

MCEA Rep Assembly Briefing

On the Budget & Contract Re-Negotiations

December 3, 2008

Background – Montgomery County, and the nation, face the worse economic recession in more than a generation. Unemployment is increasing. Foreclosures are on the rise. New layoffs are announced every week. Home sales – and the resulting transfer tax revenues – have plummeted. Sales tax revenue is down. School systems and local governments across the region and the nation are retrenching. The Dallas School District has laid off more than 1,000 employees in the middle of the school year. Prince Georges and Fairfax Counties have announced furloughs of county employees in the current year, and many expect that the Governor will announce later this month that state employees will also be furloughed during the current year.

Last week, the County Executive notified the County Council that the projected deficit for next year had grown from \$250 million to a \$400 million shortfall. This latest report has significantly changed the context of funding for the contract re-negotiations and for the overall MCPS budget for next year.

Economic Facts

- **County Income Tax Revenues Are Down** – The state distributes income tax revenues to the counties every two months. Last week, the county reported that its November distribution was \$31 million less than anticipated.
- **Job Growth in the County is Stagnating** – Prior to 2007, total payroll employment in Montgomery County was growing 5% to more than 10% a year. Since July 2007, there has been virtually no growth in employment. Lack of job growth means a lack of growth in income tax revenues for the County.
- **The Stock Market is in a Freefall** – The stock market has fallen about 40% over the past year. This will drive down the county's revenue from capital gains taxes for at least a year
- **Home Prices and Home Sales Are Dropping** – Prior to 2007, home prices in the County were increasing 10% to 25% a year. Since 2007, they have been falling. Sales of existing homes are less than half what they were just four years ago. Combined, this results in significantly less revenue to the county in property transfer and recordation taxes.
- **New Construction is Drying Up** – Both new residential and commercial construction have fallen to their lowest levels in more than a decade. This results in less growth in county property taxes.

The County will have significantly less new revenue next year than had been anticipated. Options that may have been possible a month ago, no longer are.

MCPS Budget – 1

Where Does The MCPS Budget Go?

PROGRAM BUDGET	Percent of Overall MCPS Expenditures
K-12 Regular Ed Direct Instructional Costs	42%
Curriculum & Instruction	1%
Organizational Development <i>(includes tuition reimbursement professional development, evaluation systems, & mentor support)</i>	2%
Technology	2%
Special Education	13%
Student Services <i>(PPWs, Psychologists, Counseling, Alternative Programs)</i>	4%
Support Operations <i>(Bldg. Srvs., Maintenance, Transportation, Food Srvs., etc.)</i>	16%
Employee Insurance	19%
Other <i>(includes Communications/Family & Community Partnerships/Executive Leadership)</i>	0.6%

MCPS Budget - 2

“Same Services” Budget for FY10 would require \$179 million in new funding:

Increased Enrollment (<i>1,500 students this year, 1,300 more next year</i>)	\$19 million	
New Schools	\$1.5 million	
Negotiated Contracts	\$89 million	>
Step Increases	\$20 million	>
Insurance & Benefits	\$28 million	>
Retiree Health Insurance Trust Fund	\$11 million	> \$148 million
Inflation (<i>diesel, utilities, non-public tuition, textbooks, etc.</i>)	\$10.5 million	
TOTAL NEEDED FOR “Same Services”	\$179 million	

Previously, we thought that we could get \$70 million in new money from the county (and state). That would have left a gap of \$109 million.

That no longer appears feasible. Current laws require an increase of approximately \$30-\$40 million new dollars, based on increased enrollment. However there is less and less prospect of additional funding beyond that. This leaves a budget shortfall of \$139-\$149 million.

MCPS Budget - 3

What does a \$140 million budget shortfall translate to?

	Cost Savings
Eliminate <u>all</u> Pre-school Services <i>(Kindergarten, Pre-K, Infants & Toddlers)</i>	\$91 million
Eliminate <u>all</u> Special Education Resource Room, LAD and LFI Programming	\$86 million
Eliminate <u>all</u> Student Services <i>(PPWs, Psychologists, Counseling, Alternative Programs)</i>	\$65 million
Eliminate <u>all</u> Building Services and Maintenance	\$90 million
Eliminate all Bus Transportation	\$92 million
Eliminate Middle Schools	\$142 million
Increasing Average Class Sizes by 8	\$128 million

None of these are serious options.

However they illustrate the scale of the budget shortfall we are facing.

MCPS Budget – 4

Budget Development Process – The Budget Review Committee has included the Chief Operating Officer (Larry Bowers), the Deputy Superintendent (Frieda Lacey), the presidents and executive directors of each of the three unions, and two representatives of the countywide PTA. The group has been meeting intensively over the past two months to develop a budget recommendation to submit to the Superintendent. They have poured over every line item in the budget; requested significant additional information; debated intensely how to absorb budget cuts in these difficult fiscal times. The target (for cuts in the base budget) kept shifting as the county budget situation worsened.

The Superintendent will be sending his recommended budget to the Board of Education on Thursday December 11th. Nothing is final until that submission, however we believe:

- There will be in excess of \$35 million in cuts in the base budget
- The cuts will impact virtually all facets of MCPS operations
- Central office and non-school based budgets will take a significantly larger percentage cut in their budgets than schools
- There will be reorganizations of some central services and the abolishment of a number of non-school based positions
- There will be no layoffs¹
- There will be no across-the-board increases in class sizes
- There will be significant reductions in summer training
- There will be significant reductions in the use of consultants, contractual services, and ‘professional part-time’ funds
- There will be reductions in non-contractual school-based release periods and school based teacher level positions providing instructional support

Even after these more than \$35 million in cuts, MCPS would still need \$144 million in additional monies to fund the rest of the budget and the contracts.

¹ There may be isolated exceptions if there are individual certification problems

Contract Negotiations – 1

- To re-align funding to pay for the \$89 million in negotiated costs for next year would require an across-the-board increase in class size of 5.5 students
- The Superintendent presents his budget recommendation on December 11th.
- Our Options:
 - a. Reach a contract deal now.
 - b. Allow the Superintendent to recommend a budget that either
 - Increases class size by 5.5 in order to fund our contracts, or
 - Unilaterally withdraws contract funding, putting us in the position of trying to convince the Board and the public to increase class size in order to fund our contracts – at a time when many other public employees are getting laid off, never mind COLAs and steps, and when taxpayers are getting laid off, watching their retirement savings evaporate, and falling behind on their mortgages
- **The harsh reality is that – no matter how much we might wish it were not so – there simply is not enough money to fund our contracts.**
- The \$35+ million in budget cuts the Superintendent will be detailing next week will already evoke protests from constituency groups throughout the county. To believe that an additional \$89 million is possible is just not realistic.
- We fought hard last spring to preserve funding for our contracts – and we won – because we believed that funding was possible. This year, it is clear that it simply is not.
- Over the last 10 years, inflation has gone up 34% and our salaries have gone up more than 52% (*just counting cost-of-living increases, not movement up steps and lanes*).

Summary of Tentative Agreement

1. 2009-2010: **No cost-of-living salary increase** (or other negotiated economic improvements). **Steps are funded. No changes in health insurance** or premium-sharing formulas.
2. **No New Initiatives** unless reviewed by the joint union/senior staff committee (*the Associations/Deputy Superintendent/Chief Operating Officer Collaboration Committee - ADC*)
3. **Restoration of COLAs first** - In the coming years, new money beyond that needed to fund same services, will be used to restore the postponed COLAs before they are used for new initiatives
4. **“Me-Too Clause”** - If county unions get higher compensation settlements, we get them too
5. A joint work group to develop recommendations on health plan cost-containment and employee wellness
6. The contract is extended for four additional years (through 6/30/14) in order to **protect the current 90/10 and 95/5 health insurance premium-sharing formulas for five years**
 - a. Full contract negotiations next year (as originally scheduled) for FY11 and beyond on salaries, non-economic issues, and health plan issues related to cost-containment and employee wellness
7. New contract language guaranteeing the union’s continuing role in the Budget Review Committee, and the ADC.
8. Everything else in the contract remains in effect for next year
9. The ADC Committee is charged with reviewing suggestions for **streamlining system wide paperwork requirements**
10. Commitment to develop **online curriculum resources**, including the capacity for teachers to submit and exchange lesson plans for a resource bank
11. **A joint work group to develop recommendations on time and workload in preparation for next year’s contract negotiations**

LETTER OF AGREEMENT

This Agreement is entered into by and between the Montgomery County Board of Education and the **Montgomery County Education Association**, modifies the terms of the collective bargaining agreement currently in effect between the parties.

In light of the fiscal situation currently facing the County and the school system, the parties hereby agree that:

1. The cost-of-living increase and other 'new negotiated items' (Articles 19B13, 21A7, 20I, 19B6, 19C2) scheduled to be effective July 1, 2009 shall be postponed and shall not be effective during the 2009-2010 fiscal year.
2. In recognition of the need to fully implement existing initiatives in order to continue making student progress, there shall be no new initiatives that require funding or added staff time unless they have been reviewed by the Associations/Deputy Superintendent/Chief Operating Officer Collaboration Committee.
3. When the school system is able to obtain funding in excess of that necessary to maintain same services, those additional funds will be used in negotiations with the unions to restore the postponed negotiated items referenced above, before they are used for new initiatives.
4. If the county government negotiates higher compensation improvements for any of its employee organizations during FY10, FY11, or FY12; that those higher increases will be matched for school system employees.
5. The parties will create a special joint work group in FY10 to develop recommendations on health plan cost containment and employee wellness.
6. The current contract will be extended until 6/30/2014, with a reopener during FY10 on salaries, non-economic issues, and the recommendations of the joint work group specified above.
7. Language will be added to the contract memorializing the role of the Association as participants on the Budget Review Committee and on the Associations/Deputy Superintendent/Chief Operating Officer Collaboration Committee.
8. All other terms and conditions of the collective bargaining agreement shall remain in full force and effect for 2009-2010.
9. The Associations/Deputy Superintendent/Chief Operating Officer Collaboration Committee shall include in its charge reducing paperwork, and will review proposals brought forward by the Associations for elimination or streamlining of system-wide required paperwork.
10. Under the oversight of the Associations/Deputy Superintendent/Chief Operating Officer Collaboration Committee, the Office of Curriculum and Instruction (OCIP) will work with the Councils on Teaching and Learning (CTLs) to complete the development and roll-out of online curriculum, including the capacity for classroom teachers to submit lesson plans for possible inclusion in a resource bank. OCIP will also work with the CTLs on the development of alternate assessments for re-assessments.
11. The parties will establish a joint work group on time and workload to develop recommendations in advance of the contract reopener negotiations during FY10.

In Witness Whereof, the parties hereunto set their hands and seals, this ____ day of December, 2008.

For the Board:

For the Association:
