

**School Operating Budget  
As Adopted on February 7, 2012  
For Fiscal Year 2012-2013**

**BACKGROUND**

The School Board on February 7, 2012 approved a budget for FY 2012-2013 for a request to the Board of Supervisors for funding. This budget includes Federal, State, County and Local revenues and expenditures supported by these revenues. The budget and budget process are summarized in the following. The full budget detail is available through the School Board Office.

The budget for fiscal year 2012-2013 will have a major impact on Montgomery County Public Schools and the ability to maintain the current level of staffing and programs. Reductions in past years and the proposed reduction in state revenue will continue to present a challenge. However, emphasis will continue to focus on the educational needs of the students of Montgomery County, and we will continue to provide quality instruction that emphasizes differentiation in an inclusive setting. Although reductions to the expenditure budget will still be required, efforts will be made to protect key instructional programs. Any restrictions on expenditures will have an impact on the classroom instruction either through the reduction of supplies and materials or by the lack of funding to do repairs and improvements to the school building. Reductions in positions will be approached as much as possible through attrition and could result in an increase in overall pupil teacher ratios. Student enrollment during the past year increased slightly, and it is projected to increase slightly in the 2012-2013 budget. Meeting the many challenges presented by the federal legislation under No Child Left Behind (NCLB) and the State Standards of Quality and Standards of Accreditation will be a challenge in this budget.

The budget adjustments proposed by the Governor for the 2012-2013 biennium budget for Montgomery County reflects a significant decrease. This decrease of (\$1,722,235) further adds to total decrease of (\$6,104,935) in the School Board budget for the past three years. This will continue to have a major impact on our instructional programs and put on hold the salary improvement plan that was developed to be able to attract and retain a highly qualified staff. An extensive review of the existing budget has been accomplished. This review involved a modified zero based process. Programs, functions, and staffing were reviewed to identify possible areas that could be reduced while minimizing the impact on classroom instruction. In addition, we looked at areas that should be updated and realigned with current programs and needs. This review has shown that the level of budget reductions in prior years has a major impact on reducing services, supplies, equipment, and personnel. Class size pupil teacher ratios will increase and some programs will be eliminated or not available.

**KEY POINTS THAT IMPACT THE PROPOSED FY 2012-2013 BUDGET**

1. The increase in the Local Composite Index of 5.04% reduces State funds – (\$1,722,235)
2. Proposed increase in the VRS employer contribution rate by 5.33% to 16.66% - increases expenditures \$2,694,842
3. Proposed increase in Retiree Health Ins. Credit Rate by 1.05% to 1.11% - increases expenditures \$511,280
4. Proposed increase in Group Life Ins. Rate by .20% to .48% - increases expenditures \$139,965
5. Governor's proposed budget eliminates the Composite Index Hold Harmless funds – this offset was used to soften the loss of state revenue due to composite index change.
6. The net impact of the Governor's Proposed Budget – shortfall of (\$5,095,322)
7. In addition the School Division has operational needs to maintain and operate 20 schools, provide technology to prepare students for the future, and operate an extensive transportation system. The total combined expenditure budget with the reduction in state revenue creates a total shortfall of (\$8,575,867)
8. To fund this shortfall will require a 12 cent increase in the County real estate tax rate or a reduction of about 147 full time equivalent positions from the current level of school staffing

## The Budget Process

The budget process is comprised of planning, preparation, adoption, implementation and evaluation. The planning and evaluation process began in September and October 2011 with meetings with directors, principals, and staff. On November 15, 2011 a public hearing was conducted by the School Board to receive input for the budget planning. The Governor presented the proposed State biennial budget on December 19, 2011. As a result of the Governor's proposed State budget and reduction in revenue, the budget planning continues to defer the school improvement process and continues to identifying expenditures for reduction. The priorities for these reductions were based on three principles: keep students first and lessen the impact on the classroom teacher by reducing budgets and staffing in the central office departments; absorb licensed classroom teacher reductions through attrition; and absorb classified staff reductions by providing opportunities to transfer to other positions in the division whenever possible.

A summary of budget reductions was presented to the School Board on January 12, 2012. During January, work sessions were scheduled by the School Board to receive information and evaluate requests and recommendations from the administration, staff, and employee groups. The Superintendent presented the initial recommended budget to the School Board on January 17, 2012. The School Board on January 26, 2012 approved a budget for a public hearing on February 7, 2012. The School Board adopted an initial budget on February 7, 2012 to be presented to the Board of Supervisors for funding. During March and April the adopted budget will be adjusted as changes are received in State and local funding. The final budget should be approved on May 1, 2012.

<b>BUDGET WORKSHEET FY 2012-2013</b>			
As of February 7, 2012			
<b>SUPERINTENDENT'S BUDGET</b>			
<b>DESCRIPTION</b>	<b>FTE</b>	<b>COST</b>	<b>TOTAL</b>
<b>Operating Budget FY 2011-12</b>	<b>1,514.89</b>	<b>INC./(DEC.)</b>	<b>91,280,803</b>
<b>Base Budget Adjustments:</b>			
Salary Savings Retirement/Rollover			
Benefit Savings Retirement/Rollover			
Reduce Instruction Supply Budget (-5.0%) for total of (-41.4%)		(47,759)	
Reduce Instructional Equipment Budget (-5.0%) for total of (-59.5%)		(22,985)	
Reduce Contract/Purchased Services Budget (-5.0) for total of (-55%)		(54,235)	
Reduce Travel Budget (-5.0%) for total of (-35%)		(10,072)	
Reduce Office Supply Budget (-5.0%) for total of (-55%)		(8,030)	
Replacement Budget (-5.0%) for total of (-55%)		(1,562)	
Reduce Budget for Postage		(15,000)	
<b>DESCRIPTION</b>	<b>FTE</b>	<b>COST</b>	<b>TOTAL</b>
Increase Budget for Textbooks to Match State Increase		349,018	
Additional Utility Cost New EME & PFE		153,340	
Increase in Utilities for Rate Increases (defer to 2013-2014 budget)		-	
Building Repair Budget		250,000	
Technology Budget Line		150,000	
Increase Budget for Replacement of Aging School Buses ( 4 ea)		350,000	
Furniture for Bldg. C (Request from other source, bond or capital)		# See Notes	
Cost to return BMS to Blacksburg (Will impact the 2013-14 budget)		* See Notes	

Start Up of BHS and AHS (Maximize the use of bond funds)		& See notes	
<b>Subtotal Base Budget Adjustments</b>			<b>1,092,716</b>
<b>DESCRIPTION</b>	<b>FTE</b>	<b>COST</b>	<b>TOTAL</b>
<b>COMPENSATION CHANGES:</b>			
Salary Schedule Changes (Step Inc. 1.6%)		1,200,000	
VRS Contribution Rate Increase (5.33% professional)+(2.43% Non-professional)		2,694,842	
VRS Group Health Ins Increase (1.05% professional only))		511,280	
VRS GLI Contribution Rate Increase (.20% professional + non-professional)		139,965	
Increase Health Insurance (2.5%)		271,335	
Savings Health Insurance Retirement Incentive (20 @ \$19,756)		(395,120)	
Part-time Benefits (\$1,601,958)			
<b>Subtotal Compensation</b>			<b>4,422,302</b>
<b>DESCRIPTION</b>	<b>FTE</b>	<b>COST</b>	<b>TOTAL</b>
<b>STAFFING CHANGES:</b>			
Loss of Job Stimulus Funds - Save Positions (16 FTE)	-	-	
Reduce Staffing Full-Time Equivalents (FTE's)			
<b>Subtotal Staffing Requests</b>	<b>-</b>		<b>-</b>
<b>TOTAL BUDGET INC./(DEC.)</b>	<b>-</b>		<b>5,515,018</b>
<b>BUDGET</b>			<b>6.04%</b>
<b>TOTAL BUDGET WITH PROPOSED CHANGES</b>	<b>1,514.89</b>		<b>96,795,821</b>
<b>PROJECTED REVENUE INC./(DEC.):</b>	<b>FY 2011-2012</b>	<b>Inc./(Dec.)</b>	<b>FY 2012-2013</b>
State	\$ 47,679,874	(954,247)	\$ 46,725,627
Supplemental Support for School Oper	\$ 767,988	(767,988)	\$ -
Jobs Stimulus Year 2 Plan	\$ 1,166,757	(1,166,757)	\$ -
Federal	\$ 4,382,074	4,562	\$ 4,386,636
County	\$ 36,414,191	-	\$ 36,414,191
Recordation Tax	\$ 186,658	38,342	\$ 225,000
Local	\$ 420,000	48,500	\$ 468,500
Reserve from 2008-09 Budget	\$ -	-	\$ -
Balance of 2008-09 Reserve	\$ 263,261	(263,261)	\$ -
<b>TOTAL PROJECTED STATE, FEDERAL, &amp; LOCAL REVENUE</b>	<b>91,280,803</b>	<b>(3,060,849)</b>	<b>\$ 88,219,954</b>
<b>ADDITIONAL FUNDS REQUIRED</b>			<b>8,575,867</b>

# = Funds to move will need to come from bond accounts or County capital funds in lieu of operating budget.

\* = Budget impact cost to move BMS depends on the schedule. Difficult to make changes at BHS until they vacate building.

& = Will need to maximize use of bond funds or other sources for start-up of new schools.

Note: Cost of an FTE = \$58,400 and would require reduction of about 147 FTE's to balance this budget.