

DISCUSSION/ACTION
6.0
AMENDED

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

February 25, 2013

MEMORANDUM

To: Members of the Board of Education

From: Joshua P. Starr, Superintendent of Schools

Subject: Adoption of the Fiscal Year 2014 Operating Budget

Executive Summary

I am submitting to the Board of Education my amended Fiscal Year (FY) 2014 Recommended Operating Budget totaling \$2,225,791,798. This is an increase of \$57,494,265, or 2.65 percent, over the current FY 2013 budget. The tax-supported budget (excluding grants and enterprise funds) is \$2,084,709,114, an increase of \$55,857,330 (2.75 percent) over the current FY 2013 tax supported budget. My amended budget is \$9,972,451 over the \$1,448,249,987 that the county is required to provide under Maintenance of Effort (MOE). The amended budget of \$2,225,791,798 is an increase of \$8,544,142 over the \$2,217,247,656 that I recommended in the FY 2014 Operating Budget submitted to the Board of Education on December 11, 2012.

The reasons for the revision to the budget submitted to the Board of Education on December 11, 2012, include an increase of \$7,048,593 in state aid that is reflected in Governor Martin O'Malley's FY 2014 budget. There also is an increase of \$1.111 million as a result of the Governor's expansion of the Maryland Meals for Achievement (MMFA) Program. Further, I am recommending an increase of \$3,988,617 for additional strategic restorations and enhancements. While negotiations between the Board of Education and its employee associations are not completed, I am including a placeholder amount of \$18,594,525 for salaries for our employees. These additional costs are offset by a reduction of \$14,400,000 in the amount budgeted for the Employee Health Benefits Plan, a reduction of \$350,000 for special education students in non-public schools, and a reduction of \$400,000 in the amount budgeted for utilities. Following is a summary chart that reflects the revisions to the FY 2014 Operating Budget.

FY 2014 OPERATING BUDGET

	<u>FY 2013 BUDGET</u>	<u>FY 2014 DEC. REC</u>	<u>FY 2014 REVISED</u>	<u>FY 13-14 CHANGE</u>
Total Expenditures	\$2,168,297,533	\$2,217,247,656	\$2,225,791,798	\$57,494,265
<u>Revenue</u>				
Local Revenue	1,419,513,701	1,458,246,167	1,458,222,438	38,708,737
State Revenue	588,312,375	598,312,375	605,360,968	17,048,593
Fed/Other Revenue	<u>160,471,457</u>	<u>160,689,114</u>	<u>162,208,392</u>	<u>1,736,935</u>
Total Revenue	\$2,168,297,533	\$2,217,247,656	\$2,225,791,798	\$57,494,265

On January 10 and January 17, 2013, the Board of Education held public hearings on the Superintendent's Recommended FY 2014 Operating Budget. In addition, on January 22 and January 24, 2013, the Board of Education held work sessions on the budget. The details of the revisions to the FY 2014 Operating Budget submitted to the Board of Education on December 11, 2012, follow.

Revenue

State Aid

On January 16, 2013, Governor Martin O'Malley released his FY 2014 budget, which results in an increase in state aid for Montgomery County Public Schools (MCPS) of \$17,048,593 over FY 2013, for a total of \$605,360,968 in state aid. This amount is \$7,048,593 more than the \$598,312,375 of state aid included in my Recommended FY 2014 Operating Budget. The projected state aid increase results from several factors.

There is a net increase in the basic Foundation Program aid of \$3.7 million over FY 2013 for a total of \$305,839,903. The per pupil amount that was used for the calculation of Foundation Program aid increased by 1.01 percent to a total of \$6,829 per pupil in FY 2014. Also, state wealth dropped by 1.9 percent from FY 2013 to FY 2014; however, Montgomery County's wealth decreased by only 0.3 percent. Therefore, Montgomery County's wealth relative to the state's wealth increased from 23.8 percent to 24.2 percent.

The FY 2014 state aid estimate for MCPS also includes \$33,636,554 for full funding of the Geographic Cost of Education Index, an increase of \$840,258 over the FY 2013 Operating Budget.

Additionally, there is an increase of \$6,630,885 in Compensatory aid over FY 2013 due to an increase of 2,065 students (for a total of 45,980) eligible to participate in the Free and Reduced-price Meals System Program. There is an increase of \$2,668,682 in Limited English Proficient aid due to an increase of 786 students eligible for English for Speakers of Other Languages services (for a total of 21,367 students). In addition, there is an increase of \$1,199,266 in Transportation aid, and an increase of \$246,298 in the Special Education formula aid. Finally, reimbursement for special education students in nonpublic placements is expected to increase by \$1,811,177 over the budgeted amount for FY 2013.

The anticipated state aid increase does not affect the county's obligation to provide MOE in FY 2014. The MOE requirement is based on the previous local contribution; therefore, it is not affected in any way by the amount of state aid for FY 2014.

Local Contribution

The amount of local contribution that is requested to fund my amended budget is \$1,458,222,438, or \$9,972,451 over the local contribution required under MOE. The amount of local contribution needed to meet the MOE requirement is \$1,448,249,987, which is \$28,736,286 higher than the local contribution budgeted for FY 2013. This represents an increase of \$21,452,150 based on the per pupil amount of \$9,759 and an increase in the number of students. The per pupil amount is the same amount as FY 2013. The \$28.7 million increase in the local contribution also includes an increase of \$7,284,136 over the \$27,227,553 budgeted in FY 2013 for the shift of the cost for teacher pensions from the state to the county.

Enterprise and Special Funds

The governor's FY 2014 budget includes \$1.8 million to expand the MMFA Program. MCPS is slated to receive \$1.111 million. Therefore, both revenues and expenditures for the Food Services Enterprise Fund are increased by \$1.111 million. In addition, \$400,000 additional revenue beyond the amount included in the December, 11, 2012, operating budget is projected in grants and enterprise funds.

Expenditure Reductions

Employee Benefits Health Plan

During the period FY 2010 through FY 2012, actual expense trends for employee health care expenses for MCPS employees and retirees have been significantly lower than national and regional trends. The implementation of wellness programs, plan design changes, rebidding of health care services, and lower than expected claims have all contributed in lowering actual health care expenses for MCPS.

The savings generated by lower actual expenses over this period has provided an opportunity for MCPS to establish a fund balance to absorb significant rate or claim increases without jeopardizing the financial integrity of the trust fund. MCPS strives to maintain a fund balance equal to 5 percent of health care expenses for any given year for both active and retired employees.

Based on recent experience, lower claim trends this year allow for a reduction in the amount required to be contributed to the Employee Benefits Plan Trust Fund for FY 2014. FY 2013 costs are projected to be significantly below budget, which will increase the fund balance at the end of FY 2013 and reduce the base amount for the FY 2014 calculation. As a result, the FY 2014 budget can be reduced by \$14.4 million.

Special Education Students in Nonpublic Placements

The FY 2014 Operating Budget that I recommended to the Board of Education on December 11, 2012, included an increase of \$1,612,104 for tuition for special education students attending nonpublic programs. This amount included \$847,084 for an increase in the number of students and \$765,020 for a projected tuition rate increase of two percent. Updated estimates of the number of projected students in nonpublic schools allows for a reduction of the enrollment projection for FY 2014. Reducing the number of additional students projected to attend nonpublic school-age day programs next year allows for a budget reduction of \$350,000.

Utilities

This year, the rates for natural gas have been approximately seven and one-half cents lower than the FY 2013 budgeted rates. This trend allows for a reduction in the base amount used to calculate the cost for natural gas for FY 2014 and provides for a budgetary savings of \$400,000 for next year.

Expenditure Increases

Negotiations with Employee Associations

Although negotiations between the Board of Education and the associations that represent MCPS employees have been ongoing for several months, we were not able to reach agreement in time to include the economic provisions in my recommended budget. Therefore, I am recommending a placeholder amount of \$18,594,525 for salary increases for our employees for FY 2014.

Strategic Restorations and Enhancements

I am requesting 27.8 additional positions and \$3,988,617 in strategic restorations and enhancements over and above the resources recommended in my December 11, 2012, budget. These are discussed in more detail below.

Psychologist Positions

During the past several years, the caseload of school psychologists has been increasing. To address the growth in student enrollment from recent years and the increasing caseloads, 5.0 additional psychologist positions and \$341,028 are recommended to be added to the budget.

Middle Years Programme

The International Baccalaureate (IB) Middle Years Programme (MYP) is a Grade 6 through Grade 10 framework of academic challenge that encourages students to embrace and understand the connections between traditional subjects and the real world and become critical and reflective thinkers. Currently, Seneca Valley High School has an IB Diploma Programme, but its feeder middle schools do not have a Middle Years IB Programme. It is recommended that the program be added at Dr. Martin Luther King, Jr. and Roberto W. Clemente middle schools. The cost to add this program at the two schools is \$234,986, including the salaries and benefits for 1.6 (two .8 full-time equivalent) coordinator positions.

Maintenance Workers

The Division of Maintenance continues to experience a growing demand for maintenance and repair services resulting from increases in the number, size, age, and utilization of MCPS facilities. From FY 2003 through FY 2012, the amount of space maintained by the division grew by more than 12 percent, for a total of more than 24 million square feet. No additional staff was added during the same period. In addition, the demand for service has increased due to complex mechanical systems and mandated compliance with federal, state, and county regulations pertaining to environmental protection, fire protection, school security, and emergency preparedness. To help address this workload, 8.0 additional maintenance worker positions and \$433,265 are recommended.

High School Teachers

The MCPS budget includes 21.5 teacher positions to reduce class size in Grade 9 English, mathematics, science, and social studies for the Downcounty Consortium (DCC) schools. Allocations to schools are based on a formula that determines the number of additional teacher positions required to reduce the class size. In addition to the DCC schools, Watkins Mill, Springbrook, and Gaithersburg high schools have a Free and Reduced-price Meals System rate greater than 40 percent. Therefore, I am recommending that Grade 9 mathematics and English class sizes in these three schools be reduced, requiring an increase of 6.2 teacher positions and \$406,677.

Elementary Counselors

I am recommending the addition of 2.0 elementary counselor positions and \$147,170. As part of budget reductions in recent years, smaller elementary schools were reduced by either a .5 or 1.0

specialist position and had the option of reducing a staff development teacher, reading specialist, counselor, or media specialist. My December 11, 2012, recommended budget, restores a .5 counselor position at seven elementary schools to provide the schools with a 1.0 position. There are seven other schools that have a .5 counselor position. Consistent with the Board's interest pertaining to the social and emotional well-being of students, and to help ensure that students come to school each day ready to learn, I am recommending that an additional .5 counselor position be added at four more schools that currently have a half-time counselor.

Professional Development—Curriculum 2.0

My recommended FY 2014 Operating Budget includes an additional \$1,549,475 over the \$1,006,537 already budgeted to support continued professional development and collaborative planning time in elementary schools and at the secondary level for the expanded implementation of Curriculum 2.0 and the Common Core State Standards. Since the budget was released in December, a considerable amount of feedback has been received from teachers and administrators, which indicates that additional resources are necessary for professional development to ensure successful implementation. As a result, an additional \$2,128,078 is recommended for teachers to work on curriculum development during the summer, training for K-5 teachers, and substitutes to provide teachers time for collaborative planning.

Support for Programs to Close the Achievement Gap

During the Board of Education's hearings on the operating budget and recently during the Public Comments portion of the February 12, 2012, Board of Education meeting, several groups have presented information about programs in schools that are providing supports to Black or African American and Hispanic/Latino students and helping to address the gaps in achievement between these students and their White and Asian peers. I am recommending funding \$100,000 in the FY 2014 Operating Budget to not only support those programs that have been successful but to expand these programs to other schools. A process will be developed for groups to submit proposals to extend the work of some of these successful programs.

Special Education Paraeducators

I am recommending an increase of 5.0 special education paraeducator positions and \$197,413. The positions will be placed in reserve and used to allocate to schools when additional support is needed to serve students with disabilities.

Conclusion

The FY 2014 Operating Budget that I am recommending to the Board of Education reflects the culmination of extensive internal and external feedback and the interests of the Board of Education. As I have indicated before, this budget is considered a step forward and is part of a multi-year effort to address the educational needs of our students. This budget reflects three areas of focus – keeping up with our continued enrollment growth, reenergizing our efforts to

narrow the achievement gap, and investing in our dedicated and capable staff. However, this budget does not include all that the school system needs. This budget provides the necessary funding for MCPS in FY 2014 to continue to make the outstanding academic progress that our parents and community expect and support.

Recommended Resolution

WHEREAS, The superintendent of schools presented the Recommended Fiscal Year 2014 Operating Budget of \$2,217,247,656 to the Board of Education on December 11, 2012; and

WHEREAS, The Recommended Fiscal Year 2014 Operating Budget includes the Fiscal Year 2014 Special Education Staffing Plan; and

WHEREAS, Increases of state aid for Montgomery County Public Schools as recommended in the governor's budget on January 16, 2013, total \$17,048,593; and

WHEREAS, The county's local contribution required under Maintenance of Effort is \$1,448,249,987; and

WHEREAS, The Superintendent's Recommended Fiscal Year 2014 Operating Budget as amended includes a local contribution request of \$1,458,222,438, which is \$9,972,451 over the required local contribution under Maintenance of Effort; and

WHEREAS, Fund Balance of \$17,000,000 is available for appropriation in Fiscal Year 2014; and

WHEREAS, Additional state funding for the Maryland Meals for Achievement Program increase budgeted expenditures and revenue for the Food Services Enterprise Fund in the amount of \$1,111,000; and

WHEREAS, Lower projected costs for employee health care allow for a reduction in the Fiscal Year 2014 budget of \$14,400,000; and

WHEREAS, Fewer special education students are projected to require educational services in nonpublic schools which will result in budgetary reduction of \$350,000; and

WHEREAS, Current costs for natural gas are lower than budgeted and will result in a Fiscal Year 2014 budget reduction of \$400,000; and

WHEREAS, An additional \$341,028 is recommended for five additional psychologist positions to reduce the ratio of students to psychologists; and

WHEREAS, An additional \$234,986 and 1.6 coordinator positions is recommended to add the International Baccalaureate Middle Years Programme at Dr. Martin Luther King, Jr. and Roberto W. Clemente middle schools; and

WHEREAS, An additional \$433,265 is recommended for eight maintenance worker positions in support of the growing demand for maintenance and repair services; and

WHEREAS, An additional \$406,677 is recommended for 6.2 high school teacher positions at Watkins Mill, Springbrook and Gaithersburg high schools with Free and Reduced-price Meals System rates greater than 40 percent; and

WHEREAS, An additional \$147,170 is recommended for two elementary school counselor positions in four schools; and

WHEREAS, An additional \$2,128,078 is recommended for training and support for Curriculum 2.0; and

WHEREAS, An additional \$100,000 is recommended to provide support for programs to close the achievement gap; and

WHEREAS, An additional \$197,413 is recommended for 5.0 special education paraeducator positions to be placed in reserve to allocate to schools when additional support is needed to serve students with disabilities; now therefore be it

Resolved, That the Montgomery County Board of Education approves the Fiscal Year 2014 Special Education Staffing Plan as outlined in the Superintendent's Recommended Fiscal Year 2014 Operating Budget; and be it further

Resolved, That upon final approval of the Fiscal Year 2014 Operating Budget in June 2013, the Special Education Staffing Plan will be submitted to the Maryland State Department of Education; and be it further

Resolved, That the Montgomery County Board of Education adopts the Superintendent's Recommended Fiscal Year 2014 Operating Budget as amended totaling \$2,225,791,798 as follows:

<u>Category</u>	<u>Superintendent's Amended Operating Budget</u>
1 Administration	\$ 38,453,655
2 Mid-level Administration	138,632,510
3 Instructional Salaries	876,163,830
4 Textbooks and Instructional Supplies	24,848,778
5 Other Instructional Costs	12,815,866
6 Special Education	291,609,530
7 Student Personnel Services	10,964,290
8 Health Services	37,402
9 Student Transportation	97,678,646
10 Operation of Plant and Equipment	114,880,406
11 Maintenance of Plant	34,105,404
12 Fixed Charges	524,786,162
14 Community Services	461,777
37 MCPS Television Special Revenue Fund	1,477,261
51 Real Estate Fund	2,920,399
61 Food Service Fund	51,189,670
71 Field Trip Fund	1,917,672
81 Entrepreneurial Activities	<u>2,848,540</u>
Total	<u>\$2,225,791,798</u>

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