Department of Management, Budget and Planning
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 6,2008

MEMORANDUM

To: Members of the Board of Education,

From: Marshall C. Spatz, Director

Subject: FY 2009 Operating Budget Questions

Enclosed are responses to operating budget related questions asked by Board Members

MCS:cjh

FY 2009 QUESTION NUMBER: 52

QUESTION:

What is the average annual cost, per employee, to MCPS for health benefits?

BUDGET PAGE REFERENCE: 7-16

ANSWER:

MCPS employees and retirees may choose to participate in medical, dental, prescription drug, vision, and life insurance plans through the Employee Benefit Plan. Medical plan options include point-of-service (POS) plans and health maintenance organization (HMO) plan options. Dental coverage includes two options: a preferred dental option (PDO) and a dental maintenance organization (DMO).

For active employees who choose medical, dental, prescription drug, and vision options, the average employer premium cost for MCPS for FY 2008 is $10,132.48. Attached is a chart showing the components of the employer cost.

Active Employee Benefit Plan Enrollment and Annual Premiums FY 2008 Rates

Enrollment as of June 1, 2008

	Count of Employees in Plan	Average Employee Plan Premium	Average Employer Plan Premium	Total Average Plan Premium	Average Employee Percentage
Medical	19,450		$609.89 $7,370.89	$7,980.78	7.6 4%
Dental	19,709 $74.50		$654.86	$729.36	10.2 1%
Vision	18,529		$2.19	$19.25 $21.44	10.2 1%
Prescription	19,420		$237.90	$2,087.48 $2,325.38	10.2 3%

Average for an Employee Participating In Medical, Dental, Vision and Prescription
$924.48
$10,132.48 I $11,056.96
8.36%

FY 2009 QUESTION NUMBER: 53

QUESTION:

What is the average annual employee contribution amount for health benefits?

BUDGET PAGE REFERENCE: N/A

ANSWER:

The average annual employee contribution for FY 2008 for active employees who choose medical, dental, prescription drug, and vision coverage is $924.48. That is 8.4 percent o] the average total premium. Retirees pay 36 percent on average of total premiums-Attached is a chart showing the components of the premium for active employees.

Active Employee Benefit Plan Enrollment and Annual Premiums FY 2008 Rates

Enrollment as of June 1, 2008

	Count of Employees in Plan	Average Employee Plan Premium	Average Employer Plan Premium	Total Average Plan Premium	Average Employee Percentage
Medical	19,450		$609.89 $7,370.89	$7,980.78	7.64 %

Dental	19,709 $74.50	$654.86	$729.36	10.21 %
Vision	18,529 $2.19 $19.25		$21.44	10.21%
Prescription	19,420 $237.90	$2,087.48	$2,325.38	10.23 %

Average for an Employee Participating In Medical, Dental, Vision and Prescription $924.48
$10,132.48 I $11,056.96
8.36%||

FY 2009 QUESTION NUMBER: 54

QUESTION:

What would be the cost-benefit of offering buy-outs as suggested by Mr.

Monsheimer?

BUDGET PAGE REFERENCE: N/A

ANSWER:

In general, early retirement incentives make economic sense when downsizing or when there is a reason to engage employees with differing skill sets. Enrollment projections foi the next ten years show a slight decrease followed by growth to levels above today's enrollment. Therefore, the number of new teachers needed may increase during the coming ten years.

The early retirement penalty provisions of the current pension plan severely reduce pension benefits for early retirees. They are penalized 6 percent per year for every year their age at retirement is under age 62, regardless of their years of service (and they must be age 55 and have 15 years of service to be eligible for early retirement at all). A teacher who is age 57 and has 29 years of service, for example, would have a permanent 30 percent penalty (age 62 - age 57 = 5 years x 6 percent per year), even though only one year more of work is required to receive full credit. Incentives would thus need to be extremely generous for employees who might be eligible for early retirement, but are not yet eligible for normal retirement, to offset the substantial, permanent early retirement penalties.

Because of the substantial early retirement penalties, the target population for an early retirement incentive program would be employees already eligible to retire but who have not retired, such as teachers with thirty years of service or have reached age 62. Incentives already exist within the state plan to encourage retired teachers to teach outside Maryland, as they can receive their pension income from Maryland along with a full-time salary. Income restrictions reduce retirement income for any Maryland retirees if they teach or work for any school district in Maryland after retirement.

Currently, the average teacher retiree (including early retirements) is 61.2 years of age with 25.9 years of service, reflecting the combination of retirement eligibility based either on achieving age 62 or 30 years of service. Of those retiring with full service, the average age of those who retire at age 62 is 62.79 and the average years of service for those retiring based on 30 years of service is 34.5. Any incentive would need to be significant enough to encourage an individual to retire at least a year sooner than they otherwise would have.

Additional factors that impact the economic viability of early retirement programs include the higher turnover among newly hired teachers, additional recruiting and training costs, more use of tuition reimbursement, higher absenteeism among younger

FY 2009 QUESTION

NUMBER: 55

QUESTION:

How does the amount budgeted for fuel for buses compare against current usage and cost projections? Is it likely we would need to make a supplemental request if prices continue to rise?

BUDGET PAGE

REFERENCE: 7-78

ANSWER:

For FY 2008, a deficit of $3,257,485 is projected for diesel fuel. Because of unpredictable prices, it may be necessary to request a supplemental appropriation during FY 2009 to cover the anticipated deficit.

As of May 31, 2008, there has been 3,053,845 gallons of diesel fuel delivered to MCPS at a cost of $9,737,510. The current average cost per gallon for FY 2008 is $3.1886. Based on historical data, 187,000 gallons are projected to be delivered for the month of June. The aggregate projected cost for diesel fuel is $10,368,547 for the year. The FY 2008 budget for diesel fuel is $7,111,062, resulting in a projected deficit of $3,257,485.

The following table shows some interesting facts about diesel fuel price increase using Council of Government (COG) costs as of June 2, 2008. The COG quote for June 2 is $4.3501 per gallon of diesel fuel.

	Amount	% Increase

Increase in cost per gallon (CPG) from April 28 to June 2	$0.4379	11.2
Increase in CPG from January 1, 2008 to June 2, 2008	$1.2899	42.2
Increase in CPG from the beginning of the fiscal year	$1.8888	76.7
Increase in CPG from FY 2008 budget ($2.50 per gallon)	$1.8501	74.0

The 10 percent increase in the budgeted cost per gallon between FY 2008 and FY 2009 does not cover the 74 percent increase in cost per gallon during the current fiscal year. Other factors need to be considered for projecting future costs, including growing world demand for fuel, terrorism, weather, and refinery capacity.

FY 2009 QUESTION

NUMBER: 56 QUESTION:

What amount is budgeted for snow removal? How many inclement weather events does this amount anticipate? Will it be necessary to make a supplemental request if weather is worse than anticipated?

BUDGET PAGE

REFERENCE: 7-64

ANSWER:

The estimated annual costs for snow and ice removal are approximately $500,000 which includes overtime (labor), supplies (salt/sand), and vehicle operating expenses (repairs and fuel). This amount typically covers the costs of four to six storms of four inches or less of snow accumulation. Extraordinary storms that require contracted snow and ice removal support are funded from a contractual maintenance account as a contingency expense. If a storm warrants a federal declaration of emergency, some reimbursement may be received to offset the extra costs incurred in using contracted support. It has not been necessary to request a supplemental appropriation. Any additional costs resulting from snow and ice removal would be covere by surplus in other state categories.