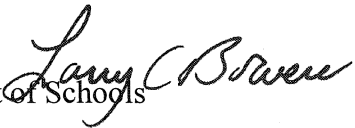


Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

June 14, 2016

MEMORANDUM

To: Members of the Board of Education

From: Larry A. Bowers, Interim Superintendent of Schools 

Subject: Final Adoption of the Fiscal Year 2017 Operating Budget

**Executive Summary**

On May 26, 2016, the County Council (Council) approved the Montgomery County Public Schools (MCPS) Operating Budget appropriation for Fiscal Year (FY) 2017. The Council approved a total of \$2,457,473,761 for MCPS. This is an increase of \$139,084,825 (6.0 percent) from the current FY 2016 Operating Budget of \$2,318,388,936. The total tax-supported budget (excluding grants and enterprise funds) approved by the Council for FY 2017 is \$2,311,578,220, an increase of \$135,052,677 (6.2 percent) from the current FY 2016 tax-supported budget of \$2,176,525,543.

The Council's action on the FY 2017 Operating Budget for MCPS decreased the Board's requested budget by \$41,159,780. This reflects a reduction of \$44,324,020 from the Board's local contribution request offset by \$3,164,240 of additional grant funding from the federal government. The local contribution of \$1,617,631,597 approved by the Council is \$89,965,802 more than the minimum amount required by the state Maintenance of Effort (MOE) law. As required by state law, the Council approved the appropriation by state categories.

**Background**

At its meeting on February 9, 2016, the Board adopted its FY 2017 Operating Budget totaling \$2,498,633,541. The Board's request assumed a local contribution of \$1,661,955,617. The Board's request was \$134,289,822 more than the minimum amount that the county was required to provide under the MOE law. The Board's budget request included funding for the same level of services for a growing number of students enrolled in MCPS, previously negotiated agreements with our employee associations, rising costs to operate the school system, and strategic enhancements to reduce class size and close the achievement gap. Attachment A is a narrative summary of the actions of the Council by state category to the FY 2017 Operating Budget. Attachment B is

a table that compares the changes by state category between the Board's request and the Council's action. Attachment C is a summary crosswalk from the Board's request to the Council's action.

### County Council Actions

The following is a summary chart of the MCPS FY 2017 Operating Budget and the change between the Council's approved budget with the current FY 2016 budget.

#### Montgomery County Public Schools FY 2017 Operating Budget

	FY 2016 <u>Current Budget</u>	FY 2017 <u>BOE Request</u>	FY 2017 <u>Approved</u>	FY 2017 Change from <u>FY 2016</u>
Total Expenditures	\$2,318,388,936	\$2,498,633,541	\$2,457,473,761	\$139,084,825
Revenue				
Local Revenue	1,507,631,597	1,661,955,617	1,617,631,597	110,000,000
State Revenue	632,069,558	657,437,390	657,437,390	25,367,832
Fund Balance	33,162,633	33,162,633	33,162,633	0
Fed/Other Revenue	<u>145,525,148</u>	<u>146,077,901</u>	<u>149,242,141</u>	<u>3,716,993</u>
Total Revenue	\$2,318,388,936	\$2,498,633,541	\$2,457,473,761	\$139,084,825

On March 15, 2016, the county executive recommended to the Council a total budget of \$2,454,309,521 for MCPS, including grants and enterprise funds, which was \$44,324,020 less than the Board's request. The county executive also recommended using \$27,200,000 of funding from the county's Consolidated Other Post-employment Benefits (OPEB) Trust Fund to cover a portion of current MCPS retiree health benefits costs in FY 2017. The Council's approved budget was \$2,457,473,761, an increase of \$3,164,240 from the county executive's recommended budget. This increase is related to additional grant funding anticipated from the federal government for Title I of the *Elementary and Secondary Education Act* and the *Individuals with Disabilities Education Act* (IDEA). The explanation of the various revenue sources follows.

**Local Contribution:** The FY 2017 Operating Budget appropriated by the county for MCPS includes a local contribution of \$1,617,631,597, an increase of \$110,000,000 (7.3 percent) more than the FY 2016 local contribution of \$1,507,631,597. The local contribution includes the required MOE amount of \$1,527,665,795. The Council agreed with the county executive to provide \$27,200,000 from the county's Consolidated OPEB Trust Fund to cover current MCPS retiree health benefits expenditures in FY 2017.

*State Aid:* The total amount of state aid anticipated for FY 2017 is \$657,437,390. This is \$25,367,832 more than the amount provided in FY 2016. The increase in state aid is mostly due to the state fully funding the Geographic Cost of Education Index in FY 2017, which accounts for \$18,232,703 of the increase. Other major changes from FY 2016 are an additional \$3,350,626 in the Foundation grant, \$1,394,679 in funding for Limited English Proficiency aid, \$1,146,515 in transportation aid, \$1,054,659 in aid for students with disabilities, and \$886,387 in compensatory aid.

*Federal Aid:* The estimate for federal aid totals \$74,902,923 for FY 2017. This is an increase of \$2,985,567 from the Board's FY 2017 adopted budget. The overall increase is the net result of an additional \$2,484,077 for Title I, \$680,163 for IDEA, and decreases totaling \$178,673 for other federal aid since the Board's budget was adopted in February 2016.

*MCPS Fund Balance:* In addition to other sources of revenue, the Board's budget adopted on February 9, 2016, included \$33,162,633 of MCPS fund balance as a source of revenue for FY 2017. This projected fund balance is largely the result of expenditure and hiring restrictions that were implemented by MCPS at the beginning of FY 2016 and are continuing through the end of the fiscal year. Given the uncertainty in regard to what the exact amount of fund balance will be at the end of FY 2016, the resolution approved by the Council reappropriates for FY 2017 the full amount of the final FY 2016 MCPS fund balance, or \$33,162,633, whichever amount is less. The amount of MCPS fund balance used by the Council is the same as what the Board had included in its adopted budget.

The Council is authorized by the State Education Article, Section 5-101, to approve the MCPS Operating Budget by state category of expenditure as defined in the law. The Board may reallocate the resources within each of the categories, but the Board cannot transfer any allocation between categories without approval by the Council.

### **Budget Development Process**

The Board engaged in a formal and public process to identify its highest priority budget interests for the MCPS FY 2017 Operating Budget. The Board's identified budget interests, as adopted by the Board on September 21, 2015, provided important input for the development of the interim superintendent's FY 2017 budget recommendations and assisted Board members in evaluating the recommendations based on their expressed interests.

As has been the case for the last several years, the development of the FY 2017 Operating Budget continued with extensive involvement of parents, students, staff, residents, and other stakeholders. From the beginning of the process, leadership from each of the employee associations—the Montgomery County Association of Administrators and Principals, the Montgomery County Education Association, the Service Employees International Union Local 500—and leaders of the Montgomery County Council of Parent Teacher Associations, Inc., participated in all of the budget development meetings. This fall, we added representatives of the African American Student Achievement Action Group and the Latino Student Achievement

Action Group to the discussion on the development of the MCPS operating budget. A significant amount of time was devoted to reviewing many proposals and alternatives. I am extremely grateful for the dedication and cooperation these groups demonstrated throughout the FY 2017 Operating Budget process. Executive leadership and many other MCPS staff members also performed important roles throughout the budget process.

Following the presentation of the interim superintendent's recommended operating budget on December 8, 2015, the Board heard testimony from Parent Teacher Association representatives and many other stakeholders at two public hearings held on January 7 and 14, 2016. Board members asked numerous questions of staff during the public hearings and at two budget work sessions held on January 19 and January 21, 2016. The questions and written responses were made available to the public in addition to the Board.

Recommendations for the approved budget include the following changes from the Board's request.

### **County Council Appropriation**

The appropriation that the Council passed on May 26, 2016, for the MCPS FY 2017 Operating Budget was \$41,159,780 less than the budget requested by the Board. The Council's action funds MCPS at \$89,965,802 more than the minimum level required by state law. The Council's action also reflects the use of \$27,200,000 from the county's Consolidated OPEB Trust Fund. The Council also appropriated the additional \$2,484,077 in funding for Title I and \$680,163 for IDEA. Therefore, the gap between the Board's budget request and the Council's appropriation action for the tax-supported budget is \$44,324,020, and the Council's approved budget reflects reductions across various categories that total \$44,324,020. The following summarizes the changes between the Board adopted and Council approved budgets:

*FY 2017 Strategic Priority Enhancements:* The Council's appropriation provides \$37.9 million of additional funding that will allow MCPS to reduce class sizes in many classrooms across the district and accelerate efforts to close the achievement gap. In addition to class size improvements, these additional resources will allow MCPS to provide targeted support based on the needs of our students to address achievement gaps. Additional teacher and paraeducator positions will be allocated to provide support and interventions where it is needed most—in mathematics and literacy. With this budget, we also will allocate additional elementary counselors, parent community coordinators, psychologists, and pupil personnel workers to assist our students and their families with the support and opportunities they need to help them be successful. Many students need support beyond the classroom in order to succeed, and the goal is to ensure that the necessary services and community supports are in place to help every student thrive.

The additional classroom teacher positions included in the FY 2017 Operating Budget will enable MCPS to change the elementary class size guidelines that are used to allocate staff to schools. In our Focus schools—those with the highest levels of poverty—class size guidelines are reduced

more for some grade levels than in non-Focus schools; however, the guidelines are being changed for non-Focus schools as well. This budget reflects the Board's commitment to continuing to invest more resources in schools with greater student needs. It should be noted that changing the guidelines does not mean that every elementary class will be smaller by one or two students in the 2016–2017 school year. Classes that already are at or below the new guidelines will not see the number of students in the classroom change; however schools that have several classrooms that exceed the new guidelines will receive additional teachers to create smaller classes.

For our secondary schools, this budget allows for reduced class size guidelines for mathematics, science, social studies, reading, and foreign language classes. It is important to remember that class size guidelines are not the same as average class sizes. Principals use their teacher positions to offer a wide range of course offerings to students while keeping the size of core content classes manageable. The additional classroom teachers for secondary schools allow us to minimize the number of classes above the class size guidelines, reduce the average class sizes in all our schools, and reduce class sizes to address our priority of closing the achievement gap.

The funding level provided by the Council for FY 2017 does not allow all the strategic enhancements included in the Board's adopted budget to be funded. As a result, \$10,633,240 and 77.6 Full-time Equivalent (FTE) positions from the Board's budget needed to be eliminated. Attachment A provides a summary of those enhancements by state category that could not be funded in the FY 2017 Operating Budget. These included:

- \$3.0 million for the purchase of additional Chromebooks;
- 17.5 FTE positions and \$1,003,054 for adding 10 half-day sections of pre-K classes;
- \$113,000 for additional financial support for graduation venues for our largest schools;
- 10.0 FTE positions and \$810,056 for additional maintenance personnel including an Indoor Air Quality Team;
- 6.0 FTE positions and \$408,696 to lower class size for elementary instrumental music;
- 1.0 FTE position and \$129,786 for budget analyst support for the Board of Education;
- \$375,000 for the Children's Opportunity Fund;
- 13.0 FTE positions and \$1,151,476 for additional psychologists, pupil personnel workers, and elementary school counselors;
- 6.0 FTE positions and \$408,697 for middle school leadership at nine additional schools;
- 8.7 FTE positions and \$832,924 for expanding the home school model to three more clusters; and
- 9.0 FTE positions and \$751,937 for additional personnel, vehicles, and supplies for the Division of Maintenance.

*Negotiated Agreements:* The FY 2017 Operating Budget adopted by the Board February 2016 included an increase of \$55,335,331 for continuing salaries and related benefits. This amount included a two percent general wage adjustment (GWA) and step increases for eligible employees scheduled for September 3, 2016, and a makeup step increase for eligible

employees effective March 4, 2017. The County Council's action on the FY 2017 Operating Budget reduced the amount of funding for continuing salary costs by \$22,086,157 to a total of \$33,249,174. This amount was based on a GWA of one percent and step and longevity increases for eligible employees effective July 1, 2016. Based on the Council's level of funding and our commitment to Council to not include any pay increases that would need to be annualized in FY 2018, the FY 2017 Operating Budget will not include any pay increases that are implemented after July 1, 2016. Since the budget approved by the Council does not provide an adequate level of funding to fully fund the negotiated agreements, by letter from the Board president, the district initiated renegotiations to amend the three-year negotiated agreements that the Board ratified on March 11, 2014, to address salary and related items for FY 2017. We have met with our union leaders but we have not reached agreement at this time.

### **Additional Recommended Reductions and Adjustments**

*Fuel Tax Exemption for School Buses:* During this past session of the Maryland General Assembly, Senate Bill 520 was passed that exempts school districts from paying the motor fuel tax for fuel purchased for operating school buses. This legislation takes effect on July 1, 2016. As a result of this fuel tax exemption, the FY 2017 Operating Budget may be reduced by \$1.0 million.

*MCPS Employees Group Insurance Fund:* The MCPS Employees Group Insurance Fund prescription drug rebates are expected to increase by \$10.0 million more than previously anticipated. Under a contract proposal, these rebates would remain guaranteed at the higher levels for three years. As a result of the increased rebate revenue for prescriptions, the requested appropriation for health benefits in the FY 2017 Operating Budget can be reduced by \$10.0 million.

### **Summary of Recommendations**

Attachment D details the changes to the FY 2017 Operating Budget within state categories based on Council action. The Council's appropriated operating budget is illustrated in the left column. Any changes made by the Board will be reflected in the final Attachment D that will be published in the final MCPS Summary FY 2017 Operating Budget document.

The MCPS Operating Budget process for FY 2017 has effectively engaged a wide variety of stakeholders both within and outside the school system. The spirit of cooperation exemplified by this broad range of participants in the budget process—including elected officials, the employee associations, parent representatives, students, and community members—symbolizes the continued dedication of Montgomery County to providing the best possible education for all students. When I introduced my recommended FY 2017 Operating Budget in December 2015, I called this the most important budget on which I had worked. I said this budget is about building a strong foundation for our school district for the years ahead. In its actions on the budget in February 2016, the Board added to this budget targeted strategic enhancements aimed at improving student achievement by decreasing class size and closing the achievement gap. The county executive and the Council agreed by funding the FY 2017 Operating Budget at a record

amount that is nearly \$90 million more than the minimum level required by the state. The willingness to come together as a community on what has been called by Council President Nancy Floreen an “education first budget” for the county, has made it possible for the Board to approve a FY 2017 Operating Budget today that will produce the excellent results in our schools of which Montgomery County residents may be proud. This budget is a call to action to fund our future and represents a strong investment by the county for its children.

### **Recommended Resolution**

WHEREAS, The Board of Education adopted the Fiscal Year 2017 Operating Budget of \$2,498,633,541 on February 9, 2016; and

WHEREAS, The county executive recommended \$2,454,309,521 for Montgomery County Public Schools on March 15, 2016, or \$44,324,020 less than the Board of Education’s Fiscal Year 2017 Operating Budget Request; and

WHEREAS, The County Council approved a total of \$2,457,473,761 (including grants and enterprise funds) on May 26, 2016, a decrease of \$41,159,780 from the Board of Education’s request; and

WHEREAS, The County Council appropriated a total of \$2,311,578,220 (excluding grants and enterprise funds), a decrease of \$44,324,020 from the Board of Education’s request, including a local contribution that is \$89,965,802 greater than the required Maintenance of Effort amount; and

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

WHEREAS, The Special Education Staffing Committee—comprising parents, teachers, principals, special education staff, and special education advocates—held meetings in June 2015 and recommendations were submitted to the Office of Special Education and Student Services; and

WHEREAS, The Fiscal Year 2017 Operating Budget includes all of the staffing plan elements required by the Maryland State Department of Education; and

WHEREAS, The County Council made net reductions of \$41,159,780 from various budget categories to the Board of Education’s Fiscal Year 2017 Operating Budget Request of February 29, 2016, as shown on the following schedule, consisting of a reduction of \$44,324,020 excluding grants and enterprise funds, and an increase of \$3,164,240 in specific grants, in appropriating \$2,457,473,761 for the Board of Education’s FY 2017 Operating Budget.

**I. Current Fund**

Category	BOE Request February 2016	Council (Reduction) Addition	Council- approved Budget
1 Administration	\$44,264,358	(\$665,005)	\$43,599,353
2 Mid-level Administration	146,789,382	(842,826)	145,946,556
3 Instructional Salaries	990,136,533	(13,872,839)	976,263,694
4 Textbooks and Instructional Supplies	29,449,853	(3,156,136)	26,293,717
5 Other Instructional Costs	12,607,275	(411,581)	12,195,694
6 Special Education	330,802,670	(4,432,726)	326,369,944
7 Student Personnel Services	12,410,607	(477,657)	11,932,950
8 Health Services	3,630	-	3,630
9 Student Transportation	106,236,201	(1,836,575)	104,399,626
10 Operation of Plant and Equipment	134,441,287	(959,606)	133,481,681
11 Maintenance of Plant	35,631,747	(1,444,524)	34,187,223
12 Fixed Charges	591,279,495	(13,060,305)	578,219,190
14 Community Services	813,089	-	813,089
Subtotal, including specific grants	2,434,866,127	(41,159,780)	2,393,706,347
Less specific grants	78,963,887	3,164,240	82,128,127
Subtotal, spending affordability	2,355,902,240	(44,324,020)	2,311,578,220

**II. Enterprise Funds**

37 Instructional Television Fund	1,742,791	-	1,742,791
51 Real Estate Management Fund	3,686,191	-	3,686,191
61 Food and Nutrition Services Fund	53,967,269	-	53,967,269
71 Field Trip Fund	2,006,361	-	2,006,361
81 Entrepreneurial Fund	2,364,802	-	2,364,802
Subtotal, Enterprise Funds	63,767,414	-	63,767,414

**Total Budget for MCPS**                      \$2,498,633,541                      (\$41,159,780)                      \$2,457,473,761

now therefore be it



Resolved, That based on an appropriation of \$2,457,473,761 that includes an appropriation of \$63,767,414 for enterprise funds and \$82,128,127 for restricted grants, approved by the County Council on May 26, 2016, the Board of Education approves its Fiscal Year 2017 Operating Budget reflecting the changes identified in Attachment D; and be it further

Resolved, That the Board of Education approves the 2016 Special Education Staffing Plan as included in the Fiscal Year 2017 Recommended Operating Budget; and be it further

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

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

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Attachments



## County Council Final Action

The following summarizes the County Council's reductions to the Board of Education's FY 2017 Operating Budget by state category.

### **Category 1—Administration** (\$665,005)

The County Council action reduced a total of \$665,005 requested by the Board of Education including \$90,912 for a 1.0 Full-time Equivalent (FTE) management and budget specialist position in the Department of Strategic Planning and Resource Management that was part of the FY 2017 strategic priority enhancements, \$335,727 in other salary savings, and \$238,366 in other technical adjustments.

### **Category 2—Mid-level Administration** (\$842,826)

The County Council action reduced a total of \$842,826 from this category, including \$113,000 for graduation venues that was part of the FY 2017 strategic priority enhancements, \$1,622,786 in other salary savings, and an increase of \$335,261 in other technical adjustments. Also included in adjustments is an increase of 3.0 FTE positions and \$557,699 for assistant principal positions.

### **Category 3—Instructional Salaries** (\$13,872,839)

The County Council action reduced a total of \$13,872,839 from this category, including a net reduction of \$3,910,114 in FY 2017 strategic priority enhancements. This includes decreases of 70.7 FTE positions and \$3,732,608 for class size reductions, \$27,868 for professional development, 3.0 FTE positions and \$169,382 for elementary counselors, 4.0 FTE positions and \$434,706 for psychologists, 6.0 FTE positions and \$316,770 for the middle school leadership model, 6.0 FTE positions and \$316,770 for instrumental music teachers, and 17.5 FTE positions and \$753,430 for prekindergarten teacher and paraeducator positions. Offsetting these reductions are increases of 36.750 FTE positions and \$1,104,852 for elementary mathematics paraeducators and 24.5 FTE positions and \$736,568 for secondary mathematics paraeducators. Other changes include a reduction of \$11,905,415 in other salary savings, a reduction of \$28,124 in other technical adjustments, and an increase of \$1,914,566 in the award amount for Title I—Part A of the *Elementary and Secondary Education Act* resulting in an additional 12.5 FTE positions.

### **Category 4—Textbooks and Instructional Supplies** (\$3,156,136)

The County Council action reduced a total of \$3,156,136 from Category 4, including reductions of \$3,069,500 for the purchase of textbooks, technology, and software from the FY 2017 strategic priority enhancements, and \$91,646 in other technical adjustments. The other change is an increase of \$5,010 in this category for the award amount for Title I—Part A of the *Elementary and Secondary Education Act*.

**Category 5—Other Instructional Costs** (\$411,581)

The County Council's action reflects a decrease of \$411,581 for this category including \$375,000 for a FY 2017 strategic priority enhancement for the Children's Opportunity Fund and \$36,581 in other technical adjustments.

**Category 6—Special Education** (\$4,432,726)

The County Council action reduced this category by \$4,432,726, including 8.650 FTE positions and \$645,573 in FY 2017 strategic priority enhancements for the home school model expansion, \$3,691,960 in other salary savings and \$168,108 in other technical adjustments. The other change is an increase of \$72,915 in the award amount for the *Individuals with Disabilities Education Act*.

**Category 7—Student Personnel Services** (\$477,657)

The County Council action reduced Category 7 by \$477,657, including 6.0 FTE positions and \$286,064 for pupil personnel workers from the FY 2017 strategic priority enhancements, \$128,344 in other salary savings, and \$63,249 in other technical adjustments.

**Category 9—Student Transportation** (\$1,836,575)

The County Council action reduced this category by \$1,836,575, including \$1,000,000 in savings related to the fuel tax exemption and \$836,575 in other salary savings.

**Category 10—Operation of Plant and Equipment** (\$959,606)

The County Council action reduced this category by \$959,606, including \$961,606 in other salary savings, and an increase of \$2,000 in other technical adjustments.

**Category 11—Maintenance of Plant** (\$1,444,524)

The County Council action reduced this category by \$1,444,524, including 19.0 FTE positions and \$1,177,177 for an additional Indoor Air Quality Team and other personnel, vehicles, and supplies for the Division of Maintenance from the FY 2017 strategic priority enhancements. In addition, there is a reduction of \$267,347 in other salary savings.

**Category 12—Fixed Charges** (\$13,060,305)

The County Council action reduced this category by \$13,060,305, including \$10,000,000 related to increased rebate revenue for prescriptions in the MCPS Employees Group Insurance Fund, \$1,523,599 for benefits related to reductions in FY 2017 strategic priority enhancements, and \$2,336,397 for benefits related to other salary savings. There are increases of \$232,565 in other technical adjustments and \$567,126 for benefits for grant award adjustments.

## FY 2017 APPROVED BUDGET BY STATE CATEGORY

CATEGORY	BOARD'S REQUEST	COUNCIL APPROVED	ADDITION (REDUCTION)	CHANGE
<b>INSTRUCTION</b>				
2 Mid-level Administration	\$146,789,382	\$145,946,556	(\$842,826)	-0.57%
3 Instructional Salaries	990,136,533	976,263,694	(13,872,839)	-1.40%
4 Textbooks and Instructional Supplies	29,449,853	26,293,717	(3,156,136)	-10.72%
5 Other Instructional Costs	12,607,275	12,195,694	(411,581)	-3.26%
6 Special Education	330,802,670	326,369,944	(4,432,726)	-1.34%
Subtotal	1,509,785,713	1,487,069,605	(22,716,108)	-1.50%
<b>SCHOOL AND STUDENT SERVICES</b>				
7 Student Personnel Services	12,410,607	11,932,950	(477,657)	-3.85%
8 Health Services	3,630	3,630	0	0.00%
9 Student Transportation	106,236,201	104,399,626	(1,836,575)	-1.73%
10 Operation of Plant and Equipment	134,441,287	133,481,681	(959,606)	-0.71%
11 Maintenance of Plant	35,631,747	34,187,223	(1,444,524)	-4.05%
Subtotal	288,723,472	284,005,110	(4,718,362)	-1.63%
<b>OTHER</b>				
1 Administration	44,264,358	43,599,353	(665,005)	-1.50%
12 Fixed Charges	591,279,495	578,219,190	(13,060,305)	-2.21%
14 Community Services	813,089	813,089	0	0.00%
Subtotal	636,356,942	622,631,632	(13,725,310)	-2.16%
Total Current Fund	2,434,866,127	2,393,706,347	(41,159,780)	-1.69%
<b>ENTERPRISE FUNDS</b>				
37 Instructional Television Fund	1,742,791	1,742,791	0	0.00%
51 Real Estate Management Fund	3,686,191	3,686,191	0	0.00%
61 Food Services Fund	53,967,269	53,967,269	0	0.00%
71 Field Trip Fund	2,006,361	2,006,361	0	0.00%
81 Entrepreneurial Activities Fund	2,364,802	2,364,802	0	0.00%
Total Enterprise Funds	63,767,414	63,767,414	0	0.00%
<b>Total</b>	<b>\$2,498,633,541</b>	<b>\$2,457,473,761</b>	<b>(\$41,159,780)</b>	<b>-1.65%</b>



**SUMMARY OF FY 2017 OPERATING BUDGET CHANGES**  
 (\$ in millions)

	<b>Total Budget</b>	<b>Spending Affordability/ Tax-Supported Budget</b>
FY 2016 (Current) Budget	\$2,318.4	\$2,176.5
FY 2017 Changes:		
Growth, Inflation and Other	23.9	23.9
Employee Benefits	58.2	58.2
Continuing & Negotiated Salary Costs Including Benefits	55.3	54.5
Program Enhancements	48.6	48.6
Efficiencies and Reductions	(5.8)	(5.8)
<b>Board of Education's FY 2017 Budget Request</b>	<b>2,498.6</b>	<b>2,355.9</b>
Changes Due to County Council FY 2016 Budget Approp.	(41.2)	(44.3)
<b>County Council's FY 2017 Budget Appropriation</b>	<b>\$2,457.4</b>	<b>\$2,311.6</b>





**SCHEDULE OF COUNTY COUNCIL ADDITIONS/REDUCTIONS TO THE FY 2017 OPERATING BUDGET  
BY STATE CATEGORY AND FINAL ACTION BY THE BOARD OF EDUCATION**

DESCRIPTION	COUNCIL ACTION		BOARD ACTION		TOTAL	
	POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
<b>CATEGORY 1 - ADMINISTRATION</b>						
<b>Technical Changes</b>						
Office of the Chief Technology Officer:						
Editorial, Graphics, and Publishing Services						
Program Supplies		\$ 11,250			-	\$ 11,250
Board of Education and Office of the Superintendent:						
Office of Communications						
Multimedia Producer/Director (22)	1.000	88,357			1.000	88,357
Contractual Services		18,047			-	18,047
Contractual Maintenance		(12,509)			-	(12,509)
Supporting Services Part-time Salaries		(345,261)			-	(345,261)
Chief of Staff						
Mileage Reimbursement for Local Travel		1,750			-	1,750
<b>Enhancement Changes</b>						
Office of the Chief Operating Officer:						
Department of Strategic Planning and Resource Management						
Management and Budget Specialist (27)	(1.000)	(90,912)			(1.000)	(90,912)
<b>Reorganization</b>						
Office of the Chief Operating Officer:						
Department of Strategic Planning and Resource Management						
Supervisor (0)	1.000	114,830			1.000	114,830
Secretary (12)	0.375	15,000			0.375	15,000
Office of the Chief Technology Officer:						
Department of Information and Application Architecture						
Director I (P)	(1.000)	(129,830)			(1.000)	(129,830)
<b>Continuing Salary Reduction</b>		(335,727)			-	(335,727)
<b>Total Category 1</b>	<b>0.375</b>	<b>\$ (665,005)</b>	<b>-</b>	<b>\$ -</b>	<b>0.375</b>	<b>\$ (665,005)</b>
<b>CATEGORY 2 - MID-LEVEL ADMINISTRATION</b>						
<b>Technical Changes</b>						
K-12 Instruction:						
Graduation Expense		\$ (11,250)			-	\$ (11,250)
Office of School Support and Improvement:						
Leadership Development Unit		3,000			-	3,000
Mileage Reimbursement for Local Travel						
Office of Student and Family Support and Engagement:						
Family and Community Engagement						
Mileage Reimbursement for Local Travel		(1,750)			-	(1,750)
Board of Education and Office of the Superintendent:						
Office of Communications						
Professional Part-time Salaries		345,261			-	345,261
<b>Enhancement Changes</b>						
K-12 Instruction:						
Assistant Principal Positions	3.000	557,699			3.000	557,699
Graduation Venues		(113,000)			-	(113,000)
<b>Continuing Salary Reduction</b>		(1,622,786)			-	(1,622,786)
<b>Total Category 2</b>	<b>3.000</b>	<b>\$ (842,826)</b>	<b>-</b>	<b>\$ -</b>	<b>3.000</b>	<b>\$ (842,826)</b>

**SCHEDULE OF COUNTY COUNCIL ADDITIONS/REDUCTIONS TO THE FY 2017 OPERATING BUDGET  
BY STATE CATEGORY AND FINAL ACTION BY THE BOARD OF EDUCATION**

DESCRIPTION	COUNCIL ACTION		BOARD ACTION		TOTAL	
	POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
<b>CATEGORY 3 - INSTRUCTIONAL SALARIES</b>						
<b>Technical Changes</b>						
Office of Curriculum and Instructional Programs:						
Division of Secondary Curriculum and Districtwide Programs						
Stipends		\$ 40,000			-	\$ 40,000
Department of Elementary Curriculum and Districtwide Programs:						
Division of ESOL and Bilingual Programs						
Substitute Teachers		3,820			-	3,820
Substitutes for Professional Learning		(1,584)			-	(1,584)
Office of Human Resources and Development:						
Department of Professional Growth System						
Stipend		11,816			-	11,816
Specialist (M)	1.000	80,780			1.000	80,780
Board of Education and Office of the Superintendent:						
Office of Communications						
Projects Specialist (23)	(1.000)	(106,708)			(1.000)	(106,708)
<b>Enhancement Changes</b>						
K-12 Instruction:						
Reduce Average Class Size	(70.700)	(3,732,608)			(70.700)	(3,732,608)
Professional Development		(27,868)			-	(27,868)
Elementary Counselor Positions	(3.000)	(169,382)			(3.000)	(169,382)
Elementary Mathematics Paraeducator Positions	36.750	1,104,852			36.750	1,104,852
Secondary Mathematics Paraeducator Positions	24.500	736,568			24.500	736,568
Middle School Leadership Model	(6.000)	(316,770)			(6.000)	(316,770)
Instrumental Music Teacher Positions	(6.000)	(316,770)			(6.000)	(316,770)
Office of Student and Family Support and Engagement:						
Office of Student Services and Engagement						
Psychologist Positions	(4.000)	(434,706)			(4.000)	(434,706)
Office of Curriculum and Instructional Programs:						
Department of Elementary Curriculum and Districtwide Programs						
Pre-Kindergarten Teacher and Paraeducator Positions	(17.500)	(753,430)			(17.500)	(753,430)
<b>Continuing Salary Reduction</b>						
		(11,905,415)			-	(11,905,415)
<b>Title I Award Adjustment</b>						
	12.500	1,914,566			12.500	1,914,566
<b>Total Category 3</b>	<b>(33.450)</b>	<b>\$ (13,872,839)</b>	<b>-</b>	<b>\$ -</b>	<b>(33.450)</b>	<b>\$ (13,872,839)</b>
<b>CATEGORY 4 - TEXTBOOKS &amp; INSTRUCTIONAL SUPPLIES</b>						
<b>Technical Changes</b>						
K-12 Instruction:						
Instructional Materials		\$ 18,430				\$ 18,430
Office of Curriculum and Instructional Programs:						
Division of Secondary Curriculum and Districtwide Programs						
Instructional Materials		(40,000)				(40,000)
Office of Human Resources and Development:						
Department of Professional Growth System						
Program Supplies		6,290				6,290
Training Supplies		(76,366)				(76,366)
<b>Enhancement Reductions</b>						
K-12 Instruction:						
Textbooks, Technology, and Software		(3,069,500)				(3,069,500)
<b>Continuing Salary Reduction</b>						
<b>Title I Award Adjustment</b>						
		5,010				5,010
<b>Total Category 4</b>		<b>\$ (3,156,136)</b>		<b>\$ -</b>		<b>\$ (3,156,136)</b>

**SCHEDULE OF COUNTY COUNCIL ADDITIONS/REDUCTIONS TO THE FY 2017 OPERATING BUDGET  
BY STATE CATEGORY AND FINAL ACTION BY THE BOARD OF EDUCATION**

DESCRIPTION	COUNCIL ACTION		BOARD ACTION		TOTAL	
	POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
<b>CATEGORY 5 - OTHER INSTRUCTIONAL COSTS</b>						
<b>Technical Changes</b>						
K-12 Instruction:						
Mileage Reimbursement for Local Travel		\$ (2,000)			\$	(2,000)
Contractual Maintenance		(23,430)				(23,430)
Furniture and Equipment		5,000				5,000
Office of School Support and Improvement:						
Equity Unit						
Mileage Reimbursement for Local Travel		(3,000)				(3,000)
Office of Curriculum and Instructional Programs:						
Division of Secondary Curriculum and Districtwide Programs						
Contractual Maintenance		(1,496)				(1,496)
Dues, Registrations, and Fees		(740)				(740)
Mileage Reimbursement for Local Travel		(7,000)				(7,000)
Office of Student and Family Support and Engagement:						
Bilingual Assessment Team						
Mileage Reimbursement for Local Travel		7,000				7,000
Office of Human Resources and Development:						
Department of Professional Growth System						
Contractual Services		(23,424)				(23,424)
Board of Education and Office of the Superintendent:						
Office of Communications						
Contractual Maintenance		12,509				12,509
<b>Enhancement Changes</b>						
Office of the Chief Academic Officer:						
Children's Opportunity Fund		(375,000)				(375,000)
<b>Continuing Salary Reduction</b>						
<b>Total Category 5</b>		\$ (411,581)		\$ -		\$ (411,581)
<b>CATEGORY 6 - SPECIAL EDUCATION</b>						
<b>Technical Changes</b>						
Office of Special Education:						
Instructional Specialist (B-D)	1.000	\$ 63,249			1.000	\$ 63,249
Speech Pathologist (B-D)		11,905			-	11,905
Substitute Teacher		(61,895)			-	(61,895)
Professional Part-time Salaries		(49,549)			-	(49,549)
Stipend		(31,790)			-	(31,790)
Supporting Services Part-time Salaries		81,280			-	81,280
Paraeducator Substitutes		27,785			-	27,785
Consultants		15,673			-	15,673
Contractual Services		(465,020)			-	(465,020)
Building Rental		2,240			-	2,240
Textbooks, Instructional Materials, and Supplies		136,327			-	136,327
Mileage Reimbursement for Local Travel		(7,691)			-	(7,691)
Travel for Professional Development		(11,875)			-	(11,875)
Dues, Registrations, Fees, and Licenses		(1,006)			-	(1,006)
Field Trips		3,621			-	3,621
Furniture and Equipment		118,638			-	118,638
<b>IDEA Award Adjustment</b>						
Substitute Teachers		32,815			-	32,815
Consultants		6,000			-	6,000
Contractual Services		2,100			-	2,100
Instructional Materials		32,000			-	32,000
<b>Enhancement Changes</b>						
Home School Model Expansion	(8.650)	(645,573)			(8.650)	(645,573)
<b>Continuing Salary Reduction</b>						
		(3,691,960)			-	(3,691,960)
<b>Total Category 6</b>	(7.650)	\$ (4,432,726)	-	\$ -	(7.650)	\$ (4,432,726)

**SCHEDULE OF COUNTY COUNCIL ADDITIONS/REDUCTIONS TO THE FY 2017 OPERATING BUDGET  
BY STATE CATEGORY AND FINAL ACTION BY THE BOARD OF EDUCATION**

DESCRIPTION	COUNCIL ACTION		BOARD ACTION		TOTAL	
	POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
<b>CATEGORY 7 - STUDENT PERSONNEL SERVICES</b>						
<b>Technical Changes</b>						
Office of Student and Family Support and Engagement: Office of Student Services and Engagement Instructional Specialist (B-D)	(1.000)	\$ (63,249)			(1.000)	\$ (63,249)
<b>Enhancement Changes</b>						
Pupil Personnel Worker (B-D)	(6.000)	(286,064)			(6.000)	(286,064)
<b>Continuing Salary Reduction</b>						
		(128,344)				(128,344)
<b>Total Category 7</b>	<b>(7.000)</b>	<b>\$ (477,657)</b>	<b>-</b>	<b>\$ -</b>	<b>(7.000)</b>	<b>\$ (477,657)</b>
<b>CATEGORY 9 - STUDENT TRANSPORTATION</b>						
<b>Other</b>						
Bus Fuel (Reduction of Fuel Tax)		\$ (1,000,000)				\$ (1,000,000)
<b>Continuing Salary Reduction</b>						
		(836,575)				(836,575)
<b>Total Category 9</b>	<b>-</b>	<b>\$ (1,836,575)</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ (1,836,575)</b>
<b>CATEGORY 10 - OPERATION OF PLANT AND EQUIPMENT</b>						
<b>Technical Changes</b>						
K-12 Instruction: Mileage Reimbursement for Local Travel		\$ 2,000				\$ 2,000
<b>Continuing Salary Reduction</b>						
		(961,606)				(961,606)
<b>Total Category 10</b>	<b>-</b>	<b>\$ (959,606)</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ (959,606)</b>
<b>CATEGORY 11 - MAINTENANCE OF PLANT</b>						
<b>Enhancement Reductions</b>						
Maintenance including Indoor Air Quality Team Maintenance	(10.000) (9.000)	\$ (589,589) (587,588)			(10.000) (9.000)	\$ (589,589) (587,588)
<b>Continuing Salary Reduction</b>						
		(267,347)				(267,347)
<b>Total Category 11</b>	<b>(19.000)</b>	<b>\$ (1,444,524)</b>	<b>-</b>	<b>\$ -</b>	<b>(19.000)</b>	<b>\$ (1,444,524)</b>
<b>CATEGORY 12 - FIXED CHARGES</b>						
<b>Technical Changes</b>						
		\$ 232,565				\$ 232,565
<b>Grant Award Adjustments</b>						
		567,126				567,126
<b>Enhancement Reductions</b>						
		(1,523,599)				(1,523,599)
<b>Benefits for Continuing Salary Adjustments</b>						
		(2,336,397)				(2,336,397)
<b>Other Items</b>						
Health Benefits- Employee Benefits Plan (EBP) Reduction due to higher rebates		(10,000,000)				(10,000,000)
		-				-
<b>Total Category 12</b>	<b>-</b>	<b>\$ (13,060,305)</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ (13,060,305)</b>

**SCHEDULE OF COUNTY COUNCIL ADDITIONS/REDUCTIONS TO THE FY 2017 OPERATING BUDGET  
BY STATE CATEGORY AND FINAL ACTION BY THE BOARD OF EDUCATION**

DESCRIPTION	COUNCIL ACTION		BOARD ACTION		TOTAL	
	POS.	AMOUNT	POS.	AMOUNT	POS.	AMOUNT
<b>CATEGORY 51 - REAL ESTATE MANAGEMENT FUND</b>						
Technical Data Systems Operator II (15)	0.500				0.500	
<b>Total Category 51</b>	<b>0.500</b>	<b>\$ -</b>		<b>\$ -</b>	<b>0.500</b>	<b>\$ -</b>
<b>GRAND TOTAL</b>	<b>(63.225)</b>	<b>\$ (41,159,780)</b>	<b>-</b>	<b>\$ -</b>	<b>(63.225)</b>	<b>\$ (41,159,780)</b>



Resolution No.: 18-507  
Introduced: May 26, 2016  
Adopted: May 26, 2016

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: County Council

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**SUBJECT:** Approval of and Appropriation for the FY 2017 Operating Budget of the Montgomery County Public School System

**Background**

1. As required by the Education Article, Sections 5-101 and 5-102 of the Maryland Code, the Board of Education sent to the County Executive and the County Council the FY 2017 Operating Budget for the Montgomery County Public School (MCPS) system as shown below.
2. The Executive sent to the Council his recommendations regarding this budget on March 15, 2016.
3. As required by Section 304 of the County Charter, the Council held public hearings on the Operating Budget and the Executive's recommendations on April 5, 6, and 7, 2016.
4. The appropriation in this resolution is based on the following projected revenues for FY 2017:

State:	\$657,437,390
Federal:	\$ 74,902,923
Other:	\$ 10,571,804
Enterprise:	\$ 62,024,623
5. This appropriation requires a local contribution of \$1,617,631,597 to Montgomery County Public Schools.
6. Of the funds appropriated in this resolution, \$58,672,664 is appropriated to meet the State's FY 2017 requirement for the County to fund the shift of teacher pension costs from the State to the County. The State requires that beginning in FY 2017, this payment be included in the calculation of the Maintenance of Effort requirement, and that the Montgomery County Public Schools must reimburse the State for this amount of teacher pension costs.

7. This resolution re-appropriates the full amount of FY 2016 MCPS Current Fund balance or \$33,162,633 from the MCPS Current Fund balance, whichever amount is less.
8. The Council intends that this appropriation be implemented according to the policy direction outlined by Board of Education President Michael A. Durso in his May 13, 2016 letter to Council President Nancy Floreen and Education Committee Chair Craig Rice. Mr. Durso stated that the Board of Education will use this appropriation to implement between \$36-\$37 million of additional programmatic enhancements to reduce class size and address the achievement and opportunity gap. Mr. Durso also confirmed that the funding provided by the Council will not be enough to implement both the strategic enhancements and more than the equivalent of a 1 percent general wage adjustment and an increment (step increase) for all employees as of July 1, 2016. Mr. Durso recognized that the fiscal challenges that will face the County in FY 2018 require that fiscal and allocation decisions made in FY 2017 not adversely impact the FY 2018 operating budget. The letter stated that “the Board recognizes that it has a right under Maryland law to implement a final decision about budgetary funding, even absent union agreement...”
9. The Superintendent submitted to the Council proposed changes by State category to meet the approved expenditure level as reflected in this appropriation.

#### Action

The County Council for Montgomery County, Maryland approves the following resolution:

1. The Council approves the FY 2017 Operating Budget for the Montgomery County Public School system and appropriates the funds as shown below.



**FY 2017 OPERATING BUDGET FOR MONTGOMERY COUNTY PUBLIC SCHOOLS**


The Council approves and appropriates the following amounts:

<b>I. Current Funds</b>	<b>BOE Request March 2016</b>	<b>Council (Reduction/ Addition)</b>	<b>Council Approved Budget</b>
<b>Category</b>			
1 Administration	44,264,358	(665,005)	43,599,353
2 Mid-level Administration	146,789,382	(842,826)	145,946,556
3 Instructional Salaries	990,136,533	(13,872,839)	976,263,694
4 Textbooks and Instructional Supplies	29,449,853	(3,156,136)	26,293,717
5 Other Instructional Costs	12,607,275	(411,581)	12,195,694
6 Special Education	330,802,670	(4,432,726)	326,369,944
7 Student Personnel Services	12,410,607	(477,657)	11,932,950
8 Health Services	3,630	-	3,630
9 Student Transportation	106,236,201	(1,836,575)	104,399,626
10 Operation of Plant and Equipment	134,441,287	(959,606)	133,481,681
11 Maintenance of Plant	35,631,747	(1,444,524)	34,187,223
12 Fixed Charges	591,279,495	(13,060,305)	578,219,190
14 Community Services	813,089	-	813,089
<b>Subtotal, including specific grants</b>	<b>2,434,866,127</b>	<b>(41,159,780)</b>	<b>2,393,706,347</b>
Less Specific Grants	78,963,887	3,164,240	82,128,127
<b>Subtotal, Spending Affordability</b>	<b>2,355,902,240</b>	<b>(44,324,020)</b>	<b>2,311,578,220</b>
<b>II. Enterprise Funds</b>			
37 Instructional Television Fund	1,742,791	-	1,742,791
51 Real Estate Management Fund	3,686,191	-	3,686,191
61 Food and Nutritional Services Fund	53,967,269	-	53,967,269
71 Field Trip Fund	2,006,361	-	2,006,361
81 Entrepreneurial Fund	2,364,802	-	2,364,802
<b>Subtotal, Enterprise Funds</b>	<b>63,767,414</b>	<b>-</b>	<b>63,767,414</b>
<b>TOTAL BUDGET for MCPS</b>	<b>2,498,633,541</b>	<b>(41,159,780)</b>	<b>2,457,473,761</b>

2. This resolution appropriates \$6,731,204 for the account titled "Provision for Future Supported Projects", which provides funds for specific programs designated in a grant, contribution, reimbursement, or other non-county funding source received in FY 2017. When MCPS receives funds for a program from one of these sources, MCPS may transfer funds from this appropriation to the program. The following conditions are established on the use of this transfer authority:
  - a) The program must not require any present or future County funds.
  - b) Subject to the balance in the account, any amount can be transferred in FY 2017 for any program which meets at least one of the following four conditions: (1) the amount is \$200,000 or less; (2) the program was funded in FY 2016; (3) the program was included in the FY 2017 budget; (4) the program was funded by the Council in a supplemental or special appropriation in FY 2017. Any program that does not meet one of these four conditions must be funded by a supplemental or special appropriation.
  - c) MCPS must notify the Executive and the Council within 30 days after each transfer.
3. Any appropriation authorized in this resolution for any expenditure funded by non-County funds is contingent on the receipt of the non-County funds.
4. This resolution re-appropriates or appropriates revenue received from non-County sources for programs funded in whole or in part from those non-County funds:
  - a) together with matching County funds, if any; and
  - b) to the extent that the program period approved by the non-County source encompasses more than one fiscal year, in order to complete the grant program under the terms of receipt of the non-County revenues.
5. This resolution re-appropriates the fund balance of the Warehouse account.
6. The Council continues the procedure for transfers adopted in Resolution 12-889. This procedure applies only to the non-County portion of grant programs, and therefore only applies to those grant programs for which MCPS keeps separate accounts for County and non-County funds.
  - a) The Council will not take action on these transfers, so the transfers will be automatically approved after 30 days, as provided by State law.
  - b) MCPS staff must report each transfer to the Executive and the Council within 30 days after the transfer.

7. The following provision applies when MCPS receives more non-County funds than were budgeted for a project that also receives some County funds:
  - a) Council approval is not required to substitute non-County funds for County funds. In this case, there is no change in the appropriation.
  - b) Council approval is required to increase the appropriation. The Council may decide to substitute non-County funds for the County funds instead of increasing the appropriation.
9. This resolution re-appropriates encumbered appropriations, permitting them to be spent in FY 2017. Unencumbered appropriations lapse at the end of FY 2016 except as re-appropriated elsewhere in this resolution.

This is a correct copy of Council action.

  
Linda M. Lauer, Clerk of the Council

