



# The Citizens Budget

## FY 2004



### ***Our Call to Action Continues***



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# Letter from the Superintendent

December 11, 2002

Mrs. Patricia B. O'Neill, President  
And Members of the Board of Education  
Montgomery County Public Schools  
850 Hungerford Drive  
Rockville, Maryland 20850

Dear Mrs. O'Neill and Members of the Board of Education:

I am recommending a budget that is built upon a specific record of academic achievement, but tempered by tough economic conditions. Student performance is at an all-time high, and the potential for more improvement is immense, even as we slow the pace of expansion and work to improve what we have already achieved.

In 1999, the Board of Education established a vision for a premier educational program. We have worked ever since to strengthen early childhood education, bolster curriculum and instruction, build professional staff development, and implement a system of shared accountability. The results provide clear evidence of impressive accomplishment. The reforms approved by the Board of Education and funded by the County Executive and the County Council have produced:

- ◆ Increased literacy in kindergarten and first grade
- ◆ Accelerated mathematics instruction in elementary and middle school
- ◆ More students taking algebra or higher level mathematics in middle school
- ◆ More students taking honors and Advanced Placement courses in high school
- ◆ More students taking Advanced Placement tests
- ◆ Highest average SAT scores in Maryland
- ◆ Highest average math SAT score in the school system's history
- ◆ Highest percentage of students taking the SAT
- ◆ Highest performance level on high school assessments of any school system in Maryland

We have accomplished this while adding more than 11,000 new students, becoming the largest school system in Maryland and reflecting a population of children that is ever more diverse and challenged. Our enrollment will grow to more than 140,500 students next year.

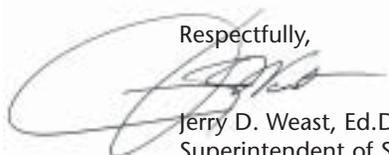
There is much at risk if we fail. Despite our progress, disparities exist in achievement by race, ethnicity, poverty, limited English proficiency, and disability. Adequate yearly progress for each group in each school is required under the new federal No Child Left Behind Act. Such progress will be difficult without increased support, not just maintenance of effort. More students, new textbooks, increased teacher salaries, rising prices for health insurance and retiree benefits, and higher costs for utilities, transportation, special education, English language instruction, new schools, alternative programs, and inflation all increase the cost of schooling.

I am recommending an increase of \$59 million from the county government and \$35 million in state, federal, and other revenue. The county funding increase is more than last year's but less than the year before and significantly below the \$90 million increase in 2001. I have cut programs and services by \$15.5 million and created more savings by withholding new or expanded programs. The total recommended budget for Fiscal Year 2004 is \$1.5 billion, pending employee contract negotiations.

The cost-cutting measures of \$15.6 million are prudent and serious. The reductions are on top of \$51.4 million in cuts over the past three years and \$10 million saved in last year's freeze. An aggressive zero-based budgeting process is directing resources to priority areas. In fact, reductions in instructional supplies and materials are needed to purchase more than \$3 million in new textbooks. Continued administrative cuts reduce this category to just 2.0 percent of the budget, the lowest ever for the school system.

Every effort is being made to focus on highly rigorous classroom instruction. Careful attention is being given to children who face academic challenges because of poverty, language, and disability. Our responsibilities are growing, and our students need a public school system that recognizes each and every one of them.

Respectfully,



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

# Program Highlights

The following are among the highlights of the superintendent's FY 2004 Recommended Operating Budget:

## Fiscal Highlights

- ◆ The superintendent's FY 2004 Recommended Operating Budget for Montgomery County Public Schools totals \$1,506,301,494. This represents an overall increase of \$94,139,672, or 6.7 percent more than the \$1,412,161,822 current approved FY 2003 Operating Budget.
- ◆ Excluding grants and enterprise funds, the superintendent's recommended budget for the purpose of spending affordability is \$1,394,655,8.6. This represents an overall increase of \$128,016,485 more than the \$1,266,639,321 in the current FY 2003 Operating Budget.
- ◆ As a result of the Maryland Bridge to Excellence Act, approximately \$39.6 million of grants has been reclassified as general state aid and is included in the tax-supported budget for purposes of spending affordability. Excluding this shift of grant funding, the budget for purposes of spending affordability will increase by \$88,450,825 or 7.0 percent.
- ◆ In FY 2004, the county is expected to provide funds for 75.6 percent of MCPS' total expenditures. State education aid and grants contribute 17.0 percent, federal grants contribute 3.4 percent, enterprise funds supported by federal aid and fees make up 3.3 percent, and fees and all other sources of revenue total 0.7 percent.
- ◆ The FY 2004 Operating Budget requires an increase in local funding of \$59.0 million or 5.5 percent. The state maintenance of effort requirement mandates the county to contribute an increase of at least \$22.6 million or 2.1 percent to cover enrollment growth. This leaves \$36.4 million in additional local funding needed.

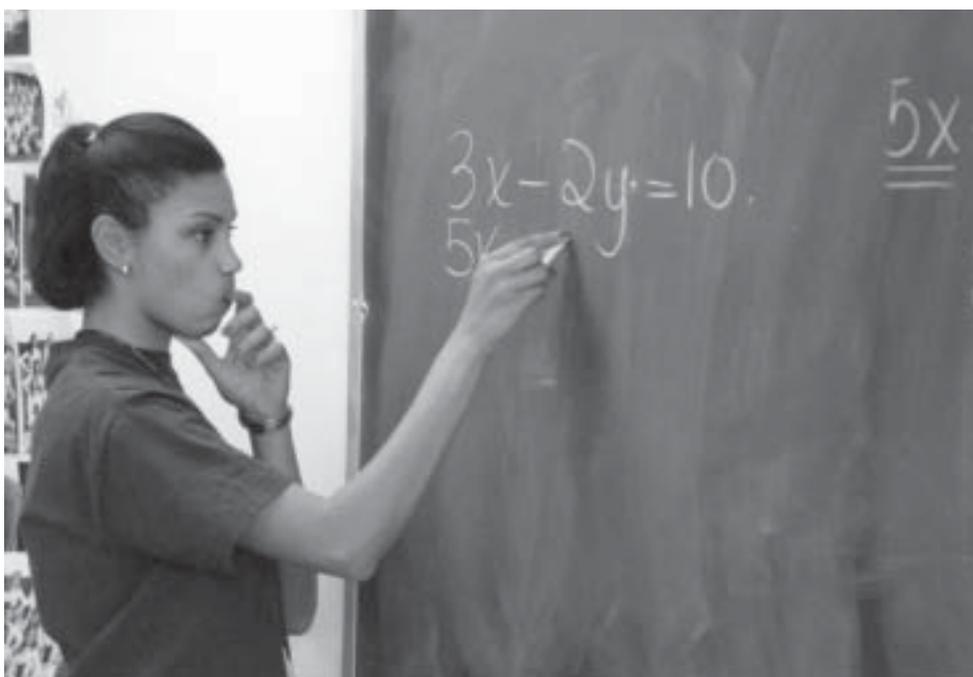
## Factors Increasing the Operating Budget

- ◆ The budget will increase by \$18.1 million because of enrollment growth of 1,760 students (budget-to-budget) in FY 2004. This total includes \$6.1 million for growth in elementary and secondary school enrollment, \$5.1 million for the growth in enrollment in special education, and \$1.3 million in the growth of ESOL enrollment. Other increases related to growth include \$600,000 for new schools, \$2.7 million for additional transportation, food services, and facilities needs, \$200,000 for alternative instructional programs, and \$2.1 million for the costs of employee benefits related to enrollment growth.
- ◆ The cost of new textbooks to implement new curriculum units will be \$3.1 million, redirected from other instructional materials and supplies accounts.
- ◆ A increase of \$52.3 million for employee salaries is needed, including \$34.1 million related to the third year of the negotiated agreement with the Montgomery County Education Association (MCEA), continuing salary increases (\$14.0 million), and the cost of related employee benefits (\$4.2 million). Contracts with other bargaining units remain to be negotiated.
- ◆ The cost of employee benefits for existing active employees and retirees will rise by \$29.7 million. This total includes an increase of \$17.1 million for the cost of health and life insurance for active employees, \$10.1 million for health care and life insurance for retirees, \$2.0 million for the increased cost of retirement pensions, and other employee benefits costs with a net increase of \$500,000.
- ◆ Other cost increases resulting from inflation and other factors will add \$6.4 million to the budget.

## Savings, Reductions, and Redirections

- ◆ A new zero-based budgeting process reexamined all aspects of the operating budget to identify potential reductions and ways to use existing resources more effectively to achieve academic objectives. As a result, the FY 2004 Operating Budget includes literally hundreds of realignments of resources.
- ◆ The budget includes a total of \$15.6 million in reductions of existing resources, including the use of existing accounts to purchase \$3.1 million of new textbooks.
- ◆ Reductions in central services (23 percent of total reductions) total 13.5 positions and a total of \$3.6 million. Over two years, cuts in central services have totaled 78.0 positions and about 10 percent of total central resources.
- ◆ Reductions in support operations (21 percent of total reductions) total 22.0 positions and \$3.3 million, including reductions in maintenance and technology.
- ◆ School-based reductions (47 percent of total reductions) include 44.1 positions and \$7.4 million, including 21.5 vertical articulation specialist positions and 14.0 teacher assistant positions.

<b>Summary of Recommendation .....</b>	<b>4</b>
<b>Mandates for Change .....</b>	<b>5</b>
<b>Challenges of Growth .....</b>	<b>9</b>
<b>Fiscal Overview .....</b>	<b>13</b>
<b>Focus on Excellence .....</b>	<b>15</b>
<b>Savings and Efficiencies .....</b>	<b>19</b>
<b>Factors Increasing Operating Costs .....</b>	<b>21</b>
<b>Summary of Revenues .....</b>	<b>24</b>
<b>Long-Term Planning Overview .....</b>	<b>26</b>
<b>Collaboration with Other Agencies .....</b>	<b>30</b>
<b>MCPS: Accountable for Results .....</b>	<b>31</b>
<b>Budget Review and Adoption Process .....</b>	<b>32</b>



# Summary of Recommendations

The superintendent's FY 2004 Recommended Operating Budget for the Montgomery County Public Schools (MCPS) totals \$1,506,301,494. This represents an overall increase of \$94,139,672, or 6.7 percent more than the \$1,412,161,822 currently approved FY 2003 Operating Budget. Excluding grants and enterprise funds, the superintendent's budget recommendation for the purpose of spending affordability is \$1,394,655,806. This represents an overall increase of \$128,016,485, or 10.1 percent more than the \$1,266,639,321 appropriated for the FY 2003 Operating Budget. Changes in state funding formulas described below have resulted in

recategorizing a total of \$39.6 million in existing grant resources as general state aid resources subject to spending affordability. Consequently, the tax-supported portion of the operating budget appears to have increased by a higher percentage than the overall budget. The FY 2004 Operating Budget recommendation includes increases in operating costs offset by reductions for savings and efficiencies. The superintendent is not recommending any new improvement initiatives in FY 2004, but he recommends retaining existing initiatives. Figure 1 summarizes the main items in each of these categories.

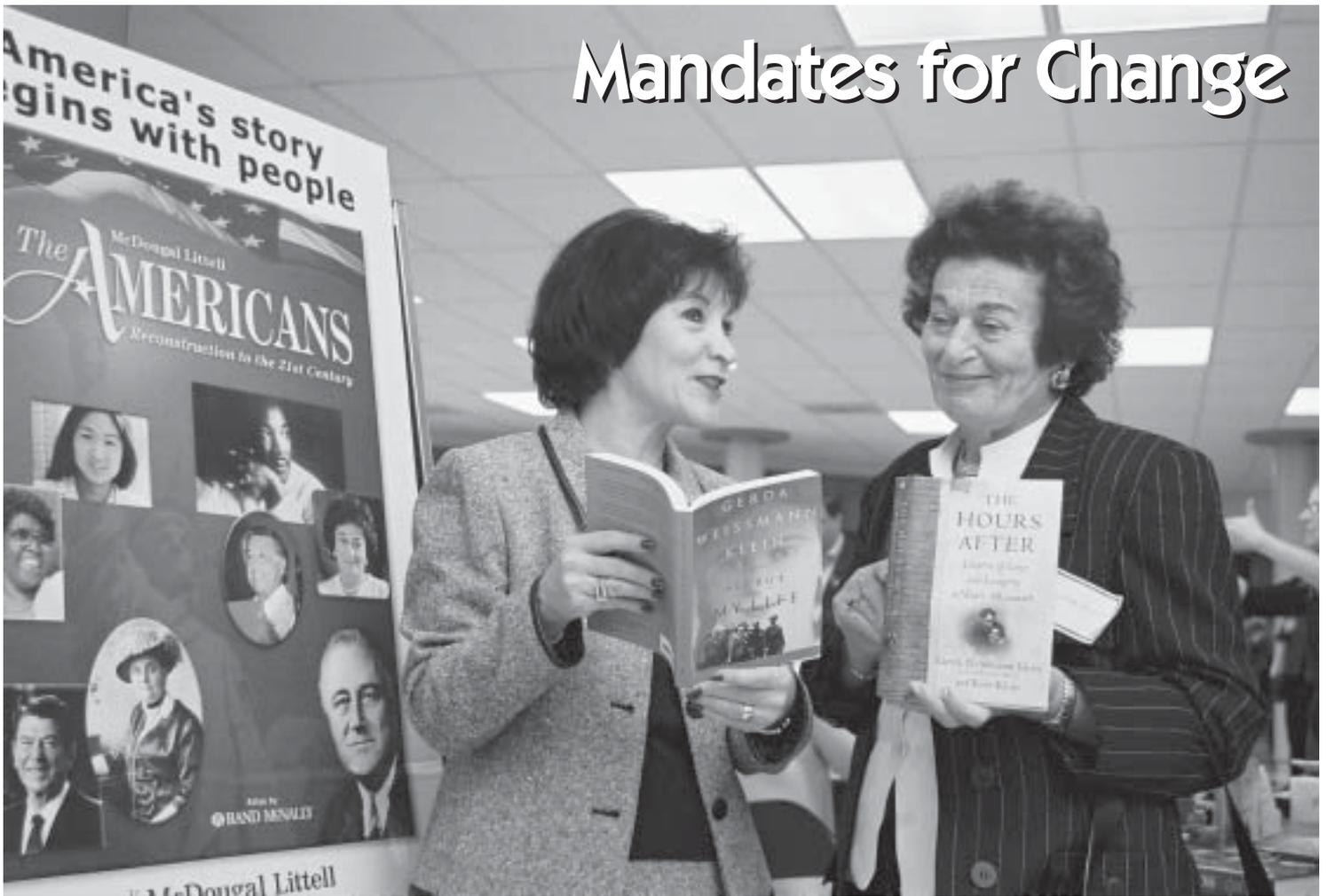
FIGURE 1

## FY 2004 Superintendent's Recommended Operating Budget (\$ amounts in millions of dollars)

ITEM	AMOUNT	ITEM	AMOUNT
<b>FY 2003 OPERATING BUDGET (Nov. 2002)</b>	<b>\$1,412.2</b>	<b>INFLATION AND OTHER</b>	
<b>ENROLLMENT GROWTH</b>		Special Education Non-public Tuition	1.7
Elementary/Secondary	6.1	Transportation	3.1
Special Education	5.1	Other Operations	(1.1)
ESOL	1.3	Utilities	0.9
Alternative Programs	0.2	Enterprise Funds	2.4
New Schools	0.6	Inflation	1.6
Transportation/Food Service/Facilities	2.7	Other Changes	(2.1)
Benefits for Staff Added for Growth	2.1	<b>Total Inflation and Other</b>	<b>6.5</b>
<b>Total Growth and Related Benefits</b>	<b>18.1</b>	<b>SAVINGS AND REDUCTIONS</b>	
<b>Textbooks</b>	<b>3.1</b>	Central Services Reductions	(3.6)
<b>EMPLOYEE SALARIES</b>		Support Operations Reductions	(3.3)
Negotiated Agreements	34.1	School-Based Reductions	(4.3)
Continuing Salary Costs	14.0	Systemwide Employee Benefit Reductions	(1.3)
Benefits for Salary Increases	4.2	Redirections for New Textbooks (a)	(3.1)
<b>Total Salaries and Related Benefits</b>	<b>52.3</b>	<b>Total Savings and Reductions</b>	<b>(15.6)</b>
<b>EMPLOYEE BENEFITS AND INSURANCE</b>		<b>RECOMMENDED FY2004 BUDGET</b>	<b>\$1,506.3</b>
Employee Benefit Plan (active)	17.1	Less Enterprise Funds	(49.9)
Employee Benefit Plan (retired)	10.1	Less Grants	(61.7)
Retirement	2.0	<b>SPENDING AFFORDABILITY BUDGET</b>	<b>\$1,394.7</b>
Self-insurance/Workers' Compensation	1.4		
Base Savings in FICA	(0.9)		
<b>Total Benefits and Insurance</b>	<b>29.7</b>		

(a) Redirections from other instructional supplies and materials accounts to provide for new textbooks.

# Mandates for Change



## 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 academic rigor for all students and to close the persistent achievement gap between groups. The Board of Education adopted 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.

## *Our Call to Action*

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.

Aligned with *Our Call to Action*, The MCPS Operating Budget carried out the Board of Education's academic priorities through improvement initiatives called "Trend Benders," targeted changes that research has shown can make a significant difference in academic achievement. During the succeed-

ing three years, the people of Montgomery County have enthusiastically supported this approach and made educational reform a top priority. As a result, since FY 2001 MCPS has received a total of \$305 million or 27.5 percent in increased funding. More than \$66 million of this total supported improvement initiatives to carry out *Our Call to Action*.

## New Federal and State Requirements

Fundamental changes in funding for education at the federal and state levels have resulted in new requirements for MCPS. Fortunately, changes in educational standards mandated by the federal and state governments align well with the academic priorities already mandated by the Board of Education and embodied in *Our Call to Action* improvements. In many ways, MCPS has been ahead of the curve in standards-based reform aimed at significant improvements in educational outcomes for students. Nevertheless, new federal and state legislation, when fully implemented, will have a significant effect on the instructional program and on funding for schools.

## No Child Left Behind

In January 2002, the federal government enacted the most far-reaching changes in

federal education policy in more than a generation, the No Child Left Behind (NCLB) Act. This law reauthorized the former Elementary and Secondary Education Act (ESEA) of 1965. The legislation significantly changes the role of the federal government in education. It introduced the principle of accountability, requiring school districts to meet specific standards for student achievement determined by individual states. With standards put in place, states must test individual student progress toward meeting those standards. By FY 2006, individual tests must be administered annually in Grades 3 through 8. These tests must include reading and mathematics, with science to be added in FY 2008.

## Adequate Yearly Progress

The new law requires schools to demonstrate adequate yearly progress in achieving state standards for each school as a whole and for designated categories of students, including the economically disadvantaged, students from major racial and ethnic groups, students with disabilities, and students with limited English proficiency. Parents must receive reports on the progress made by their children on an individual basis. By 2013-2014, the goal is to have all students and all designated groups of students show proficiency in state tests.

FIGURE 2

## Bridge to Excellence

State Grants Incorporated into General State Aid in FY 2004

Grant	Budget Unit Number	FY 2003 Amount
Extended Elementary Education Program (EEEP)	906	\$1,265,933
Gifted and Talented (G/T)	905/970	2,000,000
Career and Technology Education	952	204,083
Early Childhood Initiative	977	1,550,400
Class Size Reduction	995	5,051,219
English for Speakers of Other Languages (ESOL)	919	15,020,500
Compensatory Education - Discretionary	965/966/967	4,098,085
Teacher Development	992/993	672,000
Targeted Improvement	988/991	1,305,044
Targeted Poverty I	936	924,737
Targeted Poverty II	940	2,469,216
Academic Intervention	964	2,302,623
Elementary School Library	994	453,584
Title I (Dedicated Compensatory Education)	916	2,248,238
<b>Total - Restricted Aid in FY 2003 to Tax-supported Aid in FY 2004</b>		<b>\$39,565,662</b>

### Financial Flexibility

In return for these higher expectations for student achievement, the federal legislation allows considerably greater flexibility in the use of federal funds. In FY 2003, MCPS received an additional \$5.9 million in federal aid. This funding allowed MCPS to add \$2.7 million in additional staffing, including 25.0 classroom teacher positions, at the 18 designated federal Title I schools, each with more than half of its students receiving support from the free and reduced-price meals (FARMS) program. The additional federal aid also made possible \$2.2 million to improve teacher quality with staff development and technology, \$800,000 in ESOL support for students with limited English proficiency, and added support for vocational education. Given fiscal constraints at the federal level, it is not anticipated that there will be a further significant increase in federal aid during FY 2004.

The NCLB Act allows local districts considerable flexibility in the use of these funds. In some cases, funds in one grant program may be used in another federal grant program if the district has different priorities related to student needs. MCPS will take full advantage of this flexibility to use federal funds for its highest priorities.

### Parental Choice

The new federal law also provides parents options to help their children if they are enrolled in a school not meeting state standards. If a school is identified by the state as not making adequate yearly progress and in need of improvement, the parents may elect to

transfer their children to another school within the district.

In the fall of 2002, MCPS became among the first districts in the nation to fully implement the new procedures. At the ten elementary schools identified by the state of Maryland as in need of improvement, parents received an option to transfer students to another district school with more successful results. Although transportation to the new school was provided, only about 100 children took advantage of the transfer option.

### ESEA Improvement Goals

In order to begin implementation of the new federal law, the state of Maryland submitted, as required, in May 2002 a consolidated plan for the use of its federal funds. This plan adopted five performance goals as established by the U. S. Department of Education (see box). The five goals (with accompanying performance indicators to measure progress) address the levels of academic proficiency that all students must meet, the special needs of certain populations of students, and factors such as qualified teachers and school safety that are critical to improved teaching and learning.

Underlying the five goals is the presumption that all local, state, and federal resources will be integrated and coordinated to reach the goals of improved student achievement. Thus, the emphasis required under the new law is on student outcomes, not resource inputs. The test will be in the results achieved, with flexibility granted to local districts to use resources to achieve agreed-upon results in ways particular to the needs of their individual districts.

### Bridge to Excellence

In May 2002, the state of Maryland adopted S. B. 856, the Bridge to Excellence in Public Schools Act. This law has made far-reaching changes in the way the Maryland finances public education. The new approach is an outgrowth of the report of the Commission on Education Finance, Equity, and

### ESEA Goals

As part of the No Child Left Behind (NCLB) Act, the U. S. Department of Education established the following goals. The state of Maryland adopted these goals as required for submitting a consolidated application for federal aid under the Elementary and Secondary Education Act (ESEA). As part of their master plans, local school districts must show how they will reach these goals.

Performance goal 1: By 2013-2014, all students will reach high standards, at a minimum attaining proficiency or better in reading/language arts and mathematics.

Performance goal 2: All limited English proficient students will become proficient in English and reach high standards, at a minimum attaining proficiency or better in reading/language arts and mathematics.

Performance goal 3: By 2005-2006, all students will be taught by highly qualified teachers.

Performance goal 4: All students will be educated in learning environments that are safe, drug-free, and conducive to learning.

Performance goal 5: All students will graduate from high school.

Excellence (Thornton Commission) established by the legislature in 1999. The report of the Thornton Commission called for a significant increase in state aid for education to ensure "adequacy" of resources to make possible educational excellence. The Thornton Commission also advocated additional equalization of funding between rich and poor districts and significant weighting of aid formulas to meet the greater needs of districts with high numbers of economically disadvantaged students, students with limited English proficiency, and special education students.

## New State Funding

The new law called for an increase in state aid to localities of \$1.3 billion over six years. The funding formula adopted by the General Assembly is designed to ensure equity and adequacy by linking resources to the needs of students and distributing about 75 percent of all aid inversely to local wealth. The final legislation reflected the work of Montgomery County legislators and other county elected officials to assure that the special needs of students at risk of academic failure were recognized regardless of location.

In FY 2003, as a result of the Bridge to Excellence legislation, MCPS received an initial outlay of \$7.6 million. These funds were used to expand full-day kindergarten to an additional nine schools, for a total of 56 schools, and to reduce class size in Grades 1 and 2 at an additional four schools, for a total of 56 schools. State funding also made possible increases for middle school reading and math, ESOL, special education, building service workers, and the Downcounty Consortium.

## A New Fiscal System

For FY 2004, the new legislation promised MCPS a total increase of \$28.7 million in state aid. Unlike in past years, nearly all of this state aid will come to Montgomery County as unrestricted funds. Consequently, state aid does not have to be used for specific projects designated by the state, but can be used flexibly as local districts see fit to meet the highest academic priorities particular to that district. This principle of flexibility aligns well with the intent of the federal NCLB Act.

## State Expectations

In return for this flexibility and for the additional resources made available, the state has imposed high expectations on local schools. Maryland has embraced a standards-based approach to public school financing. Under this approach, and consistent with the NCLB Act, the state will set academic content and student achievement standards, ensure that schools have sufficient resources from state and local sources to meet those standards, and hold schools and school systems accountable for student performance. The goal is to meet high academic performance standards for all children. The Maryland State Department of Education (MSDE) will set specific state standards aligned with federal ESEA standards.

The basic structure of the new finance system contains four basic elements: a "base cost" per student that is considered to be "adequate" for the average child to reach high standards; an additional amount of money

for special education, limited English proficient, and low-income students to reach standards; a guaranteed tax base program to encourage low-wealth jurisdictions to maintain and increase local tax effort; and annual increases in direct state aid through FY 2008. By then, as part of total additional state aid of \$1.3 billion, MCPS anticipates receiving an additional \$147 million.

This is a nearly 60 percent increase in direct state aid to Montgomery County. The formula recognizes the increasing needs in Montgomery County, especially related to the growth of limited English proficient, special education, and low-income students. Although local districts have considerable flexibility in the use of state aid, the law requires that local school systems must make full-day kindergarten programs available to all eligible students by FY 2008. Additionally, local school systems must make prekindergarten programs available for all at-risk students by FY 2008. These prekindergarten programs may be established in a variety of ways, either directly by the school system or through other community institutions.

## Flexible State Funding

Beginning in FY 2004, the Bridge to Excellence Act will fold 27 existing state categorical and compensatory grant programs into the total of general state aid. A list of the current categorical aid programs and the amounts received under these programs by MCPS in FY 2003 is listed in Figure 2. Students benefiting from these programs will continue to receive support, but the Board of Education will have the authority to use its resources according to local needs. According to the new law, the measure of success will not be how funds are distributed, but how well students reach goals of academic success. The new financial structure recognizes that the basis of success for students at risk of academic failure is a quality teacher in every classroom, adequate materials, and extra help.

## Accountability

Unlike previous state school finance laws, the Bridge to Excellence explicitly links financing to accountability. It places responsibility on local school systems to improve student

achievement and close the academic gaps among students of different racial, ethnic, and economic backgrounds, students with disabilities, and student learning to read English. The state will set standards, and measure how well school districts, schools, and individual students are doing in meeting expectations. The presumption is that all local, state, and



federal resources will be integrated and coordinated to reach the goals of improving student learning.

## Master Plan

The Bridge to Excellence legislation mandates that each school district must develop a comprehensive five-year master plan to describe how it intends to make improvements in achievement for every student. The plan must describe the goals, objectives, and strategies that will be used to improve student achievement and meet state and local performance standards for all students. The master plan also must describe specifically how the district will improve student achievement for special education students, students with limited English proficiency, prekindergarten students, kindergarten students, gifted and talented students, and students enrolled in career and technology courses. Districts like Montgomery County Public Schools that already have local master plans in place may submit updated versions of that plan as their comprehensive master plan.

## Reviewing the Master Plan

Under the Bridge to Excellence law, school districts (with the exception of Prince George's County and Baltimore City that have different timetables) must submit a draft of their plan to MSDE for review no later than October 1, 2003. At least sixty days before submitting the plan, districts must submit a

copy of its draft master plan to its county executive and County Council.

The state superintendent of education will review each master plan and is empowered to withhold state aid from a county that does not submit an effective plan or fails to implement the plan as promised. Specifically, the state superintendent may withhold funds

### Board of Education Goals

1. Ensure the success of every student.
2. Provide an effective instructional program.
3. Strengthen productive partnerships for education.
4. Create a positive work environment in a self-renewing organization.

from any county that fails to make adequate yearly progress toward meeting state performance standards for any identified segment of the student population. School districts must submit annual updates of their plan together with reports showing the progress they are making toward improving student achievement.

The Bridge to Excellence Act also requires that school district budgets must be aligned with the district's master plan and show specifically how the use of resources will address the goals and objectives of the plan. This Citizen's Budget represents one aspect of compliance with this requirement. Further efforts that MCPS will take to align the budget with its master plan are described below.

### Board of Education Goals and Priorities

The goals and academic priorities adopted by the Montgomery County Board of Education align well with the policies and objectives of the federal No Child Left Behind Act and the Maryland Bridge to Excellence. In April 1999, the Board of Education reaffirmed its vision and goals originally adopted in 1991. This vision states, "A quality education is a fundamental right of every child. All children will receive the respect, encouragement, and opportunities they need to build the knowledge, skills, and attitudes to be successful, contributing members of a changing global society." The Board of Education goals are described in the box above. Building on this vision and these goals, the superintendent of schools presented his detailed plan, *Our Call to Action*, in November 1999. This landmark report set out a multiyear plan to improve academic achievement by implementing six

"Trend Benders," major initiatives in the areas of Early Success, Workforce Excellence, Broadening the Concept of Literacy, Family and Community Partnerships, Organizational Excellence, and Shared Accountability. These trend benders have organized the structure and the work of the school system.

### Community Support

During the past three years, the goals adopted by the Board of education as embodied in *Our Call to Action* have received unprecedented support from the community. Budget initiatives based on this plan have added a total of \$66.1 million to the budget, including 1,154 additional full-time equivalent positions.

### Results in Academic Achievement

Already we are seeing results from these improvements. A study of more than 16,000 kindergarten students last year indicated 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.

### Key Components of Reform

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.

### Making a Difference in the Classroom

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 2000, MCPS has added more than 1,300 new classroom teacher positions and more than 400 staff for special education.

### Reducing Class Size

During the past five years, MCPS has invested more than \$38.5 million 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 3). In addition to cutting the number of oversize classes, additional funding has significantly reduced average class size at all grade levels.

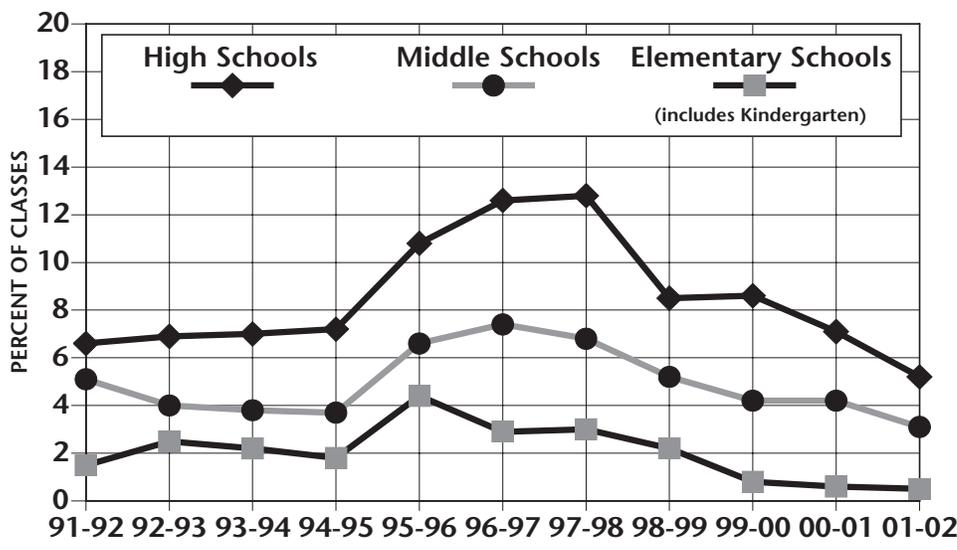


### High-Quality Teachers

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 improvement. The new teacher evaluation system, focused on student outcomes, has now been extended to every school.

FIGURE 3

### Classes Above Maximum Class Size Guidelines

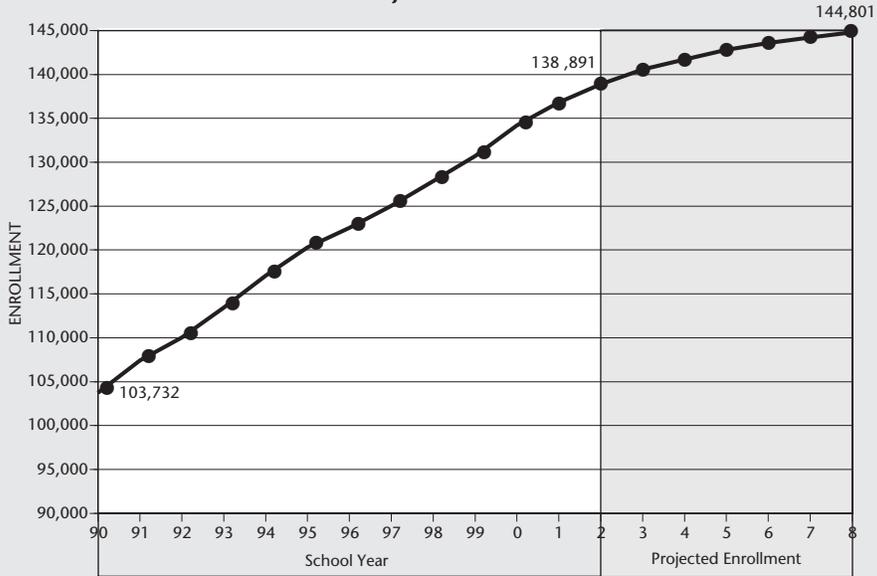


# Challenges of Growth



FIGURE 4

**MCPS Total Enrollment  
Actual 1990-2002 and Projected 2003-2008**



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

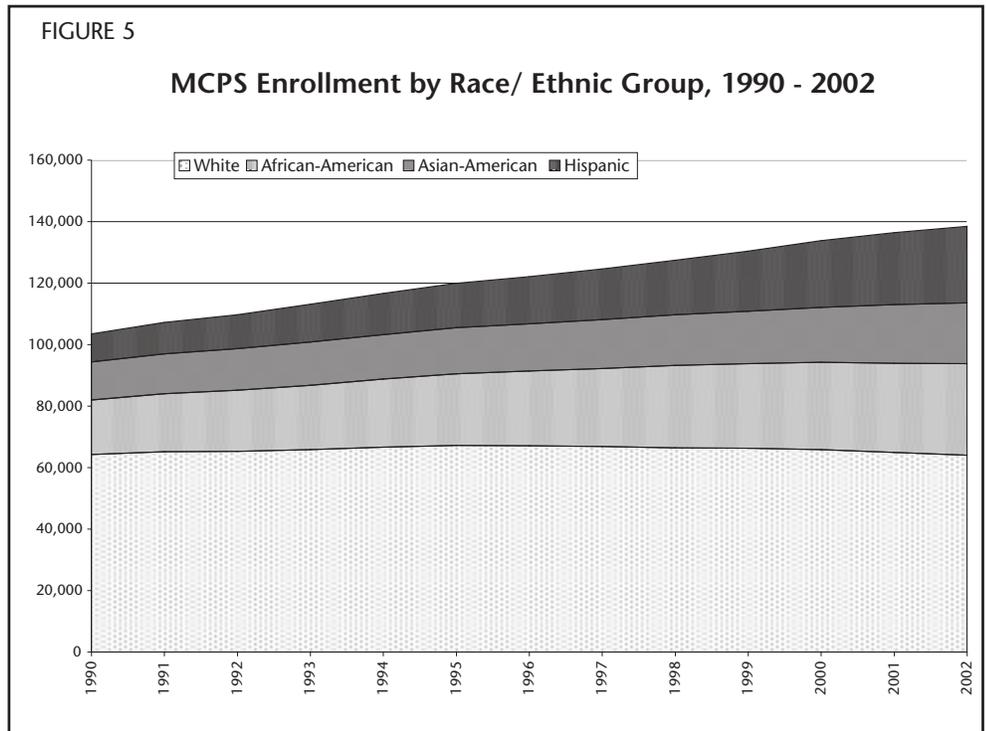
The growth and diversity of the Montgomery County Public Schools make it all the more urgent to sustain this plan and build on its success. Enrollment for the 2002-2003 school year is 138,891 – an all-time record. This is an increase of 2,059 students from last year. During the past decade, Montgomery County has been the 11th fastest growing district in the United States. Since 1983 the total enrollment in Montgomery County Public Schools has grown by 53 percent, from 91,030 in 1983 to 138,891 in FY 2003 (Figure 4). This rate of growth has imposed severe pressures on the school system. Facilities are not adequate to deal with this level of enrollment, and 635 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.

County births, migration, and immigration are the major factors resulting in increased enrollment. After stabilizing during most of the 1990s, county births began to increase toward the end of the decade. In 2001, births topped 13,000 for the second year in a row. A child is born to a Montgomery County mother every 40 minutes.

### Migration to Montgomery County

Migration and immigration result from the strong regional economy with relatively low levels of unemployment. In 2000, 26.7 percent of the county population was foreign-born, the highest proportion in Maryland. The census also reported that 31 percent of county households do not speak English at home. Montgomery County also has a high level of mobility, with over 14,000 students entering the system and 12,000 exiting the system annually (not counting school entry or graduation).

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 5). More than 5 of every 10 students today are classified as African American, Asian American, Hispanic, or Native American. But even this does not accurately express the change because many students do not fit neatly into a single racial or ethnic designation. Our students have backgrounds including 161 foreign countries and 122 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.

### Ethnic and Racial Diversity

The different communities throughout Montgomery County vary greatly in their ethnic and racial composition. The core urbanized area stretching from Takoma Park to Germantown includes 50 percent of all elementary school students, but 75 percent of African American and Hispanic students, 75 percent of English language learners, and 80 percent of

students receiving support from the Free and Reduced-price Meals (FARMS) program (see Figure 6). The number of students participating in FARMS doubled during the past 12 years from 15,776 to 31,108 (see Figure 7). The number of students participating in FARMS are greater than the total enrollment of 16 Maryland school districts (see Figure 8). 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.

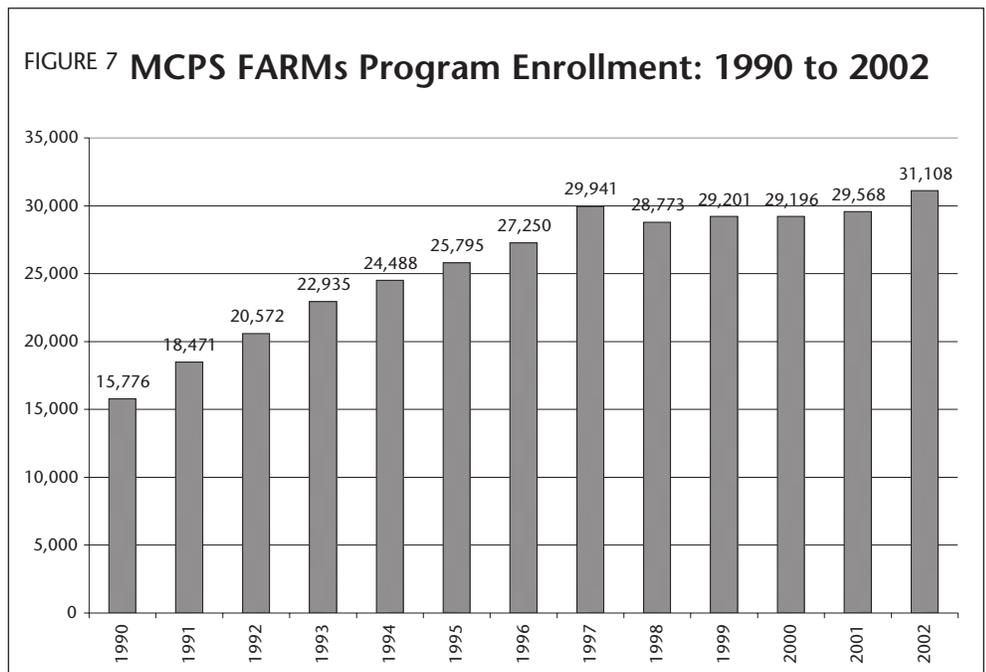


FIGURE 6

### Targeted Elementary Schools

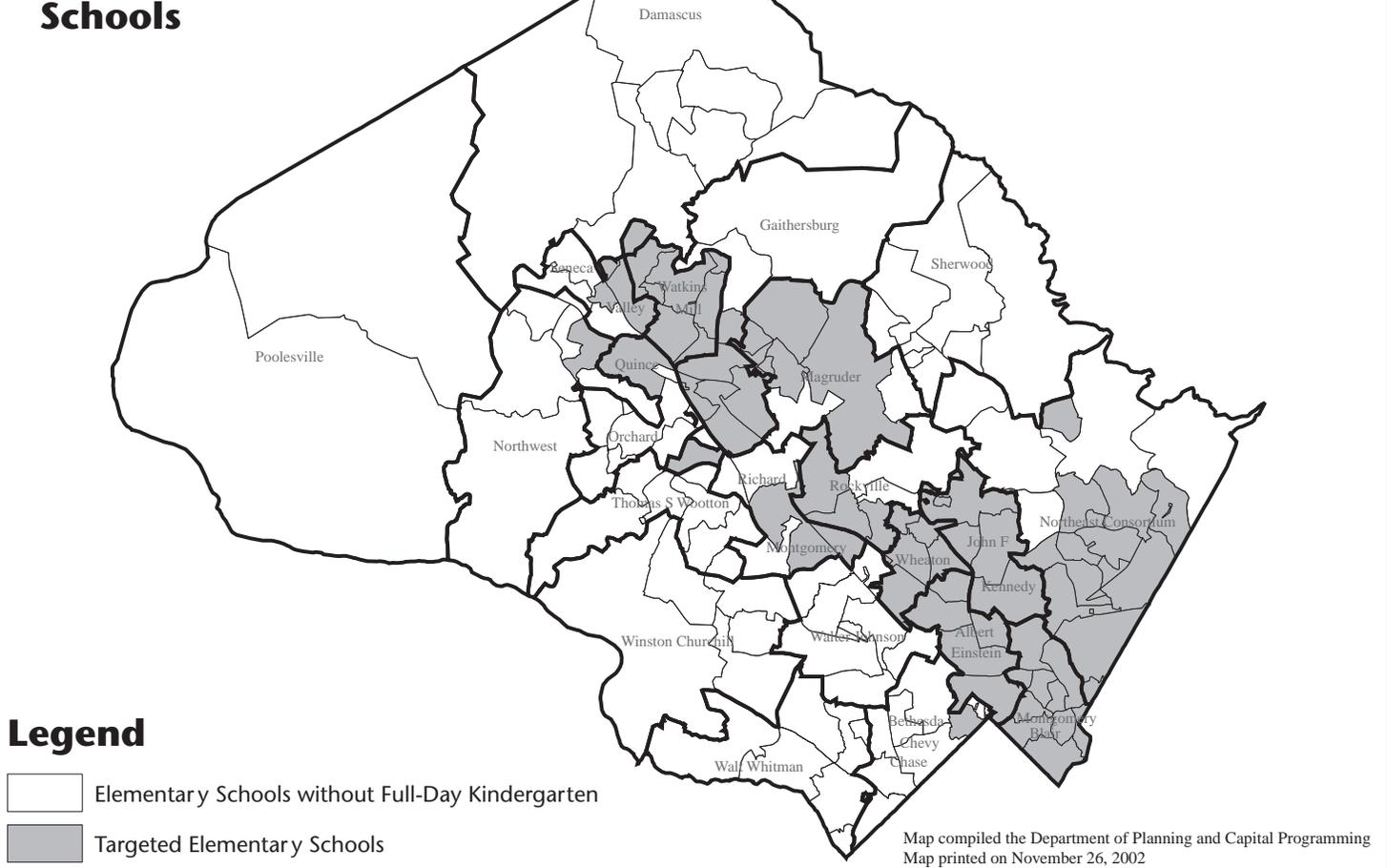
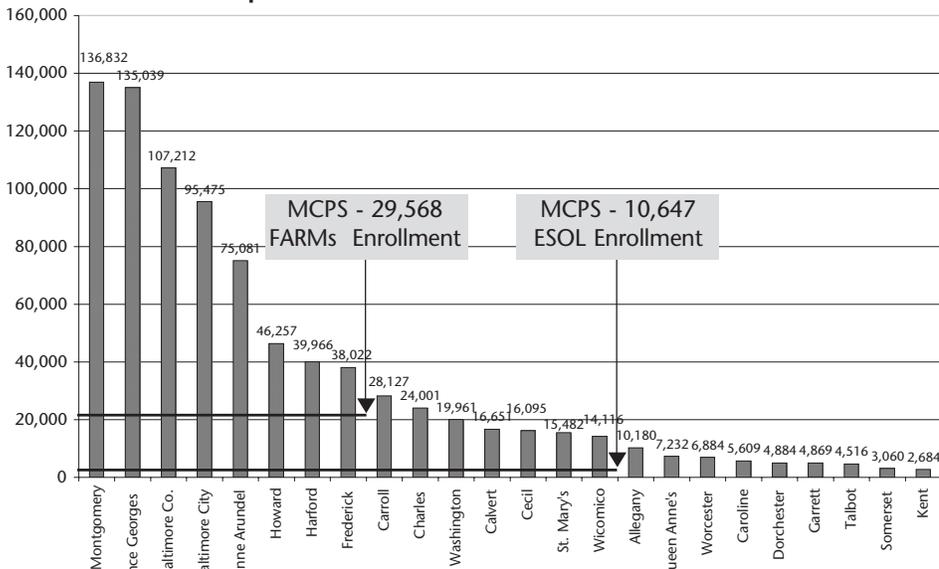


FIGURE 8

### Enrollment in Maryland School Systems, 2001-02 Compared to MCPS FARMs & ESOL Enrollment



Source: MCPS Division of Food and Nutrition Services

### Responding to New Challenges

While Montgomery County's public schools experience significant diversity, they face the challenge of responding to a radically new information-based economy, with 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 expectations 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. They deserve the best from their schools and expect to have a voice in the education of their children.

# Fiscal Overview



## County Resources Increasing More Slowly

The increasingly serious economic situation across the nation and in the Washington metropolitan area will delay previously proposed improvement initiatives. County revenue is projected to rise more slowly than in earlier years, about 5 percent annually in FY 2003-2009 compared with an average of 7 percent annually in FY 1997-2001. Because county fiscal reserves will not be as great at the end of FY 2003 as in previous years, resources will not be available for budget increases on the same scale as over the past three years. In FY 2004, county officials project a budget gap of approximately \$300 million.

## Zero-based Budgeting

The Montgomery County Public Schools has actively collaborated in the past when county fiscal constraints limited the growth of the school systems budget. These fiscal constraints require changes in the way the budget is developed for MCPS. In preparation for this budget year, all MCPS units were required to submit zero-based budget proposals. This means that, instead of starting from existing budget levels and adding or reducing incrementally to arrive at a new total budget, each unit built its budget from

“zero” to a maximum of the existing level of resources. Each office based its budget on its strategic plan and specific deliverable objectives. This zero-based approach concentrates available resources on the highest priorities for accomplishing the core mission of each unit. As a result of this painstaking effort, MCPS offices made literally hundreds of changes in their budgets, realigning staff and other resources to accomplish their main goals. Resources not needed to achieve the highest priorities have been reduced or redirected to other needs.

## Maintaining Existing Initiatives

By husbanding resources for the highest priorities, the FY 2004 Operating Budget preserves existing initiatives put into place over the last three years. (see Figure 9) These major initiatives (with annual increased funding totals from FY 2001 to FY 2003) include:

- ◆ Full-day kindergarten with class size of 15:1 in 56 schools—\$8,438,078
- ◆ Class size reduction at 17:1 in Grades 1 and 2 in 56 schools — \$7,497,421
- ◆ Skillful Teacher Development for teachers at all schools —\$15,819,712

- ◆ Reading and writing programs at all schools — \$3,655,100
- ◆ Mathematics improvement at all schools — \$1,913,577
- ◆ Programs to expand ESOL services — \$1,428,549
- ◆ Counseling and mental health services at all schools — \$1,090,604
- ◆ Special education improvements — \$3,601,357
- ◆ Technology modernization — \$2,516,542
- ◆ Building services and Maintenance improvements - \$2,620,466

By preserving these improvement initiatives despite budget cutbacks, MCPS is placing the clear emphasis on the classroom.

## Quality Management

The new zero-based budgeting system aligns well with other quality management improvements undertaken to use resources more effectively. MCPS has adopted the Malcolm Baldrige Quality Management Criteria as the basis for its planning. With the help of a federal grant, MCPS joined with six other Maryland school districts to explore how Baldrige quality principles can improve not

FIGURE 9

**MONTGOMERY COUNTY PUBLIC SCHOOLS OPERATING BUDGET INCREASES FY 2001-2004**

(dollar amount in millions)

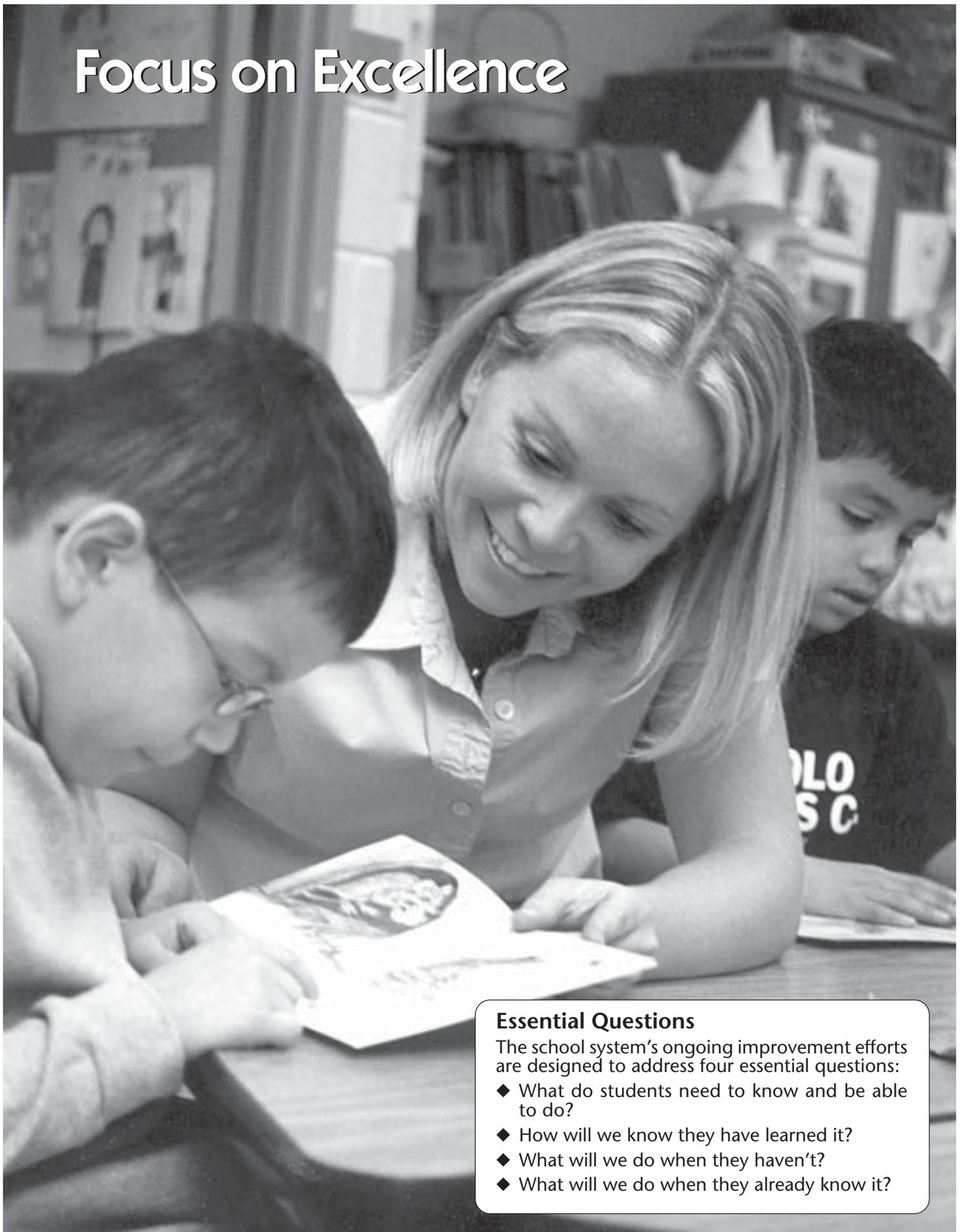
Fiscal Year	FY 2001	Percent of Total Increase	FY 2002	Percent of Total Increase	FY 2003	Percent of Total Increase	FY 2004	Percent of Total Increase
<b>Beginning Budget</b>	<b>\$1,107.2</b>		<b>\$1,222.0</b>		<b>\$1,327.7</b>		<b>\$1,412.2</b>	
<b>Growth and Inflation</b>								
Growth	11.7		14.9		11.9		18.1	
Inflation and other (excluding fund transfers)	8.4		9.6		12.0		6.5	
Textbooks							3.1	
<b>Subtotal</b>	<b>20.1</b>	<b>21.3%</b>	<b>24.5</b>	<b>27.3%</b>	<b>23.9</b>	<b>26.9%</b>	<b>27.7</b>	<b>25.3%</b>
<b>Compensation (salaries and benefits)</b>								
Continuing salary costs	8.4		7.8		7.0		15.0	
Negotiated salary costs - MCEA	38.9		32.7		30.9		37.3	
Neg. salary costs - MCAASP, MCCSSE	14.8		10.1		9.6			
Employee benefits - Active employees	8.9		14.6		12.9		19.6	
Employee benefits - Retired employees	3.4		0		4.7		10.1	
<b>Subtotal</b>	<b>74.4</b>	<b>78.7%</b>	<b>65.2</b>	<b>72.7%</b>	<b>65.1</b>	<b>73.1%</b>	<b>82.0</b>	<b>74.7%</b>
<b>Subtotal-same services</b>	<b>94.5</b>	<b>100.0%</b>	<b>89.7</b>	<b>100.0%</b>	<b>89.0</b>	<b>100.0%</b>	<b>109.7</b>	<b>100.0%</b>
Increases in grants and enterprise funds (info. only) (some included in initiatives)	10.5	9.1%	4.1	3.9%	1.7	2.0%	5.8	6.2%
							(included above)	
<b>Savings and Efficiencies</b>	<b>(16.1)</b>	<b>-14.0%</b>	<b>(14.0)</b>	<b>-13.2%</b>	<b>(21.3)</b>	<b>-25.2%</b>	<b>(15.6)</b>	<b>-16.6%</b>
<b>Budget Initiatives</b>								
Class size reduction	5.0		11.2		7.2			
Workforce excellence	10.9		3.8		2.5			
Literacy and ESOL	6.9		2.6		3.3			
Special education	0.4		4.3		0.9			
Partnerships	0.3							
Safety, maintenance, Technology, school support	2.4		3.6		1.2			
Shared accountability			0.4					
<b>Subtotal - Budget Initiatives</b>	<b>25.9</b>	<b>22.6%</b>	<b>25.9</b>	<b>24.5%</b>	<b>15.1</b>	<b>17.9%</b>	<b>0.0</b>	
<b>Total Budget Increase</b>	<b>\$114.8</b>	<b>100.0%</b>	<b>\$105.7</b>	<b>100.0%</b>	<b>\$84.5</b>	<b>100.0%</b>	<b>\$94.1</b>	<b>100.0%</b>
<b>Final Approved Oper. Budget (and % Inc.)</b>	<b>\$1,222.0</b>	<b>10.4%</b>	<b>\$1,327.7</b>	<b>8.6%</b>	<b>\$1,412.2</b>	<b>6.4%</b>	<b>\$1,506.3</b>	<b>6.7%</b>
Information only- (included in above totals)								
Special education increases	\$18.1		\$17.7		\$13.6		\$20.8	
Note: Special education increases include all direct costs, including instruction, employee benefits, and transportation								
<b>Revenue - Sources of increases</b>								
Local	\$90.0	78.4%	\$68.7	65.0%	\$49.6	58.7%	\$59.0	62.7%
State	17.0	14.8%	27.8	26.3%	21.9	25.9%	29.7	31.6%
Federal	2.5	2.2%	5.9	5.6%	10.6	12.5%	4.0	4.3%
Other	5.3	4.6%	3.3	3.1%	2.4	2.8%	1.4	1.5%
<b>Total</b>	<b>\$114.8</b>		<b>\$105.7</b>		<b>\$84.5</b>		<b>\$94.1</b>	

only administrative practices by also the approach to classroom instruction. 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.

In the next phase of the introduction of Baldrige quality management techniques, the new approach was introduced to individual schools in the Walter Johnson cluster and at Waters Landing Elementary School. There, students and teachers have actively cooperated in the development of goals and measurement systems to integrate the Baldrige approach into regular classroom activities. The results have been extremely positive. Baldrige is becoming a way of life in schools and in central offices, involving employees, teachers, and students in directing their achievements systematically.



# Focus on Excellence



## Essential Questions

The school system's ongoing improvement efforts are designed to address four essential questions:

- ◆ What do students need to know and be able to do?
- ◆ How will we know they have learned it?
- ◆ What will we do when they haven't?
- ◆ What will we do when they already know it?

The improvement measures outlined in *Our Call to Action* focus on the basics of education: providing a quality teacher and a quality instructional program for each child, backed by excellent supporting services staff and supervised by outstanding administrators. The crucial functions required to achieve this goal include:

- ◆ 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

**The Four Essential Questions**

Focusing all these activities on the classroom, MCPS staff asks four essential questions that guide the development of an instructional program tailored to the particular needs of individual students (See box).

**Standards-based Curriculum Reform**

In the spring of 2001, the Montgomery County Public Schools (MCPS) embarked upon a monumental effort to revise curriculum, in reading/ English language arts, mathematics, science, and social studies. (see Figure 10) The goal was to create a curriculum aligned to state, national, and international standards. Over the course of two years, the Office of Curriculum and Instructional Programs (OCIP) has produced standards-based curricula that stresses the skills and knowledge necessary for students to successfully engage in rigorous and challenging instruction. MCPS is committed to providing an instructional program that ensures all of our graduates are prepared for both college and the demands of the work force.

The development of a curriculum framework, instructional guides (including pre- and post- assessments), and the identification of textbooks and resource materials will help to reduce the variability in instruction that has been reflected in student achievement. Ongoing professional development designed to support implementation of the revised curriculum while building teachers' understanding content is key to improving teaching and learning.

In FY 2002, OCIP staff began developing instructional guides and assessment measures

for the pre-K–8 curriculum framework.

The scope and sequence of essential skills and knowledge found in the MCPS pre-K–8 curriculum framework in English/language arts, mathematics, science, and social studies is backmapped from the Maryland Content Standards, which serves as the basis for the Maryland Assessment Program that measures the success of our schools.

The curriculum framework describes what students should know and be able to do. How the knowledge and skills are to be taught is detailed in instructional guides. Instructional guides contain the sequence of units for each year, a timeframe for completion of those units, model lessons on which teachers should build their own instruction, connections to resources approved for classroom use, and assessments to gauge student progress. The assessments are developed so that there is a clear pathway from the curriculum framework indicators taught in each unit to the demonstration of mastery of those indicators by students.

The goal of the assessment measures, which have been incorporated into the instructional guides, is for teachers to administer assessments frequently so that instruction can be adjusted both to meet the individual needs of the learner and to monitor student progress on the learning continuum. The diagnostic information gained through the use of assessments informs intervention, acceleration, and/or enrichment. The assessments measure a student's progress toward mastery of specific content knowledge and/or skill.

**Buying New Textbooks**

In order to make the new curriculum effective in the classroom, teachers and students must have textbooks aligned with the curriculum and with formative and summative assessments of student progress. Many MCPS textbooks do not reflect the scope or sequence of the new curriculum. Over the next three years, it will be necessary to purchase more than \$6 million worth of new textbooks just to implement new curriculum units. Many of these textbooks cost \$50 or more . In order to advance this program in FY 2004, MCPS plans to purchase and distribute more than \$3 million in new textbooks, mainly in elementary and middle school mathematics. These textbooks will be purchased without adding to the budget by realigning a total of \$3.1 million in funds from other textbook and materials accounts and by reducing temporarily the flexibility that schools have in using their textbook allotments.

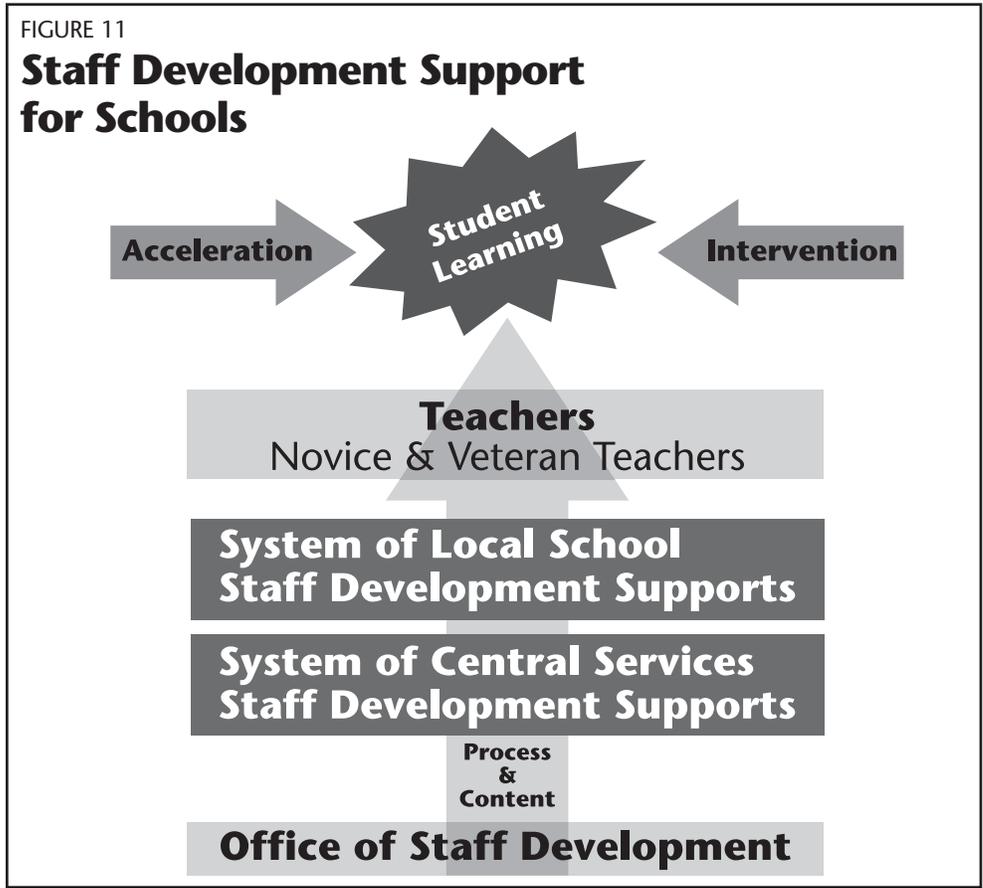
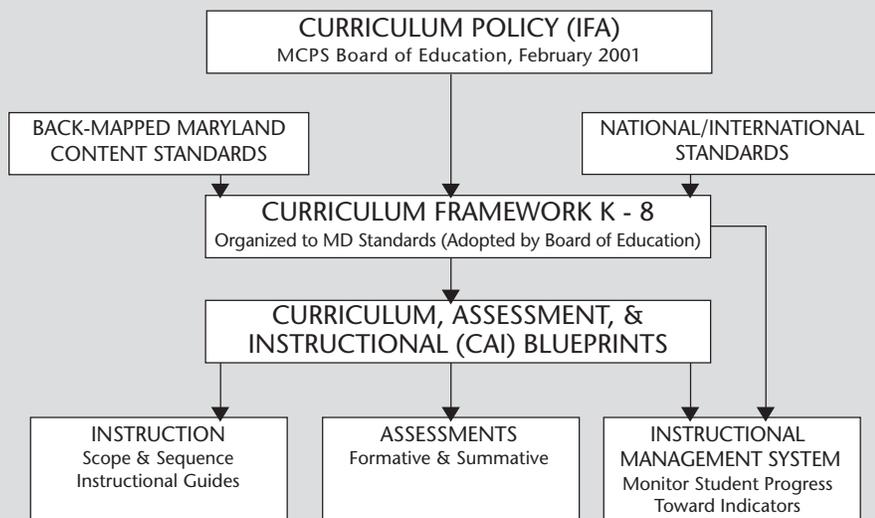


FIGURE 10 Curriculum Development Process



### Staff Development – Knowing What to Teach and How to Teach It

For the new curriculum to be successful, each staff member must have the knowledge, job skills, attitudes, and expectations to effect the optimum learning for each child. Teachers must know what to teach and how to teach it. Principals and other leaders must understand the most effective ways to measure great teaching, including the essential role in student success played by attitudes and expectations.

Over the last three years, all staff development activities have been focused in the new Office of Staff Development (see Figure 11). For FY 2004, the comprehensive staff development plan includes all staff development activities within MCPS, both content and process, for all units, including grant-funded activities. This comprehensive plan allows staff development to focus on the most important aspects of educational excellence without pulling teachers out of the classroom any more than necessary.

### Teacher Evaluation

Montgomery County Public Schools is in the third and final phase of implementation of the Teacher Professional Growth System (PGS). The PGS includes a redesigned teacher evaluation system now expanded to all schools with the final 67 schools added in FY 2003. The Peer Assistance and Review System (PAR), includes consulting teachers for new and underperforming teachers. Findings from external evaluators indicate that the program is having a positive impact on the quality of teaching and learning.

### A New Kindergarten Model

The development of the new kindergarten model illustrates the interaction between curriculum, staff development, instruction, and monitoring. (see Figure 12) Three years ago the Early Success program was begun, including full-day kindergarten with a class size of 15:1 and lower class sizes of 17:1 in Grades 1 and 2 at 56 schools most heavily impacted by poverty. Over three years, these two programs have cost \$15.9 million, much of it funded by federal and state grants.

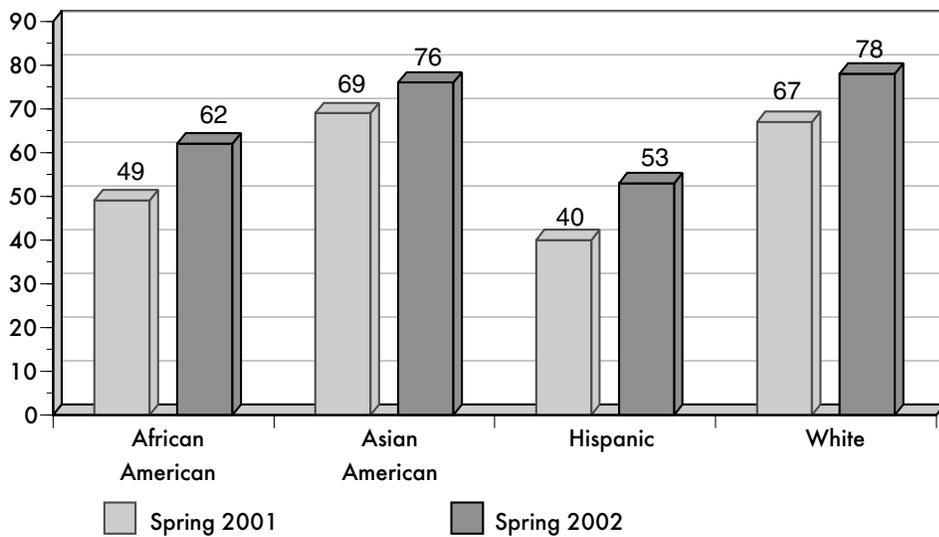
### Fast Start

The results of the kindergarten initiative reinforce the importance of early success. Prekindergarten programs aligned with the curriculum are vital to avoiding the emergence of achievement gaps. (see Figure 13) Remedial steps to overcome learning deficiencies are much more expensive than early childhood programs targeted to at risk children and aligned with core learning goals. That is the rationale for the new prekindergarten Fast Start program.



FIGURE 13

### Percentage of Kindergarten Students Achieving Foundational Reading Benchmark by Race and Ethnicity



Value of Prekindergarten Programs

MCPS currently serves 2,340 three and four-year old children in the federal Head Start and state Extended Elementary Education (EEEP) programs. It is estimated that there are at least 1,000 children eligible for these programs who are not served, either because of lack of a conveniently located program site or because of parental preference. The kindergarten studies show that children who do participate in these programs benefit to a greater degree from the new kindergarten model compared to similar children who do not participate in prekindergarten school programs.

Fast Start - A New Approach

In order to involve more at risk children, the superintendent has recommended shifting from the Head Start model to a new Fast Start program. The new Fast Start model includes a half-day prekindergarten program for 4 year-old children. Each class would have 20 students with two adults, a teacher and an instructional assistant. This model can serve approximately 150 more children in FY 2004 with the same resources and maximize available space. Partnerships with the county government and the child care community can encourage the provision of needed support services for poor families. During FY 2004, the superintendent recommends a transition period in which federally eligible Head Start children will remain in the exist-

ing Head Start program while other 4-year olds will enter Fast Start. This will provide a planning period to study alternative models for meeting the needs of at risk prekindergarten students. MCPS will continue to collaborate closely with the Community Action Agency (the Head Start grantee for Montgomery County) and the Early Childhood unit of the county's Department of Health and Human Services (DHHS), with the Collaboration Council for Children, Youth, and Families, with the County Council, an with concerned community organizations in developing a new approach to early childhood education.

Extended Learning Opportunities

Prekindergarten programs aligned with full-day kindergarten and reduced class size in Grades 1 and 2 provide a framework that promises to accelerate learning for all children as they prepare to meet the accountability standards of No Child Left Behind. In the summer of 2002, MCPS introduced another link in the chain of Early Success, the Extended Learning Opportunities (ELO) program (see Figure I).

ELO provided additional instruction in reading language arts and mathematics to students entering kindergarten through Grade 3 in 18 Title I schools with the highest concentrations of poverty. The goals is to accelerate learning by previewing concepts and skills to be taught in the grade students will enter in then fall, to strengthen basic skills,

alleviate the loss of academic skills that many student experience over the summer break, and to provide continuing English language instruction for ESOL students. During 2002, more than 4,000 students (73 percent of those eligible) registered for the program and 60 percent of those registered attended regularly during the 20 days of the program.

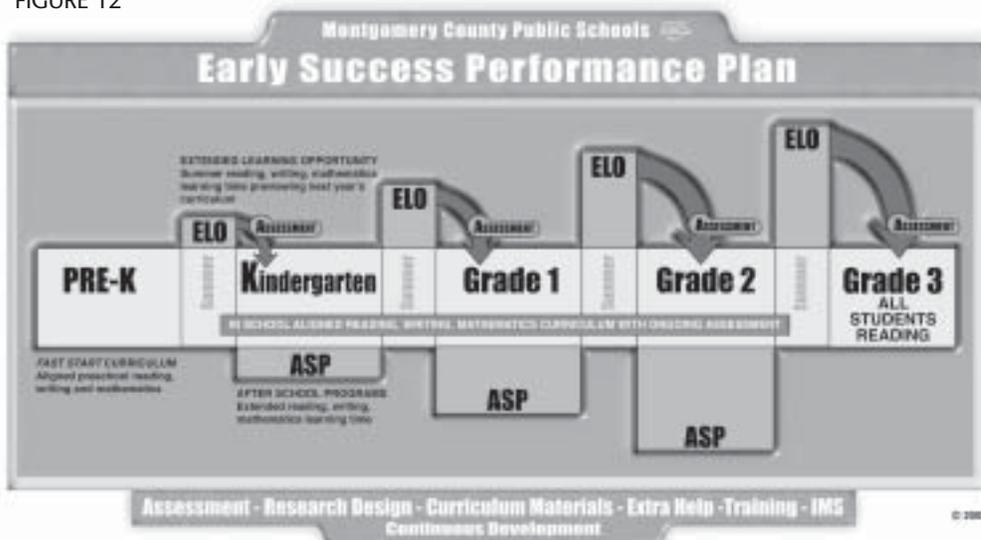
Participation was highest among ESOL and FARMS students eligible for the program. Preliminary results of the ELO program are promising. Students who attend all four weeks made significant gains in mathematics and reading (Grades 1 and 2). Students from all ethnic groups benefited at about the same levels.

In 2003, the ELO program will expand to include incoming Grade 4 students at the 18 participating schools. By planning the program earlier, it is expected that greater student participation and attendance will be possible. The plans for 2003 also call for improved staff development and monitoring to assure greater consistency and effectiveness. The program improvements will be carried out with existing federal Title I grant resources.

Special Education

During the past three years, MCPS has expanded funding for special education by over \$49 million, including the addition of 426 positions. The special education staffing plan submitted by the Board of Education to the Maryland State Department of Education in July 2002 and approved by MSDE included a multiyear improvement plan that resulted from months of extensive stakeholder input, including the Special Education Advisory Committee. Although fiscal constraints will limit the extent to which the plan can be implemented on schedule, funding for special education will continue to increase in FY 2004, incorporating some aspects of the proposed staffing plan with added resources for growth. Budgeting for special education, based on the new zero-based approach, has included a realignment of resources to reflect actual patterns of instruction using the teaching station model approved by the Board of Education in the budgeted staffing guidelines. This means that the Department of Special Education has greater flexibility to adjust staffing to actual classroom needs regardless of strict budget ratios. Expansion as a result of enrollment growth in FY 2004 will include 21.2 teacher positions and 25.0 special education instructional assistant positions at a cost of \$1.3 million.

FIGURE 12

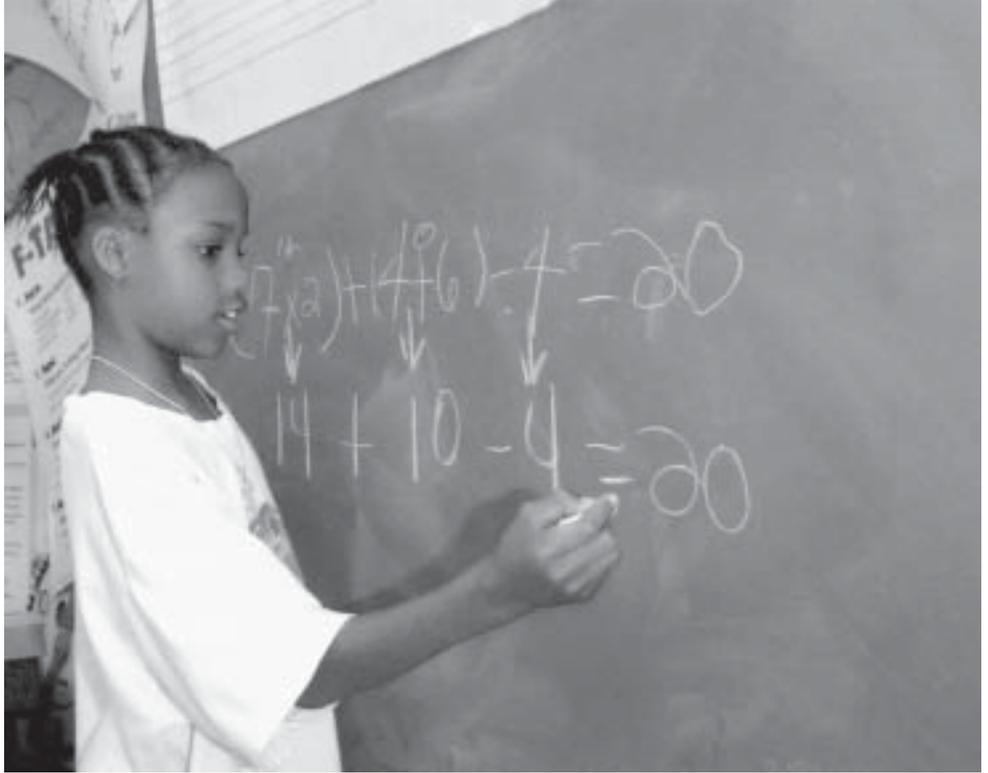


## Funding Initiatives with Savings

Fiscal constraints have resulted in the identification of savings and efficiencies that can preserve resources for higher priority uses. During the past three years, MCPS identified \$51.4 million in reductions that contributed to funding for improvement initiatives. This year the introduction of a zero-based budgeting process has encouraged managers to redirect existing resources to higher priorities. This has resulted in the identification of \$15.5 million of reductions (see Figure 14). Taken together, the 4-year total of \$66 million in reductions equals the total amount of \$66 million programmed over that period for improvement initiatives. In short, MCPS has funded all the initiatives already implemented over the last three years with savings from the existing base budget.

## Doing Business Differently to Serve Schools Better

In addition to making these reductions, MCPS offices have used zero-based budgeting to make literally hundreds of realignments, using existing resources in more creative and productive ways to accomplish system goals. For FY 2003, this realignment of resources included significant reorganization of central office functions to coordinate services for schools. For FY 2004, each office drilled down to see how it could use its resources to accomplish more effectively the goals of its strategic plan within existing levels of resources.



## Central Services Reductions

In FY 2003, 72 percent of reductions were concentrated in central services and support operations. This has left little scope for further reductions, with central administrative expenditures reduced to just 2.0 percent of the budget, the lowest percentage ever in this category.

In FY 2004, central services reductions total \$3.6 million. There is a reduction of \$.7 million in the Office of Global Access Technology, including 6.0 positions that will

affect a variety of services, including some that support instructional programs. Other central services reductions include reductions of \$687,284 in the Office of Curriculum and Instructional Programs, \$500,000 in the Office of Staff Development, \$1,330,693 and 4.0 positions in the Office of Student and Community Services, and \$155,071 including a 1.0 position in the Office of Human Resources (see Figure 15).

## Support Operations Reductions

The FY 2004 budget includes a \$3.3 million reduction in support services. These reductions include \$1.1 million in the Division of Maintenance, including 14.0 maintenance services positions; \$1.1 million in the Department of Facilities Management, including 3.0 positions intended to reduce classroom air quality problems; \$700,000 in the Department of Transportation involving the deferral of replacing 70 buses; and \$249,000 in the Department of Materials Management including 2.0 positions. Further reductions in these support operations would result in serious deficiencies in health and safety for school children.

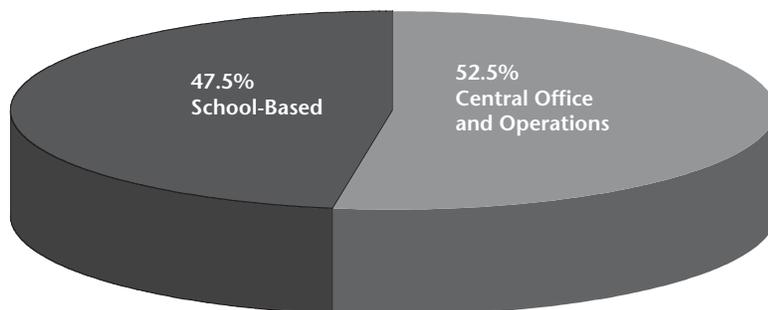
## School-based Reductions

It is important to minimize the effect of budget reductions on school-based programs. The school-based reductions involve

FIGURE 15

### Majority of Reductions will come from Central Office... Not From Schools

Percent of Reductions



only a 0.6 percent reduction in school based services (see Figure 16) (\$7.4 million). Although it is impossible to shelter schools from the need to reduce services, reductions have been made to avoid endangering the high priority improvement initiatives introduced during the last three years and to spread other reductions to minimize any effects on classroom instruction.

School-based reductions include 14.0 of the existing 28.9 teacher assistant positions for a savings of \$438,103 that provide invaluable assistance to teachers for special projects. Also reduced are 21.5 vertical articulation specialist positions at a savings of \$1.4 million that help elementary, middle, and high schools in the same cluster to work together more effectively to transition students from one level to another seamlessly. Reductions also include 7.1 ESOL instructional assistant positions that support the high school ESOL program. Other staff members in the high schools will assume these duties.

In addition to these positions, other school-based reductions include the redirection of existing textbook and materials resources to purchase new textbooks (\$3.1 million), a reduction in instructional equipment of 30 percent (\$100,000), and reductions in contractual services and supplies for school security (\$45,000). Further budget reductions will impact schools disproportionately, requiring possible reduction of building service, worker positions, teacher positions, instructional assistant positions, and reductions in special education.

### Using Existing Resources More Effectively

To avoid further service reductions, MCPS offices are realigning existing resources to concentrate on their core missions and key objectives. The zero-based budgeting process encouraged this realignment of resources and resulted in literally hundreds of realignments described in more detail in the full budget.

A sample of the types of realignments made include the following:

Office of Student and Community Services –  
 Realignment of 27.5 positions from Medical Assistance to Longview/Stephen Knolls (16.0) and School-based Special Education (11.5), involving a total of \$1,247,391

Realignment of \$357,000 from contract and professional part-time salaries to create 6.0 social worker positions for special schools.

Realignment of 18.0 instructional assistant positions in the Department of Alternative Program to a variety of other alternative programs (\$481,000)

Office of the Chief Operating Officer –  
 Realignment of 11.0 positions from the Office of Human Resources to the Office

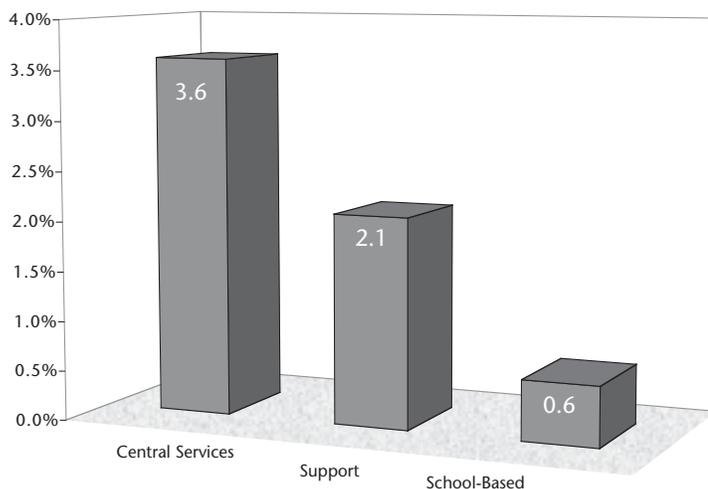
FIGURE 14  
**Summary of FY 2004 Reductions**

Office	Total	
	FTE	Amount
K-12 Instruction	35.5	\$3,041,135
K-12 Instruction*		\$3,141,000
Deputy Superintendent/School Security		71,314
Office of Curriculum and Instructional Programs	11.1	1,172,996
Office of Staff Development		500,000
Office of Student and Community Services	4.0	1,330,693
Office of Human Resources	1.0	155,071
Office of Global Access Technology	8.0	912,354
Office of the Chief Operating Officer	20.0	3,097,163
Reduction of Inflation		868,344
Other Systemwide Reductions		1,279,029
<b>TOTAL</b>	<b>79.6</b>	<b>\$15,569,099</b>

Note: Dollars include employee benefits costs

\* Funds are redirected for new textbooks from other instructional supplies and materials

FIGURE 16  
**Largest Reductions in Central Office and Support Operations**  
 Reductions as Percent of Total Category



of the Chief Financial Officer to create the Employee and Retiree Services Center (\$670,000)

Realignment of 1.25 positions to the Entrepreneurial Activities Fund to expand the work of the Taylor Science Materials Center (\$56,000)

Office of Curriculum and Instructional Programs –

Realignment of \$552,000 in professional part-time salaries and other resources within the Curriculum Services unit to provide instructional materials (\$400,000) and a 1.0 position to implement the middle school extended day and extended year intervention

programs and to support textbook purchases.

Realignment of 10.5 positions and other resources within the Division of Academic Support to concentrate on serving the 60 targeted focus schools and to support the ELO program (\$804,000)

Office of Staff Development –

A variety of realignments totaling \$1.8 million, including decreases of 2.0 instructional specialist and 8.0 consulting teacher positions, will support priority staff development projects such as those that introduce the new curriculum and the Instructional Management System.

Despite these reductions and realignments, the FY 2004 Operating Budget for Montgomery County Public Schools must increase significantly to accommodate the effects of enrollment growth and employee compensation. 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 17). These increases due to these factors are greater than in previous years. These requested increases totaling \$109.7 million are offset by reductions of \$15.6 million resulting from program reductions, efficiencies, and cost-saving measures.



### Enrollment Growth

One driving force behind the operating budget's continuing growth is the significant and continued increase in student enrollment (see Figure 18). 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 19).

Salaries of additional teachers and other school-based personnel and costs associated with providing services for 1,760 additional elementary, secondary, ESOL, and special education students (budget-to-budget projections) in FY 2004 will increase the operating budget by \$17.5 million. The higher number of births in the county discussed above combined with movement of families with school-age children into the county have combined to increase enrollment projections sharply since last year, from 901 to 1,760 new students. With one new middle school (Newport Mill Middle School) scheduled to add another grade level in FY 2004, there is an increase of \$638,000 million in the budget for start-up costs (see Figure 1). The cost of transporting and feeding new students results in an increase of \$2.7 million. In addition, employee benefits costing \$2.1 million will be required for the new employees needed to serve the increased enrollment.

### Special Education Enrollment Growth

Enrollment for students with disabilities requiring special classes is projected to increase by 165 students, or 2.0 percent. The number of resource services for students with hearing impairments, resource program needs, and vision, speech, and physical disabilities will decrease by 150, or 1.0 percent. The increase in the number of students with disabilities will require an additional \$2.4 million in FY 2004. This will fund the salaries of 46.1 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 \$186.1 million in FY 2004, an increase of \$16.3 million or 10.0 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 691 in FY 2003 to a projected 730 in FY 2004, as well as state mandated rate increases for private providers, has increased the amount needed for nonpublic tuition by \$4.4 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, and to work with the state to secure more cost-effective contracts with private providers.

### ESOL Enrollment

Enrollment of English language learners (ELL) also has increased rapidly. In FY 2003, the number of students eligible for English for Speakers of Other Languages (ESOL) services rose by 203 to 10,850. During the past three years, ESOL enrollment has increased by 1,690 students (15.6 percent). 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 40 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. In FY 2004, ESOL enrollment is projected to increase by another 650 students. As a result of this enrollment increase, there will be a need for 32.1 positions and other expenditures for an increase in the operating budget of \$1.3 million, excluding benefits.

### Employee Salaries

Increases in employee salaries include negotiated salary increases and continuing salary costs that include salary increments or

## Factors Increasing Operating Costs

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 2001, the Board of Education reached a three-year contract with MCEA that expires on June 30, 2004. The final year of the agreement, FY 2004, includes a 4 percent salary schedule increase and an additional 1 percent for the addition of two duty days to the work year for 10-month teachers. 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 2004. Compensation for substitute teachers will also increase by 4 percent for FY 2004. The total cost in FY 2004 is \$37,253,248. 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.

MCPS is currently in negotiations with the Montgomery County Association of Administrative and Supervisory Personnel (MCAASP) and MCCSSE/SEIU Local 500 (representing supporting services employees), whose current three-year contracts expire June 30, 2003.

### 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 \$15.0 mil-

FIGURE 19

### New Schools and Additions

NEW SCHOOLS	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Newport Mill MS	X						
Northwood HS Reopening			X				
Rocky Hill MS Replacement Facility			X				
Quince Orchard MS #2				X			
Wheaton MS #2				X			
Einstein/Kennedy ES #6				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	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
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				
Northwest HS (20)			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			
Northwood HS - Core Improvements Only				X			
Rosemont ES (10)				X			
South Lake ES (6)				X			
Sherwood HS (12)							X
Fields Road ES (6) (To Be Determined)							
Watkins Mill ES (6) (To Be Determined)							

Note: Numbers in parentheses indicate additional classrooms.



lion. This is a significantly higher increase than in recent years. This increase includes \$14.0 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 \$1.0 million is required for associated social security and retirement payments. Budgeted salary costs for FY 2004 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 \$16.1 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 turnover lower than original projections for FY 2003 has resulted in a higher salary base reflected in higher continuing salary costs. Additionally, a new hire rate greater than budgeted and the greater number of teachers with advanced degrees has increased salary costs.

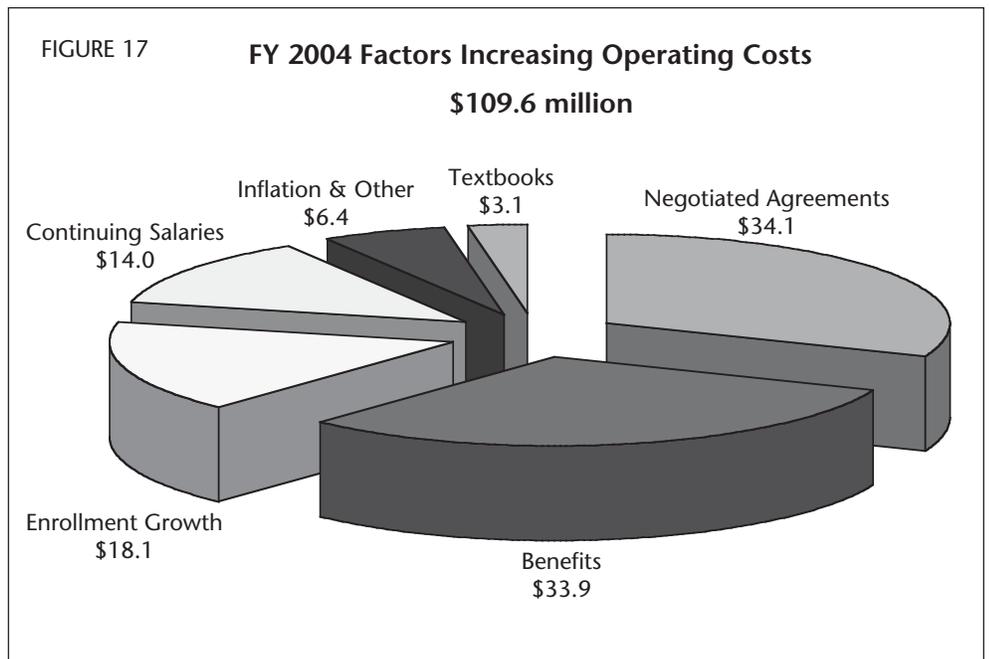
### Employee Benefits and Insurance

The cost of health insurance and other employee benefits represents approximately 17 percent of the total MCPS budget. National trends of higher health care costs have begun to affect MCPS significantly. Despite ongoing efforts to contain costs, health care costs have risen sharply. Largely due to these higher costs for health care, the total cost of employee benefits for the current number of beneficiaries is projected to increase by \$29.7 million in FY 2004.

The increase for health care for active employees assumes an 7.0 percent cost increase trend for FY 2004, 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 all 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 availability of the trust will end after FY 2003. Retiree participants pay an average of 36 percent of the costs. In FY 2004, the total Board cost for the retirees' health benefits is projected to be \$30.5 million, an increase of \$10.7 million.

Costs for current retirement programs will



increase in FY 2004 by \$1.9 million based on 2.06 percent of salary, an increase of 0.2 percent from FY 2003.

Costs for the MCPS contribution to the county's joint self-insurance fund will increase by \$1.4 million in FY 2004. 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. This increase is offset by a reduction of \$900,000 in the estimate for payments of social security (FICA) taxes because more employees exceed the maximum wage base.

### Inflation and Other Cost Increases

There is a total of \$6.5 million (0.4 percent of the budget) in inflation and other required cost increases in FY 2004. 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 \$868,344.

During the past three years, inflation in the Washington metropolitan area has remained at about 2 percent. Inflation increases are calculated for most budgeted items other than salaries, and increases for major items that have specific rates different from general 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. Although inflation has been recognized for textbooks, instructional materials, media center materials, and facilities maintenance thus adding \$732,539 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 (\$0.9 million) rate increases for nonpublic tuition for special education students (\$1.7 million), bus replacement (\$1.6 million), other increased costs for student transportation needed primarily to make up for one-time savings achieved in FY 2003 (\$1.0 million), increased expenditure authority for enterprise funds that generate offsetting resources (\$1.1 million), and other changes.

These increases are offset by decreases, including a reduction of 60.0 classroom teacher positions at a savings of \$3.9 million. These positions will be reduced from positions in reserve available to be allocated to schools with some oversize classes.

# Summary of Revenues

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:

- ◆ Sources 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

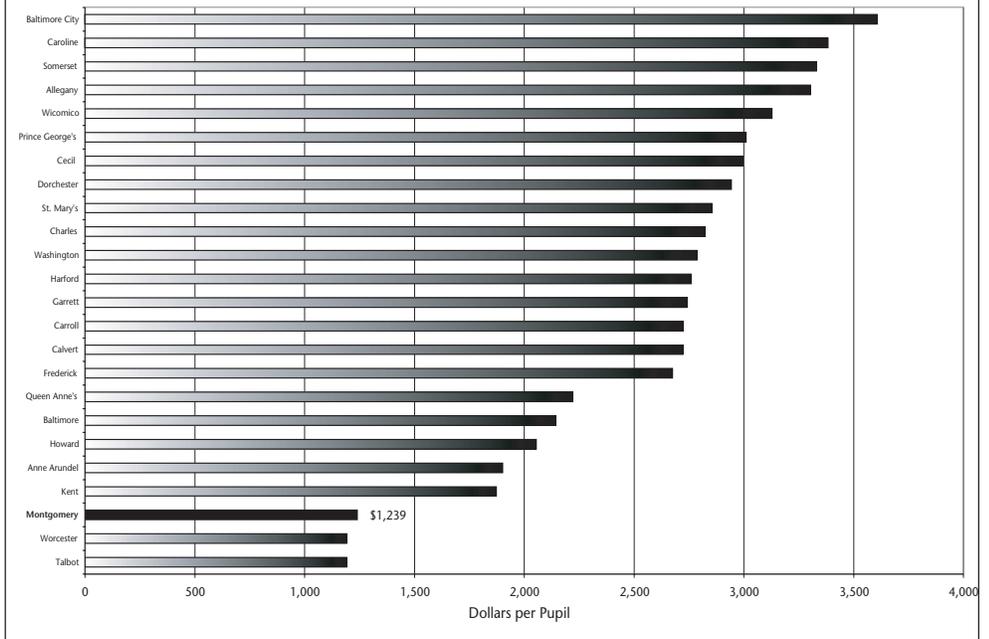
## Sources of Revenues

Although in recent years, the share of the budget funded by state and federal governments has risen, the majority of the operating budget continues to come from county tax funds. In FY 2004, the county is expected to provide funds for approximately 75.6 percent of MCPS' total expenditures (see Figure 20). 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 new state Bridge to Excellence Act has significantly increased the total amount of state funding. Basic state aid is now based

FIGURE 21

FY 2004 Current Expense Aid Per Pupil



on a foundation amount of \$4,766 per student. Maryland contributes an average of 51 percent of this total statewide, but only 26 percent for Montgomery County. This disparity results from wealth-based state aid formulas. 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 \$1,239 per student, whereas other Maryland counties are projected to receive an average of \$2,451 per student. Figure 21 shows the differences in basic state aid per student among counties in Maryland. Because the new state funding formulas take wealth into account to a greater degree than previously, the disparity between aid to MCPS and other districts is expected to continue.

## 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. Despite enrollment increases that are the 11th highest in the nation—more than 36 percent since FY 1990—the schools' share of the county operating budget has increased only slightly to 48 percent (see Figure 22).

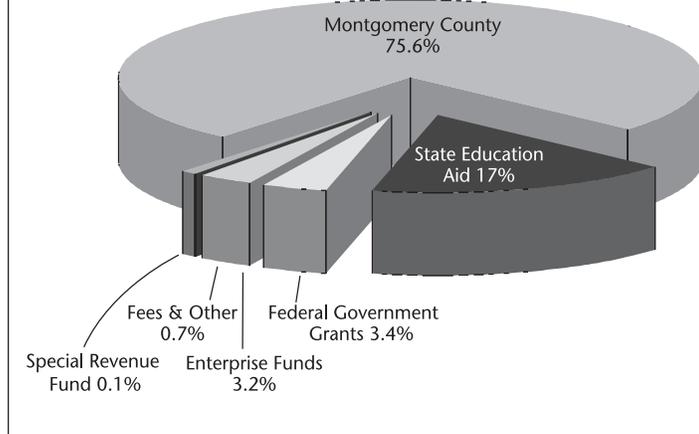
## Maintenance of Effort in Local Funding for Schools

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 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 educa-

FIGURE 20

School Revenues by Source  
FY 2004 Requested Budget



tion 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 2003, the County Council approved a school budget that was \$28.0 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 2004 budget, \$37.2 million in local funding beyond the minimum maintenance-of-effort requirement will be needed.

The maintenance-of-local-effort requirement for FY 2004 is \$1.101 billion in local tax contribution, which, combined with other projected tax-supported revenue, would produce a total FY 2004 spending affordability (tax-supported) budget for MCPS of \$1.394 billion, \$37.2 million above the maintenance-of-effort requirement. (see Figure 23).

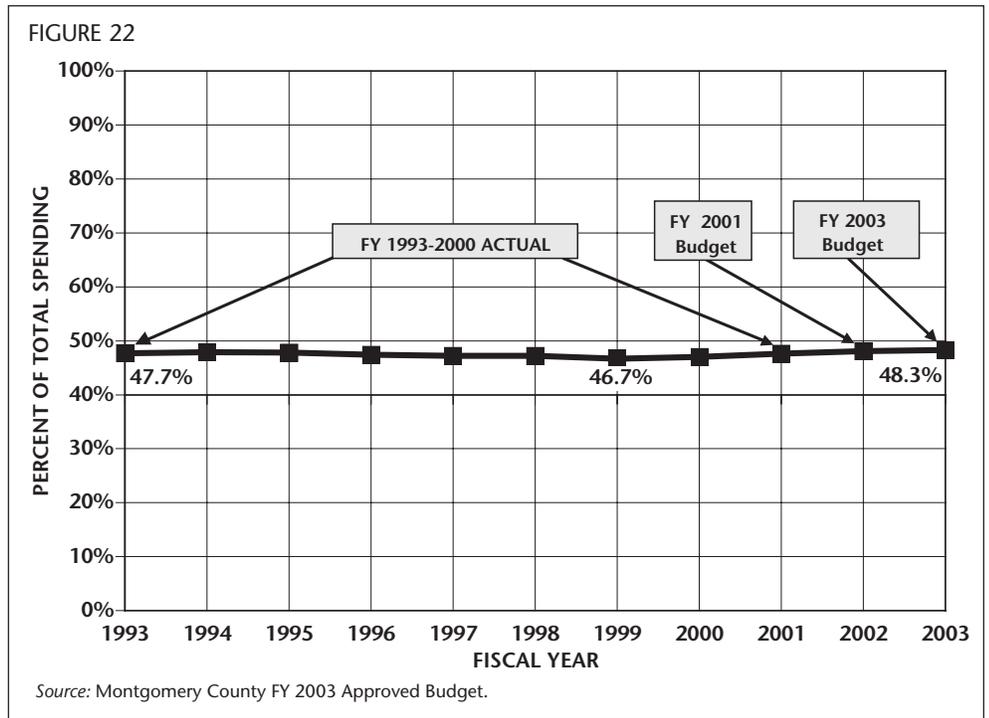
### Spending Affordability

In 1990, the Montgomery County Charter was amended to restrict increases in property 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.

The County Council set the preliminary spending affordability guideline for MCPS at the maintenance-of-effort level, with \$1.357 billion for MCPS, which is \$37.2 million less



than what the superintendent has requested in local tax-supported funding (see Figure 23). Unless county funding is approved at a level considerably above this guideline, severe cuts in instructional programs will be required.

**FIGURE 23**

**FY 2004 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 2004	Increase Over FY 2003
<b>SPENDING AFFORDABILITY</b> (excluding grants & funds)		
TOTAL BUDGET REQUEST	\$1,394.7	\$128.1
MCPS Spending Affordability Guideline	<u>1,357.5</u>	90.9
DIFFERENCE	(\$37.2)	
<b>MAINTENANCE OF EFFORT</b>		
TOTAL BUDGET REVENUE	\$1,394.7	\$128.1
Non-Local Funds:		
State Aid	253.7	69.3
Other Revenue	<u>2.0</u>	<u>(1.0)</u>
Local Funding Effort Required Maintenance of Effort Requirement	1,139.0	59.8
	<u>1,101.8</u>	22.6
DIFFERENCE	(\$37.2)	

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

# Long-term Planning Overview

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 2004 operating budget of \$1.5 billion is about 13 times the size of the \$112.6 million capital budget expenditures approved for FY 2004. 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.

## Enrollment Trends

This year Montgomery County Public Schools enrolled 138,891 students. Over the past four years, enrollment has risen by more than 11,000 students. According to the United States Department of Education, Montgomery County was 11th in the nation in terms of enrollment increases between 1990 and 2000.

By 2008, 5,900 more students are expected to enroll. Higher county birth rates are expected to result in a rise in elementary enrollment after a brief plateau. Secondary enrollment will continue to increase dramatically in the next six years. On an annual basis, enrollment increases will decline from 1.3 percent to .5 percent by FY 2008 as the school system nears a peak in enrollment. The September 2002 actual enrollment is 139,891 an increase of 2,059 from the prior year. For September 2003, projected enrollment is expected to be 140,554, an increase of 1,760.

## 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 24 reflects MCPS' expenditure trends by state category over the past three years.

The five categories defined as instructional costs in Figure 19 make up 65.6 percent of MCPS' total costs. Actual MCPS expenditures for instruction exceeded the statewide average by 4 percent in FY 2001, the most recent year for which data is available.

Because instructional salaries form the bulk of salary costs for the school system, most of the 17.7 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 80.8 percent (see Figure 25).

Figure 26 shows the distribution of educational resources by major object of expenditure. Employee compensation, including salaries and wages and employee benefits, totals 89.2 percent of the budget. Thus, it is almost impossible to make significant budget reductions without affecting people.

## A 10-Year Overview

When the FY 2004 operating budget was developed, the budget decisions made since FY 2000 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 2009 were taken into account. As a result of consultations among county agencies and with the County Council, this budget includes 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 27 offers a 10-year overview of the MCPS operating budget. It provides a sum-

FIGURE 24

### Expenditures by State Budget Category (000's omitted)

Category	Actual FY 2002	Budgeted FY 2003	Budgeted FY 2004	Percent Change	Percent of Total
<b>Instruction:</b>					
2 - Mid-level administration	86,122	94,447	95,945	1.6%	6.4
3 - Instructional salaries	595,798	634,722	667,634	5.2	44.3
4,5 - Textbooks, other instr. Costs	42,041	40,724	42,215	3.7	2.8
6 - Special education	155,628	166,337	182,042	9.4	12.1
<b>SUBTOTAL</b>	<b>879,589</b>	<b>936,230</b>	<b>987,836</b>	<b>5.5%</b>	<b>65.6%</b>
<b>School and Student Services:</b>					
7 - Student personnel services	5,815	6,265	8,444	34.8	0.6
8 - Health services	37	40	46	15.0	0.0
9 - Student transportation	58,270	55,949	59,976	7.2	4.0
10 - Cleaning and utilities	72,160	78,589	78,018	(0.7)	5.2
11 - Building maintenance	24,655	26,093	24,786	(5.0)	1.6
<b>SUBTOTAL</b>	<b>160,937</b>	<b>166,936</b>	<b>171,270</b>	<b>2.6%</b>	<b>11.4%</b>
<b>Other:</b>					
12 - Insurance and employee benefits	209,418	232,093	266,459	14.8	17.7
1 - Systemwide support	29,239	30,215	30,558	1.1	2.0
14 - Community services	288	272	272	-	0.0
<b>SUBTOTAL</b>	<b>238,945</b>	<b>262,580</b>	<b>297,289</b>	<b>13.2%</b>	<b>19.7%</b>
<b>TOTAL GENERAL FUND</b>	<b>1,279,471</b>	<b>1,365,746</b>	<b>1,456,395</b>	<b>6.6%</b>	<b>96.7%</b>
37 - Cable Television Fund	1,003	1,075	1,098	2.1	0.1
41,51 - Real estate/adult ed fund	5,038	6,781	7,973	17.6	0.5
61 - Food services operations	33,022	35,640	38,252	7.3	2.5
71 - Field trip fund	1,401	1,974	1,542	(21.9)	0.1
81 - Entrepreneurial activities fund	852	947	,041	9.9	0.1
<b>TOTAL SPECIAL &amp; ENTERPRISE FUNDS</b>	<b>41,316</b>	<b>46,417</b>	<b>49,906</b>	<b>7.5%</b>	<b>3.3%</b>
<b>TOTAL EXPENDITURES</b>	<b>1,320,787</b>	<b>1,412,163</b>	<b>1,506,301</b>	<b>6.7%</b>	<b>100.0%</b>

mary of the changes that have been made in the operating budget since FY 2000, the FY 2004 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 28 also shows for FY 1996 through FY 2004 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, \$21.8 million in 1996, \$17.5 million in FY 1997, \$11.1 million in FY 1998, and \$5.1 million in FY 1999 total \$289 million, approximately 19 percent of the annual operating budget for FY 2004.

MCPS has steadily reduced central administration as a percentage of the total budget from 4.6 percent in FY 1991 to 2.0 percent in FY 2004 (see Figure 29).

FIGURE 18

**Enrollment by Grades — FY 2002–FY 2007**

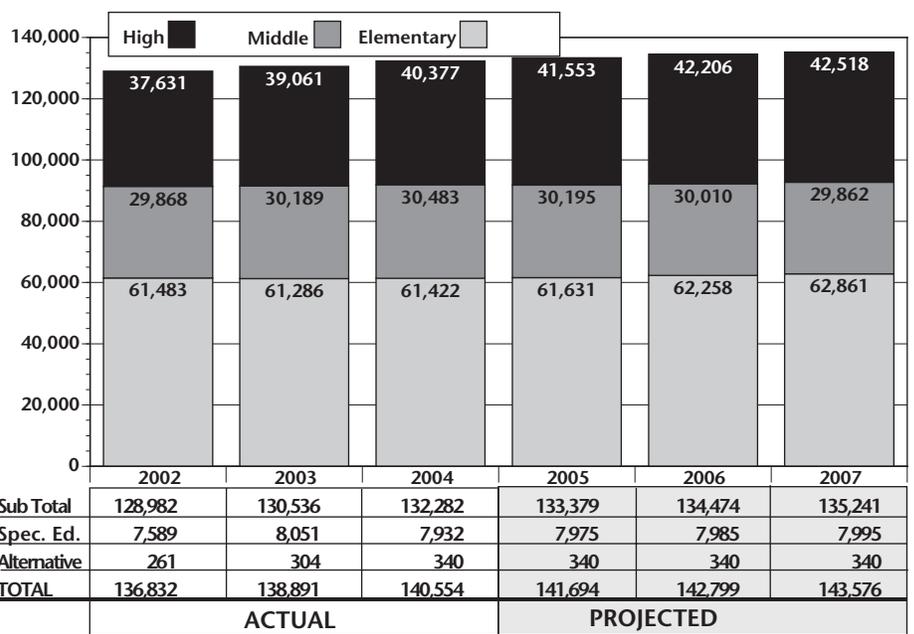
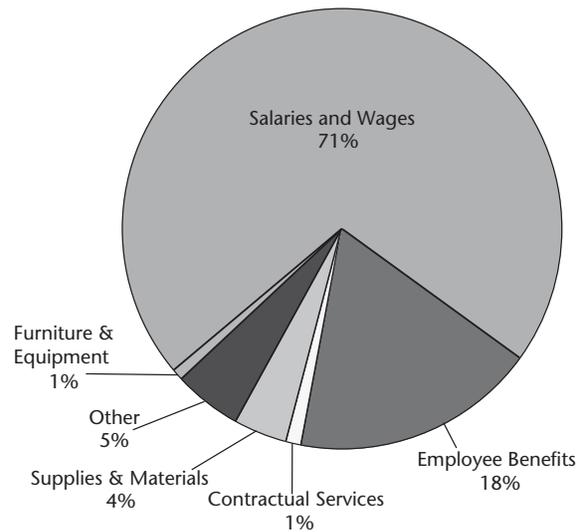


FIGURE 26

**Distribution of Education Funds by Object of Expenditure**



**Changes in Cost per Pupil**

Figure 24 shows that the cost per pupil since FY 2001 has increased in actual dollars since FY 2001 has increased in actual dollars from \$8,402 to \$9,804 in FY 2004, excluding debt service and all enterprise funds. This represents an average annual increase of 3.9 percent.

FIGURE 25

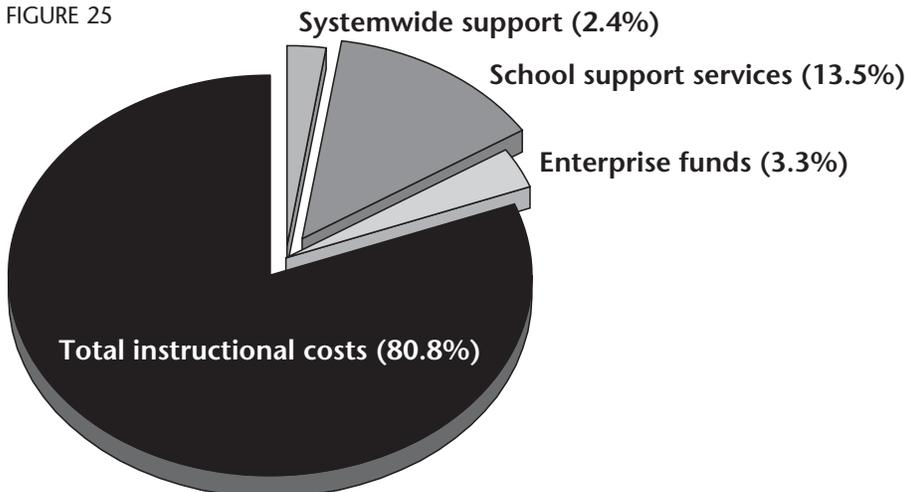


FIGURE 28

Savings, Efficiencies and Reductions  
Since FY 1996 — \$137.1 million  
(dollars in millions)

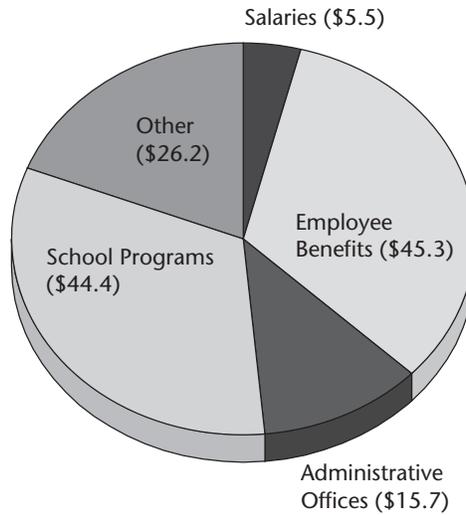


FIGURE 29

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%
FY 2004	1,506,301,494	30,558,163	2.0%

NOTE: Data displayed for FY 1991 through 1994 is based on the old state category 1. Data displayed for FY 1995 through FY 2004 is based on the new state category 1.

FIGURE 27

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

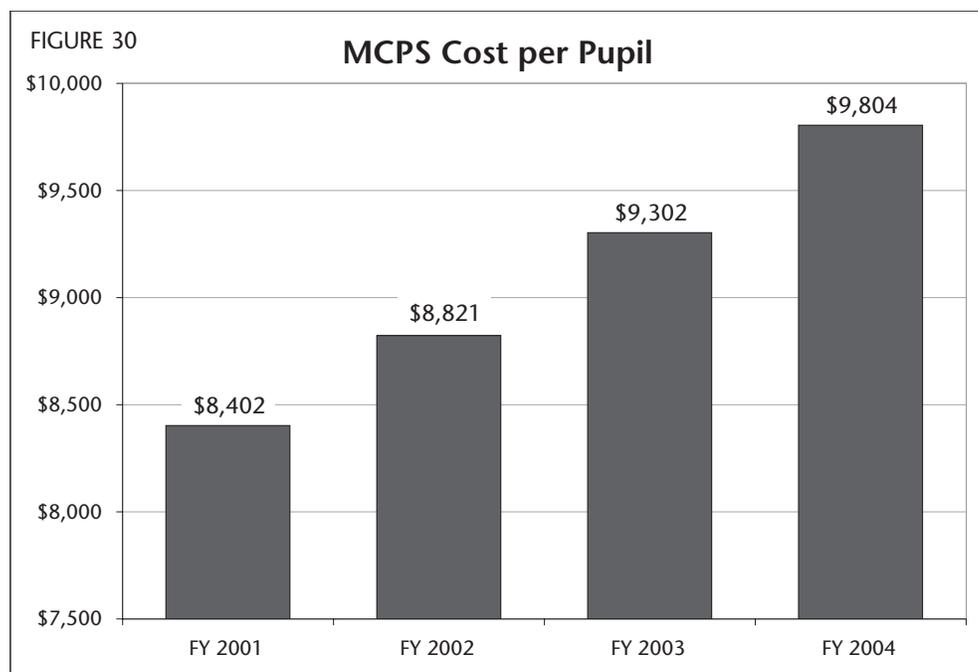
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Beginning Budget (a)	\$1,038.0	\$1,107.2	\$1,222.0	\$1,327.7	\$1,412.2	\$1,506.3	\$1,556.7	\$1,599.3	\$1,649.0	\$1,618.4
Growth and Inflation										
Growth	16.7	11.7	14.9	11.9	18.1	20.9	10.2	14.6	(3.6)	7.8
Employee Benefits	8.5	12.3	14.6	19.1	33.9	12.0	13.0	14.1	15.4	16.7
Continuing Salary Costs	8.9	8.4	7.8	7.0	14.0	15.2	16.4	17.7	19.0	20.0
Inflation & Other	5.8	8.4	9.6	12.3	9.5	9.7	10.7	11.3	9.8	11.8
Sub-total, Growth & Inflation	39.9	40.8	46.9	50.3	75.5	57.8	50.4	57.7	40.6	56.3
Negotiated Salary Costs (b)	23.0	53.7	42.8	40.5	34.1	(b)	(b)	(b)	(b)	(b)
Multiyear Budget Initiatives	15.1	33.3	25.9	15.1	-	-	-	-	-	-
Savings & Reductions (c)										
Sub-total, Savings & Reductions	(10.4)	(16.1)	(14.0)	(21.4)	(15.5)	(7.4)	(7.8)	(8.0)	(8.3)	(8.4)
Council Approved Budget/Request	\$1,105.6	\$1,218.9	\$1,323.6	\$1,412.2	\$1,506.3	\$1,556.7	\$1,599.3	\$1,649.0	\$1,681.4	\$1,729.3
Percent incr. in total operating budget	6.51%	10.09%	8.31%	6.36%	6.66%	3.35%	2.73%	3.11%	1.96%	2.85%
Enrollment	130,689	134,180	136,832	138,891	140,554	141,694	142,799	143,576	144,218	144,801
Percent increase in enrollment	2.22%	2.67%	1.98%	1.50%	1.20%	0.81%	0.78%	0.54%	0.45%	0.40%
Cost per pupil (d)	7,584	8,402	8,821	9,302	9,804	10,076	10,270	10,531	10,689	10,949
Percent change in cost per pupil	3.81%	10.79%	4.99%	5.45%	5.40%	2.78%	1.93%	2.54%	1.50%	2.43%
Consumer Price Index increase	3.60%	2.30%	2.10%	2.50%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%
Percentage change in real cost per pupil, adjusted for inflation	3.77%	10.76%	4.96%	5.43%	5.37%	2.75%	1.90%	2.52%	1.47%	2.41%

(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 2009 do not include negotiated salary increases.

(c) Reflects continued management efficiencies and productivity efforts projected at .5 percent of annual beginning budgets for FY 2005-FY2009

(d) Cost per Pupil as been restated for FY 2001 through FY 2003 to reflect a change in the funding structure that now includes \$38 million as general state aid as opposed to grant funding.



## 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. Sustained implementation of this plan has begun. 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.

As a result of this new impetus to improve early childhood services, MCPS has developed

the Fast Start program as a model for seeing that more at risk children have the literacy and social skills necessary to start school successfully.

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 two Judy Centers that opened in 2001 in Silver Spring and in 2002 in Gaithersburg. Maryland has mandated the expansion of full-day kindergarten to all students and the provision of pre-kindergarten programs for all at risk children.

### 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 has permitted more cost-effective use of the latest printing and graphics technology. The FY 2004 operating budget includes funding of \$295,238 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.

Montgomery County continues to see a return on its investment in better schools. Real improvements have occurred in the measures of academic achievement. The data provide strong evidence of academic progress, underscoring the impact of successful instructional strategies and the importance of increased rigor in the curriculum. The data also show that the average student is scoring well above national norms in reading, language, and mathematics.

## Improved Reading Skills in Kindergarten and First Grade

Two studies released this year show that significantly more students – especially those most heavily impacted by poverty and English language development – are acquiring foundational reading skills in kindergarten and text reading skills in Grade 1. These findings reflect the academic development of nearly 16,000 students who were part of the first group of children to benefit from the kindergarten reforms implemented two years ago, and the second group of students who completed kindergarten last year. Reforms include a more rigorous curriculum, enhanced program implementation, ongoing professional development, reduced class size, and full-day Kindergarten.

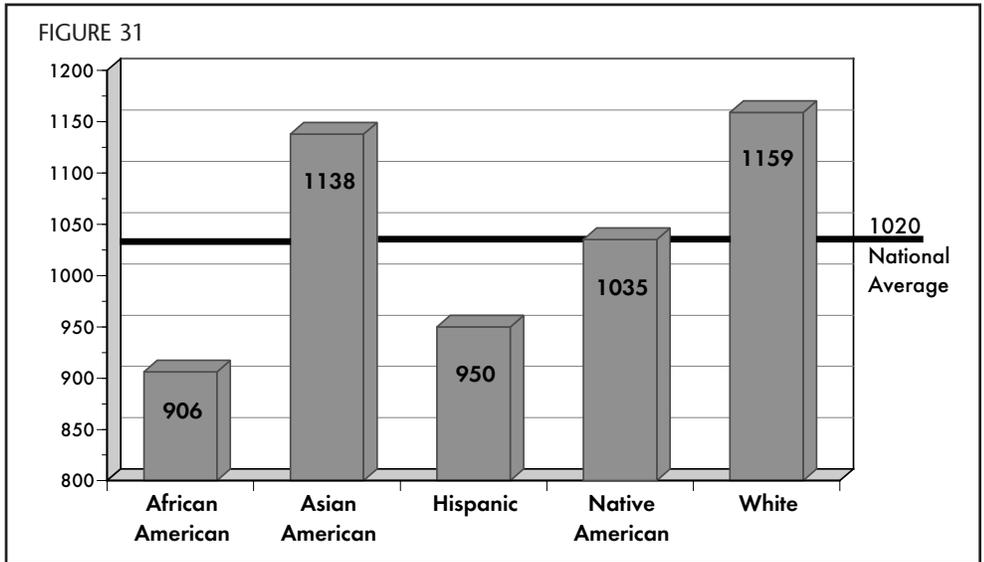
## Scholastic Assessment Test

Last year, 81 percent of the MCPS graduating class took the Scholastic Assessment Test (SAT), the highest participation rate ever. Overall, the average score for the school system was 1095, an increase of three points over the year before. MCPS posted the highest systemwide average score in Maryland, 75 points above the statewide and national averages. This achievement was fueled by the highest-ever average score of 560 in mathematics. The improvement in the county's average score reflects increases of one to 11 points for all racial and ethnic groups except African American students. (See figure 31)

There remains, however, a disparity in scores for both African American and Hispanic students, with average scores for these groups considerably below those of Asian American and white students. Teachers, principals, and support staff are working with students, parents, and the community to address this continuing trend in underperformance.

## Other Indicators of Academic Progress

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



- ◆ Montgomery County students outperformed or matched all other school systems in the state in all but one subject area of the 2002 High School Assessments. The performance of MCPS African American and Hispanic students, while lower than their white and Asian classmates, nearly matched or outperformed some entire school system scores.
- ◆ The secondary school dropout rate was 1.8 percent. A national study last year 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.
- ◆ The highest-ever percentage of students was enrolled last year in Honors and Advanced Placement courses (64 percent). Despite this improvement, the gaps among racial and ethnic groups remain very wide.
- ◆ Almost half of Grade 8 students passed Algebra 1 or a higher math course (48.9 percent) last year, the highest percentage since the Grade 8 benchmark was established in 1995-96.
- ◆ In Grade 9, nearly three-fourths (74.9 percent) of students passed Algebra 1 or a higher math course last year. This included gains for African American students (up 3.1 percentage points) and Hispanic students (up 1.9 percentage points).



# Budget Review and Adoption process

On December 11, 2002, the superintendent of schools presented his Recommended Operating Budget for FY 2004 to the Board of Education. His recommendations continue to reflect input from a variety of public and private stakeholders.

## Review of the Master Plan

The review of the FY 2004 Operating Budget will play an important part in the development of the comprehensive master plan required of all school districts by the Maryland Bridge to Excellence Act. This budget is aligned with the school system's comprehensive plan, *Our Call to Action*, which will form the basis on the comprehensive plan to be submitted to the state by October 1, 2003. Before the submission of the plan, the community will have an extensive opportunity to review and comment on the plan and on how closely the operating budget aligns with the plan. The Maryland State Department of Education has not yet issued promised guidelines for the development and review of Bridge to Excellence master plans. Once this guidance is received, it will be possible to establish specific plans for the review and submission of the Montgomery County plan.

## Budget Review Process

After public hearings on January 15, 16, and 22, 2003, the Board of Education will hold a worksession on January 28, 2003 and adopt the requested budget on February 6, 2003. The Board of Education's budget will be sent to each principal, PTA president, and public library shortly after March 1, 2003,



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

The county executive will make public his recommendations for the MCPS budget by March 15, 2003. 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 2004 on June 10, 2003.

## FY 2004 MCPS Operating Budget — Timeline of Budget Actions

Superintendent presents Recommended Operating Budget .....	December 11, 2002
Sign-up begins for Board of Education Operating Budget Hearings .....	December 26, 2002
Board of Education Operating Budget Hearings .....	January 15, 2003 at 7:00 p.m. January 16, 2003 at 7:00 p.m. January 22, 2003 at 7:00 p.m.
Board of Education Operating Budget Work Session .....	January 28, 2003 at 7:30 p.m.
Board of Education Operating Budget Action/Adoption .....	February 6, 2003 at 7:30 p.m.
Board of Education FY 2004 Operating Budget Request presented to County Executive and County Council .....	March 1, 2003
County Executive issues Operating Budget.....	March 15, 2003
County Council holds Operating Budget Hearings .....	April 3, 2003
Council approves Operating Budget.....	May 23, 2003
Board of Education takes final action on Operating Budget .....	June 11, 2003

## Selected MCPS Statistics (FY 1995 to 2004)

Selected Trends	Fiscal Year (ACTUAL)								(BUDGETED)		Change Since FY 95
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
<b>ENROLLMENT</b>											
Regular Enrollment	111,745	114,699	116,254	118,446	120,872	123,836	126,604	129,243	130,840	132,622	18.7%
Special Education (levels 4/5)	5,337	5,592	6,251	6,589	6,980	6,853	7,576	7,589	8,051	7,932	48.6%
<b>Total Enrollment</b>	<b>117,082</b>	<b>120,291</b>	<b>122,505</b>	<b>125,035</b>	<b>127,852</b>	<b>130,689</b>	<b>134,180</b>	<b>136,832</b>	<b>138,891</b>	<b>140,554</b>	<b>20.0%</b>
ESOL Students	7,328	7,465	7,426	7,452	8,689	9,160	9,472	10,607	10,850	11,500	56.9%
Free & Reduced-price Meals (FARMS)	24,488	25,795	27,250	29,941	28,773	29,201	29,196	29,568	31,108	-	20.6%
Cost per Pupil	\$6,562	\$6,694	\$6,866	\$6,949	\$7,306	\$7,584	\$8,402	\$8,821	\$9,302	\$9,804	49.4%
<b>NUMBER OF SCHOOLS</b>											
Elementary	23	123	123	123	123	124	124	125	125	125	1.6%
Middle	27	29	30	32	32	35	35	35	36	36	33.3%
High	21	21	21	21	23	23	23	23	23	23	9.5%
Career Centers	1	1	1	1	1	1	1	1	1	1	0.0%
Special Centers	7	6	6	6	6	6	6	6	6	6	-14.3%
<b>Total Number of Schools</b>	<b>179</b>	<b>180</b>	<b>181</b>	<b>183</b>	<b>185</b>	<b>189</b>	<b>189</b>	<b>190</b>	<b>191</b>	<b>191</b>	<b>6.7%</b>
<b>New Schools Opened</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>N/A</b>
<b>SOURCE OF REVENUE</b>											
% County	83.0	81.7	80.9	80.0	79.5	78.6	78.6	77.6	75.4	75.6	-7.4
% State	11.2	12.5	13.0	13.8	14.4	14.7	14.7	15.5	16.1	17.0	5.8
% Federal	2.4	2.3	1.7	2.5	2.6	3.0	3.0	2.7	3.3	3.4	1.0
% Fees & Other	0.2	0.3	1.1	0.4	0.4	0.5	0.5	1.0	0.9	0.7	0.5
% Surplus from prior year	0.2	0.2	0.2	0.2	0.0	0.1	0.1	0.0	1.0	0.0	-0.2
% Enterprise Funds	3.0	3.0	3.1	3.1	3.1	3.1	3.0	3.1	3.2	3.2	0.2
% Special Revenue Fund							0.1	0.1	0.1	0.1	0.1
<b>PERSONNEL CHANGES</b>											
Total Professional	8,348	8,418	8,654	8,907	9,480	9,981	10,652	11,205	11,239	11,698	40.1%
Total Supporting services	5,930	5,988	6,100	6,308	6,599	6,965	7,104	7,370	7,322	7,527	26.9%
<b>Total Full-Time Positions</b>	<b>14,278</b>	<b>14,406</b>	<b>14,754</b>	<b>15,215</b>	<b>16,079</b>	<b>16,946</b>	<b>17,756</b>	<b>18,575</b>	<b>18,561</b>	<b>19,226</b>	<b>34.7%</b>
Administrative Category as a % of Operating Budget	2.8%	2.6%	2.6%	2.7%	3.2%	2.7%	2.5%	2.4%	2.2%	2.0%	-0.8%
Average Teacher Salary	\$47,409	\$46,926	\$49,369	\$49,793	\$50,647	\$51,913	\$52,519	\$54,900	\$58,680	\$61,614	N/A
Consumer Price Index Increase*	2.8	2.2	3.9	1.7	2.5	3.6	2.3	2.1	2.5	2.4	N/A
<b>TRANSPORTATION</b>											
Number of Buses	905	959	981	1,007	1,032	1,089	1,106	1,116	1,167	1,191	31.6%
Average Age of Bus in Service	6.9	7.0	7.3	7.1	6.8	6.7	6.4	6.0	6.5	6.4	N/A

\*Washington metropolitan area.

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**Montgomery County Public Schools**  
**451 Hungerford Drive, Suite 508**  
**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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