


Office of the Chief Operating Officer  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

December 3, 2008

MEMORANDUM

To: Executive Staff

From: Larry A. Bowers, Chief Operating Officer 

Subject: Update on FY 2009 Operating Budget Expenditure Restrictions

On September 16, 2008, the superintendent of schools determined that it was necessary to impose restrictions on expenditures for the current fiscal year. Staff throughout Montgomery County Public Schools (MCPS) has cooperated with these restrictions and provided the support that will enable us to identify savings that can be used to help fund the FY 2010 operating budget. Every dollar that can be saved now will help all MCPS students next year.

Unfortunately, since the expenditure restrictions were imposed, the outlook for the county economy and potential operating budget revenue have become significantly worse. A breakdown in the national financial system, higher unemployment, both nationally and locally, and a decline in consumer spending have placed the county in a perilous fiscal position. On November 25, 2008, County Executive Isiah Leggett informed the County Council that he anticipates a much larger deficit for FY 2010, at least \$450 million. The County Council directed all agencies, including MCPS, to identify greater savings for the current year that can save jobs and services next year. MCPS has been asked to save at least \$19.4 million, 1 percent of the tax-supported operating budget.

As a result of these economic and fiscal forecasts, it is necessary to take additional steps to reduce both short-term and long-term fiscal commitments:

1. Previous expenditure restrictions remain in effect through the end of the fiscal year.
2. The additional restrictions detailed below are effective immediately. Each office will be expected to make only absolutely unavoidable expenditures.
3. Even expenditures exempt from restrictions should not be made unless necessary.
4. Without specific authorization through the freeze exception process, positions that are not exempt from the freeze may not be filled, no equipment may be ordered, and no new commitments may be made for nonposition salaries, contractual services, or consultants.

5. The Freeze Committee will review all previously granted exceptions to see if they meet the more stringent new requirements. Offices may be asked to renew requests for exceptions, including any previously approved.
6. Monthly financial reports must reflect the impact of the additional restrictions. All unencumbered (available) balances on accounts covered by these restrictions must have an exception. Otherwise, they will be considered as available surplus and must not be spent.
7. Management and budget specialists will review all accounts covered by the restrictions to make sure that any unencumbered balances have approved exceptions.

These expenditure restrictions also apply to school-based expenditures, except where exceptions are specifically noted. Enterprise funds are not included in the restrictions. Restrictions on grant expenditures depend on the specific terms of individual grants.

The financial reports submitted as of November 30, 2008, should reflect these new expenditure restrictions.

### **Positions**

1. All position vacancies are frozen, with the following exceptions:
  - Principals
  - Special education teachers, speech pathologists, and occupational/physical therapists
2. English for Speakers of Other Languages (ESOL) vacancies can no longer be filled by increasing the assignment of an already employed ESOL teacher.
3. Secretary I positions in elementary schools and bus operator and attendant positions now are subject to the freeze.
4. The following positions may be filled with higher level assignments, but any backfilled vacancies are frozen and require an exception to be filled with temporary part-time employees:
  - Building service managers
  - School administrative secretaries
  - Security team leaders
5. The following positions may only be filled with temporary part-time employees:
  - Security assistants in middle schools
  - Special education paraeducators
  - Interpreters

6. All vacant classroom teacher and elementary school counselor positions will be filled by long-term substitutes. All secondary school counselors and all other non-teaching teacher level positions are frozen. Exceptions must have prior approval.
7. All vacant lunch hour aide positions must be filled as temporary part-time.
8. All other school-based supporting services staff positions, including paraeducator positions, are frozen. Unless specifically approved, existing paraeducators may not be authorized for additional time.
9. Supporting services employees who work part-time temporary hours above their position allocations, doing the same work, may be paid at their hourly rate.
10. Positions in enterprise funds remain exempt from the freeze.

### **Other Salaries**

Except as indicated below, all expenditures for non-position salaries (stipends, part-time, and overtime salaries) may not be made:

1. Overtime—Only emergency overtime is permitted. Except for emergency overtime in the departments of Transportation and Facilities Management, all emergency overtime must be preapproved by the responsible associate superintendent according to existing procedures. Overtime in nonemergency situations must not be authorized.
2. Temporary employment is frozen, with the following exceptions:
  - Per diem psychologists
  - Bus operator and bus attendant substitutes
  - Interpreters/translators
  - Home and hospital instructors
  - Lunch hour aides
3. All temporary part-time employment previously approved through an exception is now frozen. If an office wishes to extend that employment, it must submit another exception request. Otherwise, all temporary employment not exempted above must cease after December 12, 2008.
4. School Improvement Plan training and planning stipends are frozen and require a freeze exception. All work completed prior to December 2 must be submitted for payment by the December 19 payroll.

5. Allocations for staff development substitutes are frozen.
6. School allocations for nonposition salaries (stipends and substitutes) for the Professional Learning Communities Institute (PLCI) activities and collaborative planning time in the 11 Middle School Reform Schools are no longer exempt and require a freeze exception.
7. All nonschool-based temporary employment requires a prior exception.

### **Contractual Services**

1. New Contractual Commitments—No new contractual commitments may be made except for emergency repairs, waste disposal, speech and language and interpretation services, and the extension of existing maintenance agreements for copiers or computers. This restriction also applies to school-based expenditures.
2. Existing Contractual Commitments—Existing contractual service encumbrances must be resubmitted to the Freeze Committee for an exception.
3. Consultants—All commitments for consultant services will require an exception, even if previously approved through the freeze exception process.
4. PLCI and SIP accounts cannot be used to fund contractual services or consultants for the remainder of the year. All already incurred expenses that need to be reimbursed from SIP and PLCI accounts must be submitted by December 15, 2008.

### **Supplies and Materials**

1. Spending of instructional materials funds allocated to schools can continue for purchasing instructional materials for students, media materials, textbooks, and training materials.
2. PLCI and SIP accounts are frozen and cannot be used to purchase materials, food, beverages, or student/staff incentives. All already incurred expenses that need to be reimbursed from these accounts must be submitted by December 19, 2008.
3. Building services supplies are exempt from the freeze.
4. For all school-based offices, supplies and materials may be ordered only to permit employees to continue essential duties.
5. Nonschool-based supplies and materials orders are frozen.
6. Materials and supplies for maintenance work, vehicle maintenance, and printing are exempt.
7. Printing orders for new items now require a freeze exception.

8. All Copy Plus orders from schools are exempt.

### **Other Expenditures**

1. Staff will continue to be reimbursed for local travel.
2. Travel expenditures that are the result of negotiated agreements may proceed only if specific travel commitments have been made. Other requests will require an approved exception. No additional commitments can be made prior to obtaining approval.
3. All other travel and conference commitments, including those paid by SIP and PLCI funds, are frozen.
4. Employees must not arrange travel expenditures or make commitments to participate in out-of-state conferences unless the travel has been previously authorized. Any arrangements made after this notification will not be honored.
5. Expenditures for dues, registrations, and subscriptions require an approved exception.
6. No additional commitments for activity buses may be made without an approved exception.

### **Furniture and Equipment**

1. All furniture and equipment purchases are frozen unless there is an approved exception.
2. The acquisition of school buses is exempt from this restriction.
3. Any new lease or master lease commitments require an approved exception.

### **Grants**

1. Expenditures for nonbudgeted grants (i.e., competitive grants that have no local component) are exempt from expenditure restrictions. These grants must be spent according to the terms of the grant. Project managers should check with their budget specialist to determine if a grant falls within this category.
2. Budgeted grants that have a local component (i.e., grants that include locally funded expenditures as part of the budgeted program) are subject to expenditure restrictions. These grants also must be expended according to the terms of the grant, but all expenditures not otherwise exempt under the provisions listed above must be scrutinized for opportunities to shift local expenditures to the grant. Grant managers must request exceptions to authorize expenditures in these grants, unless otherwise exempt, and show why it is not possible to shift locally funded expenditures to the grant.

## Exception Process

The process for obtaining freeze exceptions remains the same.

1. Exceptions to the freeze are permitted only for emergencies or other absolutely unavoidable expenditures if authorized by the chief operating officer.
2. Any exceptions must be requested using the standard freeze exception form (Attachment A) to the chief operating officer through the director of the Department of Management, Budget, and Planning from the deputy superintendent of schools, chief operating officer, chief of staff, chief school performance officer, chief academic officer, chief technology officer, or an associate superintendent. Secondary account managers may not directly request an exception.
3. Exception requests must describe why the proposed expenditure is an emergency or absolutely unavoidable, and why the unit cannot realign other funds to meet the emergency.
4. A committee consisting of the director of the Department of Management, Budget, and Planning; the chief financial officer; and representatives of the deputy superintendent of schools and the chief operating officer will make a recommendation to the chief operating officer regarding all exception requests. The decision of the chief operating officer will be final.
5. The chief operating officer may announce additional expenditure restrictions. Executive staff should remain alert for these announcements.

Requests for approval of exceptions must be justified according to the following criteria:

1. Emergency spending that cannot be avoided without endangering health or safety.
2. Expenditures for supplies and materials absolutely necessary for employees to continue assigned duties.
3. Unavoidable contractual commitments.
4. Expenditures without which essential operations could not continue.
5. Expenditures for which no alternative revenue sources, such as grants, are available.

Until exceptions are approved, no expenditure should be made that would conflict with these criteria.

I want to thank you for your cooperation. These expenditure restrictions are absolutely essential to maintain the high quality of instruction for all of our children despite continuing severe fiscal constraints.

If you have any questions, please contact Dr. Marshall Spatz, director, Department of Management, Budget, and Planning, at 301-279-3547 or me.

LAB:vnb

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