

TABLE 1
SUMMARY OF RESOURCES
BY OBJECT OF EXPENDITURE

OBJECT OF EXPENDITURE	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2009 CURRENT	FY 2010 BUDGET	FY 2010 CHANGE
POSITIONS					
Administrative	746,000	726,000	726,000	718,000	(8,000)
Business/Operations Admin.	87,500	85,500	91,000	93,000	2,000
Professional	11,833,140	11,771,000	11,769,000	11,924,700	155,700
Supporting Services	8,212,937	8,186,986	8,182,911	8,216,889	33,978
TOTAL POSITIONS	20,879,577	20,769,486	20,768,911	20,952,589	183,678
01 SALARIES & WAGES					
Administrative	\$86,615,437	\$92,725,459	\$92,769,779	\$90,945,699	(\$1,824,080)
Business/Operations Admin.	2,729,598	8,007,534	8,368,588	8,842,815	474,227
Professional	853,475,595	904,915,618	904,278,836	923,405,790	19,126,954
Supporting Services	315,489,316	333,908,375	333,719,420	340,215,446	6,496,026
TOTAL POSITION DOLLARS	1,258,309,946	1,339,556,986	1,339,136,623	1,363,409,750	24,273,127
OTHER SALARIES					
Administrative	696,144	497,576	497,576	497,576	
Professional	55,072,530	58,460,340	59,016,873	58,769,278	(247,595)
Supporting Services	25,768,099	22,330,330	22,173,040	21,926,200	(246,840)
TOTAL OTHER SALARIES	81,536,773	81,288,246	81,687,489	81,193,054	(494,435)
TOTAL SALARIES AND WAGES	1,339,846,719	1,420,845,232	1,420,824,112	1,444,602,804	23,778,692
02 CONTRACTUAL SERVICES	25,643,428	28,941,062	28,953,724	24,553,459	(4,400,265)
03 SUPPLIES & MATERIALS	65,889,486	72,072,528	72,620,355	71,292,969	(1,327,386)
04 OTHER					
Staff Dev & Travel	2,793,891	3,216,741	3,797,424	3,479,832	(317,592)
Insur & Fixed Charges	414,456,159	424,741,388	424,915,086	451,720,535	26,805,449
Utilities	43,782,440	45,358,269	45,358,269	48,294,419	2,936,150
Grants & Other	57,319,348	56,161,097	55,664,224	138,516,451	82,852,227
TOTAL OTHER	518,351,838	529,477,495	529,735,003	642,011,237	112,276,234
05 EQUIPMENT	15,123,179	15,346,977	15,325,603	18,116,531	2,790,928
GRAND TOTAL AMOUNTS	\$1,964,854,650	\$2,066,683,294	\$2,067,458,797	\$2,200,577,000	\$133,118,203

**TABLE 2
BUDGET REVENUE BY SOURCE**

SOURCE	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2009 CURRENT	FY 2010 ESTIMATED
CURRENT FUND				
From the County:	\$ 1,449,835,388	\$ 1,513,555,147	\$1,513,555,147	\$1,529,554,447
From the State:				
Bridge to Excellence				
Foundation Grant	193,323,786	166,025,850	190,225,850	223,582,900
Supplemental Grant		10,395,191	10,395,191	
Limited English Proficient	38,023,510	42,673,715	42,673,715	42,741,657
Compensatory Education	82,533,545	85,772,752	85,772,752	88,497,375
Students with Disabilities - Formula	34,117,738	32,771,701	32,771,701	32,668,658
Students with Disabilities - Reimbursement	12,988,480	11,056,945	11,056,945	11,304,742
Transportation	30,678,135	31,481,949	31,481,949	31,266,002
Miscellaneous	467,550	750,000	750,000	750,000
Geographic Cost of Education Index		18,372,221	18,372,221	9,277,914
Programs financed through State Grants	4,314,890	1,023,000	1,023,000	0
Total from the State	396,447,634	400,323,324	424,523,324	440,089,248
From the Federal Government:				
Impact Aid	244,838	230,000	230,000	245,000
Programs financed through Federal Grants	77,083,010	64,885,337	65,660,840	115,364,261
Total from the Federal Government	77,327,848	65,115,337	65,890,840	115,609,261
From Other Sources:				
Tuition and Fees				
D.C. Welfare	294,621	200,000	200,000	250,000
Nonresident Pupils	612,068	1,000,000	1,000,000	925,000
Summer School	1,982,536	1,951,360	1,951,360	1,982,536
RICA	290,108			
Evening High School	149,717	271,724	271,724	
Outdoor Education	479,210	541,120	541,120	496,905
Student Activities Fee	795,354	955,000	955,000	795,000
Hospital Teaching	202,197	224,441	224,441	240,127
Miscellaneous	1,821,516	800,000	800,000	1,300,000
Programs financed through Private Grants	791,135	9,084,573	9,084,573	8,991,083
Total from Other Sources	7,418,462	15,028,218	15,028,218	14,980,651
Fund Balance	7,298,453	17,927,455	17,927,455	44,200,000
Total Current Fund	1,938,327,785	2,011,949,481	2,036,924,984	2,144,433,607
ENTERPRISE & SPECIAL FUNDS				
School Food Service Fund:				
State	1,010,545	1,049,308	1,049,308	1,067,287
National School Lunch, Special Milk and Free Lunch Programs	16,424,050	17,533,426	17,533,426	18,746,883
Child Care Food Program		600,000	600,000	700,000
Sale of Meals and other	22,815,408	27,658,410	27,658,410	27,307,802
Total School Food Service Fund	40,250,003	46,841,144	46,841,144	47,821,972

**TABLE 2
BUDGET REVENUE BY SOURCE**

SOURCE	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2009 CURRENT	FY 2010 ESTIMATED
Real Estate Management Fund:				
Rental fees	2,765,022	2,549,103	2,549,103	2,651,095
Total Real Estate Management Fund	2,765,022	2,549,103	2,549,103	2,651,095
Field Trip Fund:				
Fees	1,722,208	2,199,661	2,199,661	2,314,716
Total Field Trip Fund	1,722,208	2,199,661	2,199,661	2,314,716
Entrepreneurial Activities Fund:				
Fees	1,866,786	1,561,075	1,561,075	1,774,100
Total Entrepreneurial Activities Fund	1,866,786	1,561,075	1,561,075	1,774,100
Total Enterprise Funds	46,604,019	53,150,983	53,150,983	54,561,883
Instructional Television Special Revenue Fund:				
Cable Television Plan	1,521,000	1,582,830	1,582,830	1,581,510
Total Instructional Special Revenue Fund	1,521,000	1,582,830	1,582,830	1,581,510
GRAND TOTAL	\$1,986,452,804	\$2,066,683,294	\$2,091,658,797	\$2,200,577,000

Tax - Supported Budget	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2009 CURRENT	FY 2010 ESTIMATED
Grand Total	\$1,986,452,804	\$2,066,683,294	\$2,091,658,797	\$2,200,577,000
Less:				
Grants	(82,189,035)	(74,992,910)	(75,768,413)	(124,355,344)
Enterprise Funds	(46,604,019)	(53,150,983)	(53,150,983)	(54,561,883)
Special Revenue Fund	(1,521,000)	(1,582,830)	(1,582,830)	(1,581,510)
Grand Total - Tax-Supported Budget	\$1,856,138,750	\$1,936,956,571	\$1,961,156,571	\$2,020,078,263

Notes:

The Adult Education Fund was created effective July 1, 1991, but was discontinued effective July 1, 2006, because the program was transferred to Montgomery College and the Montgomery County Department of Recreation. The Real Estate Management Fund was created effective July 1, 1992. The Field Trip Fund was created effective July 1, 1993. The Entrepreneurial Activities Fund was created effective July 1, 1998. The Instructional Television Special Revenue Fund was created effective July 1, 200

**TABLE 3
REVENUE SUMMARY FOR GRANT PROGRAMS BY SOURCE OF FUNDS**

Program Name and Source of Funding	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2009 CURRENT	FY 2010 ESTIMATED
<u>Budgeted</u>				
FEDERAL AID: NO CHILD LEFT BEHIND (NCLB)				
Title I - A (941/949)	\$ 24,612,251	\$ 20,068,813	\$ 20,048,923	\$ 19,466,779
Title I - A (ARRA) (941/949)				\$ 6,100,000
Title I - D				
Neglected and Delinquent Youth (937)	146,225	135,246	114,051	114,051
	24,758,476	20,204,059	20,162,974	25,680,830
Title II - A				
Skillful Teacher Program (915)	538,736	604,923	604,923	604,923
Consulting Teachers (961)	4,344,816	3,676,426	3,672,598	3,672,598
Reduced Class Size (998)	4,447			
Title II - D				
Enhancing Education through Technology (918)	395,674	182,238	183,272	183,272
	5,283,673	4,463,587	4,460,793	4,460,793
Title III				
Limited English Proficiency (927)	3,547,933	3,521,667	3,207,854	3,207,854
Title IV				
Safe & Drug Free Schools & Communities Act (926)	427,675	473,615	473,615	475,361
Title V				
Innovative Educational Programs (997)	205,147			-
Title VII				
American Indian Education (903)	15,320	22,290	22,290	22,290
SUBTOTAL	34,238,224	28,685,218	28,327,526	33,847,128
OTHER FEDERAL, STATE, AND LOCAL AID				
State Fiscal Stabilization Fund (SFSF) Federal (ARRA)				27,845,773
Aging Schools (972) State	558,126	1,023,000	1,023,000	-
Head Start Child Development (932) Federal Federal (ARRA)	3,268,873	3,268,873	3,268,873	3,268,873
Individuals with Disabilities Education (913/964/965/966/967) Federal Federal (ARRA)	25,843,503	28,416,313	27,672,924	27,672,924 16,156,689
Infants and Toddlers (930) Federal	748,675	749,416	875,847	937,156
Medical Assistance Program (939) Federal	2,956,130	2,649,600	3,617,042	4,519,801

**TABLE 3
REVENUE SUMMARY FOR GRANT PROGRAMS BY SOURCE OF FUNDS**

Program Name and Source of Funding	FY 2008 ACTUAL	FY 2009 BUDGET	FY 2009 CURRENT	FY 2010 ESTIMATED
Provision for Future Supported Projects (999) Other	11,696,406	9,084,573	9,084,573	8,991,083
Carl D. Perkins Career & Technical Ed. Improvement (951)				
Federal	1,721,637	1,115,917	1,115,917	1,115,917
County	108,969	377,331	363,135	379,794
	1,830,606	1,493,248	1,479,052	1,495,711
SUBTOTAL	46,902,319	46,685,023	47,021,311	90,888,010
TOTAL	\$ 81,140,543	\$ 75,370,241	\$ 75,348,837	\$ 124,735,138

Summary of Funding Sources				
Federal	\$ 68,777,042	\$ 64,885,337	\$ 64,878,129	\$ 115,364,261
State	558,126	1,023,000	1,023,000	-
County	108,969	377,331	363,135	379,794
Other	11,696,406	9,084,573	9,084,573	8,991,083
GRAND TOTAL	\$ 81,140,543	\$ 75,370,241	\$ 75,348,837	\$ 124,735,138

FOR INFORMATION ONLY				
Non-budgeted Grant Programs as of November 2008 (Continuation of programs dependent upon grantor funding)				
21st Century Community Learning Centers			\$ 268,706	
Laboratory to Classroom			286,899	
Perkins Reserve Fund Grant			48,926	
Learn and Serve			15,000	
Homeless Education Grant			75,000	
IDEA - Disproportionality PBIS			38,000	
IDEA - School-age Least Restrictive Environment (LRE)			36,000	
IDEA - Alt/MSA			15,000	
IDEA - Transition Drop-out Grad Gap			38,602	
IDEA - AYP			132,263	
Reading First			1,365,019	
Ambassadors Invested in Mentorship			154,259	
SUBTOTAL FEDERAL FUNDING			2,473,674	
Judith Hoyer Childcare & Education-Silver Spring Center			202,988	
Judith Hoyer Childcare & Education-Gaithersburg Center			322,000	
Maryland K12 Digital Library			293,075	
Chess Grants			28,839	
Tobacco Prevention			76,000	
Maryland Model for School Readiness (MMSR) Program			105,028	
Fine Arts Initiative			173,040	
SUBTOTAL STATE FUNDING			1,200,970	
Defined Contribution Website			29,911	
SUBTOTAL OTHER			29,911	
TOTAL			\$ 3,704,555	

**TABLE 4
SUMMARY OF STUDENT ENROLLMENT - FY 2007 THROUGH FY 2010**

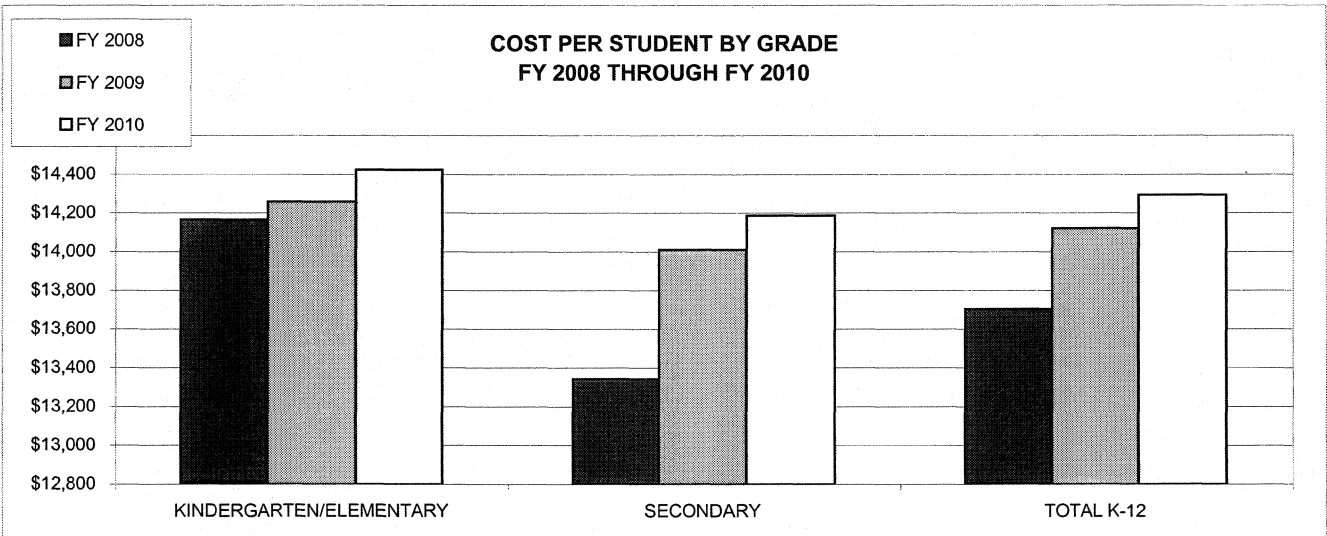
DESCRIPTION	(1)	(2)	(3)	(4)	(5)	CHANGE	
	FY 2007 ACTUAL 9/30/2006	FY 2008 ACTUAL 9/30/2007	FY 2009 ACTUAL 9/30/2008	FY 2009 PROJECTED 9/30/2008	FY 2010 PROJECTED 9/30/2008	COLUMN (5) LESS COLUMN (4)	
						#	%
REGULAR INSTRUCTION							
PRE-KINDERGARTEN	1,828	1,833	1,878	1,885	1,905	20	1.1
HEAD START	584	599	618	599	618	19	3.2
KINDERGARTEN	8,951	9,524	10,030	9,766	10,025	259	2.7
GRADES 1-5	47,122	46,908	48,050	47,090	49,239	2,149	4.6
SUBTOTAL ELEMENTARY	58,485	58,864	60,576	59,340	61,787	2,447	4.2
GRADES 6-8	28,556	28,498	28,439	27,812	28,182	370	1.3
SUBTOTAL MIDDLE	28,556	28,498	28,439	27,812	28,182	370	1.3
GRADES 9-12	41,470	41,116	41,356	40,710	40,949	239	0.6
SUBTOTAL HIGH	41,470	41,116	41,356	40,710	40,949	239	0.6
SUBTOTAL REGULAR	128,511	128,478	130,371	127,862	130,918	3,056	2.4
SPECIAL EDUCATION							
SPECIAL CLASSES:							
ELEMENTARY SCHOOLS	2,742	2,750	2,712	2,862	2,822	(40)	(1.5)
MIDDLE SCHOOLS	2,493	2,413	2,432	2,026	1,953	(73)	(3.0)
HIGH SCHOOLS	3,069	3,179	2,928	3,713	3,653	(60)	(1.9)
SPECIAL SCHOOLS	584	511	462	705	679	(26)	(5.1)
SUBTOTAL SPECIAL EDUCATION	8,888	8,853	8,534	9,306	9,107	(199)	(2.2)
ALTERNATIVE PROGRAMS	203	195	175	300	225	(75)	(36.9)
GATEWAY TO COLLEGE (a)	196	219	196	295	250	(45)	(20.5)
GRAND TOTAL	137,798	137,745	139,276	137,763	140,500	2,737	2.0

SOURCE: Projected enrollment by the Department of Planning and Capital Programming.

(a) Gateway to College program began in school year 2005 - 06.

COST PER STUDENT BY GRADE SPAN

	KINDERGARTEN/ ELEMENTARY	SECONDARY	TOTAL K-12	AMOUNT EXCLUDED*	TOTAL BUDGET**
FY 2008 ACTUAL					
EXPENDITURES	\$838,367,855	\$1,012,974,855	\$1,851,342,710	\$133,674,909	\$1,985,017,619
STUDENTS 9/30/07 (ACTUAL)	59,182	75,912	135,094		
COST PER STUDENT	\$14,166	\$13,344	\$13,704		
FY 2009 BUDGET					
EXPENDITURES	\$866,836,884	\$1,061,886,145	\$1,928,723,029	\$137,960,265	\$2,066,683,294
STUDENTS 9/30/08 (CURRENT)	60,792	75,792	136,584		
COST PER STUDENT	\$14,259	\$14,011	\$14,121		
FY 2010 BUDGET					
EXPENDITURES	\$895,534,227	\$1,073,110,430	\$1,968,644,657	231,932,343	\$2,200,577,000
STUDENTS 9/30/09 (PROJECTED)	62,086	75,641	137,727		
COST PER STUDENT	\$14,424	\$14,187	\$14,294		



Notes:

* SUMMER SCHOOL, COMMUNITY SERVICES, TUITION FOR STUDENTS WITH DISABILITIES IN PRIVATE PLACEMENT, AND ENTERPRISE FUND ACCOUNTS ARE EXCLUDED FROM COST OF REGULAR DAY SCHOOL OPERATIONS

** FY 2009 FIGURES REFLECT CURRENT APPROVED BUDGET.

SUMMARY OF NEGOTIATIONS

In March 2007, the Board of Education reached a three-year contract with the Montgomery County Education Association (MCEA) that expired on June 30, 2010. The parties agreed to reopen negotiations during the fall of 2008 because of the adverse economic conditions and projected budget shortfalls. Negotiations resulted in extension of the agreement for four years, expiring June 30, 2014. The extension of the Agreement is subject to ratification by the Board of Education and the Association membership during January 2009.

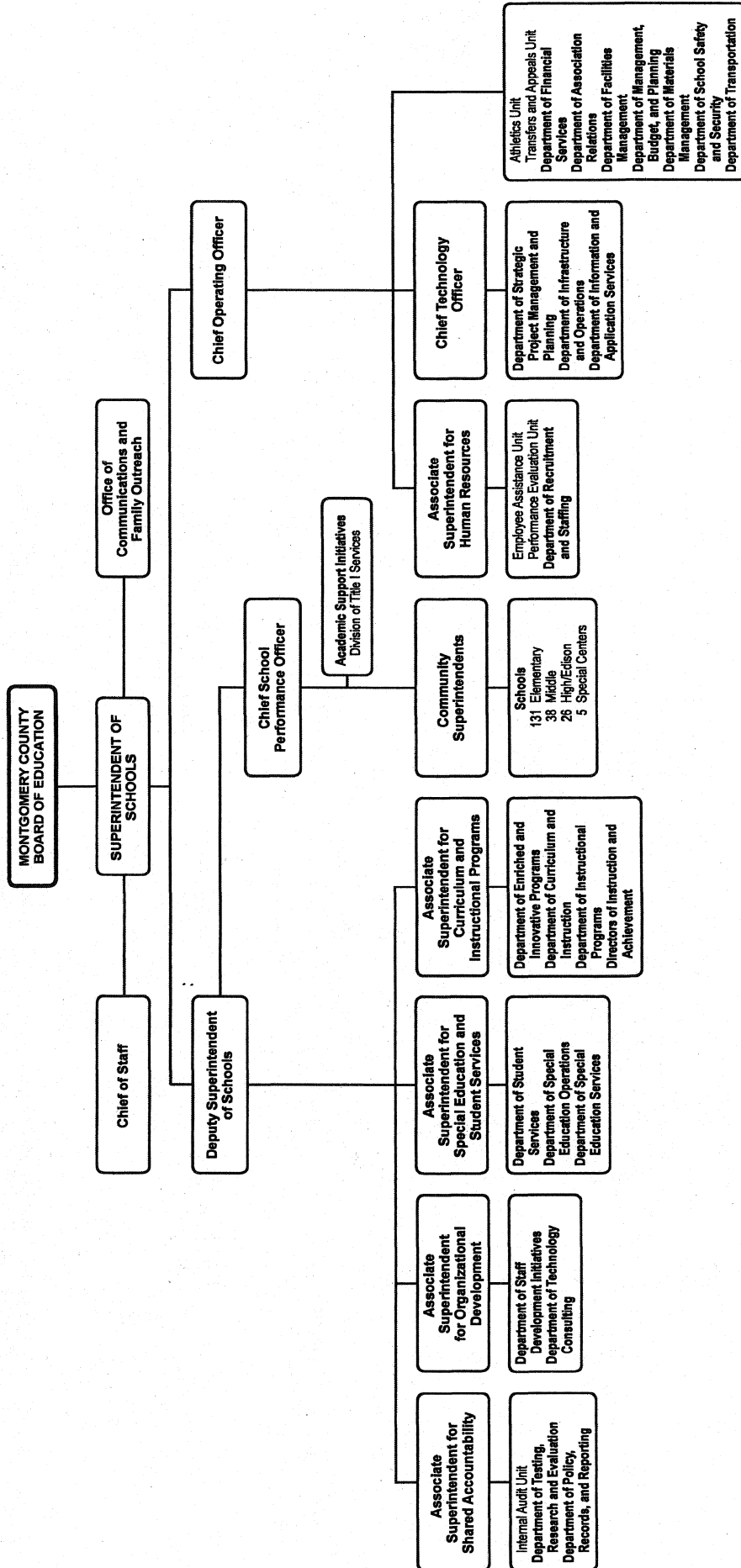
In March 2007, MCPS completed negotiations with SEIU Local 500, representing supporting services employees, on a three-year contract that was effective July 1, 2007, and expired on June 30, 2010. The parties agreed to reopen negotiations during the fall of 2008 because of the adverse economic conditions and projected budget shortfalls. Negotiations resulted in extension of the agreement for four years, expiring June 30, 2014. The extension of the Agreement is subject to ratification by the Board of Education and the Association membership during January 2009.

In June 2006, MCPS completed negotiations with the Montgomery County Association of Administrative and Supervisory Personnel (MCAASP) on a three-year contract that took effect July 1, 2006, and was scheduled to run through June 30, 2009. The agreement provided for reopened negotiations for salary and benefits for the second and third years of the agreement. As a result of those negotiations the Agreement was extended by one year, through June 30, 2010. The parties agreed to reopen negotiations during the fall of 2008 because of the adverse economic conditions and projected budget shortfalls. Negotiations resulted in extension of the agreement for four years, expiring June 30, 2014. The extension of the Agreement is subject to ratification by the Board of Education and the Association membership during January 2009.

In January 2007, MCPS completed negotiations with the Montgomery County Association of Administrative and Supervisory Personnel representing the Montgomery County Business and Operations Administrators (MCAASP/MCBOA) on a 2.5-year contract that took effect February 1, 2008, and was scheduled to run through June 30, 2010. The parties agreed to reopen negotiations during the fall of 2008 because of the adverse economic conditions and projected budget shortfalls. Negotiations resulted in extension of the agreement for four years, expiring June 30, 2014. The extension of the Agreement is subject to ratification by the Board of Education and the Association membership during January 2009.

During the fall of 2008, the three bargaining groups agreed to participate in joint negotiations regarding salaries and benefits for FY 2010. Agreement was reached with the three groups to defer the scheduled cost-of-living adjustments of 5.3 percent and additional salary-related improvements. The agreements result in the continuation of the FY 2009 salary schedules through FY 2010.

MONTGOMERY COUNTY PUBLIC SCHOOLS FY 2010 ORGANIZATION



Office of the Superintendent of Schools
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland
Amended and Adopted Unanimously
June 9, 2009

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools

Subject: Final Adoption of the FY 2010 Operating Budget

Executive Summary

On May 21, 2009, the County Council approved the Montgomery County Public Schools (MCPS) Operating Budget appropriation for FY 2010. The Council approved a total of \$2,200,577,000. This is an increase of \$133,118,203 (6.4 percent) over the current FY 2009 Operating Budget of \$2,067,458,797. The total tax-supported budget (excluding grants and enterprise funds) for FY 2010 is \$2,020,078,263, an increase of \$82,346,189 (4.3 percent) over the current FY 2009 Operating Budget of \$1,937,732,074. Attached is a copy of the resolution that summarizes the Council's actions. As required by state law, the County Council approved the appropriation by state categories.

The County Council's resolution approved a total of \$48,473,664 greater than the Board of Education's Request of \$2,152,103,336. The approved amount includes \$79,537,322 as a payment of county debt service for public school facilities to ensure a total operating budget amount equal to the state Maintenance of Effort (MOE) requirement. Excluding the debt service reimbursement, the County Council reduced the Board of Education's Request by \$31,063,658 (1.4 percent). The approved budget includes full funding of educational program expenditures, as requested by the Board of Education and recommended by the county executive. It also includes appropriation of federal grants totaling \$49,289,273 received through the *American Recovery and Reinvestment Act (ARRA)*. Total grant revenue of \$124,355,344 includes an increase of \$27,635,962 over the Board of Education's March 1, 2009, budget request. The Council resolution also includes a requirement that \$79.5 million of the appropriation will be considered as a non-categorized expenditure reserved as payment of county debt service for public school facilities. This amount will be included in the base of local contribution required for MOE in FY 2011. Attachments A through D outline the final County Council budget actions.

Background

On February 23, 2009, the Board of Education adopted its FY 2010 Operating Budget totaling \$2,152,103,336. The County Council increased the Board of Education's requested budget by \$48,473,664 (2.1 percent) to \$2,220,577,000. Attachments A, B, and D summarize the final actions of the Council by state category. Attachment C shows the changes in the operating budget from FY 2009 to FY 2010.

On March 16, 2009, the county executive recommended to the County Council a total budget of \$2,128,410,168 for MCPS, including grants and enterprise funds, \$23.7 million less than the Board of Education's request. The county executive's recommendation of \$1,454,702,161 in local funding was a decrease of \$58,852,986 (3.9 percent) from the original FY 2009 local funding of \$1,513,555,147. As approved by the County Council, the FY 2010 Operating Budget includes a local contribution of \$1,529,554,447; an increase of \$15,999,300 (1.1 percent) over the original FY 2009 local contribution. In addition, the approved appropriation includes an estimated FY 2009 ending fund balance of \$20,000,000 and \$24,200,000 approved by the General Assembly and expected to be received in additional FY 2009 state aid to correct an error in the original amount of estimated Foundation state aid.

On May 21, 2009, the Council increased the Board's request by a total of \$48,473,664. This total included \$79,537,322 in non-categorized expenditures required for payment of debt service for construction of Montgomery County Public Schools facilities. This amount will be included in the base of local contribution required for MOE in FY 2011. Excluding the debt service payment, the Council reduced the Board's request by \$31,063,658 (1.4 percent). The Council action includes a reduction of \$18,541,125 in contributions to the Retiree Health Benefit Trust Fund. The Board's Operating Budget Request included \$30.5 million in contributions to the Retiree Health Benefit Trust Fund, but the Council reduced this amount to \$12.0 million. The Council budget resolution requires that these funds be held available in case of subsequent revenue shortfalls. The Council also reduced \$7.1 million requested by the Board for the Employee Benefit Plan (EBP) Fund, \$4.3 million requested for the Retirement Fund, and \$1.0 million for the Aging Schools grant for school repair projects that was removed by the General Assembly from the state operating budget and transferred to the capital budget. The Council approved all expenditures for the educational programs requested by the Board. Other categorical changes reflect technical shifts that did not change the total amount of the budget as requested by the Board. These Council changes are described in Attachment A.

To make the reductions as directed by the County Council in the required state categories of expenditure, I am recommending the following reductions in the Board of Education's request:

	<u>Reduction Amount</u>
Contribution to Retiree Health Benefit Trust Fund	\$18,621,125
Contribution to Employee Benefits Plan Fund	7,100,000
Contribution to Retirement Fund	4,319,435
Aging Schools Grant Program	1,023,000
Instructional Television Fund	98
Other Technical Changes	<u> --</u>
Total	<u>\$31,063,658</u>

The total number of positions in the FY 2010 Operating Budget will be 180.5 positions greater than the number of positions in the current FY 2009 budget. Of the net increase of positions, ARRA for Title I and the *Individuals with Disabilities Education Act* (IDEA) account for an increase of 197.7 positions. All other changes result in a net decrease of 17.2 positions. The number of positions added to reflect enrollment growth of 2,737 students (258.6) was offset by a decrease of 275.8 positions through reductions recommended by the superintendent of schools and approved by the Board of Education.

The County Council also projected that MCPS would identify revenue and expenditure savings of \$20,000,000 in FY 2009 that permit the use of ending FY 2009 fund balance as a resource for the FY 2010 Operating Budget. The ending fund balance for FY 2009 will include at least \$18.8 million in FY 2009 expenditure savings resulting from the imposition of a comprehensive hiring freeze and other expenditure restrictions. There also is additional FY 2009 revenue of \$1.2 million. The additional resources available because of these savings avoided the need for additional FY 2010 expenditure reductions. Based on action of the General Assembly, it is expected that MCPS will receive \$24.2 million from MSDE to correct an error in the amount of Foundation aid for FY 2009. This revenue, anticipated to be received in FY 2009, will add to fund balance available for FY 2010.

The County Council is authorized by the State Education Article (Section 5-101) to approve the MCPS Operating Budget by category of expenditure as defined in the law. The Board of Education may reallocate the resources within each of the categories, but the Board cannot transfer any allocation between categories without approval by the County Council. Attachment B provides a table of the approved budget by state category and shows the Council's reductions from the Board's request. Attachment C shows the changes in the operating budget from FY 2009 to FY 2010.

Federal Aid

MCPS has not received preliminary estimates of federal aid for FY 2010 from the Maryland State Department of Education (MSDE). Estimates to be used for the submission of the annual update of the Bridge to Excellence in Public Schools Master Plan are expected to be released in July 2009.

Based on the Board of Education's Budget Request, the approved budget includes \$21,443,500 of federal grant revenue under ARRA, approved on February 17, 2009, including \$6.1 million for Title I and \$15.3 million for IDEA. This amount was based on preliminary estimates issued for these programs by the United States Congress. Although official estimates have yet to be issued by MSDE, it appears that the final amount of ARRA aid for FY 2010 through IDEA will be approximately \$17 million. The approved budget includes a total of \$16,156,689 from ARRA for IDEA programs. MSDE has informed MCPS that federal aid under ARRA also will include \$27,845,773 from the State Fiscal Stabilization Fund (SFSF) based on state aid formulas, but classified as restricted funds. As additional ARRA revenue is received, approval to receive and expend the grants will be requested.

Changes in federal funding are reflected in expenditures budgeted in the identified grant programs. The County Council actions assume the revenue estimates and changes described above.

State Aid

Adoption of the FY 2010 state budget by the General Assembly included maintenance of most current state aid formulas, in part through the use of federal stimulus funds as discussed above. The legislature reduced the formula for reimbursement of local district expenditures for tuition for special education students in private placement from 80 percent of the costs that exceed 300 percent of average general education cost per student to 70 percent. This is anticipated to reduce MCPS reimbursement revenue by \$1.6 million. The substitution of federal stimulus grant revenue for tax-supported state aid of \$27.8 million includes reductions in the Geographic Cost of Education Index of \$21.7 million, transportation by \$2.2 million, compensatory education by \$2.5 million, and limited English proficient funds by \$1.4 million. This substitution of grant for tax-supported revenue will not affect expenditures for any programs because the federal legislation permits use of the funds for general educational purposes.

Revised FY 2010 state aid estimates issued by MSDE based on existing formulas include a reduction of \$925,407 in special education formula aid offset by an increase of \$113,637 in Foundation aid. The special education reduction is offset by the increase in federal aid through the IDEA grant as described above.

Maintenance of Effort

On March 30, 2009, Montgomery County applied for a waiver of \$94 million in the FY 2010 requirement for Maintenance of Effort (MOE). The Board of Education adopted a resolution on April 14, 2009, to support the county's application for a waiver provided that the county agreed to fund the MCPS operating budget at the level recommended by the county executive, that there be no effort to supplant federal ARRA revenue for MCPS, and that the waiver be considered only as a one-year exception, not to be requested again in future years. At the hearing held by the Maryland State Board of Education on April 27, 2009, the county executive and the president of the County Council assured the state board that they accepted these conditions as the basis for their waiver request, by that time reduced to \$79.5 million. On May 15, 2009, the state board rejected the Montgomery County application, as well as those submitted by other Maryland counties.

In response to this decision, the county executive recommended compliance with the state board order and a one-year payment of \$79.5 million by MCPS for county debt service incurred for the construction of MCPS facilities. In its budget adoption action on May 21, 2009, the County Council accepted the county executive's suggestion, but did not accept it as a one-year limitation, in violation of its commitment to the state board. It is essential that the debt service payment be limited to FY 2010 alone, because to meet basic educational needs it will be necessary for the Board of Education to request an FY 2011 operating budget at least at the maintenance of effort level, including the \$79.5 million.

Summary of Recommendations

Attachment D is Schedule A that details the changes to the FY 2010 Operating Budget within the categories. The County Council's reduction or addition is shown in the left-hand column. Any changes made by the Board of Education will be reflected in the final Schedule A that will be distributed to principals, directors, and other program managers after the Board takes final action.

I want to thank the Board of Education, the county executive, and the County Council and their staff for their cooperation and the collaborative approach during a long, difficult budget year. Fiscal constraints posed a significant challenge to the Board of Education. Its continued focus on core academic priorities guided the budget development process and clarified fiscal issues for the school community, the public, and elected officials. The development of the budget benefited from unprecedented public involvement. Hundreds of parents, employees, and representatives of community organizations participated in Board of Education's community forums held in September and October 2008. Many additional comments were received in writing or online from parents and other interested citizens for presentation to the Board of Education. Stakeholders provided valuable input that helped to shape the budget. The employee associations and leadership of the Montgomery County Council of Parent Teacher Associations participated fully in the development of the operating budget, and their valuable contributions will benefit the school system as a whole. The Board of Education conducted a thorough review of the details of the recommended budget.

This is a multiyear budget that positions MCPS to respond to continuing fiscal challenges while sustaining the long-term commitment to improve student achievement that has marked the last nine years. I am confident that despite continuing economic difficulties, our community will continue to provide sufficient resources to maintain and strengthen its commitment to achieving the Board of Education's academic priorities. Fiscal challenges will continue in future years, but the focus on strategic goals of student achievement will continue to guide the direction of the operating budget. Our parents, students, and community will hold MCPS accountable for making the best possible use of the resources provided to achieve the goals of the MCPS strategic plan.

Recommended Resolution

WHEREAS, The Board of Education adopted the FY 2010 Operating Budget of \$2,152,103,336 on February 23, 2009; and

WHEREAS, The county executive recommended \$2,128,410,168 for MCPS, \$23.7 million less than the Board of Education's Budget Request on March 16, 2009; and

WHEREAS, The County Council approved a total of \$2,200,577,000 (including grants and enterprise funds), an increase of \$48,473,664 over the Board of Education's request on May 21, 2009; and

WHEREAS, The County Council appropriated a total of \$2,020,078,263 (excluding grants and enterprise funds), an increase of \$48,473,762 over the Board of Education's request; and

WHEREAS, The County Council does not have the legal authority to direct the Board of Education not to deposit \$12,000,000 of the appropriation for pre-funding retiree health insurance in the Retiree Health Benefit Trust Fund before June 30, 2010, to address any unanticipated revenue shortfall; and

WHEREAS, The County Council directed the Board of Education to pay \$79,537,322 of the appropriation for debt service for the construction of Montgomery County Public Schools facilities; and

WHEREAS, There is uncertainty whether the Council's action with respect to the debt service meets the maintenance of local effort requirement of Section 5-202 of the *Education Article, Annotated Code of Maryland*; and

WHEREAS, If it is determined that the county is in violation, the state could directly penalize the school system by denying state education funds; and

WHEREAS, The superintendent has requested guidance from the state superintendent regarding the effect of the Council's action and further requested that she exercise her discretion to not ask for such a penalty if she determined that the Council was in noncompliance; and

WHEREAS, To meet essential educational needs, the FY 2011 Operating Budget must reflect the maintenance of effort amount required for FY 2010, without use of debt service payment or any other payment for county services as a way of reaching maintenance of effort; and

WHEREAS, The Maryland State Department of Education requires each local school system to submit an annual special education staffing plan; and

WHEREAS, The Special Education Staffing Committee, composed of parents, teachers, principals, special education staff, and special education advocates, held meetings in June of 2008 and recommendations were submitted to the Office of Special Education and Student Services; and

WHEREAS, The FY 2010 Recommended Operating Budget includes all of the staffing plan elements required by the Maryland State Department of Education; and

WHEREAS, The County Council made net additions to the Board of Education's FY 2010 Operating Budget Request of March 1, 2009, of \$48,473,664, from the various budget categories, as shown on the following schedule, consisting of an increase of \$20,837,800, excluding grants and enterprise funds; an increase of \$27,635,962 in grants; and a reduction of \$98 in special revenue funds, in appropriating \$2,200,577,000 for the Board of Education's FY 2010 Operating Budget:

I. Current Fund Category	BOE Request March 1, 2009	Council (Reduction)/ Addition	Council Approved Budget
1 Administration	41,809,677	64,426	41,874,103
2 Mid-level Administration	135,542,318	329,102	135,871,420
3 Instructional Salaries	856,035,209	(258,495)	855,776,714
4 Textbooks and Instructional Supplies	31,905,545	(1,783)	31,903,762
5 Other Instructional Costs	15,070,581	23,120	15,093,701
6 Special Education	280,339,274		280,339,274
7 Student Personnel Services	11,153,748	21,630	11,175,378
8 Health Services	41,002		41,002
9 Student Transportation	92,765,998		92,765,998
10 Operation of Plant and Equipment	118,589,104		118,589,104
11 Maintenance of Plant	34,961,236	(1,023,000)	33,938,236
12 Fixed Charges	477,537,658	(30,218,560)	447,319,098
14 Community Services	208,495		208,495
Non-Categorized Expenditures		79,537,322	79,537,322
Subtotal, including specific grants	2,095,959,845	48,473,762	2,144,433,607
Less specific grants	96,719,382	27,635,962	124,355,344
Subtotal, spending affordability	1,999,240,463	20,837,800	2,020,078,263
II. Enterprise Funds			
37 Instructional Television	1,581,608	(98)	1,581,510
51 Real Estate Management	2,651,095		2,651,095
61 Food Services	47,821,972		47,821,972
71 Field Trip	2,314,716		2,314,716
81 Entrepreneurial Activities	1,774,100		1,774,100

Members of the Board of Education 8 June 9, 2009

Subtotal, Enterprise Funds	56,143,491	(98)	56,143,393
Total Budget for MCPS	<u>2,152,103,336</u>	<u>48,473,664</u>	<u>2,200,577,000</u>

now therefore be it

Resolved, That based on an appropriation of \$2,200,577,000, that includes an appropriation of \$56,143,393 for enterprise and special revenue funds and \$124,355,344 for restricted grants, approved by the County Council on May 21, 2009, the Board of Education adopt its FY 2010 Operating Budget reflecting the changes shown in Schedule A; and be it further

Resolved, That the Board of Education direct the superintendent of schools to deposit \$12,000,000 of the FY 2010 appropriation in the Retiree Health Benefit Trust Fund; and be it further

Resolved, That the Board of Education direct the superintendent of schools to pay \$79,537,322 of the FY 2010 appropriation to the Montgomery County Department of Finance for debt service for the construction of Montgomery County Public Schools' facilities in FY 2010 alone and not in succeeding years; and be it further

Resolved, That the Board of Education approve the FY 2009 Special Education Staffing Plan as included in the FY 2010 Recommended Operating Budget; and be it further

Resolved, That the Special Education Staffing Plan be submitted to the Maryland State Department of Education; and be it further

Resolved, That a copy of this action be transmitted to the county executive and County Council.

JDW:LAB:MCS:jp

Attachments

COUNTY COUNCIL FINAL ACTION

The following summarizes the County Council's final action by state budget category.

Category 1 – Administration \$64,426

The County Council added a total of \$64,426 in Category 1, Administration due to technical adjustments.

Category 2 – Mid-level Administration \$329,102

The County Council added a total of \$329,102 in Category 2, Mid-level Administration due to technical adjustments, including an increase of \$223,927 in the Office of Curriculum and Instructional Programs, an increase of \$184,400 in the Office of the Chief Technology Officer, and a decrease of \$79,225 in K-12 Instruction.

Category 3 – Instructional Salaries \$(258,495)

The County Council reduced a total of \$258,495 in Category 3, Instructional Salaries in technical adjustments, including an increase of \$239,909 in K-12 Instruction and a decrease of \$110,826 in the Office of the Chief Technology Officer and a decrease of \$387,578 in the offices of Organizational Development and Curriculum and Instructional Programs.

Category 4 – Textbooks and Instructional Supplies \$(1,783)

The County Council reduced a total of \$1,783 in Category 4, Textbooks and Instructional Supplies in technical adjustments.

Category 5 – Other Instructional Costs \$23,120

The County Council added a total of \$23,120 in Category 5, Other Instructional Costs due to technical adjustments.

Category 7 – Student Personnel Services \$21,630

The County Council added a total of \$21,630 in Category 7, Student Personnel Services due to technical adjustments in the Head Start program.

Category 11 – Maintenance of Plant \$(1,023,000)

The County Council reduced a total of \$1,023,000 in Category 11, Maintenance of Plant as a result of the discontinuance of the state Aging Schools grant project.

Category 12 - Fixed Charges

\$(30,218,560)

The County Council reduced a net total of \$30,218,560 in Category 12, Fixed Charges, including \$18,621,125 for contributions to the Retiree Health Benefit Trust Fund, \$7,100,000 for contributions to the Employee Benefits Plan (EBP), \$4,319,435 for contributions to the Retirement Fund, and \$178,000 related to employee benefit costs for technical adjustments identified in other categories.

Category 37- Instructional Television Special Revenue Fund

\$(98)

The County Council reduced \$98 in Category 37, Instructional Television Special Revenue Fund to reflect the county approved cable television plan.

FY 2010 APPROVED BUDGET BY STATE CATEGORY

CATEGORY	BOARD'S REQUEST	COUNCIL APPROVED	ADDITION (REDUCTION)	CHANGE
INSTRUCTION				
2 Mid-level Administration	\$ 135,542,318	\$ 135,871,420	\$ 329,102	0.24%
3 Instructional Salaries	856,035,209	855,776,714	(258,495)	-0.03%
4 Textbooks and Instructional Supplies	31,905,545	31,903,762	(1,783)	-0.01%
5 Other Instructional Costs	15,070,581	15,093,701	23,120	0.15%
6 Special Education	280,339,274	280,339,274	0	0.00%
Subtotal	1,318,892,927	1,318,984,871	91,944	0.01%
SCHOOL AND STUDENT SERVICES				
7 Student Personnel Services	11,153,748	11,175,378	21,630	0.19%
8 Health Services	41,002	41,002	0	0.00%
9 Student Transportation	92,765,998	92,765,998	0	0.00%
10 Operation of Plant and Equipment	118,589,104	118,589,104	0	0.00%
11 Maintenance of Plant	34,961,236	33,938,236	(1,023,000)	-2.93%
Subtotal	257,511,088	256,509,718	(1,001,370)	-0.39%
OTHER				
1 Administration	41,809,677	41,874,103	64,426	0.15%
12 Fixed Charges	477,537,658	447,319,098	(30,218,560)	-6.33%
14 Community Services	208,495	208,495	0	0.00%
Subtotal	519,555,830	489,401,696	(30,154,134)	-5.80%
Non-Categorized Expenditures		79,537,322	79,537,322	
Total Current Fund	2,095,959,845	2,144,433,607	48,473,762	2.31%
ENTERPRISE FUNDS				
37 Instructional Television Fund	1,581,608	1,581,510	(98)	-0.01%
51 Real Estate Management Fund	2,651,095	2,651,095	0	0.00%
61 Food Services Fund	47,821,972	47,821,972	0	0.00%
71 Field Trip Fund	2,314,716	2,314,716	0	0.00%
81 Entrepreneurial Activities Fund	1,774,100	1,774,100	0	0.00%
Total Enterprise Funds	56,143,491	56,143,393	(98)	0.00%
Total	\$ 2,152,103,336	\$ 2,200,577,000	\$ 48,473,664	2.25%

FY 2010 OPERATING BUDGET SUMMARY
(\$ in millions)

	Total Budget	SAG Budget
FY 2009 (Current) Budget	\$2,067.5	\$1,937.7
Growth, Inflation and Other	98.2	50.7
Continuing Salaries and Related Benefits	19.6	16.8
Negotiated Salary Costs	-	-
Improvement Initiatives	-	-
Reductions	(33.2)	(32.6)
Board's FY 2010 Budget Request	2,152.1	1,972.6
County Council's Additions / Reductions	48.5	47.5
County Council's FY 2010 Budget Appropriation	\$2,200.6	\$2,020.1

SCHEDULE A

**SCHEDULE OF COUNTY COUNCIL ADDITIONS / REDUCTIONS TO THE FY 2010 OPERATING BUDGET
WITHIN CATEGORIES AND ADOPTED BY THE BOARD OF EDUCATION**

DESCRIPTION	BUDGET CHAPTER	COUNCIL ACTION		BOARD ACTION		TOTAL	
		POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
CATEGORY 1 - ADMINISTRATION							
Technical Adjustments:							
Department of Information and Application Services - ODD 445	8						
Contractual Services			(184,400)				(184,400)
Supervisor Position		1.00	110,826			1.00	110,826
Office of the Deputy Superintendent of Schools - ODD 615	2						
Executive Assistant		1.00	138,000			1.00	138,000
Total		2.00	64,426			2.00	64,426
CATEGORY 2 - MID-LEVEL ADMINISTRATION							
Technical Adjustments:							
Middle Schools - ODD 131	1						
Part-time Salaries Changes			(79,225)				(79,225)
Department of Instructional Programs/Media Programs - ODD 263	4						
Mileage Reimbursement for Local Travel			2,275				2,275
Department of Curriculum and Instruction - ODD 232	4						
Instructional Specialist		2.00	221,652			2.00	221,652
Department of Information and Application Services - ODD 445	8						
Contractual Services			184,400				184,400
Total		2.00	329,102			2.00	329,102
CATEGORY 3 - INSTRUCTIONAL SALARIES							
Technical Adjustments:							
Elementary Schools - ODD 121	1						
Part-time Salaries Changes			109,000				109,000
Middle Schools - ODD 131	1						
Part-time Salaries Changes			107,469				107,469
High Schools - ODD 141	1						
Part-time Salaries Changes			23,440				23,440

SCHEDULE A

**SCHEDULE OF COUNTY COUNCIL ADDITIONS / REDUCTIONS TO THE FY 2010 OPERATING BUDGET
WITHIN CATEGORIES AND ADOPTED BY THE BOARD OF EDUCATION**

DESCRIPTION	BUDGET CHAPTER	COUNCIL ACTION		BOARD ACTION		TOTAL	
		POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
PreKindergarten/Head Start - ODD 297 Social Worker	4	(0.20)	(21,630)			(0.20)	(21,630)
Division of Consortia Choice and Application Services - ODD 213 Instructional Specialist	4	(2.00)	(221,652)			(2.00)	(221,652)
Office of Organizational Development - ODD 435/616/631/632/ 650/652/653/654/658 Training Plan - Part-time Salaries Changes	6		(144,296)				(144,296)
Division of Technology Innovation - ODD 428 Supervisor Position	8	(1.00)	(110,826)			(1.00)	(110,826)
Total		(3.20)	(258,495)			(3.20)	(258,495)
CATEGORY 4 - TEXTBOOKS AND INSTRUCTIONAL SUPPLIES							
Technical Adjustments:							
Department of Instructional Programs/Media Programs - ODD 263 Instructional Materials	4		(2,275)				(2,275)
Office of Organizational Development - ODD 614/631/632/650/ 652/653/654/655/656/658/435 Training Plan - Program and Office Supplies	6		492				492
Total			(1,783)				(1,783)
CATEGORY 5 - OTHER INSTRUCTIONAL COSTS							
Technical Adjustments:							
Elementary Schools - ODD 121 School Improvement Program Costs	1		(69,000)				(69,000)
Middle Schools - ODD 131 School Improvement Program Costs	1		(28,244)				(28,244)
High Schools - ODD 141 School Improvement Program Costs	1		(23,440)				(23,440)

SCHEDULE A

**SCHEDULE OF COUNTY COUNCIL ADDITIONS / REDUCTIONS TO THE FY 2010 OPERATING BUDGET
WITHIN CATEGORIES AND ADOPTED BY THE BOARD OF EDUCATION**

DESCRIPTION	BUDGET CHAPTER	COUNCIL ACTION		BOARD ACTION		TOTAL	
		POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
Office of Organizational Development - ODD 614/620/631632/ 650/652/653/654/655/656/658	6						
Training Plan - Consultants			(41,060)				(41,060)
Training Plan - Mileage Reimbursement for Local Travel			840				840
Training Plan - Building Rental			23,324				23,324
Training Plan - Equipment			160,700				160,700
Total			23,120				23,120
CATEGORY 7 - STUDENT PERSONNEL SERVICES							
Technical Adjustments:							
PreKindergarten/Head Start - ODD 297	4						
Social Worker		0.20	21,630			0.20	21,630
Total		0.20	21,630			0.20	21,630
CATEGORY 11 - MAINTENANCE OF PLANT							
Changes Due to Grant Revenue Revisions :							
Aging Schools Program - ODD 972	7		(1,023,000)				(1,023,000)
Total			(1,023,000)				(1,023,000)
CATEGORY 12 - FIXED CHARGES							
Technical Adjustments:							
Office of Human Resources - ODD 381	9						
Partnership Tuition			(178,000)				(178,000)
Other Adjustments:							
Department of Financial Services - ODD 333	7						
Contributions to Retiree Health Benefit Trust Fund			(18,621,125)				(18,621,125)
Contributions to Employee Benefits Plan			(7,100,000)				(7,100,000)
Contributions to Retirement Fund			(4,319,435)				(4,319,435)
Total			(30,218,560)				(30,218,560)

SCHEDULE A

SCHEDULE OF COUNTY COUNCIL ADDITIONS / REDUCTIONS TO THE FY 2010 OPERATING BUDGET
 WITHIN CATEGORIES AND ADOPTED BY THE BOARD OF EDUCATION

DESCRIPTION	BUDGET CHAPTER	COUNCIL ACTION		BOARD ACTION		TOTAL	
		POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
CATEGORY 37 - INSTRUCTIONAL TELEVISION SPECIAL FUND							
Instructional Television Special Revenue Fund - ODD 860	10		(98)				(98)
Total			(98)				(98)
Non-Categorized Expenditures			79,537,322				79,537,322
GRAND TOTAL		1.00	48,473,664			1.00	48,473,664