

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

March 28, 2011

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools

Subject: Non-Recommended Reductions to the Fiscal Year 2012 Operating Budget

On February 8, 2011, the Montgomery County Council approved Spending Affordability Guidelines (SAG) for the Fiscal Year (FY) 2012 Operating Budget. As required by the Montgomery County Code, Section 20-62, each tax-supported county agency including Montgomery County Public Schools (MCPS) must state no later than March 31 of each year how it would reduce its operating budget for the succeeding fiscal year if its budget request exceeds the SAG allocation approved by the County Council for that agency.

Background

The County Council approved a SAG allocation for MCPS of \$1,863,900,000. The Council also approved a separate allocation for MCPS of \$53,200,000 dedicated to the Retiree Health Trust Fund for Other Post-Employment Benefits (OPEB). On February 14, 2011, the Board of Education adopted a FY 2012 Operating Budget Request for tax-supported funds of \$2,069,719,622 including \$47,660,833 for OPEB contribution. Excluding OPEB contributions, the Board of Education's request exceeds the SAG allocation to MCPS by \$158,158,789 (8.5 percent). Section 20-62 of the Montgomery County Code requires each agency whose budget request exceeds the spending allocation approved by the Council to submit "prioritized expenditure reductions" that would be necessary to comply with the allocation no later than March 31.

On March 15, 2011, County Executive Isiah Leggett presented his FY 2012 Recommended Operating Budget. He recommended a total of \$2,123,491,884 for MCPS, including \$1,987,614,562 in tax-supported resources (excluding grants and enterprise funds) and \$1,415,085,344 in local contribution, which is the same amount of local funding as the FY 2011 Approved Operating Budget. If approved by the County Council, the county executive's recommendation will require tax-supported reductions of \$82.1 million (4.0 percent) from the Board of Education's FY 2012 Operating Budget Request. This amount is equal to the increase

in local contribution required by the state Maintenance of Effort (MOE) law. These reductions will be extremely painful for schools and employees. Any possible further reductions will significantly endanger the quality of education for MCPS students.

Spending Affordability Guidelines

The County Council's SAG allocation for MCPS assumes that each tax-supported county agency will make a 2.9 percent reduction in its current tax-supported budget. While this approach treats each agency equally, it does not discriminate among agencies based on need. Councilmembers often have stated that education is their top priority for local funding. This makes sense because the support for public schools is a basic local government function, the only such function specifically guaranteed by the Maryland State Constitution. In FY 2012, MCPS expects to serve an additional 3,400 students who require classroom teachers and other mandatory services. Not providing additional funding for this purpose would supplant state aid specifically based on higher enrollment and force reductions in services for all students in order to serve the additional students. The Board of Education also faces higher costs for unavoidable expenses such as health care and retirement costs for current employees, higher diesel fuel prices, higher utilities costs because of the increased county energy tax, and higher costs for textbooks and instructional materials. The MOE formula does not provide automatic local funding for any increased costs other than increased enrollment. Without additional funding to meet higher expenses, services to students must be reduced. Recognizing such priority for education, the County Council increased the proportion for tax-supported funding for MCPS schools in FY 2011, even as it was reducing local funding for schools. With temporary federal aid discontinued for FY 2012, MCPS needs increased local support to meet its increased costs. The SAG allocation does not take into account any of these factors.

As a result of these continuing needs, the Board of Education's Operating Budget Request exceeds the SAG allocation—excluding the allocation for the OPEB contribution—by \$158,158,789. When the County Council adopted SAG on February 8, 2011, several councilmembers stated that the February guidelines were almost meaningless until the resources available to the county were clearer based on the county executive's March 15 recommendation. This expectation is confirmed by the information in the county executive's budget. Therefore, there seems to be no practical rationale at this time for developing a list of \$158.2 million in potential reductions based on such outdated assumptions. Regarding the county executive's recommendation, on March 2, 2011, I issued a list of potential reductions totaling \$45.1 million and including reductions of 608.4 positions. A copy of this list is attached. These and other reductions, such as the amount budgeted for OPEB, step and longevity increases, and employee benefit plans must be considered if funding is not received at a level greater than the county executive's recommendation.

MOE Waiver

The county executive's budget recommendation will require a waiver of the MOE law. The MOE requirement for local contribution for FY 2012 is \$1,497,190,404, based on \$10,664 per student. The local contribution required for Mr. Leggett's recommended tax-supported budget is \$1,415,085,344. To avoid violating the MOE requirement, the county will need a waiver of \$82,105,060. Without an MOE waiver, MCPS may face a penalty of the loss of increased state aid of at least \$22.4 million.

Although I find the county executive's recommendation very disappointing, MCPS faces the impact of the penalty if no waiver is approved. Therefore, I am reluctantly recommending to you that we join with the county government in seeking a waiver from the MOE requirement. It is important to point out that MCPS has been exceedingly cooperative with the county government as it confronts the worst economic downturn in decades. Over the past three years, we have saved more than \$300 million, including foregoing salary increases for MCPS employees who deserve greater pay because of the outstanding results they are achieving for students. If this waiver request is approved, MCPS will have absorbed total reductions below the minimum MOE requirement of \$300,502,574 for the last three years.

Mr. Leggett intends to submit a request for an MOE waiver to the Maryland State Board of Education (State Board) by the current deadline of March 31, 2011. Pursuant to Section 5-202 (d) (7) of the Annotated Code of Maryland, Education Article, Mr. Leggett will state that the county's fiscal condition prevents it from funding the MOE requirement without seriously impairing other county services. Pursuant to State Board procedure, the Montgomery County Board of Education must state its position on this request no later than April 10, 2011. It is expected that the State Board will schedule a public hearing on the county request during April 2011. The Board of Education will have an opportunity to participate in that public hearing. Thus, it is important that the Board of Education makes its position clear on the county's waiver request. The following resolution therefore is recommended for the Board of Education's consideration.

WHEREAS, The Board of Education submitted the Fiscal Year 2012 Operating Budget Request totaling \$2,205,722,618 on March 1, 2011, including \$2,069,719,622 for tax-supported funds; and

WHEREAS, The Board of Education's request exceeds the Montgomery County Public Schools Spending Affordability Guidelines allocation of \$1,863,900,000 and a separate allocation for Other Post-Employment Benefits for retiree health prefunding of \$53,200,000 by \$158,158,789 (8.5 percent) approved by the County Council on February 8, 2011; and

WHEREAS, Section 20-62 of the Montgomery County Code requires each agency whose budget request exceeds the spending allocation approved by the Council to submit "prioritized

expenditure reductions” that would be necessary to comply with the allocation no later than March 31; and

WHEREAS, On March 2, 2011, I issued a list of potential expenditure reductions that would be necessary if the Board of Education’s budget request is not funded at the required Maintenance of Effort level of local contribution; and

WHEREAS, The county executive recommended a tax-supported amount of \$1,987,614,562 in tax-supported expenditures for Fiscal Year 2012 on March 15, 2011, including a local contribution of \$1,415,085,344; and

WHEREAS, Montgomery County intends to request a waiver totaling \$82,105,060 of the Maintenance of Effort requirement of a local contribution of \$1,497,190,404 (\$10,664 per student), pursuant to Section 5-202 (d) (7) of the Annotated Code of Maryland, Education Article, because the county’s fiscal condition prevents it from funding the Maintenance of Effort requirement without seriously impairing other county services; and

WHEREAS, Pursuant to Maryland State Board of Education procedures, the Montgomery County Board of Education must state its position on the county’s waiver request no later than April 10, 2011; and

WHEREAS, Montgomery County Public Schools’ staff has received information about the county’s fiscal condition and has worked closely with county staff to review economic and revenue data; and

WHEREAS, The county executive’s Recommended Fiscal Year 2012 Operating Budget requires the Board of Education to make \$82.1 million in non-recommended reductions in its Fiscal Year 2012 Operating Budget Request; and

WHEREAS, No further reductions below that amount can be made without seriously endangering the quality of education for Montgomery County Public Schools’ students; now therefore be it

Resolved, That the Board of Education supports the Montgomery County request for a waiver of the Maintenance of Effort requirements for Fiscal Year 2012, if the following conditions are agreed to by the county executive and the County Council and are included in the action of the Maryland State Board of Education:

1. The Operating Budget amount of \$1,987,614,562 in tax-supported resources (excluding grants and enterprise funds) recommended by the county executive on March 15, 2011, is fully funded by the County Council without reducing the appropriation in any state category of expenditure below the amount recommended by the county executive. This

amount necessitates \$82.1 million in non-recommended reductions in the Board of Education's Operating Budget Request.

2. The Fiscal Year 2012 appropriation does not include any transfers of functions or expenditures from the county government's budget to the Board of Education's budget unless the amount of the transfer is added to the amount recommended by the county executive.
3. Local contribution for Fiscal Year 2013 will be based on the Fiscal Year 2012 required amount of \$10,664 per student in order to prevent a permanent reduction in the required level of local support, unless subsequent action of the Maryland General Assembly changes the amount of the Fiscal Year 2013 requirement by law; and be it further

Resolved, That further reductions below that amount would seriously endanger the quality of education for Montgomery County Public Schools' students; and be it further

Resolved, That the attached list of potential budget reductions meets the requirements of county law for spending affordability guidelines. These and other reductions, such as the amount budgeted for Other Post-Employment Benefits, step and longevity increases, and employee benefit plans must be considered if funding is not received at a level greater than the county executive's recommendation; and be it further

Resolved, That the president of the Board of Education be authorized to submit this resolution to the Maryland State Board of Education and to represent the Board of Education at a public hearing on the county's waiver request; and be it further

Resolved, That a copy of this resolution be sent to the county executive and the County Council.

JDW:LAB:MCS:jp

Attachment

MONTGOMERY COUNTY PUBLIC SCHOOLS

FISCAL YEAR 2012 OPERATING BUDGET

REVISED SUMMARY OF POTENTIAL BUDGET REDUCTIONS

In the event that Montgomery County Public Schools does not receive local funding for the Fiscal Year (FY) 2012 Operating Budget at the minimum Maintenance of Effort (MOE) level, it will be necessary to consider significant service reductions in the base budget. The amount of reductions will depend on how much local funding is actually received compared to the amount required by MOE. The following revised list contains potential major reductions in the budget and shows modifications since the list was originally issued. The list is not in any priority order, but will give stakeholders an overall idea of what reductions may be necessary to consider before the FY 2012 Operating Budget is approved in June 2011.

Item	Description	FTE	Savings
1	Class Size—An increase of an average of 1 student per class at the elementary and middle school levels and by .4 at the high school level would eliminate 193.4 168.4 teacher positions. This is in addition to the 240.0 positions cut to increase class size by an average of 1 for FY 2011.	193.4 168.4	\$12,608,419 \$10,978,582
2	Academic Intervention Teachers—Cutting 13.0 of the 46.4 elementary and 10.0 of the 38.5 middle school positions would significantly impact support for struggling students. This is over and above 33.8 positions cut in FY 2010 and FY 2011.	23.0	\$1,499,450
3	Staff Development Teachers—Reducing the 181.1 positions budgeted for elementary, secondary schools, special/alternative education by 79.4 51.2 (44 28 percent) would leave 101.7 129.9 positions.	79.4 51.2	\$5,761,618 \$3,715,300
4	Reading Recovery [®] Teachers—This would eliminate the support currently provided by Reading Recovery [®] teachers to elementary students who have reading delays. However, we will restore 7.0 teachers to support reading in 14 schools.	15.0 8.0	\$968,903 \$516,748
5	Instrumental Music Teachers—A reduction of 4.0 of the 37.2 instrumental music teacher positions would require that students receive instruction in larger groups and some students may receive less support.	4.0	\$260,774

Item	Description	FTE	Savings
6	School Counselors—A cut of 10.0 5.0 elementary and 10.0 middle school counselors would increase the ratio of students to professionals and severely impact services to at-risk students. In FY 2011, 9.0 school counselor positions were cut from the budget.	20.0 15.0	\$1,628,625 \$1,272,544
7	Elementary Paraeducators, Lunch Hour Aides, Parent Community Coordinators—A cut of 20.0 paraeducators, 6.0 lunch hour aides, and 2.2 parent community coordinators will reduce support at a time of significant student growth. There was a reduction of 27.0 paraeducator positions in FY 2011.	28.2	\$1,077,784
8	Instructional Data Assistants—A reduction of 16.4 elementary and 4.75 middle school positions will reduce support to administrators and teachers who use student data to drive educational decisions.	21.1	\$1,003,753
9	Media Assistants—A reduction of 23.0 elementary, 8.0 middle, and 7.5 high school positions will require a change in the current enrollment-based guidelines for allocating these positions to schools. Overall, support to students will be decreased. There were 10.5 media assistant positions cut over the last two years.	38.5	\$1,597,511
10	Middle School Extended Day/Year Program—The elimination of middle school after-school and summer school programs would cut services to middle school students who require significant support and are at risk of academic failure.		\$1,568,046
11	Assistant School Administrators—There would be a reduction of 8.0 2.0 of 15.0 middle school positions and 10.0 2.0 of 20.0 high school positions. These positions provide valuable support to the school administrative team, teachers, students, and the school community.	16.0 4.0	\$2,002,052 \$500,512
12	Security Assistants—School security staff will be reduced by cutting 10.0 2.0 positions at middle schools (from 69.0 to 59.0 67.0 positions), and 10.0 2.0 positions at high schools (from 112.0 to 102.0 110.0 positions). This reduction in staff would impact the ability of schools to maintain a secure learning environment.	20.0 4.0	\$858,655 \$171,731

Item	Description	FTE	Savings
13	Outdoor Education—Eliminating this program would deprive students of opportunities to participate in a variety of outdoor environmental field activities, including the overnight program for sixth grade students.	7.0	\$596,767
14	ESOL Counselors/Staffing Ratios—A reduction of 5.0 4.0 ESOL counselors would reduce the number of positions from 11.0 to 6.0 7.0 . A reduction of 9.1 teacher positions would increase the student-to-staff ratio by .8 for elementary schools, .5 for middle schools, and .6 for high schools. There was a reduction of 6.0 ESOL teacher positions in the FY 2011 budget.	14.1 13.1	\$956,712 \$884,022
15	Vocational Support/Career Preparation Teachers—Vocational support teachers would be reduced by 50 25 percent – from 20.0 to 10.0 15.0 positions. Career preparation teachers also would be cut by 50 25 percent from 20.5 to 10.5 15.5 positions. Remaining staff will have to serve more students with less individual attention.	20.0 10.0	\$1,303,870 \$651,934
16	Reduce High School English Composition Assistants—Reduce 9.75 of 58.3 English composition assistants. Staff would have less time to assist individual students and teachers. This will reduce valuable support guiding students to postsecondary careers.	9.75	\$456,421
17	High School Career Information Coordinators—Change schedule of high school career information coordinators from 12- to 10-month positions (same number of days as media assistants). This will reduce valuable support to students during the summer.		\$264,141
18	Eliminate High School Activity Buses—Eliminate bus availability for students participating in after-school and extracurricular activities. Students will need to arrange their own transportation home to continue participation. Elementary school activity bus service was eliminated in FY 2011.		\$294,000
19	Reduce Funds for High School Athletics—Reduce stipends and other expenses that support high school athletics. This cut could reduce the number of coaches, games, practices, and/or teams in various sports. This will result in fewer athletic opportunities for students and could result in additional extracurricular fees to offset budget reductions.		\$1,080,000

Item	Description	FTE	Savings
20	Reduce Building Service Workers—Reduce 60.0 building service worker positions from a total of 1,262 school-based positions (5 percent). Remaining staff would clean more space and there would be less flexibility in assignments. Some preventive maintenance likely will be delayed.	60.0	\$2,422,981
21	Instructional Technology Systems Specialists (ITSS)—Reduce 8.0 out of 38.0 middle school ITSS positions and 1.0 out of 26.0 high school positions. The reduced level of support will result in longer waiting periods to resolve technology hardware and software problems that arise during the school day.	9.0	\$694,276
22	Middle School Lunch Hour Aides—Reduce 20.0 lunch-hour aide positions from the 34.6 budgeted for middle schools for FY 2012. Without these positions, school administrators and security staff will have responsibility to supervise students during lunch periods.	20.0	\$622,302
23	High School Secretaries 1—Eliminate 13.25 of the 82.9 school secretary I positions (18 percent) at the high school level. Completion of general office responsibilities will be delayed. Students, parents, staff, and visitors will be required to wait longer for assistance. Also, cut a .5 registrar position.	13.75	\$572,063
24	High School Teacher Assistants—Reduce 3.575 teacher assistant positions at the high school level.	3.575	\$119,661
25	Reduce School Furniture and Equipment and Other K-12 Resources—Delay restoration of school furniture and equipment reductions made in FY 2011. Schools will have to continue using older furniture and equipment, except for emergency needs, until budget resources can be restored. Other reductions would reduce temporary part-time salaries for support of school improvement needs and reduce the cost of school contractual services.		\$864,000
26	Secondary Learning Centers—Continue phase-out of high school learning centers. Students already in secondary learning centers will remain through Grade 12. In addition, change staffing ratios in remaining center classes to match similar classes in other special education programs.	17.9	\$1,034,630

Item	Description	FTE	Savings
27	Infants and Toddlers and Preschool Programs—Reduce 26 17.55 teacher and paraeducator positions in Infants and Toddlers and Preschool programs. Staff will need to serve more students weekly in classroom and home settings. No required services will be reduced.	26.0 17.55	\$1,594,111 \$1,103,055
28	Special Education Staffing Ratios—Change staffing ratios in special education programs, including Learning and Academic Disabilities (LAD), Gifted and Talented/Learning Disabled (GT/LD), and Deaf and Hard of Hearing (DHOH) programs. LAD ratio would change from 14:1 to 15:1, GT/LD from 13:1 to 16:1, and DHOH from 15:1 to 17:1. Current services would continue based on individual student plans.	23.2	\$1,478,018
29	Special Education Nonpublic Tuition—Reduce projected rate increases for tuition for special education students in nonpublic placement based on lower inflation expectations. State sets tuition rates for nonpublic programs.		\$1,410,630 \$2,166,213
30	Central Office Administrative Expenditures—Reduce 13.1 38.1 central office administrative positions. Reduce non-position central office expenditures, including temporary part-time salaries, contractual services, supplies, and other expenditures. The FY 2012 budget already includes \$3.8 million in central office reductions. Over last three years, central office cuts have totaled 174.2 positions and a total of \$28 million—a 20 percent reduction in these expenditures.	13.1 38.1	\$2,715,713 \$5,015,713
31	Increases for Inflation—Eliminate projected 3 percent increase for inflation for textbooks and instructional materials.		\$656,928
	Total	649.9 608.369	\$47,976,216 \$45,139,860