

Frequently Asked Questions About the MCPS Operating Budget

What is the difference between the Operating Budget and the Capital Budget?

The Operating Budget supports the day-to-day operations of the school system, including funds for teachers and other staff, supplies and materials, and other operational needs of schools and offices. It is paid for largely through current year taxes. In FY 2013, the Operating Budget totals \$2.16 billion. The Capital Budget supports school construction and other major projects related to schools and other facilities. It is paid for largely through debt assumed by Montgomery County.

Where does the money for school system operations come from?

The Montgomery County Council determines how much money the school system will receive each year as part of the overall county operating budget. There is no separate school tax in Maryland. Most of the money for the MCPS operating budget comes from the county (66 percent), through taxes paid by county residents. The largest sources of local revenue are the property tax, income tax, real estate taxes on the transfer and recordation of property, and other taxes on energy, telephone service and hotels. Most of the rest of the revenue for the MCPS budget comes from state (27 percent) and federal sources (3 percent). Revenue from fees, fines, reserves, and other sources makes up the rest of the budget (4 percent).

Does the county have to give the school system a certain amount of money?

State law requires the county to provide the school district the same amount in local dollars, per student, from one year to the next. This is called Maintenance of Effort (MOE). If a county cannot meet this requirement, it must seek a state waiver from MOE. If the county does not meet MOE and does not receive a waiver, the state can withhold any increase in basic education funding.

What share of the county budget does MCPS receive?

In FY 2013, the MCPS Operating Budget constitutes 46.8 percent of all Montgomery County Operating Budget expenditures. If debt service for capital budget projects paid by the County Government on behalf of MCPS is included, then expenditures for MCPS constitute 49.5 percent of the local budget. In most municipalities, expenditures for public schools are the largest part of the local budget.

How does the state decide how much aid to give to each county?

State aid makes up about 27 percent of the MCPS budget. Maryland provides aid to each county based on a variety of formulas, including such factors as student enrollment, county wealth, and the number of students eligible for Free and Reduced-price Meals—an indicator of poverty. Those counties with lower property value or personal income receive a higher proportion of state

aid than wealthier counties, called equalization. So while the state pays about 47 percent of total education costs statewide, Montgomery County gets only 27 percent of its funds from the state.

What is the majority of the money in the budget used for?

More than 80 percent of the budget is used for classroom instruction, including salaries and benefits for teachers, counselors and school-based administrators; textbooks and other instructional materials; furniture and equipment and programs, such as special education, gifted education and English for Speakers of Other Languages.

Nearly 15 percent of the budget is spent on school support services, such as transportation, nutrition, maintenance and security. Just over two percent is spent on central support services, such as districtwide training and professional development; centralized support to school; and central office. MCPS has one of the smallest central offices—percentagewise—in Maryland.

Providing a high-quality education takes a tremendous number of people and more than 90 percent of the money spent in the categories above goes directly to pay for salaries and benefits for the outstanding employees of MCPS.

How does the school system decide how much to give to any individual school?

Most school-based expenses are budgeted centrally for the entire school system. It is necessary to allocate these resources to each school. This is done according to mathematical formulas, most of which are based on student enrollment and/or the square footage of school buildings. These formulas guarantee that each school gets a fair share of available resources. The allocation formulas are part of the budget set by the Board of Education and published as the “Budgeted Staffing Guidelines” in the Operating Budget and the Program Budget. The resulting allocations are summarized and published in [Schools at a Glance](#).

The allocation formula determines how much staff each school receives, generally based on projected student enrollment. As enrollment increases or decreases from year to year, school staff may increase or decrease. If enrollment changes after allocations are completed, schools may receive changes in staffing based on decisions made by the community superintendents.

Other staffing adjustments may relate to special programs offered at a school or other particular circumstances. Some staff, such as building service workers, is allocated according to a formula based on square footage, related to the amount of space that must be maintained. Other resources, such as textbooks and media materials, are allocated according to student enrollment.

What factors are responsible for any increases in the school budget?

Most of the annual increase in the MCPS budget results from the increased cost of providing existing services, not from new or expanded programs. In FY 2013, the entire \$73.2 million increase was needed to maintain existing services to a larger number of students. The largest factor increasing cost is employee compensation, which makes up more than 90 percent of the MCPS budget.

Compensation increases include salaries and employee benefits. Salary increases include continuing salaries, which is the increase paid to eligible employees who maintain satisfactory performance for increased seniority. These are called “steps” because they are specified annually for each pay level up to a maximum negotiated with employee unions. This amount is reduced by “turnover” savings resulting when a senior employee retires or leaves employment and is replaced by a more junior, and lower paid, employee doing the same job.

What has MCPS done to reduce costs or to make its budget more efficient?

MCPS uses a zero-based budgeting process to review all expenditures annually to make sure that all resources are distributed fairly and are used to achieve the goals of the school system’s strategic plan. Based on projected enrollment, the number of professional staff, and other established factors, school-based resources are allocated by school annually according to budgeting formulas common to all schools and approved by the Board of Education. All central office departments review the use of all personnel and other resources annually based on their assigned duties.

Each year, MCPS realigns millions of dollars of positions and other resources within and between units to align resources with the most important priorities. For FY 2013, \$1.5 million was realigned for higher priority purposes. While MCPS has added positions for enrollment growth, it has made more than \$400 million in difficult reductions from the base budget, including a reduction of over 1300 central services, school-based, and school support positions.