


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

March 15, 2010

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: FY 2011 Operating Budget: County Executive Recommendation

On March 15, 2010, County Executive Isiah Leggett presented his Fiscal Year 2011 Recommended Operating Budget. He recommended a total of \$2.13 billion for Montgomery County Public Schools (MCPS). This is a decrease of \$75 million (3.4 percent) from the approved FY 2010 Operating Budget of \$2.20 billion. Mr. Leggett's recommendation is actually 6.1 percent less—\$137.7 million—than the Board of Education's FY 2011 Operating Budget Request of \$2.26 billion. (See attachment for detailed numbers).

The recommended budget provides about \$1,000 less per student for next year compared to this fiscal year and about the same amount as FY 2009. This budget recommendation by Mr. Leggett will require a waiver of the Maintenance of Effort (MOE) law. Without a MOE waiver, MCPS may face a penalty of the loss of increased state aid up to \$53.1 million. Thus, I will be recommending to you that we join with the County Government in seeking a waiver from the MOE requirement. It is important to point out that MCPS has been exceedingly cooperative with the County Government as it confronts the worst economic downturn in decades. You will recall that MCPS agreed to allow the county to use its increased state aid for two years in a row (\$70 million in FY 2010 and \$53 million in FY 2011) in lieu of local increases in education spending despite the increases in enrollment. Mr. Leggett made a point of thanking the Board for its leadership and cooperation in these difficult economic times.

The county executive's budget recommends following the Charter limit on property taxes through a \$693 tax credit for owner-occupied residential property, with constant tax rates. Other revenue increases include an increase in the Energy tax (\$50 million) and a new ambulance fee charged directly to third-party payers (\$15 million). County reserves remain at five percent of resources. In addition, the budget assumes a withdrawal of \$102 million from the Rainy Day Fund in FY 2010.

At the press conference held to release the budget recommendation, Mr. Leggett said that he had closed a \$779 million shortfall to balance the budget. Closing the budget shortfall included the following major steps:

1. FY 2010 savings of \$100 million
2. Elimination of 450 County Government positions, including 230 filled positions
3. Reductions in the MCPS FY 2011 Operating Budget of \$137.7 million and a MOE waiver
4. Reductions in the budgets of Montgomery College (\$8.3 million) and the Maryland-National Capital Park and Planning Commission (\$15.1 million)
5. A ten-day furlough for county non-public safety employees
6. No general wage adjustment or salary increments for employees (COLAs and Steps)
7. Deferral of contributions for Other Post-Employment Benefits (OPEB) to pre-fund retiree health benefits
8. Reductions in county services in all departments
9. Increased revenue from the Energy tax (\$50 million) and an ambulance fee (\$15 million)
10. Maintaining the level of reserves at five percent, instead of the county policy level of six percent
11. Withdrawing \$102 million from the Rainy Day Fund in FY 2010.

The total FY 2011 Recommended Operating Budget is reduced by \$169.7 million (3.8 percent) from the FY 2010 Approved Budget. This is the first decrease in county expenditures since before the County Charter system was instituted in 1968. Mr. Leggett called attention to growing unemployment and continued weakness of the national and local economic situations. Because of the length of the recession, Mr. Leggett envisions a structural budget problem for several years in the future. He thanked the members of the Board of Education, the superintendent of schools, and employee union leaders for their cooperation.

Overall, Mr. Leggett recommended that MCPS receive 49.4 percent of total county expenditures compared to 48.3 percent of total county spending in FY 2010, excluding the transfer of \$79.5 million of debt service reimbursement to the MCPS budget. The net result is a 3.4 percent decrease from the FY 2010 Operating Budget for MCPS compared to a decrease of 5.4 percent for County Government, 2.3 percent for Montgomery College, and 12.5 percent for the Maryland-National Capital Park and Planning Commission.

MCPS will be absorbing the \$137.7 million in cuts despite enrollment growth of 2,800 students and an increase in the number of students receiving free and reduced price meals of 3,700 in the last year alone, as well as an increase of 900 students receiving English Language services. As I mentioned earlier, cuts of this magnitude will reduce MCPS' budget to a level of spending that is below the approved FY 2010 budget. The cost per student will drop about \$1,000 from \$15,067 to approximately \$14,124 – nearly the same cost as FY 2009.

Due to an increase in state aid, the Board included a reserve of \$37.2 million in the budget passed in February and forwarded to the county executive. This funding, if approved by the legislature, would offset some of the \$137.7 million in required cuts. The remaining cuts may include:

- Elimination of all OPEB contributions (retiree health trust fund) - \$42.9 million
- Elimination of salary increments (steps) - \$25.9 million
- Increase of class size by 1 student at all grade levels - \$16 million

- Central services reductions - \$6.0 million
- Other savings and reductions - \$10.3 million

We will continue to analyze the county executive's recommendation and I will send you additional financial details as warranted. I will keep you informed of future developments as the County Council begins its review of the MCPS budget. The Council's public hearings begin on April 5, 2010, at 7:00 p.m. The County Council's Education Committee has scheduled its initial worksession on the MCPS budget on April 8, 2010. If you have any questions, please call Mr. Larry A. Bowers, chief operating officer at 301-279-3626; or Dr. Marshall Spatz, director, Management, Budget, and Planning at 301-279-3547.

JDW:jp

Attachments

Copy to:
Executive Staff

MONTGOMERY COUNTY PUBLIC SCHOOLS

COUNTY EXECUTIVE RECOMMENDATION
 FY 2011 OPERATING BUDGET
 March 15, 2010

	FY 2010 <u>Approved</u>	Board of Education <u>Request</u>	County Executive <u>Recommended</u>	Change from <u>BOE Request</u>
FY 2011 Total Increase / (Decrease) Percent Increase / (Decrease)	\$2,200,577,000	\$2,263,286,410 62,709,410 2.8%	\$2,125,542,225 (75,034,775) -3.4%	(\$137,744,185)
FY 2011 Tax-supported Increase / (Decrease) Percent Increase / (Decrease)	\$2,020,078,263	\$2,078,247,129 58,168,866 2.9%	\$1,940,540,941 (79,537,322) -3.9%	(137,706,188)
FY 2011 Tax-supported w/o Debt Service Increase / (Decrease) Percent Increase / (Decrease)	\$1,940,540,941	\$2,078,247,129 137,706,188 7.1%	\$1,940,540,941 0 0.0%	(137,706,188)
FY 2011 Local Contribution Increase / (Decrease) Percent Increase / (Decrease)	\$1,529,554,447	\$1,553,934,287 24,379,840 1.6%	\$1,416,228,099 (113,326,348) -7.4%	(137,706,188)
FY 2011 Local Contribution w/o Debt Service Increase / (Decrease) Percent Increase / (Decrease)	\$1,450,017,125	\$1,553,934,287 103,917,162 7.2%	\$1,416,228,099 (33,789,026) -2.3%	(137,706,188)

BUDGET SUMMARY BY AGENCY				
(\$ In Millions)				
A	B	C	D	E
FISCAL YEAR	TAX SUPPORTED	GRANT SUPPORTED	SELF SUPPORTED	GRAND TOTAL
MONTGOMERY COUNTY GOVERNMENT				
FY10 Approved	1,251.2	115.6	263.5	1,630.3
FY11 Recommended	1,174.7	112.6	255.7	1,543.0
Percent Change From FY10	-6.1 %	-2.6 %	-2.9 %	-5.4 %
MONTGOMERY COUNTY PUBLIC SCHOOLS				
FY10 Approved	2,020.1	124.4	56.1	2,200.6
FY11 Recommended	1,940.5	128.4	56.6	2,125.5
Percent Change From FY10	-3.9 %	3.2 %	0.9 %	-3.4 %
MONTGOMERY COLLEGE				
FY10 Approved	217.5	19.1	28.9	265.6
FY11 Recommended	209.2	21.0	29.1	259.4
Percent Change From FY10	-3.8 %	9.8 %	0.6 %	-2.3 %
MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION				
FY10 Approved	106.6	0.6	16.7	123.9
FY11 Recommended	91.6	0.6	16.3	108.4
Percent Change From FY10	-14.1 %	0.0 %	-2.4 %	-12.5 %
ALL AGENCIES WITHOUT DEBT SERVICE				
FY10 Approved	3,595.4	259.7	365.2	4,220.3
FY11 Recommended	3,416.1	262.6	357.7	4,036.3
Percent Change From FY10	-5.0 %	1.1 %	-2.1 %	-4.4 %
DEBT SERVICE: GENERAL OBLIGATION & LONG TERM LEASES				
FY10 Approved	251.5	-	2.2	253.6
FY11 Recommended	265.0	-	2.9	267.9
Percent Change From FY10	5.4 %	0.0 %	33.6 %	5.6 %
TOTAL BUDGETS				
FY10 Approved	3,846.9	259.7	367.4	4,474.0
FY11 Recommended	3,681.1	262.6	360.6	4,304.3
Percent Change From FY10	-4.3 %	1.1 %	-1.8 %	-3.8 %