


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

May 21, 2009

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: FY 2010 Operating Budget: Council Action

On May 21, 2009, the County Council made final decisions on the FY 2010 Operating Budget. The Council approved a total for Montgomery County Public Schools (MCPS) of \$2,200,577,000. This is an increase of \$133,118,203 (6.4 percent) over the current FY 2009 Operating Budget of \$2,067,458,797. The total tax-supported budget (excluding grants and enterprise funds) for FY 2010 is \$2,020,078,263, an increase of \$83,121,692 (4.3 percent) over the current FY 2009 Operating Budget of \$1,936,956,571.

The County Council's resolution (attached) approved a total of \$48,473,664 more than the Board of Education's Request of \$2,152,103,336. The approved amount includes \$79,537,322 as a reimbursement of County debt service for public school facilities to ensure a total operating budget amount equal to the state Maintenance of Effort (MOE) requirement. Without that reimbursement, the County Council reduced the Board of Education's request by \$31,063,658 (1.4 percent). The approved request includes full funding of educational program expenditures as requested by the Board of Education and recommended by the county executive. It also includes appropriation of federal grants totaling \$49,289,273 received through the American Recovery and Reinvestment Act (ARRA). Total grant revenue of \$124,355,344 includes an increase of \$27,635,962 over the Board of Education's March 1, 2009, budget request.

As part of the final budget action, the Council reduced \$31,063,658 from the Board's requested budget. This includes \$23.7 million in employee benefit costs added to the operating budget as part of Board action on February 23, 2009. It also includes a reduction of \$6.3 million in expenditures for the Retiree Health Trust Fund (OPEB) requested by the Board of Education. As a result, there is \$12.0 million left in the FY 2010 budget for the Retiree Health Trust Fund. However, the Council budget resolution requires that these funds be returned to the county in case there are revenue shortfalls. The Council resolution also includes a requirement that \$79.5 million of the appropriation be considered as a non-categorized expenditure reserved as reimbursement to the county for debt service for public school facilities.

Although Ms. Shirley Brandman, president of the Board of Education, and I had conversations with Mr. Isiah Leggett, county executive; Mr. Timothy Firestine, chief administrative officer; Mr. Phil Andrews, president of the County Council; and other councilmembers regarding the budget for MCPS, the final resolution adopted by the County Council does not reflect our agreements. The solution that was developed by Mr. Leggett and submitted to the County Council on Monday, May 18, 2009, which we supported, was not approved by the Council. An issue that was critical to our agreement was that the payment of the county's debt service by MCPS would be disbursed in FY 2010 only and not in subsequent years. The Council rejected this proviso, and the resolution approved by the Council was silent on this important point.

In addition, Mr. Leggett's resolution would have held MCPS harmless if the state penalized the county for not meeting the MOE requirement. In fact, the final Council resolution went further and states that MCPS will have to return to the County Council the \$12 million appropriated for the payment to the Retiree Health Trust Fund if the Council requests the funds because of a significant revenue shortfall. I have requested an opinion from Ms. Judith Bresler, MCPS general counsel, as to whether the Council resolution is legal. If the Council can appropriate funds to MCPS but tell us that we cannot spend the money and may have to transfer it back to them if they need it, the entire MCPS budget could be reduced in the middle of a fiscal year for any reason.

The resolution has prompted several other questions which I have asked Ms. Bresler to explore. As you know, this is a complex resolution passed by the Council and it will take some time to completely understand all of the ramifications of the Council's action. Ms. Bresler will thoroughly review the resolution and will provide us with a report in the coming days.

If you have any questions, please call Mr. Larry A. Bowers, chief operating officer, at 301-279-3626 or Dr. Marshall Spatz, director, Department of Management, Budget, and Planning, at 301-279-3547.

JDW:jp

Attachment

Copy to:
Executive Staff
Ms. Bresler

Resolution No.: _____
Introduced: May 21, 2009
Adopted: May 21, 2009

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Approval of and Appropriation for the FY10 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 FY10 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.
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 13, 14, 15, and 16, 2009.
4. The appropriation in this resolution is based on the following projected revenues for FY10:

State:	\$440,089,248
Federal:	\$115,609,261
Other:	\$ 14,980,651
Enterprise:	\$ 56,143,393
5. This appropriation requires a local contribution of \$1,529,554,447 to Montgomery County Public Schools.
6. This resolution reappropriates \$20,000,000 of projected FY09 MCPS Current Fund balance. This resolution also appropriates State funds received in FY09 totaling \$24,200,000.

Resolution No.:

7. Federal grant revenue totaling \$27,845,773 to be received in FY10 through the State from the State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act is unrestricted in use but is considered as restricted revenue in this appropriation as required by the United States Department of Education for the purpose of financial reporting.
8. The Superintendent submitted to the Council proposed reductions 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 FY10 Operating Budget for the Montgomery County Public School system and appropriates the funds as shown below.

FY 2010 OPERATING BUDGET FOR MONTGOMERY COUNTY PUBLIC SCHOOLS

The Council approves and appropriates the following amounts.

I. Current Fund Category	BOE Request March, 2009	Council (Reduction)/ Addition	Council Approved Budget
1 Administration	41,809,677	64,426	41,874,103
2 Mid-level Administration	135,542,318	329,102	135,871,420
3 Instructional Salaries	856,035,209	(258,495)	855,776,714
4 Textbooks and Instructional Supplies	31,905,545	(1,783)	31,903,762
5 Other Instructional Costs	15,070,581	23,120	15,093,701
6 Special Education	280,339,274		280,339,274
7 Student Personnel Services	11,153,748	21,630	11,175,378
8 Health Services	41,002		41,002
9 Student Transportation	92,765,998		92,765,998
10 Operation of Plant and Equipment	118,589,104		118,589,104
11 Maintenance of Plant	34,961,236	(1,023,000)	33,938,236
12 Fixed Charges	477,537,658	(30,218,560)	447,319,098
14 Community Services	208,495		208,495
Non-Categorized Expenditures			
Debt Service		79,537,322	79,537,322
Subtotal, including specific grants	2,095,959,845	48,473,762	2,144,433,607
Less specific grants	96,719,382	27,635,962	124,355,344
Subtotal, spending affordability	1,999,240,463	20,837,800	2,020,078,263
II. Enterprise Funds			
37 Instructional Television Fund	1,581,608	(98)	1,581,510
51 Real Estate Fund	2,651,095		2,651,095
61 Food Services Fund	47,821,972		47,821,972
71 Field Trip Fund	2,314,716		2,314,716
81 Entrepreneurial Activities Fund	1,774,100		1,774,100
Subtotal, Enterprise Funds	56,143,491	(98)	56,143,393
Total Budget for MCPS	2,152,103,336	48,473,664	2,200,577,000

Resolution No.:

2. This resolution appropriates \$8,991,083 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 FY10. 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 FY10 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 2009; (3) the program was included in the FY10 budget; (4) the program was funded by the Council in a supplemental or special appropriation in FY10. 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 reappropriates 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 reappropriates 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.

Resolution No.:

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.
8. This resolution reappropriates encumbered appropriations, permitting them to be spent in FY10. Unencumbered appropriations lapse at the end of FY10 except as reappropriated elsewhere in this resolution.
9. This resolution appropriates \$12,000,000 for pre-funding retiree health insurance consistent with Resolution No. 16-555, which the Council adopted on May 14, 2008. These funds must not be placed in trust before June 30, 2010. Before June 30, 2010, these funds may be transferred, with Council approval, to address any unanticipated revenue shortfall.
10. This resolution appropriates \$79,537,322 for the payment of debt service due in FY10 for the construction of Montgomery County Public Schools facilities.
 - a) Montgomery County Public Schools must make payment for the debt service through the Montgomery County Government as provided in subparagraph 10(c). These funds must not be spent for any other purpose.
 - b) The inclusion of this amount for debt service will be part of the County's Local Appropriation and part of the calculation of the FY11 Local Appropriation required to comply with the State maintenance of effort requirement.
 - c) Reimbursement must occur no less than five days before each applicable debt service payment.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council