

School Budget Review Committee

George Howard Building
3430 Court House Drive
Ellicott City, Maryland 21043-4392

Approved

Minutes

October 26, 2016

The following members were in attendance: Olga Butler, Ron Caplan, Robert Coleman, Ann De Lacy, Ellen Flynn Giles, Ananta Hejeebu, Joshua Kaufman, Paul Lemle, Jason Werther, and Bill Woodcock. In addition, County Auditor Steve Peters and Council Analyst Jeff Meyers attended. The following representatives of the School System participated: Beverly Davis, Frank Eastham, and, by telephone, Tim Thornburg.

The video/audio archive of the meeting is available at this web address:

<http://cc.howardcountymd.gov/Online-Tools/Watch-Us>

Due to technical constraints, the first few minutes of the meeting were not live-streamed nor archived.

Chairperson Joshua Kaufman began the meeting at 6:39 p.m. with a review of the agenda.

Mr. Caplan moved to approve the draft minutes from October 11, 2016. Ms. Giles seconded. By voice vote, the minutes were approved as offered.

The Committee reviewed the topic of staffing and its relationship to the budget. Approximately 86% of the operating budget is related to staffing and benefits. For those employees in bargaining units, the budget must include the amounts necessary to fully fund negotiated and ratified agreements. Those amounts may be re-negotiated if the budget approved by the County does not fully fund them. Thus, when the County Executive indicated that salaries were ‘fully funded’, the Board of Education could not seek to renegotiate in that area. If negotiations have not been completed before the budget is due, a placeholder is used.

Board negotiators seek to find a win/win solution. The negotiators look at surrounding jurisdictions but must work within parameters set by the Board. The School System competes with other jurisdictions, and sometimes with private industry, for the best candidates, particularly in high need areas such as math and special education. In a negotiation, it is obvious that the bargaining unit will seek the highest compensation for its members. Mr. Hejeebu asked what motivates the Board to try and keep compensation down given that there is no actual cap on the funding that the Board may request from the County. Mr. Thornburg indicated he had not been on the job long enough to speak for the Board on that matter.

Most staffing decisions are formulaic. Some of the formulas are in the negotiated agreements, some are in Board policies or guidelines, and some are based on industry guidelines or best practices. Most staffing changes are related to enrollment growth. Other staffing changes are related to changes in programs. Special education formulas are pegged to hours of services provided not to the number of students. Most employees are covered by bargaining units. Some of the exceptions are employees who deal with certain kinds of confidential information.

Performance managers craft program budgets to meet program needs. Sometimes it is more cost-effective to use contractors instead of hiring employees because there are expenses, like pensions and health benefits, associated with employees.

State Maintenance of Effort requirements (MOE) require the County to provide a base level of funding to the School System. MOE is based on enrollment, but the counts and calculations are done in the previous year. Thus MOE does not accommodate enrollment growth. MOE does not require any particular staffing or programs, only the level of local government funding. The School System budgets based on the costs of providing the programs and services provided. The County has met the MOE requirements but the Board finds that amount to be insufficient to pay for the programs and services it provides.

A serious strain on the School System's budget was the shift of pension costs. Those costs were formerly paid by the State but now must be paid locally. The State did not provide additional revenue to offset any of the pension costs. Nor can the School System control the portion that is paid by employees. The School System sees this shift as the key cause for the current budget problem.

To deal with the increased costs and increased enrollment, and the County's decision to not fully fund the entire budget request, the School System is undertaking various cost savings steps. Some central office positions were repurposed to be school positions. All positions not required for instructional or safety reasons are subject to a hiring freeze. Cosmetic maintenance projects are deferred. Textbook replacements are deferred. Elsewhere, according to Ms. De Lacy and Ms. Giles, Montgomery County responded by reducing compensation and by raising taxes. Baltimore

County eliminated media specialists. Harford and Carroll counties added fees for participation in extra-curricular activities.

The fixed charges category in the operating budget includes numerous items such as the costs of various kinds of insurance, tuition reimbursement, and social security. The health and dental fund is included and continues to grow. The amounts allocated to health and dental is based on the negotiated contracts and actuarial estimates. The health and dental fund is financed by money from the general fund, employee contributions, and surpluses in the prior year's fixed charges allocations. Despite the School System's efforts to contain health costs, they continue to grow.

Continuing growth in enrollment will cause continuing stress on the School System's budget.

The Committee will meet next on November 9 to discuss the questions related to legal services and special education. It is hoped that HCPSS will send individuals with appropriate expertise to brief the Committee.

The Committee adjourned at 8:27 p.m.