

March 2008 Update from the MCCPTA Operating Budget Committee

On March 14, 2008, the Operating Budget Committee met with MCPS Budget Director Marshall Spatz to discuss the County's financial position and its potential effect on the proposed MCPS operating budget. This is expected to be a particularly tight year for the school budget, and PTAs should make sure to communicate their priorities to County Council members. Below is a synopsis of what was learned and presented to the March 19, 2008 Delegates Assembly.

1. What Numbers are on the Table Now
 - In December 2007 the Superintendent proposed a \$2.11 billion FY 2009 operating budget, an increase of \$110 million over FY 2008, and 48% of County expenditures.
 - In February 2008 the Board of Education approved a \$2.1 billion operating budget. However, the Board amended the Superintendent's proposed budget by funding an additional school for middle school reform and decreasing the number of extra lunch hour aides. The Board cut \$10.6 million in order to fund its initiatives. (See Attachment A to the Superintendent's 3-17-08 Memorandum to the Board of Education.)
 - On March 17, 2008 the County Executive proposed to fund MCPS' operating budget at \$2.06 billion for FY 2009, which is 98% of the Board's request and a 3.8% increase over MCPS' FY 2008 operating budget, consistent with a 3.8% increase for the County Budget as a whole. The County Executive's proposal is \$51 million less than the Board of Education's proposal.

2. Impact of County Executive's Proposal on School Budget
 - The Superintendent has indicated in a Memorandum to the Board of Education dated March 17, 2008 (http://www.mccpta.com/opBudg_dir/March_17_2008_BOE_Memo_re_County_Executive_FY09P_Budget.pdf) that equates the \$51 million cut in the school budget to a loss of 800 MCPS positions, including up to 400 teaching positions.

- The BOE's proposed budget included \$10.2 million in initiatives (services beyond what are provided for in the FY 2008 budget) which would be likely candidates for savings. This would equate to approximately 100 positions. Lost initiatives would include: phasing of additional middle schools for middle school reforms; 6 additional counselors, 6 new parent outreach coordinators, and 10 additional ES assistant principals; IB programs for Kennedy and Seneca Valley; and expansion of the Poolesville magnet to 11th grade.
- The 400 teaching positions represent somewhat fewer than the usual teacher turnover in Montgomery County; thus it is unlikely that there would be a need to layoff teachers. MCPS staff has indicated to the MCCPTA Budget Committee that some savings in this category could be achieved by reducing stipends and substitutes associated with staff development. In the end, though, a loss of 400 teaching positions would result in an increase in class sizes. There has been no indication how any such reductions would be allocated among ES, MS, and HS levels.
- The remaining 300 positions would be drawn from all other possible staff pools, ranging from Central Administration to school-based secretaries and para-educators. Reductions in these areas would probably result in some layoffs.
- Some savings could be achieved by making some countywide administrative adjustments, including reducing County reserves from 6% to 5%, and further slowing down the phase-in of additional contributions to retirement funds to conform to new accounting standards. These changes allocated proportionately to MCPS would be at best about \$13 million.
- MCPS expects to save an additional \$2.8 million in FY 2008 funds that it hopes will be credited to FY 2009.

3. Notes regarding cluster testimony to the County Council

- MCCPTA has passed three resolutions this year about the operating budget, all of which can be found on the MCCPTA website under Resolutions. You may want to

refer to them in organizing your testimony on operating budget priorities.

<http://www.mccpta.com/resolutions.html>

- the Operating Budget Compact (comprehensive list of our expectations for what parents expect
 - Operating budget priorities
 - Crossing guards and Educational Facilities Officers - not part of the school budget, but part of the police budget; important to advocate at County Council level
 - The County Council will be looking for cues from the testimony as to specific priorities.
 - National PTA policy explicitly prohibits PTAs lobbying (either pro or con) with respect to teacher union contracts.
 - Emphasizing retaining or increasing recent class size reductions and building facility services would be a signal that reductions in numbers of employees would equate to opposing staff reductions.
 - Support for over-riding the charter limit and spending affordability guidelines (see explanation below) would indicate support for school funding over tax limitations.
4. Background: The Financial Picture for the County
- REVENUE SOURCES: The County revenue sources are roughly: 1/3 from property taxes, 1/3 from income taxes and 1/3 from other sources (e.g., transfer and recordation, energy, hotel and motels, state aid).
 - REVENUE DECREASES: Transfer and recordation tax receipts have decreased more than expected, and sales are down. Property tax revenues will decrease in the long run if property values continue to decline, however there will be a lag in time until taxes decrease (because yearly property tax increases are capped at 10% until the tax catches up with the assessed value of the property). Income taxes have held steady so far but may be expected to slow down if the economy slows significantly.

- **STRUCTURAL DEFICIT:** The County's future revenue picture includes a built-in deficit, as revenues are projected to rise 4-5% a year while costs are expected to rise 7-8%.
- **CHARTER LIMIT ON PROPERTY TAX REVENUE:** County property tax revenue cannot increase more than the rate of inflation set by last November's CPIU (Consumer Price Index for Urban areas) which is roughly 4%. Without this limit, the County would be able to receive an additional \$237 million in property taxes. Seven Council votes are needed to override the Charter Limit.
- **SAG LIMIT ON SPENDING:** The County's Spending Affordability Guidelines requires the County to cut \$297 million from proposed expenditures. The County Executive's proposal exceeds the SAG limit by \$68.7 million.

5. What Happens Next

- County Council committee hearings are held on County operating budgets, including MCPS, from April through May. Education issues come under the purview of the Education Committee (Knapp, Andrews, Ervin) and the Management and Fiscal Policy Committee (Andrews, Berliner, Trachtenberg). The MFP Committee has jurisdiction over personnel and compensation. The Education Committee has jurisdiction over education funding issues generally.
- The County Council must authorize the amount of operating budget funding for MCPS by May 22, 2008. The Board of Education must act on the MCPS operating budget by June 10, 2008.

Helpful Links:

February 22, 2008 Memorandum from Stephen Farber to the County Council, “Fiscal Update and Quarterly Analysis of Expenses and Revenues” (http://www.montgomerycountymd.gov/content/council/pdf/agenda/col/2008/080226/20080225_7.pdf)

March 17, 2008 County Executive News Release, “Leggett Makes Tough Decision to Close \$400 Million County Operating Budget Gap . . .” (http://www.montgomerycountymd.gov/Apps/News/press/PR_details.asp?PrID=4378)

March 17, 2008 Memorandum from Jerry Weast to the Board of Education, “FY 2009 Operating Budget: County Executive Recommendation” (http://www.mccpta.com/opBudg_dir/March_17_2008_BOE_Memo_re_County_Executive_FY09P_Budget.pdf)