


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

January 24, 2012

MEMORANDUM

To: Members of the Board of Education

From: Joshua P. Starr, Superintendent of Schools 

Subject: Fiscal Year 2013 Operating Budget: State Aid

On January 18, 2012, Governor Martin O'Malley released his Fiscal Year (FY) 2013 Recommended Budget. The budget calls for full funding of mandated state aid for K-12 education. If approved by the Maryland General Assembly, this proposal would result in an estimated increase in revenue for Montgomery County Public Schools (MCPS) of \$28.5 million compared with FY 2012, for a total of \$588.3 million in state aid. This is \$4.6 million more than the total of \$583.7 million included in the Superintendent's Recommended FY 2013 Operating Budget on December 7, 2011. The FY 2013 state aid estimate for Montgomery County includes \$32.8 million for full funding of the Geographic Cost of Education Index (GCEI).

The anticipated state aid increase does not affect the county's obligation to provide Maintenance of Effort (MOE) in FY 2013. The MOE requirement is based on the previous local contribution; therefore, it is not affected in any way by the amount of state aid. If the county fails to meet the MOE requirement, MCPS would incur a penalty of the loss of increased state aid of up to \$12.7 million. This penalty would be in addition to the \$26.2 million penalty that MCPS faces in FY 2013 because the county failed to meet the MOE-required local contribution for FY 2012.

The projected state aid increase results from several factors. There is a net increase in the basic Foundation Program of \$11.8 million because of an increase of 2,436 in the number of eligible full-time equivalent students and because of the one percent inflation adjustment applied to the per pupil amount for FY 2013 (\$6,761 per pupil). The increase is partially offset by a decrease due to higher relative wealth in Montgomery County compared with other counties. In addition, there is a \$0.8 million increase in the adjustment for GCEI to a total of \$32.8 million in FY 2013.

Additionally, there is an increase of \$8.6 million in Compensatory aid because of an increase of 2,885 students (for a total of 43,915) eligible to participate in the Free and Reduced-price Meals System Program. There also is an increase of \$5.3 million in Limited English Proficient aid because of an increase of 1,802 students eligible for English for Speakers of Other Languages services (to a total of 20,581), an increase of \$0.9 million in Transportation aid, and an increase of \$0.6 million in Special Education formula aid. Finally, reimbursement for special education

nonpublic tuition is expected to increase by \$0.7 million and miscellaneous non-mandated state aid is expected to decrease by \$0.3 million.

State Pension Shift

The governor's recommended budget also includes a proposal to shift 50 percent of the total costs of retirement from the state to counties. Currently, each school board in the state of Maryland pays social security taxes on behalf of its employees. The state directly pays pension contributions for school system employees (approximately 77 percent of MCPS employees) eligible to participate in the state retirement system. According to the governor's plan, a share of these costs will be shifted to local governments so that, on a statewide basis, local governments and school boards will assume 50 percent of the total costs of retirement, including social security payments. For Montgomery County, this is estimated to add a net of \$41.2 million in FY 2013. It is estimated that these payments will increase sharply between 2013 and 2020 as the state retirement system increases contributions to improve the funded ratio of the pension plan. The state has not yet issued estimates of future year local payments. The governor has proposed tax increases that he states would provide local governments with additional revenue to fully or partially offset added FY 2013 retirement costs.

Under current law, if the county appropriates funds to make these pension payments to a local school board, the local contribution may qualify to meet the county's MOE requirement. Legislation has been discussed to consider local retirement payments as an addition to the local contribution required for MOE. The retirement payment also may be part of the basis for future MOE waiver requests.

I will continue to keep you informed of further developments on state aid. If you have any questions, please contact Mr. Larry A. Bowers, chief operating officer, at 301-279-3626 or Dr. Marshall C. Spatz, director, Department of Management, Budget, and Planning, at 301-279-3547.

JPS:mcs

Copy to:

Executive Staff
Ms. Cuttitta
Dr. Mugge
Mr. Prouty
Ms. Tribble