

ED COMMITTEE #2
November 19, 2012
Briefing

MEMORANDUM

November 15, 2012

TO: Education Committee

FROM: Essie McGuire, Senior Legislative Analyst 

SUBJECT: **Briefing – Quarterly Financial Report of the Montgomery County Public Schools**

Today the Education Committee is scheduled to discuss the Montgomery County Public Schools (MCPS) quarterly financial report. The following individuals are expected to attend and discuss this report with the Committee:

- Thomas Klausing, Director, Department of Management, Budget, and Planning, MCPS
- Carol Hurley, Supervisor, Department of Management, Budget, and Planning, MCPS

The financial report attached on circles 1-14 is the first report of FY13. The Board received and reviewed this report on November 13. **The report reflects information through September 30, and projects a total year-end surplus of \$10.85 million for FY13.** The projected \$10.5 million expenditure surplus is 0.5 percent of the total budget.

Report Format

The Inspector General, Edward Blansitt, on January 9, 2012, released a report titled “Evaluation of Budget and Financial Information Provided by Montgomery County Public Schools”. This report addressed four areas of findings and recommendations, one of which related to the Monthly Financial Reports produced by MCPS, presented to the Board of Education, and provided to the Council.

The Education Committee requested changes to the format and information in the Monthly Financial Report, as well as additional background financial information, and directed Council and MCPS staff to work together to identify information that can be expanded or included in the monthly financial reports. The Committee reviewed a draft revised template in July of this year, and noted that revising the monthly financial reports will be an ongoing process. Council and MCPS staff will continue to work through how to expand and address additional areas of information, such as lapse and turnover. Also, as the Council and the Board begin to receive the new financial reports, members may have questions or suggestions that can be incorporated going forward.

Committee members will note several changes in the attached financial report:

- The category narrative explanations on circle 3-5 include a statement of what percent of the total category budget is encumbered or spent to date, and how much is projected to be spent in the remainder of the year.
- The narrative includes information about the current number of vacant positions, and how those vacancy savings are or are not offset by temporary salaries, substitutes, or other personnel actions.
- The narrative describes the non-position variances as well.
- The expenditure table on circles 7-8 show year to date expenditures and encumbrances by position salaries, non-position salaries, and operating expenses.
- MCPS developed reference summaries of revenue sources and State expenditure categories (circles 9-14) which will help readers better understand the category narrative explanations.

Council staff appreciates the efforts to date to expand the report information and format, and the significant additional detail provided in this first monthly report. Given that this is very early fiscal year data, the Committee will continue to follow how trends in certain areas, such as positions and lapse, affect the category projections as the year progresses.

Positions

Typically, category surpluses are largely due to personnel lapse and turnover. This report identifies the positions vacant in each category as of September 30:

Category	Vacant FTE
Cat 1, Administration	10.7
Cat 2, Mid-level Administration	22
Cat 3, Instructional Salaries	207
Cat 6, Special Education	79
Cat 7, Student Personnel Services	0.9
Cat 9, Student Transportation	173.3
Cat 10, Operation of Plant & Equip	36.8
Cat 11, Maintenance of Plant	25
Total	554.7

The two categories with the highest number of vacancies, Categories 3 and 9, are also areas in which the vacancy savings are largely offset by the cost of substitutes or other temporary personnel. Category 9, Student Transportation, is projected to be on budget. The vacancies are primarily bus operators and attendants, which need to be filled by part-time and substitute personnel. For the other categories, the surpluses are closely related to the position savings.

Fund Balance

Any funds unspent by MCPS at the end of the fiscal year fall to a fund balance. These funds cannot be spent by MCPS unless reappropriated by the Council. Typically, MCPS requests appropriation of fund balance as a resource for the following year's operating budget. In the past few years, these year-end fund balances have been large relative to previous years.

This is in part due to the savings plans and hiring freezes implemented by MCPS along with all other County agencies in response to the severe economic downturn.

In each year FY12 and FY13, MCPS requested and the Council appropriated \$17 million of unspent fund balance for the operating budget. At the same time, MCPS ended both FY11 and FY12 with significantly more fund balance than the \$17 million appropriated (\$11.9 million more in FY11 and \$11.6 million more in FY12). As a result, MCPS has a total unappropriated fund balance of \$23.5 million from FY11-12 combined. Council staff anticipates that MCPS will request some portion of this fund balance as a resource in its FY14 budget request; if so, this will be reflected in the Superintendent's recommendation in early December.

The \$10.85 million fund balance projection in this report is likely to grow during the year. The report states on circle 1 that MCPS anticipates using fund balance "over several years to avoid any sudden increase in the need for local contribution." Council staff notes that the fund balance does not add to or count toward the County's MOE requirement in any year.

Office of the Superintendent of Schools
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 13, 2012

MEMORANDUM

To: Members of the Board of Education
From: Joshua P. Starr, Superintendent of Schools
Subject: Monthly Financial Report

This financial report reflects the actual financial condition of Montgomery County Public Schools (MCPS) as of September 30, 2012, and projections through June 30, 2013, based on program requirements and estimates made by primary and secondary account managers. At this time, revenues have a projected surplus of \$350,000 and expenses have a projected surplus of \$10,500,000.

Due to Fiscal Year (FY) 2011 comprehensive expenditure restrictions, MCPS ended the year with an expenditure surplus. The FY 2012 Operating Budget included a fund balance of \$17.0 million of the total savings as a source of appropriation, leaving a fund balance of \$11.9 million. This balance, together with the FY 2012 expenditure and revenue surplus of \$28.6 million, equals \$40.5 million that will be available to fund future operating budgets. The County Council used \$17 million of the fund balance as a source of revenue for the FY 2013 Operating Budget, leaving an available balance of \$23.5 million. My expectation is that the available fund balance will be used for appropriation over several years to avoid any sudden increase in the need for local contribution to replace fund balance as a revenue source.

Staff will continue to closely monitor both revenues and expenditures. A discussion of the actual financial condition of MCPS as of September 30, 2012, and projected revenues and expenditures through June 30, 2013, follows. In addition, attachments are provided that display detailed financial information.

Attachment 1 provides a chart showing budgeted and projected revenues as reflected in this report. Attachment 2 is a chart that provides expenditure information by state category. The chart displays authorized (budgeted) expenditures, actual year-to-date expenditures, encumbrances, projected expenditures for the remainder of the fiscal year, and the projected year-end balance as reflected in this report. There are two additional columns that show the projected year-end balance as reflected in the prior financial report and the variance from the prior month. Attachment 3 provides summaries of the types of revenue included in the Monthly

Financial Report. Attachment 4 provides summaries of the types of expenditures in each of the state categories of expenditure.

REVENUE

Total revenue is projected to be \$2,177,010,372, which is \$350,000 more than the revised budget.

County

The projected revenue from the county is \$1,419,513,701.

State

The projected revenue from the state is \$588,312,375.

Federal

The projected revenue from Impact Aid is \$400,000.

Other

The projected revenue from other sources is \$3,975,708.

Appropriated Fund Balance

The projected revenue from appropriated fund balance is \$24,069,165. This amount includes \$7,069,165 for prior-year encumbrances.

Enterprise Funds

The projected revenue from enterprise funds is \$57,818,378.

Supported Projects

The anticipated revenue for supported projects is \$82,921,045. This estimate includes \$16,299,870 for prior year encumbrances and funds carried forward from FY 2012. Projects approved through September 30, 2012, have been assigned \$76,822,691.

EXPENDITURES

There is a projected surplus of \$10,500,000. There are projected surpluses in Category 1, Administration; Category 2, Mid-level Administration; Category 3, Instructional Salaries; and

Category 10, Operation of Plant and Equipment. Expenditures for all other categories are projected to be on budget by the end of the fiscal year. The following provides an explanation for each of the categorical variations:

Category 1—Administration

There is a projected end-of-year surplus of \$500,000 in Category 1, Administration. As of September 30, 2012, 86 percent of the funds budgeted in the category have been spent or encumbered. It is projected that an additional \$4.8 million or 12 percent of budgeted funds will be spent during the remainder of the year. There are currently 10.7 vacant Full-time Equivalent (FTE) positions. The balances associated with these vacancies are offset by the estimated amount that will be needed to fill the vacancies, resulting in an overall projected position salary surplus of \$706,000. In addition, there are projected surpluses of \$167,000 in temporary part-time salaries, \$32,000 in supplies and materials, and \$51,000 in other expenditures, related primarily to mileage reimbursement for local travel. These surpluses are offset by a projected deficit of \$456,000 in contractual services. The deficit is due to the hiring of outside contractors for technology services as a result of vacant positions and higher than budgeted costs for legal services.

Category 2—Mid-level Administration

There is a projected end-of-year surplus of \$2.5 million in Category 2, Mid-level Administration. As of September 30, 2012, approximately 96 percent of the funds budgeted in this category have been spent or encumbered, and it anticipated that an additional 2 percent of budgeted funds will be expended during the remaining months of the year. Currently, there are 22 vacant FTE positions, and almost the entire projected surplus is a result of position salary balances associated with these vacancies. Partially offsetting this position salary surplus, is a projected deficit of \$118,000 in temporary part-time salaries related to higher than budgeted expenditures for employees on long-term leave, and costs for substitutes to cover school secretary vacancies. In addition, there is an overall surplus of \$220,000 in contractual services, supplies and materials, and other expenditures. This overall surplus consists of small amounts in many Category 2 accounts spread between a number of MCPS units.

Category 3—Instructional Salaries

There is a projected end-of-year surplus of \$6.5 million in Category 3, Instructional Salaries. As of September 30, 2012, 95 percent of the funds budgeted in Category 3, Instructional Salaries have been spent or encumbered. It is projected that an additional \$33.9 million or 4 percent of the budgeted amount will be spent during the remainder of the year. Currently, there are approximately 207 FTE position vacancies. These vacancies have generated a net surplus of \$5.7 million. Position salary balances resulting from the vacancies are offset partially by the cost of long-term substitutes who are serving students in classrooms and expenditures for part-time lunch-hour aides filling vacant lunch-hour aide positions. In addition, there is a net surplus of

\$800,000 in Category 3 non-position salary accounts, primarily due to a surplus in short-term substitute accounts.

Category 4—Textbooks and Instructional Supplies

Expenditures in Category 4, Textbooks and Instructional Supplies, are expected to be on budget. As of September 30, 2012, half of the funds budgeted in this category have been spent or encumbered. Remaining funds are projected to be spent throughout the rest of the fiscal year for textbooks, instructional supplies and materials, media materials, and school equipment purchases that cost less than \$1,000.

Category 5—Other Instructional Costs

It is projected that expenditures in Category 5, Other Instructional Costs, will be on budget. As of September 30, 2012, approximately 66 percent of the funds budgeted in the category have been spent or encumbered. Examples of expenditures that will be made throughout the rest of the fiscal year include costs for interscholastic sports, replacement of school furniture and equipment, and maintenance of duplicating equipment.

Category 6—Special Education

Category 6, Special Education, is projected to be on budget. As of September 30, 2012, 98 percent of the funds budgeted in this category have been spent or encumbered. Currently, there are approximately 79 position vacancies. Savings resulting from vacant positions are offset by costs for long-term substitutes, part-time staff, and contractor services providing services to students as required in their Individualized Education Programs.

Category 7—Student Personnel Services

Expenditures for Category 7, Student Personnel Services, are projected to be on budget. As of September 30, 2012, approximately 94 percent of all budgeted funds in the category have been spent or encumbered. Expenditures for part-time salaries and operating expenses will continue to be made throughout the year.

Category 9—Student Transportation

Expenditures for Category 9, Student Transportation, are projected to be on budget. As of September 30, 2012, approximately 75 percent of all budgeted funds in the category have been spent or encumbered. Position salary balances resulting from vacancies in school bus operator positions are offset by projected spending for part-time school bus operators. Additional expenditures will be made for bus parts and repairs throughout the year. While fuel prices are volatile, it is anticipated at this time that expenditures for school bus fuel will be on budget.

Category 10—Operation of Plant and Equipment

There is a projected \$1.0 million surplus projected for Category 10, Operation of Plant and Equipment. Approximately 67 percent of all budgeted funds in this category have been spent or encumbered. Most of the remaining funds will be spent throughout the year on building service worker salaries and utilities. Currently, there are 36.8 FTE position vacancies, primarily in building service worker positions. There is only \$200,000 in the position salary balance, indicating that too much salary lapse was budgeted. There is a projected deficit of \$500,000 due to higher than budgeted expenses for long-term leave and projected part-time salary needs. There is a \$1.3 million surplus projected in utilities. There is a surplus in electricity due to the fact that consumption is expected to be 3 percent lower than estimated when the budget was developed. There also are surpluses in natural gas due to lower than budgeted rates, and in water and sewer due to lower than anticipated usage. Utilities projections are based on prior year consumption trends and are adjusted for increased square footage of building space and weather factors.

Category 11—Maintenance of Plant

Expenditures in Category 11, Maintenance of Plant, are projected to be on budget. Approximately 81 percent of budgeted funds have been spent or encumbered as of September 30, 2012, and all funds are expected to be spent by year end. There are currently 25 FTE position vacancies. Savings from lapse and turnover is projected to be \$600,000. This amount is offset by a projected deficit of \$175,000 in long-term leave expenses and deficits totaling \$425,000 for contractual maintenance services, maintenance supplies, and vehicle operating costs.

Category 12—Fixed Charges

Expenditures for Category 12, Fixed Charges, are projected to be on budget. Approximately 28 percent of budgeted funds have been spent or encumbered as of September 30, 2012. There is projected deficit of \$130,000 for unemployment insurance due to trends showing higher than expected claims, and a projected deficit of \$100,000 in *Federal Insurance Contributions Act* (FICA) contributions. These deficits are offset by a projected surplus in tuition payments made on behalf of students attending Johns Hopkins and George Washington universities. MCPS has partnerships with these universities where MCPS pays the tuition for students who then work in MCPS classrooms and are paid at long-term substitute rates rather than full teacher salary amounts. The surplus is due to fewer students participating in the partnership programs.

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Attachments

MONTGOMERY COUNTY PUBLIC SCHOOLS
Monthly Financial Report and Year-end Projections
As of September 30, 2012

REVENUE

Source	FY 2013 Original Budget	Revised Budget(a)	Projection		Current Report Variance Over (Under) Revised Budget
			As of 9/30/2012	As of	
County	\$ 1,419,513,701	\$ 1,419,513,701	\$ 1,419,513,701		\$ -
State	588,331,986	588,312,375 (d)	588,312,375		-
Federal	300,000	300,000	400,000		100,000
Other	3,725,708	3,725,708	3,975,708		250,000
Appropriated fund balance	17,000,000	24,069,165 (b)	24,069,165		-
Subtotal	<u>2,028,871,395</u>	<u>2,035,920,949</u>	<u>2,036,270,949</u>	-	<u>350,000</u>
Food Services	47,476,295	47,515,419	47,515,419		-
Real Estate Management	3,520,603	3,527,264	3,527,264		-
Field Trip	2,026,046	2,026,046	2,026,046		-
Entrepreneurial Activities	3,006,936	3,292,058	3,292,058		-
Instructional Television	1,457,591	1,457,591	1,457,591		-
Supported Projects	<u>73,670,729</u>	<u>82,921,045 (c) (d)</u>	<u>82,921,045</u>		-
Total	<u>\$ 2,160,029,595</u>	<u>\$ 2,176,660,372</u>	<u>\$ 2,177,010,372</u>	<u>\$ -</u>	<u>\$ 350,000</u>

Notes:

- (a) Revised budget includes carryover of prior-year encumbrances.
(b) Includes \$7,069,165 for prior-year encumbrances.
(c) Includes \$9,230,705 carried forward from FY 2012.
(d) Includes \$19,611 for fund shift from Foundation grant to Federal Education Job funds

MONTGOMERY COUNTY PUBLIC SCHOOLS
Monthly Financial Report and Year-end Projections
As of September 30, 2012

EXPENDITURES

Category	Authorized Expenditures	Actual Year-to-Date Expenditures 9/30/2012	Encumbrances 9/30/2012	Expenditures and Encumbrances 9/30/2012	Projected Expenditures 6/30/2013	Current Report Projected Year-end Balance	Prior Report Projected Year-end Balance	Variance Over (Under)	(a) Percentage
01 Administration	\$ 38,896,271	\$ 8,922,553	\$ 24,642,940	\$ 33,565,493	\$ 4,830,778	\$ 500,000		\$ 500,000	1.29
Position salaries		5,524,599	22,848,021	28,372,620					
Non-position salaries		173,871	120,960	294,831					
Operating expenses		3,224,084	1,673,958	4,898,042					
02 Mid-level Administration	136,605,026	\$ 23,587,182	\$ 107,322,211	\$ 130,909,393	3,195,633	2,500,000		2,500,000	1.83
Position salaries		22,337,648	106,676,209	129,013,857					
Non-position salaries		502,998	185,547	688,545					
Operating expenses		746,536	460,455	1,206,991					
03 Instructional Salaries	819,313,949	75,543,138	703,366,539	778,909,677	33,904,272	6,500,000		6,500,000	0.79
Position salaries		66,588,938	702,398,964	768,987,902					
Non-position salaries		8,954,200	967,575	9,921,775					
04 Textbooks and Supplies	24,920,279	7,902,318	4,731,803	12,634,121	12,286,158				
05 Other Instructional Costs	11,682,969	4,140,070	3,529,963	7,670,033	4,012,936				
06 Special Education	252,387,539	22,567,741	225,770,013	248,337,754	4,049,785				
Position salaries		18,682,759	193,015,900	211,698,659					
Non-position salaries		581,234	417,453	998,687					
Operating expenses		3,303,748	32,336,659	35,640,407					
07 Student Personnel Services	10,268,248	1,845,658	7,842,985	9,688,642	579,605				
Position salaries		1,774,844	7,830,198	9,605,042					
Non-position salaries		38,635		38,635					
Operating expenses		32,179	12,787	44,965					
08 Health Services	37,402	416	449	866	36,536				
Position salaries				-					
Non-position salaries				-					
Operating expenses		416	449	866					

MONTGOMERY COUNTY PUBLIC SCHOOLS
Monthly Financial Report and Year-end Projections
As of September 30, 2012

EXPENDITURES

Category	Authorized Expenditures	Actual Year-to-Date Expenditures 9/30/2012	Encumbrances 9/30/2012	Expenditures and Encumbrances 9/30/2012	Projected Expenditures 6/30/2013	Current Report Projected Year-end Balance	Prior Report Projected Year-end Balance	Variance Over (Under)	(a) Percentage
09 Student Transportation	95,352,853	9,882,550	61,540,731	71,423,281	23,929,572	-	-	-	-
Position salaries		5,758,948	53,579,074	59,338,023					
Non-position salaries		2,096,022	231,923	2,327,946					
Operating expenses		2,027,579	7,729,734	9,757,313					
10 Operation of Plant & Equipment	114,851,533	23,746,942	53,098,585	76,845,527	37,006,006	1,000,000	-	1,000,000	0.87
Position salaries		11,810,841	50,049,934	61,860,775					
Non-position salaries		941,212	710,382	1,651,594					
Operating expenses		10,994,889	2,338,268	13,333,158					
11 Maintenance of Plant	34,329,672	6,420,640	21,498,921	27,919,561	6,410,110	-	-	-	-
Position salaries		4,459,974	18,760,068	23,220,042					
Non-position salaries		341,835	249,198	591,033					
Operating expenses		1,618,831	2,489,655	4,108,486					
12 Fixed Charges	497,225,209	141,710,460	48,060	141,758,520	355,466,689	-	-	-	-
14 Community Services	50,000	53,798	26,602	80,400	(30,400)	-	-	-	-
Non-position salaries		3,798	26,602	30,400					
Operating expenses		50,000		50,000					
Subtotal	2,035,920,949	326,323,468	1,213,419,800	1,539,743,268	485,677,681	10,500,000	-	10,500,000	0.52
61 Food Services	47,515,419	5,712,870	16,030,417	21,743,288	25,772,131	-	-	-	-
51 Real Estate Management	3,527,264	781,696	1,975,393	2,757,089	770,176	-	-	-	-
71 Field Trip	2,026,046	202,530	247,814	450,344	1,575,702	-	-	-	-
81 Entrepreneurial Activities	3,292,058	802,340	638,467	1,440,807	1,851,251	-	-	-	-
37 Instructional Television Supported Projects	1,457,591	255,305	816,024	1,071,328	386,263	-	-	-	-
Supported Projects	82,921,045	10,999,973	34,112,667	45,112,640	37,808,405	-	-	-	-
Total	\$ 2,176,660,372	\$ 345,078,181	\$ 1,267,240,583	\$ 1,612,318,764	\$ 553,841,608	\$ 10,500,000	\$ -	\$ 10,500,000	0.48

Note:

(a) Percentage of projected year-end balance to authorized expenditures.

REVENUE SOURCES

The following are summaries of the types of revenues included in the Monthly Financial Report. Revenues may be restricted or unrestricted. Restricted revenues are those restricted by law or for which expenditure authority is maintained by a grantor. Expenditures are restricted to specific expenditure areas for a specified term and may have additional reporting requirements. Most local and state revenue is unrestricted, except for general restrictions, such as requirements to spend appropriations according to state categories.

Local Revenue

Local revenue is received from funds set aside by the County Council, mainly from tax revenues. Local contribution is governed by the state Maintenance of Effort law (Education Code, Section 5-202) that requires a county funding authority to appropriate at least as much per pupil as the previous year. For FY 2013–2016, Senate Bill 1301 requires the county to add a specified amount to the maintenance of effort requirement based on the shift of some state costs for teacher pension payments to local school boards.

State Revenue

State revenue is governed by Section 5-202 and 5-203 of the Education Code. It includes the following sources of revenue:

- State share of Foundation (current expense) aid, based on a specified amount per pupil for the combination of the state and local shares of Foundation aid
- Geographic Cost of Education Index, an adjustment to Foundation aid, based on the relative costs of education out of the direct control of a local government, as determined by state formula
- Compensatory Education, based on a formula related to the number of students eligible for Free and Reduced-price Meal System (FARMS) services
- Limited English Proficient aid, based on a formula related to the number of students participating in English for Speakers of Other Languages (ESOL) programs
- Students with Disabilities aid, including formula aid based on the number of students with Individualized Education Programs (IEPs) and partial reimbursements for students in nonpublic placement
- Student Transportation aid, based on the number of students eligible for transportation
- Payments for students in out-of-county living arrangements

Federal Revenue

Most federal revenue is restricted grant revenue. Unrestricted federal revenue consists primarily of Impact Aid, which is based on the excess impact on local school costs of federal facilities. Unrestricted federal revenue also sometimes includes reimbursements for expenditures related to federal disaster emergency declarations. Restricted federal revenue includes formula grants, including the *Elementary and Secondary Education Act* (ESEA) Title I (students from low-income families), Neglected and Delinquent Youth (Title I, Part D), High-quality Teachers and

Principals (Title II, Part A) for professional development, Limited English Proficiency (Title III), Head Start, *Individuals with Disabilities Education Act* (IDEA), Infants and Toddlers, Medical Assistance (Medicaid) reimbursement, and the Carl D. Perkins Career and Technical Education Program. Competitive federal grants that are not predictable are not included in the annual Budget Request.

Other Revenue

Other Unrestricted Revenue is received from nongovernment sources. Other Revenue includes tuition payments on behalf of nonresident students, summer school fees, extracurricular activities fees, fees from continuing professional development courses, sales of used furniture and equipment (including school buses), outdoor education fees, and interest income. Other Restricted Revenue includes grants from nongovernment sources (foundations and individuals) and the Provision for Future Supported Projects, a lump sum appropriation to account for eligible grants from all sources that may be received after the budget is approved. Use of the Provision for Future Supported Projects is based on criteria set by County Council resolution. Other Revenue does not include fees, donations, or other income received directly by a school for its own use in its Independent Activity Fund (IAF).

Fund Balance

The County Council may appropriate unrestricted surplus as revenue for a succeeding fiscal year. Surplus that is not appropriated remains available for future fiscal years and may not be transferred by a county government for anything other than school purposes.

STATE EXPENDITURE CATEGORIES

The following are summaries of the types of expenditures in each of the state categories of expenditure. This information is based on the State Financial Manual, most recently revised in 2009.

Category 1—Administration

Administration includes activities associated with the general direction and control of the school district. Such activities as establishing and administering policy, providing fiscal and business services, and central information systems and supporting each of the other instructional and supporting services programs. Administration includes expenditures for the Board of Education, executive staff units, evaluation services, and human resources. Administrative expenditures affect the district as a whole and are not confined to a single school building. Administration activities include supporting services employees as well as administrators and supervisors.

Category 2—Mid-level Administration

Mid-level Administration includes supervision of districtwide and school-level instructional programs and activities. It includes all school-based administration, including the office of the principal. Mid-level Administration includes school business and clerical activities, graduation expenses, curriculum development, supervision of guidance and psychological services, supervision of career and technology programs, and educational media services. Mid-level Administration also includes central district school support and improvement activities.

Category 3—Instructional Salaries

Instruction includes directly or adjunctly teaching students in non-special education settings. Instruction also includes most activities that occur on a regular basis at the school level or for the benefit of the instructional program, such as school media services, guidance and psychological services for all students, instructional staff development, and salaries of school department chairpersons who also teach. Instructional salaries include all salary expenditures for providing these activities, including position salaries, part-time salaries, substitutes, and stipends but do not include employee benefits. Instructional salaries are those for staff whose responsibilities include interaction with students in the delivery of instructional programs and related student instructional support services. Included are salaries for teachers, paraeducators, school aides, teaching specialists, resource teachers, psychologists, school counselors, and media staff. Salaries for staff involved in professional development activities are included in this category.

Category 4—Textbooks and Instructional Supplies

Textbooks and Instructional Supplies includes all supplies and materials used in support of Instruction. This category includes books, media materials, computer materials, art and music supplies, science and laboratory supplies, and physical education supplies. This category also includes supplies used for extracurricular activities.

Category 5—Other Instructional Costs

Other Instructional Costs includes all other expenditures for Instruction, including contractual services, contractual copier maintenance, reimbursement for out-of-county tuition, consultants, equipment, school furniture, local travel, facilities rental, and miscellaneous expenditures related to instruction.

Category 6—Special Education

Special Education includes instructional activities for students with disabilities. Special education includes expenditures for students in public schools and for tuition and other expenditures for students in non-public institutions. This category includes instructional salaries, textbooks and instructional supplies, and other instructional costs for special education students. This category also includes school administrative expenditures for schools dedicated to special education and professional development activities related to special education instruction.

Category 7—Student Personnel Services

Student Personnel Services includes activities designed to improve student attendance at school and to prevent or solve student problems in the home, school, and community. This category includes pupil personnel workers and school social workers. This category also includes international student services, student affairs, and court liaison.

Category 8—Student Health Services

Student Health Services includes physical and mental health activities that are not instructional and that provide students with appropriate medical, dental, and nursing services. In Montgomery County, nearly all student health services are provided by the Department of Health and Human Services, Division of School Health Services.

Category 9—Student Transportation

Student Transportation includes activities concerned with the conveyance of students between home, school, and school activities. Included are vehicle operation services, monitoring services, vehicle servicing and maintenance services, transportation training, and other student transportation services. This category does not include vehicle operations related to other school support activities.

Category 10—Operation of Plant and Equipment

Operation of Plant and Equipment includes activities concerned with keeping the physical plant open, comfortable, and safe for use. These activities include cleaning and regular upkeep of plant and equipment in schools, grounds, and other facilities; utilities expenditures, including telecommunications, materials management, and security services.

Category 11—Maintenance of Plant

Maintenance of Plant includes activities concerned with keeping the grounds, buildings, and fixed equipment (other than student transportation assets, and furniture and movable equipment) in their original condition of completeness or efficiency through repair, scheduled and preventive maintenance, or replacement of property.

Category 12—Fixed Charges

Fixed Charges, primarily used for employee benefits expenditures, are charges of a generally recurrent nature which are not readily allocable to other expenditure categories. The following are included:

- Board contributions to employee retirement and social security
- Employee insurance benefits (health, life, accident, disability, etc.)
- Fidelity insurance, personal liability insurance, and judgments
- Interest on current loans
- Tuition reimbursement

Category 13—Food Service

Food Service includes activities concerned with providing food to students and staff in school or a Senior Feeding Program. For budgetary purposes, MCPS chooses to allocate food service expenditures to the Food Service Fund (Category 61).

Category 14—Community Services

Community Services are activities that are provided for the community or some segment of the community other than for public school activities and adult education programs. These services generally are provided to adults rather than to school-aged children. These services do not include parent support or engagement activities for the benefit of school instruction.

Category 37—MCPS Television Special Revenue Fund

The MCPS Television Special Revenue Fund was created in FY 2001 to segregate revenue received by MCPS from the Montgomery County Cable TV Fund as part of the county Cable Television Plan. The majority of the Cable Fund revenue comes from license fees.

Category 51—Real Estate Fund

The Real Estate Fund was created in FY 1993 to manage real estate lease revenues and expenditures as an enterprise activity. Revenue for the fund comes from real estate lease rentals, mainly from former schools.

Category 61—Food Service Fund

The Food Service Fund provides all food service and nutrition programs for schools and other customers as an enterprise activity. Revenue for the fund comes from federal and state food aid programs and from the sale of meals to students and other customers.

Category 71—Field Trip Fund

The Field Trip Fund was created in FY 1994 to provide transportation services for school field trips and external customers on a cost recovery basis as an enterprise activity. Revenue for the fund comes from reimbursements by students and other customers.

Category 81—Entrepreneurial Activities Fund

The Entrepreneurial Activities Fund was created in FY 1999 to provide entrepreneurial activities to earn outside revenue to help defray system costs. Revenue for the fund comes from sales of goods and services to external customers, including other government agencies and non-profit organizations. Entrepreneurial activities do not compete with commercial firms or engage in any activities unrelated to the instructional program. Entrepreneurial activities include warehouse services, printing, sales of curriculum materials, sales of science kits, and other entrepreneurial development activities.