

MEMORANDUM

April 30, 2019

TO: Education and Culture Committee

FROM: Craig Howard, ^{CH} Senior Legislative Analyst

SUBJECT: **Worksession – Montgomery County Public Schools FY20 Operating Budget (continued)**

PURPOSE: Make Committee recommendations for Council Consideration

Expected Participants:

- Shebra Evans, President, Board of Education
- Dr. Jack Smith, Superintendent of Schools
- Nicky Diamond, Chief Financial Officer, MCPS
- Bruce Meier, Office of Management and Budget

The Committee will continue its review of MCPS' FY20 operating budget and make final recommendations.¹ This staff report includes updated information on: 1) the County Executive's April 29 proposed budget adjustment for MCPS, 2) additional FY20 State Aid from the Kirwan legislation, and 3) MCPS pre-K funding.

Based on the Executive's adjustments, updated information from MCPS, and additional recommended technical adjustments, Council staff recommends a total appropriation for MCPS that is an increase of \$30.5 million over the Executive's March 15 budget. This increase consists of \$24.4 million in State Aid and \$6.1 million in County funding as shown in the table below.

FY20 MCPS Operating Budget Summary (\$'s in millions)

	BOE Request	CE Rec.	Rec. E&C Adjustment	Difference from CE Rec.
Total Budget (All Funds)	\$2,662.0	\$2,647.5	\$2,678.0	+\$30.5
State Aid	\$735.4	\$735.4	\$759.8	+\$24.4
County Contribution	\$1,735.1	\$1,720.6	\$1,726.7	+\$6.1
Amount over MOE	\$17.0	\$2.5	\$8.6	+\$6.1

¹ Keywords: #MoCoBudget2020, #MCPSBudget2020, MCPS FY20 Budget

1. County Executive's April 29 Budget Adjustment

On April 24, Council President Navarro was joined by Council Vice-President Katz; Education and Culture Committee Chair Rice; Councilmembers Jawando, Albornoz, and Hucker; County Executive Elrich; Board of Education President Evans; and Superintendent Smith in announcing additional local funding of \$5 million to help fund the Board of Education's request. As the Committee discussed on April 25, the Executive's March 15 recommendation was \$14.5 million below the Board's request.

On April 29, the County Executive formalized this action by submitting a proposed FY20 operating budget adjustment for MCPS in the amount of \$35,447,082 to fully fund the Board's request and recognize additional State Aid approved by the General Assembly. The Executive's transmittal (©1) states that the "amendment can be funded through the increase in State Aid for education and the 911 grant, use of fund balance in the Employee Group Insurance Fund, and by reductions that MCPS has been able to identify from their request."

a. County Contribution

The Executive's proposed amendment assumes increased local funding for MCPS in FY20 of \$5.1 million over his recommended level from March. As announced by the Executive at the press conference, the County is anticipating additional State funding for 9-1-1 emergency telephone systems. According to OMB staff, this action frees up \$5.1 million in FY20 general fund dollars that can be allocated to MCPS.

b. Additional State Aid

Senate Bill 1030, *The Education Blueprint for Maryland's Future*, that was passed by the legislature this session provides MCPS with an estimated \$24.4 million in additional State funding for FY20 based on the initial short-term funding recommendations of the Kirwan Commission. **This additional funding is contingent on the Governor signing the Blueprint legislation and releasing the funds as identified in the bill.** The Executive's budget adjustment assumes that MCPS will receive the entire \$24.4 million in FY20. If the full amount is not approved by the Governor, the Council and the Board will need to revisit these proposed changes.

The table on the next page summarizes the additional funding by category and how MCPS plans to utilize the funds based on the requirements in the legislation. In total, approximately \$10.4 million will fund services or program enhancement already included in the Board's request and \$14.0 million will be used to expand funding in specific areas.

Category	FY20 Kirwan Funding	Proposed Allocation		Notes
		Existing Request	Added to Budget	
Special Education	\$9,126,418	\$7,803,550	\$1,322,868	Will fund planned enrollment and accelerator increases, and provide additional special education supports.
Concentration of Poverty	\$1,990,664	--	\$1,990,664	<ul style="list-style-type: none"> • \$248K for each school with 80% FARMS population. • Each school must have 1 community school coordinator position and 1 health care professional position.
Struggling Learners	\$2,745,361	\$208,989	\$2,536,372	<ul style="list-style-type: none"> • \$208K will fund planned enhancements for after-school activities at elementary Focus schools and a dyslexia specialist position. • Funds must be used for needs of struggling learning in grades K-3, with priority given to literacy.
Mental Health Coordinator	\$79,783	\$79,783	--	Will cover partial costs of current position designated as mental health coordinator.
Teacher Salary Grant	\$8,109,168	--	\$8,109,168	Will provide salary enhancements for teachers with priority given to those with less than 5 years' experience.
Supplemental Pre-Kindergarten	\$2,373,070	\$2,373,070	--	Will cover current costs of full-day pre-K that was expanded by the Council and the Board over the past two years.
Total	\$24,424,464	\$10,465,392	\$13,959,072	

c. Related MCPS funding actions

As a result of the Teacher Salary Grant funding, MCPS is also requesting an additional \$6.0 million in funding due to: 1) the corresponding benefits costs related to the teacher salary increases (social security, local retirement, and state retirement costs related to the pension shift); and, 2) projected costs from providing corresponding increases to similar non-teacher positions to maintain pay equity among employee groups. MCPS plans to fund most of this increase by making \$3.9 million in reductions to its original request through the following:

- **Increased use of group insurance fund balance in FY20.** As the Committee discussed on April 25, MCPS has higher than projected fund balances and has begun to draw down on that balance by reducing its request for tax supported funding. This action would not change group insurance expenditures but would accelerate the planned draw down.
- **Make reductions corresponding to the latest enrollment numbers.** Based on current year enrollment showing less growth than originally anticipated in some schools, MCPS believes it can decrease the FY20 projection by approximately 350 students and make corresponding budget reductions. Most of these changes will be in high schools where the original projection included significant increases.

d. Staff recommended technical changes

Working in collaboration with OMB and MCPS, Council staff has identified two recommended technical changes to the Executive’s proposed budget adjustment of \$35.4 million. First, MCPS identified changes within its “related funding actions” compared to what was initially assumed to reduce the total. Second, the initial total did not net out all of MCPS’ planned reductions.

As a result, Council staff recommends that the Executive’s total proposed MCPS appropriation adjustment be modified to \$29.5 million (\$5.1 million from the increased County contribution plus \$24.4 million from the increased State Aid).

2. Pre-K Appropriation

The Executive’s March 15 budget stated the \$1.0 million from the \$7.0 million included in the Early Care and Education NDA would go to fund expansion of MCPS pre-K programs requested by the Board. However, this funding is not included in the Executive’s recommended appropriation. As noted in the Committee’s April 25 staff report, this funding at some point must be included in MCPS’ total appropriation (and will count towards MOE) since it will be used to fund MCPS staffed and administered pre-K services.

In conjunction with the additional County and State funds included in the Executive’s budget adjustment, Council staff recommends adding \$1,007,411 to MCPS’ local appropriation for the pre-k funding and decrease the Early Care and Education NDA by the same amount. This action aligns with the Executive’s stated intent for these funds and does not change the total funding amount of \$7.0 million included in the budget for early care and education enhancements.

Otherwise, the Board would need to request and the Council would need to approve a supplemental appropriation in a compressed timeframe – after the start of the fiscal year on July 1 but before the Council’s summer recess – in order for MCPS to have programming in place for the start of the school year.

3. MCPS FY20 Operating Budget Recommendations

Council staff recommends that the Committee approve the Executive’s proposed FY20 budget adjustment of \$29.5 million (as modified with staff’s technical changes) and appropriate \$1.0 million from the Early Care and Education NDA to the MCPS budget. These actions will not only fully fund the Board of Education’s FY20 operating budget request by closing the initial \$14.5 million gap, but also provide MCPS with an additional \$16.0 million in spending authority. Specifically:

- Approve FY20 tax-supported funding for MCPS’ of \$2,514,246,699. This includes a local contribution of \$1,726,739,403 and State Aid of \$759,822,928.
- Approve the Executive’s recommended decrease of \$12,000 to the non-tax supported Instructional Television Special Revenue Fund in FY20;
- Approve the FY20 non-tax supported funding for MCPS’ Grant Fund and Enterprise Funds as requested by the Board of Education and recommended by the County Executive.

FY20 MCPS Operating Budget Recommendation

Source	BOE Request	CE Rec. (3/15)	Rec. E&C Adjustment (5/2)	Difference from CE Rec.
County	\$1,735,072,392	\$1,720,616,785	\$1,726,739,403	\$6,122,618
Fund Balance	\$25,000,000	\$25,000,000	\$25,000,000	\$0
State	\$735,398,464	\$735,398,464	\$759,822,928	\$24,424,464
Federal	\$79,658,409	\$79,658,409	\$79,658,409	\$0
Other Sources	\$10,101,204	\$10,101,204	\$10,101,204	\$0
Enterprise Funds	\$74,961,990	\$74,961,990	\$74,961,990	\$0
Special Funds	\$1,811,775	\$1,799,775	\$1,799,775	\$0
Total All Funds	\$2,662,004,234	\$2,647,536,627	\$2,678,083,709	\$30,547,082
Total Tax-Supported	\$2,498,155,224	\$2,483,699,617	\$2,514,246,699	\$30,547,082

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Marc Elrich
County Executive

MEMORANDUM

April 29, 2019

TO: Nancy Navarro, President, County Council

FROM: Marc Elrich, County Executive *Marc Elrich*

SUBJECT: Amendment to the FY20 Operating Budget
Montgomery County Public Schools - \$35,447,082

I am recommending an Amendment to the FY20 Recommended Operating Budget for Montgomery County Public Schools (MCPS) in the amount of \$35,447,082. This increases the total recommendation to \$2,682 million, an increase of \$86.6 million or 3.4 percent over the FY19 Approved Budget. This increased appropriation will provide for full funding of the Board of Education's request and recognizes the additional State Aid approved by the General Assembly.

This recognizes the collaborative work that we and the Board of Education have accomplished over the past month to ensure that the requested investments in K-12 education, including new initiatives to reduce elementary school class sizes and improve programming for special education students and English Language Learners can be made.

The amendment can be funded through the increase in State Aid for education and the 911 grant, use of fund balance in the Employee Group Insurance Fund, and by reductions that MCPS has been able to identify from their request.

I appreciate your prompt consideration of this action.

ME:brm