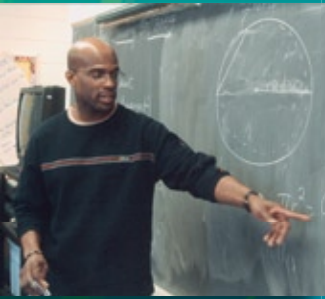


The Citizens Budget

FY 2007



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Letter from the Superintendent

December 14, 2005

Members of the Board of Education
Montgomery County Public Schools
850 Hungerford Drive
Rockville, Maryland 20850

Dear Members of the Board of Education:

Six years ago, we charted an ambitious course to improve student achievement for every child in Montgomery County Public Schools (MCPS). We knew that our students could achieve great things if we set high expectations for them. I am pleased to report that they are not only meeting our expectations, but exceeding them in many cases. For the second year in a row, our students broke 1100 on the SAT—something no other school system in Maryland has done. All of our high schools have been ranked in the top 3 percent in the nation by Newsweek magazine, and we have more students than ever before participating in Advanced Placement and Honors courses in high school. Our students also are making great gains in the early grades. We now have a record 8 of every 10 students reading by the end of kindergarten.

Our students' success is clear evidence that the strategic plan, *Our Call to Action: Pursuit of Excellence*, is working. This year's operating budget will build on six years of progress and help ensure continued student success well into the future.

The proposed Fiscal Year 2007 Operating Budget totals \$1.8 billion—an increase of \$122 million or 7.1 percent over the FY 2006 budget. These new resources will be used to expand full-day kindergarten, improve special education, expand International Baccalaureate and gifted programs, strengthen middle and high schools, and increase our outreach to multilingual parent communities. This budget reflects the close cooperation of MCPS with the three employee organizations and the parents of our students. It also incorporates the important feedback we received during our three community forums held this fall.

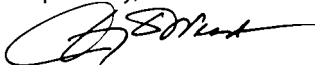
The Board's steady leadership over the past six years has set the stage for the many successes of students, teachers, administrators, and support staff. Your continued investment—together with the support of the county executive and the County Council—means that MCPS can meet the challenges of our diverse school district. As in past years, the vast majority of our budget (89 percent) pays for our people. Administrative costs remain low and direct classroom investment high. In fact, at 2 percent, we have the third lowest central administrative costs in the state, and we are first in dollars invested in the classroom. Specifically, the \$122 million increase would provide the following:

- ◆ \$15 million in improvement initiatives
 - ❖ Expand full-day kindergarten to 17 more schools for a total of 110 schools
 - ❖ Strengthen special education in middle and high schools
 - ❖ Lower class size in high school classes to address special education inclusion
 - ❖ Increase supports at high school to strengthen literacy, improve performance on High School Assessments, and boost the number of students eligible for extracurricular activities
 - ❖ Add 15 elementary assistant principals
 - ❖ Support middle school reform
 - ❖ Expand IB and gifted programs
 - ❖ Increase foreign language translation services
 - ❖ Enhance violence prevention programs
 - ❖ Expand program to improve student safety on buses—Ride by the Rules
 - ❖ Expand Study Circles program
 - ❖ Improve technology supports for instruction
 - ❖ Add more support staff—building services workers and teacher aides
- ◆ \$18 million for new schools and growth in special education and ESOL programs
- ◆ \$75 million for employee salaries and benefits, as well as benefits for retirees
- ◆ \$14 million for utilities, transportation, inflation, and other costs

Once again, it is critical that we receive our fair share of state revenue—an increase of about \$48 million—including \$17 million for the Geographic Cost of Education Index (GCEI) that accounts for higher costs in Montgomery County.

The FY 2007 budget will help ensure that our resources are directed in the most efficient way so that Montgomery County Public Schools continues the steady progress we have made over the past six years. This budget will provide the funding necessary to meet the challenges ahead with a well-trained, highly qualified, and extremely dedicated workforce to help our children achieve academic success.

Respectfully,



Jerry D. Weast, Ed.D.

Superintendent of Schools

Budget Highlights

Fiscal Highlights

- ◆ The superintendent's FY 2007 Recommended Operating Budget for Montgomery County Public Schools totals \$1,836,886,152. This represents an overall increase of \$122,224,998 (7.1%) above the \$1,714,661,154 current FY 2006 Operating Budget. This percentage increase is lower than the average for the past six years.
- ◆ Excluding grants and enterprise funds, the superintendent's recommended budget for the purpose of spending affordability is \$1,709,322,737. This represents an overall increase of \$117,167,083 (7.4%) over the \$1,592,155,654 in the current FY 2006 Operating Budget.
- ◆ In FY 2007, the county is expected to provide 73.9 percent of MCPS total expenditures. This is a decrease from the 74.8 percent share that the county contributed in FY 2006.
- ◆ State education aid contributes 19.1 percent of total revenue, federal grants contribute 3.6 percent, enterprise funds supported by federal aid and fees make up 2.7 percent, and fees and all other sources of revenue total 0.7 percent.
- ◆ The FY 2007 Operating Budget requires an increase in local funding of \$68.8 million (5.4%). This percentage increase is less than last year and less than the average increase in the last six years.
- ◆ Reduced class size at high school and intervention programs targeted to improve literacy skills of high school students to prepare them to be successful on the High School Assessments and to take more rigorous high school courses (\$2,600,000)
- ◆ Improved school security, including violence prevention programs developed in coordination with community organizations (\$250,000) and Ride by the Rules to support bus safety (\$75,000)
- ◆ Improved translation services (5.5 FTE and \$400,000) for parents and expansion of Study Circles (\$100,000)
- ◆ Technology initiatives totaling \$711,000, including more user support specialists in elementary schools (\$227,000). Support for grading and reporting (\$192,000), improved data systems security (\$187,000), and other applications support (\$105,000)
- ◆ Addition of 15.0 assistant principals at elementary schools with only a single building administrator (in addition to 4.0 assistant principals added for new schools) at a cost of \$1,575,000
- ◆ To improve support services at schools, addition of 18.0 building service workers (\$601,000), and additional training support (\$174,000)
- ◆ Initiatives to enhance curriculum and instruction, including expansion of IB and gifted programs (\$191,000); reduction of oversized art, music and physical education classes (174,000); more assistance for teachers with assessments and other duties (\$702,000); and expansion of school monitoring by directors of school performance (\$198,000)

Budget Initiatives

- ◆ Improvement initiatives recommended for the FY 2007 budget total \$15,343,000
- ◆ The FY 2007 budget includes an initiative to expand full-day kindergarten at an additional 17 schools for a total of 110 schools (26 teacher positions and a total cost of \$1,876,000). This will advance the goal of having full-day kindergarten for every child by FY 2008 as required by state law
- ◆ Class-size reduction in high school to assist with inclusion of special education students will add 25.0 classroom teacher positions (\$1,450,000)
- ◆ Initiatives for special education total \$3,766,000 to advance Least Restrictive Environment goals, in addition to \$4.5 million added to reflect the growth in the number of special education students. This includes improvements in staffing for learning disability programs (33.8 FTE and \$1,496,000), Addition of teaching stations in secondary schools (24.4 FTE and \$1,039,000), hours-based staffing at 2 middle schools (15.3 FTE and \$715,000) and special education technology support (\$516,000)
- ◆ Middle school reform (\$500,000)

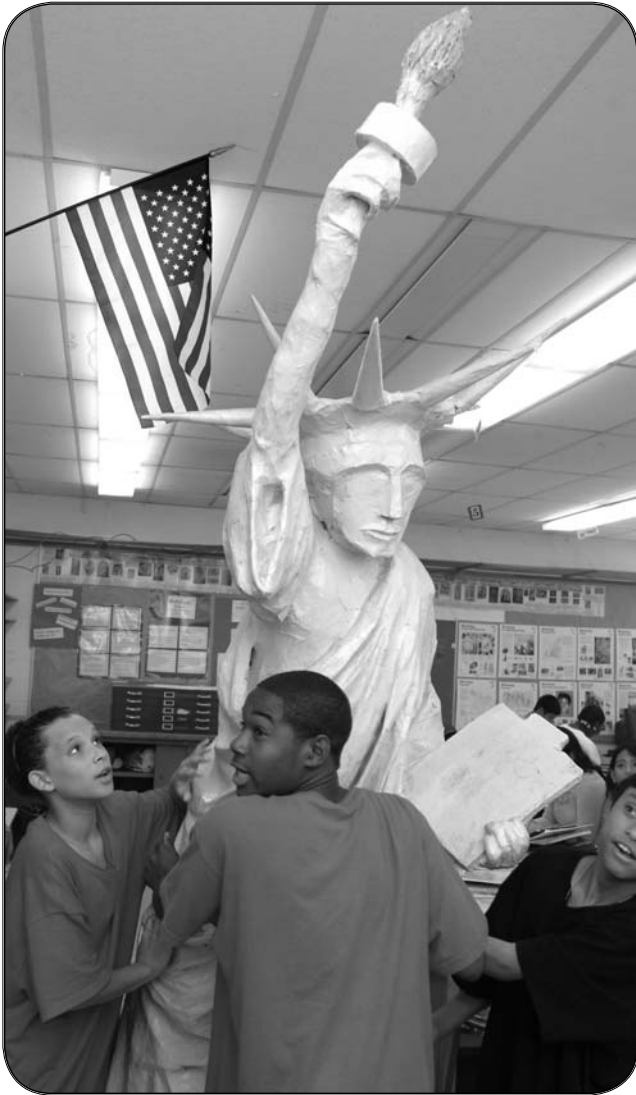
Program Reductions

- ◆ A total of \$6,023,000 in program reductions to help fund improvements
- ◆ Central office reductions totaling \$1,627,000, cuts in school operations support (\$1,487,000), and school-based reductions totaling \$2,909,000, including limiting increases for inflation in materials (\$894,000), realignments in special education (\$1,549,000), and other cuts in school support (\$466,000)

Factors Increasing the Operating Budget

- ◆ The budget for current services will increase by \$112.9 million because of enrollment growth, mainly for special education and ESOL students (\$7.8 million); opening 5 new schools (\$9.7 million); employee salaries (\$58.8 million); employee benefits (\$16.7 million); utility costs (\$9.8 million); and inflation and other factors (\$10.1 million)

Note: These budget highlights include \$2.6 million for a high school initiative that is not included in the detailed Operating Budget. When the details of this initiative are completed, they will be submitted to the Board of Education and included in the Operating Budget.



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Summary of Recommendations

The superintendent's FY 2007 Recommended Operating Budget for the Montgomery County Public Schools (MCPS) totals \$1,836,886,152. This represents an overall increase of \$122,224,998, or 7.1 percent more than the \$1,714,661,154 current approved FY 2006 Operating Budget. Excluding grants and enterprise funds, the superintendent's budget recommendation for the purpose of spending affordability is \$1,709,322,737. This represents an overall increase of \$117,167,083, or 7.4 percent more than the \$1,592,155,654 appropriated for the FY 2006 Operating Budget.

The FY 2007 Operating Budget includes increases in operating costs for growth in student enrollment, compensation changes, and other required inflationary increases. It includes a recommendation of \$15,343,712 for improvement initiatives in FY 2007 to expand full-day kindergarten to an additional 17 schools and expand other programs needed for improved student achievement. It also includes \$6,023,547

in reductions. The chart below summarizes the main items in each of these categories. The costs of enrollment growth and new schools add \$17.5 million to the budget. Employee salaries rise by \$58.8 million, including \$13.9 million for continuing salaries and \$44.9 million for the costs of already negotiated agreements with employee unions. There is a net increase of \$16.7 million for benefits for existing and retired employees, including health and life insurance for active and retired employees, retirement, and self-insurance costs. The effects of inflation and other cost increases add \$19.9 million to the budget. Improvement initiatives add \$15.3 million, including \$1.9 million for the expansion of full-day kindergarten to an additional 17 schools. This recommended budget requires \$47.8 million in increased state aid as part of the Bridge to Excellence in Public Schools (Thornton) Act (including the Geographic Cost of Education Index), \$1.5 million in anticipated federal grants, \$68.8 million in local support, and \$4.1 million in other revenue.

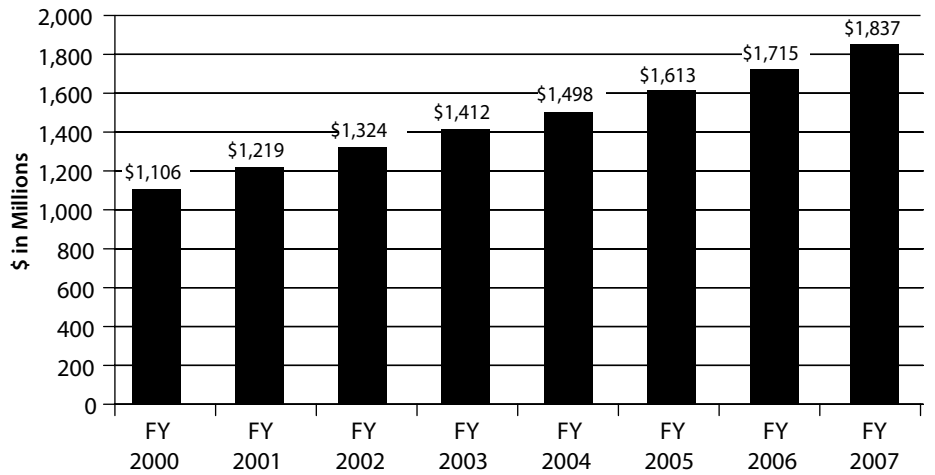
FY 2007 Superintendent's Recommended Operating Budget (\$ amounts in millions of dollars)

ITEM	AMOUNT	ITEM	AMOUNT
FY 2006 OPERATING BUDGET (Nov. 2005)	\$1,714.7	PROGRAM REDUCTIONS	
ENROLLMENT GROWTH		Central Services Reductions	(1.6)
Elementary/Secondary	0.2	Support Operations Reductions	(1.5)
Special Education	4.3	School-Based Reductions	(2.9)
ESOL	0.2	TOTAL PROGRAM REDUCTIONS	(6.0)
Transportation/Food Service/Facilities/Plant Ops	1.0	INITIATIVES	
Benefits for staff added for growth	2.1	Full-day Kindergarten—17 Additional Schools	1.9
TOTAL GROWTH AND RELATED BENEFITS	7.8	Class-Size Reduction	2.3
NEW SCHOOLS	9.7	Middle and High School Reform	0.5
EMPLOYEE SALARIES		High School Supports*	2.6
Negotiated agreements	40.4	Technology	0.7
Benefits for negotiated agreements	4.5	Elementary Assistant Principals	1.6
Continuing salary costs	12.5	Building Services	0.6
Benefits for continuing salary costs	1.4	Parent Engagement/Communications	0.5
TOTAL SALARIES AND RELATED BENEFITS	58.8	Special Education	3.8
EMPLOYEE BENEFITS AND INSURANCE		Security and School Environment	0.7
Employee Benefit Plan (active)	16.7	Organizational Development	0.1
Employee Benefit Plan (retired)	(0.8)	TOTAL INITIATIVES	15.3
Retirement	4.8	RECOMMENDED FY 2007 BUDGET	\$1,836.9
Tuition Reimbursement	0.7	Less enterprise funds	(52.0)
FICA/Self-insurance/Workers' Compensation	(4.7)	Less grants	(75.6)
TOTAL BENEFITS AND INSURANCE	16.7	SPENDING AFFORDABILITY BUDGET	\$1,709.3
INFLATION AND OTHER			
Utilities	10.1	REVENUE INCREASE BY SOURCE	
Special Education Nonpublic Tuition	1.3	Local	\$68.8
Transportation	2.5	State	47.8
Plant Operations/Maintenance/Materials Mgt	1.0	Federal	1.5
Inflation	1.7	Enterprise	0.2
Technology	2.0	Other	3.9
Food Service	0.9	TOTAL REVENUE INCREASE	\$122.2
Other changes	0.4		
TOTAL INFLATION AND OTHER	19.9		

*Note: Not yet included in detailed operating budget.

Six years ago, the superintendent of schools launched *Our Call to Action*, a plan to raise the bar for all students and to close the achievement gap among groups. The key to this achievement has been an emphasis on high-quality staff: a quality teacher in every classroom, a quality administrator in every school, and quality supporting staff throughout the system. Raising the level of student achievement requires that every child benefit from the highest possible quality teaching, supervisory, and support services staff. This strategy is based on the high standards of achievement set by the Board of Education and was developed in conjunction with parents, staff, and the community. The Operating Budget is aligned with this strategy to ensure that available resources go to the highest priorities.

\$731 Million Total Budget Increase from FY 2000 to FY 2007



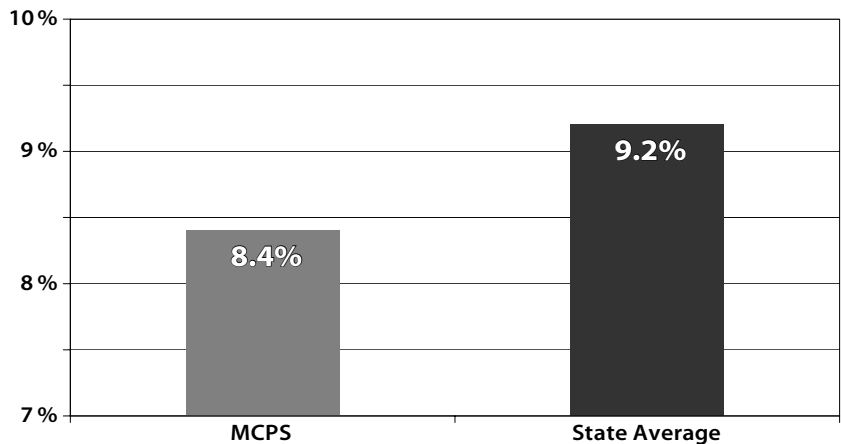
Resources Concentrated on High-Quality Staff

The MCPS Operating Budget has grown by \$731 million or 65.9 percent, from \$1.106 billion in FY 2000 to \$1.837 billion, recommended for FY 2007, an average of 9 percent per year. This growth includes increases for enrollment, inflation, new initiatives, and compensation for existing staff. The Board of Education has added \$96 million for the new initiatives over the five years, funded entirely by \$54.6 million in savings in the base budget and by reductions in other requests.

The school system's 20,000 employees have received the bulk of these increases. Of the total increases of \$731 million, \$660 million (91%) has been devoted to salaries and employee benefits. This amount exceeds the percentage of the total budget devoted to compensation (89%). Thus, during these five years, the proportion of the MCPS budget devoted to compensation has increased from an already high 88.1 percent to 89 percent.

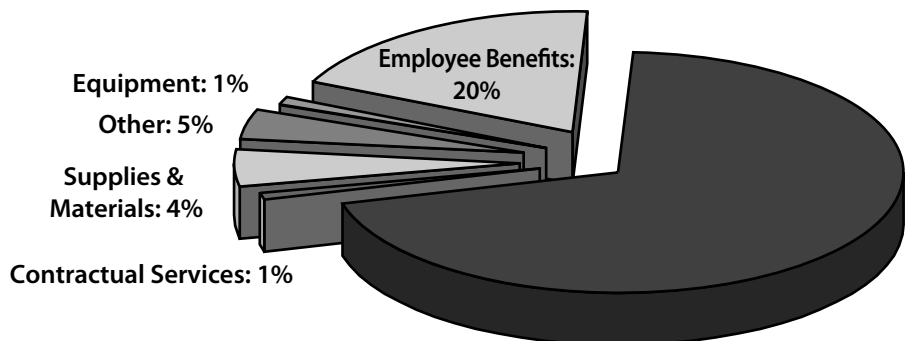
Teacher salaries have grown during this period to make sure that MCPS stays competitive in attracting and retaining the highest-quality staff. Despite the growth in salaries, about 25 percent of staff resides outside Montgomery County, in part because of the high cost of housing. The average teacher salary has gone up from \$51,240 in FY 2000 to \$64,852 in FY 2006, the highest in the state of Maryland.

MCPS is Fourth Lowest in the State in Percent of Budget Spent on School and Central Administration

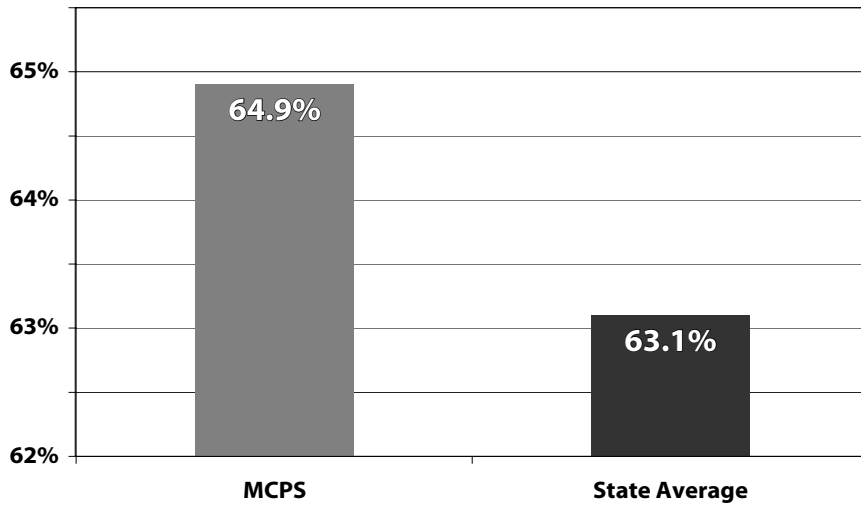


Source: Maryland State Department of Education, FY2003 Average Data

Employee Compensation Totals 89 Percent of Budget



MCPS is First in the State in Percent of Budget Spent for Instruction



Source: Maryland State Department of Education, FY 2003 Average Data

Less Budget Resources for Central Services

The percentage of the budget used for central administration (Category 1) has declined from an already low 2.8 percent in FY 2000 to 2.1 percent in the FY 2007 budget. According to the most recent data from the state of Maryland, MCPS devotes the third lowest percentage of its budget to central administration of any district, and the fourth lowest in total administration, including school administration. The combined cost of these

activities—principals, assistant principals, instructional support staff, and school secretaries, in addition to central office staff—declined steadily from 9.4 percent to 8.5 percent of the budget. This means that a greater proportion of resources is devoted to the classroom.

MCPS devotes 63.4 percent of its budget to instruction, the highest proportion in Maryland.

Expenditures on instructional categories—mid-level administration, instructional salaries, textbooks and supplies, special

education, and other instructional costs (Categories 2, 3, 4, 5, and 6) and related employee benefits—will rise from 77 percent in FY 2001 to 80.1 percent in FY 2007.

In FY 2006, a total of \$192.8 million was budgeted for other operating costs (11% of the budget). The following items of expenditure accounted for the majority of these costs:

- ◆ Textbooks and instructional materials (\$32.5 million)
- ◆ Utilities (\$32.7 million)
- ◆ Bus fuel, parts (\$9.2 million)
- ◆ Tuition for special education students in private placements (\$33.5 million)
- ◆ Food for school lunches (\$14.4 million)
- ◆ School bus lease payments (\$8.2 million)
- ◆ Supplies for school building services and maintenance (\$10.0 million)
- ◆ Contractual maintenance of schools and other facilities (\$9.7 million)

Almost 89 percent of all budget dollars goes for compensation (i.e., salaries and employee benefits) for MCPS staff, and 69 percent is for salaries and wages. Another 20 percent is for employee benefits.

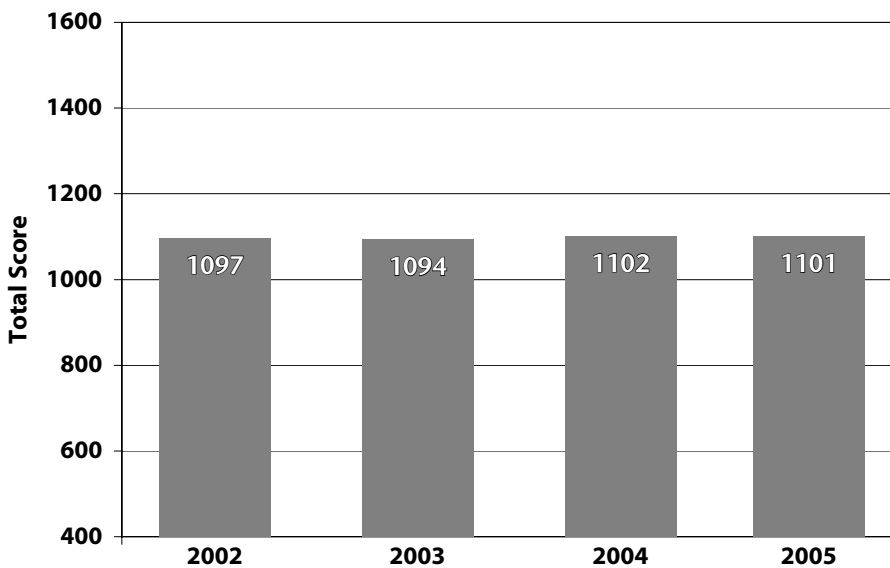
Funding the Budget: A Rise in State and Federal Contribution

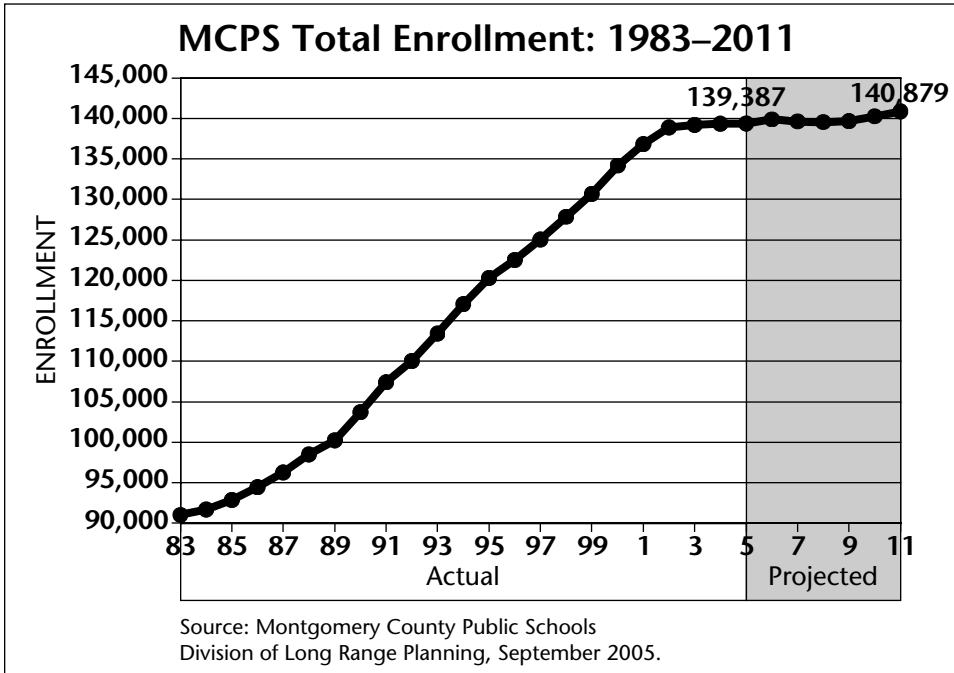
Despite significant increases in county funding (the source of most of the MCPS revenue), the proportion funded by Montgomery County has dropped from 79 percent to 74 percent over the past six years. The proportion funded by the state and federal governments has risen.

County funding has gone up by 47.4 percent since FY 2000 from \$872.1 million to \$1,285.8 million in FY 2006. This compares with the overall budget increase of 55.1 percent over the six-year period. The FY 2007 budget requires an increase of 5.4 percent in county funding—less than the average over the past six years (6.7 percent).

State aid constitutes the second major source of funds for MCPS. Since FY 2000, state funding has increased by \$109.9 million or 120 percent. Federal aid has increased 142 percent, from \$26.5 million in the Current Fund (not including meals reimbursements) in FY 2000 to \$64.0 million in FY 2007.

Average SAT Total Score, 2002–2005





The growth and diversity in the Montgomery County Public Schools make it a challenge to sustain the strategic plan and build on its success. County births, migration, and immigration are the major factors resulting in increased enrollment. Enrollment is now at an all-time high—139,387, up 50 students from last year. MCPS is the 17th largest school system in the United States. This rate of growth has imposed severe pressures on the school system. Facilities are not adequate to deal with this level of enrollment, and 719 relocatable classrooms have been installed.

Births and Migration Increase Enrollment

A child is born in Montgomery County every 40 minutes. After declining from 1991 to 1997, county births began increasing in 1998. In 2004, births topped 13,000 for the fifth year in a row, reaching an all-time high of 13,546.

Migration and immigration are important components of enrollment change. Typically, 13,000 to 14,000 students enter the system each year with a similar number exiting

the system each year. During the past three years, there has been a net increase of nearly 2,000 students who have come to MCPS from private schools.

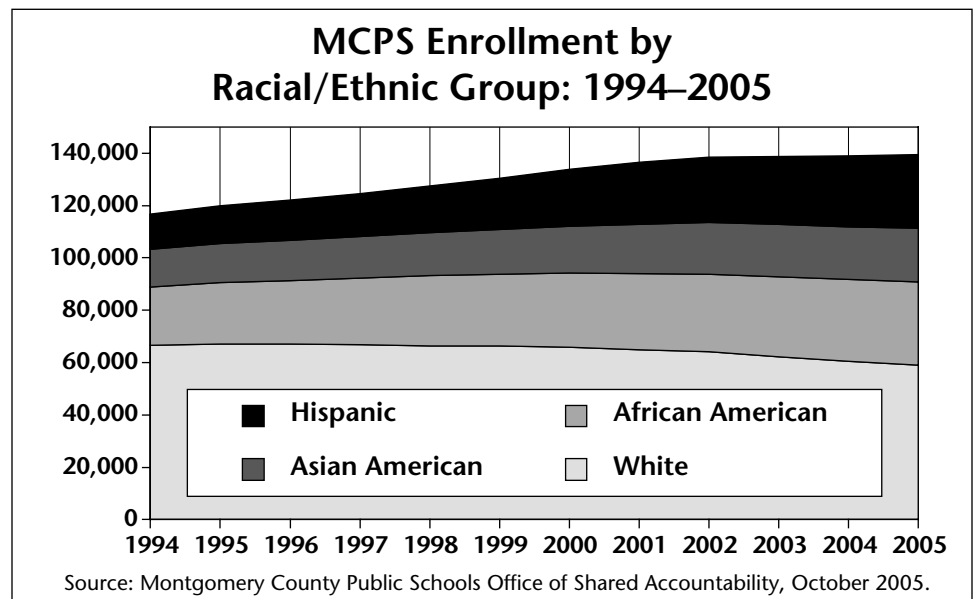
Diversity Poses Greater Challenges

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. White enrollment (not including Hispanic students) has edged slightly downward since 1983 to about 59,000, with all the growth coming from non-White students. More than 5 of every 10 students today are classified as African American, Asian American, Hispanic, or Native American. This year MCPS enrollment is 22.9 percent African American, 14.7 percent Asian American, 20.1 percent Hispanic, 0.3 percent Native American, and 42.0 percent White. This ethnic diversity is even greater in the lower grades.

MCPS students have backgrounds from 163 foreign countries and 134 different languages are spoken at home. Nearly 8 percent of our students this year are English Language Learners (ELL) and, remarkably, the fastest growing portion of those students was born in the United States (45 percent). Enrollment in the English for Speakers of Other Languages (ESOL) program has increased by 20 percent during the past five years to 12,905 students. The number of ELL in

County Demographic Trends

Demographic changes in Montgomery County are part of a national trend in metropolitan areas. African Americans, Asian Americans, and especially Hispanics account for most, if not all, of the suburban population growth in recent years. Foreign immigration to the county is a major factor in population growth. In 2000 Montgomery County's population was 26.7 percent foreign-born. In 2000, 31.6 percent of county households did not speak English at home. Diversity continues to characterize population change.



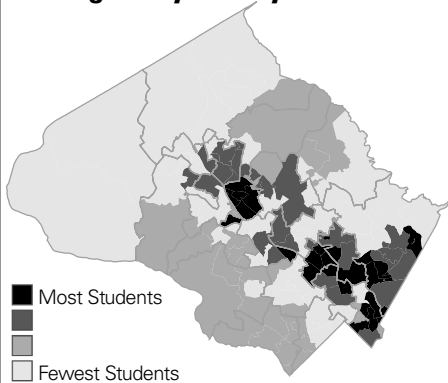
Challenges of Diversity

Montgomery County in FY 2004 exceeded the total enrollment of nine Maryland school districts. Montgomery County enrolls more than 40 percent of all ELL in Maryland.

Concentrations of Poverty and 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 49 percent of all elementary school students, but 69 percent of African American and 77 percent of Hispanic students, 79 percent of English language learners, and 73 percent of

Areas of Poverty* in Montgomery County

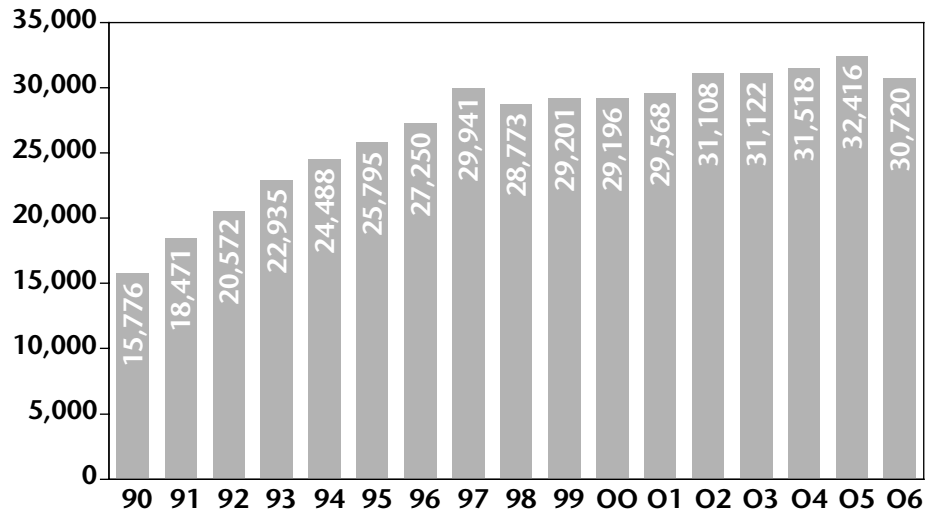


*Participation in Free and Reduced-price Meals System (FARMS)

students receiving support from the Free and Reduced-price Meals program. Enrollment growth has been faster in this area than in the rest of the county.

As with race and ethnic diversity, socioeconomic levels in the student population also have been changing. Despite the availability of jobs in the county, the cost of living here can place severe strains on household finances. As a result, the number of students participating in FARMS has almost doubled during the past 15 years from 15,776 to more than 30,000. 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. Schools must be ready to respond creatively to these differences. Teachers and other staff must meet the complex challenges inherent in this increasingly urbanized school district.

MCPS FARMS Program Enrollment: 1990–2006



Source: Montgomery County Public Schools, Division of Food and Nutrition Services, September, 2005

Responding to the Challenges of Diversity

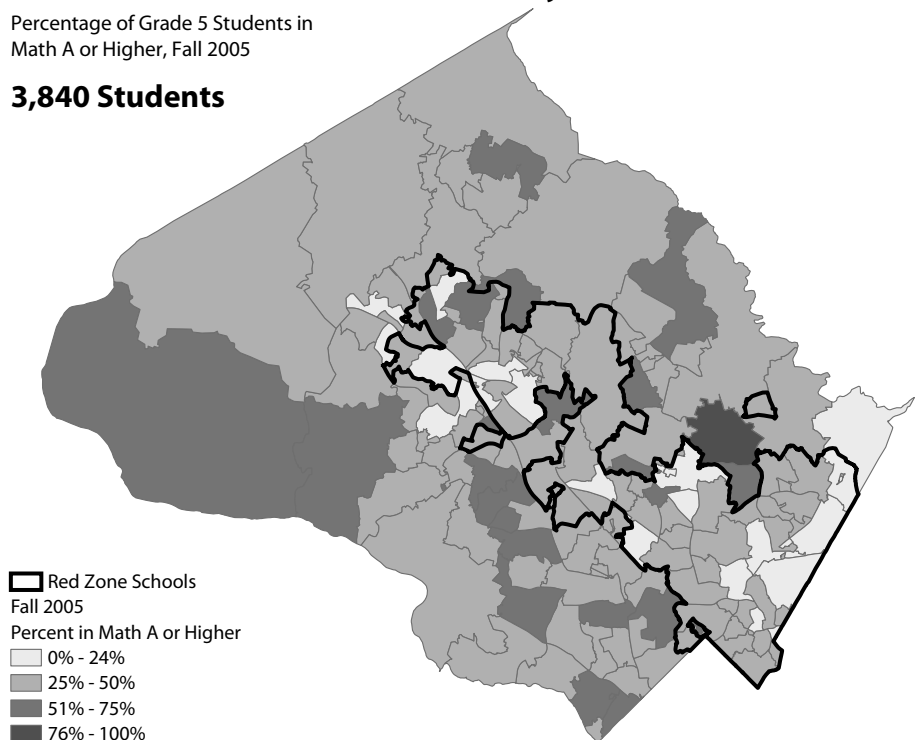
Schools have responded to the challenge of diversity by improving levels of student achievement in all areas of the county. The school system's efforts to overcome the influence of poverty are evident in the recent results of the Comprehensive Tests of Basic Skills and the Maryland School Assessments. The majority of schools most heavily

impacted by poverty lie in an area of the county spanning the section from Takoma Park to Germantown, known as the "red zone." The improvement in student achievement in this area is known as the "greening of the red zone" because schools with high student poverty are achieving at the same levels as schools without such poverty.

Math Achievement in Elementary Schools

Percentage of Grade 5 Students in Math A or Higher, Fall 2005

3,840 Students



The MCPS Operating Budget carries out strategies outlined in *Our Call to Action: Pursuit of Excellence*, the MCPS strategic plan. The strategic plan implements and is aligned with the Board of Education's academic priorities. The reform efforts mandated by the academic priorities originated in 1999. They include targeted improvement initiatives that research shows can make a significant difference in academic achievement. During the succeeding six 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 \$609 million or 55.1 percent in additional funding, including \$96 million for improvement initiatives. This is an unprecedented increase for the district.

No Child Left Behind

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. MCPS has been ahead of the curve in standards-based reform aimed at significant improvements in educational outcomes for students.

In January 2002 the federal government enacted the No Child Left Behind (NCLB) Act, the most far-reaching change in federal education policy in more than a generation. NCLB reauthorized the former Elementary and Secondary Education Act (ESEA) of 1965. The legislation significantly changes the role of the federal government in education. It provides more federal funding to states, and supported by accountability, requires school districts to meet specific standards for student achievement as determined by individual states. With standards put in place, states must test individual student progress toward meeting those standards. Individual tests are administered annually in Grades 3 through 8 and Grade 10 reading and mathematics. Science tests will be added in FY 2008. MCPS is developing formative assessments to prepare students for these new requirements. There are formative assessments linked to an upgraded curriculum based on world-class standards.

Adequate Yearly Progress

NCLB requires schools to demonstrate Adequate Yearly Progress (AYP) in achieving state standards for each school as a whole and for designated categories of students, including—

- ◆ Economically disadvantaged students
- ◆ Students from major racial and ethnic groups
- ◆ Students with disabilities
- ◆ 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 attain proficiency levels on state tests. AYP goals will become more rigorous as the 2014 deadline nears.

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?

ESEA Improvement Goals

The state of Maryland's plan adopted five performance goals as established by the U.S. Department of Education. 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 improving 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 2002 the state of Maryland adopted 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 educational excellence possible.

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 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.

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
- ◆ 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.

Geographic Cost of Education Index

Part of the increased funding promised in the Bridge to Excellence Act includes an adjustment related to the cost of education to reflect the higher costs in certain counties. Based on the formula adopted in 2004 by the legislature, Montgomery County would receive a 3.4 percent adjustment because of

Aligning the Budget with the Strategic Plan

the high cost of education in this county. This would increase state aid by \$17.0 million in the first year and increase that amount to \$27 million when the provision is fully phased in. However, the legislature failed to mandate the inclusion of this additional aid in the state budget. This will be a significant issue for the governor and legislators in the 2006 General Assembly session.

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 English. The state has set standards to 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.

Master Plan for Student Achievement

The Bridge to Excellence legislation mandated 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 described 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 also described 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
- ◆ Students enrolled in career and technology courses

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. The FY 2007 Operating Budget implements 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 goals and objectives of the federal No Child Left Behind Act 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 the following:

“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 developed four 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 prekindergarten 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 of schools presented a detailed strategic plan, *Our Call to Action: Pursuit of Excellence, The Strategic Plan for the*

Montgomery County Public Schools 2003-2008, that was adopted by the Board of Education in June 2003. This strategic plan forms the keystone of the five-year master plan. The law requires each district to submit annual updates of their comprehensive master plan, showing how well the school system is achieving the master plan goals. Montgomery County Public Schools submitted the second annual update in October 2004.

Community Forums

In February 2004 the Board of Education decided to change the process for public involvement in the development of the MCPS strategic plan and operating budget. The Board wanted to encourage greater public involvement in long-range strategic issues and involve the public in the development phase of the strategic plan and the operating budget. Previously, public input was only provided after the presentation of the operating budget. The Board also wanted to encourage participation by a broader range of stakeholders in the development of the operating budget.

Feedback received from the initial forums in 2004 had a major impact on the improvement initiatives proposed for FY 2006, including class-size reduction, special education, and parent outreach. For FY 2007, three community forums were held at regional sites during September and October 2005. The Board received a variety of feedback from participants in breakout groups, and from written comments received through the MCPS Web site. Staff organized follow-up meetings to share the results of the forums with a number of community organizations. The community forums demonstrated the diversity of viewpoints of stakeholders within the school community. The feedback received also showed many areas of consensus and provided valuable ideas for improvement. Many of the ideas advanced at the forums have resulted in specific recommendations made by the superintendent in this operating budget.

The development of the budget also included extensive and unprecedented contributions by the representatives of MCPS employee organizations. Each of the three union presidents participated in all internal budget review sessions. They made many suggestions for budget improvements, including both additions to and reductions in the budget, many of which became part of the recommended budget.

Initiatives to Improve Student Achievement

The improvement measures outlined in *Our Call to Action: Pursuit of Excellence* focus on the improving student achievement by providing a quality teacher and a quality instructional program for each child, backed by excellent supporting services staff, and supervised by outstanding administrators.

From FY 2001 through FY 2006, the Board of Education approved, and the school system implemented, \$95.9 million of improvement initiatives to carry out the strategic plan. The composition of these improvements is shown according to major strategies on the Initiatives Summary chart.

Implementing the Strategic Plan

Program initiatives included in the FY 2007 Recommended Operating Budget continue to implement the goals and strategies of the strategic plan. Positive results in student assessments indicate that MCPS is moving in the right direction. The recommended improvements continue the successful strategies implemented in prior years. Many of these recommendations are based on feedback received during the community input on the strategic plan received at the public forums and other input from stakeholders and individuals. This budget is truly a product of the entire school community.

The school system has planned carefully to align initiatives with the objectives of the strategic plan and to review progress continually through both internal and external evaluations. Based on these reviews, changes have been made when necessary to maximize the impact of additional resources.

Goal 1: Ensure Success for Every Student

The objective of these improvements is to continue to improve student achievement, to provide every student with a high-quality, world-class education. The initiatives recommended for FY 2007 are proven measures based on research in Montgomery County and nationally.

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

Early Success Performance Plan

The Early Success Performance Plan integrates improvements from prekindergarten through Grade 3 to rise the bar for all students. During the past six years, MCPS has invested more in Early Success than in any other single improvement strategy. Implementation of the plan addresses the opportunity gap facing our most affected children.

Full-day Kindergarten

This budget advances the Early Success plan by expanding full-day kindergarten

to an additional 17 schools, for a total of 110 schools. The initiative began in the 56 schools with the highest levels of poverty with a class size ratio of 15:1. As full-day kindergarten extends throughout the district, the class size ratio is budgeted at an average class size of 22:1. The FY 2007 Operating Budget adds 26.0 classroom teacher positions at a cost of \$1,875,653. Schools have been selected according to the plan adopted by the Board of Education as part of the Capital Improvements Program (CIP). The state mandate included in the Bridge to Excellence Act requires that all schools have full-day kindergarten and that counties offer prekindergarten programs to all at-risk students by FY 2008. MCPS is on target to fulfill that requirement. A total of 14 schools will remain to be included in full-day kindergarten for FY 2008.

The full-day kindergarten program uses a comprehensive and rigorous literacy-based curriculum. The program provides for ongoing assessment to monitor student progress, assist in instructional planning, and inform parents of their children's literacy and mathematics development. The extended literacy and mathematics program provides the extended learning time so crucial to students' acquisition of skills needed to become effective language users and problem solvers.

Class-Size Reduction

In FY 2001 the Board of Education began a comprehensive initiative to reduce class size at all grade levels. During FYs 2001–2006, the Board added 673.5 classroom teacher positions at a cost of \$32,189,430 to reduce class size. This unprecedented initiative includes—

- ◆ Full-day kindergarten for 56 schools at 15:1 (\$8.4 million)
- ◆ Grades 1 and 2 class size reduction in 56 schools at 17:1 (\$7.5 million)
- ◆ Other elementary school class size reduction (\$1.1 million)
- ◆ Reduction maximum class size guidelines in all elementary schools by 2 students, from 28 to 26 in Grades 1–3, and 30 to 28 in Grades 4 and 5 (\$7.2 million)
- ◆ Middle and high school class-size reduction (\$6.1 million)
- ◆ Special Education (\$1.9 million)

FY 2007 Initiatives Summary	FTE	AMOUNT
Full-Day Kindergarten - 17 Additional Schools	26.0	\$1,875,653
Class Size Reduction - Inclusion Classes and Art, Music, PE	28.0	1,624,315
Special Education	75.0	3,765,627
Elementary Assistant Principals	15.0	1,574,676
High School Supports		2,600,000
Curriculum and Instruction/K-12 Program Support	20.0	2,341,099
Technology	7.0	711,438
Building Services	18.0	601,401
Security and School Environment	2.5	75,020
Organizational Development	2.0	174,483
TOTAL	193.5	\$15,343,712

Initiatives to Improve Student Achievement

Despite these improvements, many class sizes remain too large for the most effective differentiated instruction. In addition, as more special education students are included in regular classrooms, students require smaller classes to achieve necessary gains in learning. The FY 2007 budget addresses this issue by lowering class size in high schools. It adds a total of 25.0 classroom teacher positions at a cost of \$1,450,281. This will facilitate the inclusion of special education students in regular classrooms.

Special Education

During the past six years, MCPS has expanded funding for special education (including instructional costs, employee benefits, and transportation) by more than \$100 million, including the addition of 714.3 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 has approved each annual submission from MCPS. The FY 2007 budget also includes the Special Education Staffing Plan that resulted from months of extensive stakeholder input, including the Special Education Staffing Plan Committee.

A primary objective of the Special Education Staffing Plan is to advance the placement of special education students in general education settings or the Least Restrictive Environment (LRE). The LRE mandate included in IDEA requires children with disabilities to be educated to the maximum extent appropriate with nondisabled peers. The goal is to provide access to the general education curriculum for special needs students, and to raise the bar so that students with special needs will achieve consistently at higher levels in response to rigorous expectations.

The state of Maryland has set a goal for MCPS of at least 80 percent of students with disabilities to be educated within general education classes at least 40 percent of the time (LRE A or LRE B). MCPS has made progress

toward that goal. The current percentage of MCPS students in LRE A and LRE B is 70.7 percent. In FY 2005, special education students outperformed the Maryland state average on Maryland School Assessments in Grade 5 by 5.5 percent in reading and 9.3 percent in mathematics. Disabled students in the Intensive Needs Reading project gained one and one-half grade levels the first year of participation. In high school 20 percent of special education students enrolled in Honors or Advanced Placement classes.

The FY 2007 budget encourages progress toward LRE, with a comprehensive improvement program that includes input from the Special Education Staffing Plan Committee and other community feedback. The focus is on improved services for special education secondary school students. The total cost of this initiative is \$3,249,874, including 73.5 positions.

The initiative includes three significant elements. First, it adds staffing in the secondary Learning and Academic Disabilities (LAD)

FY 2007 Budget Initiatives		
Goal/Initiative	FTE	Amount
Goal 1: Ensure Success for Every Student		
Add Full-Day Kindergarten at 17 Additional Schools	26.0	\$1,875,653
Expand Violence Prevention Programs		250,000
Add Assistant Principals for Elementary Schools	15.0	1,574,676
Lower Class Size for Inclusion Classes in High Schools	25.0	1,450,281
Reduce Oversized Art, Music, and Physical Education Classes	3.0	174,034
Add Directors of School Performance	2.0	198,142
Improve Staffing Ratio for Learning Academic Disability (LAD) Classes	33.8	1,496,347
Implement Teaching Station Staffing Model for Special Education	24.4	1,039,000
Pilot Hours-Based Staffing Model for Special Education	15.3	714,527
Develop Web-Based System for Individual Education Plans (IEP's)	1.5	515,753
Expand Ride-by-the Rules Program	2.5	75,020
Add Building Service Workers	18.0	601,401
Goal 2: Provide an Effective Instructional Program		
Implement Middle School Reform		500,000
High School Supports		2,600,000
Expand Gifted and Talented Programs		191,271
Add Substitutes and Teacher Assistants	12.5	701,686
Add Elementary School User Support Specialists	3.0	226,675
Provide Support for Electronic Grading and Reporting Software	2.0	191,980
Assure Data Safety and Security		100,000
Support Special Ed, Professional Development, Parent Outreach Systems	1.0	105,022
Enhance Support for Systems Security	1.0	87,761
Goal 3: Strengthen Productive Partnerships for Education		
Enhance Translation Services	5.5	400,000
Expand Study Circles Program		100,000
Goal 4: Create a Positive Work Environment in a Self-Renewing Organization		
Provide Professional Growth System Consultants - Supporting Services Training	2.0	174,483
TOTAL	193.5	\$15,343,712

program to reduce the caseloads of secondary special education teachers. Because of significant increases in the number of students in this program, actual caseloads have increased over the past few years. This initiative adds 18.0 teachers and 15.75 paraeducators at a cost of \$1,496,347. This added staffing should be sufficient to improve special education caseloads and class sizes even with the increased projections for FY 2007.

Second, this initiative implements a “teaching station” staffing model to ensure that each middle school has at least 3.0 special education teacher positions and each high school has at least 4.0 special education teacher positions for LAD and resource students. This will assist schools in serving students in the LRE in having enough special educators with content certification. This initiative adds 13.0 special education teacher positions and 11.4 paraeducator positions at a cost of \$1,039,000.

Finally, this initiative begins the implementation of a new approach to staffing for resource and LAD needs based on the number of hours of service required for students rather than special education enrollment. This new approach matches resources better to actual needs in individual schools. This Special Education Staffing Plan committee has advocated strongly for the implementation of this approach. This helps those schools with students with more intensive service needs. In order to field test this approach, the FY 2007 budget introduces this approach in Forest Oak and Silver Spring International middle schools. It adds 7.0 special education teacher positions and 8.3 paraeducator positions at a cost of \$714,527. After evaluation of this new approach, implementation at additional middle schools will be considered.

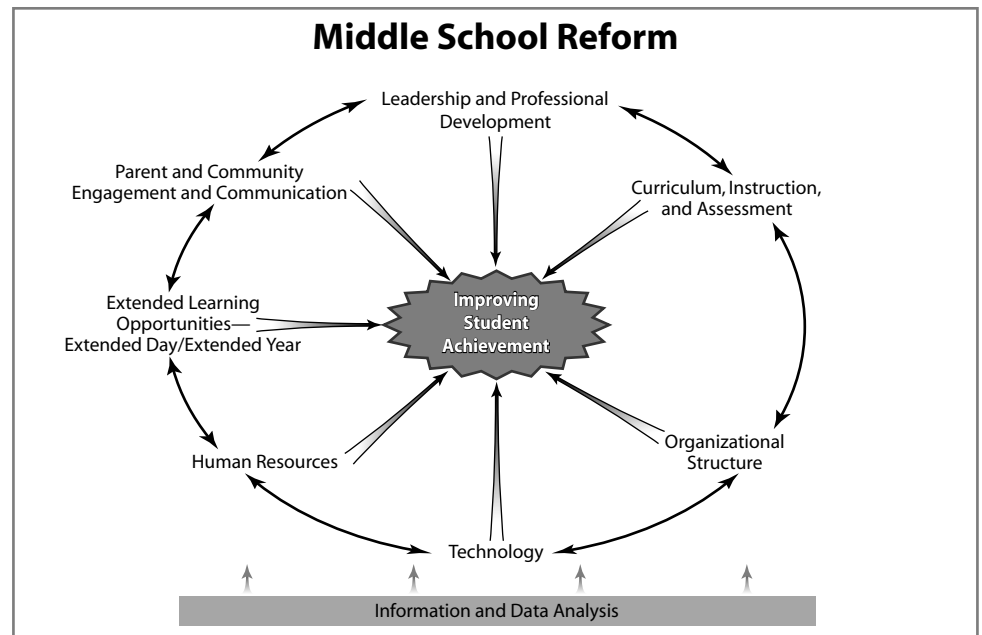
Evaluation of the success of special education programs also requires more responsive data analysis systems. MCPS has begun work on a new special education information system to manage IEPs. The new integrated Web-based system will provide remote, flexible, and secure access to special education documents for staff and parents. It will facilitate prompt compliance with federal and state requirements, and timely action to review and adjust each student’s program. The budget includes a net increase of 1.5 positions and a total cost of \$515,753, including needed systemwide training and contractual services to support

introduction of the new system. This will permit initial training during FY 2006 with a roll-out to school staff during FY 2007.

ESOL

During the past six years, MCPS has strengthened services for the growing ESOL community. As ESOL enrollment has grown, direct expenditures increased from \$19.7

the principal to concentrate on instructional leadership and is vital for school safety when the principal is away from the building. Currently, there are 54 schools without an assistant principal. To reduce the number of schools with only a single building administrator, the FY 2007 budget adds 15.0 assistant principals at elementary schools at a cost of \$1,574,676. This is in addition to 7.0 assistant principals added for enrollment growth



million in FY 2000 to \$34.4 million in FY 2006. As part of this increase, budget initiatives to serve ESOL students totaled \$1.4 million, including \$800,000 to expand staffing for schools with high concentrations of students with greater language difficulties, \$180,000 for bilingual assessment, \$180,000 for counseling, and \$225,000 for parent outreach.

The FY 2007 budget includes funding for additional translation services to make MCPS documents available to parents in five languages. These services will especially benefit families with ESOL students. This initiative is discussed below under Goal 3 of the strategic plan.

School Leadership

The success of school improvement reforms requires outstanding leadership at the school level, including monitoring of school performance. The focus is on the role of the principal as the school’s instructional leader. The presence of an assistant principal allows

and new schools under existing formulas.

The Office of School Performance (OSP) directs and monitors school instructional programs and school improvement. The increase in the number of schools in recent years has increased the workload of the community superintendents. The FY 2007 budget adds two directors of school performance at a cost of \$198,142 to assist community superintendents with significantly increased scopes of responsibility to strengthen monitoring of school performance.

Safe and Secure Schools

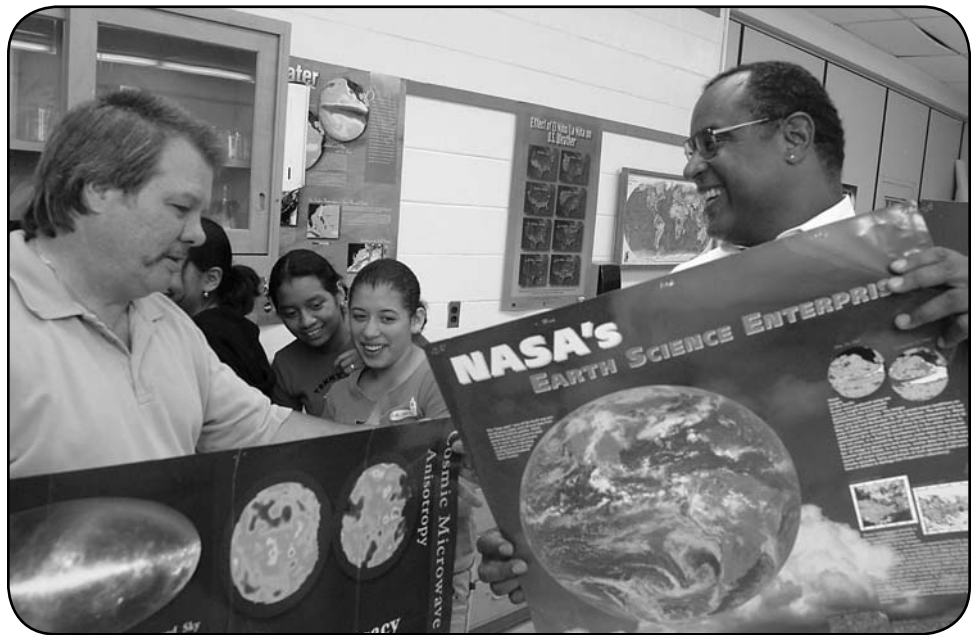
MCPS continues to ensure a safe and secure learning environment through ongoing security initiatives. Educational facilities officers (EFO) budgeted in the Montgomery County Police Department work closely with school staff and security officers to maintain and enhance a safe and secure learning environment. The EFO improves coordination and communication in emergencies, conducts training for staff, students, and parents, and participates fully

Initiatives to Improve Student Achievement

as part of the school community to discuss issues of concern. Under the leadership of the Department of School Safety and Security, school staffs have received extensive training in violence prevention. The FY 2007 budget includes an additional \$250,000 to work through community organizations to develop school programs to prevent and address violence prevention. MCPS will continue to work closely with the Gang Prevention Task Force, under the leadership of the Montgomery County departments of Police and Health and Human Services, and the new gang prevention coordinator to address these vital issues.

To improve the safety of school buildings, the budget adds 18.0 building service worker positions—in addition to 40.0 added for new schools—at a cost of \$601,401. This will enable building service workers to deal with the growth in cleaning space and the more complex equipment that protects the school environment.

The “Ride by the Rules” program addresses school safety by improving coordination between students, school staff, and bus operators to educate students about bus safety and appropriate behavior while on route to and from school. To implement this new program, the FY 2007 budget allows bus operators



an additional one-half hour weekly to meet with school staff, parents, and community members about behavior and safety issues on buses at their school. The extension of the work day adds a total of 2.5 bus operator positions to cover the total additional time at a cost of \$75,020.

Goal 2: Provide an Effective Instructional Program

The Board of Education has established as an academic priority the alignment of a rigorous curriculum, delivery of instruction, and assessment. The goal is to create

FY 2001-2007 Strategic Plan Initiatives

	FY 2001-05 Funded Amount	FY 2006 Funded Amount	FY 2007 Requested Amount	FY 2001-07 Total Amount
Goal 1: Ensure Success for Every Student				
Early Success	\$7,076,907	\$2,557,403	\$1,875,653	\$11,509,963
Class Size Reduction	22,705,812	9,483,618	1,624,315	33,813,745
Special Education	4,177,066	2,633,276	3,765,627	10,575,969
ESOL	1,428,549			1,428,549
Removing Barriers to Learning - Counseling and Mental Health	1,090,604	511,985		1,602,589
Middle School and High School Reform	3,382,355	1,975,776	3,291,271	8,649,402
Other Program Support	1,105,561	100,000	701,686	1,907,247
School Organizational Support	1,359,360	1,568,148	1,772,818	4,700,326
Security	733,042	89,700	325,020	1,147,762
Infrastructure and Environment	2,620,466	795,035	601,401	4,016,902
Total Goal 1	45,679,722	19,714,941	13,957,791	79,352,454
Goal 2: Provide an Effective Instructional Program				
Raising Literacy Standards	320,612			320,612
Reading and Writing—Accelerating Academic Proficiency	3,655,100	710,957		4,366,057
Mathematics—Accelerating Academic Proficiency	1,913,577			1,913,577
Shared Accountability	430,224	2,246,924	297,002	2,974,150
Technology	2,516,542	600,387	414,436	3,531,365
Total Goal 2	8,836,055	3,558,268	711,438	13,105,761
Goal 3: Strengthen Productive Partnerships for Education				
Total Goal 3	300,000	250,071	500,000	1,050,071
Goal 4: Create a Positive Work Environment				
Total Goal 4	17,163,870	380,521	174,483	17,718,874
GRAND TOTAL	\$71,979,647	\$23,903,801	\$15,343,712	\$111,227,160

a curriculum aligned to state, national, and international standards. In the past six years, the operating budget has included \$12.4 million in improvements for improved curriculum, mainly in reading, writing, and mathematics. In addition, almost \$4 million is realigned annually from other accounts to purchase new textbooks.

Middle School Reform

The next phase of comprehensive school reform will emphasize teaching and learning at the middle schools. Over the past five years, many of the reform initiatives have concentrated on early childhood and on academic rigor in high schools. Completion of this program now requires greater efforts toward middle school improvement.

As the students who benefited from the early childhood initiatives approached middle school, the district has addressed the issue of comprehensive middle school reform. A multi-stakeholder steering committee is charged with developing this reform with seven project teams that research, benchmark, and report on the following seven areas: leadership and professional development; curriculum, instruction, and assessment; extended-day and extended-year; technology; organizational structure; human resources; and communication and parental engagement.

In 2004 MCPS received a federal Magnet Schools grant of \$7.2 million. This grant permits the establishment of the Middle Schools Magnet Consortium, which opened in 2005. Special themes integrated into the MCPS curriculum will be available schoolwide to all students at Argyle, Parkland, and A. Mario Loiederman middle schools. More students than expected availed themselves of the opportunity to enroll in the magnet program.

The development of comprehensive reform recommendations requires extensive collaboration. The Middle School Reform Steering Committee established by the superintendent of schools includes approximately 165 members representing a multitude of stakeholders. The middle school reform plan will be presented to the superintendent for recommendation to the Board of Education. At that time, specific budget proposals will be adopted. A total of \$500,000 is set aside to begin implementation of the recommendations in FY 2007, in addition to \$840,000 reserved in the

Office of Organizational Development for needed training activities. Initiatives related to the middle school reform effort included elsewhere in the FY 2007 budget include—

- ◆ Improvements in special education staffing for LAD and resource programs
- ◆ Hours-based special education staffing at two middle schools
- ◆ Expanded programs for gifted and talented students
- ◆ Substitute time for middle school teachers to complete high school course assessments
- ◆ Violence-prevention programs

Grading and Reporting

The districtwide development and implementation of the new standards-based grading and reporting policy aligns grading practices with state and local curricula and assessments, and promotes consistency among schools and across levels. Implementation of the new grading and reporting system will require detailed consultation with stakeholders, including parents, staff, and the wider community. The FY 2007 budget includes the addition of 2.0 application developer positions at a cost of \$191,980 to implement new grading and reporting software at all secondary schools. This will save valuable time for teachers as they



Together with continuing initiatives and the forthcoming recommendations, the middle school reform program will be a comprehensive effort to improve the student achievement for all middle school students.

High School Supports

The FY 2007 budget includes \$2.6 million to support high school students who are not adequately prepared to be successful on the High School Assessments or to take more rigorous high school courses. In addition, this initiative will add teachers to reduce the significant number of oversized classes in high schools. The initiative also will include resources to extend the school day and provide support to students who have lost academic eligibility to participate in extracurricular activities.

implement the new procedures and standards. The FY 2007 budget also includes \$300,000 to provide additional substitute time to allow kindergarten teachers to administer additional required student assessments.

Honors and Advanced Placement

MCPS has made a commitment to provide a rigorous academic program for all students, culminating in Advanced Placement (AP) courses. Since 2001, the number of students taking AP tests has increased by 75 percent, and average scores of over 3.0 have remained. In FY 2005 more than 28,930 students, two-thirds of all high school students, participated in at least one Honors or AP course.

Initiatives to Improve Student Achievement

International Baccalaureate

The FY 2007 budget continues the multiyear plan to develop local gifted and talented programs by adding \$191,271. Improvements in International Baccalaureate programs total \$109,373. This will support the Primary Years Programme (PYP) at College Gardens Elementary School, the Middle Years Programme (MYP) at Silver Spring International, Newport Mill and Francis Scott Key middle schools, and the Middle Years and Diploma programmes at Julius West and Westland middle schools and Richard Montgomery, Bethesda-Chevy Chase, and Watkins Mill high schools. The initiative also allows monitoring of the achievement of traditional underserved students who are participating in these rigorous programs.



The initiative also supports the continued phase-in of the Center for the Highly Gifted to Grade 5 at Chevy Chase Elementary School at a cost of \$28,911. This will increase the number of students who have access to accelerated instruction and advanced courses.

In order to serve students working at the highest levels of attainment, the Roberto Clemente Middle School Upcounty Center Program features both the Humanities and Communication and the Mathematics, Science, and Computer Science programs offered at Eastern and Takoma Park middle schools in the downcounty area. The budget also supports continued development of the Roberto Clemente Middle School program. In FY 2007 additional funding of \$52,987 will improve teacher training, curriculum development, and provide instructional materials and school application fees.

Technology

Technology is critical to learning and supporting the system of shared accountability. The Technology Modernization program has updated school-based technology with the goal of having a student-to-computer ratio of 5:1.

In FY 2005 MCPS introduced the Technology for Curriculum Mastery (TCM) initiative that is designed to reclaim valuable teacher time and improve student performance by facilitating the development, scoring, and reporting of formative assessments. Using this new technology, formative assessments that took hours to administer can now be done in minutes with much higher quality and more accurate information. By saving teachers time, TCM can strengthen teaching and learning. The TCM system provides immediate reports to teachers and administrators. Data generated by the TCM assessment flows into the IQMS system to be used as one of many comparative sources of information on student achievement. Initial deployment of the system took place during FY 2005, and expanded to all elementary schools in FY 2006.

Improvements in the use of technology require access to technical support. This budget includes 3.0 elementary school user support specialists at a cost of \$226,675. This addition will increase support hours to nine hours per week with each user support specialist responsible for approximately 600 school computers.

Technologies being expanded to schools in FY 2007 include an enterprise package in special education for Individual Education Programs (IEPs), a new parent outreach database, and the Professional Development Management System to track the impact of staff development activities. This budget includes the addition of a senior systems engineer position at a cost of \$105,022, to work with instructional staff to support these systems. A systems security specialist position, added at a cost of \$87,761, will support information system security and protect students and staff against virus-infected files, “worms,” and the willful destruction of operating systems. Information technology (IT) security also deals with the growing threat from hackers to the accuracy and security of data. The FY 2007 budget also improves the security of IT systems by adding \$100,000 for consultant fees to ensure the protection of internal information technology resources from outside interference. The consultant will make recommendations to improve system security and assist in the implementation of the proposed recommendations.

Other Elementary School Improvement Programs

The FY 2007 budget supports other school improvement efforts. It includes an additional 3.0 teacher positions at a cost of \$174,034 for art, music, and physical education to reduce excessive class sizes in these subjects. An additional \$301,686, including 12.5 teacher assistant positions, is added for elementary schools to provide assistance to teachers in the preparation of instructional materials and save them valuable time for direct instruction.

Goal 3: Strengthen Productive Partnerships for Education

The Board of Education’s priorities include strengthening family-school relationships and expanding partnerships with civic, business, university, and community organizations. This goal includes collaboration with employee unions to strengthen schools. Partnerships with community organizations have encouraged the contribution of volunteers in such programs as the Ruth Rales – Comcast program and provided supplementary services such as the George B. Thomas Saturday Schools.

Family and Community Partnerships

Parents, as first teachers, are partners in supporting student achievement. Feedback from the community forums clearly showed a need for increased involvement of parents, especially for those parents who do not speak English well. Comprehensive parent handbooks, issued in several languages, identify available services and resources within MCPS and provide guidance for parents and community members in understanding MCPS organization, programs, and services. The MCPS Call Center provides parents and community members with direct access to information and timely answers to questions in English and other languages.

Translation Services

The demand for professional translation services in multiple media continues to increase at unprecedented levels throughout the community. Communicating essential information to the linguistically diverse community requires professional translation

services in multiple languages using various media, including Web publishing, print, and television. In FY 2006 MCPS implemented a translation unit at a cost of \$177,286. The unit has provided translations in 10 different languages. The FY 2007 budget adds 5.5 FTE within the Division of ESOL/Bilingual Services to expand translation services. This will include a 4.0 communication specialists, a 1.0 secretary, and a 0.5 data systems operator. The goal is to provide Spanish, Vietnamese, French, Korean, and Chinese translations in all requested media. Other languages will be included through contractual services.

Study Circles

The successful MCPS Study Circles Program helps schools by organizing roundtable dialogues among diverse teacher, parents, and students. Trained facilitators lead each of the study circles. The study circles widen understanding of cultural differences and their impact on teaching and learning. The FY 2007 budget adds \$100,000 for facilitators and program materials to expand the Study Circles Program to a total of 25 sites.

Goal 4: Create a Positive Work Environment in a Self-Renewing Organization

MCPS has embarked on an ambitious program to transform schools into professional learning communities in which all employees are afforded time, support, and opportunity for continuous growth and improvement.

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.

Professional Growth System

The Montgomery County Public Schools has fully implemented the Teacher Professional Growth System. The PGS includes a redesigned 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. Administrators and supervisors now have their own PGS that complements the system for teachers implemented in cooperation with the Montgomery County Association of Administrative and Supervisory Personnel (MCAASP). Consulting principals are assisting new principals and principals and assistant principals in need of improvement.

In collaboration with SEIU Local 500, the Office of Organizational Development (OOD) has developed a Supporting Services Professional Growth System (SSPGS). This system is based on core competencies and performance criteria that reflect the high level of skills and commitment to excellence that is expected of all supporting services personnel. As part of the SSPGS, a Performance Improvement Process (PIP) has been developed which provides support to underperforming employees. The PIP includes an initial cadre of six professional growth consultants (PGCs) who are the supporting services equivalent of the consulting teachers and consulting principals. The PGCs completed 702 hours of training to enable them to effectively support underperforming supporting services employees in meeting competency. The PGCs are the direct liaison among supporting services employees, administrators/supervisors, and the Peer Assistance and Review Panel. A career ladder has been implemented which will allow paraeducators to advance from a Career Level I paraeducator to Career Level II with

the completion of an 18-hour course. More than 450 regular education paraeducators have completed the course and 450 special education paraeducators have completed the course, which was differentiated to meet the needs of these two groups. Paraeducators have also been provided with opportunities to meet the NCLB highly qualified requirement by participating in ParaPro Test Prep courses developed by MCPS. Approximately 64 paraeducators have completed the course. The supporting services training and development team has established a partnership with the Montgomery County Government Office of Human Resources to create and conduct cross-organizational training opportunities for both school-based and non-school-based supporting services staff. To date they have jointly offered more than 30 courses, providing professional development in areas such as Organizational Development, Diversity Studies, and Leadership Development, including an Administrative Professionals' Conference, which was attended by almost 150 staff. These accomplishments and advancements will be critical in helping MCPS meet its goal of creating a positive work environment in a self-renewing organization and in providing an effective instructional program.



The FY 2007 budget includes an additional 2.0 professional growth consultant positions at a cost of \$174,483.

The budget includes other organizational development initiatives funded through realignment of existing training priorities. These include \$500,000 to implement the recommendations of the Middle School Reform Steering Committee.

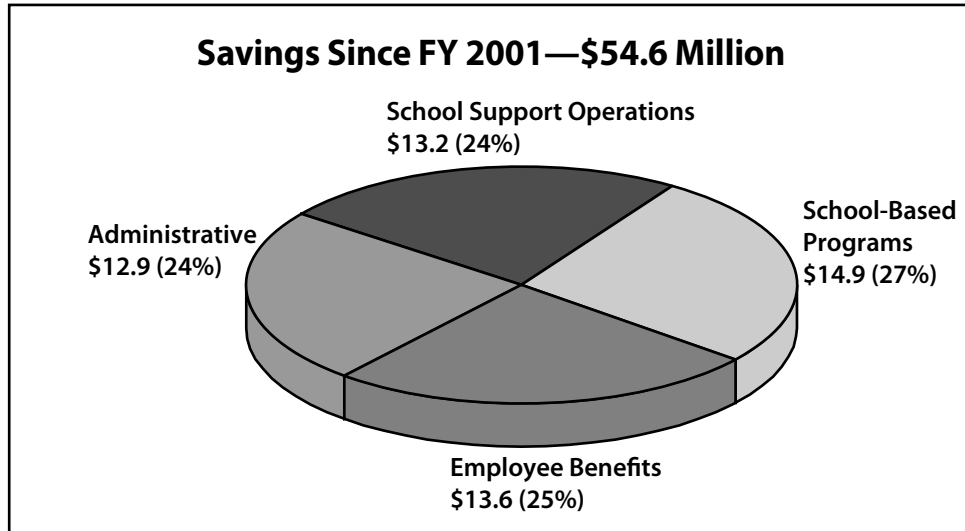
PEAR Reductions

Nearly half the cost of the program-improvement initiatives described above will be offset by productivity reductions in the existing budget. During the past six years, MCPS has made more than 54.6 million in reductions in the base budget through intensive zero-based

\$40,192 in materials and equipment funds for the Division of Career and Technology Education. In addition, there is an approximate reduction of 25 percent in the funds available for summer supplemental employment for program development (\$200,000).

networks is reduced by \$43,000. Also, there are reductions of \$20,000 for work management services, \$8,400 for document management software, \$24,705 for supporting services part-time salaries, and \$28,495 for equipment. There also is a reduction of \$17,448 for professional part-time salaries in the Department of Reporting and Regulatory Accountability.

In the Office of Special Education and Student Services, the Department of Alternative Programs will be discontinued, with its functions spread to other units. Staff who currently support Home and Hospital Teaching and Alternative Programs will be transferred to the Department of Student Services. This is consistent with guidelines from the Maryland State Department of Education. The Summer School and Evening High School programs will be transferred to the Office of School Performance. This office has responsibility for all MCPS schools and the change will facilitate the alignment of these programs with the MCPS curriculum and instructional practices. The Adult Education program will be transferred to Montgomery College and the Department of Recreation, continuing the shift begun last year. As a result of these changes, there is a net reduction of 3.0 positions for the supervision of these programs at a savings of \$243,426. There is a savings of \$11,649 resulting from reducing local funds related to the transfer of adult ESOL education to Montgomery College.



budget reviews of all units and all budget accounts. For FY 2007, a total of \$6,023,547 has been identified for redirection into higher budget priorities through the Program Efficiency, Abandonment, and Redirection (PEAR) process (see attached chart). In addition, \$254,301 has been shifted from the tax-supported budget to other non-tax-supported funds. A total of \$3,677,298 has been removed from the MCPS budget but is proposed to be transferred to other county agencies. More than 26 percent of these reductions come from Central Services functions (\$1.6 million). Another \$1.5 million comes from support operations, and \$2.9 million is reduced from school-based resources. This total of \$6.0 million is on top of \$54.6 million reduced since FY 2001.

There is a total reduction of \$650,600 in the Office of Organizational Development. This includes \$300,000 in curriculum training, including a reduction in the number of days for elementary school core team training for leadership and planned Grade 1 training in social studies. There also is a reduction of \$350,600 for the development of online course work.

Central Services reductions in the Office of Information and Organizational Systems total \$329,808. This total includes \$187,760 for class server licenses that would allow teachers additional tools to analyze student progress on curriculum standards. Facilities renovations for WAN/LAN

Central Services Reductions

For FY 2007 Central Services reductions total \$1,626,936. This includes a total of \$178,192 in the Office of Curriculum and Instructional Programs. The reduction of \$138,000 in printing costs for instructional guides will delay the appearance of some instructional guides. There is a reduction of

FY 2007 PEAR Reductions

Office	Positions	Amount
K-12 Instruction/Office of School Performance		\$ 1,094,251
Office of Curriculum and Instructional Programs	2.69	674,859
Office of Special Education and Student Services	20.28	1,804,033
Office of Information and Organizational Systems		329,808
Office of Organizational Development		650,600
Office of the Chief Operating Officer	13.0	1,393,675
Office of Superintendent/Department of Communications		76,321
TOTAL ALL OFFICES	35.97	\$ 6,023,547

Support Operations Reductions

For FY 2007 reductions in support operations total \$1,486,996. In the Office of the Chief Operating Officer, there is a reduction of 12.0 positions and \$967,935 in the Division of Maintenance. This will eliminate discretionary minor new construction projects, including construction of rooms and partitions in schools and offices; addition of plumbing and electrical devices not originally provided in facilities; and construction of new cabinets, shelving, and outdoor storage sheds. High-priority maintenance and repair tasks, including signage, will continue using other staff. There is a reduction of a \$138,856 in the Department of Facilities Management that is shifted to the Real Estate Management (REM) Fund, where a 1.0 position will be reduced. Other savings in the Office of the Chief Operating Officer include \$21,384, resulting from a reduction in the Visiting Bookkeeper program that assists schools in managing their independent activities accounts.

In the Office of Human Resources, there is a savings of \$250,000 in the Teachers 2000 University Partnership program. There also is a savings of \$15,500 in the Office of Human Resources from discontinuing the New Teacher Welcome program. New teachers will continue to benefit from mentoring and other programs in the Office of Organizational Development.

The Department of Communications will reduce expenditures in the Electronic Graphics and Printing Unit, budgeted in the Office of Information and Organizational Systems, by \$76,321.

School-Based Reductions

It is important to minimize the effects of budget reductions on school-based programs. The total school-based reductions of \$2,909,615 comprise only a 0.2 percent reduction in school-based services. Since school-based resources account for at least 78 percent of the MCPS Operating Budget, it is impossible to shelter schools completely from the need to make reductions.

These reductions include \$547,061 in textbooks, \$136,240 in media center materials, and \$160,950 in instructional materials. The amount budgeted for instructional equipment is reduced by \$50,000. There is also a reduction of \$76,259 in elementary curriculum support. Finally, summer supplemental employment is reduced by \$200,000.

In the Office of Curriculum and Instructional programs, there is a reduction of 2.7 positions for a savings of \$171,950 for support positions in prekindergarten programs. This restores the ratios that existed in this program after the County Council reduced the size of the program by 250 students in FY 2006 to support

receive all speech pathology services indicated on IEPs. Because of a reduction in restrictive kindergarten placements, more students are being recommended for transition to general education environments. As a result, there is less need for separate language classes. One language class will be eliminated at New



a community-based prekindergarten program. The reduction includes 2.0 family service worker positions, a 0.5 speech pathologist, and a .2 social worker positions. There also is a reduction of \$19,456 for food for Head Start and prekindergarten programs. Finally, there is a reduction of \$275,000 in a variety of special purpose, reading materials, and other non-personnel accounts to support schools.

In the Office of Special Education and Student Services there are reductions of 19.275 positions and \$1,226,107 in school-based programs. This includes a reduction of 6.0 teacher positions and \$601,774 provided to elementary schools with a high number of special education students. These positions have served as half-time coordinators at schools with no assistant principal. Initiatives to increase the number of elementary school assistant principals make these positions a lower priority compared with other needs in special education. There is a reduction of 1.5 speech pathologist positions at a savings of \$128,911 as language disabilities classes at five elementary schools are converted to language and academic disability (LAD) classes. Students will continue to

Hampshire Estates Elementary School with a reduction of 2.2 positions for a savings of \$154,399. There also is a reduction of a 1.0 Preschool Education Program (PEP) parent coordinator position and a savings of \$85,106. Existing staff will redeploy to cover all parent education responsibilities.

In secondary schools there is a reduction of 1.5 FTE and a savings of \$214,491 at secondary learning centers. There is a reduction of a 1.0 teacher and 1.5 paraeducators positions at a savings of \$141,440 by reassigning students scheduled for a school-community based class at James Hubert Blake High School to existing programs at Sherwood High School or Springbrook High School. Additionally, there is a reduction at Mark Twain School of 2.6 positions at a savings of \$222,837, including a 1.0 program specialist and 1.6 teacher positions not required because of lower enrollment at the school. One language class will be eliminated at New Hampshire Estates Elementary School with 2.2 FTE and a savings of \$154,399. This results from a reduction in more restrictive kindergarten placements as students transition to general education environments.

Productivity and Performance Measurement

The County Council has requested county agencies, as part of their budget submissions, to address issues of budget priorities and performance measurement. The MCPS strategic plan, *Our Call to Action: Pursuit of Excellence*, clearly identifies budget priorities through the goals and strategies outlined in the plan. Since the strategic plan was originally adopted in November 1999, MCPS has followed a multiyear improvement plan that is aligned with community goals.

MCPS has undertaken an extensive program of outreach to help parents and the community understand the strategic plan and budget priorities. This fall MCPS held three widely publicized community forums at regional sites across the county. The feedback from these forums and the follow-up session held to discuss the feedback played a major role in the development of budget initiatives included in the FY 2007 Operating Budget.

The cost effectiveness of the investment in MCPS programs results from the alignment of these programs with the strategic plan and consistency in their pursuit. Guided by the strategic plan, MCPS has pursued very consistent goals since the issuance of the original Call to Action in 1999. An emphasis on rigorous curriculum development, improvement in staff capacity to deliver instruction, standards-based student assessment, concentration on improvement of academic achievement for students who face obstacles to learning, and the improvement of organizational efficiency has been a steady and consistent approach for the past six years.

The *Annual Report on Our Call to Action*, to be published this year in December, summarizes much of the work that has been done to review program outcomes. This report is aligned with the goals of the strategic plan. It provides a comprehensive review of the school system's performance on the milestones and data points of the strategic plan. Student subgroups' performance measures are disaggregated by state and federal requirements. This data summarizes the effectiveness of many of the strategies in the strategic plan.

The operating budget includes performance measures for all operating units. In most cases these performance measures include outcomes related to the mission of the unit.

The measures presented in the operating budget represent only a fraction of the total data gathered by units. Most measures are used primarily as operational tools to monitor and improve the performance of the organizational unit. In addition to effectiveness indicators, these measures include efficiency, customer focus, employee quality, and outcome measures.



MCPS uses a variety of methodologies and information to review program effectiveness. The particular methodology depends on the nature of the program and the strategy. Generally, the greater the investment of resources, the more intensive is the evaluation of any particular program.

MCPS also has been training staff throughout the school system in the Baldrige Integrated Management System. One of the seven Baldrige criteria is information analysis and knowledge management, and a critical component of the use of this management system is the ongoing monitoring of improvements and results. The Baldrige Integrated Management System stresses the use of performance measures in fact-based decision making and for setting and aligning organizational directions and resources used at the district office and classroom levels. Analyses of performance measures include examining trends, information from other districts, cause-effect relationships, and correlations intended to support performance reviews, as well as determining root causes. All analyses help to determine priorities for resource allocation. As schools and offices become more proficient in using the Baldrige Integrated Management System and various data analyses tools, their efficiency and effective-

ness will improve. In 2005 MCPS became the first large school system in the nation to win the prestigious U.S. Senate Productivity Award, based on the Baldrige Quality Management Criteria, a measurement of quality that compares the school system with public and private organizations throughout the state of Maryland.

One of the most challenging tasks in budgeting is to link resource allocations to performance measures. This is called performance budgeting. There is no simple way to determine priorities based on performance measures alone. Performance measures work best when they are the starting point of an analytical process aimed at improving performance and aligning budgeted resources to long-term strategies.

To accomplish this MCPS has instituted a systemwide zero-based budgeting system. Linked to performance measures, this system allows managers to identify priorities and move resources to programs that are most effective or to justify expansion. During the last five fiscal years, MCPS has used this approach to make a total of \$82 million in reductions in budget requests, including \$53.5 million reduced from existing resources. These reductions have provided most of the funding needed for improvement initiatives over that time.

The bottom line is that budget decisions are data-driven.



Factors Increasing Operating Costs

The FY 2007 Operating Budget for the Montgomery County Public Schools must increase significantly to accommodate the effects of new school openings, inflation, and employee compensation. 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. The increase in the cost of basic services, however, will increase more in FY 2007 than in some previous years because of unavoidable inflationary factors. These requested increases total \$112.9 million (6.2 percent).

Enrollment Growth

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), other school-based supporting services, and new and expanded school facilities.

Although the growth of systemwide enrollment has reached a temporary plateau, continued growth, mainly in special education and ESOL programs, will increase the operating budget by \$7.8 million. In FY 2007 total enrollment is projected to increase by 459 students from 139,477 to 139,936 (budget-to-budget projections). Actual- to projected-enrollment is expected to increase by 549, from 139,387 to 139,936. Budgeted enrollment in elementary schools is projected to decrease by 406; middle school enrollment to increase by 138; high school enrollment to increase by 50. Enrollment in special schools is projected to decrease by 15. Total regular education enrollment changes in Grades K–12 increase costs by \$.2 million.

There is an increase of \$9.7 million related to the opening of new schools. The FY 2007 budget includes funds for four new elementary schools (Clarksburg/Damascus Elementary School #7, Northeast Consortium Elementary School #16, Northwest Elementary School #7, and Downcounty Consortium Elementary School #27) and Clarksburg High School that will open in FY 2007. Additional grades will be added at Northwood High School and A. Mario Loiederman Middle School.

New Schools, Additions, and Modernizations

NEW SCHOOLS	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Lakelands Park MS	X						
A. Mario Loiederman MS	X						
Clarksburg/Damascus ES #7		X					
Clarksburg HS		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				
Seven Locks ES Replacement Facility			X				
Clarksburg/Damascus ES #8					X		
SCHOOL ADDITIONS	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Baker MS (6)	X						
Forest Knolls ES (4)	X						
Gaithersburg ES (9) + (6 CSR)	X						
Rosemont ES (10) + (6 CSR)	X						
South Lake ES (6) + (6 CSR)	X						
Broad Acres ES (6) + (4 CSR)		X					
Farmland ES (8)		X					
Gaithersburg HS (16)		X					
Garrett Park ES (6)		X					
Northwest HS (20)		X					
Watkins Mill ES (10) + (6 CSR)		X					
Einstein HS (4)			X				
Sherwood HS (16)			X				
Sligo Creek ES (4)			X				
Weller Road ES (4) + (7 CSR)			X				
Ashburton ES (9)				X			
Fallsmead ES (6)				X			
Fields Road ES (9)				X			
Luxmanor ES (9)				X			
Pyle MS (9)				X			
Stedwick ES (12)				X			
Travilah ES (6)				X			
Washington Grove ES (12)				X			
Wayside ES (8)				X			
Westland MS (6)				X			
Bethesda-Chevy Chase HS (5)					X		
SCHOOL MODERNIZATIONS	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
College Gardens ES (12)			X				
Richard Montgomery HS (18)			X				
Galway ES (14)				X			
Cashell ES (5)					X		
Walter Johnson HS (12)					X		
Bells Mill ES (6)						X	
Carderock Springs ES (5)						X	
Cresthaven ES (6)						X	
Paint Branch HS (18)						X	

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

Factors Increasing Operating Costs

There also are funds in the FY 2007 budget for core staffing at two elementary schools slated to open in FY 2008. Costs associated with the opening of new schools, rather than enrollment growth, include building administrators, reading teachers, staff development teachers, building service workers, secretaries, and other positions. New school costs also include utilities, media and instructional materials, custodial supplies, equipment, food services, and other non-personnel costs.

paraeducator positions, as well as other growth-related costs such as textbooks and instructional materials. The total cost for special education, including transportation and benefits, will be \$339.6 million in FY 2007, an increase of \$28.2 million (9.0%).

Although the number of special education students is expected to increase, the number of special education children in nonpublic placement is expected to continue to decline,

1,400 students (10 percent) in the past four years. This increased enrollment will require the addition of 4.9 classroom teacher positions at a cost of \$283,649.

Employee Salaries

Changes in employee salaries are determined by negotiated agreements with three employee organizations:

- ◆ Montgomery County Education Association (MCEA)
- ◆ SEIU Local 500 representing supporting services employees
- ◆ Montgomery County Association of Administrative and Supervisory Personnel (MCAASP)

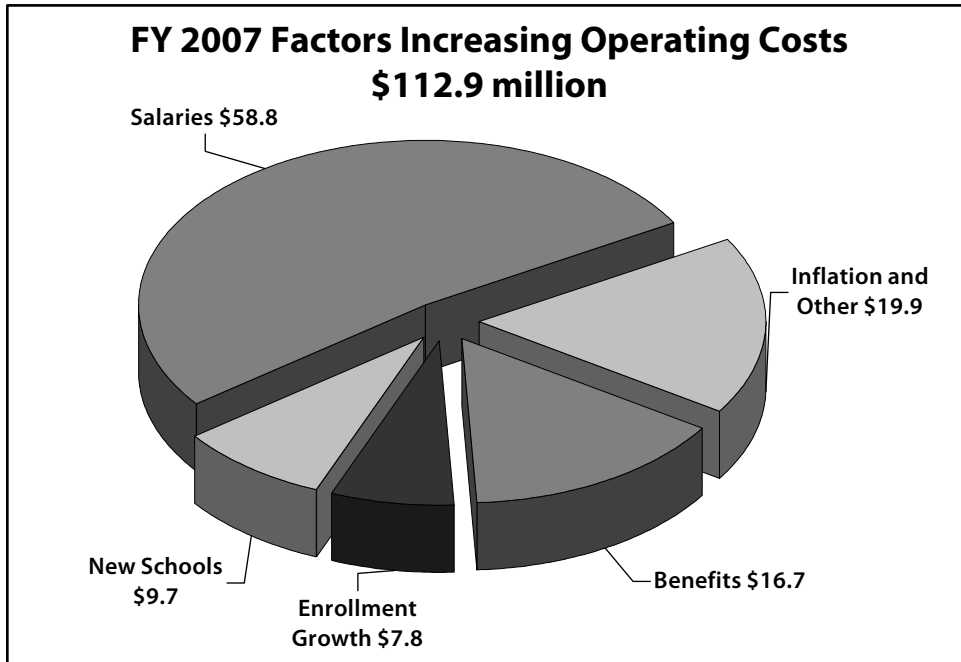
Negotiated Agreements with Employees

Negotiated agreements with the employee unions include economic terms already agreed to for FY 2007. These agreements increase the Operating Budget by \$44.9 million for existing employees.

In March 2004 the Board of Education reached a three-year contract with the Montgomery County Education Association (MCEA) that expires on June 30, 2007. All aspects of the contract were open to negotiation at that time. The salary agreement calls for a 3.0 percent increase effective July 1, 2006, and a midyear increase of 1.0 percent during 2006-07.

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 provided 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 at the option of each party were also open for negotiations. Mid-term negotiations occurred during 2003-2004 on the items that were open to negotiations. These negotiations resulted in a three-year agreement on salary and benefits, with the basic contract being extended one year, now expiring June 30, 2007. The salary agreement calls for a 4.0 percent increase effective November 1, 2006.

FY 2007 Factors Increasing Operating Costs \$112.9 million



Support services needed to support enrollment growth and new schools in the areas of food services and facilities management require the addition of 23.3 positions, and \$1.3 million.

Special Education Enrollment Growth

Enrollment for students with disabilities is projected to increase by 572 students. The number of resource services for students with hearing impairments, resource program needs, and vision, speech, and physical disabilities will increase by 581. This will result in an increased cost of \$4.3 million related directly to enrollment growth in special education. Several programs for students with disabilities, including secondary school learning and academic disability programs, autism, and infants and toddlers services continue to increase. This requires 167.8 additional teachers, speech pathologists, occupational/physical therapists, and

by 33 students. This is largely the result of the establishment of high-quality programs within the system for severely disabled students. Because tuition for each student in nonpublic placement can average nearly \$50,000, this reduction in the number of students will result in projected savings of \$1.8 million compared with FY 2006 budgeted costs.

ESOL Enrollment

Enrollment in programs for English language learners continues to increase. MCPS has more than 40 percent of all the ESOL students in Maryland, with the largest concentration in elementary schools. The number of ELL students in Montgomery County is greater than the total enrollment of nine Maryland school districts. ESOL enrollment is projected to increase by 200 students to a total of 13,400 students in FY 2007. Enrollment of English Language Learners (ELL) has increased by more than

In February 2003 MCPS also completed negotiations with SEIU Local 500, representing supporting services employees, on a two-year contract that was effective July 1, 2003, and was to expire on June 30, 2005. This agreement provided for reopened negotiations for salary and benefits for the second year of the agreement. The negotiations for salary and benefits for the second year resulted in a three-year agreement on salary and benefits and an extension of the contract through June 30, 2007. The salary agreement calls for a 3.0 percent increase effective July 1, 2006, and a midyear increase of 1.0 percent during 2006-07.

During the fall of 2003, the three unions agreed to participate in joint negotiations regarding benefits for all employees. These negotiations resulted in agreement on benefits terms for the following three years, through 2006–2007.

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, MCPS employees' pay is based on a salary schedule, published as part of the Operating Budget, which provides periodic increases for employees who perform satisfactorily. In addition, teacher salaries depend on the educational level of teachers. Salaries for supporting services employees depend on the number of hours worked in addition to their years of service.

The total budget increase for continuing salary costs and related benefits is \$13.9 million. This increase includes \$12.5 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 to move to a higher salary schedule. The remaining \$1.4 million is required for associated social security and retirement payments. Budgeted salary costs for FY 2007 are based on the assumption that all new employees will be hired at the budgeted new-hire rate for their position, including BA4 for regular education teachers and BA6 for special education teachers. Included in continuing salary costs is \$24.1 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 Benefits and Insurance Costs

The cost of health insurance and other employee benefits represents approximately 19.4 percent of the total MCPS budget, a total of \$356.7 million in FY 2007. National trends of higher health care costs have affected MCPS significantly. Despite ongoing efforts to contain costs, health care costs have risen by approximately 10.0 percent annually for the past three years, more than double the rate of overall consumer inflation. Largely due to these higher costs for health care, the total cost of employee health benefits for the current number of beneficiaries is projected to increase by \$16.7 million in FY 2007.

The increase for health care for active employees assumes a 10.0 percent cost increase trend for FY 2007, 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 factors. Retiree health care costs will decline by a net of \$800,000 with inflationary cost increases offset by expected reimbursement for Medicare prescription drug costs of \$2.9 million in FY 2007.

Joint negotiations with the employee unions resulted in a series of changes in health care plan designs, including higher co-pays for some plans, changes in pharmaceutical access, and new plan administration. These changes saved \$6 million in FY 2006.

Costs for current retirement programs will increase in FY 2007 by \$4.8 million based on 3.74 percent of salary. Total retirement costs will be \$43.0 million. A policy of five-year smoothing of investment gains and losses has necessitated significant increases in retirement costs during the past several years to make up for actuarial losses in previous years. Once the FY 2007 payment is made, it is expected that retirement contributions will stabilize because past investment losses will be completed.

Other budget changes in employee benefits include a net increase of \$267,381 related to leave conversion costs for MCAASP, a \$700,000 increase needed for tuition reimbursement, and a reduction of \$5,068,530 in worker's compensation and other risk management requirements that result from the completion of a program to restore satisfactory balance in the county risk management fund.

Inflation and Other Cost Increases

A total of \$19.9 million is set aside for inflation and other required cost increases in FY 2007. After a period of price stability, inflation in the Washington metropolitan area has increased to more than 4 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 who are in private placements, textbooks, and instructional materials. Inflation has been recognized for textbooks, instructional materials, media center materials, wholesale food items, and facilities maintenance, adding \$1.7 million to the budget.

Sharp increases in the price of crude oil and other sources of energy will result in major increases in the costs of operating schools and other facilities. Utilities increases resulting from higher costs of natural gas and electricity total \$10.1 million. This additional cost reflects higher prices for electricity resulting from deregulation of electric generation and higher prices for natural gas and heating oil resulting from worldwide increases in oil prices.

Higher costs for diesel fuel for school buses and other vehicles, bus parts, and lubricants total \$2.5 million. This additional cost results in an increase of \$1.6 million, primarily from an expected increase in the average diesel fuel price from \$1.35 to \$2.25 per gallon.

Rates for nonpublic tuition for special education students are projected to increase by \$1.3 million. Total costs will decrease, because of a projected decline in the number of students requiring nonpublic special education services.

- Other items requiring increases include—
- ◆ Food services (\$.9 million)
 - ◆ Plant operations and maintenance of facilities (\$1.0 million)
 - ◆ Technology (\$2.0 million)
 - ◆ Postage (\$.1 million)
 - ◆ Other costs, including an increase in mileage reimbursement instituted by the Internal Revenue Service and required by negotiated agreements (\$.3 million)

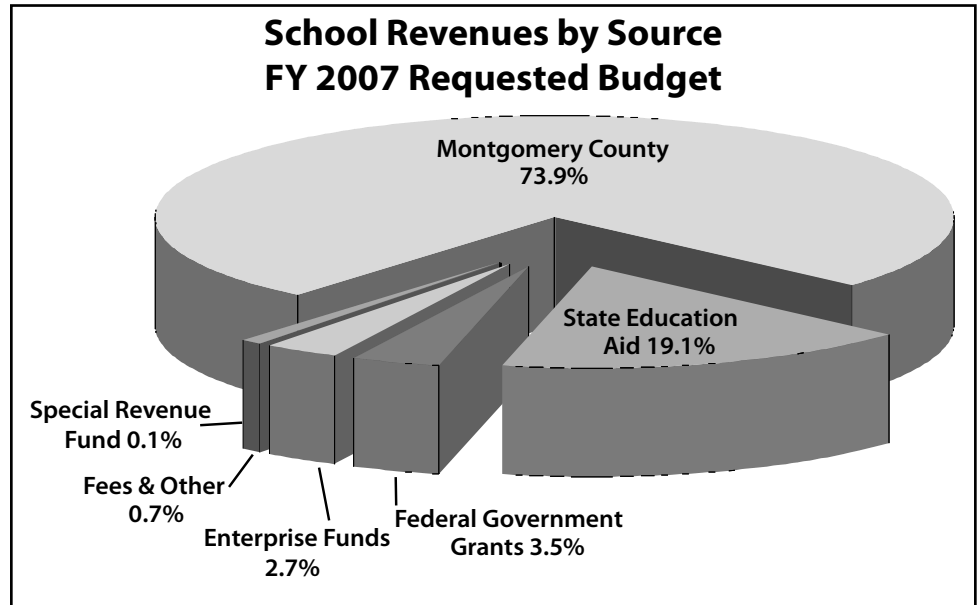
These increases are offset by the expected transfer of remaining adult education programs to Montgomery College and the Department of Recreation (\$3.7 million). There is an increase in the estimate for future supported projects, grants not yet received, of \$3.5 million.

Summary of Revenues

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.

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

In recent years the share of the budget funded by state and federal governments has risen. However, most of the operating budget continues to come from county tax funds.

County Revenue

The citizens of Montgomery County have been generous to the schools and still provide three-fourths of the system's total resources, more than the percentage paid by any other county in Maryland. In FY 2007 the county is expected to provide 73.9

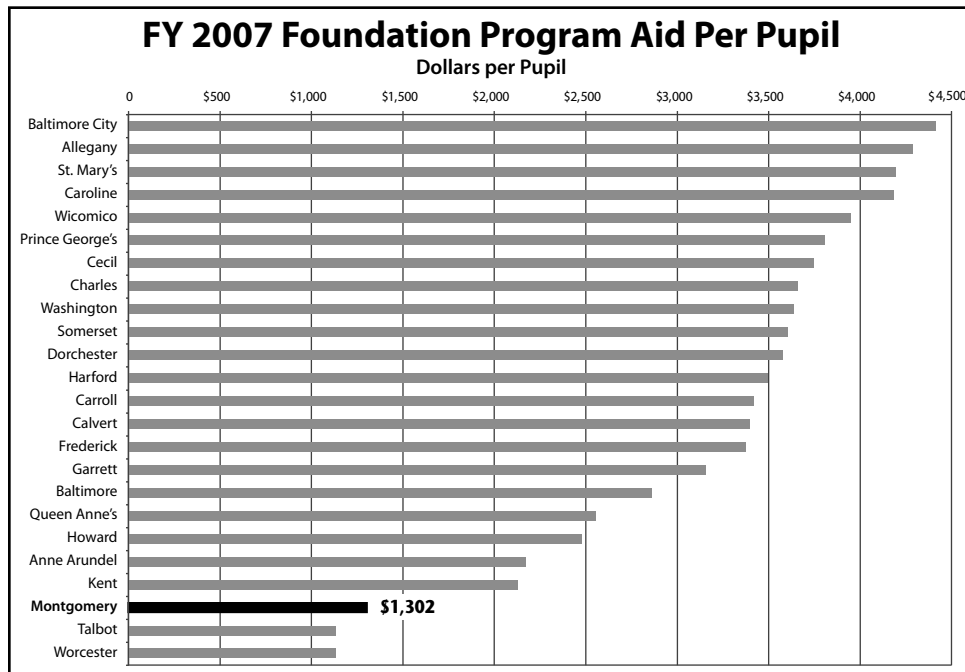
percent of total expenditures. The county percentage has declined gradually during the past decade as the Montgomery County share of state aid has increased. Nevertheless, MCPS still receives far less as a percentage from the state (19.1 percent) than other counties receive.

State Sources

The state Bridge to Excellence Act (Thornton) has significantly increased the total amount of state funding. In FY 2007 mandated funding under Thornton

will increase state aid to MCPS by \$47.8 million. Full funding of Thornton requires implementation of the Geographic Cost of Education Index (GCEI). This provision was part of the original Thornton law. It recognizes that some counties, including Montgomery County, have a higher cost of education beyond their control that should be reflected in higher state aid. The General Assembly agreed on a GCEI formula in 2004 that would give Montgomery County a 3.4 percent adjustment to reflect higher costs, but this provision was not funded in FY 2005 or FY 2006. If funded as provided by law for FY 2007, Montgomery County would receive an estimated \$17.0 million in additional state aid. If funding for the GCEI is not enacted for FY 2007, it would require the local share of the MCPS budget to increase or would necessitate a serious reduction in improvement programs.

Basic state aid is now based on a foundation amount of \$5,959 per student, compared with \$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 52 percent of the foundation total statewide, but only 22 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 2007 Montgomery County is expected to receive only \$1,302 per student, whereas other Maryland counties are projected to receive an average of \$2,452 per student.

Maintenance of Effort in Local Funding for Schools

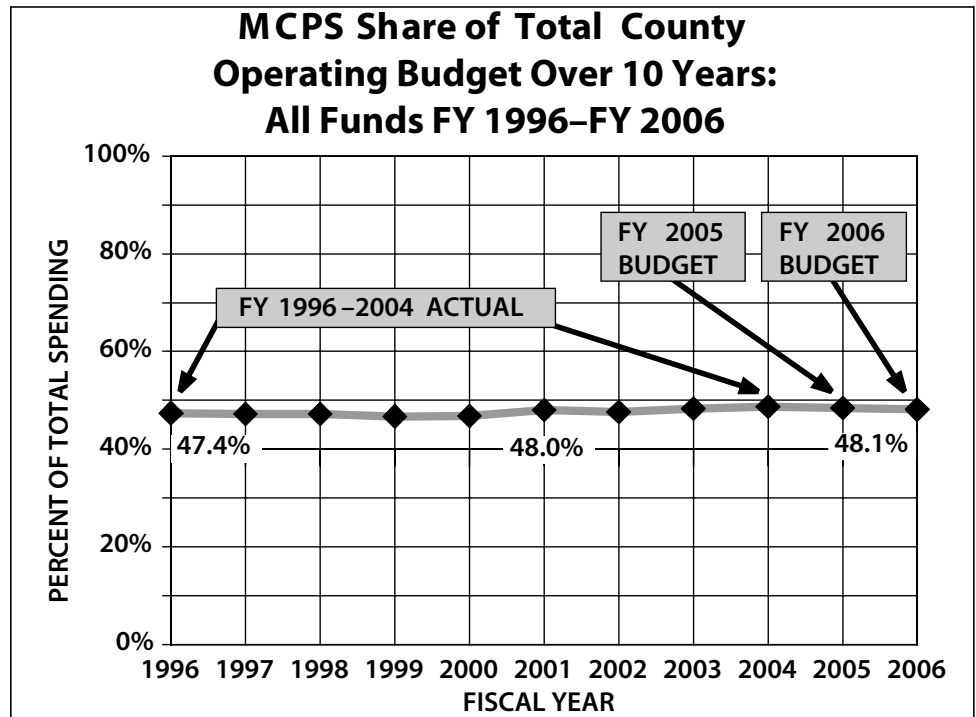
According to the state of Maryland's maintenance-of-effort law, in order to receive any increase in basic state school aid, each county must appropriate at least as much per pupil as it appropriated in the previous year. Moreover, if this required level of local funding effort is not met, the county may lose any increase in state aid.

This local contribution accommodates basic enrollment growth, but makes no allowance for the effects of inflation on expenditure items such as textbooks, instructional materials, employee benefits, and the costs of negotiated wages and salaries. In FY 2006, the County Council approved a local contribution to MCPS's budget that was \$55.5 million higher than the minimum required by the maintenance-of-effort formula. For FY 2007 \$64.2 million in local funding will be needed above the minimum maintenance-of-effort requirement.

The maintenance-of-local-effort requirement for FY 2007 is \$1.290 billion in local tax contribution, which, combined with other projected tax-supported revenue, would produce a total FY 2007 spending affordability (tax-supported) budget for MCPS of \$1.709 billion, \$64.2 million above the maintenance-of-effort requirement.

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.



FY 2007 Funding Calculations for Spending Affordability and Maintenance of Effort

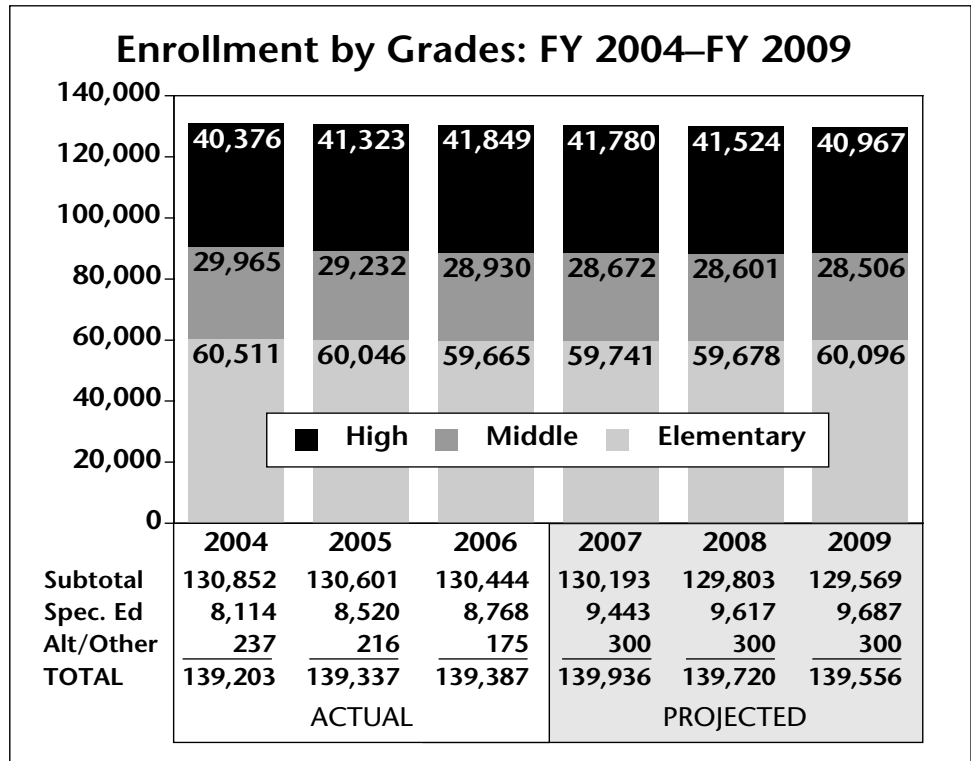
Tax-Supported Spending Affordability Budget
(excluding grants and enterprise funds)
(dollars in millions)

	Budget Request FY 2007	Increase Over FY 2006
SPENDING AFFORDABILITY* (excluding grants & funds)		
TOTAL BUDGET REQUEST	\$1,709.3	\$117.1
MCPS Spending		
Affordability		
Guideline	1,727.9	135.7
DIFFERENCE	\$18.6	
MAINTENANCE OF EFFORT		
TOTAL BUDGET	\$1,709.3	\$117.1
REVENUE		
Non-Local Funds:		
State Aid	349.4	47.8
Other Revenue	5.3	0.6
Local Funding Effort Required	1,354.6	68.7
Maintenance of Effort Requirement	1,290.4	4.5
DIFFERENCE	(\$64.2)	

*Note: Spending Affordability calculation tentative pending County Council action, December 13, 2005

Long-term Planning Overview

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 2007 operating budget of \$1.8 billion is about 10 times the size of the \$188.2 million capital budget expenditures requested for FY 2007. 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. The six-year CIP totals \$1.174 billion.



Enrollment Trends

Over the past three years, total enrollment has stabilized. By 2012, only 1,492 more students are expected to enroll. Higher

county birth rates are expected to result in a rise in elementary enrollment after a brief plateau. Middle and high school enrollment will continue to decrease slightly in the next

six years. The September 2005 actual enrollment is 139,387, an increase of 50 from the prior year. For September 2007 projected enrollment is expected to be 139,936, an

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

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Beginning Budget (a)	\$1,327.7	\$1,412.2	\$1,502.1	\$1,612.9	\$1,714.7	\$1,836.9	\$1,892.5	\$1,946.9	\$2,010.6	\$2,083.3
Growth and Inflation										
Growth and New Schools	11.9	19.9	13.5	10.5	17.5	0.4	(2.0)	3.2	8.4	8.7
Employee Benefits	19.1	33.3	31.6	16.6	16.7	20.5	18.5	20.6	22.0	23.5
Continuing Salary Costs	7.0	14.0	13.1	14.2	13.9	14.8	15.7	16.6	17.6	18.6
Inflation & Other	12.3	6.8	15.9	1.7	20.0	18.5	22.2	23.4	24.7	26.0
Sub-total, Growth & Inflation	50.3	74.0	74.1	43.0	68.1	54.2	54.4	63.8	72.7	76.8
Negotiated Salary Costs (b)	40.5	30.6	35.9	33.9	44.8	(b)	(b)	(b)	(b)	(b)
Multiyear Budget Initiatives	15.1	-	1.7	23.9	15.3	1.4	-	-	-	-
Savings & Reductions	(21.4)	(15.6)	(4.4)		(6.0)					
Council-Approved Budget/Request	\$1,412.2	\$1,501.2	\$1,609.4	\$1,713.7	\$1,836.9	\$1,892.5	\$1,946.9	\$2,010.6	\$2,083.3	\$2,160.1
Percent incr. in total operating budget	6.36%	6.30%	7.14%	6.25%	6.97%	3.17%	2.87%	3.27%	3.62%	3.69%
Enrollment	138,891	139,203	139,337	139,387	139,936	139,720	139,556	139,663	140,269	140,879
Percent increase in enrollment	1.50%	0.22%	0.10%	0.04%	0.39%	-0.15%	-0.12%	0.08%	0.43%	0.43%
Cost per pupil	9,475	9,999	10,769	11,592	12,422	12,857	13,242	13,574	13,913	14,261
Percentage change in cost per pupil	7.41%	5.53%	7.70%	7.64%	7.16%	3.50%	3.00%	2.50%	2.50%	2.50%
Consumer Price Index increase (percent)	2.10%	2.40%	2.50%	4.00%	3.30%	3.00%	3.00%	3.00%	3.00%	3.00%
Percentage change in real cost per pupil, adjusted for inflation	7.39%	5.51%	7.67%	7.60%	7.12%	3.47%	2.97%	2.47%	2.47%	2.47%

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

(b) Years FY 2008 through FY 2012 do not include negotiated salary increases.

increase of 549.

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.

The five categories defined as instructional make up 63.4 percent of MCPS's total costs. In FY 2003 MCPS spent 65 percent of its budget on instruction, the highest percentage in the state of Maryland. Actual MCPS expenditures for instruction exceeded the statewide average by 1% in FY 2004, the most recent year for which data is available.

The total amount of MCPS resources allocated for instructional purposes is 80.1 percent. Because instructional salaries form the bulk of salary costs for the school system, most of the 19.4 percent in the budget category for insurance and employee benefits also is attributable to instructional staff.

Employee compensation, including salaries and wages and employee benefits, totals 88 percent of the budget. Thus, it is almost impossible to make significant budget reductions without affecting people.

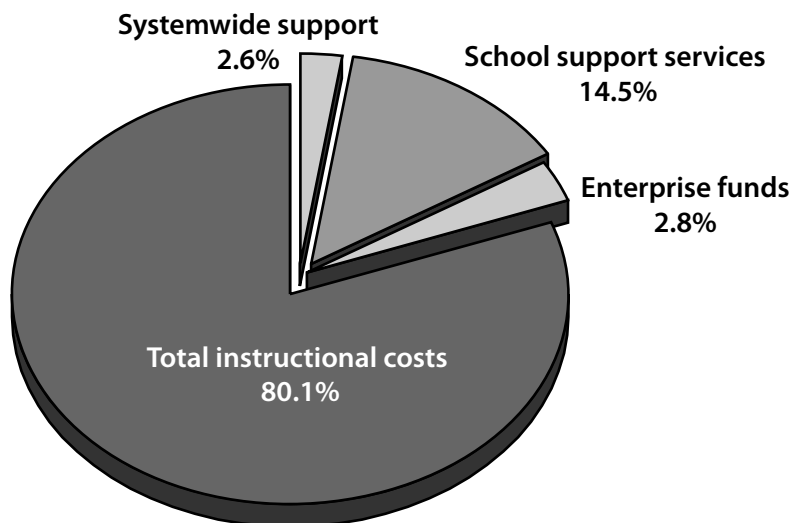
A 10-Year Overview

The Maryland Bridge to Excellence Act requires multiyear budget planning. MCPS has developed its budget for many years with multiyear implications. It has cooperated with other county agencies and with the County Council to develop a common format for reporting planning projections. This budget includes six-year projections for tax-supported resources displayed on 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), and multiyear initiatives and savings (Tier 4). Based on continuing discussions, it is expected that this format will be further refined for future budgets.

Expenditures by State Budget Category (000's omitted)

Category	Actual FY 2005	Budgeted FY 2006	Budgeted FY 2007	Percent Change	Percent of Total
INSTRUCTION:					
2 - Mid-level administration	101,064	108,626	117,715	8.4%	6.4
3 - Instructional salaries	685,491	726,353	762,160	4.9%	41.6
4 - Textbooks	29,384	32,532	35,248	8.3%	1.9
5 - Other Instructional Costs	17,598	17,359	18,920	9.0%	1.0
6 - Special education	193,940	212,246	228,211	7.5%	12.4
Subtotal	1,027,477	1,097,116	1,162,254	5.9%	63.4%
SCHOOL AND STUDENT SERVICES:					
7 - Student personnel services	9,112	9,926	10,431	5.1%	0.6
8 - Health services	34	45	46	2.2%	0.0
9 - Student transportation	68,776	72,597	78,696	8.4%	4.3
10 - Cleaning and utilities	87,554	90,271	105,162	16.5%	5.7
11 - Building maintenance	27,372	29,053	30,411	4.7%	1.7
Subtotal	192,848	201,892	224,746	11.3%	12.3%
OTHER:					
12 - Insurance and employee benefits	305,903	328,988	356,749	8.4%	19.4
1 - Systemwide support	31,937	34,702	38,351	10.5%	2.1
14 - Community services	149	172	208	20.9%	0.0
Subtotal	337,989	363,862	395,308	8.6%	21.5%
TOTAL GENERAL FUND	1,558,314	1,662,870	1,782,308	7.2%	97.2%
37 - Cable television fund	1,176	1,238	1,308	5.7%	0.1
41 - Adult education fund	1,664	3,677	-	-100.0%	0.0
51 - Real estate fund	1,496	2,020	2,793	38.3%	0.2
61 - Food services operations	37,179	41,551	44,373	6.8%	2.4
71 - Field trip fund	1,353	1,940	1,980	2.1%	0.1
81 - Entrepreneurial activities fund	1,273	1,365	1,524	11.6%	0.1
TOTAL SPECIAL & ENTERPRISE FUNDS	44,141	51,791	51,978	0.4%	2.8%
TOTAL EXPENDITURES	1,602,455	1,714,661	1,834,286	7.0%	100.0%

Distribution of Education Funds



Long-term Planning Overview

A 10-year overview of the MCPS operating budget provides—

- ◆ A summary of the changes that have been made since FY 2003
- ◆ The FY 2007 Recommended Operating Budget
- ◆ Increases for growth and inflation that are projected for the next five years, exclusive of not-yet-negotiated salary increases.

The Ten-Year Overview chart shows the expected annual increases for enrollment growth, employee salaries, employee benefits and insurance, inflation, and other costs.

Over the past five years, MCPS has made a total of \$47.4 million in savings and reductions, approximately 2.6 percent of the annual operating budget for FY 2007. These resources have been realigned to support improvement initiatives.

MCPS has steadily reduced central administration as a percentage of the total budget from 4.1 percent in FY 1992 to 2.0 percent in FY 2006. In FY 2007 required improvements in technology categorized by the state as a central administrative cost change the percentage of central administration to 2.1 percent.

Changes in Cost per Student

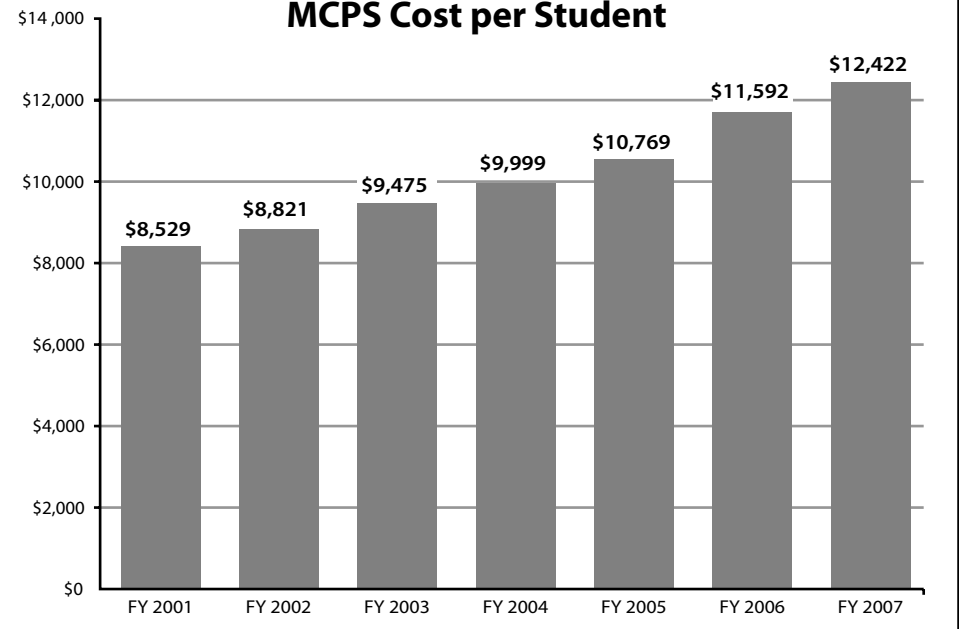
Since FY 2001 cost per student has increased in actual dollars from \$8,529 to \$12,422, excluding debt service and all enterprise funds. Mandated grant funding included in the budget is included in the calculation of cost per pupil. The average annual cost per student has increased 7.6 percent since FY 2001.

Change in Administrative Category as a Percent of the Operating Budget

Year	Total Budget	Percent of Category 1	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	1,106,885,997	32,004,424	2.8%
FY 2001	1,223,541,258	30,848,589	2.5%
FY 2002	1,320,786,201	29,238,540	2.2%
FY 2003	1,413,939,885	27,412,958	1.9%
FY 2004	1,490,199,606	29,307,450	1.9%
FY 2005	1,602,454,798	31,937,086	2.0%
FY 2006	1,714,661,154	34,702,057	2.0%
FY 2007	\$1,834,286,152	\$38,350,740	2.1%

NOTE: Data displayed for FY 1992 through 1994 is based on the old state Category 1. Data displayed for FY 1995 through FY 2007 is based on the new state Category 1.

MCPS Cost per Student



The 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
- ◆ Staff development
- ◆ After-school programs
- ◆ Employee benefits management
- ◆ Solid waste recycling

Such cooperation allows MCPS to take advantage of volume discounts, provide higher-quality service at reduced cost, and increase staff productivity. The following are examples of cooperation.

Violence Prevention

In response to the alarming increase in gang activities in Prince George's and Montgomery counties, the Joint County Gang Prevention Task Force (JCGPTF) was established in February 2004. The task force was charged with recommending strategies to deal with the escalating gang issue. Each county formed three subcommittees to look at the issue from different viewpoints: prevention, intervention, and suppression.

MCPS has undertaken continuing efforts to prevent gang activities and provide intervention support and assistance for students. The Gang Prevention and Intervention Steering Committee coordinates MCPS activities. Systemwide gang intervention exists within a framework of a well-developed emergency management system, a comprehensive safety and security plan, and effective student support services. These efforts reflect significant collaboration with other government agencies, community organizations, and school districts within the metropolitan area. School and central office administrators have received extensive training in crisis management and maintaining a safe and secure school environment. Diversity training has occurred in 30 schools in the past year to support a culturally sensitive environment. The health education curriculum in Grades 3 through 8 addresses violence prevention

and personal safety. Gang awareness and intervention training is being provided this year to all school counselors and pupil personnel workers. Programs that address violence prevention include—

- ◆ Safe and Drug-free Schools
- ◆ Collaborative Action Process (CAP)
- ◆ School counseling
- ◆ Alternative programs
- ◆ Violence prevention training

MCPS works with the Mental Health Association as part of the Voices vs. Violence program to address bullying, gang prevention, stress management, and anger manage-



ment. Last year these workshops were held at 25 schools. The FY 2007 budget includes an addition of \$250,000 to work with community organizations to establish and expand violence prevention programs, including prevention and intervention activities.

The continued expansion of the Educational Facilities Officer (EFO) program, although not a budget item of MCPS, continues to be a strong response to the problem of gangs. EFO's work with schools in drug and alcohol awareness, gang awareness and prevention, and conflict resolution and mediation. MCPS will continue to work collaboratively with Montgomery County, Prince George's County, and other stakeholders.

Early Success

A number of MCPS units work 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 non-profit 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.

This model includes parent outreach, improved child care, more comprehensive assessment and evaluation of early childhood services, prekindergarten programs, and full-day kindergarten with a revamped literacy-based curriculum. Sustained implementation of this plan has begun.

Parenting support centers (Judy Centers) are part of this model. MCPS has received funding for two Judy Centers that opened in 2001 in Silver Spring and in 2002 in Gaithersburg. Maryland has mandated the expansion of full-day kindergarten to all students and the provision of prekindergarten programs for all at-risk children by 2007.

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. Collaboration between the Montgomery County Department of Health and Human Services, MCPS, and non-profit provider agencies offers a culturally competent and family-centered approach to delivering school-based prevention and early interventions services to at-risk children and families. Since 1993 the Linkages to Learning 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. Linkages to Learning serves approximately 3,000 at-risk children and their families who may otherwise not receive or seek such integrated services.

Graphics and Printing Consolidation

The partnership between MCPS and the Montgomery County Department of Public Works and Transportation (initiated in FY 2000) continues to improve the efficiency and effectiveness of the graphics and publications produced for distribution throughout the community.

In December 2004 MCPS issued its first comprehensive annual report of systemwide outcomes, *Annual Report on Our Call to Action*. The *Annual Report* details the school system's performance on the established milestones and data points in the strategic plan's goal areas. Strong student and operational achievement results provide continued evidence that the success in reform efforts is systemwide. While there has been progress in narrowing the achievement gap, closing the achievement gap remains a significant challenge and area for improvement.

High School Rigor

Montgomery County high schools continued to rank high in nationwide measures of rigor. *Newsweek* magazine named 23 MCPS high schools as among the top 3 percent in the nation, based on the number of students taking AP or IB exams. Thirty-nine percent of MCPS seniors scored a 3 or better on the AP exams, triple the national average. The number of African American and Hispanic students scoring a 3 or better has more than doubled since 2000. A record total of 160

Maryland School Assessments

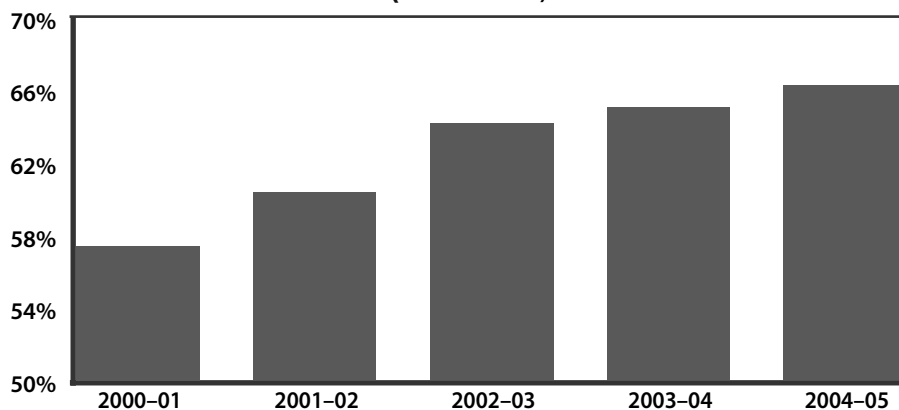
The first class of students to receive the benefit of three years of reforms in primary grades reached Grade 4 last year. These students outpaced all other grade levels in reading and mathematics on the Maryland School Assessment, with 84 percent reaching proficiency in reading and mathematics. The largest gains were among African American, Hispanic, and ESOL students.

Other Indicators of Academic Progress

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

- ◆ The secondary school dropout rate was 1.8 percent. A national study cited the 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.
- ◆ Grade 2 students have five consecutive years of higher scores on the CTBS exam, with 75 percent of second graders outperforming the national average on this test.
- ◆ Students with disabilities improved their passing rates on the English HSA by 8 percent and Government by 6 percent. Statewide, MCPS students with disabilities had higher passing rates than all but two counties on the Algebra HSA and all but one county on the Biology and Government HSAs.
- ◆ Special education students improved by 8 percentage points from 2000 to 2005 on the Comprehensive Tests of Basic Skills (CTBS).
- ◆ English language learners (ELL) made among the greatest gains on the CTBS from 2000 to 2005 (14 percent).
- ◆ On the Maryland State Assessment (MSA), 109 schools were recognized for their performance by the state.

**Honors/Advanced Placement Participation Rate
(All Students)**



SAT Test

In 2005 the overall average SAT total score of 1102 was above 1100 for the second time in MCPS history. This performance represents an increase of 7 points since 2000. The improvements were achieved with a student participation rate of 76 percent, an increase of 4 percent since 2000. The average performance of racial/ethnic subgroups has remained fairly consistent since 2000. In 2005 the average SAT total score was 917 for African American, 1163 for Asian American, 1174 for White, and 942 for Hispanic students. The difference in performance among racial/ethnic subgroups on the SAT continues to be an area for focused improvement efforts. The FY 2007 budget continues both long-term and short-term SAT improvement programs.

students were named national AP scholars for scoring a 4 or better on at least 8 AP exams.

Various systemwide and school initiatives encourage more diverse student participation in Honors and Advanced Placement (AP) courses. Countywide, the percentage of students enrolled in Honors and AP course has risen steadily since FY 2001 to 66.2 percent of students in 2005 (See figure). There have been increases in enrollment in Honors/AP courses in each racial/ethnic group, except for American Indian. However, African American, Hispanic, and American Indian students continue to lag behind. Female students also continue to have higher enrollment rates than male students.

Students with disabilities are increasing their participation in rigorous courses and assessments at the high school level. Participation in Honors or Advanced Placement course increased from 15 percent in 2001 to 20 percent in 2004.

Budget Review and Adoption Process

On December 14, 2005, the superintendent of schools presented his Recommended Operating Budget for FY 2007 to the Board of Education. His recommendations continue to reflect input from a variety of public and private stakeholders.

Review of the Master Plan

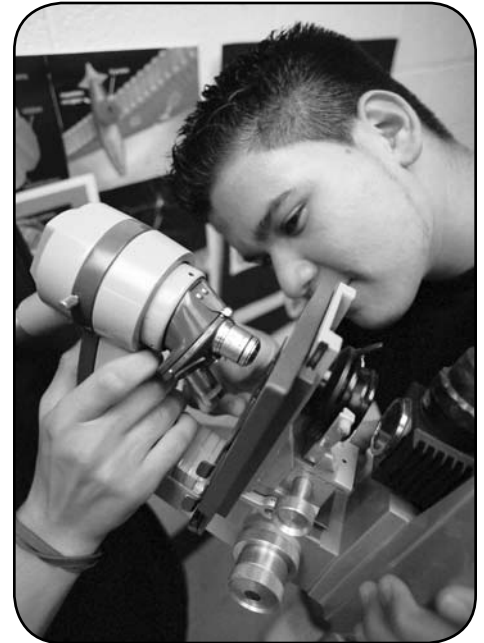
The review of the FY 2007 Operating Budget will play an important part in the development of the comprehensive master plan required of all school districts by the Maryland Bridge to Excellence Act. This budget is aligned with the school system's strategic plan, *Our Call to Action: Pursuit of Excellence*, which formed the basis of the comprehensive five-year plan submitted to the state in September 2003 and last updated in October 2005.

Before the submission of the plan, the community had an extensive opportunity to review and comment on the plan and on how the Operating Budget aligns with it. 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 12 and 19, 2006, the Board of Education will hold work sessions on January 25 and 26, 2006, and adopt the requested budget on February 14, 2006. The Board of Education's budget will be sent to each principal, PTA president, and public library shortly after March 1, 2006, 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, 2006. 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 May. 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 2007 on June 13, 2006.



FY 2007 MCPS Operating Budget— Timeline of Budget Actions

Superintendent presents Recommended Operating Budget	December 14, 2005
Sign-up begins for Board of Education Operating Budget Hearings	December 22, 2005
Board of Education Operating Budget Hearings	January 12, 2006 at 7:00 p.m. January 19, 2006 at 7:00 p.m.
Board of Education Operating Budget Work Sessions	January 25, 2006 at 7:30 p.m. January 26, 2006 at 7:30 p.m.
Board of Education Operating Budget Action/Adoption	February 14, 2006
Board of Education FY 2006 Operating Budget Request presented to County Executive and County Council	March 1, 2006
County Executive issues Recommended Operating Budget	March 15, 2006
County Council holds Operating Budget Hearings	April 2006
Council approves Operating Budget	May 31, 2006
Board of Education takes final action on Operating Budget	June 13, 2006

Selected MCPS Statistics - FY 1997–2007

Selected Trends	Fiscal Year (ACTUAL)									(BUDGETED)		% Change Since FY 97
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
ENROLLMENT												
Regular Enrollment	116,254	118,446	120,872	123,836	126,604	129,243	130,840	131,089	130,876	131,815	130,769	12.5
Special Education	6,251	6,589	6,980	6,853	7,576	7,589	8,051	8,114	8,461	8,595	9,167	46.7
Total Enrollment	122,505	125,035	127,852	130,689	134,180	136,832	138,891	139,203	139,337	140,410	139,936	14.2
ESOL Students	7,426	7,452	8,689	9,160	9,472	10,647	11,961	12,200	12,905	13,200	13,400	80.5
Free & Reduced Meals (FARMS)	27,250	29,941	28,773	29,201	29,196	29,568	31,108	31,518	31,419	30,720	32,185	18.1
Cost Per Pupil	\$6,866	\$6,949	\$7,306	\$7,584	\$8,402	\$8,821	\$9,475	\$9,999	\$10,769	\$11,592	\$12,422	80.9
NUMBER OF SCHOOLS												
Elementary	123	123	123	124	124	125	125	125	125	125	129	4.9
Middle	30	32	32	35	35	35	36	36	36	38	38	26.7
High	21	21	23	23	23	23	23	23	24	24	25	19.1
Career Centers	1	1	1	1	1	1	1	1	1	1	1	0.0
Special Centers	6	6	6	6	6	6	6	6	6	6	6	0.0
Total Number of Schools	181	183	185	189	189	190	191	191	192	194	199	9.9
New Schools Opened	1	2	2	4	0	1	1	-	1	2	5	-
SOURCE OF REVENUE												
% County	80.9	80.0	79.5	78.6	78.6	77.6	75.4	75.6	75.1	74.9	73.9	-8.9
% State	13.0	13.8	14.4	14.7	14.7	15.5	16.1	17.1	16.8	17.9	19.1	46.9
% Federal	1.7	2.5	2.6	3.0	3.0	2.7	3.3	4.0	3.7	3.7	3.5	105.9
% Fees & Other	1.1	0.4	0.4	0.5	0.5	1.0	0.9	0.3	0.7	0.6	0.7	-27.3
% Surplus from prior year	0.2	0.2	0.0	0.1	0.1	0.0	1.0	0.2	0.6	0.0	0.0	-
% Enterprise Funds	3.1	3.1	3.1	3.1	3.0	3.1	3.2	2.8	3.0	2.9	2.7	-9.7
% Special Revenue Fund					0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
PERSONNEL CHANGES												
Total Professional	8,654	8,907	9,480	9,981	10,652	11,205	11,597	11,731	11,846	12,224	12,454	43.9
Total Supporting Services	6,100	6,308	6,599	6,965	7,104	7,370	7,419	7,562	7,755	7,951	8,197	34.4
Total Full-Time Positions	14,754	15,215	16,079	16,946	17,756	18,575	19,016	19,293	19,601	20,175	20,651	40.0
Administrative Category as a % of Operating Budget	2.6%	2.7%	3.2%	2.8%	2.5%	2.2%	1.9%	1.9%	2.0%	2.0%	2.1%	-19.2
Average teacher Salary	\$49,369	\$49,793	\$50,647	\$51,913	\$52,519	\$54,900	\$58,680	\$61,962	\$62,608	\$65,173	\$67,439	36.6
Consumer Price Index Increase*	3.9	1.7	2.5	3.6	2.3	2.1	2.1	2.4	2.5	4.0	3.3	-15.4
TRANSPORTATION												
Number of Buses	981	1,007	1,032	1,089	1,106	1,116	1,167	1,202	1,230	1,252	1,265	29.0
Average Age of Bus in Service	7.3	7.1	6.8	6.7	6.4	6.0	6.5	6.3	6.6	7.3	7.2	-1.4

*Washington metropolitan area.



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