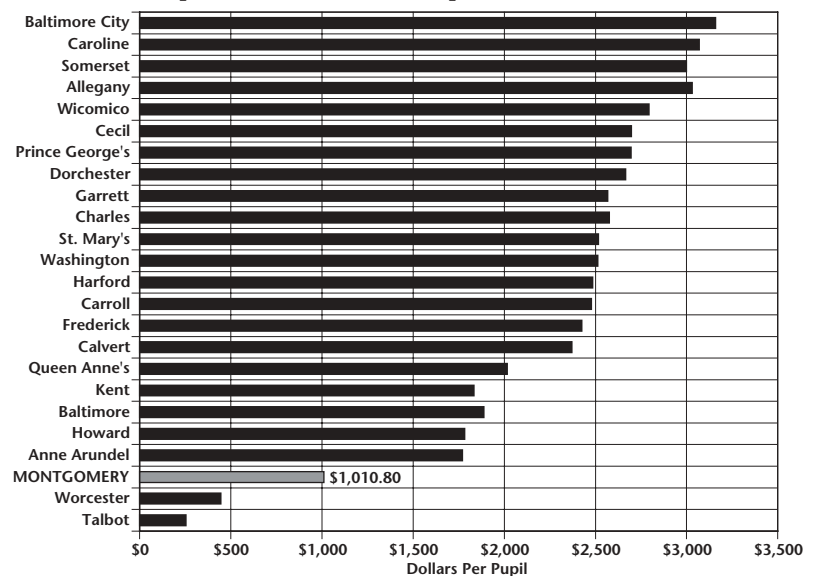


budget expenditures, the MCPS share of the total county budget remained static during this period.

Maintenance of Effort in Local Funding for Schools

According to the state of Maryland's maintenance-of-effort law, in order to receive any increase in basic state school aid, each county must appropriate at least as much per pupil as it appropriated in the previous year. More specifically, the maintenance-of-effort law states

FIGURE 15
Current Expense Aid Per Pupil — FY 2003



Source: Maryland State Department of Education, Division of Business Services.

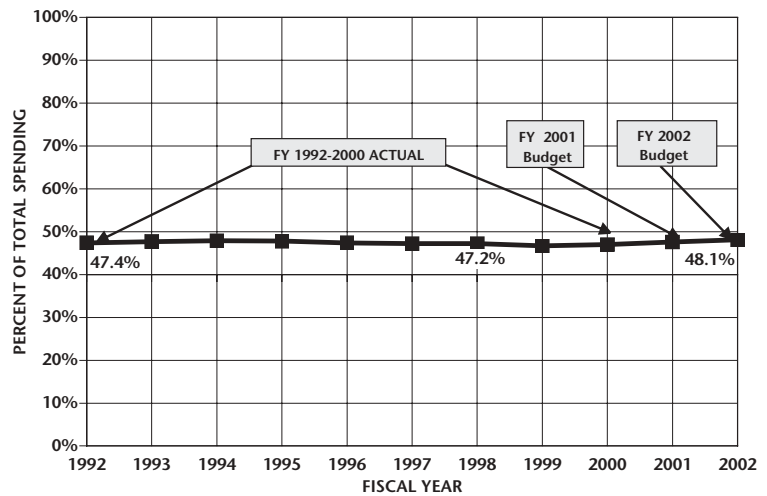
that if there is no enrollment growth, local funding is to remain the same as that of the previous fiscal year in terms of total dollars and, if there is enrollment growth, local funding is to remain the same on a per pupil basis. Moreover, if this required level of local funding effort is not met, the county may lose state aid.

This local contribution accommodates basic enrollment growth, but it does not provide for other significant fiscal needs. For instance, students with special needs cost more than twice as much as a regular education student. The maintenance-of-effort formula makes no allowance for the effects of inflation on expenditure items such as textbooks, instructional materials, and employee benefits. The costs of negotiated wages and salaries are not covered. Maintenance-of-effort requirements do not assume any funding for quality improvements. In FY 2002, the County Council approved a school budget that was \$46.0 million higher than the minimum required by the maintenance-of-effort formula. This made significant quality improvements possible, including reductions in class size. Despite reductions included in the FY 2003 budget, \$28.2 million in local funding beyond the minimum maintenance-of-effort requirement will be needed.

The maintenance-of-local-effort requirement for FY 2003 is \$1,051 million in local tax contribution, which, combined with other projected tax-supported revenue, would pro-

FIGURE 16

**MCPS Share of Total County Spending
All Funds FY 1992–FY 2002**



Source: Montgomery County FY 2002 Approved Budget, Table F-1.

duce a total FY 2003 spending affordability (tax-supported) budget for MCPS of \$1.259 billion, \$28.2 million above the maintenance-of-effort requirement. (see Figure 17).

Spending Affordability

In 1990, the Montgomery County Charter was amended to restrict increases in prop-

erty taxation. This Charter amendment limits the growth of annual property tax revenue to the rate of increase in the metropolitan area Consumer Price Index (CPI-U) from the previous fiscal year plus the value of new construction. This limit may only be exceeded if seven members of the County Council agree to a higher increase based on an analysis of spending affordability.

The county code provisions that implement this Charter amendment require that by the third Tuesday in December of each year the County Council approve preliminary spending affordability guidelines for agencies (including MCPS) that are based on the Council's estimate of the available revenues for the coming year. In 1997, the Council modified the spending affordability law that governs procedures for determining the guidelines mandated by the Charter to exclude school enrollment as a factor in determining spending affordability guidelines.

The March 1999 amendment to the spending affordability law postpones the deadline for submission of nonrecommended reductions to cut spending to within the affordability guidelines until April, after the final spending affordability guidelines are set.

As the recommended MCPS operating budget went to publication, the County Council had not yet set the preliminary spending affordability guideline for MCPS. However, it was expected that the guideline would be set at the maintenance-of-effort level, with \$1.131 billion for MCPS, which is \$28.2 million less than what the superintendent has requested in local tax-supported funding (see Figure 17). Unless county funding is approved at a level considerably above this guideline, severe cuts in instructional programs will be required.

FIGURE 17

FY 2003 Funding Calculations for Spending Affordability and Maintenance of Effort

Tax Supported Spending Affordability Budget
(excluding grants and enterprise funds)

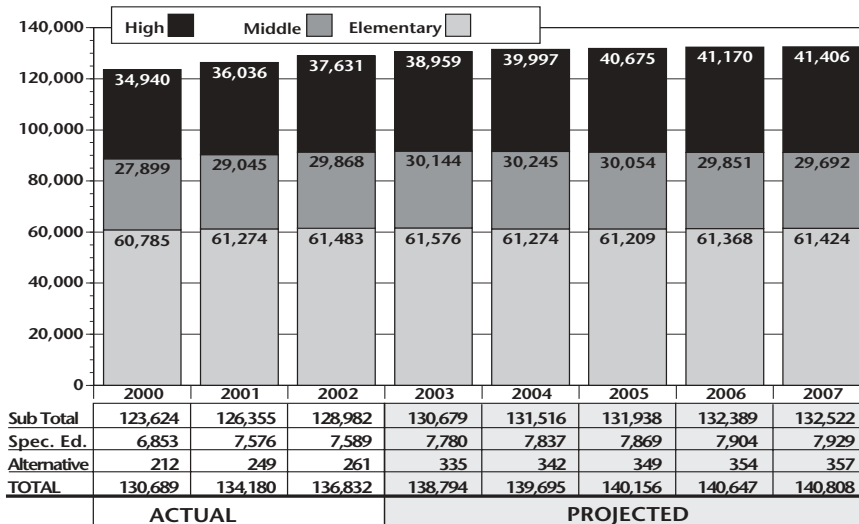
(dollars in millions)	Budget Request FY 2003	Increase over FY 2002
SPENDING AFFORDABILITY (excluding grants and enterprise funds)		
TOTAL BUDGET REQUEST	\$1,259.4	\$59.8
MCPS Spending Affordability Guideline	<u>1,231.2</u>	31.6
DIFFERENCE	\$28.2	
MAINTENANCE OF EFFORT		
TOTAL BUDGET	\$1,259.4	\$59.8
REVENUE		
Non-Local Funds:		
State Aid	176.9	9.9
Other Revenue	<u>3.1</u>	<u>0.3</u>
Local Funding Effort Required	1,079.4	49.6
Maintenance of Effort Requirement	<u>1,051.2</u>	21.4
DIFFERENCE	\$28.2	

Note: Spending Affordability calculation assumes allocation at maintenance of effort level

Long-Term Planning Overview

FIGURE 18

Enrollment by Grades — FY 2000–FY 2007



The operating budget reflects the day-to-day costs of operating and maintaining facilities, paying employees' salaries and benefits, contractual services, supplies and materials, and furniture and equipment (including new school buses). Other costs related to supporting MCPS are included in the Capital Improvements Program (CIP). The CIP addresses the school system's plans for investing in new facilities, modernization and renovation of old facilities, and other major capital investment programs. By way of comparison, the FY 2003 operating budget of \$1.4 billion is about 13 times the size of the \$105.8 million capital budget expenditures requested for FY 2003. This is because the capital program tends to fund one-time costs, whereas the operating budget represents the cumulative costs of operating and maintaining both old and new facilities, along with the balance of the school system, on a continuous basis.

FIGURE 19

Expenditures by State Budget Category (000's omitted)

Category	Actual FY 2001	Budgeted FY 2002	Budgeted FY 2003	Percent Change	Percent of Total
Instruction:					
2 – Mid-level administration	\$ 80,909	\$ 87,360	\$ 93,517	7.0%	6.7%
3 – Instructional salaries	542,945	596,033	627,297	5.2	44.9
4,5 – Textbooks, other instr. costs	36,525	40,724	40,708	(0.0)	2.9
6 – Special education	140,880	153,881	164,923	7.2	11.8
SUBTOTAL	801,259	877,998	926,445	5.5%	66.2%
School and Student Services:					
7 – Student personnel services	5,107	6,021	6,230	3.5	0.4
8 – Health services	38	41	41	–	0.0
9 – Student transportation	54,492	56,519	55,264	(2.2)	4.0
10 – Cleaning and utilities	68,561	73,603	76,505	3.9	5.5
11 – Building maintenance	24,797	25,417	26,093	2.7	1.9
SUBTOTAL	152,995	161,601	164,133	1.6%	11.7%
Other:					
1 – Systemwide support	30,849	32,155	30,218	(6.0)	2.2
12 – Insurance and employee benefits	196,733	211,873	230,941	9.0	16.5
14 – Community services	101	50	472	844.0	0.0
SUBTOTAL	227,683	244,078	261,631	7.2%	18.7%
TOTAL GENERAL FUND	\$ 1,181,937	\$ 1,283,677	\$ 1,352,209	5.3%	96.7%
37 – Cable Television Fund	907	1,004	1,045	4.1	0.1
41, 51 – Real estate/adult ed. fund	5,407	6,362	6,781	6.6	0.5
61 – Food services operations	30,693	33,444	35,640	6.6	2.5
71 – Field trip fund	966	1,912	1,974	3.2	0.1
81 – Entrepreneurial activities fund	826	1,278	946	(26.0)	0.1
TOTAL SPECIAL & ENTERPRISE FUND	38,799	44,000	46,386	5.4%	3.3%
TOTAL EXPENDITURES	\$1,220,736	\$ 1,327,677	\$ 1,398,595	5.3%	100.0%

Enrollment Trends

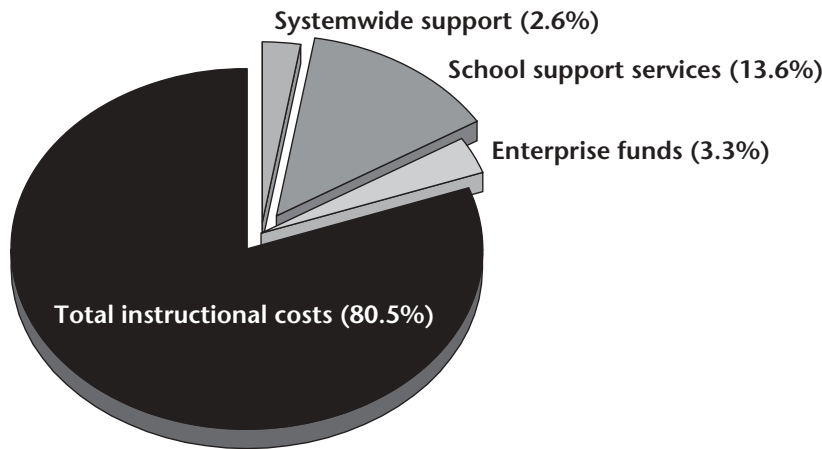
This year Montgomery County Public Schools enrolled 136,832 students. This continues a trend of annual increases of up to 3,000 students over the past 18 years. Since 1983, total school system enrollment has increased by 45,802 students. According to the United States Department of Education, this made Montgomery County 12th in the nation in terms of enrollment increases between 1988 and 1998.

By 2007, 4,096 more students are expected to enroll. Elementary enrollment has



FIGURE 20

Distribution of Education Funds



system, most of the 16.5 percent in the budget category for insurance and employee benefits also is attributable to instructional staff. This increases the total amount of MCPS resources allocated for instructional purposes to 80.5 percent (see Figure 20). Including employee benefits, school and student services support makes up 13.6 percent of the school system’s costs. Systemwide administrative support makes up only 2.2 percent of total MCPS expenses.

A 10-Year Overview

When the FY 2003 operating budget was developed, the budget decisions made since FY 1999 and their impact on instructional programs were considered. In addition, the implications of the six-year operating budget projections and the funding required to support instructional programs through FY 2008 were taken into account. As a result of consultations among county agencies and with the County Council, this budget include six-year projections for tax-supported resources displayed according to a commonly agreed format. These projections are published as a summary table in the recommended budget. This format includes major known commitments (Tier 1), inflationary projections (Tier 2), projections of the cost of future collective-bargaining agreements (Tier 3, not yet included), and multiyear initiatives and savings (Tier 4). Based on continuing discussions, it is expected that this format will be further refined for future budgets.

Figure 22 offers a 10-year overview of the MCPS operating budget. It provides a summary of the changes that have been made in the operating budget since FY 1999, the

reached its peak in FY 2002, but secondary enrollment will increase dramatically in the next six years. On an annual basis, enrollment increases will decline from 2.5 percent to less than 1 percent by FY 2007 as the school system nears a peak in enrollment. The September 2001 actual enrollment is 136,832 an increase of 2,652 from the prior year. For September 2002, projected enrollment is expected to be 138,794, an increase of 1,962. The increase in projected enrollment from the FY 2002 budget to the FY 2003 budget is 2,141. By FY 2007, total enrollment is projected to be 140,828 (see Figure 3).

In the 1980s, enrollment increases were driven by a combination of rising births and migration to the county. As the economy slowed, migration no longer contributed as much to enrollment increases. County births reached a peak of 12,773 in 1990 and, after a decline, have rebounded to an all-time high of 13,055 births recorded in 2000. Births are projected to remain at almost 13,000 for the next decade. Most significantly, the aging of elementary students creates natural increases in secondary enrollment. Just how strong a factor this natural increase is in enrollment change is illustrated by a comparison of the FY 2002 Grade 1 enrollment and the Grade 12 enrollment—9,985 versus 8,434. This difference of 1,551 students guarantees long-term enrollment increases as students age and enrollment increases in the upper grades. As the difference between the lower and upper grades narrows over the next two years, annual increases in total enrollment are expected to become smaller. Much of the future of enrollment patterns will depend on migration trends.

Expenditures by State Budget Category

State law requires each county and Baltimore City to classify school expenditures according to certain categories. This is to ensure comparability in reporting among the state’s 24 school districts. Most categories contain discrete types of expenditures: transportation, maintenance, fixed charges (employee benefits and insurance), school lunch, and special education. Figure 18 reflects MCPS’ expenditure trends by state category over the past three years.

The five categories defined as instructional costs in Figure 19 make up 66.2 percent of MCPS’ total costs. Because instructional salaries form the bulk of salary costs for the school

FIGURE 21

Savings, Efficiencies and Reductions Since FY 1991 — \$273.4 million (dollars in millions)

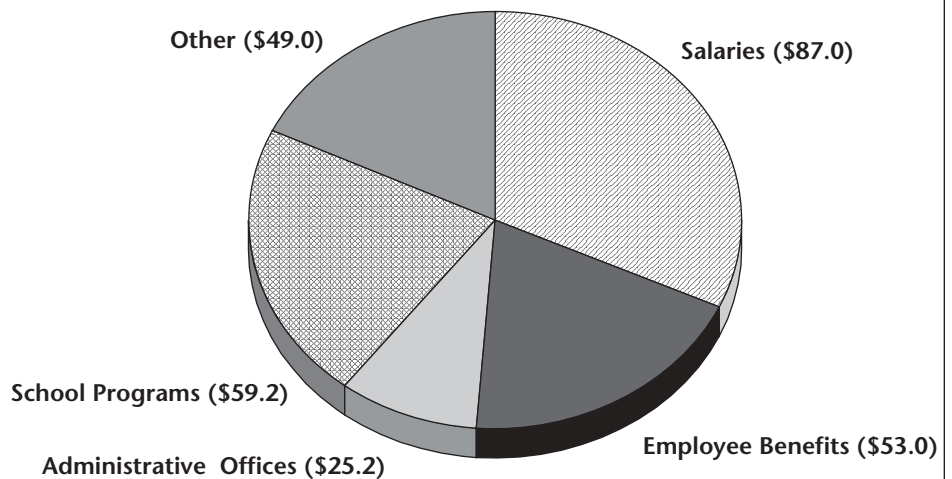


FIGURE 22

Ten-Year Overview of MCPS Operating Budget (dollar amounts in millions)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Beginning budget^(a)	\$961.6	\$1,038.0	\$1,107.2	\$1,222.0	\$1,327.7	\$1,398.6	\$1,474.8	\$1,527.1	\$1,564.5	\$1,610.5
Growth and inflation										
Growth	20.1	16.7	11.7	14.9	11.9	3.2	12.4	5.5	10.8	(2.2)
Employee benefits	8.1	8.5	12.3	14.6	17.6	13.6	12.8	14.8	15.9	16.2
Continuing salary costs	11.4	8.9	8.4	7.8	7.0	8.9	8.6	8.7	8.9	9.0
Inflation and other	9.8	5.8	8.4	9.6	12.0	12.1	15.7	16.1	18.3	15.8
SUBTOTAL	49.4	39.9	40.8	46.9	48.5	37.8	49.5	45.1	53.9	38.8
Negotiated salary costs	14.8	23.0	53.7	42.8	40.5	36.4	(b)	(b)	(b)	(b)
Multiyear budget initiatives	14.1	15.1	33.3	25.9	3.2	8.9	10.0			
Savings and efficiencies^(c)										
Subtotal, Savings & Reductions	(5.1)	(10.4)	(16.1)	(14.0)	(21.3)	(6.9)	(7.2)	(7.7)	(7.9)	(8.1)
Council-approved budget/request	\$1,034.8	\$1,105.6	\$1,218.9	\$1,323.6	\$1,398.6	\$1,474.8	\$1,527.1	\$1,564.5	\$1,610.5	\$1,641.2
Percent incr. in total operating budget	7.61%	6.51%	10.09%	8.31%	5.34%	5.45%	3.55%	2.45%	2.94%	1.91%
Enrollment	127,852	130,689	134,180	136,832	138,794	139,695	140,156	140,647	140,808	140,828
Percent increase in enrollment	2.25%	2.22%	2.67%	1.98%	1.43%	0.65%	0.33%	0.35%	0.11%	0.01%
Cost per pupil	\$7,306	7,584	8,174	8,687	8,954	9,685	9,995	10,203	10,491	10,690
Percent change in cost per pupil	3.37%	3.81%	7.78%	6.28%	3.07%	8.16%	3.20%	2.09%	2.82%	1.89%
Consumer Price Index increase	2.50%	3.60%	2.30%	2.80%	2.50%	2.40%	2.40%	2.50%	2.50%	2.50%
Percent change in real cost per pupil, adjusted for inflation	3.34%	3.77%	7.75%	6.25%	3.05%	8.14%	3.18%	2.06%	2.79%	1.87%

(a) Beginning budget is higher than Council-approved budget to reflect supplemental appropriations for grants received.

(b) For FY 2004, negotiated salary costs of 5% are included for MCEA. Years FY 2005 through FY 2008 do not include negotiated salary increases.

(c) Reflects continued management efficiencies and productivity efforts projected at .5 percent of annual beginning budgets for FY 2004-FY 2008

superintendent's FY 2003 Recommended Operating Budget, and the increases for growth and inflation that are projected for the next five years, exclusive of not-yet-negotiated salary increases. This table shows the annual increases for enrollment growth, employee salaries, employee benefits and insurance, inflation, and other costs. It also includes the amount requested for program initiatives to improve educational quality.

Finally, Figure 21 also shows for FY 1999 through FY 2003 the savings that have been made to improve efficiency or as a result of fiscal constraints. These reductions, combined with previously reported reductions of \$17.1 million in FY 1991, \$59.1 million in FY 1992, \$58.6 million in FY 1993, \$10.9 million in FY 1994, \$6.2 million in FY 1995, \$18.5 million in 1996, \$17.5 million in FY 1997, and \$10.4 million in FY 1998 total \$273 million, approximately 19 percent of the annual operating budget for FY 2003.

MCPS has steadily reduced central administration as a percentage of the total budget from 4.6 percent in FY 1991 to 2.2 percent in FY 2003 (see Figure 23).

Changes in Cost per Pupil

Figure 22 shows that the cost per pupil since FY 1999 has increased in actual dollars from \$7,306 to \$8,954 in FY 2003, excluding debt service and all enterprise funds. This represents an average annual increase of 5.9 percent. In this time period, the consumer price index has increased about 2.6 percent each year. After adjusting for inflation, the real per-pupil cost in FY 2002 dollars has increased from \$7,881 in FY 1992 to \$8,548 in FY 2002, representing an increase of 8.5 percent (see Figure 24).

Quality Management

In order to continue to improve productivity and introduce the best practices of quality management, MCPS has for a number of years stressed continuous improvement of processes and customer focus. During FY 2000, the school system began to infuse the quality management principles of

Baldrige-in-Education. With the help of a grant funded through the state of Maryland, MCPS has joined with six Maryland school districts to explore how Baldrige quality principles can improve not only administrative practices but also the approach to classroom



instruction. This grant has helped train central staff in Baldrige quality methods. In FY 2001, staff completed a comprehensive self-assessment that examined how MCPS conforms to best practices in the areas of leadership, strategic planning, student and stakeholder focus, data-driven decision making, faculty and staff focus, process improvement, and organizational results. This self-assessment was reviewed by inside and outside examiners trained in Baldrige principles. They have pointed out both current strengths and opportunities for improvement. MCPS is the first school district in Maryland to complete this valuable self-assessment process. The grant also was used to support schools in the Walter Johnson Cluster that have begun to apply Baldrige principles of planning, collaboration, and self-assessment in the classroom. As MCPS continues to develop its strategic plans for the next 10 years, we can expect this commitment to Baldrige principles to have a crucial impact on improving our focus on quality management and measurable results for students.

FIGURE 23

Change in Administrative Category as a Percent of the Operating Budget

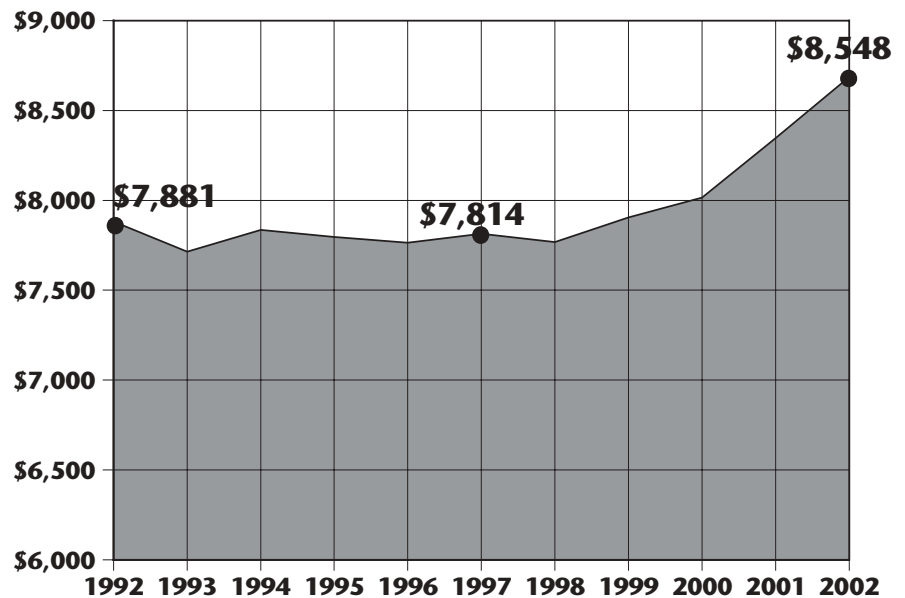
Year	Budget	Total Category 1	%
FY 1991	702,960,211	32,151,979	4.6
FY 1992	719,262,067	29,378,470	4.1
FY 1993	744,808,273	26,960,622	3.6
FY 1994	790,162,842	27,453,161	3.5
FY 1995	836,118,020	23,082,437	2.8
FY 1996	879,423,960	22,824,652	2.6
FY 1997	916,835,603	23,435,528	2.6
FY 1998	969,010,164	26,537,849	2.7
FY 1999	1,032,598,526	33,064,502	3.2
FY 2000	1,107,216,666	29,691,684	2.7
FY 2001	1,221,998,485	30,484,861	2.5
FY 2002	1,327,677,193	32,155,417	2.4
FY 2003	1,398,594,671	30,218,318	2.2

NOTE: Data displayed for FY 1991 through FY 1994 is based on the old state category 1. Data displayed for FY 1995 through FY 2003 is based on the new state category 1.



FIGURE 24

MCPS Cost per Pupil in FY 2002 Dollars



Collaboration with Other Agencies

Montgomery County Public Schools has expanded the level of collaboration with other county agencies to minimize potential duplication of services and allow each agency to benefit both from the strengths of others and from their collective strength. Cooperative arrangements include provision of social services to children and families, child care, recreation, employee benefits management, procurement, cash management, risk management services, facilities planning and design, media services, facilities operations, solid waste recycling, food services, transportation, and maintenance. Such cooperation allows MCPS to take advantage of volume discounts, provides higher-quality service at reduced cost, and increases staff productivity. The following are examples of cooperation.

Early Success

In January 2000, at the request of the County Council, MCPS initiated an extensive collaborative effort to improve early childhood services. Under the leadership of the superintendent, a variety of MCPS units worked intensively with the Department of Health and Human Services (DHHS) and the Collaboration Council for Children, Youth, and Families, an organization that includes Montgomery County government agencies as well as nonprofit organizations and individuals. The goal is to improve services for children from before birth until they begin kindergarten, with the aim of seeing that every child in Montgomery County is ready to start school successfully.

Many preschool children are not receiving needed services and many parents are unaware of how best to help their children succeed. In March 2000, as a result of this collaboration, the county executive recommended a detailed multiyear plan for Early Success. It included a spectrum of key improvements, including parent outreach, improved child care, more comprehensive assessment and evaluation of early childhood services, and full-day kindergarten with a revamped literacy-based curriculum. The Board of Education, the County Council, and the county executive also jointly endorsed a plan for a new management structure for early childhood, including the appointment of an early childhood chief who coordinates all early childhood services in the county. The early childhood services chief participates actively in the MCPS leadership team. MCPS staff is participating and leading several working groups that are implementing approved plans for early childhood initiatives.

The state of Maryland has shown great interest in what has begun in Montgomery

County. In April 2000, for example, the state legislature established parenting support centers (Judy Centers) throughout the state. MCPS has received funding for one Judy Center that opened in 2001 in Silver Spring and another planned for Gaithersburg. The state superintendent of schools also has endorsed the expansion of full-day kindergarten. The legislative commission considering state funding formulas has endorsed the expansion of full-day kindergarten throughout the state.

Linkages to Learning

This program was established in 1991 as a way to alleviate some of the social and family problems that undermine children's academic pursuits. Currently, the program provides social and mental health services to thousands of families at 25 schools and centers. The construction at these facilities is performed by MCPS on a 50/50 cost-sharing basis with Montgomery County. MCPS provides these facilities rent-free and also pays for utilities and custodial care. With its placement of centers in school facilities, Linkages to Learning seeks to provide greater access to health and social services and referrals for at-risk children and families who may otherwise not receive or seek such integrated services.

Print Shop Consolidation

In cooperation with the County Council and the county Department of Public Works and Transportation, MCPS has taken the lead in the consolidation of county printing and graphics services. In FY 2000, printing operations were consolidated in the MCPS Stonestreet Avenue facilities, including the participation of county employees. This will permit more cost-effective use of the latest printing and graphics technology. The FY 2003 operating budget includes funding of \$293,842 in the Entrepreneurial Activities Fund to reflect sales of printing services to county government and other government agencies. The consolidation allows a reduction in overall costs by combining the county and MCPS print shops.

Recycling

The Board of Education has approved a policy to comply with county law that requires public agencies to recycle 50 percent of their solid waste stream. Each school has appointed a recycling coordinator to develop a local school plan to meet county mandates. In collaboration with the county Division of Solid Waste Services (DSWS), MCPS has developed a variety of strategies to promote recycling in all schools and offices. DSWS also

has provided valuable technical support to assist MCPS in achieving its goals. In addition to these plans for recycling, MCPS is looking to revise the curriculum to highlight waste reduction and recycling issues.

After-School Activities Programs

MCPS has cooperated with DHHS and the Collaboration Council to establish after-school programs at middle schools with the help of federal grant funds. Other collaborative arrangements have grown, including the community support programs to serve suspended students and return them to school as soon as possible. This program was modeled on the successful pilot program developed by Sherwood High School in cooperation with the Sharp Street Baptist Church and the Olney community. The Board of Education continues to work with volunteer organizations and the county government to expand this program to other communities.



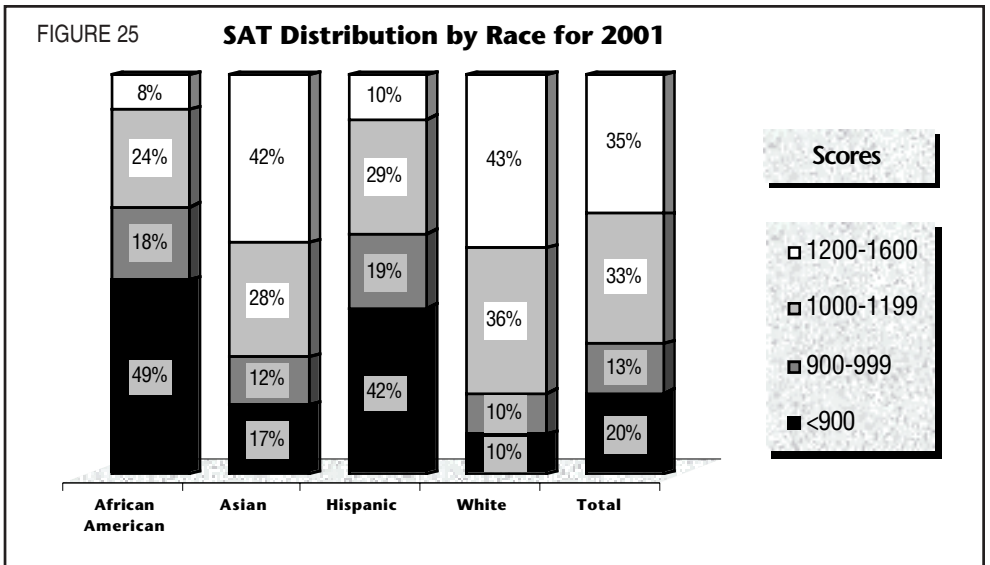
The Montgomery County is already seeing the beginning of a return on its investment in better schools. Although the results are still uneven, real improvements have occurred in the measures of academic achievement. The data show strong evidence of academic progress, underscoring the impact of successful instructional strategies and the importance of increased rigor in the curriculum. The data show that the average student is scoring well above national norms in reading, language, and mathematics.

Scholastic Assessment Test

Last year 79 percent of the MCPS graduating class took the Scholastic Assessment Test (SAT). Overall, the average score for the school system was 1092, the highest systemwide average score in Maryland, 74 points above the statewide average and 72 points above the national average. The systemwide score reflects a decrease of one point due to a single-point decline in the average mathematics score (556) from the record-setting performance achieved the year before. The average score in the verbal portion of the exam remained the same at 536.

Despite these overall favorable results, the SAT reflects a continuing disparity by race and ethnicity. Average scores among African American students declined by four points to 911, a loss of 13 points since 1999. The average scores of Hispanic students declined by 11 points to 949, a 45-point decline over four years. Meanwhile, SAT scores among Asian American students increase to an average of 1127, while average scores among white students rose to 1154, the highest ever reported and a gain of 15 points since 1997.

These results are consistent with the continuing need for remedial courses among many graduates entering Montgomery College. In FY 2001, MCPS enhanced its partnership with Montgomery College to make sure that MCPS graduates are prepared for success in college-level courses. Each agency budgeted more than \$1 million for testing, intensive support, and teacher training to improve high school literacy skills. Last year all grade 10 students took the Preliminary Scholastic Assessment Test (PSAT) to monitor their readiness for college-level courses. This testing provides students, parents, and teachers with the information they need to guide college preparation.



The Maryland School Performance Assessment

MCPS students continue to make progress on statewide assessments, achieving the highest-ever results locally on the Maryland School Performance Assessment Program (MSPAP). The county's improved performance on the MSPAP moved the school system from 5th to 4th place among the state's 24 jurisdictions, and maintained the system's position as the highest performing large district in Maryland. The overall composite score for the school district for the 1999-2000 school year was 55.4 percent, an increase of 0.6 percentage points over the previous year. Results for the 2000-2001 school year have not yet been released by the Maryland State Department of Education.

Academic Progress

Other recently released results point to strong evidence of academic progress.

- The first administration of the Comprehensive Test of Basic Skills (CTBS), a national test now required by the state, produced results last spring well above the national average, with students in Grade 2 scoring at the 64th percentile in reading, 68th percentile in language, and 70th percentile in mathematics. Students in Grade 4 scored at the 75th percentile in reading, 74th percentile in language, and 78th percentile in mathematics. Students in Grade 6 scored at the 70th percentile in reading, 70th percentile in language, and 77th percentile in mathematics.

- The secondary school dropout rate was 1.71 percent. A recent national study cited Montgomery County Public Schools as the top district in the nation in the graduation rate for Hispanic students, fourth nationally for African American students, and second overall in the graduation rate of minorities. Overall, 82 percent of MCPS graduates planned to attend college.
- In Grade 9, nearly three-fourths passed Algebra 1 or a higher math course last year. This included gains for African American students (54 percent), Hispanic students (47 percent), Asian American students (90 percent), and white students (87 percent) passing the course in ninth grade.
- The highest percentage of students were enrolled last year in Honors and Advanced Placement courses (61 percent). This achievement included the highest percentage for African American students (39 percent), Asian American students (75 percent), white students (72 percent), and Hispanic students (36 percent). Despite this improvement, the gaps among racial and ethnic groups remain very wide.
- The highest percentage of eighth graders since 1995 passed Algebra 1 or a higher math course (45 percent) last year. This included the highest percentage for African American students (24 percent), Hispanic students (19 percent), Asian American students (63 percent), and white students (57 percent) passing these courses in eighth grade.
- From 1998 to 2001, the number of Advanced Placement tests taken by MCPS students increased 75 percent and the number of students taking these tests increased to 59 percent.

Budget Review and Adoption Process

On December 6, 2001, the superintendent of schools presented his recommended operating budget for FY 2003 to the Board of Education. The development of this budget was the result of an unprecedented effort to reach out to the community for reaction and input. The superintendent presented his plans to school staff, parents, and community organizations. In addition to public meetings, the superintendent benefited from the contributions of the Trend Bender Budget Review Committees commissioned by the Board of Education. Six of these committees were established, one for each of the trend benders in Our Call to Action, under the leadership of the associate superintendents and the chief operating officer. These committees consist of parents, community representatives, business leaders, and MCPS staff. The committees include greater community diversity than ever before. They reviewed in depth the progress made and issues remaining on each of the trend benders. The results of these forums and the Trend Bender Budget Review committees played a major role in shaping the recommendations of the FY 2003 Operating Budget.

After public hearings on January 9, 10, and 16, 2002, the Board of Education will hold work and action sessions and adopt the requested budget on January 31, 2002. The Board of Education's budget will be sent to each principal, PTA president, and public library shortly after March 1, 2002, when the

law requires that it be submitted to the county executive and the County Council.

The County Council schedules public hearings on all local government budgets in early April. The County Council's Education Committee schedules work sessions on the Board of Education's budget in April, and the full County Council begins work on the

school budget in late April. The Montgomery County Charter, as amended by the voters in November 1992, requires the County Council to act on all budgets by May 31 of each year. After the Council completes its appropriation action, the Board of Education will adopt the final approved budget for FY 2003 on June 11, 2002.



FY 2003 MCPS Operating Budget — Timeline of Budget Actions

Superintendent presents Recommended Operating Budget	December 6, 2001
Sign-up begins for Board of Education Operating Budget Hearings	December 26, 2001
Board of Education Operating Budget Hearings	January 9, 2002 at 7:00 p.m. January 10, 2002 at 7:00 p.m. January 16, 2002 at 7:00 p.m.
Board of Education Operating Budget Work Session	January 22, 2002 at 7:30 p.m.
Board of Education Operating Budget Action/Adoption	January 31, 2002 at 7:30 p.m.
Board of Education FY 2002 Operating Budget Request presented to County Executive and County Council	March 1, 2002
County Executive issues Operating Budget	March 15, 2002
County Council holds Operating Budget Hearings	April 2002
Council approves Operating Budget	May 31, 2002
Board of Education takes final action on Operating Budget	June 11, 2002

Selected MCPS Statistics

Selected MCPS Statistics (FY 1995 – 2003)

Selected Trends	Fiscal Year (ACTUAL)							(BUDGETED)		Change Since FY 95
	1995	1996	1997	1998	1999	2000	2001	2002	2003	
ENROLLMENT										
Regular Enrollment	111,745	114,699	116,254	118,446	120,872	123,836	126,604	129,243	131,014	17.2%
Special Education (levels 4/5)	5,337	5,592	6,251	6,589	6,980	6,853	7,576	7,589	7,780	45.8%
Total Enrollment	117,082	120,291	122,505	125,035	127,852	130,689	134,180	136,832	138,794	18.5%
ESOL Students	7,328	7,465	7,426	7,452	8,689	9,160	9,472	10,607	10,850	48.1%
% of Free & Reduced Meals (FARMS)	21.3	21.9	22.2	24.4	22.5	22.3	21.8	21.5	22.0	3.3%
Cost Per Pupil	\$6,562	\$6,694	\$6,866	\$6,949	\$7,306	\$7,584	\$8,166	\$8,548	\$8,954	36.5%
NUMBER OF SCHOOLS										
Elementary	123	123	123	123	123	124	124	125	125	1.6%
Middle/Intermediate	27	29	30	32	32	35	35	35	36	33.3%
Senior	21	21	21	21	23	23	23	23	23	9.5%
Career Centers	1	1	1	1	1	1	1	1	1	0.0%
Special Centers	7	6	6	6	6	6	6	6	6	-14.3%
Total Number of Schools	179	180	181	183	185	189	189	190	191	6.7%
New Schools Opened	0	1	1	2	2	4	0	1	1	N/A
SOURCE OF REVENUE										
% County	83.0	81.7	80.9	80.0	79.5	78.6	78.6	77.6	77.2	N/A
% State	11.2	12.5	13.0	13.8	14.5	14.7	14.8	15.5	15.7	N/A
% Federal	2.4	2.3	1.7	2.5	2.6	3.0	3.0	2.7	2.9	N/A
% Fees & other	0.2	0.3	1.1	0.4	0.4	0.5	0.5	1.0	0.9	N/A
% Surplus from prior year	0.2	0.2	0.2	0.2	0.0	0.1	0.1	0.0	0.0	N/A
% Enterprise Funds	3.0	3.0	3.1	3.1	3.1	3.1	3.0	3.1	3.2	N/A
% Special Revenue Fund							0.1	0.1	0.1	N/A
PERSONNEL CHANGES										
Total Professional	8,348	8,418	8,654	8,907	9,480	9,981	10,652	11,205	11,239	34.6%
Total Supporting Services	5,930	5,988	6,100	6,308	6,599	6,965	7,104	7,370	7,322	23.5%
Total Full-Time Positions	14,278	14,406	14,754	15,215	16,079	16,946	17,756	18,575	18,561	30.0%
Systemwide Administration										
As a % of Operating Budget	2.8%	2.6%	2.6%	2.7%	3.2%	2.7%	2.5%	2.4%	2.2%	N/A
Average Teacher Salary	\$47,409	\$46,926	\$49,369	\$49,793	\$50,647	\$51,913	\$52,519	\$54,900	\$57,693	N/A
Consumer Price Index Increase*	2.8	2.2	3.9	1.7	2.5	3.6	2.3	2.8	2.5	N/A
TRANSPORTATION										
Number of Buses	905	959	981	1,007	1,032	1,089	1,106	1,116	1,215	34.3%
Average Age of Bus in Service	6.9	7.0	7.3	7.1	6.8	6.7	6.4	6.0	6.7	N/A

*Washington metropolitan area.

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850 Hungerford Drive
Rockville, Maryland 20850-1744

MAKE YOUR VOICE HEARD

Whether you have children in MCPS or not, the state of the school system should be of concern to you. First, your taxes finance the majority of the school system's operating cost. Therefore, you should have a say in how those funds are spent. Second, the quality of the school system attracts business to the county, which affects the taxes required from individual residents. Finally, if you are a parent with a child in school, you have a special interest in ensuring that your child receives the best education possible.

You are therefore encouraged to take advantage of the many opportunities afforded you to make your voice heard. These include Board of Education budget hearings, participation in MCPS budget review committees, testimony before the County Council, and written comments to the superintendent and Board of Education. Get involved and learn about your public school system and what it does for the children of Montgomery County.



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