

ED COMMITTEE #1
June 22, 2009
Worksession

MEMORANDUM

June 18, 2009

TO: Education Committee

FROM: Essie McGuire, Legislative Analyst *EMC*

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

Today the Education Committee will continue its quarterly review of Montgomery County Public Schools (MCPS) financial status reports. Dr. Marshall Spatz, Director, Department of Management, Budget, and Planning, will brief the Committee and discuss any questions.

MCPS produces monthly financial reports, as required by law, and presents them to the Board of Education and transmits them to the County Council. These reports summarize actual revenues and expenditures to date, and projections through the end of the fiscal year. The information is presented according to the required appropriation categories, and is an indicator of what categorical transfers the Council may be asked to approve in September, following the close of the fiscal year.

The attached report (circles 1-7) reflects actual financial conditions as of April 30, 2009, and projections through the end of the fiscal year. **The report indicates that MCPS is projecting an overall year-end surplus**, with a revenue surplus of \$1.18 million and an expenditure surplus of \$18.8 million.

Projected category variations

MCPS initiated an FY09 savings plan on September 18. Subsequently, on December 3, MCPS implemented additional expenditure restrictions in response to worsening fiscal projections.

Most of the expenditure categories reflect a projected surplus as a result of the savings plan. The only category with a projected deficit is Category 12, Fixed Charges. The category variances are detailed in the report on circles 4-5. Council staff notes the following highlights.

- Most of the category surpluses result from the savings plan actions of the hiring freeze and general expenditure restrictions in areas such as contractual services, supplies and materials, and travel.
- In Category 9, Student Transportation, the school system continues to benefit from lower than expected fuel costs. The report states on circle 5 that the present cost of diesel fuel is \$2.10 per gallon; the budget level was assumed to be \$2.75 per gallon. Prices have gone up during the year, however, affecting the amount of savings in this category. Last fall, MCPS reported a price of \$1.74 per gallon.
- The deficit in Category 12, Fixed Charges, continues to increase, and now is projected to total \$4 million. The report states that the deficit is due to higher than expected medical and health costs. Council staff understands that a significant portion of these costs are related to the benefit costs of the food service fund.

Discussion Issues

- **Fund balance:** This report indicates that the school system is on track to achieve the savings anticipated earlier this year under the savings plan assumptions. As part of its FY10 Operating Budget resolution, the Council assumed that \$20 million in savings from FY09 would be available as resource to fund the FY10 Operating Budget. The Committee may want to discuss this assumption with MCPS now that the school year is complete and the fiscal year is ending.
- **State Aid:** MCPS continues to expect \$24.2 million in State Aid appropriated as reimbursement for the FY09 calculation error. The Council's budget action assumed that these funds would be appropriated in FY09 and would be available as resource for FY10 as part of the fund balance. The Committee may want to ask MCPS what the current status is of this funding.
- **Categorical Transfer:** Based on this report, it appears that the Board of Education will need to request a categorical transfer to address the projected deficit in Category 12. Typically the Council receives and considers end-of-year transfers in the fall.



MONTGOMERY COUNTY PUBLIC SCHOOLS
MARYLAND

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June 12, 2009

The Honorable Phil Andrews, President
Montgomery County Council
Stella B. Werner Council Office Building
100 Maryland Avenue
Rockville, Maryland 20850

Dear Mr. Andrews:

Pursuant to Section 5-105 (b) (4) of the Annotated Code of Maryland, I am submitting the monthly financial report for Montgomery County Public Schools as of April 30, 2009. This report includes for each category of appropriation the following information:

- Actual expenditures as of April 30, 2009
- Projected expenditures for the remainder of FY 2009
- Projected surpluses and deficits by state category
- Explanations of each surplus or deficit

This monthly financial report reflects the effects of the expenditure restrictions and hiring freeze instituted on September 16, 2008, and December 3, 2008, to identify FY 2009 savings that will help fund the FY 2010 Operating Budget. The goal of these restrictions is to generate savings of \$20 million to help fund the FY 2010 Operating Budget.

If you or your staff have any questions or need further explanation of particular items, please contact Mr. Larry Bowers, chief operating officer, at 301-279-3626 or Dr. Marshall Spatz, director, Department of Management, Budget, and Planning, at 301-279-3547. Thank you for your consideration.

Respectfully,

Jerry D. Weast, Ed.D.
Superintendent of Schools

JDW:jp

Enclosure

Copy to:

Members of the County Council
Members of the Board of Education
Mr. Ikheloa

Office of the Superintendent of Schools

850 Hungerford Drive, Room 122 ♦ Rockville, Maryland 20850 ♦ 301-279-3381

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

June 9, 2009

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: Monthly Financial Report and Year-end Projections, as of April 30, 2009

This financial report reflects the actual financial condition of Montgomery County Public Schools (MCPS) as of April 30, 2009, and projections through June 30, 2009, based on program requirements and estimates made by primary and secondary account managers. At this time, revenues have a projected surplus of \$1,180,000, while expenses have a projected surplus of \$18,700,000. Staff will continue to closely monitor both revenues and expenditures. A discussion of the actual financial condition of MCPS as of April 30, 2009, and projected revenues and expenditures through June 30, 2009, follows.

REVENUE

Total revenue is projected to be \$2,078,643,740. This amount is \$1,180,000 greater than the revised budgeted amount. Projected county, state, federal, and other revenues are described below.

County

The projected revenue from the county is \$1,513,555,147.

State

The projected revenue from the state is \$401,100,324. The surplus of \$1,800,000 is the result of increased reimbursement for special education non-public placement tuition.

Federal

The projected revenue from Impact Aid of \$250,000 has decreased by \$150,000 to \$100,000. The decrease in the impact aid estimate is based on a current audit, the completion of which may delay

receipt of funds until FY 2010. The deficit is partially offset by a surplus of \$20,000, which is the result of higher than anticipated receipts.

Other

The projected revenue from other sources is \$5,453,645. The deficit of \$490,000 primarily results from lower than anticipated summer school tuition and lower than anticipated investment income due to reduced interest rates in this challenging economy. In addition, a deficit of \$70,000 is a result of lower than anticipated tuition income from District of Columbia Social Services and Welfare.

Appropriated Fund Balance

The projected revenue from appropriated fund balance is \$17,927,455.

Enterprise Funds

The projected revenue from enterprise funds is \$54,733,813.

Supported Projects

The anticipated revenue for supported projects is \$85,773,356. This estimate includes \$10,080,945 carried forward from FY 2008. Projects approved through April 30, 2009, have been assigned \$83,858,071.

EXPENDITURES

There is a projected surplus of \$18,800,000. There are projected surpluses in Category 1, Administration; Category 2, Mid-level Administration; Category 3, Instructional Salaries; Category 4, Textbooks and Instructional Supplies; Category 5, Other Instructional Costs; Category 6, Special Education; Category 9, Student Transportation; Category 10, Operation of Plant and Equipment; Category 11, Maintenance of Plant; offset partially by a deficit in Category 12, Fixed Charges.

As a result of increasing concerns about the fiscal outlook for the remainder of FY 2009, comprehensive expenditure restrictions were imposed on September 16, 2008, requiring account managers to make only absolutely necessary expenditures for the remainder of the fiscal year. Additional restrictions were imposed on December 3, 2008. Each account manager has included the impact of these comprehensive expenditure restrictions with their expenditure projections for the remainder of the fiscal year. Savings identified and implemented according to the expenditure projections will be needed to meet the savings target for MCPS identified by the county executive.

The following provides an explanation for each of the categorical variations:

Category 1—Administration

The projected surplus of \$2,000,000 in Category 1, Administration, is unchanged from last month. The projected surplus is mostly a result of higher than anticipated lapse and turnover savings resulting from the comprehensive expenditure restrictions. The surplus also partially results from savings in contractual services, supplies and materials, and other expenditures as a result of the expenditure restrictions.

Category 2—Mid-level Administration

The projected surplus of \$3,500,000 in Category 2, Mid-level Administration, is unchanged from last month. The projected surplus is primarily a result of salary savings due to higher than anticipated lapse and turnover, resulting from the comprehensive expenditure restrictions. In addition, in the final Board action on the FY 2009 Operating Budget on June 10, 2008, the reduction of \$906,622 for eight elementary intern positions was taken from Category 3, Instructional Salaries, rather than Category 2, creating a surplus in this category.

Category 3—Instructional Salaries

The projected surplus of \$2,000,000 has increased by \$1,000,000 to \$3,000,000 in Category 3, Instructional Salaries. The increase is mostly due to lower than anticipated expenditures for professional development. The projected surplus is primarily the result of salary savings due to higher than anticipated lapse and turnover, resulting from the comprehensive expenditure restrictions. The surplus is partially offset by a deficit of \$906,622 that was created in the final FY 2009 budget when eight intern positions were reduced from Category 3 instead of Category 2, Mid-level Administration.

Category 4—Textbooks and Instructional Supplies

The projected surplus of \$5,000,000 in Category 4, Textbooks and Instructional Supplies, is unchanged from last month. The projected surplus results primarily from a reduction in projected central purchases of textbooks and instructional materials based on the comprehensive expenditure restrictions. School allocations for textbooks and instructional supplies are exempt from the restrictions, but savings are projected in centrally purchased materials.

Category 5—Other Instructional Costs

The projected surplus of \$1,700,000 has increased by \$300,000 to \$2,000,000, in Category 5, Other Instructional Costs. The increase is due to additional savings from travel and other instructional accounts. The projected surplus is a result of restrictions on travel, furniture and equipment purchases, and staff development activities as a result of the additional comprehensive expenditure restrictions.

Category 6—Special Education

The projected surplus of \$3,200,000 has increased by \$200,000 to \$3,400,000 in Category 6, Special Education. The increase in the projected surplus is the result of a reduction in salary expenditures. The projected surplus is primarily a result of lower than budgeted actual average salaries of staff charged to Category 6. In addition, salary lapse and turnover savings are greater than anticipated and savings in other nonsalary accounts have been generated as a result of the comprehensive expenditure restrictions.

Category 9—Student Transportation

The projected surplus of \$2,800,000 has decreased by \$100,000 to \$2,700,000 in Category 9, Student Transportation. The decrease in the projected surplus is the result of changes in diesel fuel costs. The FY 2009 budgeted amount for diesel fuel per gallon is \$2.75 and the projected amount for the remainder of the year is \$2.10 per gallon. Student Transportation was largely exempted from the September 16, 2008, comprehensive expenditure restrictions; however, it was included in the new comprehensive expenditure restrictions imposed on December 3, 2008.

Category 10—Operation of Plant and Equipment

The projected surplus of \$500,000 has increased by \$300,000 to \$800,000 in Category 10, Operation of Plant and Equipment. The increase in projected surplus is the result of lower expenditures for electricity. The projected surplus is primarily a result of savings in utilities accounts. The surplus also results partially from higher than anticipated lapse and turnover savings.

Category 11—Maintenance of Plant

The projected surplus of \$400,000 in Category 11, Maintenance of Plant, is unchanged from last month. The projected surplus is the result of higher than anticipated salary lapse and turnover savings based on the comprehensive expenditure restrictions.

Category 12—Fixed Charges

The projected deficit of \$2,400,000 has increased by \$1,600,000 to a deficit of \$4,000,000 in Category 12, Fixed Charges. The projected deficit is a result of higher than budgeted medical and other health costs.

JDW:LAB:MCS:bsr

Attachments

MONTGOMERY COUNTY PUBLIC SCHOOLS
Monthly Financial Report and Year-end Projections
As of April 30, 2009

REVENUE

Source	FY 2009 Original Budget	Revised Budget	Projection		Current Report Variance Over (Under) Revised Budget
			As of 4/30/2009	As of 3/31/2009	
County	\$ 1,513,555,147	\$ 1,513,555,147	\$ 1,513,555,147	\$ 1,513,555,147	-
State	399,300,324	399,300,324	401,100,324	401,100,324	1,800,000
Federal	230,000	230,000	100,000	100,000	(130,000)
Other	5,943,645	5,943,645	5,453,645	5,453,645	(490,000)
Appropriated fund balance	17,927,455	17,927,455	17,927,455	17,927,455	-
Subtotal	<u>1,936,956,571</u>	<u>1,936,956,571</u>	<u>1,938,136,571</u>	<u>1,938,136,571</u>	<u>1,180,000</u>
Food Services	46,841,144	46,841,144	46,841,144	46,841,144	-
Real Estate Management	2,549,103	2,549,103	2,549,103	2,549,103	-
Field Trip	2,199,661	2,199,661	2,199,661	2,199,661	-
Entrepreneurial Activities	1,561,075	1,561,075	1,561,075	1,561,075	-
Instructional Television	1,582,830	1,582,830	1,582,830	1,582,830	-
Supported Projects	<u>74,992,910</u>	<u>85,773,356</u> (a)	<u>85,773,356</u>	<u>85,773,356</u>	-
Total	<u>\$ 2,066,683,294</u>	<u>\$ 2,077,463,740</u>	<u>\$ 2,078,643,740</u>	<u>\$ 2,078,643,740</u>	<u>\$ 1,180,000</u>

Notes:

(a) Includes \$10,080,945 carried forward from FY 2008 and \$699,501 in supplemental appropriations.

MONTGOMERY COUNTY PUBLIC SCHOOLS
Monthly Financial Report and Year-end Projections
As of April 30, 2009

EXPENDITURES

Category	Authorized Expenditures	Expenditures and Encumbrances 4/30/2009	Projected Expenditures 6/30/2009	Current Report Projected Year-end Balance	Prior Report Projected Year-end Balance	Variance Over (Under)	(a) Percentage
01 Administration	\$ 43,668,640	\$ 40,308,451	\$ 1,360,189	\$ 2,000,000	\$ 2,000,000	\$ -	4.58
02 Mid-level Administration	134,182,919	130,281,428	401,491	3,500,000	3,500,000	-	2.61
03 Instructional Salaries	812,158,406	796,630,629	12,527,777	3,000,000	2,000,000	1,000,000	0.37
04 Textbooks and Instructional Supplies	30,037,179	22,349,013	2,688,166	5,000,000	5,000,000	-	16.65
05 Other Instructional Costs	14,340,570	8,945,577	3,394,993	2,000,000	1,700,000	300,000	13.95
06 Special Education	244,972,018	236,360,822	5,211,196	3,400,000	3,200,000	200,000	1.39
07 Student Personnel Services	10,541,260	10,590,406	(49,146)	-	-	-	-
08 Health Services	57,502	34,833	22,669	-	-	-	-
09 Student Transportation	91,724,479	79,339,918	9,684,561	2,700,000	2,800,000	(100,000)	2.94
10 Operation of Plant and Equipment	114,803,301	103,654,212	10,349,089	800,000	500,000	300,000	0.70
11 Maintenance of Plant	33,879,737	31,955,273	1,524,464	400,000	400,000	-	1.18
12 Fixed Charges	406,540,560	363,781,657	46,758,903	(4,000,000)	(2,400,000)	(1,600,000)	(0.98)
14 Community Services	50,000	50,000	-	-	-	-	-
Subtotal	<u>1,936,956,571</u>	<u>1,824,282,219</u>	<u>93,874,352</u>	<u>18,800,000</u>	<u>18,700,000</u>	<u>100,000</u>	<u>0.97</u>
61 Food Services	46,841,144	39,757,340	7,083,804	-	-	-	-
51 Real Estate Management	2,549,103	2,463,460	85,643	-	-	-	-
71 Field Trip	2,199,661	1,067,885	1,131,776	-	-	-	-
81 Entrepreneurial Activities	1,561,075	1,406,548	154,527	-	-	-	-
37 Instructional Television Supported Projects	1,582,830	1,490,178	92,652	-	-	-	-
	<u>85,773,356</u>	<u>75,279,644</u>	<u>10,493,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,077,463,740</u>	<u>\$ 1,945,747,274</u>	<u>\$ 112,916,466</u>	<u>\$ 18,800,000</u>	<u>\$ 18,700,000</u>	<u>\$ 100,000</u>	<u>0.90</u>

Note:

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

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