

ED COMMITTEE #1  
July 8, 2013  
**Discussion**

**MEMORANDUM**

July 3, 2013

TO: Education Committee

FROM: Essie McGuire, Senior Legislative Analyst *Essie McGuire*

SUBJECT: **Monthly Financial Report of the Montgomery County Public Schools**

Today the Education Committee will review the most recent monthly financial report of the Montgomery County Public Schools (MCPS). Tom Klausing, Director, Office of Management, Budget, and Planning, MCPS, will participate in today's discussion.

The most recent monthly financial report was presented to the Board of Education on June 13, and reflects financial conditions through April 30 (attached circles 1-9). **The report shows that MCPS currently projects a total year-end surplus of \$21.8 million.** This total consists of \$17.9 million in projected expenditure surplus and \$3.9 million in projected revenue surplus.

During its operating budget worksessions, the Education Committee reviewed the April 23 monthly financial report which reflected financial conditions through February. At that time, MCPS projected a total year-end surplus of \$18.2 million. The current projection is an increase of \$3.6 million over the spring projection.

Under the current projection, MCPS would end the year with a total fund balance of \$45.3 million, including unappropriated fund balance from prior years. The Council appropriated nearly \$27 million of MCPS fund balance as a resource for the FY14 operating budget. This action leaves an unappropriated balance of \$18.3 million going forward into future fiscal years.

The table below shows MCPS's current projected balance for each category as a percent of the total category appropriation.

	FY13 App Budget	Projected Balance	% of App Budget
Cat 1, Administration	39,896,271	500,000	1.3%
Cat 2, Mid-level Administration	136,605,026	3,000,000	2.2%
Cat 3, Instructional Salaries	819,313,949	12,000,000	1.5%
Cat 4, Textbooks and Instr Supplies	24,920,279	0	0.0%
Cat 5, Other Instr Supplies	11,682,969	0	0.0%
Cat 6, Special Education	252,387,539	0	0.0%
Cat 7, Student Personnel Svcs	10,268,248	100,000	1.0%
Cat 8, Health Svcs	37,402	0	0.0%
Cat 9, Student Transportation	95,352,853	200,000	0.2%
Cat 10, Operation of Plant and Equip	114,851,533	2,100,000	1.8%
Cat 11, Maintenance of Plant and Equip	34,329,672	0	0.0%
Cat 12, Fixed Charges	497,225,209	0	0.0%

MCPS anticipates that six of the 12 major expenditure categories will end the year on budget, and MCPS does not currently project deficits in any category. **If these expenditure projections hold, MCPS may not need to request an end of year categorical transfer.** The Education Committee will review the year-end financial report in the fall.

The projected revenue surplus is due to State revenue for students in nonpublic special education programs. This issue is discussed on circle 2 in the attached financial report. The additional revenue reflects State payments for more students attending nonpublic programs than projected, and some at higher costs than projected.

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

June 13, 2013

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 April 30, 2013, 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 \$3.9 million, and expenses have a projected surplus of \$17.9 million.

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 \$17.0 million of the fund balance as a source of revenue for the FY 2013 Operating Budget, leaving an available balance of \$23.5 million. Based on the revenue and expenditure projections as of April 30, 2013, the FY 2013 fund balance will be \$45.3 million at year end. The FY 2014 Operating Budget for MCPS approved by the County Council on May 23, 2013 includes the use of \$27.0 million of fund balance as a source of revenue. 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 April 30, 2013, and projected revenues and expenditures through June 30, 2013, follows. In addition, the attachments provide detailed financial information.

Attachment 1 presents a chart displaying budgeted and projected revenues as reflected in this report. Attachment 2 is a chart detailing expenditure information by state category. The chart displays authorized (budgeted) expenditures, actual year-to-date expenditures and encumbrances, projected expenditures for the remainder of the fiscal year, and the projected year-end balance as reflected in this report.

## REVENUE

Total revenue is projected to be \$2,188,804,210, which is \$3.9 million 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 \$591,674,275, which is \$3,361,900 more than the revised amount budgeted for state aid, and \$1,180,000 more than projected last month. The increase is due to additional state revenue for tuition for students in nonpublic programs. Total revenue projected from this source is \$13.6 million, which is \$1.2 million more than last month, and \$2.1 million more than the \$11.5 million anticipated when the FY 2013 budget was developed. MCPS is required to pay \$30,461 per student toward the total cost of his or her tuition and related services. In addition, MCPS must pay 30 percent of the difference between the \$30,461 and the total cost. The state pays 70 percent of the difference. If costs are higher than projected, and more than \$30,461, the amount of revenue that MCPS will receive will be higher. The increase in revenue is due to more students attending nonpublic programs than projected and fewer students withdrawing than in prior years. In addition, the number of students with tuition costs greater than \$30,461 is higher than projected.

### **Federal**

The projected revenue from Impact Aid is \$464,000, which is \$14,000 more than reported last month, and \$164,000 more than the amount estimated in the FY 2013 Operating Budget.

### **Other**

The projected revenue from other sources is \$4,075,708, which is \$350,000 more than the revised budget.

### **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 \$58,818,378. There is no change from last month's projection.

### **Supported Projects**

The anticipated revenue for supported projects is \$90,188,983. This estimate includes \$9,230,705 for funds carried forward from FY 2012. Projects approved this month have been assigned \$87,878,852.

## EXPENDITURES

There is a projected surplus of \$17,900,000. This is an increase of \$1,500,000 from the amount projected last month. There are projected surpluses in Category 1, Administration; Category 2, Mid-level Administration; Category 3, Instructional Salaries; Category 7, Student Personnel Services; Category 9, Student Transportation; 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 of the projections for each category, including changes from the prior month.

### **Category 1—Administration**

The overall projected end-of-year surplus of \$500,000 in Category 1, Administration, remains the same from last month. As of April 30, 2013, 95.3 percent of the funds budgeted in the category have been spent or encumbered. It is projected that an additional \$1.3 million or 3.4 percent of budgeted funds will be spent during the remainder of the year. While there is no change in the overall projection for the category, there are changes between the major objects of expenditure. Currently, there are nine vacant Full-time Equivalent (FTE) positions. There is a projected position salary surplus of \$995,000, which is \$15,000 higher than the \$980,000 reported last month. The surplus of \$220,000 in temporary part-time salaries projected last month is increased by \$102,000 to \$322,000. Approximately half of this is related to work in the Office of the Chief Technology Officer that requires the use of contractors rather than temporary part-time staff. The remainder of the increase is a result of minor changes in accounts across several MCPS units. The deficit of \$80,000 projected last month in the other expenditure category is reduced by \$56,000 to \$24,000. The change is primarily a result of revised projections for mileage reimbursement for local travel. It is anticipated that there will be a surplus of \$27,000 in supplies, materials, and equipment purchases. Last month, expenditures for these items were projected to be on budget at year end. The \$620,000 deficit projected last month in contractual services has increased by \$200,000 to \$820,000. The deficit is due to higher than budgeted costs for legal services and the hiring of outside contractors for technology services.

### **Category 2—Mid-level Administration**

The projected end-of-year surplus of \$2.8 million in Category 2, Mid-level Administration, has increased by \$200,000 to \$3.0 million. As of April 30, 2013, 97.3 percent of the funds budgeted in this category have been spent or encumbered, and it is anticipated that an additional \$650,000 or .5 percent of budgeted funds will be expended during the remaining months of the year. There is a \$2.7 million surplus projected in position salaries. This is \$200,000 higher than the \$2.5 million surplus projected in prior reports. While there are five fewer vacant FTE positions than reported last month (from 17 to 12), savings from lapse more than offsets the salary required for the filled positions. The projection for temporary part-time salaries is projected to be on budget as reported last month. Also, the overall surplus of \$300,000 in contractual services, supplies and materials, and other expenditures is the same as reported last month. This surplus consists of numerous small amounts in Category 2 accounts spread among several MCPS units.

**Category 3—Instructional Salaries**

The projected end-of-year surplus in Category 3, Instructional Salaries, of \$11.0 million reported last month has increased by \$1.0 million to \$12.0 million. As of April 30, 2013, approximately 97.2 percent of the funds budgeted in Category 3 have been spent or encumbered. It is projected that an additional \$10.6 million or 1.3 percent of the budgeted amount will be spent during the remainder of the year. The \$8.3 million surplus projected for position salaries last month has increased by \$200,000 to \$8.5 million due to additional lapse and turnover savings. The number of vacant FTE positions is 185, the same as reported last month. The surplus of \$2.7 million in non-position salary accounts reported last month has increased by \$800,000 to a total of \$3.5 million based on updated projections for short-term substitutes and other part-time salaries, sick and annual leave payout, and expenditures for long-term leave.

**Category 4—Textbooks and Instructional Supplies**

Expenditures in Category 4, Textbooks and Instructional Supplies, are expected be on budget, and there is no change in the projection from last month. As of April 30, 2013, approximately 87 percent of the funds budgeted in this category have been spent or encumbered. Remaining funds will be spent by the end 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**

Expenditures in Category 5, Other Instructional Costs, are projected to be on budget, and there is no change from the prior month. As of April 30, 2013, approximately 79 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, maintenance of duplicating equipment, and students living in out-of-county placements.

**Category 6—Special Education**

Expenditures for Category 6, Special Education, are projected to be on budget. As of April 30, 2013, 99 percent of the funds budgeted in this category have been spent or encumbered. While the category is projected to be on budget, there are changes projected between the major objects of expenditure. Position salaries are projected to have a surplus of \$260,000 based on encumbrance adjustments. Position salaries were projected to be on budget last month. The deficit of \$130,000 in temporary part-time salaries reported last month has increased by 60,000 to \$190,000. The deficit is primarily a result of higher than budgeted expenses for long-term leave and increased costs for part-time employees. The deficit of \$500,000 in contractual services reported last month has increased by \$50,000 to \$550,000. The deficit is based on actual billing and projected spending for contractual speech, occupational therapy, and physical therapy services for students. The surplus of \$605,000 reported last month in other has decreased by \$125,000 to \$480,000 as a result of tuition cost adjustments for students in nonpublic programs. Also, the projected net surplus of \$25,000 reported last month in textbooks, instructional materials, and equipment for students has decreased by \$25,000 and is now projected to be on budget. The change is a result of purchases of assistive technology devices for students with disabilities as required on their Individualized Education Programs.

**Category 7—Student Personnel Services**

The \$100,000 surplus projected last month for Category 7, Student Personnel Services, remains the same. As of April 30, 2013, approximately 98 percent of all budgeted funds in the category have been spent or encumbered. There are 2.9 vacant FTE positions, two more vacancies than reported last month. Position salaries are projected to have a surplus of \$190,000, which is \$40,000 higher than the \$150,000 surplus reported last month. Net expenditures for part-time salaries and operating expenses are projected to be in deficit by \$90,000, which is \$40,000 higher than the \$50,000 deficit reported last month.

**Category 9—Student Transportation**

Expenditures for Category 9, Student Transportation are projected to have a surplus of \$200,000. Last month, overall category expenditures were projected to be on budget. As of April 30, 2013, approximately 94 percent of all budgeted funds in the category have been spent or encumbered. The remaining \$5.7 million (6 percent) will be spent during the remaining months of the year. There are 81 FTE position vacancies, 5 more vacancies than reported last month. This change has little impact on the overall Category 9 projection because changes in position salaries generally are offset by changes in temporary part-time school bus operator salaries. There is a \$100,000 surplus projected for contractual school bus repair services, and a \$100,000 surplus related to lease/purchase costs for school buses. It is anticipated that expenditures for school bus fuel will be on budget.

**Category 10—Operation of Plant and Equipment**

The projected end-of-year surplus of \$2.0 million for Category 10, Operation of Plant and Equipment, has increased by \$100,000 to \$2.1 million. Approximately 88 percent of all budgeted funds in this category have been spent or encumbered. It is projected that \$12.1 million (11 percent) will be spent throughout the remainder of the year on substitute building service worker salaries and utilities. Currently, there are 28.5 FTE position vacancies, primarily building service positions. There are 1.5 fewer vacancies than reported last month. The position salary deficit of \$55,000 projected last month remains the same. The projected deficit of \$760,000 for temporary part-time salaries reported last month has been reduced by \$100,000 to \$660,000. The overall deficit in temporary part-time salaries is due to higher than budgeted expenses for long-term leave and projected part-time salary needs. The \$2,535,000 surplus previously reported for utilities remains the same as reported last month. Utilities projections are based on prior-year consumption trends and are adjusted for increased square footage of building space and weather factors. The surplus of \$280,000 projected last month for contractual services, supplies, and equipment remains the same as last month.

**Category 11—Maintenance of Plant**

Expenditures in Category 11, Maintenance of Plant, are projected to be on budget, as reported last month. Approximately 93 percent of budgeted funds have been spent or encumbered as of April 30, 2013, and all funds are expected to be spent by year end. Currently, there are 16 FTE position vacancies, 1.0 FTE position less than last month. As a result of adjusting projections on filling position vacancies, position salary savings from lapse and turnover is projected to be \$900,000. This is \$100,000 higher than the surplus reported last month. The projected deficit of \$115,000 reported

last month remains the same. This deficit is due to expenditures for long-term leave. The \$725,000 deficit projected last month for contractual services, supplies, and equipment is increased by \$60,000 to \$785,000. The change is a result of increased vehicle operating costs, additional expenditures for maintenance supplies, and Heating, Ventilation, and Air Conditioning repair services.

### **Category 12—Fixed Charges**

There is no overall change in the projection for Category 12, Fixed Charges, and expenditures are projected to be on budget. Approximately 86 percent of budgeted funds have been spent as of April 30, 2013. As MCPS is planning to transfer the budgeted funds for employee health benefits to the Employee Benefit Health Plan Trust Fund, there is no projected surplus or deficit. The projected deficit of \$150,000 for unemployment insurance, due to trends showing higher than expected claims, has decreased by \$20,000 to \$130,000. There is a surplus of \$180,000 projected for workers compensation based on actual third quarter claims. In addition, last month's projected deficit of \$100,000 for the *Federal Insurance Contribution Act* (FICA) tax is now projected to be on budget. There is a \$400,000 deficit for tuition reimbursement based on actual and projected expenditures. The surplus of \$350,000 for tuition reimbursement for MCPS staff and tuition payments made on behalf of students attending The Johns Hopkins University and George Washington University remains the same as reported last month. MCPS has partnerships with these universities; MCPS pays the tuition for the college students who then work in MCPS classrooms and are paid at long-term substitute rates rather than permanent 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 April 30, 2013**

**REVENUE**

Source	FY 2013 Original Budget	Revised Budget(a)	Projection		Current Report Variance Over (Under) Revised Budget
			As of 4/30/2013	As of 3/31/2013	
County	\$ 1,419,513,701	\$ 1,419,513,701	\$ 1,419,513,701	\$ 1,419,513,701	\$ -
State	588,331,986	588,312,375 (d)	591,674,275	590,494,275	3,361,900
Federal	300,000	300,000	464,000	450,000	164,000
Other	3,725,708	3,725,708	4,075,708	4,075,708	350,000
Appropriated fund balance	17,000,000	24,069,165 (b)	24,069,165	24,069,165	-
<b>Subtotal</b>	<b>2,028,871,395</b>	<b>2,035,920,949</b>	<b>2,039,796,849</b>	<b>2,038,602,849</b>	<b>3,875,900</b>
Food Services	47,476,295	48,515,419 (e)	48,515,419	48,515,419	-
Real Estate Management	3,520,603	3,527,264	3,527,264	3,527,264	-
Field Trip	2,026,046	2,026,046	2,026,046	2,026,046	-
Entrepreneurial Activities	3,006,936	3,292,058	3,292,058	3,292,058	-
Instructional Television	1,457,591	1,457,591	1,457,591	1,457,591	-
Supported Projects	73,670,729	90,188,983 (c) (d)	90,188,983	90,188,983	-
<b>Total</b>	<b>\$ 2,160,029,595</b>	<b>\$ 2,184,928,310</b>	<b>\$ 2,188,804,210</b>	<b>\$ 2,187,610,210</b>	<b>\$ 3,875,900</b>

## 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 and \$7,267,938 in supplemental appropriations.  
(d) Includes \$19,611 for fund shift from Foundation grant to Federal Education Job funds  
(e) Includes \$1,000,000 for Food Services Enterprise Fund supplemental appropriations and \$39,124 for prior-year encumbrances.

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**Monthly Financial Report and Year-end Projections**  
**As of April 30, 2013**

**EXPENDITURES**

Category	Authorized Expenditures	Actual Year-to-Date Expenditures 4/30/2013	Encumbrances 4/30/2013	Expenditures and Encumbrances 4/30/2013	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	\$ 29,461,866	\$ 7,603,478	\$ 37,065,343	\$ 1,330,928	\$ 500,000	\$ 500,000	\$ -	1.29
Position salaries		22,079,827	6,626,406	28,706,233					
Non-position salaries		553,425	0	553,425					
Operating expenses		6,828,614	977,071	7,805,685					
02 Mid-level Administration	136,605,026	\$ 102,232,821	\$ 30,727,858	\$ 132,960,679	644,347	3,000,000	2,800,000	200,000	2.20
Position salaries		98,564,402	30,236,937	128,801,339					
Non-position salaries		1,331,997	82,090	1,414,087					
Operating expenses		2,336,422	408,831	2,745,253					
03 Instructional Salaries	819,313,949	614,417,940	182,254,001	796,671,940	10,642,009	12,000,000	11,000,000	1,000,000	1.46
Position salaries		584,910,451	181,897,367	766,807,819					
Non-position salaries		29,507,488	356,633	29,864,122					
04 Textbooks and Instruct. Supplies	24,920,279	19,094,045	2,516,647	21,610,692	3,309,587				
05 Other Instructional Costs	11,682,969	8,080,386	1,116,066	9,196,453	2,486,516				
06 Special Education	252,387,539	188,472,669	61,593,923	250,066,592	2,320,946				
Position salaries		157,293,145	49,867,139	207,160,284					
Non-position salaries		4,477,550	134,094	4,611,644					
Operating expenses		26,701,974	11,592,690	38,294,664					
07 Student Personnel Services	10,268,248	7,756,565	2,305,080	10,061,645	106,603	100,000	100,000	-	0.97
Position salaries		7,523,711	2,275,541	9,799,252					
Non-position salaries		105,305	28,032	133,337					
Operating expenses		127,550	1,506	129,056					
08 Health Services	37,402	18,495	69	18,564	18,838				
Position salaries				-					
Non-position salaries		2,064	0	2,064					
Operating expenses		16,431	69	16,500					

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**Monthly Financial Report and Year-end Projections**  
**As of April 30, 2013**

**EXPENDITURES**

Category	Authorized Expenditures	Actual Year-to-Date Expenditures 4/30/2013	Encumbrances 4/30/2013	Expenditures and Encumbrances 4/30/2013	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	70,231,939	19,229,997	89,461,937	5,690,917	200,000		200,000	0.21
Position salaries		46,359,063	15,275,190	61,634,254					
Non-position salaries		4,607,763	109,638	4,717,401					
Operating expenses		19,265,113	3,845,169	23,110,282					
10 Operation of Plant & Equipment	114,851,533	85,550,040	15,057,451	100,607,492	12,144,041	2,100,000	2,000,000	100,000	1.83
Position salaries		47,329,007	14,218,714	61,547,721					
Non-position salaries		2,177,657	191,105	2,368,762					
Operating expenses		36,043,377	647,632	36,691,009					
11 Maintenance of Plant	34,329,672	25,350,907	6,615,523	31,966,430	2,363,242				
Position salaries		17,794,002	5,380,183	23,174,185					
Non-position salaries		698,380	70,218	768,597					
Operating expenses		6,858,524	1,165,122	8,023,647					
12 Fixed Charges	497,225,209	425,328,396	305,693	425,634,089	71,591,120				
14 Community Services	50,000	50,000	0	50,000	-				
Non-position salaries		0	0	-					
Operating expenses		50,000	0	50,000					
Subtotal	2,035,920,949	1,576,046,070	329,325,786	1,905,371,856	112,649,093	17,900,000	16,400,000	1,500,000	0.88
61 Food Services	48,515,419	41,169,228	4,334,947	45,504,175	3,011,244	-	-	-	-
51 Real Estate Management	3,527,264	3,125,038	282,092	3,407,130	120,134	-	-	-	-
71 Field Trip	2,026,046	1,204,115	70,857	1,274,971	751,075	-	-	-	-
81 Entrepreneurial Activities	3,292,058	2,356,756	195,294	2,552,050	740,008	-	-	-	-
37 Instructional Television Supported Projects	1,457,591	1,060,225	226,943	1,287,168	170,423	-	-	-	-
Supported Projects	90,188,983	56,368,793	10,996,437	67,365,230	22,823,753	-	-	-	-
<b>Total</b>	<b>\$ 2,184,928,310</b>	<b>\$ 1,681,330,224</b>	<b>\$ 345,432,355</b>	<b>\$ 2,026,762,579</b>	<b>\$ 140,265,731</b>	<b>\$ 17,900,000</b>	<b>\$ 16,400,000</b>	<b>\$ 1,500,000</b>	<b>0.82</b>

Note:

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