

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

February 6, 2012

MEMORANDUM

To: Members of the Board of Education

From: Joshua P. Starr, Superintendent of Schools



Subject: Operating Budget Summary Points

This memorandum transmits a set of summary points on the Fiscal Year 2013 Recommended Operating Budget for Montgomery County Public Schools. The document provides an explanation of how the operating budget can fund salary increases while not requesting a greater local contribution than required by the state Maintenance of Effort law. A worksheet detailing the calculations that support the explanation is included.

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

Attachment

Copy to:

Executive Staff

Ms. Cuttitta

Dr. Mugge

Mr. Prouty

Ms. Tribble

## Montgomery County Public Schools Operating Budget Summary Points

February 6, 2012

The Montgomery County Public Schools (MCPS) Recommended Operating Budget for Fiscal Year (FY) 2013 with a modest \$46.0 million (2.2 percent) increase (the lowest percentage increase in more than 10 years) can fund salary increases while only requesting an increase in local contribution at the minimum Maintenance of Effort (MOE) level. The chart on page 3 details how additional costs are funded within MOE.

- Total increases of \$90.8 million are offset partially by savings and efficiencies totaling \$44.8 million, resulting in a net increase of \$46.0 million (Note A).
- Enrollment Growth—Projected enrollment growth of 2,300 students and the cost of new schools increases the budget by \$16.2 million, including \$3.9 million for special education and \$900,000 for English Speakers of Other Languages (ESOL). (Line 1).
- Salaries—The cost of salary steps and longevity increases is \$35.0 million (Line 3). This increase is offset partially by salary savings projected at \$26.4 million due to lapse and turnover savings (Line 4). A larger than expected increase in retirements during FY 2011 and the ability to hire new employees for FY 2012 at lower than budgeted rates increased lapse and turnover savings. As a result, the salary base required for FY 2013 is reduced compared with the FY 2012 budget. The net salary increase (continuing salary costs), including step increases, is \$8.6 million (Line 5). The budget also includes a placeholder of \$12.7 million available to offset the costs of collective bargaining agreements still to be negotiated (Line 6).
- Employee Benefits—The cost of employee benefits increases by a net of \$15.1 million (Line 12). While this is a major cost factor, the increase is less than in previous years. Health benefits will increase by \$18.3 million (Line 8), but are partially offset by a \$5 million reduction in the fund balance of the Employee Benefit Plan Trust Fund resulting from favorable claims experience during FY 2011 (Line 9). The fund balance will be reduced gradually over several years to a five percent target level. Retirement contributions increase by \$2.5 million (Line 10) and all other benefits costs decrease by \$0.7 million (Line 11). The major increases in the county Risk Management Fund that affected the MCPS budget for the last three years no longer are needed because the Risk Management fund balance is being restored to a satisfactory level.
- Inflation and Other Changes—There is an increase of \$6.1 million in other operating costs due to inflation, but these increases are offset partially by a projected \$3.7 million savings in utilities costs due to successful energy efficiency measures (Lines 14 and 15).

- Program Efficiencies and Reductions—MCPS has identified \$9.0 million in other efficiencies and savings through the zero-based budgeting process that examines every account. Changes in spending patterns and continued productivity reductions in staffing make savings possible without any reductions in school-based staffing. MCPS has saved more than \$400 million and cut 1,300 positions since FY 2009, more than two thirds of the positions added for improvements during the previous decade. Central services positions have been reduced by more than 20 percent.
- Revenue—There is a net increase in the FY 2013 budget of \$46.0 million (Line 18). Reductions of \$4.7 million in nontax supported revenue (line 19), principally because of the end of the federal stimulus grants (Education Jobs Fund), result in a \$50.7 million increase in the tax-supported (spending affordability) budget (Line 20).
- Local Revenue and MOE—Projected revenue will be sufficient to fund the operating budget at MOE, provided that the legislature eliminates the \$26.2 million penalty that faces MCPS in FY 2013 because the county did not approve MOE funding in FY 2012. The MOE requirement is an increase of \$22.2 million because of enrollment increase in FY 2012 (Line 21). The MOE law allows the county to rebase its contribution at \$9,759 per pupil, nearly \$1,500 less per pupil than in FY 2009 (Note B).
- State—State revenue is expected to increase by \$28.5 million in FY 2013 based on the governor’s budget (Line 22). Increases in the number of students receiving Free and Reduced-price Meals System (FARMS), ESOL, and special education services provide MCPS with sufficient additional mandated state funds to increase the per-pupil spending by \$93 per pupil in FY 2013 (Note C), although higher relative wealth reduces the amount of Foundation aid slightly from what would be received based only on enrollment increases. The additional state aid provides enough added revenue to fund the \$46.0 million total increase at MOE (Line 27).

# FY 2013 SUPERINTENDENT'S RECOMMENDED OPERATING BUDGET

## HOW THE MOE BUDGET FUNDS SALARY INCREASES

FY 2013 Rec Bud Increase

Dollars in Millions

<b>Expenditures:</b>			
1	Enrollment Changes/Growth		\$16.2
2	Salaries		
3	Steps and Longevities	35.0	
4	Salary Adjustments, including lapse/turnover	<u>(26.4)</u>	
5	Continuing salary costs		8.6
6	Placeholder for collective bargaining		12.7
7	Benefits		
8	Health benefits	18.3	
9	Less: EBP Fund Balance	<u>(5.0)</u>	
1	Retirement	2.5	
10	Other, including worker's comp.	<u>(0.7)</u>	
11	Increase for Benefits		15.1
12	Inflation and Other		
13	Total increase	6.1	
14	Less: Utility savings	<u>(3.7)</u>	
15	Increase for Inflation/Other		2.4
16	Program Efficiencies and Reductions		(9.0)
17	<b>Net Increase in Total Budget</b>		<b><u>\$46.0</u></b>
18	Changes because of non-tax supported revenue changes		<u>4.7</u>
19	<b>Net Increase in tax-supported operating budget</b>		<b><u>\$50.7</u></b>
<b>Revenue</b>			
20	Local, at Maintenance of Effort	\$22.2	
21	State aid	<u>28.5</u>	
22	<b>Tax-Supported Revenue</b>		<b>\$50.7</b>
23	Federal aid	(5.6)	
24	Other Revenue	<u>0.9</u>	
25	Non-tax Supported Revenue		<u>(4.7)</u>
26	<b>Total Added Revenue</b>		<b><u>\$46.0</u></b>

A

B

C

A. Increases of \$90.8 million are offset by savings and efficiencies of \$44.8 million, resulting in a net increase of \$46.0 million, or 2.2 percent increase.

B. Maintenance of Effort requires \$9,759 per pupil.

C. State aid increases the per pupil amount by \$93 per student.

2/1/2012