



 **Montgomery County Public Schools**

# The Citizens Budget FY 2005



*Working together  
for every child,  
every day.*



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# Letter from the Superintendent

December 10, 2003

Ms. Sharon Cox, President  
and Members of the Board of Education  
Montgomery County Public Schools  
850 Hungerford Drive  
Rockville, Maryland 20850

Dear Ms. Cox and Members of the Board of Education:

I am recommending a Fiscal Year 2005 Operating Budget of \$1.6 billion that includes an increase of \$85.3 million to ensure that our teachers, administrators, and support staff have the resources they need to improve the quality of education throughout the Montgomery County Public Schools. The recommended budget is aligned with the approved strategic plan, *Our Call to Action: Pursuit of Excellence*, and provides the foundation on which to continue the momentum under way for the past four years to improve the academic success of students from pre-kindergarten through high school.

Our employees are the heart and soul of the school system. They are the primary reason that student achievement has continued to improve on a steady, incremental basis each year. The percentage of kindergarten students who can read a simple story with familiar content, for example, has nearly doubled, from just 39 percent three years ago to 70 percent last year. The number of students taking Advanced Placement tests, moreover, has increased by 125 percent since 1999, and the number of individual AP tests taken has increased by 137 percent. These examples underscore the tremendous responsibility we have for providing the highest level of support possible for quality teaching and learning.

For four consecutive years, the strategic decisions of the Board of Education—together with the County Executive and the County Council—have yielded significant results by providing the school system with the resources necessary for placing the best teacher possible in every classroom, the best principal in every school, and the best support staff in every facet of our organization. We need those resources to continue.

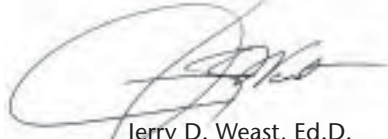
At this time, however, the fiscal outlook is very uncertain. My recommended budget is \$51 million more than the minimum amount required for maintenance of effort by the county. This amount only makes it possible to maintain existing initiatives and provide one new major program improvement—adding 17 full-day kindergarten schools next year at cost of \$1.6 million. Indeed, most of the recommended increase (\$60 million) is necessary just to address existing employee salary and benefits. Another \$16 million is for costs associated with hiring new staff for a growing enrollment, primarily for special education students and children with limited English proficiency, providing transportation and food services, and reopening Northwood High School. About \$7 million is necessary for inflation and other increases. Still to come are pending contract negotiations with three employee organizations.

Nonetheless, we have been able to identify internal realignments of \$4.4 million in program resources that can be used, instead, to buy textbooks, support the Downcounty Consortium, implement staff development in special education and diversity training, improve special education staffing, enhance curriculum and technology, and upgrade school and bus maintenance.

As in any labor-intensive organization, any significant cut in the budget means eliminating positions. The significant reductions and realignments within the budget since 1999 have largely spared schools and, instead, targeted central office and systemwide support functions. The administrative portion of the budget now is just 2 percent. This means that it will be difficult, if not impossible, to protect schools from further cutbacks unless we are able to obtain the necessary funding.

This is the irony of our fiscal situation at a time when our academic improvements are producing outstanding results. The gains of the last four years exist because of the tremendous investment in the women and men who teach in our classrooms, who lead our schools, and who provide the daily administrative and operational services. Now, more than ever, we need that investment to continue.

Respectfully,



Jerry D. Weast, Ed.D.  
Superintendent of Schools

# Program Highlights

## Fiscal Highlights

- ◆ The superintendent's FY 2005 Recommended Operating Budget for Montgomery County Public Schools totals \$1,587,373,378. This represents an overall increase of \$85,283,781, or 5.7 percent more than the \$1,502,089,597 current approved FY 2004 Operating Budget.
- ◆ Excluding grants and enterprise funds, the superintendent's recommended budget for the purpose of spending affordability is \$1,469,575,880. This represents an overall increase of \$81,980,653 more than the \$1,387,595,227 in the current FY 2004 Operating Budget.
- ◆ In FY 2005, the county is expected to provide funds for 75.3 percent of MCPS' total expenditures. State education aid contributes 17.3 percent, federal grants contribute 3.5 percent, enterprise funds supported by federal aid and fees make up 3.3 percent, and fees and all other sources of revenue total 0.6 percent.
- ◆ The FY 2005 Operating Budget requires an increase in local funding of \$59.3 million or 5.2 percent. The state maintenance of effort requirement mandates the county to contribute an increase of at least \$8.4 million or 0.7 percent to cover enrollment growth. This leaves \$50.9 million in additional local funding needed.

## Factors Increasing the Operating Budget

- ◆ The budget is increased by \$16.0 million because of enrollment growth mainly among special education and ESOL students in FY 2005. This total includes \$1.0 million for growth in prekindergarten and secondary school enrollment, \$6.1 million for the growth in enrollment in special education, and \$2.1 million in the growth of ESOL enrollment. Other increases related to growth include \$2.5 million for new schools, \$2.1 million for additional transportation, food services, and facilities needs, and \$2.2 million for the costs of employee benefits related to enrollment growth.
- ◆ An increase of \$28.8 million for employee salaries is needed, including continuing salary increases (\$13.1 million), the cost of annualization of the delayed FY 2004 COLA wage adjustment (\$14.4 million), and the cost of related employee benefits (\$1.3 million). Other salary changes based on contracts with employee unions remain to be negotiated.
- ◆ The cost of employee benefits for existing active employees and retirees rises by \$31.1 million. This total includes an increase of \$20.0 million for the cost of health and life insurance for active employees, \$2.4 million for health care and life insurance for retirees, \$6.4 million for the increased cost of retirement pensions, and other employee benefits costs with a net increase of \$2.3 million.
- ◆ Other cost increases resulting from inflation and other factors add \$7.7 million to the budget. These increases include higher costs for transportation (\$2.3 million), utilities (\$1.5 million), tuition for nonpublic placement of special education students (\$1.1 million), and inflation and other increases (\$2.8 million).

## Budget Initiatives

- ◆ Improvement initiatives recommended for the FY 2005 budget total \$1.7 million, including expansion at full-day kindergarten to an additional 17 schools for a total of 73 schools (\$1.6 million).

## Program Changes

- ◆ The FY 2005 budget includes a total of \$4.4 million in program changes, identified through the zero-based budgeting process to realign existing resources to higher priorities.
- ◆ Resources are realigned to purchase new textbooks (\$420,341), support the Downcounty Consortium (\$200,000), expand career Foundations programs (\$166,582), implement new staff development programs for special education (\$547,696) and ESOL (\$323,319), expand staff diversity training (\$450,991), and implement the professional growth system for administrators (\$443,674).
- ◆ Resources also are realigned to support the special education staffing plan priorities (\$625,365), curriculum improvements (\$426,222), technology improvements (\$355,558), and school and bus maintenance (\$379,980).
- ◆ Resources to permit these changes are realigned from central services (33 percent of total reductions), including 14.5 positions and a total of \$1.5 million. Over three years, cuts in central services have totaled 92.5 positions and about 10 percent of total central resources.
- ◆ Realignments from support operations (3 percent of total reductions) total \$127,000.
- ◆ School-based realignments (47 percent of total reductions) include 39.2 positions and \$2.1 million, including 12.8 mainstreaming support teacher positions, 9.6 literacy teacher positions, 5.0 staff development teacher positions, and 10.0 math support teacher positions.
- ◆ Other realignments (17 percent of total reductions) include savings from improved residency compliance and employee benefit savings from other realignments. (\$727,000)

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# Summary of Recommendations

The superintendent's FY 2005 Recommended Operating Budget for the Montgomery County Public Schools (MCPS) totals \$1,587,373,378. This represents an overall increase of \$85,283,781, or 5.7 percent more than the \$1,502,089,597 current approved FY 2004 Operating Budget. Excluding grants and enterprise funds, the superintendent's budget recommendation for the purpose of spending affordability is \$1,469,575,880. This represents an overall increase of \$81,980,653, or 5.9 percent more than the \$1,387,595,227 appropriated for the FY 2004 Operating Budget.

The FY 2005 Operating Budget recommendation includes increases in operating costs and budget-neutral program realignments. The superintendent is recommending improvement initiatives in FY 2005 only to expand full-day kindergarten to an additional 17 schools, and for expansion of arts education programs, and he recommends retaining existing initiatives. Figure 1 summarizes the

main items in each of these categories. The costs for enrollment growth and new schools add \$16.0 million to the budget. Employee salaries will rise by \$28.8 million, including \$14.4 million in costs for continuing salaries and \$14.4 million for the costs of annualization of the FY 2004 delayed wage adjustments. There is a net increase of \$31.1 million for benefits for existing and retired employees, including health and life insurance for active and retired employees and retirement and self-insurance costs. The effects of inflation and other cost increases add \$7.7 million to the budget. Improvement initiatives add \$1.7 million, including the expansion of full-day kindergarten to an additional 17 schools and the expansion of arts education programs. Finally, there is a total of \$4.4 million of budget-neutral program changes, realigning existing resources to higher priorities.

FIGURE 1

## FY 2005 Superintendent's Recommended Operating Budget (\$ amounts in millions of dollars)

ITEM	AMOUNT	ITEM	AMOUNT
<b>FY 2004 OPERATING BUDGET (Nov. 2003)</b>	<b>\$1,502.1</b>	<b>INFLATION AND OTHER</b>	
<b>ENROLLMENT GROWTH</b>		Special Education Non-public Tuition	1.1
Prek/Elementary/Secondary	1.0	Transportation	2.3
Special Education	6.1	Facilities and Maintenance	0.2
ESOL	2.1	Utilities	1.5
New Schools	2.5	Enterprise Funds	0.4
Transportation/Food Service/Facilities	2.1	Inflation	1.0
Benefits for Staff Added for Growth	2.2	Other Changes	1.2
<b>Total Growth and Related Benefits</b>	<b>16.0</b>	<b>Total Inflation and Other</b>	<b>7.7</b>
<b>EMPLOYEE SALARIES</b>		<b>INITIATIVES</b>	
Annualization of FY 2004 Delayed COLA	14.4	Full-day Kindergarten Expansion	1.6
Continuing Salary Costs	13.1	Arts Education	0.1
Benefits for Salary Increases	1.3	<b>Total Initiatives</b>	<b>1.7</b>
<b>Total Salaries and Related Benefits</b>	<b>28.8</b>	<b>PROGRAM CHANGES</b>	
<b>EMPLOYEE BENEFITS AND INSURANCE</b>		Program Additions	4.4
Employee Benefit Plan (active)	20.0	Program Reductions	
Employee Benefit Plan (retired)	2.4	Central Services Reductions	(1.5)
Retirement	6.4	Support Operations Reductions	(0.1)
Self-insurance/Workers' Compensation	2.7	School-Based Reductions	(2.1)
Base Savings in FICA	(0.4)	Systemwide Reductions	(0.7)
<b>Total Benefits and Insurance</b>	<b>31.1</b>	<b>Total Program Changes</b>	<b>-</b>
		<b>RECOMMENDED FY2005 BUDGET</b>	<b>\$1,587.4</b>
		Less Enterprise Funds	(51.5)
		Less Grants	(66.3)
		<b>Spending Affordability Budget</b>	<b>\$1,469.6</b>



Raising the level of student achievement requires that every child benefit from the highest possible quality teaching, supervisory, and support services staff. For the past four years, the Montgomery County Public Schools (MCPS) operating budget has focused on a comprehensive strategy to provide this high quality staff. The Operating Budget is aligned with this long-term strategic goal. Based on detailed strategic planning, developed in conjunction with parents, staff, and the community, the budget initiatives are designed to achieve the high standards of achievement set by the Board of Education.

## Resources Concentrated on High Quality Staff

Since FY 2000, the MCPS Operating Budget has grown by \$395.7 million or 36 percent, from \$1.106 billion to \$1.501 billion (Figure 2). This is an average of 8 percent per year or \$98.9 million. This has included increases for enrollment growth and inflation, new initiatives, and compensation for existing staff. The rate of these annual increases has slowed over the last two years, from \$113 and \$105 million in the first two years to \$88 and \$89 million in the last two years, in part

because of reduced enrollment increases and the economic downturn. The Board of Education has paid for the new initiatives over the four years, totaling \$67.0 million, entirely by savings in the base budget and by reductions in other requests.

The bulk of these budget increases have gone to employees. Of the total increases of almost \$396 million, \$364.8 million or 92 percent has been devoted to salaries and employee benefits for the school system's 20,000 employees. This increase has included funding for continuing salary increases, negotiated COLA increases in salary and wages, salaries for new positions for growth and new initiatives, and employee benefits for existing and new employees. The proportion of

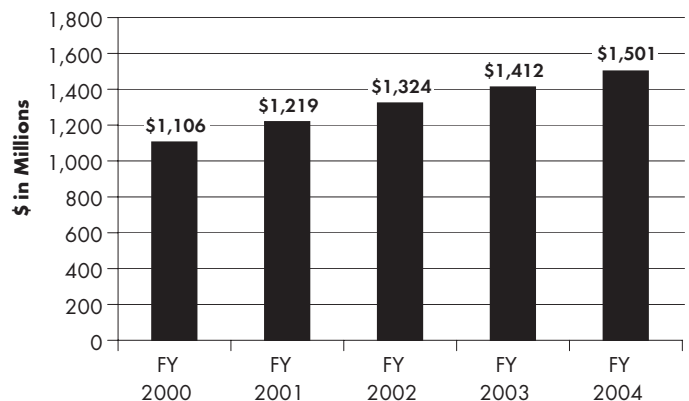
increases for compensation (92 percent) exceeds the percentage of the total budget devoted to compensation (89 percent). Thus, during these four years, the proportion of the MCPS budget devoted to compensation has increased from an already high 88.1 percent to 89.2 percent. In FY 2005, the proportion of the budget devoted to compensation will remain at 89 percent, pending the outcome of contract negotiations.

Much of this increase in compensation represents the result of the increase in the number of employees. During the past four years, the number of full-time positions has increased from 16,854.5 to 19,274.9, an increase of 2,420.4 or 14.4 percent. This includes 1,266.3 positions added to address enrollment growth and 1,154.1 positions added as part of new initiatives. Other increases in salaries and wages and employee benefits related to increases for existing employees.

During this same period, teacher salaries have grown to make sure that MCPS could stay competitive in attracting and retaining the highest quality staff. The average teacher salary has increased by 19 percent from \$51,913 to \$61,614, the highest level in the state of Maryland. Teacher salaries in Montgomery County fared well compared to other teachers in Maryland. Over the past four years, annual salary schedules increased by a total of 23.0 percent, compared to a total of only 10.4 percent for the previous four years. This compares to a statewide average of 15.6 percent over the four-year period (FY 2001-2004) and a consumer price index four-year increase of 10.8 percent (previous year CPI-U for the Washington metropolitan area).

FIGURE 2

### \$396 Million Total Budget Increase from FY 2000 to FY 2004



**How Resources are Used**

The increase in budget resources over the past four years did not go to central administration. Indeed over four years the percentage of budget used for central administration (Category 1) declined from an already low 2.7 percent in FY 2000 to an all-time low of 2.0 percent of the budget in FY 2004. (Figure 3) At the same time, the administrative demands in areas of teacher recruitment, technology, procurement, accounting, employee services, and budgeting only grew. If one combines central and school-level administrative costs (Categories 1 and 2), one sees the same pattern. School-level administration includes principals, assistant principals, instructional support staff, and school secretaries. Over four years, the combined costs of these operations declined steadily from 9.4 percent of the budget to 8.5 percent, paralleling the drop in Category 1.

This means that a greater proportion of resources were devoted to the classroom. The total amount spent on instructional categories, including mid-level administration instructional salaries, textbooks and supplies, special education, and other instructional costs (Categories 2, 3, 4, 5, and 6) together with the related employee benefits rose from 77 percent in FY 2001 to 81 percent in FY 2004. This exceeds the statewide average spent on instructional categories. Additionally, employees added for enrollment growth and as new initiatives went mainly to instructional duties. In FY 2005, the percentage of the budget spent on instructional cost is 80.6 percent.

With nearly 90 percent of the budget devoted to compensation, only 11 percent is left for all other operating costs. Over the past four years, increases for these operating costs totaled only \$30.9 million or 8 percent of the total increase over the period. This \$31 million paid for all non-compensation operating costs related to an enrollment increase of 12,000 students and the effects of inflation.

In FY 2004, the amount for other operating costs totaled \$162.0 million, 11 percent of the budget. Three items of expenditure accounted for the majority of these costs: textbooks and instructional materials (\$31 million), utilities (\$29 million), and tuition for special education students in private placements (\$32 million). Other significant costs include food for school lunches (\$14 million), school bus lease payments (\$7 million), supplies for school building services (\$6 million), and contractual maintenance of schools and other facilities (\$5 million). All other operating expenses including bus fuel, school furniture and equipment, and facilities costs total only

\$39 million, or about 2.6 percent of the total budget. All other expenditures involve employee compensation.

Nearly 90 percent of all budget dollars go for compensation (salaries and employee benefits) for MCPS staff. Of this total compensation, approximately 70 percent is for salaries and wages. An additional 19 percent is spent on employee benefits, including medical and dental expenses for employees and their families, health costs for retirees, retirement, workers' compensation, and social security and Medicare (FICA) payments. During the past four years, the cost of employee benefits has grown rapidly, increasing the share of the MCPS budget that goes for employee benefits from 16 percent in FY 2000 to 18 percent in FY 2004 and 19 percent in FY 2005.

**Funding the Budget**

Most of the budget for MCPS comes from county sources, but the proportion funded by Montgomery County has declined over the last four years, while the proportion contributed by state, federal, and grant funds has risen.

County funding has risen from \$872.4 million in FY 2000 to \$1,136 million in FY 2004, an increase of \$264.1 million or 30.3 percent. This compares with the overall budget increase of 36 percent over the four-year period. Increases in county funding have moderated over the period ranging from a 10.2 percent increase in FY 2001 to 5.3 percent in FY 2004, paralleling the change in the total budget. The average increase over the four years has been \$66.0 million or 6.9 percent annually. The FY 2005 budget requests an increase of 5.2 percent in county funding, less than last year.

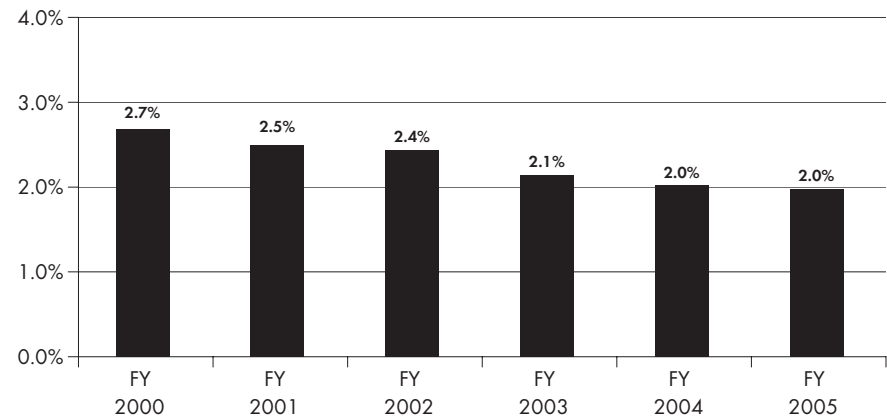
Despite significant increases in county funding, the proportion of the budget funded by the county has dropped from 79 percent in FY 2000 to 75 percent in FY 2004. The difference has been made up with increased rates of in federal, state, and grant funding. State aid constitutes the second major source of funds for MCPS. Since FY 2000, state funding has increased by 92.1 million or 58 percent. This increase reflects both changes in state formulas under the Bridge to Excellence law and the increasing proportion of state aid due to Montgomery County because of increases in enrollment, and increases in the enrollment of ESOL and special education students in particular. This state aid has increased at almost double the rate as local funding (58 percent compared to 30 percent).

Federal aid also has increased greatly, from \$26.5 million in the Current Fund (not including meals reimbursements) in FY 2000 to \$52.8 million in FY 2004, an increase of \$26.3 million or 99 percent. This is mainly the result of the increased role the federal government has assumed for ESOL, special education, and disadvantaged students. It includes additional aid received in FY 2003 related to the No Child Left Behind (NCLB) Act.

Grants from all sources, including government agencies and private foundations, have risen sharply over the last four years. Total grants have nearly doubled from \$55 million in FY 1999 to \$108 million in FY 2003, the last year with complete results. Competitive grants that pit MCPS against other grant-seeking agencies also have almost doubled over this period from \$12 million to \$23 million. This means that MCPS can provide some crucial extra services to children without burdening the local taxpayer.

FIGURE 3

**Category 1 Funding (Administration) as a Percent of Total Budget Has Decreased from 2.7% in FY 2000 to 2.0% in FY 2005**





Plans for the next five years will continue the record of progress made over the last four years. In November 1999, the superintendent of schools issued *Our Call to Action*, a summary of the plan to improve the quality of education for all children through systematic reform. This plan comprehensively addressed the Board of Education's academic priorities.

## Board of Education Goals

1. Ensure success for every student
2. Provide an effective instructional program
3. Strengthen productive partnerships for education
4. Create a positive work environment in a self-renewing organization

Aligned with *Our Call to Action*, The MCPS Operating Budget carried out the Board of Education's academic priorities through targeted improvement initiatives that research has shown can make a significant difference in academic achievement. During the succeeding four years, the people of Montgomery County have enthusiastically supported this approach and made educational reform a top priority. As a result, since FY 2000 MCPS has received a total of \$396 million or 36 percent in increased funding. Nearly \$67 million of this total went to support improvement initiatives to carry out *Our Call to Action*.

## No Child Left Behind.

Fundamental changes in funding for education at the federal and state levels have resulted in new requirements for MCPS. Fortunately, changes in educational standards mandated by the federal and state governments align well with the academic priorities already mandated by the Board of Education and embodied in *Our Call to Action* improvements. In many ways, MCPS has been ahead of the curve in standards-based reform aimed at significant improvements in educational outcomes for students. Nevertheless, implementation of new federal and state legislation will have a significant effect on the instructional program and on funding for schools.

In January 2002, the federal government enacted the most far-reaching changes in federal education policy in more than a generation, the No Child Left Behind (NCLB)

Act. This law reauthorized the former Elementary and Secondary Education Act (ESEA) of 1965. The legislation significantly changes the role of the federal government in education. It introduced the principle of accountability, requiring school districts to meet specific standards for student achievement determined by individual states. With standards put in place, states must test individual student progress toward meeting those standards. By FY 2006, individual tests must be administered annually in Grades 3 through 8 and Grade 10. These tests must include reading and mathematics, with science to be added in FY 2008.

## Adequate Yearly Progress

The new law requires schools to demonstrate adequate yearly progress in achieving state standards for each school as a whole, and for designated categories of students, including the economically disadvantaged, students from major racial and ethnic groups, students with disabilities, and students with limited English proficiency. Parents must receive reports on the progress made by their children on an individual basis. By 2014, the goal is to have all students and all designated groups of students attain proficiency levels on state tests.

## Financial Flexibility

In return for these higher expectations for student achievement, the federal legislation allows considerably greater flexibility in the use of federal funds. The NCLB Act allows local districts considerable flexibility in the use of these funds. In some cases, funds in one grant program may be used in another federal grant program if the district has different priorities related to student needs. MCPS has taken full advantage of this flexibility to use federal and state funds for its highest priorities.

## Parental Choice

The new federal law also provides parents options to help their children if they are enrolled in a federally funded Title I school not meeting state standards. If a school is identified by the state as not making adequate yearly progress and in need of improvement, the parents may elect to transfer their children to another school within the district.

In the fall of 2002, MCPS became among the first districts in the nation to fully implement the new procedures. Federal law also provides for supplemental educational services for students eligible for Free and Reduced-price Meals Services (FARMS) because of poverty at schools identified by the state of Maryland as in need of improvement. Finally, persistently failing schools may be reconstituted.

## ESEA Improvement Goals

In order to begin implementation of the new federal law, the state of Maryland submitted, as required, in May 2002 a consolidated plan for the use of its federal funds. This plan adopted five performance goals as established by the U. S. Department of Education (see page 8). The five goals, with accompanying performance indicators to measure progress, address the levels of academic proficiency that all students must meet, the special needs of certain populations of students, and factors such as qualified teachers and school safety that are critical to improved teaching and learning.

Underlying the five goals is the presumption that all local, state, and federal resources will be integrated and coordinated to reach the goals of improved student achievement. Thus, the emphasis required under the new law is on student outcomes, not resource inputs. The test will be in the



results achieved, with flexibility granted to local districts to use resources to achieve agreed-upon results in ways particular to the needs of their individual districts.

### Bridge to Excellence

In May 2002, the state of Maryland adopted SB 856, the Bridge to Excellence in Public Schools Act. This law has made far-reaching changes in the way the state of Maryland finances public education. The new approach is an outgrowth of the report of the Commission on Education Finance, Equity, and Excellence (Thornton Commission) established by the legislature in 1999. The report of the Thornton Commission called for a significant increase in state aid for education to ensure “adequacy” of resources to make possible educational excellence. The Thornton Commission also advocated additional equalization of funding between rich and poor districts and significant weighting of aid formulas to meet the greater needs of districts with high numbers of economically disadvantaged students, students with limited English proficiency, and special education students.

### New State Funding

The new law called for an increase in state aid to localities of \$1.3 billion over six years. The share of this expected increase

### ESEA Goals

As part of the No Child Left Behind (NCLB) Act, the U. S. Department of Education established the following goals. The state of Maryland adopted these goals as required for submitting a consolidated application for federal aid under the Elementary and Secondary Education Act (ESEA). As part of their master plans, local school districts must show how they will reach these goals.

**Performance Goal 1:** By 2013–2014, all students will reach high standards, at a minimum attaining proficiency or better in reading/language arts and mathematics.

**Performance Goal 2:** All limited English proficient students will become proficient in English and reach high standards, at a minimum attaining proficiency or better in reading/language arts and mathematics.

**Performance Goal 3:** By 2005–2006, all students will be taught by highly qualified teachers.

**Performance Goal 4:** All students will be educated in learning environments that are safe, drug-free, and conducive to learning.

**Performance Goal 5:** All students will graduate from high school.

for Montgomery County is \$147 million. The funding formula adopted by the General Assembly is designed to ensure equity and adequacy by linking resources to the needs of students and distributing about 75 percent of all aid inversely to local wealth. The final legislation reflected the work of Montgomery County legislators and other county elected officials to assure that the special needs of students at risk of academic failure were recognized regardless of location.

The basic structure of the new finance system contains four basic elements: a “base cost” per student that is considered to be “adequate” for the average child to reach high standards; an additional amount of money for special education, limited English proficiency, and low-income students to reach standards; a guaranteed tax base program to encourage low-wealth jurisdictions to maintain and increase local tax effort; and annual increases in direct state aid through FY 2008. By then, as part of total additional state aid of \$1.3 billion, MCPS anticipates receiving an additional \$147 million. This is a nearly 60 percent increase in direct state aid to Montgomery County. The formula recognizes the increasing needs in Montgomery County, especially related to the growth of limited English proficiency, special education, and low-income students. Although local districts have considerable flexibility in the use of state aid, the law requires that local school systems must make full-day kindergarten programs available to all eligible students by FY 2008. Additionally, counties must offer

prekindergarten programs to all at-risk students by FY 2008. These prekindergarten programs may be established in a variety of ways, either directly by the school system or through other community institutions.

### State Expectations

In return for this flexibility and additional resources, the state has imposed high expectations on local schools. Maryland has embraced a standards-based approach to public school financing. Under this approach, and consistent with the NCLB Act, the state will set academic content and student achievement standards, ensure that schools have sufficient resources from state and local sources to meet those standards, and hold schools and school systems accountable for student performance. The goal is to meet high academic performance standards for all children. The Maryland State Department of Education (MSDE) has set specific state standards aligned with federal ESEA standards.

### Accountability

Unlike previous state school finance laws, the Bridge to Excellence explicitly links financing to accountability. It places responsibility on local school systems to improve student achievement and close the academic gaps among students of different racial, ethnic, and economic backgrounds, students with disabilities, and students learning to read English. The state will set standards, and measure how well school



districts, schools, and individual students are doing in meeting expectations. The presumption is that all local, state, and federal resources will be integrated and coordinated to reach the goals of improving student learning.

### The Future of State Funding

In FY 2003, as a result of the Bridge to Excellence legislation, MCPS received an initial outlay of \$7.6 million. These funds were used to expand full-day kindergarten to an additional nine schools, for a total of 56 schools, and to reduce class size in Grades 1 and 2 at an additional four schools, for a total of 56 schools. State funding also made possible increases for middle school reading and math, ESOL, special education, building service workers, and the Downcounty Consortium. In FY 2004, MCPS received \$13.8 million in additional unrestricted state funds as a result of the Bridge to Excellence.

In FY 2005, MCPS is entitled to an increase of approximately \$41.3 million in mandated state aid, including \$19 million in additional state funding because of the new law. Without this additional anticipated state contribution, MCPS cannot continue making the same progress toward higher academic standards or expand full-day kindergarten as mandated by the Bridge to Excellence Act. However, this additional funding is in jeopardy. According to the law, the General Assembly must adopt a resolution affirming that sufficient revenues are available to provide this level of state aid. If this is not done, another provision of the law mandates a lower level of state aid over the next four years, called "Thornton Lite." If this lower level of aid is enacted, Montgomery County may lose an estimated \$26.3 million in FY 2005, instead of the total increase of \$19 million it expects from the new law. That means state funding would revert to a level of funding lower than in the absence of the Bridge to Excellence Act.

In addition, much of the additional state aid anticipated for FY 2005 depends on the adoption of a formula for the Geographic Cost of Education Index (GCEI). The GCEI was enacted by the General Assembly to recognize the higher cost of living in Montgomery County and other high-cost districts. Because the formula for the GCEI has not yet been approved, the state attorney general has ruled that the funds earlier set aside may not be allocated without a specific direction from the legislature. Unless corrected, this ruling may cost Montgomery County an estimated \$15.2 million in FY 2005.



### Master Plan

The Bridge to Excellence legislation mandates that each school district develop a comprehensive five-year master plan to describe how it intends to make improvements in achievement for every student. In June 2003, after extensive participation by the community and review with county government officials, the Board of Education unanimously approved its first multiyear plan under the new law. The plan describes the goals, objectives, and strategies that will be used to improve student achievement and meet state and local performance standards for all students. The master plan describes specifically how the district would improve student achievement for special education students, students with limited English proficiency, prekindergarten and kindergarten students, gifted and talented students, and students enrolled in career and technology courses. The law requires each district to submit annual updates of their comprehensive master plan, taking into account comments and suggestions made as part of the review process directed by MSDE. The first update will be submitted during FY 2005.

### Aligning the Budget with the Master Plan

The Bridge to Excellence Act also requires that the school district operating budget must

be aligned with the district's master plan and show specifically how the use of resources will address the goals and objectives of the plan. This FY 2005 Operating Budget represents one aspect of compliance with this requirement.

### Board of Education Goals and Priorities

The goals and academic priorities adopted by the Montgomery County Board of Education align well with the policies and objectives of the NCLB and the Maryland Bridge to Excellence in Public Schools Act. In June 2003, the Board of Education reaffirmed its vision and goals originally adopted in 1991. This vision states, "A high-quality education is the fundamental right of every child. All children will receive the respect, encouragement, and opportunities they need to build the knowledge, skills, and attitudes to be successful, contributing members of a global society." Building on this vision, the Board of Education adopted system goals. Based on this vision and these goals, the Board of Education adopted academic priorities in March 2003. They are to:

- ◆ Organize and optimize resources for improved academic results
- ◆ Align rigorous curriculum, delivery of instruction, and assessment for continuous improvement of student achievement
- ◆ Develop, expand, and deliver a literacy based pre-kindergarten to Grade 2 initiative
- ◆ Use student, staff, school and system performance data to monitor and improve student achievement
- ◆ Foster and sustain systems that support and improve employee effectiveness, in partnership with MCPS employee organizations
- ◆ Strengthen family-school relationships and continue to expand civic, business, and community partnerships that support improved student achievement.

To focus on these academic priorities, the superintendent presented a detailed strategic plan, *Our Call to Action: Pursuit of Excellence The Strategic Plan for the Montgomery County Public Schools 2003-2008*, which was adopted by the Board of Education in June 2003. This strategic plan forms the keystone of the five-year master plan. The master plan incorporates extensive community input, was reviewed by the county executive and County Council, and submitted to the Maryland State Board of Education in September 2003.

## Community Support

During the past four years, the goals adopted by the Board of Education, as embodied in *Our Call to Action*, have received unprecedented support from the community. Budget initiatives based on this plan have added a total of \$67.0 million to the budget, including 1,154 additional full-time equivalent positions. These budget initiatives are directly aligned with the strategic goals of the five-year Master Plan.

## Multiyear Strategic Plan

The specific strategies included in the five-year plan continue the initiatives implemented during the past four years. Although some of these initiatives will require additional resources, realigning existing resources or making reductions in lower priority programs will implement most of these strategies. In some areas, specific plans are still under development. Other initiatives that will require additional resources can be identified. State mandates to provide full-day kindergarten for all children and prekindergarten services for all students identified as at risk of academic failure will require additional funding, including state aid under the Bridge to Excellence Act. Additional special education services will be needed to meet the goals of academic achievement for this group of students. The special education staffing plan included in this budget builds on prior staffing plans approved by MSDE. This plan will advance the goal of providing a Least Restrictive Environment (LRE) for special education students. Other needed initiatives in technology, shared accountability, and other areas are being developed as part of the annual update of the strategic plan.

## Full-day Kindergarten

Already we are seeing results from these improvements. The results show that significantly more students—especially those who are the most impoverished and those who are English language learners—are acquiring foundational reading skills in kindergarten, text reading skills in Grade 1, and improved reading skills in Grade 2. This is the result of well-trained teachers and principals using a more rigorous curriculum, lower class size, and ongoing professional development and assessment. The first class of students to receive the benefits of three years of major reforms in early elementary school education reached Grade 2 last year. A study of more than 13,482 kindergarten students indicated that the reforms put in place were instrumental in closing the gap. (Figure 4) The children most at risk of academic failure performed at or above the national median in key subjects, with some

scores among the highest performing students in the nation. Students who participated in all three years of the early elementary education reforms closed the achievement gaps significantly. In particular, students from low-income families where English is not the first language made great strides in mathematics and reading skills. Those students who attended Head Start and full-day kindergarten showed the greatest gains.

The FY 2005 Operating Budget includes expansion of full-day kindergarten with class size of 21 to 17 additional schools at a cost of \$1,669,005 including 29.0 classroom positions.

## Key Components of Reform

The findings from the kindergarten initiative showed that there are several key components that must be present if student achievement is to improve. Most important, the components must work in concert to achieve successful results (Figure 12).

These key components of reform included a revised, more rigorous curriculum that stresses literacy skills. All kindergarten teachers received nearly 100 hours of coordinated training in the new curriculum and the instructional strategies necessary to make it effective. A new assessment system reviewed student progress three times during the year, allowing teachers to tailor instruction to individual needs.

## Making a Difference in the Classroom

What was learned is that the teacher in the classroom makes the difference. As a result, additional resources have been concentrated in the classroom. During the past two years, nearly three-fourths of budget increases have gone for instruction. Since 2000, MCPS has added more than 1,300 new classroom teacher positions and more than 520 staff for special education.

## Reducing Class Size

During the past six years, MCPS has invested more than \$38.5 million in specifically targeted approaches to reduce class size. In addition to adding full-day kindergarten classes, this investment has enabled MCPS to reduce the number of oversized classes at all grade levels. Since FY 1998, the percentage of classes that exceed Board of Education maximum class size guidelines has dropped from 3 percent in elementary schools to 0.75 percent, from 7 percent in middle schools to 5 percent, and from 13 percent in high schools to 11 percent. In addition to cutting the number of oversized classes, additional funding has significantly reduced average class size at all grade levels.

FIGURE 4

## Three Years of Continuous Gains in Achieving Reading Benchmark in Kindergarten

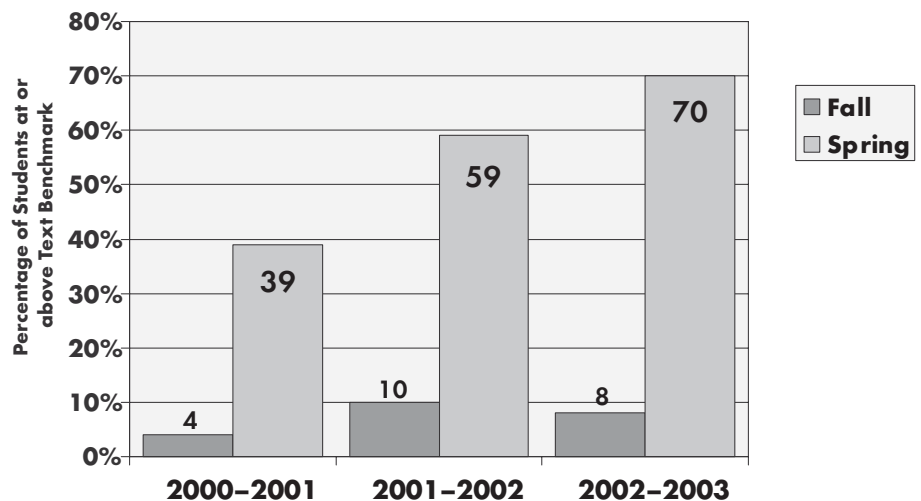
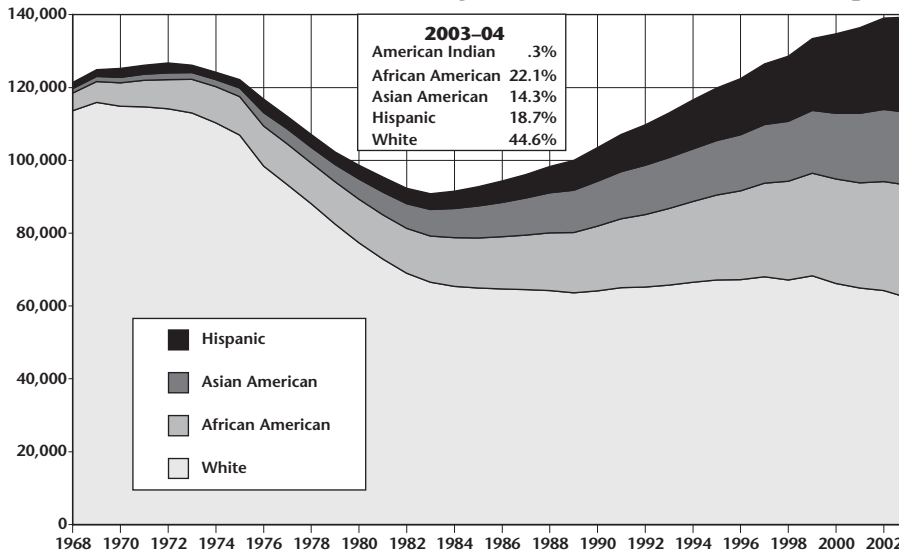


FIGURE 6

## MCPS Enrollment by Racial/Ethnic Group



Source: Montgomery County Public Schools Office of Shared Accountability, October 2003.

The growth and diversity of the Montgomery County Public Schools make it all the more urgent to sustain this plan and build on its success. Enrollment for the 2003-2004 school year is 139,203 – an all-time record. This is an increase of 312 students from last year. During the past decade, Montgomery County has been the 12th fastest growing district in the United States. Since 1983 the total enrollment in Montgomery County Public Schools has grown by 53 percent, from 91,024 in 1983 to 139,203 in FY 2004 (Figure 5). Since 1999, the school system has gained nearly 12,000 students. This rate of growth has imposed severe pressures on the school system. Facilities are not adequate to deal with this level of enrollment, and 689 relocatable classrooms have been installed. Resources necessary for improvements in quality have been devoted to hiring enough teachers and other staff to accommodate this rate of enrollment growth. As a result of rapid growth, more than one-fourth of MCPS teachers have been in our schools three years or less, and thus need more training and other support to become fully effective.

County births, migration, and immigration are the major factors resulting in increased enrollment. After stabilizing during most of the 1990s, county births began to increase toward the end of the decade. In 2002, births topped 13,000 for the third year in a row, reaching an all-time high of 13,154. A child is born in Montgomery County every 40 minutes. Because of the sustained high level of births, enrollment will begin climbing at the elementary level. As more elementary school

students begin moving up through the system, secondary enrollment will increase. The next wave of enrollment growth will be more gradual than that of the 1980s and 1990s.

### Migration to Montgomery County

Migration and immigration result from the strong regional economy with relatively low levels of unemployment. In 2000, 26.7 percent of the county population was foreign-born, the highest proportion in Maryland. The 2000 census also reported that 31 percent of county

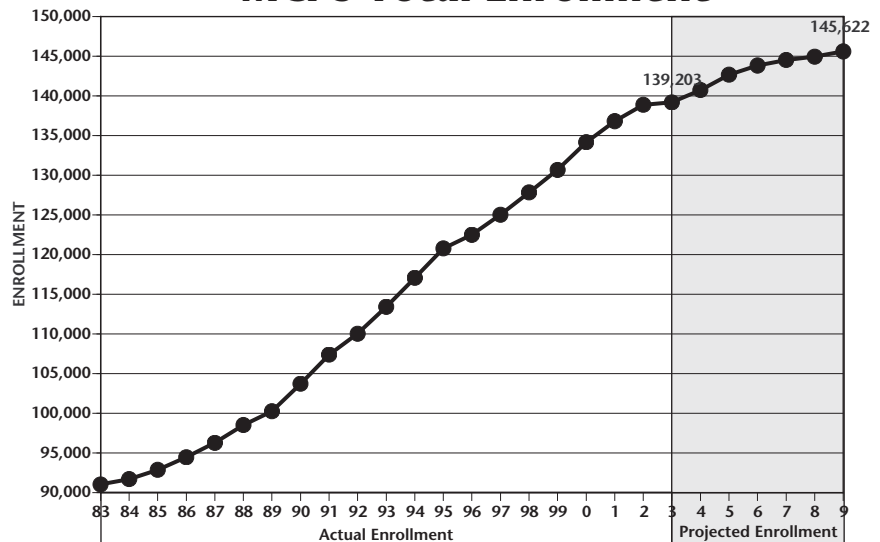
households do not speak English at home. Montgomery County also has a high level of mobility, with over 13,000 students entering the system and 12,000 exiting the system annually (not counting school entry or graduation).

The school system is rapidly changing, becoming more diverse, and being challenged in unique ways. One of the great strengths of our school system is its cultural, ethnic, and racial diversity. This is also one of its greatest challenges. The ethnic composition of the public schools has rapidly shifted from nearly all white to a diverse ethnic and racial blend (Figure 6). Over this period, white enrollment (not including Hispanic students) has edged slightly downward. More than 5 of every 10 students today are classified as African American, Asian American, Hispanic, or Native American. This year 44.6 percent of the student population is white, 22.1 percent African American, 14.3 percent Asian American, 18.7 percent Hispanic, and 0.3 percent Native American. This ethnic diversity is even greater in the lower grades. White enrollment is smaller in each grade level going back to first grade (42 percent). By contrast, the percent of Hispanic enrollment is larger at every grade level going back to first grade (21 percent).

But even this does not accurately express the change because many students do not fit neatly into a single racial or ethnic designation. Our students have backgrounds including 163 foreign countries and 123 different languages spoken at home. Indeed, nearly 8 percent of our students this year are English language learners and, remarkably, the fastest growing portion of those students were born in the United States.

FIGURE 5

## MCPS Total Enrollment



Source: Montgomery County Public Schools Department of Planning and Capital Programming, October 2003.

### Ethnic and Racial Diversity

The different communities throughout Montgomery County vary greatly in their ethnic and racial composition. The core urbanized area stretching from Takoma Park to Germantown includes 50 percent of all elementary school students, but 75 percent of African American and Hispanic students, 75 percent of English language learners, and 80 percent of students receiving support from the Free and Reduced-price Meals (FARMS) program (see Figure 7). The number of students in these attendance areas together comprise an enrollment comparable in size to the nation's 75<sup>th</sup> largest school district.

The number of students participating in FARMS doubled during the past 12 years from 15,776 to 31,518 (22.6 percent) (see Figure 8). The number of students participating in FARMS is greater than the total enrollment of 16 Maryland school districts. This diversity means that the challenges faced by individual schools differ greatly. Our schools must be ready to respond creatively to these differences. Teachers and other staff must meet the complex challenges inherent in this increasingly urbanized and metropolitan school district.

### Responding to New Challenges

While Montgomery County's public schools experience significant diversity, they face the challenge of responding to a radically new information-based economy, with unprecedented demands for a highly educated work force. Montgomery County is one of the centers of this information economy, with rapid growth in the financial services, information technology, health care, and biotechnology industries. All students need improved access to modern technology to be ready to succeed in the new economy.

The rapid growth during the 1990s has provided the resources for school improvement, but it also has raised to new highs, expectations for academic achievement. Schools must produce graduates ready to compete in this new economy. Parents and community members have increased their demands on schools and their attention to specific results in student achievement. They deserve the best from their schools and expect to have a voice in the education of their children.

FIGURE 8  
MCPS FARMS Program Enrollment: 1990 to 2003

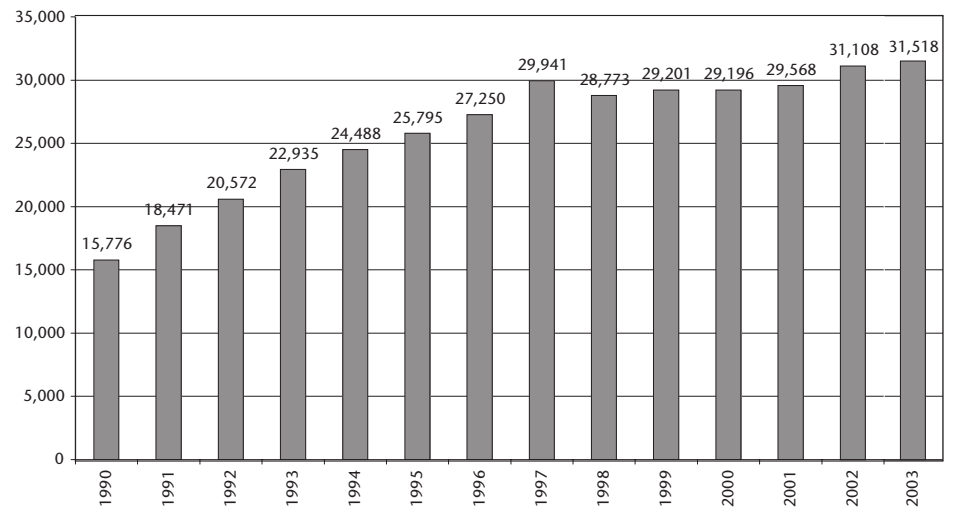


FIGURE 7

### MCPS Targeted and Non-Targeted Elementary Schools

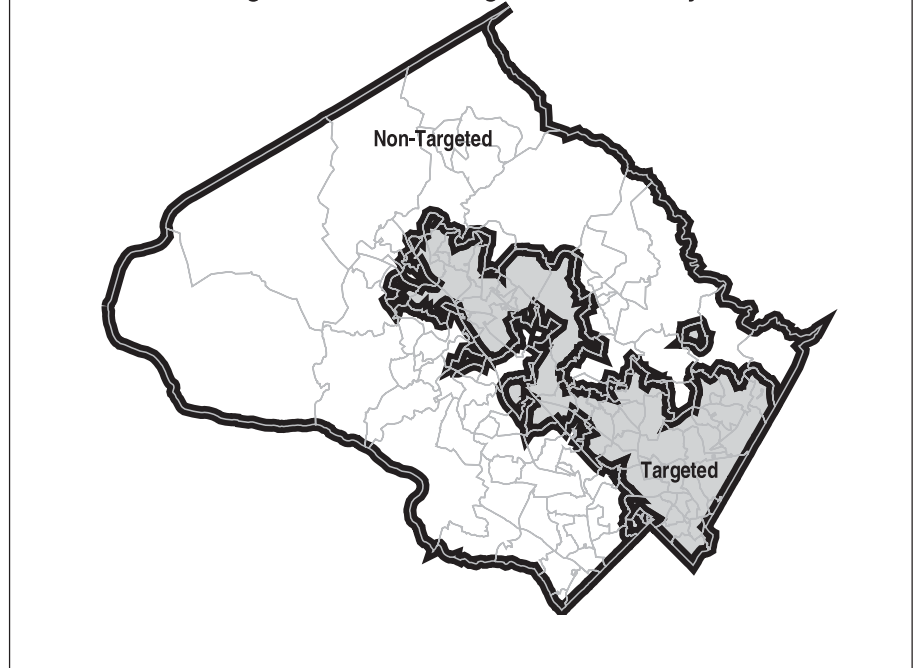


FIGURE 10

**MONTGOMERY COUNTY PUBLIC SCHOOLS OPERATING BUDGET INCREASES FY 2001-2005**

Fiscal Year	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Percent of Total Increase	FYs 01-05	Percent of Total Increase
<b>Beginning Budget</b>	<b>\$1,107.2</b>	<b>\$1,222.0</b>	<b>\$1,327.7</b>	<b>\$1,412.2</b>	<b>\$1,502.1</b>		<b>\$1,107.2</b>	
<b>Growth and Inflation</b>								
Growth	11.7	14.9	11.9	21.1	16.0		75.6	
Inflation and other	18.9	13.7	13.8	6.4	7.7		60.5	
Textbooks				3.1			3.1	
<b>Subtotal</b>	<b>30.6</b>	<b>28.6</b>	<b>25.7</b>	<b>30.6</b>	<b>23.7</b>	<b>28.3%</b>	<b>139.2</b>	<b>28.1%</b>
<b>Compensation (salaries and benefits)</b>								
Continuing salary costs	8.4	7.8	7.0	15.0	28.8		67.0	
Negotiated salary costs - MCEA	38.9	32.7	30.9	37.3			139.8	
Neg. salary costs - MCAASP, MCCSSE	14.8	10.1	9.6	10.7			45.2	
Employee benefits - Active employees	8.9	14.6	12.9	19.3	22.3		78.0	
Employee benefits - Retired employees	3.4		4.7	10.1	8.8		27.0	
<b>Subtotal</b>	<b>74.4</b>	<b>65.2</b>	<b>65.1</b>	<b>92.4</b>	<b>59.9</b>	<b>71.7%</b>	<b>357.0</b>	<b>71.9%</b>
<b>Subtotal-same services</b>	<b>105.0</b>	<b>93.8</b>	<b>90.8</b>	<b>123.0</b>	<b>83.6</b>	<b>100.0%</b>	<b>496.2</b>	<b>100.0%</b>
<b>Savings and Efficiencies</b>	<b>(16.1)</b>	<b>(14.0)</b>	<b>(21.4)</b>	<b>(33.1)</b>			<b>(84.6)</b>	<b>-17.6%</b>
<b>Budget Initiatives</b>								
Class size reduction	5.0	11.2	7.2				23.4	
Workforce excellence	10.9	3.8	2.5				17.2	
Literacy and ESOL	6.9	2.6	3.3		1.7		14.5	
Special education	0.4	4.3	0.9				5.6	
Partnerships	0.3						0.3	
Safety, maintenance, Technology, school support	2.4	3.6	1.2				7.2	
Shared accountability		0.4					0.4	
<b>Subtotal - Budget Initiatives</b>	<b>25.9</b>	<b>25.9</b>	<b>15.1</b>	<b>0.0</b>	<b>1.7</b>		<b>68.6</b>	
<b>Total Budget Increase</b>	<b>\$114.8</b>	<b>\$105.7</b>	<b>\$84.5</b>	<b>\$89.9</b>	<b>\$85.3</b>	<b>100.0%</b>	<b>\$480.2</b>	<b>100.0%</b>
<b>Final Approved Oper. Budget (and % Inc.)</b>	<b>\$1,222.0</b>	<b>\$1,327.7</b>	<b>\$1,412.2</b>	<b>\$1,502.1</b>	<b>\$1,587.4</b>	<b>5.7%</b>	<b>\$1,587.4</b>	<b>29.9%</b>
<b>Revenue - Sources of increases</b>								
Local	\$90.0	\$68.7	\$49.6	\$55.6	\$59.3	69.5%	\$323.2	67.3%
State	17.0	27.8	21.9	28.7	22.3	26.1%	117.7	24.5%
Federal	2.5	5.9	10.6	2.1	4.0	4.7%	25.1	5.2%
Other	5.3	3.3	2.4	3.5	-0.3	-0.4%	14.2	3.0%
<b>Total</b>	<b>\$114.8</b>	<b>\$105.7</b>	<b>\$84.5</b>	<b>\$89.9</b>	<b>\$85.3</b>		<b>\$480.2</b>	

The FY 2005 Operating Budget will be reviewed and approved amid a serious fiscal crisis that affects all state and county governmental units. Local and state governments nationwide have experienced slowly growing revenues because of the economic downturn that has persisted since 2000. Despite renewed economic growth, job growth has remained at a slower pace than traditional periods of economic recovery. The Washington metropolitan area and Montgomery County have remained insulated to a great degree from the national economic downturn. This area did not experience the worst effects of the economic recession and the unemployment rate has remained low. The unemployment rate in Montgomery County has increased from a low of 1.8 percent in 1999 to 2.6 percent in 2003, relatively low by national standards. However, job growth has lagged behind other years. In 2002, for example, payroll employment in Montgomery County increased by only 2,159 jobs, the lowest number since the recession year of 1992.

**County Resources Increasing More Slowly**

Reflecting an absence of job growth, local and state revenues have lagged. County revenue is down this fiscal year compared to previous estimates largely because of lower income tax payments. In FY 2005 revenue is projected to rise more quickly, about 6 percent, but only by an average of 4 percent annually in FY 2006-2010. Because county fiscal reserves will not be as great at the end of FY 2004 as in previous years, resources will not be available for budget increases on the same scale as over the past three years. County officials project an FY 2005 budget gap of at least \$105 million.

**Zero-based Budgeting**

The Montgomery County Public Schools has actively collaborated in the past when county fiscal constraints limited the growth of the school systems budget. These fiscal constraints require changes in the way the budget is developed for MCPS. In preparation for this budget year, all MCPS units

submitted zero-based budget proposals. This means that, instead of starting from existing budget levels and adding or reducing incrementally to arrive at a new total budget, each unit built its budget from "zero" to a maximum of the existing level of resources. Each office based its budget on *Our Call to Action: Pursuit of Excellence*, the MCPS strategic plan, its unit strategic plan, and specific deliverable objectives. This zero-based approach concentrates available resources on the highest priorities for accomplishing the core mission of each unit. As a result of this painstaking effort, MCPS offices realigned staff and other resources to accomplish their main goals. Resources have been redirected to achieve the highest priorities.

MCPS also has increased the use of grants to reduce the burden on the local taxpayer, especially to meet the needs of students at highly impacted schools. From FY 1999 to FY 2003, the total amount of grants received nearly doubled from \$55 million to \$108 million. The amount of competitive grants has grown to \$23 million annually (see Figure 9).

Maintaining Existing Initiatives

By budgeting resources for the highest priorities, existing initiatives put into place over the last four years are preserved (See Figure 10). These major initiatives (with annual increased funding totals from FY 2001 to FY 2004) include:

- ◆ Full-day kindergarten with class size of 15:1 in 56 schools—\$8,438,078
- ◆ Class size reduction at 17:1 in Grades 1 and 2 in 56 schools — \$7,497,421
- ◆ Staff Development at all schools — \$17,163,870
- ◆ Reading and writing programs at all schools — \$3,655,100
- ◆ Mathematics improvement at all schools — \$1,913,577
- ◆ Programs to expand ESOL services — \$1,428,549
- ◆ Counseling and mental health services at all schools — \$1,090,604
- ◆ Special education improvements — \$5,502,468
- ◆ Technology modernization — \$2,516,542
- ◆ Building services and maintenance improvements - \$2,620,466

By preserving these improvement initiatives despite budget cutbacks, MCPS is placing the clear emphasis on the classroom.

Quality Management

The zero-based budgeting process aligns well with other quality management improvements undertaken to use resources more effectively. MCPS has adopted the Malcolm Baldrige Quality Management Criteria as the basis for its planning. Baldrige is becoming a way of life in schools and in central offices, involving employees, teachers, and students in directing their achievements systematically.

With the help of the Montgomery County Council and the Montgomery County Business Roundtable for Education (MCBRE), MCPS has undertaken a new approach to quality management, Operation Excellence. Building on the success in the 1990s of the Corporate Partnership on Managerial Excellence (CPME), a partnership of business leaders and MCPS managers has reviewed business operations to improve efficiency. This year the areas examined included facilities management, financial management, and technology management. The recommendations of these studies are already being implemented.

The adoption of the strategic plan will stimulate other changes to concentrate resources on the highest instructional priorities. Community participation in the review of the Master Plan will provide valuable insights into how MCPS management can continue to improve efficiency and quality.

Citizen Involvement in Budget Review

Aligning the Operating Budget with the strategic plan requires ongoing cooperation with all stakeholders, including MCPS staff and community organizations. For the past ten years, the Board of Education has fostered extensive community involvement in the budget process. Beginning in 1994, the Board of Education requested that the superintendent to establish budget review committees of interested citizens. Initially, this effort was a response to the need during the early 1990s to make significant budget reductions without impacting the quality of education. These committees made many valuable suggestions that helped improve the effectiveness of resource allocation.

In 2003, faced with growing concern about the alignment of the budget with overall strategic goals, the Board of Education asked the superintendent to reconstitute previous committees into a single committee that would represent a greater diversity of key stakeholders and could review the entire range of budget issues.

The work of the committee has continued this year and played a vital role in the development of the budget. Membership in the committee was expanded to include a broader array of stakeholders. The committee's suggestions have resulted in some immediate budget proposals, including the new initiative in residency compliance, and will influence other issues over the long term.

The Board of Education has developed plans to change the public involvement process that will begin this year and be fully implemented next year. This will shift public involvement from traditional comments after the superintendent's recommended budget is proposed to a more strategically focused process of community give-and-take with the Board of Education and MCPS staff earlier in the year during the budget development process.

The development of this budget also involved a new role for the special education community. This budget process incorporates the valuable work of the Special Education Staffing Committee. This citizen and staff committee met over the summer to develop a multiyear staffing improvement plan. The process for developing this budget will align with the process required by MSDE to submit an annual staffing plan and by commenting on the proposals in this budget, citizens concerned with special education will have a full opportunity to comment on the proposed annual staffing plan.

FIGURE 9

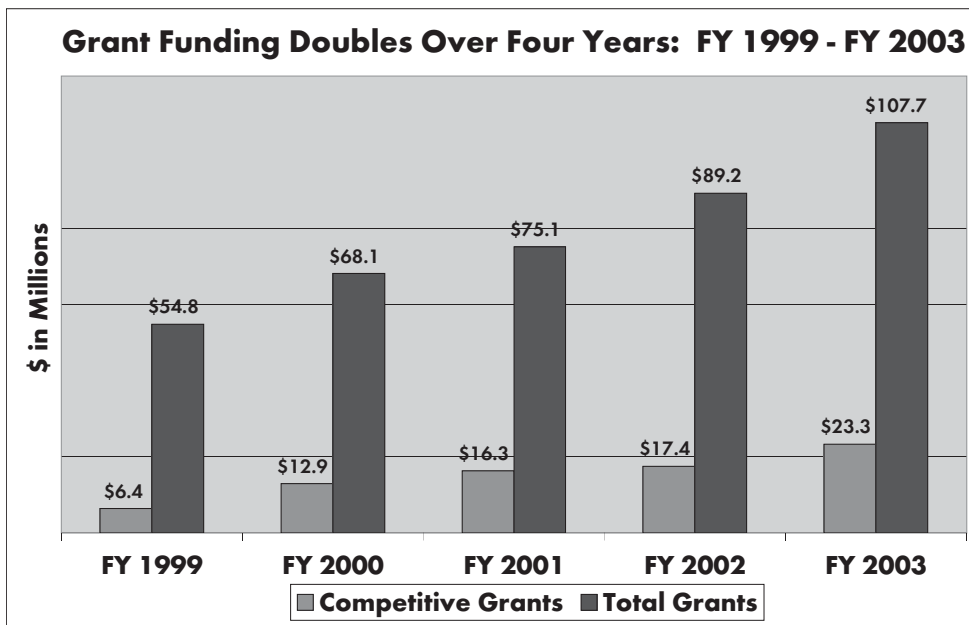
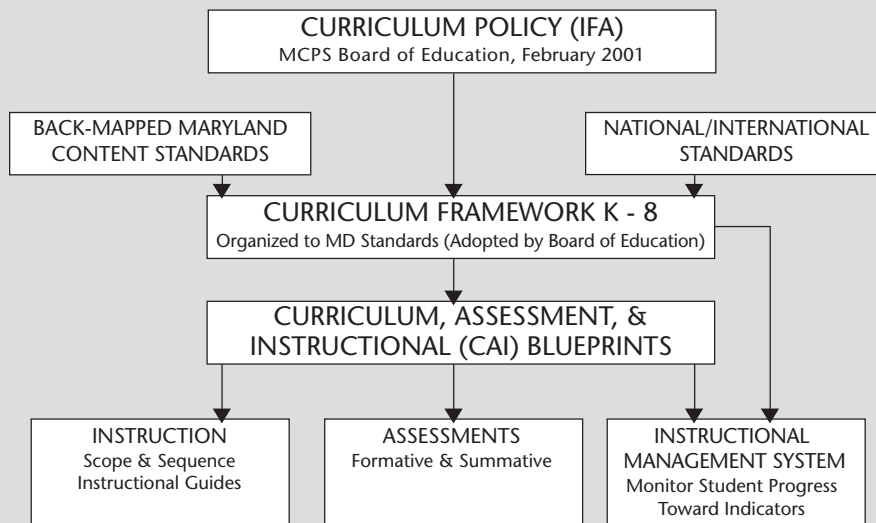




FIGURE 11

## Curriculum Development Process



The improvement measures outlined in *Our Call to Action: Pursuit of Excellence* focus on the basics of education: providing a quality teacher and a quality instructional program for each child, backed by excellent supporting services staff, and supervised by outstanding administrators. The crucial improvements required to achieve this goal include:

- ◆ Rigorous curriculum at each grade level
- ◆ Instructional guides and assessment measures
- ◆ Staff development at the school level to implement curriculum
- ◆ Support for diverse learners who need special assistance to succeed
- ◆ Effective monitoring of schools to see that students are learning
- ◆ Technology supports so that teachers and principals can review student data and monitor their own efforts

### The Four Essential Questions

Focusing all these activities on the classroom, MCPS staff asks four essential questions that guide the development of an instructional program tailored to the particular needs of individual students (See box).

### Standards-based Curriculum Reform

In 2001, Montgomery County Public Schools (MCPS) embarked upon a monumental effort to revise curriculum, in reading/English language arts, mathematics, science, and social studies. (See Figure 11). The goal

was to create a curriculum aligned to state, national, and international standards. Over three years, the Office of Curriculum and Instructional Programs (OCIP) has produced standards-based curricula that stress the skills and knowledge necessary for students to successfully engage in rigorous and challenging instruction. MCPS is committed to providing an instructional program that ensures all of our graduates are prepared for both college and the demands of the work force.

The development of a curriculum framework, instructional guides (including pre- and post- assessments), and the identification of textbooks and resource materials reduce the variability in instruction that has been reflected in student achievement. Ongoing professional development designed to support implementation of the revised curriculum while building teachers' understanding of content is key to improving teaching and learning.

The curriculum framework describes what students should know and be able to do. How the knowledge and skills are to be taught is detailed in instructional guides. Instructional guides contain the sequence of units for each year, a timeframe for completion of those units, model lessons on which teachers should build

their own instruction, connections to resources approved for classroom use, and assessments to gauge student progress. The assessments are developed so that there is a clear pathway from the curriculum framework indicators taught in each unit to the demonstration of mastery of those indicators by students.

The goal of the assessment measures, which have been incorporated into the instructional guides, is for teachers to administer assessments frequently so that instruction can be adjusted both to meet the individual needs of the learner and to monitor student progress on the learning continuum. The diagnostic information gained through the use of assessments informs intervention, acceleration, and/or enrichment. The assessments measure a student's progress toward mastery of specific content knowledge and/or skill.

In FY 2003, the Board of Education emphasized the development and implementation of new curriculum through more comprehensive and formalized stakeholder outreach and feedback. Staff collects feedback in a variety of formats and continuously modifies implementation to address the issues raised. Curriculum advisory committees include members representing the range of roles in MCPS and reflecting the geographic, cultural, and linguistic variety of the community.

During FY 2004, curriculum in reading/English language arts, mathematics, science, and social studies will be fully implemented in seven new grades or courses, adding to the 15 grades or courses in which curriculum has been implemented to date. In addition to the four disciplines rolling out curriculum over the past three years, new disciplines and programs have been added to the list this year. Curriculum is being developed or revised in ESOL, special education, art, music, health, and physical education.

Next year, curriculum in reading/English language arts, mathematics, science, and social studies will be implemented fully in 14 new grades or courses, bringing the total to 36 fully implemented grades or courses. Curriculum will be field-tested in six other grades or courses, and curriculum blueprints will be developed in four additional grades or courses.

Lessons learned from this massive undertaking of developing and implementing curriculum have resulted in slowing implementation to a more realistic and thoughtful pace. Recent stakeholder feedback shows more confidence in the process as well as the product.

### Essential Questions

The school system's ongoing improvement efforts are designed to address four essential questions:

- ◆ What do students need to know and be able to do?
- ◆ How will we know they have learned it?
- ◆ What will we do when they haven't?
- ◆ What will we do when they already know it?

**Buying New Textbooks**

In order to make the new curriculum effective in the classroom, teachers and students must have textbooks aligned with the curriculum and with formative and summative assessments of student progress. Many MCPS textbooks do not reflect the scope or sequence of the new curriculum. Over three years, it will be necessary to purchase more than \$6 million worth of new textbooks just to implement new curriculum units. Many of these textbooks cost \$50 or more. In order to advance this program in FY 2005, MCPS plans to purchase and distribute more than \$4 million in new textbooks, mainly in middle school reading/English language arts, mathematics, and social studies. These textbooks will be purchased without adding to the budget by realigning funds from other textbook and materials accounts and by reducing temporarily the flexibility that schools have in using their textbook allotments. Funds formerly restricted in state grants are now available for textbook purchases because of greater flexibility in state aid formulas. In FY 2005, an additional \$420,341 will be realigned from other accounts to fully implement planned curriculum changes.

**Staff Development – Knowing What to Teach and How to Teach It**

For the new curriculum to be successful, each staff member must have the knowledge, job skills, attitudes, and expectations to bring about the optimum learning for each child. Teachers must know what to teach and how to teach it. Principals and other leaders must understand the most effective ways to measure great teaching, including the essential role in student success played by attitudes and expectations.

For FY 2005, the comprehensive staff development plan includes all staff development activities within MCPS, both content and process, for all units, including grant-funded activities. (see Figure 12). This comprehensive plan allows staff development to focus on the most important aspects of educational excellence without pulling teachers out of the classroom any more than necessary. As a result, the majority of staff development is provided after school and during the summer, with much less need for training during school hours.

**Staff Development for Diverse Learners**

During FY 2005, resources will be realigned to emphasize the staff development needed to effectively assist diverse learners, especially special education and ESOL students. The



special education staffing committee prioritized the need to provide training and development for regular education teachers on skills and strategies to meet the learning needs of special education students. Students with disabilities increasingly receive special education services in the general education classroom. This requires increased collaboration among general and special education teachers using research-based training. The new program will provide mandatory summer training for a total of 1,200 regular education teachers about special education skills, strategies, and practices. The training will include all Grade 1 and 2 teachers and all high school Algebra, middle school Mathematics C, and Grade 9 English teachers. Strategies related to the planned curriculum rollout will be provided to support the unique learning needs of special education students. Expert instructional specialists will provide follow-up support and additional training for core school teams throughout the school year. In addition, on-line courses will be implemented for other subject area teachers. The cost of this program, including 3.0 instructional specialist positions, is \$547,696. In FY 2006, it is expected that this program will be expanded to include Grade 3, 4, and 5 teachers, middle school English teachers, and Geometry teachers as those curriculum units are introduced.

The realignment planned for FY 2005 also will make possible increased training and development for regular education teachers on skills and strategies to meet the learning needs of English language learners (ELL). During FY 2005, all Grade 1 and 2 teachers will receive mandatory training on ELL strategies. The cost of this program, including 2.0 instructional specialists, is \$323,319. In FY 2006, continuation of the program to serve Grades 3, 4, and 5 classroom teachers is planned.

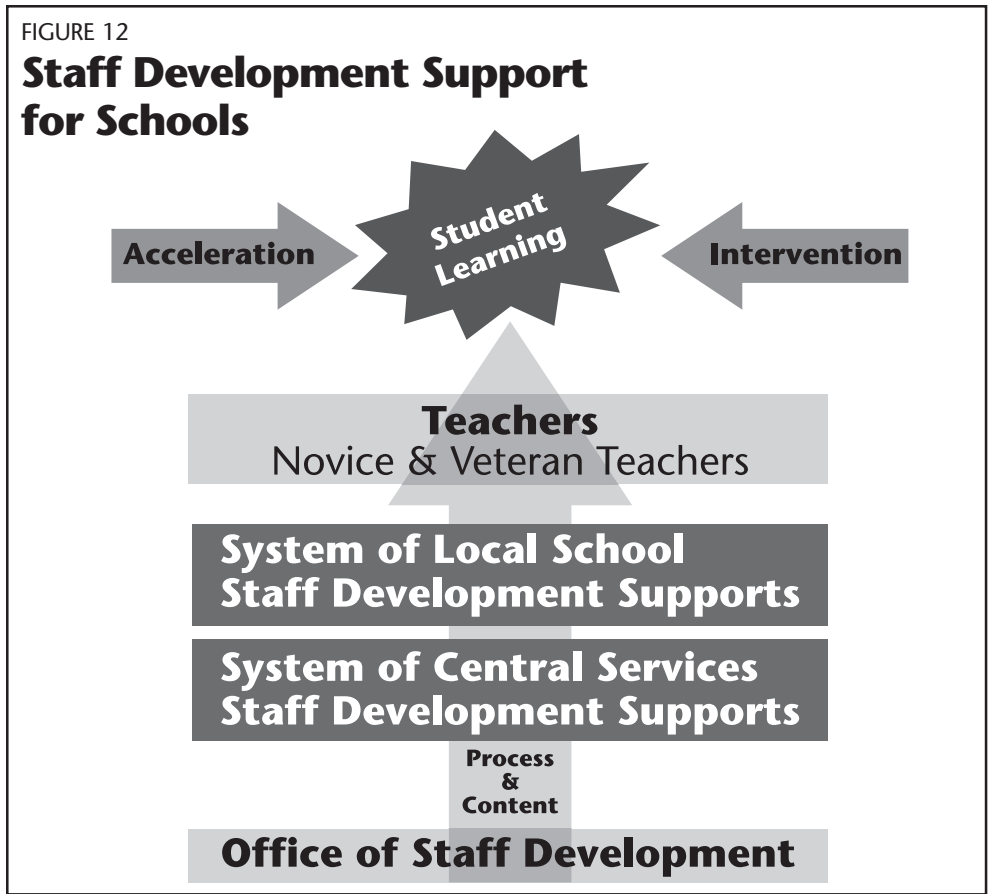
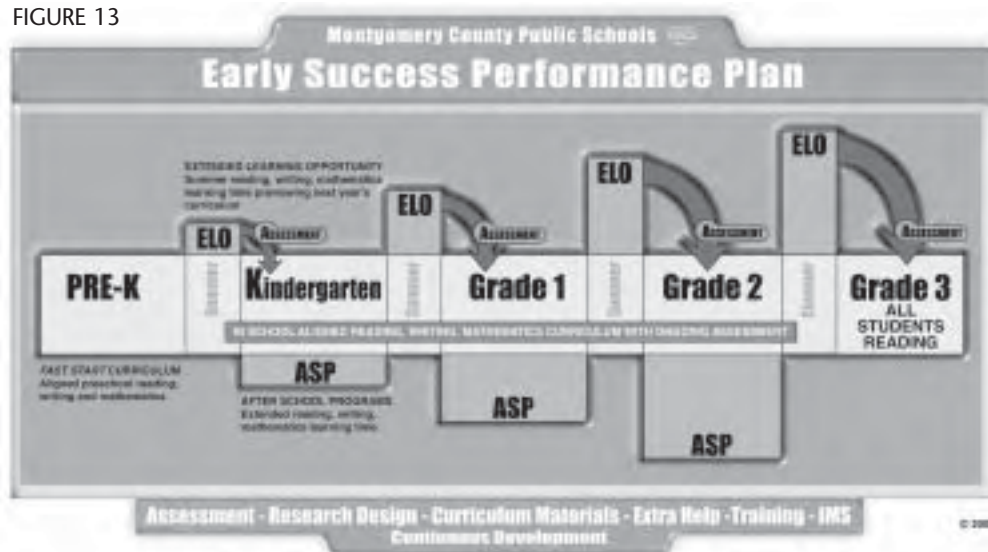


FIGURE 13



### Diversity Training

In addition to staff development targeted to improve the achievement of special education and ESOL students, MCPS will refocus its staff development efforts to improve training related to other aspects of the diverse learning community. Despite gains in student achievement, gaps by race/ethnicity, socio-economics, language, and disability persist. Federal and state standards for accountability ensure that all student groups must meet or exceed established learning standards. The issues surrounding the achievement gaps are deep and complex. Staff development is recognized as critical to closing achievement gaps, but it has yet to help teachers to understand the complex characteristics of culture or the ways that race, ethnicity, language, and social class interact to influence student learning.

Job-embedded and stand-alone training will focus first on administrators and staff developers. This will allow the infusion of effective diversity training into all training for staff development teachers and curricular implementation. In subsequent years, the focus will expand to include consulting teachers, new teachers, and supporting services, staff. In FY 2005, the cost of the program, including 3.0 instructional specialists and a 1.0 secretary, is \$450,991, realigned from other existing programs.

### Professional Growth System Teacher Evaluation

Montgomery County Public Schools has fully implemented the Teacher Professional Growth System (PGS). The PGS includes a re-designed teacher evaluation system now implemented in all schools. The Peer Assistance and Review System (PAR) includes consulting teachers for new and underperforming teachers. Findings from external evaluators indicate

that the program is having a positive impact on the quality of teaching and learning.

The next stage of the professional growth system will involve administrators and supervisors and will complement the system for teachers. During FY 2004, the initial phase of the evaluation system will be implemented in cooperation with the Montgomery County Association of Administrative and Supervisory Personnel (MCAASP). In FY 2005, consulting principals will assist new principals and those in need of improvement, while mentors will be assigned to help new principals. The cost of the new program in FY 2005, including 3.0 consulting principals is \$443,674.

### Assessment and Grading

Quality teaching requires access to formative assessments, ongoing measures of student progress, that inform instruction, report to parents, predict success on final examinations, and guide diagnosis of student needs. Teachers administer formative assessments during the

normal course of instruction. Realignment of existing resources will permit development of formative assessments to accompany curriculum rollout. The cost of the accelerated assessment program is \$290,692, focusing on reading in Grades 3-8.

Implementation of the new grading and reporting system will require detailed consultation of stakeholders including parents, staff, and the wider community. The development of parent/teacher guides, surveying constituents on their satisfaction, and mechanisms to monitor implementation costs \$85,480, realigned from existing resources.

### Rigorous Instruction

The Operating Budget for FY 2005 includes resources needed to continue expansion of two new centers for gifted and talented students opened in FY 2004 and the middle school program at Roberto Clemente Middle School. After expiration of a federal grant, local resources totaling \$50,050 are realigned to allow continuation of the promising Reading Together program at 48 elementary schools to assist parents to help their children learn to read.

Expansion of the successful Foundations program, a valuable partnership with the business community, will add an Information Technology Foundation. This program encourages high school students to obtain entrepreneurial experiences to transition to the workforce. The cost for this expansion, including an increase of a 1.0 position, is \$124,912.

The encouragement of arts education will be facilitated by the opening of the new Strathmore Concert Hall as the home of the National Philharmonic Orchestra. This provides an opportunity for second grade students to attend events. The budget includes \$60,000 in additional funding for transportation and other program expenses to enable every Grade 2 student to attend one event at the new facility.



### Downcounty Consortium

The Downcounty Consortium addresses the unique needs of a diverse student body in smaller learning communities. The program continues to be supported by a major federal grant. Expansion of the Downcounty Consortium, including Northwood, Wheaton, Albert Einstein, John F. Kennedy, and Montgomery Blair high schools will include the implementation of Grade 9 teams and Grade 10 through 12 themed academies at a cost of \$200,000. These funds will facilitate the development of curriculum for the new academies. This additional funding also will support the implementation of the school choice process in the consortium.

### Special Education

During the past four years, MCPS has expanded funding for special education by over \$56 million, including the addition of 523.8 positions. The state of Maryland requires each local district to submit annually a staffing plan to describe how the needs of special education students will be met. The Maryland State Department of Education (MSDE) has approved each annual submission from MCPS. In order to harmonize the annual plan with the operating budget, this year's operating budget incorporates the staffing plan for FY 2005. It includes a multiyear improvement plan that resulted from months of extensive stakeholder input, including the Special Education Staffing Plan Committee. Although fiscal constraints limit the extent to which the multiyear plan can be implemented, funding for special education will continue to increase in FY 2005, incorporating some aspects of the proposed staffing plan with added resources for growth. Budgeting for special education, based on the new zero-based approach, has included a realignment of resources to reflect actual patterns of instruction using a teaching

station model approved by the Board of Education in the budgeted staffing guidelines. This means that the Department of Special Education has greater flexibility to adjust staffing to actual classroom needs regardless of strict budget ratios. Expansion as a result of enrollment growth in FY 2005 will include 56.2 teacher positions and 42.4 special education paraeducator positions at a cost of \$6.1 million.

In addition to growth, the plan includes realignment of system resources to implement service improvements. Each of these programs will facilitate the transition to Least Restrictive Environment (LRE) for special education students. State and federal directives mandate a move for more special education students to LRE as part of the effort to close the achievement gap for these students. These improvements include the mandatory staff development program described above. Resources realigned from outside the special education budget make possible implementation of some of the other high priority needs identified by the special education staffing committee recommendations. These include 2.0 speech pathologists at a cost of \$128,385 to help reduce caseloads and improve student outcomes in speech and language programs. The budget continues the initiative to add secondary school reading and writing teachers to address the need for intensive services in middle and high schools by adding 2.0 positions at a cost of \$110,440. An additional 7.5 resource room teachers in elementary schools at a cost of \$386,540 will allow more students to attend home schools in age-appropriate heterogeneous classes. Tied to the staff development initiative, these additional positions will ease the transition to regular education classes.



### Support to the Instructional Program

Several realignments will improve support to the instructional program and reduce long-term cost to the system. In the area of technology, introduction of a single computer directory system at a cost of \$174,363 will save time for school staff, parents, and students in accessing computer networks. Deployment of the Exchange/Outlook system to schools at a cost of \$104,028 will consolidate existing computer networks and permit simplified crisis notification and emergency messages to reach schools. The Office of Global Access Technology also plans to add a 1.0 user support specialist to enhance computer system security programs and improve compliance with federal, state, and local security regulations at a cost of \$77,168.

In order to improve productivity related to the use of MCPS vehicles, realignments from other support area functions will make possible the addition of a third shift in one Department of Transportation depot to maintain school bus safety at a cost of \$239,980, including 5.0 positions. Expanding capacity will avoid costly outside maintenance and facilitate timely preventive maintenance. Lease purchase of about 25 maintenance vehicles at a cost of \$140,000 will permit replacement of vehicles acquired prior to 1982 that require costly emergency repairs to remain on the road.



With the exception of the expansion of full-day kindergarten and arts education, each of the changes described above will be funded by realignment of other resources already in the base budget. These changes include reductions of \$4,449,728 and a shift of \$237,008 from the tax-supported budget to other non-tax supported funds (Figure 14). More than one-third of these reductions come from central office functions (\$1.5 million). Another \$127,601 comes from support operations, and \$2.1 million comes from school-based resources, with remaining \$727,930 coming from systemwide realignments (Figure 15). This realignment represents only 0.2 percent of total school-based resources. This total of \$4.7 million in realignments is on top of \$72 million in savings and reductions over the last four years that were used to fund \$67 million in budget initiatives.



## Doing Business Differently to Serve Schools Better

In addition to making these reductions, MCPS offices have used zero-based budgeting to make literally hundreds of other realignments, using existing resources in more creative and productive ways to accomplish system goals. For FY 2003, this realignment of resources included significant reorganization of central office functions to coordinate services for schools. For FY 2004, each office drilled down to see how it could use its resources to accomplish more effectively the goals of its strategic plan within existing levels of resources. For FY 2005, the zero-based budgeting process has been used to implement the MCPS strategic plan by scrutiniz-

ing each item in the budget based on its relevance to the overall strategic plan for the school system.

## Central Services Realignments

For FY 2005, central services realignments total \$1.5 million. This includes \$298,000 and 1.5 positions in various units in the Office of Curriculum and Instructional Programs, \$871,000, including 13.0 consulting teacher positions, in the Office of Staff Development, \$86,000 in the Office of the Chief Operating Officer, \$60,000 in the Office of Student and Community Services, \$225,000 in the Office of Global Access Technology, and \$94,000 in the Office of Human Resources (see Figure 14).

## Support Operations Realignments

The FY 2005 budget includes \$334,000 in realignments in support operations. These reductions include \$127,000 in the Department of Materials Management to delay school furniture replacement and a shift of a 0.8 position and a total of \$207,000 to the Entrepreneurial Activities Fund and the Real Estate Management Fund. Further reductions in these support operations would result in serious deficiencies in health and safety for school children.

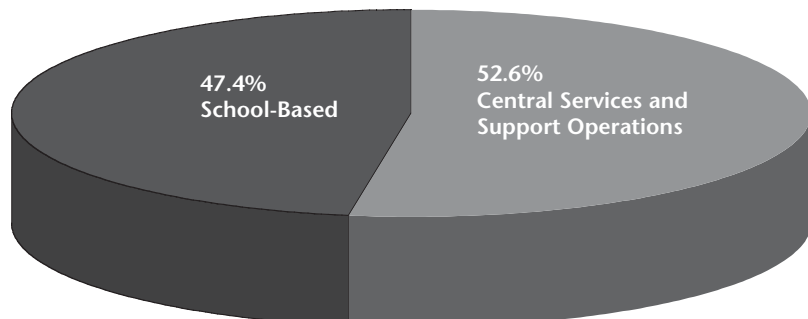
## School-based Realignments

It is important to minimize the effect of budget reductions on school-based programs. The school-based reductions involve only a 0.2 percent reduction in school based services (\$2.1 million). Although it is impossible to shelter schools from the need to reduce services, reductions have been made to avoid endangering high priority improvement initiatives introduced during the last three years and to spread other reductions to minimize any effects on classroom instruction.

School-based reductions include 10.4 literacy teachers in high schools and special schools at a savings of \$532,480. These teachers were allocated based on .4 FTE per school to assist students in literacy skills to avoid the need for remediation courses at Montgomery College. With these literacy teacher positions no longer available, classroom teachers and resource teachers will provide needed reading and writing instruction to students in need of extra assistance. Staff development teacher allocations to high schools are reduced from 1.2 to 1.0 FTE per school at savings of \$256,000. The remaining staff development

FIGURE 15

**Majority of Funds used for Realignments will come from Central Services and Support Operations...  
Not From Schools**



specialists will prioritize responsibilities and coordinate training for school staffs. Mainstreaming support teachers (12.8 FTE) originally intended to ease the transition of special education students to general education classes in middle schools are realigned to target directly special education priorities at a savings of \$655,360. Some class sizes may increase, but school staffs will find alternative ways to support mainstreaming. Reductions also include 10.0 math support teachers at a savings of \$512,000. These positions were intended to reduce class size for Algebra I in high schools. In order to promote the ability of teachers to differentiate instruction for students with differing needs in mathematics, these resources will be realigned to support staff development activities for teachers in addressing the needs of special education and ESOL students. Additional steps needed to support Grade 9 Algebra 1 students may include expansion of double period Algebra classes.

In addition to these positions, other school-based realignments include the redirection of existing textbook and materials resources in the Division of ESOL Programs to purchase new textbooks (\$434,257), and a reduction of \$25,774 in outdoor education costs without any reduction in services. It is also planned that outdoor education fees will increase to raise additional revenue of \$200,000 to maintain current program capacity.



FIGURE 14

### Summary of FY 2005 Program Changes

Office	Program Reductions		Program Additions	
	FTE	Amount	FTE	Amount
K-12 Instruction	38.4	\$1,641,530		\$662,991
Office of Curriculum and Instructional Programs	1.5	699,359	2.0	633,588
Office of Staff Development	13.0	767,068	13.0	1,513,311
Office of the Chief Operating Officer		198,805	5.0	312,521
Office of Global Access Technology		225,000	3.0	285,120
Office of Human Resources		94,145		
Office of Student and Community Services	0.8	95,891	11.5	521,138
Systemwide	5.0	727,930		521,059
<b>TOTAL</b>	<b>58.7</b>	<b>\$ 4,449,728</b>	<b>34.5</b>	<b>\$4,449,728</b>

Note: Dollars include employee benefits costs

### Other Realignments

In addition to these specific realignments, savings will be achieved in FY 2005 through expansion of the successful residency compliance program. Based on three years of experience in a variety of residency compliance models, the budget adds \$50,000 in FY 2005 in supporting services part-time salaries to provide additional support to schools in ensuring compliance with existing residency regulations. This help will ensure that only resident students and those paying tuition can attend Montgomery County schools. To assure effective compliance and equity, the expanded program will require proof of residency for all students as they transition from elementary to middle school and from middle to high school. In FY 2005, the program will begin with students entering Grade 9. It is estimated that the program can identify at least 100 non-resident students next year at a savings of \$206,000. As the program expands in future years to cover students entering middle school, it is anticipated that the levels of savings will increase. Staff will monitor the program carefully to assure equity of compliance.

### Family and Community Partnerships

To improve the involvement of families with their children's education, the Family and Community Partnerships Unit (FCPU) will be realigned to report to the associate superintendent of the Office of Curriculum and Instructional Programs (OCIP). Using existing resources more effectively, this will permit family outreach staff to work closely with other staff with similar missions who already work in OCIP, including staff in ESOL, Title I, and Prekindergarten programs. They will focus outreach efforts on communicating expectations for meeting new curriculum standards and instructional best practices so that families can have

the necessary tools to help children to meet educational goals.

Parents as first teachers are partners in supporting student achievement. Two nationally recognized models, the Parent Partnership Network developed by the Johns Hopkins University and the Comer Model of Parent Involvement from Yale University, have been identified for implementation at MCPS. These two models will guide the work of the FCPU. With intensive outreach and collaboration with the community, over the next three years all schools will benefit from a community involvement model or other approaches to focus on supporting families to improve student achievement. A multilingual call center will provide parents and community organizations with direct access to information and timely answers to questions and concerns.

Other functions formerly with the FCPU will be reallocated to other units to permit FCPU to focus on educational goals. Some existing resources will be shifted to the Office of Staff Development as part of the Diversity Training project. They will provide MCPS staff with the specific skills needed to involve students with diverse backgrounds in effective instruction and learning. Trained human relations specialists now with FCPU will be assigned to the Office of School Performance to support principals and community superintendents in appropriately investigating and solving human relations issues in schools. They also will be available to assist other MCPS units with human relations concerns. The Office of the Chief Operating Officer will supervise formal appeals involving human relations concerns. Other family and community outreach efforts, including Study Circles and Summer Search programs will remain with the Montgomery County Business Roundtable for Education (MCBRE) to focus on partnerships between families and the business community.

The FY 2005 Operating Budget for Montgomery County Public Schools must increase significantly to accommodate the effects of enrollment growth, inflation, and employee compensation. The cost of standard services essential to ensure that MCPS maintains high standards of educational excellence for all of Montgomery County's children continues to increase. Factors that contribute to increased operating costs include enrollment growth, opening new schools, negotiated salary costs, continuing salary costs, employee benefits and insurance, mandated rate increases, and inflation (see Figure 16). Increases due to these factors are greater than in previous years. These requested increases total \$85.3 million, not including the effects of upcoming negotiated agreements.

## Enrollment Growth

One driving force behind the operating budget's continuing growth is the continued increase in student enrollment (see Figure 18). Enrollment growth impacts most aspects of the operating budget, such as requirements for increased instructional staffing, additional student transportation (operators, attendants, and buses), more instructional materials (textbooks and supplies), and other school-based supporting services. A final item driven by enrollment growth is the need for both new and expanded school facilities (see Figure 17).

Although the growth of systemwide enrollment has reached a temporary plateau, continued growth in some programs will increase the operating budget by \$16.0 million. The total number of students is projected to decline by 103 from 140,861 to 140,758 (budget-to-budget projections) in FY 2005. Several factors are responsible for the increased costs



due to growth. Growth in the number of special education students who require at least 15 hours of services in special classes, projected at 304 students in FY 2005, together with a continuing increase in the number of special education students who will need private placement, cost an additional \$6.1 million in FY 2005. The number of students who will receive ESOL services is projected to increase by 1,850 students in FY 2005, at a cost of \$2.1 million. It's anticipated that an additional 250 students will need to enroll in prekindergarten programs, as MCPS moves toward the state requirement to offer prekindergarten services to all at-risk 4-year olds by 2007. This adds an additional \$655,851 to the FY 2005 budget. With Northwood High School opening in FY 2005, there is an increase of \$2.5 million in the budget for start-up costs. The cost of transporting and feeding new students results in an increase of \$2.1 million. In addition, employee benefits costing \$2.2 million will be required for the new employees needed to serve the increased enrollment.

## Special Education Enrollment Growth

Enrollment for students with disabilities requiring special classes is projected to increase by 304 students, or 3.7 percent. The number of resource services for students with hearing impairments, resource program needs, and vision, speech, and physical disabilities will increase by 293. The increase in the number of students with disabilities will require an additional \$6.1 million in FY 2005. This will fund the salaries of 98.6 teachers, speech pathologists, occupational/physical

therapists, and paraeducator positions, as well as other growth-related costs, such as textbooks and instructional materials. (The total direct cost for special education will be \$196.8 million in FY 2005, an increase of \$12.9 million or 7.0 percent).

In addition to the overall increase in the number of special education students, there has been a rapid increase in the number of special education students with extremely intensive needs, many of whom require services not available in public schools. The increase in the number of students who require nonpublic placement went from 695 in FY 2004 to a projected 739 in FY 2005. State mandated rate increases for private providers, has increased the amount needed for nonpublic tuition by \$2.8 million. The Department of Special Education is continuing to explore ways to expand public programs for students with intensive needs to avoid expensive private placement, and to work with the state to secure more cost-effective contracts with private providers.

## ESOL Enrollment

Enrollment of English language learners (ELL) also has increased rapidly. In FY 2004, the number of students eligible for English for Speakers of Other Languages (ESOL) services is 11,988. During the past three years, ESOL enrollment has increased by 1,341 students (12.6 percent). Almost all of this growth was at the elementary school level. The number of ELL students in Montgomery County is greater than the total enrollment of nine Maryland school districts.



## Factors Increasing Operating Costs

More than 40 percent of all ESOL students in Maryland are enrolled in Montgomery County Public Schools. The largest number of these ESOL students is at the elementary school level, with nearly half born in the United States. In FY 2005, ESOL enrollment is projected to increase by another 1,850 students. As a result of this enrollment increase, there is a need for 47.7 positions and other expenditures for an increase in the operating budget of \$2.1 million, excluding benefits.

### Employee Salaries

Increases in employee salaries include negotiated salary increases and continuing salary costs that include salary increments or steps. Both of these are determined by negotiated agreements with three employee organizations: Montgomery County Education Association (MCEA), SEIU Local 500 (MCCSSE) representing supporting services employees, and Montgomery County Association of Administrative and Supervisory Personnel (MCAASP).

### Negotiated Agreements with Employees

In February 2001, the Board of Education reached a three-year contract with MCEA that expires on June 30, 2004. Negotiations on a successor contract are expected to be completed early in 2004. All aspects of the contract are open to negotiation this year.

In February 2003, MCPS completed negotiations with the Montgomery County Association of Administrative and Supervisory Personnel (MCAASP) on a three-year contract that took effect July 1, 2003 and runs through June 30, 2006. The agreement provides for reopened negotiations for salary and benefits for the second and third years of the agreement. Several leave of absence items and one additional article of the agreement also are open for negotiation at the option of either party.

In February 2003, MCPS also completed negotiations with SEIU Local 500 (MCCSSE) on a two-year contract that was effective July 1, 2003, and will expire June 30, 2005. This agreement also provides for reopened negotiations for salary and benefits for the second year of the agreement.

During the fall of 2003, the three unions agreed to participate in joint negotiations regarding benefits for all employees. Agreements will not be reached during the combined negotiations, but rather will become part of separate negotiations with the unions as indicated above.

### Continuing Salary Costs

Also tied to the negotiated agreements are annual salary increments, which are part of continuing salary costs. As with most government workers, whether federal, state, or local, an MCPS employee's pay is based on a salary schedule that provides periodic increases for employees who perform satisfactorily. This applies only to those employees who have not reached the top step of their grade on the pay schedule. About 40 per-

cent of all MCPS employees are at the top of the schedule and are not eligible for incremental increases. Because certain benefits are tied to salary levels, some added benefit costs accrue along with continuing salary costs.

The total budget increase for continuing salary costs and related benefits is \$14.4 million. This increase includes \$13.1 million for scheduled annual increments for employees with satisfactory service who are still progressing along salary schedules and for teachers who accumulate sufficient graduate credits

FIGURE 17

#### New Schools and Additions

NEW SCHOOLS	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Northwood HS Reopening		X					
Quince Orchard MS #2			X				
Downcounty Consortium MS #9 (Belt reopening)			X				
Clarksburg/Damascus ES #7				X			
Clarksburg Area HS (conversion of Rocky Hill MS)				X			
NE Consortium ES #16				X			
Northwest ES #7				X			
Downcounty Consortium ES #27 (Connecticut Park reopening)				X			
Downcounty Consortium ES #28 (Arcola reopening)				X			
Clarksburg/Damascus ES #8							X
SCHOOL ADDITIONS	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Glen Haven ES (9)	X						
Greenwood ES (6)	X						
Walter Johnson HS (20)	X						
Lakewood ES (8)	X						
Montgomery Village MS (5)	X						
Page ES (2)	X						
Baker MS (6)			X				
Forest Knolls ES (4)			X				
Gaithersburg ES (9) + (6 CSR)			X				
Gaithersburg HS (16)			X				
Matsunaga ES (6)			X				
Northwest HS (20)			X				
Rosemont ES (10) + (6 CSR)			X				
South Lake ES (6) + (6 CSR)			X				
Broad Acres ES (6) + (4 CSR)				X			
Einstein HS (3)				X			
Farmland ES (8)				X			
Garrett Park ES (6)				X			
Seven Locks ES (10)				X			
Sligo Creek ES (4)				X			
Watkins Mill ES (10) + (6 CSR)				X			
Sherwood HS (12)					X		
Weller Road ES (4) + (7 CSR)					X		
Fields Road ES (9)						X	
Pyle MS (6)						X	
Travilah ES (6)						X	
Westland MS (6)						X	
Bethesda-Chevy Chase HS (5)							X

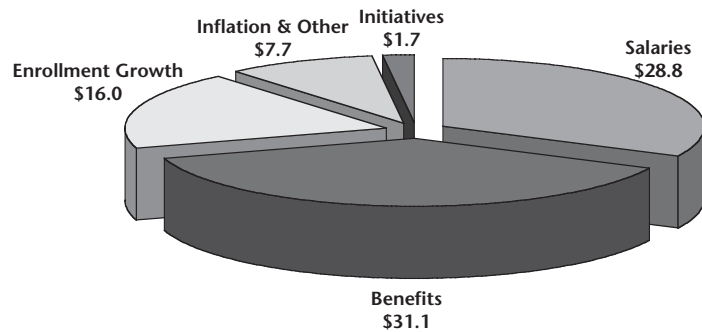
Note: Numbers in parentheses indicate additional classrooms for enrollment increases. Numbers in parentheses preceding CSR indicate additional classrooms for class size reduction.



to move to a higher salary schedule. The remaining \$1.3 million is required for associated social security and retirement payments. Budgeted salary costs for FY 2005 are based on the assumption that all new employees will be hired at the budgeted new-hire rate for their position: for example, a bachelor's degree with three years experience (BA 4) for new teachers. Included in continuing salary costs is \$17.3 million in lapse (savings resulting from short-term vacancies) and turnover (savings from replacing a senior employee with a lower-paid junior employee) based on historical experience. Employee turnover, lower than original projections for FY 2004 has resulted in a higher salary base reflected in higher continuing salary costs. Additionally, a new hire rate greater than budgeted and the greater number of teachers with advanced degrees has increased salary costs.

Also adding to continuing salary costs for FY 2005 is the annualization of the delayed COLA that took effect during FY 2004. As part of final budget decisions for FY 2004, each of the employee unions agreed to modification of existing agreements to phase in the negotiated cost of living general wage adjustment for FY 2004. Employees received this annual increase at various times during the year, ranging from October through December, based on their annual assigned work schedules. This delay resulted in a total budget savings for FY 2004 of \$14.6 million. Because employees are scheduled to receive wages and salaries for the full year during FY 2005, the budget must reflect the higher total cost for the fiscal year based on the FY 2004 salary schedules. This annualization adds \$14.4 million to the FY 2005 budget. This increase has no relation-

FIGURE 16 FY 2005 Factors Increasing Operating Costs \$85.3 million



ship to any general wage adjustments that may result from ongoing negotiated agreements, but only implements the agreement already put into effect for FY 2004.

### Employee Benefits and Insurance

The cost of health insurance and other employee benefits represents approximately 19 percent of the total MCPS budget. National trends of higher health care costs have affected MCPS significantly. Despite ongoing efforts to contain costs, health care costs have risen by more than 10 percent annually for the last two years. Largely due to these higher costs for health care, the total cost of employee benefits for the current number of beneficiaries is projected to increase by \$31.1 million in FY 2005.

The increase for health care for active employees assumes an 11.8 percent cost increase trend for FY 2005, the net of savings and reductions resulting from the positive

effects of cost-containment initiatives, negotiated changes to the benefit programs, and a variety of other miscellaneous factors.

The budget also reflects a need for the operating budget to assume all of the costs of retiree health insurance. Historically, the Board's contribution to the cost of retiree health insurance was funded through the operating budget and from a prefunded trust fund account. Prefunding of this account was discontinued in the 1980s, and the availability of the trust ended after FY 2003. Based on detailed discussions with retirees during FY 2003, the Board of Education enacted changes in the retiree health plan. When fully implemented, retiree participants will pay an average of 36 percent of the costs. In FY 2005, the total Board cost for the retirees' health benefits is projected to be \$32.2 million, an increase of \$2.4 million.

Costs for current retirement programs will increase in FY 2005 by \$6.4 million based on 2.74 percent of salary, an increase of 0.7 percent from FY 2004. A policy of five-year smoothing of investment gains and losses will necessitate a significant increase in retirement costs over the next several years to make up for actuarial losses in previous years.

Costs for the MCPS contribution to the county's joint self-insurance fund will increase by \$2.7 million in FY 2005. This fund covers a variety of risk management insurance needs, including liability and fire insurance. Setbacks in the investment of self-insurance fund assets account for the bulk of the increase in the required contribution. This increase is offset by a reduction of \$400,000 in the estimate for payments of social security (FICA) taxes because more employees exceed the maximum wage base.



## Factors Increasing Operating Costs

### Inflation and Other Cost Increases

There is a total of \$7.7 million (0.5 percent of the budget) in inflation and other required cost increases in FY 2005. As has been true for the past several years, program staff is being asked to absorb the major effects of inflation within existing resources.

During the past three years, inflation in the Washington metropolitan area has remained at about 2.5 percent. Inflation increases are calculated for most budgeted items other than salaries, and increases for major items that have specific rates different from general inflation rates are calculated separately. These include such items as utilities, tuition costs for students with disabilities in private placements, textbooks, and instructional materials. Although inflation has been recognized for textbooks, instructional materials, media center materials, and facilities maintenance—thus adding \$1.0 million to the budget. Projected inflation increases for other noninstructional supplies and materials have been eliminated and the inflation projection for instructional materials has been reduced to 3 percent.

Other items requiring major increases include utilities (\$1.5 million), rate increases for nonpublic tuition for special education students (\$1.1 million), increased costs for student transportation (\$2.3 million), increased expenditure authority for enterprise funds that generate offsetting resources (\$0.4 million), and other changes (\$1.2 million), including required increases for facilities and technology maintenance and evening high school.

FIGURE 19

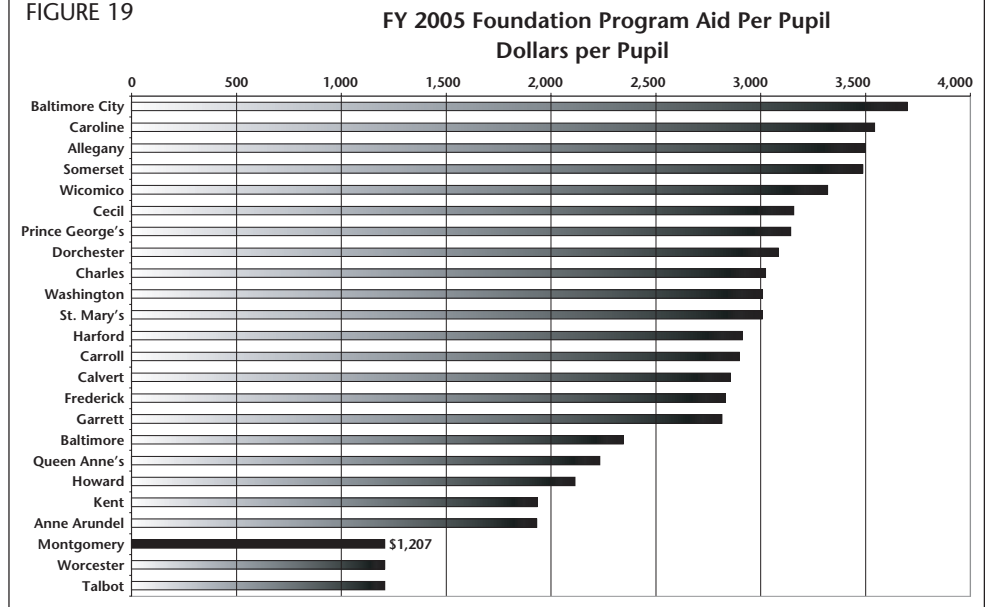
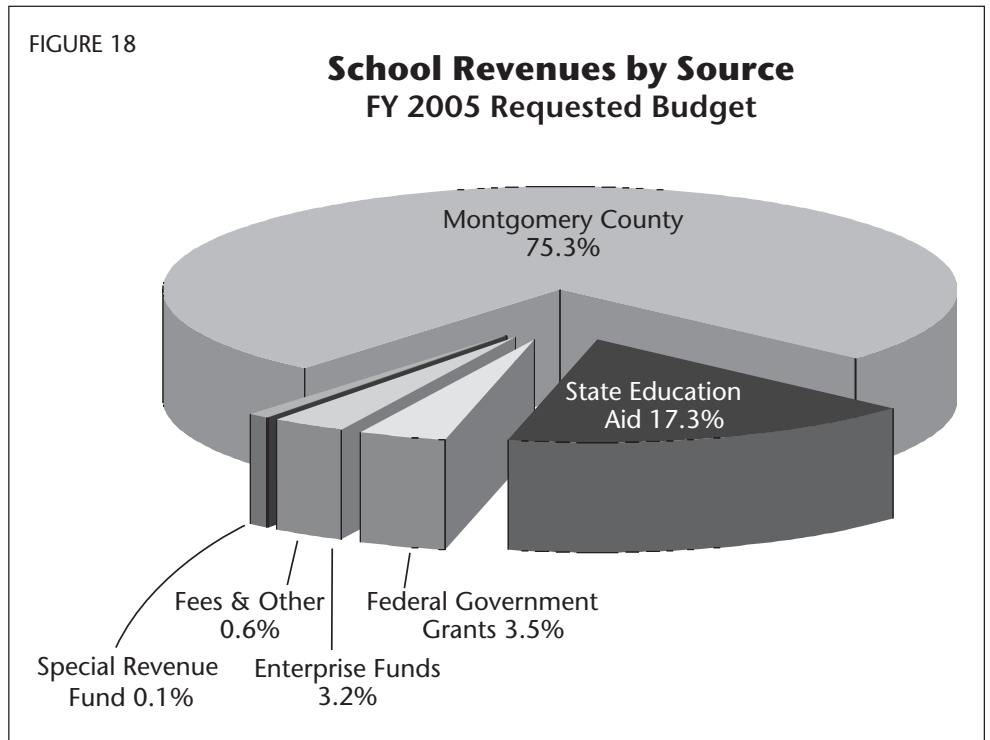


FIGURE 18



Budget requests are intended to reflect program and service needs. Yet this county's ability to fund public education needs is dependent on the fiscal environment, that is, the available resources and the level of other needs competing for these resources.

In this section, the following issues will be reviewed:

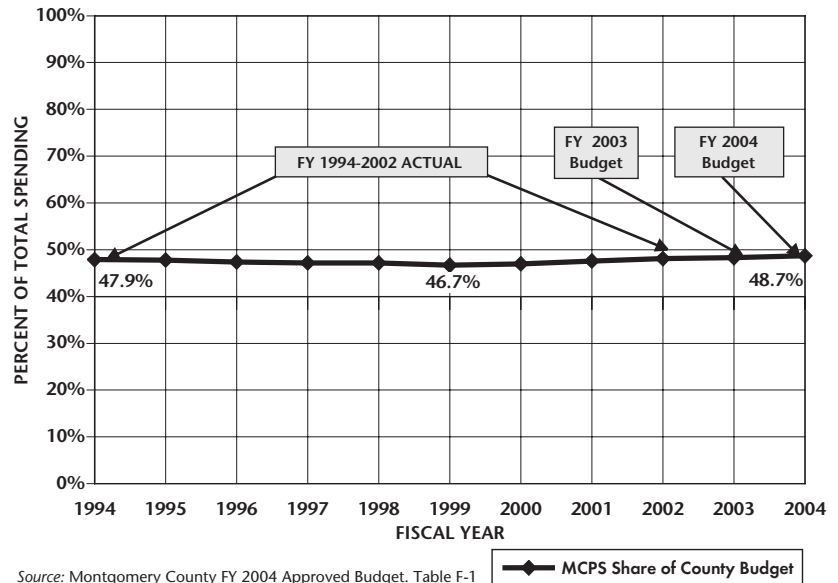
- ◆ Sources of revenues—including state and federal aid and the amount of local revenues
- ◆ Maintenance of effort—a state of Maryland law that ensures additional state aid will not supplant local revenues supporting public schools
- ◆ Spending affordability guidelines—a Montgomery County Charter amendment that ensures that annual guidelines for spending are based on projections of the available revenue

## Sources of Revenues

Although in recent years the share of the budget funded by state and federal governments has risen, the majority of the operating budget continues to come from county tax funds. In FY 2005, the county is expected to

FIGURE 20

### MCPS Share of Total County Operating Budget Rises Over Ten Years All Funds FY 1994–FY 2004



provide funds for approximately 75.3 percent of MCPS' total expenditures (see Figure 18). The county percentage has declined gradually during the past decade as the Montgomery

County share of state aid has increased. Nevertheless, MCPS still receives far less as a percentage from the state than other counties receive.

The new state Bridge to Excellence Act has significantly increased the total amount of state funding. Basic state aid is now calculated on a foundation amount of \$5,029 per student, compared to \$4,124 before enactment of the new law. This increase is a result of a state commitment to provide every child in Maryland with the resources judged necessary for an "adequate" education. Maryland contributes an average of 51 percent of this total statewide, but only 24 percent for Montgomery County. This disparity results from wealth-based state aid formulas. Because Montgomery County citizens are, on average, wealthier than citizens in other counties in the state, MCPS receives less state education aid per student than other school districts receive. Under the state's equalized education aid formula, the differences in funding among counties in this state are dramatic. For example, in FY 2005 Montgomery County is expected to receive only \$1,207 per student, whereas other Maryland counties are projected to receive an average of \$2,452 per student. Figure 19 shows the differences in basic state aid per student among counties in Maryland. Because the new state funding formulas take wealth into account to a greater degree than previously, the disparity between aid to MCPS and other districts is expected to continue.

FIGURE 21

### FY 2005 Funding Calculations for Spending Affordability and Maintenance of Effort

Tax Supported Spending Affordability Budget (excluding grants and enterprise funds)

(dollars in millions)	Budget Request FY 2005	Increase Over FY 2004
<b>SPENDING AFFORDABILITY</b> (excluding grants & funds)		
TOTAL BUDGET REQUEST	\$1,469.6	\$82.0
MCPS Spending Affordability Guideline	1,418.7	31.1
DIFFERENCE	(\$50.9)	
<b>MAINTENANCE OF EFFORT</b>		
TOTAL BUDGET REVENUE	\$1,469.6	\$82.0
Non-Local Funds:		
State Aid	271.2	22.3
Other Revenue	3.1	0.4
Local Funding Effort Required	1,195.3	59.3
Maintenance of Effort Requirement	1,144.4	8.4
DIFFERENCE	(\$50.9)	

Note: Spending Affordability calculation assumes allocation at maintenance of effort level

**Projected Funding Requirements as a Share of County Revenue**

The citizens of Montgomery County have been generous to the schools and still provide more than 75 percent of the system's total resources, more than the percentage paid by any other county in Maryland. Despite enrollment increases that are the 11th highest in the nation—more than 36 percent since FY 1990—the schools' share of the county operating budget has increased only slightly to 48.7 percent (see Figure 20).

**Maintenance of Effort in Local Funding for Schools**

According to the state of Maryland's maintenance-of-effort law, in order to receive any increase in basic state school aid, each county must appropriate at least as much per pupil as it appropriated in the previous year. More specifically, the maintenance-of-effort law states that if there is no enrollment growth, local funding is to remain the

same as that of the previous fiscal year in terms of total dollars and, if there is enrollment growth, local funding is to remain the same on a per pupil basis. Moreover, if this required level of local funding effort is not met, the county may lose state aid.

This local contribution accommodates basic enrollment growth, but it does not provide for other significant fiscal needs. For instance, education of students with special needs cost more than twice as much as other students. The maintenance-of-effort formula makes no allowance for the effects of inflation on expenditure items such as textbooks, instructional materials, and employee benefits. The costs of negotiated wages and salaries are not covered. Maintenance-of-effort requirements do not assume any funding for quality improvements. In FY 2004, the County Council approved a local contribution to the schools budget that was \$34.6 million higher than the minimum required by the maintenance-of-effort formula. This increase was necessary last year to pay basic cost

increases, although no significant new initiatives were possible. In the FY 2005 budget, \$50.9 million in local funding beyond the minimum maintenance-of-effort requirement will be needed.

The local effort required for FY 2005 is \$1.195 billion in local tax contribution, which, combined with other projected tax-supported revenue, would produce a total FY 2005 spending affordability (tax-supported) budget for MCPS of \$1.470 billion, \$50.9 million above the maintenance-of-effort requirement. (see Figure 21).

**Spending Affordability**

In 1990, the Montgomery County Charter was amended to restrict increases in property taxation. This Charter amendment limits the growth of annual property tax revenue to the rate of increase in the metropolitan area Consumer Price Index (CPI-U) from the previous fiscal year plus the value of new construction. This limit may only be exceeded if seven members of the County Council agree to a higher increase based on an analysis of spending affordability.

The county code provisions that implement this Charter amendment require that by the third Tuesday in December of each year the County Council approve preliminary spending affordability guidelines for agencies (including MCPS) that are based on the Council's estimate of the available revenues for the coming year. In 1997, the Council modified the spending affordability law that governs procedures for determining the guidelines mandated by the Charter to exclude school enrollment as a factor in determining spending affordability guidelines.

The March 1999 amendment to the spending affordability law postpones the deadline for submission of nonrecommended reductions to cut spending to within the affordability guidelines until April, after the final spending affordability guidelines are set.

The County Council set the preliminary spending affordability guideline for MCPS at the maintenance-of-effort level, with \$1.419 billion for MCPS, which is \$50.9 million less than what the superintendent has requested in local tax-supported funding (see Figure 23). Unless county funding is approved at a level considerably above this guideline, severe cuts in instructional programs will be required.

**FIGURE 23**  
**Expenditures by State Budget Category (000's omitted)**

Category	Actual FY 2003	Budgeted FY 2004	Budgeted FY 2005	Percent Change	Percent of Total
<b>Instruction:</b>					
2 - Mid-level administration	\$ 93,927	\$ 95,922	\$ 98,417	2.6%	6.2%
3 - Instructional salaries	635,389	658,267	678,433	3.1	42.7
4 - Textbooks	24,569	27,078	28,871	6.6	1.8
5 - Other Instructional Costs	13,751	13,566	14,436	6.4	0.9
6 - Special education	170,519	183,864	196,815	7.0	12.4
<b>SUBTOTAL</b>	<b>\$ 938,155</b>	<b>\$ 978,697</b>	<b>\$ 1,016,972</b>	<b>3.9%</b>	<b>64.1%</b>
<b>School and Student Services:</b>					
7 - Student personnel services	6,254	8,860	8,985	1.4	0.6
8 - Health services	25	46	45	-2.2	0.0
9 - Student transportation	59,408	60,948	65,944	8.2	4.2
10 - Cleaning and utilities	77,708	80,407	83,428	3.8	5.3
11 - Building maintenance	25,782	25,506	25,737	0.9	1.6
<b>SUBTOTAL</b>	<b>\$ 169,177</b>	<b>\$ 175,767</b>	<b>\$ 184,139</b>	<b>4.8%</b>	<b>11.6%</b>
<b>Other:</b>					
12 - Insurance and employee benefits	235,063	266,699	303,174	13.7	19.1
1 - Systemwide support	29,160	30,359	31,335	3.2	2.0
14 - Community services	220	272	272	0.0	0.0
<b>SUBTOTAL</b>	<b>\$ 264,443</b>	<b>\$ 297,330</b>	<b>\$ 334,781</b>	<b>12.6%</b>	<b>21.1%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 1,371,775</b>	<b>\$ 1,451,794</b>	<b>\$ 1,535,892</b>	<b>5.8%</b>	<b>96.8%</b>
37 - Cable television fund	1,024	1,102	1,129	2.5	0.1
41 - Adult education fund	3,985	6,446	6,426	-0.3	0.4
51 - Real estate fund	1,708	1,550	1,712	10.5	0.1
61 - Food services operations	33,187	38,580	39,781	3.1	2.5
71 - Field trip fund	1,204	1,570	1,341	-14.6	0.1
81 - Entrepreneurial activities fund	1,055	1,048	1,092	4.2	0.1
<b>TOTAL SPECIAL &amp; ENTERPRISE FUNDS</b>	<b>\$ 42,163</b>	<b>\$ 50,296</b>	<b>\$ 51,481</b>	<b>2.4%</b>	<b>3.2%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,413,938</b>	<b>\$ 1,502,090</b>	<b>\$ 1,587,373</b>	<b>5.7%</b>	<b>100.0%</b>

The operating budget reflects the day-to-day costs of operating and maintaining facilities, paying employees' salaries and benefits, contractual services, supplies and materials, and furniture and equipment (including new school buses). Other costs related to supporting MCPS are included in the Capital Improvements Program (CIP). The CIP addresses the school system's plans for investing in new facilities, modernization and renovation of old facilities, and other major capital investment programs. By way of comparison, the FY 2005 operating budget of \$1.6 billion is about 8 times the size of the \$204.4 million capital budget expenditures requested for FY 2005. This is because the capital program tends to fund one-time costs, whereas the operating budget represents the cumulative costs of operating and maintaining both old and new facilities, along with the balance of the school system, on a continuous basis.

## Enrollment Trends

This year Montgomery County Public Schools enrolled 139,203 students (Figure 22). Over the past four years, enrollment has risen by more than 12,000 students. According to the United States Department of Education, Montgomery County was 11th in the nation in terms of enrollment increases between 1990 and 2000.

By FY 2010, 6,400 more students are expected to enroll. Higher county birth rates are expected to result in a rise in elementary enrollment after a brief plateau. High school enrollment will continue to increase significantly in the next six years. On an annual basis, enrollment increases will decline from 1.1 percent to .5 percent by FY 2010 as the school system nears a peak in enrollment.

## Expenditures by State Budget Category

State law requires each county and Baltimore City to classify school expenditures according to certain categories. This is to ensure comparability in reporting among the state's 24 school districts. Most categories contain discrete types of expenditures: transportation, maintenance, fixed charges (employee benefits and insurance), school lunch, and special education. Figure 23 reflects MCPS' expenditure trends by state category over the past three years.

The five categories defined as instructional costs in Figure 23 make up 64.1 percent of MCPS' total costs. Actual MCPS expenditures for instruction exceeded the statewide average by 1.6 percent in FY 2002, the most

FIGURE 22

### Enrollment by Grades — FY 2002–FY 2007

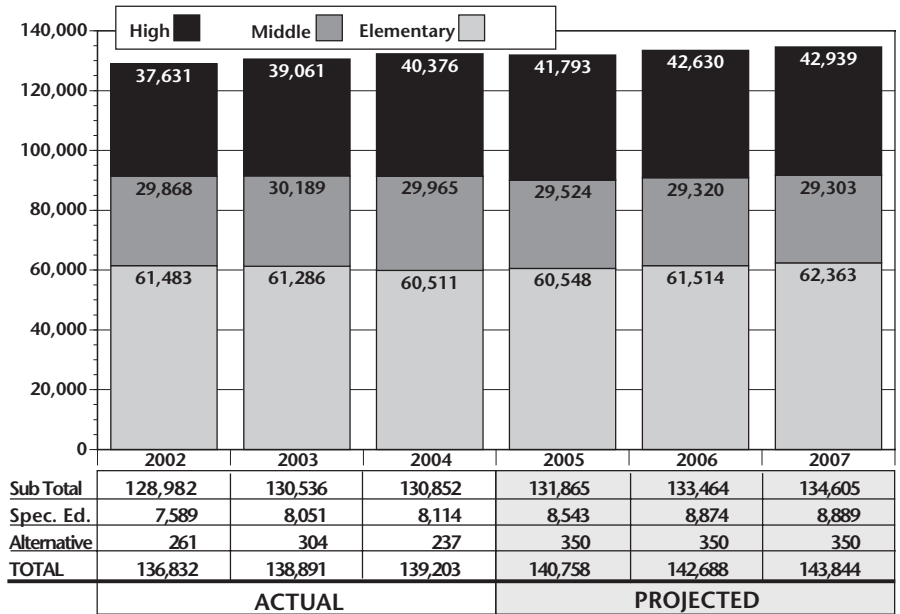


FIGURE 24

### Distribution of Education Funds

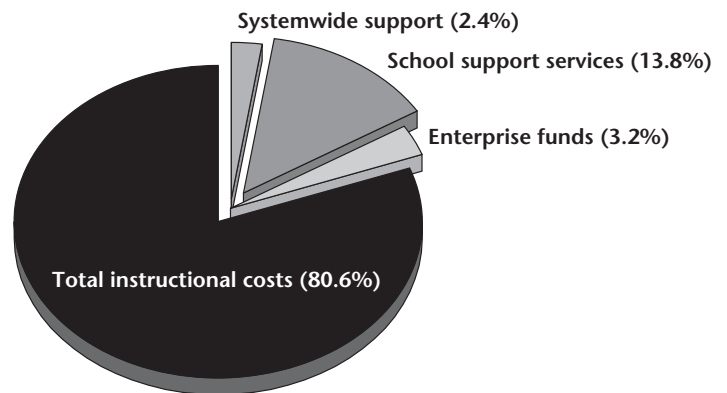
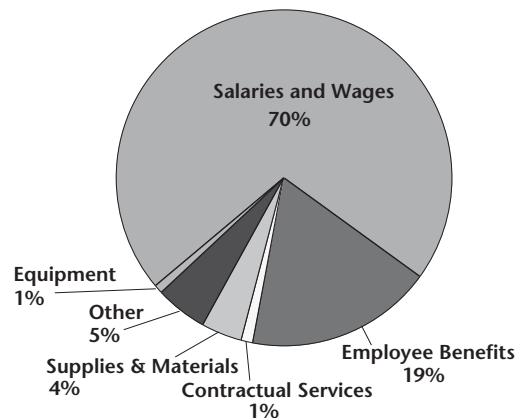


FIGURE 25

### Distribution of Education Funds by Object of Expenditure



recent year for which data is available. This amounted to \$21 million more that was used for instruction by MCPS than the statewide average proportion.

Because instructional salaries form the bulk of salary costs for the school system, most of the 19.1 percent in the budget category for insurance and employee benefits also is attributable to instructional staff. This increases the total amount of MCPS resources allocated for instructional purposes to 80.6 percent (see Figure 24).

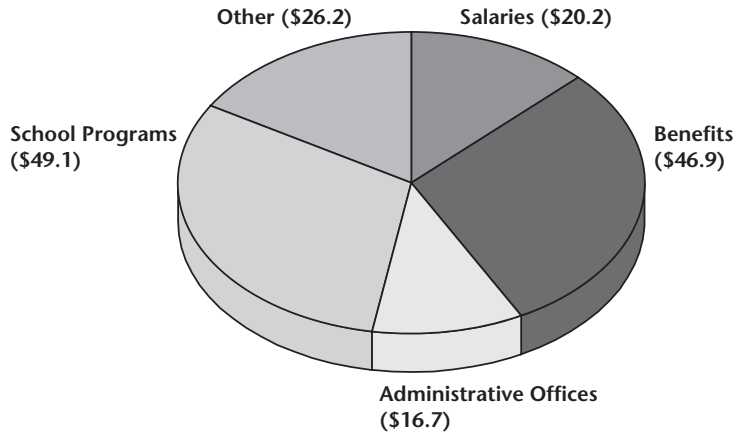
Figure 25 shows the distribution of educational resources by major object of expenditure. Employee compensation, including salaries and wages and employee benefits, totals 89.0 percent of the budget. Thus, it is almost impossible to make significant budget reductions without reducing staff.

**A 10-Year Overview**

The Maryland Bridge to Excellence Act requires multiyear budget planning. MCPS has been developing its budget for many years with multiyear implications, in cooperation with other county agencies. When the FY 2005 operating budget was developed, the budget decisions made since FY 2001 and their impact on instructional programs were considered. In addition, the implications of the six-year operating budget projections and the funding required to support instructional programs through FY 2010 were taken into account. As a result of consultations among county agencies and with the County Council, this budget includes

FIGURE 27

**Savings, Efficiencies, and Reductions Since 1996 — \$159.1 million**  
(dollars in millions)



six-year projections for tax-supported resources displayed according to a commonly agreed format. These projections are published as summary table 6 in the recommended budget. This format includes major known commitments (Tier 1), inflationary projections (Tier 2), projections of the cost of future collective bargaining agreements (Tier 3, not yet included), and multiyear initiatives and savings (Tier 4). Based on continuing discussions, it is expected that this format will be further refined for future budgets.

Figure 26 offers a 10-year overview of the MCPS operating budget. It provides a

summary of the changes that have been made in the operating budget since FY 2001, the FY 2005 Recommended Operating Budget, and the increases for growth and inflation that are projected for the next five years, exclusive of not-yet-negotiated salary increases. This table shows the annual increases for enrollment growth, employee salaries, employee benefits and insurance, inflation, and other costs. It also includes the amount requested for program initiatives to improve educational quality.

Finally, Figure 27 also shows for FY 1996 through FY 2005 the savings that have been made to improve efficiency or as a result of fiscal constraints. These reductions, combined with previously reported reductions of \$21.8 million in 1996, \$17.5 million in FY 1997, \$11.1 million in FY 1998, \$5.1 million in FY 1999, and \$10.4 million in FY 2000 total \$159.1 million, approximately 10 percent of the annual operating budget for FY 2005.

MCPS has steadily reduced central administration as a percentage of the total budget from 4.6 percent in FY 1991 to 2.0 percent in FY 2005 (see Figure 28).

**Changes in Cost per Pupil**

Figure 29 shows that the cost per pupil since FY 2001 has increased in actual dollars from \$8,529 to \$10,537 in FY 2005, excluding debt service and all enterprise funds. Grant funding is included in the calculation of cost per pupil. Since FY 2000, the average annual compounded cost per pupil has increased 6.8 percent.

FIGURE 28

**Change in Administrative Category as a Percent of the Operating Budget**

Year	Budget	Total Category 1	Percent of Total Budget
FY 1992	\$719,262,067	\$29,378,470	4.1%
FY 1993	744,808,273	26,960,622	3.6%
FY 1994	790,162,842	27,453,161	3.5%
FY 1995	836,118,020	23,082,437	2.8%
FY 1996	879,423,960	22,824,652	2.6%
FY 1997	916,835,603	23,435,528	2.6%
FY 1998	969,010,164	26,537,849	2.7%
FY 1999	1,032,598,526	33,064,502	3.2%
FY 2000	1,107,216,666	29,691,684	2.7%
FY 2001	1,221,998,485	30,484,861	2.5%
FY 2002	1,327,677,193	32,155,417	2.4%
FY 2003	1,398,594,671	30,218,318	2.2%
FY 2004	1,506,301,494	30,558,163	2.0%
FY 2005	\$1,587,373,378	\$31,338,809	2.0%

NOTE: Data displayed for FY 1992 through 1994 is based on the old state category 1. Data displayed for FY 1995 through FY 2005 is based on the new state category 1.

FIGURE 26

**Ten-Year Overview of MCPS Operating Budget**  
(dollar amounts in millions)

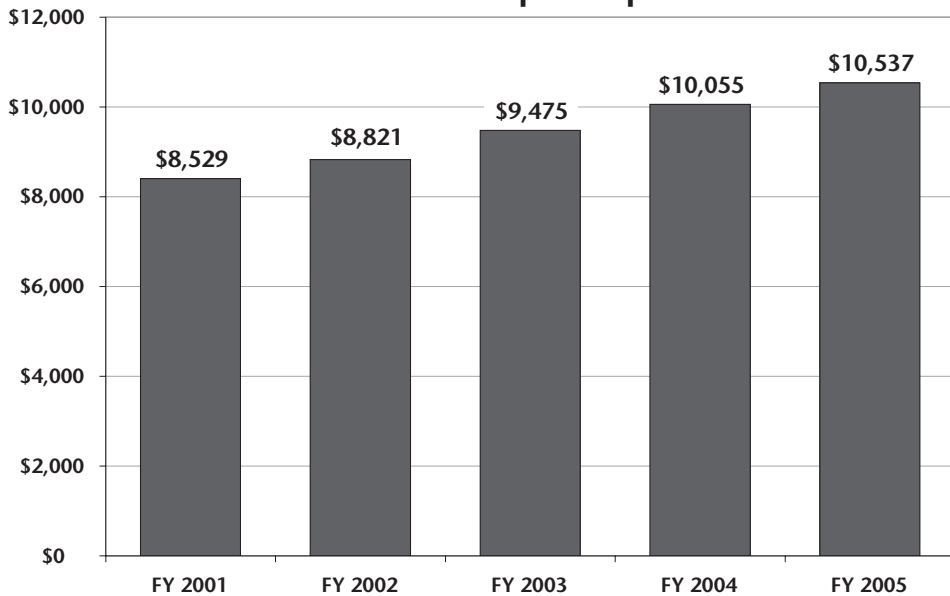
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Beginning Budget (a)	\$1,107.2	\$1,222.0	\$1,327.7	\$1,412.2	\$1,502.1	\$1,587.4	\$1,661.7	\$1,733.8	\$1,777.9	\$1,824.6
Growth and Inflation										
Growth	11.7	14.9	11.9	21.1	16.0	25.2	20.1	(4.7)	5.4	10.3
Employee Benefits	12.3	14.6	19.1	29.4	31.1	23.9	25.6	21.6	14.6	15.9
Continuing Salary Costs	8.4	7.8	7.0	15.0	28.8	15.3	15.9	16.5	17.2	17.9
Inflation & Other	8.4	9.6	12.3	10.2	7.7	8.1	8.5	9.0	9.5	10.0
Sub-total, Growth & Inflation	40.8	46.9	50.3	75.7	83.6	72.5	70.1	42.4	46.7	54.1
Negotiated Salary Costs (b)	53.7	42.8	40.5	37.8	(b)	(b)	(b)	(b)	(b)	(b)
Multiyear Budget Initiatives	33.3	25.9	15.1	-	1.7	1.8	2.0	1.7	-	-
Savings & Reductions										
Sub-total, Savings & Reductions	(16.1)	(14.0)	(21.4)	(24.3)						
Council Approved Budget/Request	\$1,218.9	\$1,323.6	\$1,412.2	\$1,501.4	\$1,587.4	\$1,661.7	\$1,733.8	\$1,777.9	\$1,824.6	\$1,878.7
Percent incr. in total operating budget	10.09%	8.31%	6.36%	6.32%	5.68%	4.68%	4.34%	2.54%	2.62%	2.97%
Enrollment	134,180	136,832	138,891	139,203	140,758	142,688	143,844	144,545	144,963	145,622
Percent increase in enrollment	2.67%	1.98%	1.50%	0.22%	1.12%	1.37%	0.81%	0.49%	0.29%	0.45%
Cost per pupil	8,529	8,821	9,475	10,055	10,537	10,680	11,053	11,278	11,540	11,827
Percent change in cost per pupil	12.46%	3.42%	7.41%	6.12%	4.79%	1.36%	3.49%	2.04%	2.32%	2.49%
Consumer Price Index increase	2.30%	2.10%	2.10%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%
Percentage change in real cost per pupil, adjusted for inflation	12.43%	3.40%	7.39%	6.10%	4.77%	1.33%	3.46%	2.01%	2.3%	2.47%

(a) Beginning budget is higher than Council-approved budget to reflect supplemental appropriations for grants received.

(b) Years FY 2005 through FY 2010 do not include negotiated salary increases.

FIGURE 29

**MCPS Cost per Pupil**



## Collaboration with Other Agencies

Montgomery County Public Schools has expanded the level of collaboration with other county agencies to minimize potential duplication of services and allow each agency to benefit both from the strengths of others and from their collective strength. Cooperative arrangements include provision of social services to children and families, child care, recreation, employee benefits management, procurement, cash management, risk management services, grant management, facilities planning and design, media services, facilities operations, solid waste recycling, food services, transportation, and maintenance. Such cooperation allows MCPS to take advantage of volume discounts, provides higher-quality service at reduced cost, and increases staff productivity. The following are examples of cooperation.

### Early Success

In January 2000, at the request of the County Council, MCPS initiated an extensive collaborative effort to improve early childhood services. Under the leadership of the superintendent, a variety of MCPS units worked intensively with the Department of Health and Human Services (DHHS) and the Collaboration Council for Children, Youth, and Families, an organization that includes Montgomery County government agencies as well as nonprofit organizations and individuals. The goal is to improve services for children from before birth until they begin kindergarten, with the aim of seeing that every child in Montgomery County is ready to start school successfully.

As a result of this new impetus to improve early childhood services, in May 2003 the County Council approved a new cooperative model for prekindergarten programs in Montgomery County. This model combines the federal Head Start program, county prekindergarten programs with health and family support services for four-year old children not in Head Start, and community-based prekindergarten programs that receive instructional support services from MCPS. During the current year, MCPS is working as part of a county work group reviewing this model.

The state of Maryland has shown great interest in what has begun in Montgomery County. In April 2000, for example, the state legislature established parenting support centers (Judy Centers) throughout the state. MCPS has received funding for two Judy Centers that opened in 2001 in Silver Spring and in 2002 in Gaithersburg. Maryland has mandated by 2007 the expansion of full-day kindergarten to all students and the provision of pre-kindergarten programs for all at risk children.

### Linkages to Learning

This program was established in 1991 as a way to alleviate some of the social and family problems that undermine children's academic pursuits. A collaboration between the Montgomery County Department of Health and Human Services (DHHS), MCPS, and nonprofit provider agencies, the program provides a culturally competent and family-centered approach to delivering school-based prevention and early intervention services to at-risk children and families. Since 1993, the Linkages program has provided integrated school-based health, mental health, and social services to thousands of families at 22 schools and two centers that address barriers to children's learning.

The construction at these facilities was performed by MCPS on a 50/50 cost-sharing basis with Montgomery County. MCPS provides these facilities rent-free and also pays for utilities and custodial care. By changing how and where services are delivered, Linkages to Learning has provided greater access to



health and social services and referrals for approximately 3,000 at-risk children and their families who may otherwise not receive or seek such integrated services.

### Print Shop Consolidation

In cooperation with the County Council and the county Department of Public Works and Transportation, MCPS has taken the lead in the consolidation of county printing and graphics services. In FY 2000, printing operations were consolidated in the MCPS Stonestreet Avenue facilities, including the participation of county employees. This has permitted more cost-effective use of the latest printing and graphics technology. The FY 2005 operating budget includes funding of \$309,832 in the Entrepreneurial Activities Fund to reflect sales of printing services to county government and other government and non-profit agencies. The consolidation allows a reduction in overall costs by combining the county and MCPS print shops.

### Recycling

The Board of Education has approved a policy to comply with county law that requires public agencies to recycle 50 percent of their solid waste stream. Each school has appointed a recycling coordinator to develop a local school plan to meet county mandates. In collaboration with the county Division of Solid Waste Services (DSWS), MCPS has developed a variety of strategies to promote recycling in all schools and offices. DSWS also has provided valuable technical support to assist MCPS in achieving its goals.





Montgomery County continues to see a return on its investment in better schools. Accountability standards have increased. Real improvements have occurred in the measures of academic achievement. The data provide strong evidence of academic progress, underscoring the impact of successful instructional strategies and the importance of increased rigor in the curriculum. The data also show that the average student is scoring well above national norms in reading, language, and mathematics.

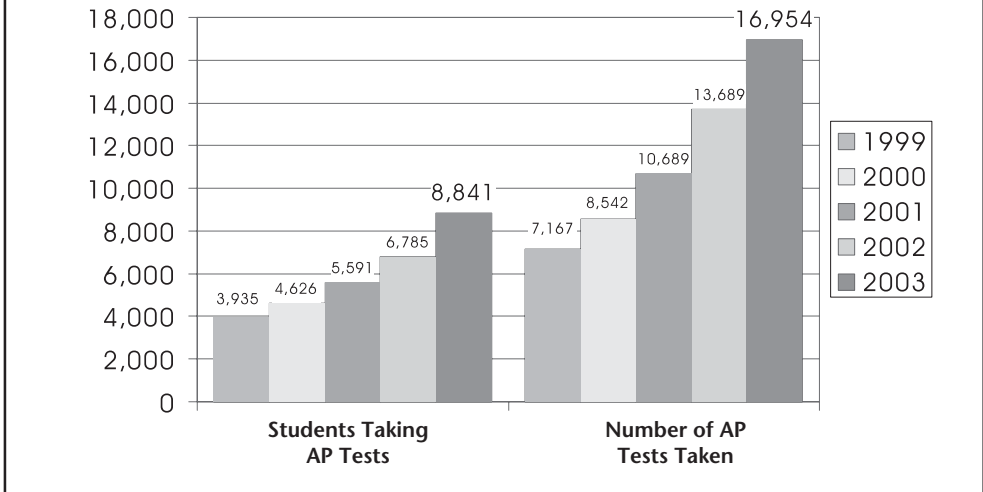
### Improved Reading Skills in Kindergarten and First Grade

Increased national attention has focused on the success in Montgomery County Public Schools in sustaining the benefits of full-day kindergarten offered in 56 schools most heavily impacted by poverty. Studies released this year show that significantly more students – especially those most heavily impacted by poverty and English language development – are acquiring foundational reading skills in kindergarten, text reading skills in Grade 1, and improved reading skills in Grade 2 (Figure 30). These findings reflect the academic development of nearly 25,000 students who were part of the first group of children to benefit from the kindergarten reforms implemented three years ago, and subsequent cohorts of students who completed kindergarten in the last two years. Reforms include a more rigorous curriculum, enhanced program implementation, ongoing professional development, reduced class size, and full-day kindergarten.

The first class of students to receive the benefits of three years of reforms in primary grades reached Grade 2 last year. Students most at risk of academic failure performed at or above the national median in key subjects, with some scores among the highest performing students in the nation. Based on the results of the Comprehensive Tests of Basic Skills (CTBS), studies of the Office of Shared Accountability show consistent and sometimes extraordinary gains by African American students, Hispanic students, special education students, those students learning English as a second language, and students affected by poverty. At-risk students who had a full-day kindergarten program and stayed in the same school scored highest, sometimes on a par with students in less at-risk communities. This budget maintains these reforms and begins expansion of full-day kindergarten to more students.

FIGURE 30

### 4-Year Rise in AP Tests Reflects Focus on More Rigorous Courses



### Adequate Yearly Progress

The No Child Left Behind Act requires schools to meet benchmarks of Adequate Yearly Progress (AYP) on state assessments. MCPS met or exceeded all AYP standards on the Maryland School Assessments (MSA) for every systemwide category, except special education students and ESOL students, in Grades 3, 5, 8, and 10. The MSA results show that students scored as high as the 72<sup>nd</sup> median percentile nationally in reading and mathematics.

### SAT Test

Last year, 81 percent of the MCPS graduating class took the SAT test. Overall, the average score for the school system was 1094, close to all-time highs. There remains, however, a disparity in scores for both African American and Hispanic students, with average scores for these groups considerably below those of Asian American and white students. Teachers, principals, and support staff are working with students, parents, and the community to address this continuing trend in underperformance.

### Other Indicators of Academic Progress

Other recently released results point to strong evidence of academic progress.

- ◆ Montgomery County students outperformed or matched all other school systems in the state in all but one subject area of the 2003 High School Assessments.

The performance of MCPS African American and Hispanic students, while lower than their white and Asian classmates, nearly matched or outperformed some entire school system scores.

- ◆ The secondary school dropout rate was 2.0 percent. A national study cited Montgomery County Public Schools as the top district in the nation in the graduation rate for Hispanic students, fourth nationally for African American students, and second overall in the graduation rate of minorities.
- ◆ The highest-ever percentage of students was enrolled last year in Honors and Advanced Placement courses (67 percent). Despite this improvement, the gaps among racial and ethnic groups remain very wide, with only 47 percent of African American students and 42 percent of Hispanic students taking at least one honors or AP course, although these figures also represent all-time highs.
- ◆ More than half of Grade 8 students passed Algebra 1 or a higher math course (51 percent) last year, the highest percentage since the Grade 8 benchmark was established in 1995-96.
- ◆ In Grade 9, more than three-fourths (77 percent) of students passed Algebra 1 or a higher math course last year. This included gains for African American students (up 3.1 percentage points) and Hispanic students (up 1.9 percentage points).

# Budget Review and Adoption process

On December 10, 2003, the superintendent of schools presented his Recommended Operating Budget for FY 2005 to the Board of Education. His recommendations continue to reflect input from a variety of public and private stakeholders.

## Review of the Master Plan

The review of the FY 2005 Operating Budget will play an important part in the development of the comprehensive master plan required of all school districts by the Maryland Bridge to Excellence Act. This budget is aligned with the school system's strategic plan, *Our Call to Action: Pursuit of Excellence*, which formed the basis of the comprehensive five-year plan submitted to the state in September 2003. Before the submission of the plan, the community had an extensive opportunity to review and comment on the plan and on how closely the operating budget aligns with the plan. The county executive and County Council also reviewed the plan as required by law before its submission. State guidelines require annual updates to the plan. This budget review process also serves as an opportunity to review the annual Special Education Staffing Plan required by the state of Maryland. The final staffing plan will reflect the decisions made on this budget.

## Budget Review Process

After public hearings on January 14, 15, and 21, 2003, the Board of Education will hold a worksessions on January 28 and 29, 2003 and adopt the requested budget on February 10, 2004. The Board of Education's budget will be sent to each principal, PTA president, and public library shortly after March 1, 2003, when the law requires that it be submitted to the county executive and the County Council.

The county executive will make public his recommendations for the MCPS budget by March 15, 2004. County Council schedules public hearings on all local government budgets in early April. The County Council's Education Committee schedules work sessions on the Board of Education's budget in April, and the full County Council begins work on the school budget in late April. The Montgomery County Charter, as amended by the voters in November 1992, requires the County Council to act on all budgets by May 31 of each year. After the Council completes its appropriation action, the Board of Education will adopt the final approved budget for FY 2005 on June 8, 2004.



## FY 2005 MCPS Operating Budget — Timeline of Budget Actions

Superintendent presents Recommended Operating Budget .....	December 10, 2003
Sign-up begins for Board of Education Operating Budget Hearings .....	December 23, 2003
Board of Education Operating Budget Hearings .....	January 14, 2004 at 7:00 p.m. January 15, 2004 at 7:00 p.m. January 21, 2004 at 7:00 p.m.
Board of Education Operating Budget Work Sessions .....	January 28 and 29, 2004 at 7:30 p.m.
Board of Education Operating Budget Action/Adoption .....	February 10, 2004
Board of Education FY 2005 Operating Budget Request presented to County Executive and County Council .....	March 1, 2004
County Executive issues Operating Budget.....	March 15, 2004
County Council holds Operating Budget Hearings .....	April 7, 2004
Council approves Operating Budget.....	May 20, 2004
Board of Education takes final action on Operating Budget .....	June 8, 2004

# Selected MCPS Statistics

## SELECTED MCPS STATISTICS (FY 1995-2005)

Selected Trends	Fiscal Year (Actual)									(Budgeted)		%Change Since FY95
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
<b>ENROLLMENT</b>												
Regular Enrollment	111,745	114,699	116,254	118,446	120,872	123,836	126,604	129,243	130,840	131,089	132,215	18.3
Special Education	5,337	5,592	6,251	6,589	6,980	6,853	7,576	7,589	8,051	8,114	8,543	60.1
Total Enrollment	117,082	120,291	122,505	125,035	127,852	130,689	134,180	136,832	138,891	139,203	140,758	20.2
ESOL Students	7,328	7,465	7,426	7,452	8,689	9,160	9,472	10,647	11,961	12,150	14,000	91.0
Free & Reduced Meals (FARMS)	24,488	25,795	27,250	29,941	28,773	29,201	29,196	29,568	31,108	31,518	-	28.7
Cost Per Pupil	\$6,562	\$6,694	\$6,866	\$6,949	\$7,306	\$7,584	\$8,402	\$8,821	\$9,475	\$10,055	\$10,537	60.6
<b>NUMBER OF SCHOOLS</b>												
Elementary	123	123	123	123	123	124	124	125	125	125	125	1.6
Middle	27	29	30	32	32	35	35	35	36	36	36	33.3
High	21	21	21	21	23	23	23	23	23	23	24	14.3
Career Centers	1	1	1	1	1	1	1	1	1	1	1	0.0
Special Centers	7	6	6	6	6	6	6	6	6	5	5	-14.3
Total Number of Schools	179	180	181	183	185	189	189	190	191	190	191	7.3
New Schools Opened	0	1	1	2	2	4	0	1	1	-	1	100.0
<b>SOURCE OF REVENUE</b>												
% County	83.0	81.7	80.9	80.0	79.5	78.6	78.6	77.6	75.4	75.6	75.3	-7.7
% State	11.2	12.5	13.0	13.8	14.4	14.7	14.7	15.5	16.1	17.0	17.3	6.1
% Federal	2.4	2.3	1.7	2.5	2.6	3.0	3.0	2.7	3.3	3.4	3.5	1.1
% Fees & Other	0.2	0.3	1.1	0.4	0.4	0.5	0.5	1.0	0.9	0.7	0.6	0.4
% Surplus from Prior Year	0.2	0.2	0.2	0.2	0.0	0.1	0.1	0.0	1.0	0.0	0.0	-0.2
% Enterprise Funds	3.0	3.0	3.1	3.1	3.1	3.1	3.0	3.1	3.2	3.2	3.2	0.2
% Special Revenue Fund							0.1	0.1	0.1	0.1	0.1	0.1
<b>PERSONNEL CHANGES</b>												
Total Professional	8,348	8,418	8,654	8,907	9,480	9,981	10,652	11,205	11,597	11,731	11,839	41.8
Total Supporting Services	5,930	5,988	6,100	6,308	6,599	6,965	7,104	7,370	7,419	7,561	7,736	30.5
Total Full-Time Positions	14,278	14,406	14,754	15,215	16,079	16,946	17,756	18,575	19,016	19,292	19,575	37.1
Administrative Category as % of Operating Budget	2.8%	2.6%	2.6%	2.7%	3.2%	2.7%	2.5%	2.4%	2.2%	2.0%	2.0%	-0.8
Average Teacher Salary	\$47,409	\$46,926	\$49,369	\$49,793	\$50,647	\$51,913	\$52,519	\$54,900	\$58,680	\$61,962	\$62,608	N/A
Consumer Price Index Increase*	2.8	2.2	3.9	1.7	2.5	3.6	2.3	2.1	2.1	2.4	2.4	N/A
<b>TRANSPORTATION</b>												
Number of Buses	905	959	981	1,007	1,032	1,089	1,106	1,116	1,167	1,202	1,238	36.8
Average Age of Buses in Service	6.9	7.0	7.3	7.1	6.8	6.7	6.4	6.0	6.5	6.3	6.6	N/A

\*Washington metropolitan area.

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**Montgomery County Public Schools**  
**Family and Community Partnerships Unit**  
 451 Hungerford Drive, Suite 508  
 Rockville, Maryland 20850-1744



## MAKE YOUR VOICE HEARD

Whether you have children in MCPS or not, the state of the school system should be of concern to you. First, your taxes finance the majority of the school system's operating cost. Therefore, you should have a say in how those funds are spent. Second, the quality of the school system attracts business to the county, which affects the taxes required from individual residents. Finally, if you are a parent with a child in school, you have a special interest in ensuring that your child receives the best education possible.

You are therefore encouraged to take advantage of the many opportunities afforded you to make your voice heard. These include Board of Education budget hearings, testimony before the County Council, and written comments to the superintendent and Board of Education. Get involved and learn about your public school system and what it does for the children of Montgomery County.



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