

## MONTGOMERY COUNTY SCHOOL BUDGET PROCESS

### BACKGROUND

At its Annual Meeting in May, 2013, the League of Women Voters of Montgomery County (LWVMC) adopted a study of the budget process for financing Montgomery County Public Schools (MCPS). This is a follow on to the study of the Montgomery County budget process in 2012-2013. While MCPS has both a capital budget and an operating budget, the focus of this study has been on the operating budget.

The operating budget supports the day-to-day operations of the school system. The capital budget supports school construction and other major projects and is paid for largely by debt assumed by Montgomery County.

The operating budget for FY2014 is \$2.225 billion. Of this total, 65%, \$1.448.2 billion, comes from local sources; 27%, \$605 million, comes from the State of Maryland; 3%, \$72.7 million, comes from the federal government with the balance coming from a variety of other sources. Of the budgeted amount, 81% is used for instruction, 14% for school support services, 2% for system-wide support and 3% for self supporting enterprises. Projected enrollment of students for MCPS for FY 2014 was 151,364 in 202 schools, an increase over FY2013 of 2,336 students, the equivalent of four or five elementary schools. According to members of the Board of Education (BOE), Montgomery and Baltimore Counties are the only Maryland counties with increasing enrollment. Montgomery County enrollment is increasing at a much faster rate than that of Baltimore County.

### THE MCPS PROCESS

#### Department of Management, Budget and Planning (DMBP)

This department is responsible for the organizational aspects of the budget process. It issues guidelines and budget forms, analyzes various budget proposals and provides budget options to the Superintendent and Board of Education (BOE). It also provides technical assistance and training to those responsible for developing the proposed budget. The department implemented a new budget process for use in Fiscal Year 2015 that would allow for greater stakeholder input earlier in the process. DMBP also assists in development of grants from external funders, monitors the grants once they are received and works with other departments in monitoring and managing position allocations.

#### Preliminary Activities

On June 24, 2013, the BOE approved a new Strategic Planning Framework *Building Our Future Together: Students, Staff and Community*. The framework codifies the core purpose of MCPS—to prepare its students to thrive in their future—and is built on five core values: learning, relationships, respect, excellence and equity. The framework identifies its mission around the three core competencies students need so they are prepared to achieve—academic excellence, creative problem solving and social emotional learning. The framework also affirms MCPS’s commitment to organizational effectiveness.

ORGANIZATIONS AND INDIVIDUALS ARE INVITED TO DUPLICATE THIS FACT SHEET WITH ATTRIBUTION GIVEN TO LWVMC. BEFORE REPRODUCING, PLEASE CONTACT THE LEAGUE OFFICE AT 301-984-9585 OR [LWVMC@EROLS.COM](mailto:LWVMC@EROLS.COM) FOR CORRECTIONS OR UPDATED INFORMATION, OR CHECK OUR WEBSITE, [MONT.LWVMD.ORG](http://MONT.LWVMD.ORG), FOR THE MOST UP-TO-DATE VERSION.

In July, the BOE discussed in detail, and in September adopted, the *Board of Education's Fiscal Year 2015 Operating Budget Interests* which, along with the strategic plan, were to guide the development of the FY2015 Operating Budget. There are ten such interests, or aspirations, adopted by the BOE and they are essentially the same as those for the previous year. Examples of interests include "Provide multiple pathways enabling graduates to be globally competitive and college and career ready;" "Maintain and improve our special education programs;" "Ensure the budget is aligned with the system's and staff's needs;" "Pay attention to areas of great need, in particular middle schools."

New to the process were approximately 18 focus groups with parents, students, employees, and community members that were held between May 15 and June 28. The purpose was to identify actions that need to be in place in order to achieve the department's strategic plan as well as to elicit opinions as to what is working and what is not. During the summer, small teams of MCPS employees representing elementary, middle and high schools, as well as special education and English as a Second Language (ESOL) programs analyzed the input from the focus groups and developed multiyear budget plans that are aligned with the strategic plan, the system priorities, and Board of Education interests. Multi year initiatives in the recently adopted budget reflected the findings of the teams.

In early July, DMBP issued the *Fiscal Year 2015 Operating Budget Guide*. It contained instructions and forms for use by the budget preparers in the education related departments, usually at the associate superintendent level, and department heads in the administrative offices. MCPS budgets on a Zero-Based Budgeting basis – that is, the current budget is used as a base and then is increased only for expected increases in enrollment and known cost increases such as higher cost of fuel. Budgeters are permitted to move resources around within their budgets – for example from travel to professional development. In addition to a great deal of documentation, the proposed budgets must contain reduction reports, known as PEAR (Program Efficiency, Abandonment, and Redirection). Central office was assigned a 5% target and school support functions such as transportation, operations and maintenance were assigned a 2% target. Unlike recent years, school-based budgets were not assigned a PEAR target this year. Rather than applying cuts across the board, it was recommended that budgeters look for program efficiencies, alternative service delivery models and elimination of programs that have limited value. After review and approval by the deputy superintendents the proposed budgets are submitted to DMBP in mid September (the K-12 budget in late September). DMBP then reviews the proposed budgets and meets with associate superintendents in preparation for the Operating Budget Steering Committee.

### **Operating Budget Steering Committee**

The purpose of the Operating Budget Steering Committee (the Committee) is to review all of the proposed budgets and to develop a recommended budget with the Superintendent. The members of the committee are the three deputy superintendents, the chief operating officer, representatives of the three unions with whom MCPS negotiates (teachers, principals and supporting services), representatives from the Montgomery County Council of Parent Teacher's Associations (MCCPTA) and the Director of DMBP. The superintendent attends some of the committee's meetings, primarily to discuss his priorities and then, at the end of the process, to discuss the various recommendations and options developed by the committee. The entire process takes about two months.

The associate superintendents present their budget requests to the committee and are available to answer questions. Members identify the issues and each group's interests as well as their common interests. They look at options for solutions and consider the pros and cons of each solution. In

reviewing the proposals, the committee members look at the PEAR reports. They divide the PEAR proposals into three groups – those that would be relatively easy to implement, those that are more difficult and those that are unacceptable. They incorporate some of the PEAR proposals in their recommended budget. Much of the budget is formula based. Although the Committee tries to attain equity across the board, it also provides extra resources to schools with more educationally struggling students. It does not discuss salaries or benefits.

A problem that the committee faces is that some information is simply not available within its time frame. Specifically, the state doesn't inform the school districts about the exact amount of state aid until after the budget is before the BOE and the latest revenue projections are not received from the county until after the first of the year so estimates have to be used.

The committee does not take formal votes. Instead, it uses a consensus process which MCPS calls "Interest Based Budgeting." The goal is to present a budget that all of the participating groups can support. There is a fair amount of give and take among the parties as to what would or would not be acceptable to them.

The Committee met 15 times this year overlapping the MCPS administration's negotiations with the three employee unions. Neither group's meetings are open to the general public.

### **The Superintendent**

The superintendent works with the Operating Budget Steering Committee to develop the budget. According to staff, he feels that he is part of the committee and the committee members advise and assist him in making decisions about the budget. The budget he submits is required by state law to be based on categories of objects of expenditure such as salaries and wages, contractual services, supplies and materials, etc. The chapters of the MCPS budget relate to each of the divisions of the school department and then are broken down by relevant categories. The K-12 instruction chapter is further broken down into elementary, middle school and high school budgets. There is written material accompanying each section of the budget which covers the accomplishments of the entity discussed in the section, its achievements, its performance measures and an explanation of proposed changes from the previous year. The appendices contain charts relating to the system-wide costs for each category, salary schedules, staffing guidelines, etc.

This year, because negotiations with the employee unions had not been completed, the superintendent's budget that was submitted to the Board of Education did not contain a provision for salary or benefit increases.

### **Board of Education**

Although the BOE has a Fiscal Management Committee, all members of the BOE receive the recommended budget at the same time. The superintendent may come to the Fiscal Management Committee to help with specific funding decisions, but the Board as a whole considers the budget. After receipt of the recommended budget from the superintendent, the BOE holds two public work sessions to learn more about the details of the budget. They also submit written questions to the board's chief of staff and receive "Answer Books" containing responses to the questions. The Answer Books are also posted on line. Currently, the BOE is not involved in the Operating Budget Steering Committee. Until two years ago, the BOE's officers did participate in the committee's deliberations

but found it awkward to be reviewing, along with other board members, the recommendations they had been involved in developing. Board members who were interviewed said that they found the input from the focus groups and the steering committee to be helpful.

The BOE holds two public hearings in January. Board members say that they pay a great deal of attention to the testimony at the public hearings along with other communications they receive during the year and even from prior years. The cumulative comments help the board to identify “holes” which they try to fill. Examples include the need for more counselors and music teachers and the need to increase staff because of rising enrollment. The BOE does not have any budget analysts on their staff. BOE members say that they depend on the superintendent and other MCPS staff because of their education expertise. They count on them to know how best to reach the goals that the board sets.

Since the State of Maryland doesn’t announce its state aid figures until January, the board has to adjust the superintendent’s budget for any deviations from his projections. This year, since union negotiations ran into February, the board also included the costs which resulted from the tentative agreements. It also increased the budget by \$750,000 based on need and input from the community. . The final budget approved by the BOE on February 11 was \$2.32 billion, an increase of about 4% over the current budget. The budget is \$51.7 million, or 2.3%, above the amount of funding required by state law (Maintenance of Effort, see below).

### **Program Budget**

In addition to the “official” budget which must comply with the categories established by state law, MCPS also has been publishing a Program Budget which cuts across departments and is aligned with the Strategic Plan. It shows the total amounts spent in specific areas. MCPS is going to spend this year aligning the Program Budget with the new strategic plan.

### **Maintenance of Effort (MOE)**

In 1984, the Maryland legislature adopted legislation substantially increasing state funding for K-12 education. To ensure that this funding would add onto, rather than replace, current county government funding for education, the legislation included a Maintenance of Effort (MOE) requirement, mandating that counties should continue to fund their school systems at the same level per student as the year before. (There were penalties for not meeting the MOE requirement and also a waiver application procedure, so that a county that felt unable to meet the MOE could apply to the State Board of Education for a waiver.)

From 1984 until the recent recession sharply reduced local revenue, Montgomery County regularly exceeded the MOE requirement, providing increasing funding per student in most of those years. However, during the recession the county did not sustain the levels of funding set during the preceding years; per pupil funding dropped from \$11, 249 in FY 2009 to \$9,759 in FY 2012. For FY 2012, the county did not apply for a waiver and incurred a \$26,000,000 penalty, but that reset the base for MOE for succeeding years to the lower level. The State Legislature subsequently passed additional legislation providing that if a county fails to meet its MOE obligation and does not receive a waiver authorizing that failure, the State can withhold funds from the county’s income tax (collected by the state and returned to the county) and send those funds directly to that county’s school system.

As recovery from the recession occurs, current and future county councils will need to consider whether funding the MCPS above the MOE level is necessary to maintaining their excellent reputation and successfully educating an increasingly diverse student population or whether those goals can be

achieved will level funding. Supporters of funding increases cite inflation in such costs as supplies and fuel, as well as the need to provide salary increases to attract and retain strong staff. Opponents of such increases note the loss of local control to cut funding in low revenue years and the fact that overall school funding does increase even with level per pupil expenditures as long as student enrollment continues to grow.

### **THE COUNTY PROCESS**

On March 3, the BOE recommended budget was delivered to the County Executive. As with other independent agencies, the executive can only recommend changes to the school budget unlike county budgets where he has much greater power to make changes to the agencies' proposed budgets. The executive submits his proposals to the County Council in mid March. The council meets in its committees to review the budget. It also holds a series of public hearings during one week in early April.

When it comes to the school budget, which is reviewed by the County Council Education Committee, the council is constrained by the Maintenance of Effort law described above. If it makes changes to the school budget, they must be at the category level. The council may not, under state law, make changes to line items. After the council budget action in mid May, the budget returns to the Board of Education which approves the final budget. The BOE has a certain amount of flexibility in that it can appropriate amounts to supplement the council passed budget from reserve funds. It did this so last year.

### **STRENGTHS AND WEAKNESSES OF THE SCHOOL BUDGET PROCESS**

Most of the participants that were interviewed viewed the process very favorably. They felt that the inclusion, right from the beginning, of all interests significantly strengthens the process.

A weakness that was identified is the absence of any budget staff in the BOE. Unlike the County Council, members rely completely on MCPS staff so there is no independent detailed review of the Superintendent's proposed budget.

Communication between MCPS and the county could be improved. While there is some ongoing communication between MCPS and the county executive's office, it could be enhanced. Some attribute the difficulties in communication to the ongoing disagreements related to the Maintenance of Effort issue.

### **Timeline for MCPS Operating FY2015 Budget Process**

May/June	Focus groups - what needs to take place to accomplish strategic plan
June	BOE adopts New Strategic Planning Framework
Summer	MCPS teams analyze information from focus groups
July/Sept	BOE adopts Operating Budget Interests
July	DMBP issues <i>Fiscal Year 2015 Operating Budget Guidelines</i>

Mid Sept	Operating budget proposals submitted to DMBP (K-12 late September)
Mid Sept – Mid Oct	Operating Budget Steering Committee meets
Mid Oct – Mid Nov	Operating Budget Steering Committee meets with Superintendent
Mid Dec	Superintendent submits budget to BOE
Mid Jan	BOE holds 2 public hearings
Late Jan	BOE worksession
Mid Feb	BOE adopts Superintendent's budget with amendments
Early March	Budget transmitted to County Executive/ County Council
Mid March	County Executive submits operating budget to County Council
April	Council public hearings
April/May	County Council worksessions
May 15	County Council Budget Action
Mid June	Final BOE Action to approve operating budget

## REFERENCES

### Interviews:

Thomas P Klausung, Director, MCPS Department of Management, Budget and Planning  
 Larry A. Bowers, Chief Operating Officer, MCPS  
 Kristin Tribble, Former President, MCCPTA  
 Christopher Barkley, Philip Kauffman, and Patricia O'Neal, members of MCPS Board of Education  
 Thomas Israel, Executive Director, Montgomery County Education Association (MCEA)

### Documents

*Superintendent's Recommended FY 2014 Operating Budget in Brief*  
*MCPS Fiscal Year 2015 Operating Budget Calendar*  
*Fiscal Year 2015 Operating Budget Guide*  
*MCCPTA Resolution on BY 2014 Operating Budget Priorities*  
*Frequently Asked Questions about the MCPS Operating Budget*  
*Superintendent's Fiscal Year 2015 Operating Budget Recommendation*  
 MCPS Press Release: *Board of Education Approves \$2.32 Budget Request for 2015, February 11, 2014*  
 Memo to BOE from Supt Joshua Starr: *Budget Development Process for Fiscal Year 2015*  
 Memo to BOE from Supt. Joshua Starr: *Board of Education Fiscal Year 2015 Operating Budget Interests*  
 Various statistical tables and charts summarizing revenues, expenditures, enrollments, etc.

## **CONSENSUS QUESTIONS**

The following positions were readopted by LWVMC in 2013:

### **Budget Process**

We support continued improvement of Montgomery County budget procedures and budget documents with emphasis on increasing citizen understanding and input. Support for:

1. The county government looking into techniques and procedures for improving the budget process and making the budget document more understandable. (2013)
2. The county government involving citizens early in the budget process to help establish priorities. (2013)
3. The county government providing information on program cost measured against results. (2013)

### **Consensus Questions Relating to the School Budget Process**

#### **Question 1**

Should the following LWVMC positions be retained as is, changed in wording or dropped? The wording of the following LWVMC positions, adopted in the 1970's, has been changed for reasons of clarity by the study committee.

Support for:

4. Communication among the Superintendent, Board of Education, County Executive, and County Council throughout the MCPS budget making process. (Local Revenue, 1970)
5. Continuation of provision for involvement of citizens in the Montgomery County Public Schools budget making process (Fiscal Relationships 1979)

Opposition to:

6. Major changes in the fiscal relationships among the Board of Education, County Council, and County Executive (Fiscal Relationships 1979)
7. County Council authority to increase the Montgomery County Public Schools budget total beyond what the Board of Education has requested. (Fiscal Relationships 1979)
8. County Council authority to make line item allocation to the Montgomery County Public Schools budget. (Fiscal Relationships 1979)

#### **Question 2**

Should the County Council ever increase school funding beyond the minimum Maintenance of Effort requirement? Why or why not?

This Fact Sheet was prepared by the MCPS Budget Process Study Committee: Fran Berger, Luella Mast, Adrienne McBride, Judy Morenoff, Brigitta Mullican, Barbara Hankins, Chair