

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: December 16, 2008
TO: **BOARD OF EDUCATION**
FROM: Dr. Joe A. Hairston, Superintendent
SUBJECT: **REPORT ON UPCOMING FY 2010 BUDGET ISSUES**
ORIGINATOR: J. Robert Haines, Deputy Superintendent
RESOURCE PERSON(S): Barbara Burnopp, Chief Financial Officer
George Sarris, Director, Office of Budget and Reporting

RECOMMENDATION

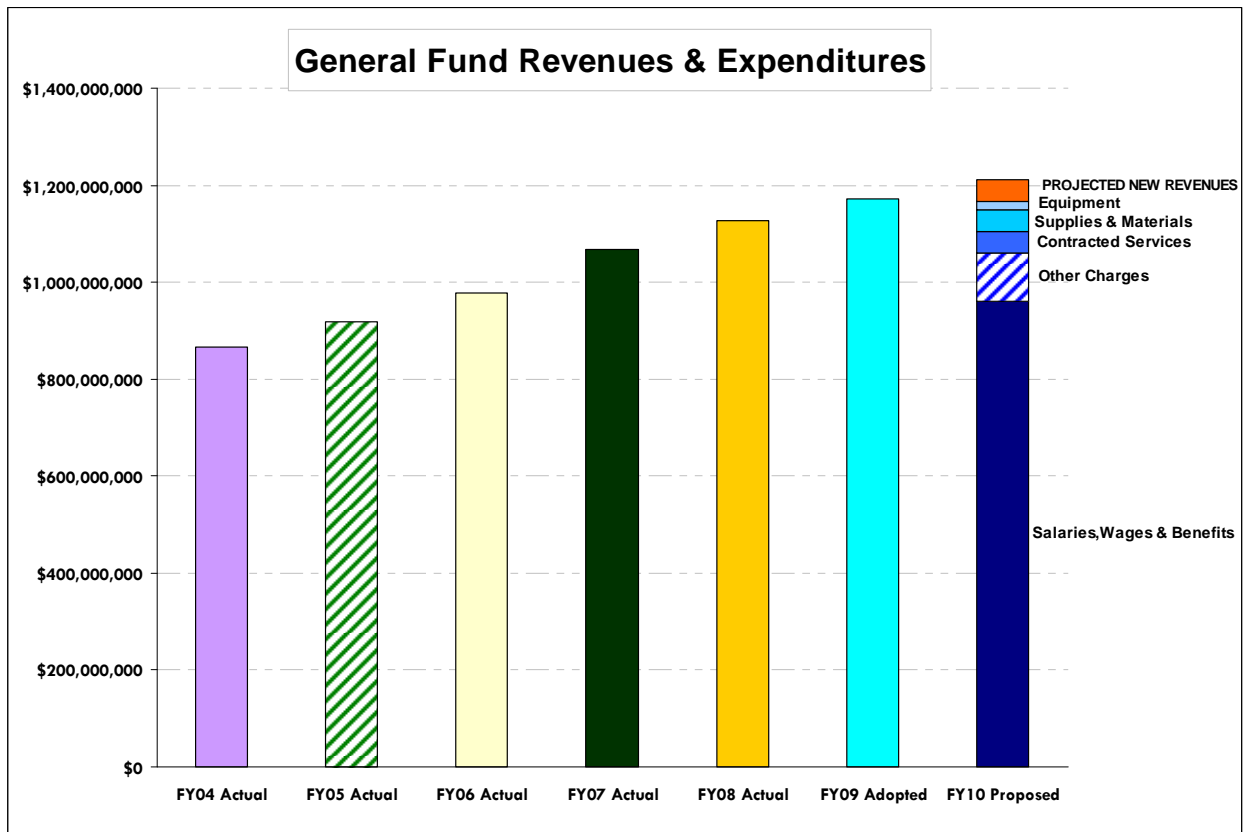
That the Board of Education review upcoming FY 2010 budget issues in preparation for the superintendent’s budget request presentation to the Board on January 13, 2009, the Board’s work session on January 20, 2009, and Board action scheduled for February 10, 2009.

- Attachment I – FY 2010 Operating Budget Revenue Estimates
- Attachment II – General Fund Revenues and Expenditures
- Attachment III – Realignment of Teacher Positions Due to Reduced Enrollment
- Attachment IV – Major FY 2010 Operating Budget Discussion Items
- Attachment V – Spending Affordability FY 2009

FY 2010 OPERATING BUDGET REVENUE ESTIMATES

1. State education aid to Baltimore County is projected to increase slightly by only 1%, or about \$5 million, according to the only information available to date from the Department of Legislative Services. By comparison, state education aid increased by \$11.2 million in FY 2009 and \$67.6 million in FY 2008. It is important to note that although the state's general revenues are projected to increase next year by 3.5%, expenditures are increasing by 6.4%, resulting in an overall deficit. The state has deferred a formal announcement on aid to education that is usually released on November 15 each year. It is quite possible we will have no further information prior to the initial compilation of the FY 2010 budget.
2. Teacher pension costs are rising dramatically due to investment losses in the stock markets. State aid is offset by the on-behalf payments for the teacher pension, so state aid to BCPS could decrease. There is also a possibility that some or all of these costs will be shifted to county governments, reducing the county's capacity to fund education.
3. Enrollment declined by 1,071 students between September 30, 2007, and September 30, 2008. This decline was somewhat less than originally forecasted, and enrollment is expected to increase by 512 students in FY 2010, eventually resulting in additional state revenues of \$2.3 million.
4. In recent fiscal years, county government has permitted BCPS to redirect funding from teaching positions to other academic programs as enrollment declined since September 30, 2004. However, in FY 2010 we will have to hire additional teachers to accommodate enrollment growth. This expense will be offset by increased state aid and county funding for maintenance of effort (MOE).
5. County funding exceeded MOE by 7.9% in FY 2001. Between 2003 and 2008, when state aid to education increased dramatically under the Bridge to Excellence, county funding in excess of MOE declined to a low of 0.8% in FY 2004. County funding increased from 2.2% to 5.7% above MOE between FY 2008 and FY 2009, as state funding has decreased.
6. The county's Spending Affordability Committee recommended that county spending growth should not exceed 5.16% in FY 2008 and 4.56% in FY 2009. The FY 2010 guidelines are now being developed and will be released in February 2009. County fiscal policy is designed to limit increased government spending by the amount of local economic growth. Strict adherence to this policy has placed Baltimore County in a better position than other Maryland counties during the current recession. This conservative plan limited budget growth throughout the unprecedented real estate boom that ended in 2006. BCPS is now in a position to preserve education programs while avoiding layoffs, furloughs, increased class size, and other emergency measures being taken by local education agencies throughout the state. However, a slowing economy will likely result in a lower growth calculation for FY 2010.

7. County government has imposed increasing budget reductions for employee turnover that began at \$6 million in FY 2004 and increased to more than \$15 million in FY 2008. FY 2009 represents the first year since 2004 that this target was not increased, and it has helped us to better manage payroll costs with an eye toward deficits that may have to be addressed in other areas.
8. Funds provided by the pass-through grant for special education increase only slightly each year and at a much slower rate than the growth in salaries, benefits, and contracted services. In FY 2009, approximately \$2.5 million was redirected to continue to provide needed services to special education students. No further adjustments are planned in FY 2010, although the pass-through grant and general fund expenditures are being very closely monitored.
9. Funds provided by the Third Party Billing program are decreasing. In FY 2009, \$6.4 million was redirected to replace the lost revenues and continue to provide needed psychological, social services, and health services to students throughout the school system. State and federal policies are subject to change again in April 2009, and we are projecting another decline of approximately \$450,000 for FY 2010.



**Baltimore County Public Schools
 Realignment of Teacher Positions due to Reduced Enrollment
 FY2006-FY2009**

Attachment III

FY2006	
Projected Student Enrollment	108,100
Actual Student Enrollment	107,386
Programs	Teachers
Classroom Teacher (ratio)	(35.6)
*All Day K	18.0
*Prekindergarten	3.5
*AVID	12.0
*ELL	4.0
*Maryland's Tomorrow	10.6
*Other	8.0
Total New/Expanded Programs	56.1
Net Change	20.5

FY2007	
Projected Student Enrollment	107,100
Actual Student Enrollment	106,182
Programs	Teachers
Classroom Teacher (ratio)	(91.5)
*All Day K	29.5
*Prekindergarten	19.8
*AVID	3.5
*ELL	11.5
*Advanced Placement	7.4
*Reading	25.4
*Gifted & Talented	9.7
*Other	3.5
Total New/Expanded Programs	110.3
Net Change	18.8

FY2008	
Projected Student Enrollment	105,330
Actual Student Enrollment	104,714
Programs	Teachers
Classroom Teacher (ratio)	(105.2)
*All Day K	23.3
*Prekindergarten	14.0
*AVID	1.0
*ELL	4.0
*Advanced Placement	2.6
Crossroads	60.0
*Instructional Tech	4.0
*Advance Path	5.0
*Other	7.0
Total New/Expanded Programs	120.9
Net Change	15.7

FY2009	
Projected Student Enrollment	103,360
Actual Student Enrollment	103,643
Programs	Teachers
Classroom Teacher (ratio)	(161.1)
*Kindergarten	25.2
*AVID	6.0
*Restructuring	3.0
*Career & Tech Ed	2.0
*Crossroads	13.0
*Special Education ¹	79.0
*Student Support Svc ¹	42.7
Total New/Expanded/Redireced Programs	170.9
Net Change	9.8

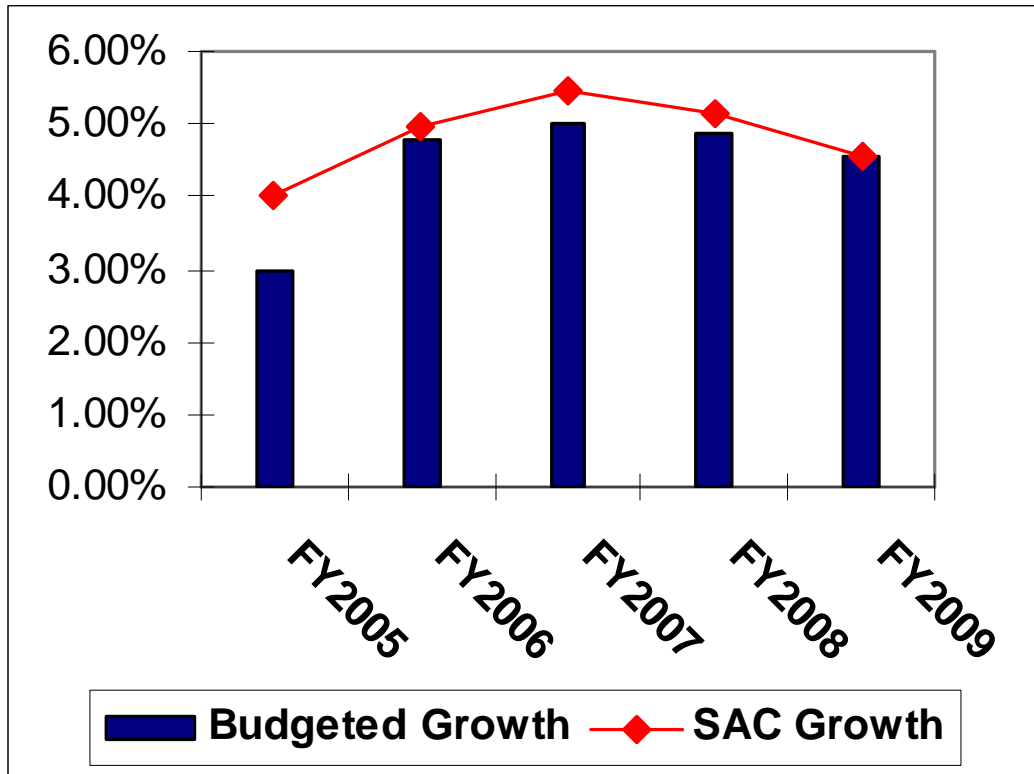
FY2010	
Projected Student Enrollment	104,155
Actual Student Enrollment	
Teachers	58.8

1. Positions previously funded by the Third Party Billing and Passthrough Grants

MAJOR FY 2010 OPERATING BUDGET DISCUSSION ITEMS

1. Salary restructuring and scheduled salary increments for all employees
2. Preserve programs and services for children and retain jobs
3. Increased cost of existing health benefits for all employees
4. Towson West Elementary School startup costs
5. On-going funding for the Imagine Discovery Charter School
6. Parity upgrades for temporary employees
7. Parity upgrades for building service workers
8. Continuing support of mathematics and language arts teachers for restructuring at Woodlawn High School, Lansdowne Middle School, and Southwest Academy
9. Textbook replacements
10. Additional teachers to comply with legal requirements for special and alternative education programs and homeless students
11. Twenty-first Century Classrooms initiatives and technology enhancements

Spending Affordability



In March 1990, the Baltimore County Council enacted legislation (Bill 33-90) that established a spending affordability law (Baltimore County Code sections 2-3-101 to 2-3-107) for Baltimore County to ensure that growth in county spending does not exceed the rate of growth of the county's economy. The law mandates that the Spending Affordability Committee (SAC) make a recommendation each fiscal year on a level of county spending that would be consistent with the county's economic growth.

Committee guidelines are intended to set recommended maximum county spending levels that should not be exceeded in a particular fiscal year; however, they may be exceeded at the discretion of the Baltimore County Executive and the Baltimore County Council if a rationale is provided for doing so. The Baltimore County Executive has not proposed, and the Baltimore County Council has not adopted, a budget exceeding the committee's recommended guidelines since the committee was established.