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GFOA Distinguished Budget Presentation Award



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Baltimore County Public Schools
Maryland**

For the Fiscal Year Beginning

July 1, 2016

A handwritten signature in cursive script, appearing to read 'Jeffrey R. Einar'.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award (DBPA) to Baltimore County Public Schools, Maryland, for its annual budget for the fiscal year beginning July 1, 2016. In order to receive this award, a governmental unit must publish a budget document that meets progress criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

ASBO International Meritorious Budget Award



This Meritorious Budget Award is presented to

BALTIMORE COUNTY PUBLIC SCHOOLS

for excellence in the preparation and issuance of its budget
for the Fiscal Year 2016-2017.

The budget adheres to the principles and standards
of ASBO International's Meritorious Budget Award criteria.



A handwritten signature in black ink that reads 'Brenda Burkett'.

Brenda R. Burkett, CPA, CSBA, SFO
President

A handwritten signature in black ink that reads 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

BALTIMORE COUNTY PUBLIC SCHOOLS

Verletta White ♦ Interim Superintendent ♦ 6901 North Charles Street ♦ Towson, MD ♦ 21204

February 28, 2018

Dear Members of the Board of Education of Baltimore County:

In compliance with the public laws of the state of Maryland, the following proposed operating budget for the fiscal year beginning July 1, 2018, and ending June 30, 2019 (FY2019), includes the general fund, special revenue fund, debt service fund, capital projects fund, enterprise fund, and the internal service fund.

THE REPORTING ENTITY AND ITS SERVICES

Baltimore County Public Schools (BCPS) is the twenty-fifth largest school system in the United States. The county covers 612 square miles in the north central part of the state, and combines urban, suburban, and business regions with vast farmland and waterfront areas. The school system reflects this diversity in the student population of 113,282 students in Grades PreK–12. These students are served by approximately 17,731 employees, including 9,202 teachers, making BCPS one of the largest employers in the region. More than 15,000 volunteers support student achievement throughout the school system.

For the 2018–2019 school year, BCPS will operate 174 schools, centers, and programs. One hundred seven elementary schools will serve the needs of children in Grades PreK–5. An additional 27 middle schools will serve students in Grades 6–8. Baltimore County’s 24 high schools will serve students in Grades 9–12.

The vision we all share is that BCPS will be among the highest performing school systems in the nation by building, sustaining, and investing in a culture of deliberate excellence for every student, every school, and every community. *Blueprint 2.0* (<http://www.bcps.org/blueprint/>), our five-year strategic plan for BCPS, was developed in collaboration with community stakeholders and rests upon a theory of action that calls for us to prepare globally competitive graduates by creating equitable digital learning environments and providing all students with the opportunity to become proficient in a second or third language. The strategic plan continues to show positive results. The graduation rate increased 2.7 percentage points, from 86.3% in 2013 to 89.0% in 2017, while BCPS’ graduation rate exceeds the Maryland state average of 87.7% by 1.3

percentage points. The gap between black and white graduates has statistically closed, and the dropout rate continues to improve, from 9.7% in 2013 to 8.2% in 2017. Lastly, for Grade 11 BCPS students, participation in SAT Day increased from 86.2% in 2014 to 87.9% in 2017.

In 2014, every teacher began the academic year with a digital device through our S.T.A.T. initiative – *Students and Teachers Accessing Tomorrow* – emphasizing personalized instruction, critical thinking, and analytical skills. This year, digital learning devices are being used for all grades in every elementary and middle school and for the second year in Grades 9–12 in three Lighthouse high schools. In FY2019, the program will be completed in all grades in every school.

The proposed FY2019 budget focuses on the greater growth in special education and English Learner populations, systemwide growth and infrastructure, literacy, and school climate.

- While overall instructional resources have increased to support the aggregate enrollment growth over the past several years, BCPS must invest additional resources to provide for the academic progress of students with disabilities and English learners (ELs), some of our most vulnerable populations. Five-year growth rates for students identified with disabilities including autism (+24.8%), developmental delayed (+40.6%), and those with multiple disabilities (+32.0%) increased much faster than overall enrollment growth. The number of English learners grew 132.3% over the ten years through FY2018. The proposed FY2019 budget improves student-to-teacher ratios and instructional caseloads across the system for both special education and English learner students.
- BCPS' expanding infrastructure requires additional resources to keep up with the pace of enrollment growth. BCPS has addressed some of these needs the past several years and will continue to do so in the proposed FY2019 operating budget.
- Reading and writing in school every day is critical for student achievement in all subject areas. We must teach students how to read, write, and think like professionals in every field. Mastering literacy positions our students for success in both their academic careers and later in life.
- A positive school climate helps students achieve and grow. High quality daily instruction improves student behavior by meeting individual student needs.

MAJOR INITIATIVES

Blueprint 2.0: Creating a Culture of Deliberate Excellence

Blueprint 2.0 addresses academics, safety, communication, and organizational effectiveness—four critical areas that must be addressed to ensure that BCPS becomes a world-class school system. A rigorous instructional program with redesigned curriculum and assessments is in place to raise the bar and close achievement gaps to help every student become a globally competitive citizen in a culturally diverse world. Safe and secure learning, teaching, and office environments have been created with the deployment

of cameras, secured entrances, and the One-card and Raptor identification systems. These improvements are crucial in promoting individual well-being, and providing positive, respectful, and caring environments where students, staff, and the community are collectively engaged in the success of every school. Clear, timely, honest, transparent, and accessible communication engages every stakeholder in building a culture of trust through action. The BCPS One online portal provides families with timely information about student schedules, assignments, and grades. BCPS is maximizing efficiency and effectiveness through the implementation of rigorous, relevant, and reasonable performance standards that provide for all employees' professional growth and shared accountability for student, school, and organizational performance.

Building and sustaining excellence requires adequate resources, and the FY2019 proposed budget reflects our commitment to achieve this outcome.

Operating Budget

The proposed FY2019 general fund appropriation reflects an increase of \$83.2 million (5.6%) in expenditures over the FY2018 adjusted budget. Overall, state funding for education in Baltimore County is projected to increase 2.5% or \$16.5 million. The change is primarily driven by increases in major state aid programs of \$15.3 million and other state funding of \$1.2 million. State aid to education may be impacted in future years by Maryland's overall fiscal climate. In December, the FY2018 state revenue projections were reduced by \$53.0 million. Additionally, the FY2019 overall state revenue outlook projects a budget gap of \$250.0 million. The Baltimore County general fund revenue appropriation is proposed to increase by \$66.7 million (8.4%) over FY2018, including \$10.3 million in one-time expenditures that have been excluded from maintenance of effort calculations. The FY2019 proposed budget is above the maintenance of effort level by 7.7% or \$60.4 million. New labor agreements were made with all bargaining groups that cover FY2017–FY2019. The proposed FY2019 budget includes increased compensation as a result of these agreements. Including the debt service, capital projects, enterprise, and special revenue funds, BCPS' proposed operating budget totals \$1.90 billion, an increase of 3.2% over the FY2018 adjusted budget. The BCPS obligation for state pension costs phased in from FY2014–FY2017 is now included in the maintenance of effort, totaling \$32.2 million.

Capital Budget

In FY2019, BCPS has requested \$127.2 million from the state of Maryland for a variety of capital projects. Funding provided by Baltimore County Government is based on a two-year budget cycle in which capital improvement bonds are only issued every other year. The proposed budget for FY2019 totals \$0 because bond funding in the amount of \$167.0 million will be proposed for FY2020. The six-year capital program for FY2019 through FY2024 has projected funding of \$317.0 million.

Our Capital Improvement Plan (CIP) remains focused on four main areas identified in close collaboration with our state and county fiscal partners, the Board of Education, state and county elected officials, communities, and other stakeholders.

The first priority is the installation of central air-conditioning in all of our schools through systemic renovations or replacements. BCPS has made substantial progress in the last few years installing central air-conditioning in our older schools. In 2010, 90 schools in Baltimore County lacked central air-conditioning. Beginning in September 2017, our students and staff started the year in air-conditioned schools in all but 13 of our facilities. Next year at this time, the number of schools that lack central air-conditioning will drop to eight, and all of them will be completed through renovations or replacement projects that are currently planned as part of the Schools for Our Future program.

The second priority of our Capital Improvement Plan is focused on accommodating our growing population. From 2008 to 2016, student enrollment increased by 8,496 students – creating an additional need for seats that is roughly equivalent to 12 large elementary schools or seven moderately-sized secondary schools. Our enrollment is projected to increase from 112,139 students last school year to more than 119,000 students by 2024. Twenty-one of the top 27 priorities in our state capital request will together add more than 6,500 new seats to relieve overcrowding in every area of the county through new or replacement schools, or through additions.

Our design decisions are based on careful instructional considerations, economic analysis that incorporates value engineering, feasibility studies, and an energy efficiency analysis. Whenever possible, we use prototype designs for cost efficiency.

Our third, and no less important, priority is to continue modernizing high schools through either limited renovations or replacement schools. Funding for the limited renovation projects and installing central air-conditioning at Lansdowne, Patapsco, and Woodlawn high schools is included in this year's request. Also included are two new high school projects that were added in September 2017 by our Board of Education. They are the replacement of Dulaney and Towson high schools. Although there is no funding currently requested, in FY2019 the County Executive will include \$15.0 million dollars to fund the planning of a new Towson High School and an additional high school subject to the results of the high school study which is currently underway.

Finally, BCPS must remain focused on our systemic program to replace essential infrastructure and building systems. Accordingly, the last nine projects on the state priority list are systemic boiler, chiller, and roof replacement projects.

In total, approximately 140 construction and building projects, including new school construction, major renovations, and modernizations at various elementary, middle, and high schools, are currently underway in BCPS. In addition to renovations of schools' plumbing, electrical, ventilation, heating, and cooling systems, the work includes improvements to cafeterias, media centers, computer systems, security systems, and other features. In keeping with the goals of *Blueprint 2.0*, the capital budget includes funding to repair or replace critical infrastructure, to provide for watertight buildings, and to improve occupant comfort and well-being through the installation of modern mechanical air distribution systems in an effort to enhance the learning environment and decrease

energy costs. The capital budget also includes upgrades and replacements to lighting, interior and exterior doors, windows, floors and walls, Americans with Disabilities Act (ADA) accessibility requirements, and a variety of other enhancements to improve school buildings.

Special Revenue Fund

The proposed FY2019 special revenue fund budget of \$95.3 million is expected to increase \$8.0 million or 9.1% from the FY2018 adjusted budget. The special revenue fund is used primarily to account for grants awarded to the school system to support specific educational programs and initiatives. Approximately 61.8% of the special revenue budget is provided by two federal grant programs, Title I of the reauthorized Elementary and Secondary Education Act as amended by the Every Student Succeeds Act (ESSA) and the Individuals with Disabilities Education Act (IDEA). Overall, federal grants provide approximately 89.2% of the total special revenue funds planned in FY2019.

The Third Party Billing program bills Medicaid for specific services rendered by BCPS to Medicaid-eligible students who have an Individualized Education Program (IEP). The reimbursements are used to support health services, special education, and psychological services.

The federal Title II Improving Teacher Quality core grant will be used for training highly qualified teachers in all content areas, special education, new teacher orientation, and to provide significant support for teachers in the transition to the BCPS curriculum. The federal Title III grant will provide supplemental funding to the English for Speakers of Other Languages (ESOL) instructional programs and for services that enable a growing number of students to acquire and improve English skills. The Early Childhood Program grants will be used to expand prekindergarten opportunities for additional students and increase the number of families served through the Judy Centers.

BCPS actively seeks new grant opportunities to support the educational goals of the strategic plan. In FY2018 BCPS was awarded a five-year, \$15.0 million, Magnet School Assistance Program grant. Another new federal grant BCPS received in FY2018 and expected in FY2019 is the Title IV, Part A Student Support and Academic Enrichment grant.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award (DBPA) to BCPS for its annual budget presentation for FY2017. This is the thirteenth consecutive year the school system has achieved this prestigious award. The Distinguished Budget Presentation Award is valid for a period of one year. BCPS believes its current budget presentation will meet the requirements of the new award GFOA has put in place to succeed the DBPA, the Award for Best Practices in School Budgeting, and will submit it to the GFOA to determine its eligibility for this award. The Association of School Business Officials (ASBO) International has awarded the Meritorious Budget Award to BCPS for excellence in the preparation and

issuance of its school system budget for FY2017. The Meritorious Budget Award is the highest form of recognition in school system budget presentation issued by ASBO International. This is the fourteenth consecutive year the school system has been presented with this prestigious award. BCPS believes its current budget presentation conforms to the Meritorious Budget Award program requirements and will be submitting it to ASBO for consideration.

FINANCIAL POLICIES

Cash Management

BCPS employs an investment procedure whereby all funds are deposited into a single operating bank account. Based on daily balance requirements, the excess money is invested in the Local Government Investment Pool, a money market mutual fund with Fidelity Investments Institutional Services, or a U.S. government money market fund. U.S. Federal Reserve policies have depressed short-term interest rates on investments, and projections for FY2019 reflect modest revenue in this area. The school system's investment policies are governed by state statutes. In addition, the Board has its own investment policies and procedures. BCPS' funds must be deposited in federally insured banks located within the state. The school system is authorized to use demand accounts and certificates of deposit. Other permissible investments include obligations of the United States Treasury, obligations of various agencies of the United States, investments with the Maryland Local Government Investment Pool, and repurchase agreements. The school system does not invest in derivatives, which is a security whose value is derived from the value of another security. Investment instruments are purchased from banks located within the state or from investment brokers who are members of the New York Stock Exchange.

Budgeting and Accounting Controls

BCPS maintains a system of budgeting and accounting controls designed to assist management in meeting its responsibilities for reporting reliable financial information. The system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed and recorded with management's authorization. Internal control systems are subject to inherent limitations with regard to the necessity of balancing costs against the benefits produced. Management believes the existing system of budgeting and accounting controls provides reasonable assurance that material errors or irregularities to the financial statements are prevented or would be detected within a timely period. During the year, interim financial reports are prepared and distributed to the Board and school system administrators. Account managers are responsible for assuring planned expenditures are within remaining appropriation balances delineated by category and object of expenditure and, in some cases, by location. The Board of Education has proposed a set of policies and rules, consistent with state and county laws, to provide a framework for sound financial management.

Risk Management

The Board participates in the Baltimore County government self-insured program for employee and retiree health, dental, and vision care. BCPS manages its self-insured workers' compensation claims. This responsibility was transferred from Baltimore County government in FY2014. Casualty, property, and other liability insurances are provided through a self-insured pool administered by the Maryland Association of Boards of Education (MABE), a public entity risk pool. Both the county and MABE limit exposure through the procurement of excess liability coverage from commercial insurers. The Board also carries catastrophic student insurance. Based on property values, construction costs, and national claims experience, insurance pool contributions for property, casualty, automobile, and liability premiums will increase by approximately 2.4% for FY2019.

The school system in FY2018 operated 827 bus routes daily, transporting approximately 81,306 students to and from 173 public schools, centers, and programs, and 34 nonpublic schools. The school system complies with U.S. Department of Transportation drug testing requirements, mandatory annual six-hour in service training, follow-up training after accidents, and emergency evacuation procedures training.

Acknowledgements

The preparation of the proposed FY2019 budget could not have been possible without the efficient and dedicated services of the entire BCPS staff. BCPS would like to thank the staff in each department, office, and school for their assistance and cooperation in developing the budget, with a special thanks to the Office of Budget and Reporting for its hard work throughout the budget process. The budget articulates the mission, goals, and objectives of *Blueprint 2.0*, and identifies the additional investments that must now be made to realize our own high expectations and those of our parents, communities, and funding authorities.

Sincerely,



Verletta White
Interim Superintendent

Executive Summary

Operating Budget Schedule

Date	Event
January 9, 2018	Superintendent presents FY2019 proposed budget to the Board—distribution of the budget book
January 16, 2018	Board public hearing
January 23, 2018	Board work session
February 6, 2018	Board votes on proposed FY2019 budget
April 2018	County council holds a public hearing on all county budgets
May 2018	County council votes to adopt FY2019 budget
July 1, 2018	FY2019 funds available

Capital Budget Schedule

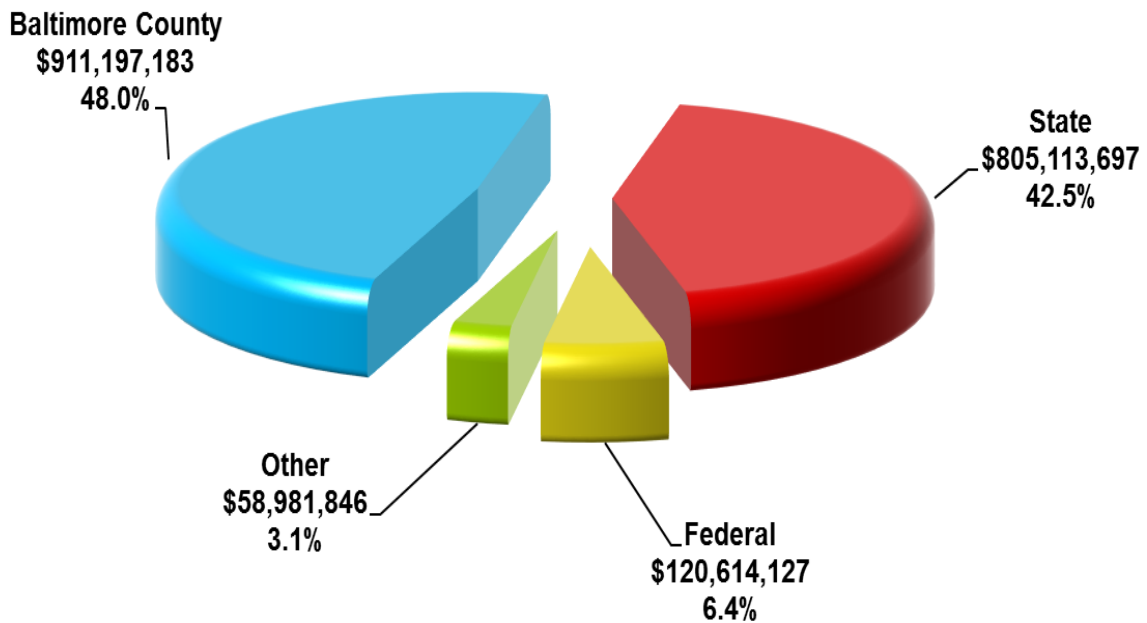
Date	Event
May 24, 2017	Public Hearing 2019 capital requests
August 8, 2017	Superintendent presents proposed state capital request to the Board
September 12, 2017	Board votes on proposed FY2019 state capital request
December 19, 2017	Interim superintendent presents FY2019 county capital request to the Board
January 9, 2018	Board votes on interim superintendent's proposed county capital request
May 2018	County council votes to adopt the FY2019 county capital budget
July 1, 2018	FY2019 funds available

Executive Summary

The budget is comprised of three governmental funds that include the general fund, special revenue fund, and capital projects fund, a debt service fund, a food service enterprise fund, and an internal service fund for worker's compensation. The following table summarizes each fund by total and by the amount above the FY2018 Adjusted Budget.

Fund	FY18 Adjusted Budget	FY19 Proposed Budget	Difference	% Change
General Fund	\$1,476,464,950	\$1,559,702,137	\$83,237,187	5.6%
Special Revenue Fund	87,344,842	95,300,897	7,956,055	9.1%
Operating Budget Subtotal	\$1,563,809,792	\$1,655,003,034	\$91,193,242	5.8%
Internal Service Fund	\$8,806,862	\$9,559,477	\$752,615	8.5%
Capital Projects Fund	161,700,974	127,218,396	(34,482,578)	-21.3%
Debt Service Fund	53,032,260	54,389,583	1,357,323	2.6%
Enterprise Fund	50,515,270	49,749,531	(765,739)	-1.5%
Total	\$1,837,865,158	\$1,895,920,021	\$58,054,863	3.2%

FY2019 Revenue Sources
\$1,895,920,021



Executive Summary

REVENUE

The proposed FY2019 operating budget was developed from an ongoing dialogue with parents, area education advisory councils, and government partners to present an education-based fiscal plan for FY2019 that focuses on critical areas of high need. The spending plan adheres to the education master plan filed with the Maryland State Department of Education (MSDE) under the Bridge to Excellence in Public Schools Act and is built upon BCPS' strategic plan, *Blueprint 2.0*. The budget identifies the resources necessary to create a culture of "deliberate excellence" by fully funding *Blueprint 2.0* for FY2019, making the operating budget a one-year action plan for implementing the strategic initiatives of *Blueprint 2.0: Academics, Safety, Communications, and Organizational Effectiveness*. The budget includes a balanced combination of federal, state, and county revenue along with significant resources redirected from existing programs that can be more efficiently applied to key priorities.

The superintendent's proposed budget reflects a comprehensive commitment to four budget principles: special education and English learners (ELs), growth and infrastructure, literacy, and school climate. The goal of the budget is to support schools, families, and the community in order to take BCPS from good to great and make it among the highest performing school systems in the nation, with graduates who are prepared to enter their chosen college or career paths and with employees who sustain a culture of deliberate excellence for every student, every school, and every community.

Between 2003 and 2008, the state embarked on a bold initiative to increase and equalize education funding across the state's 24 school systems. This effort succeeded in placing Maryland's Grades K–12 public school system at the top of several national rankings. During these years, local governments, including Baltimore County, routinely provided funding above the state-mandated Maintenance of Effort (MOE), with increasing state funding. Federal stimulus funds allowed the state to maintain its formula-driven funding mechanism for aid to education during and after the national recession of 2008. As those federal grants expired, the state raised sales, alcohol, income, and gasoline taxes in order to maintain increased aid to education. Maryland state revenue growth projections improved initially following the 2013 downturn set off by the federal budget sequester. In December the FY2018 state revenue projections were reduced by \$53.0 million, contributing to the most recent FY2019 overall state revenue projection of a \$250.0 million budget gap. This shortfall makes it unlikely that the state will contribute any more to state aid than legally mandated.

Legislation to strengthen MOE funding requirements was enacted in 2012. While Baltimore County government had funded education at or near the MOE level for the four years FY2010–FY2014, more recently the county budget has provided funding above MOE by 1.6%, 0.3%, 0.1%, and 2.6% for FY2015, FY2016, FY2017, and FY2018, respectively. The FY2019 proposed budget includes county funding of 7.7% (\$60.4 million) above MOE.

Executive Summary

Overall, state funding for education in Baltimore County, excluding capital projects, is projected to increase 2.6% or \$17.2 million. The change is primarily driven by increases in major state aid programs of \$15.3 million and other state funding of \$1.9 million. A very low inflation adjustment of 0.7% is expected to be used in the state funding formula, depressing overall aid to education. The Baltimore County proposed general fund revenue appropriation is expected to increase by \$66.7 million (8.4%) over FY2018, including \$10.3 million in one-time expenditures that have been excluded from maintenance of effort calculations.

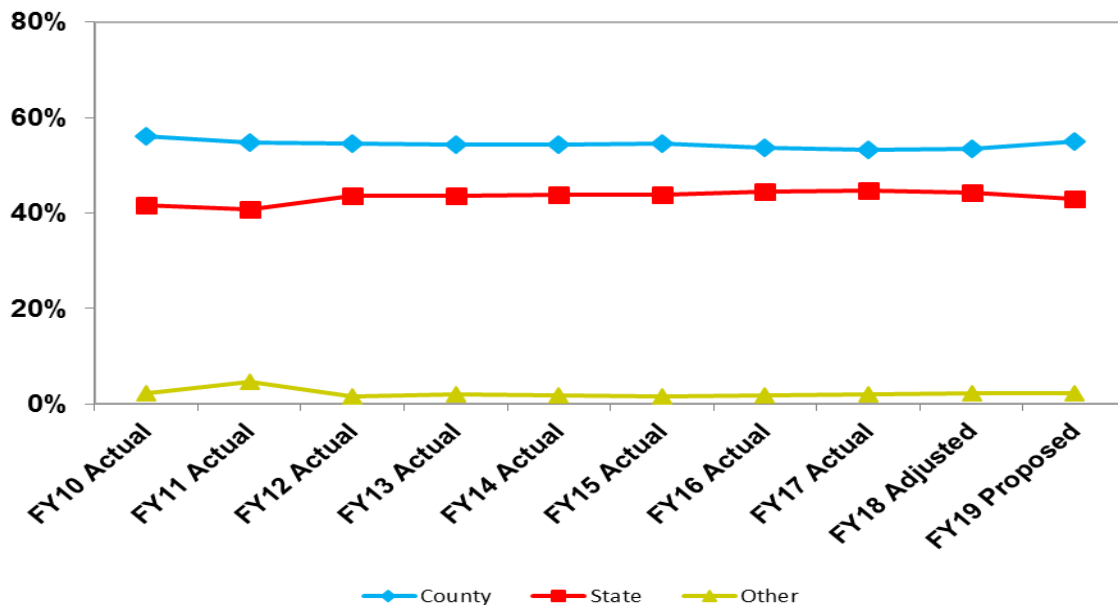
New labor agreements were made with all bargaining groups that cover FY2017–FY2019. The proposed FY2019 budget includes an allowance for increased compensation resulting from these agreements.

Including the debt service, capital projects, enterprise, internal service, and special revenue funds, BCPS’ proposed operating budget totals \$1.90 billion, an increase of 3.2% over the FY2018 adjusted budget. The BCPS obligation for state pension costs phased in from FY2014–FY2017 and is now included in maintenance of effort, totaling \$32.2 million.

General Fund

Proposed general fund revenues increase by \$83.2 million (5.6%) over the FY2018 adjusted budget. Overall state revenues are expected to increase by \$16.5 million. Increases associated with changes in enrollment, additional expenses associated with nonpublic placements for students with disabilities, and key components of the formula-driven Foundation Program and other Major State Aid Programs drive most of the projected increase.

General Fund Revenues



Executive Summary

Enrollment increased by 1,143 students as of September 30, 2017, while the number of students eligible for free and reduced-price meals decreased by 913 students, possibly as a result of the strengthening economy. BCPS initiated a pilot in FY2017 to test the viability of a community eligibility meal program (CEP) at four schools: Dundalk High School, Dundalk Middle School, and Riverview and Hawthorne elementary schools. Under the CEP pilot, all students at these four schools receive free meals without having to fill out USDA free and reduced-price meal applications.

Other local wealth factors, such as property assessments and net taxable income, have declined in recent years, but stabilized and showed small increases in FY2018. Between FY2004 and FY2009, BCPS relied primarily on average annual growth of 12.1% in state revenues. In FY2018, budgeted major state aid increased only by \$8.5 million, but will bounce back to a projected increase of \$15.3 million in FY2019.

The proposed Baltimore County appropriation increases \$66.7 million, or 8.4%, over FY2018 funding levels. Increasing enrollment accounts for approximately \$7.9 million in higher local funding levels. After adjusting for \$10.3 million in one-time expenditures and increased enrollment, the proposed budget represents funding of 7.7% above the MOE level, versus 2.6% in FY2018 and an average annual increase of 0.3% between FY2011-FY2017.

Special Revenue Fund

The proposed FY2019 special revenue fund will increase by \$8.0 million (9.1%) to \$95.3 million from the FY2018 adjusted budget. The two largest grant programs, Individuals with Disabilities Education Act and Title I, make up 61.8% of the total. These grant programs are targeted to support specific student populations, such as economically disadvantaged students and students receiving special education services. The IDEA and Title I grant programs will increase 5.0% and 9.8% respectively. BCPS plans to increase the number of schools receiving Title I funds from 62 to 65 in FY2019, including 54 elementary schools, seven middle schools, two alternative schools, one special education school, and one early learning center. Over the past ten years, an increase in economically disadvantaged students has resulted in higher eligibility thresholds, with 43.8% of students now eligible for free and reduced-price meals. Although the FY2018 rate declines 1.3% from the FY2017 rate of 45.1%, the needs of low-income students remain significant.

The Third Party Billing program bills Medicaid for specific services rendered by BCPS to Medicaid-eligible students who have an Individualized Education Program (IEP). BCPS is maximizing the resources of the Third Party Billing program to improve special education. However, over the next few years the ability of the program to support these service levels will be continually re-examined for sustainability. Revenues have declined this year by approximately 10%. The use of available funds has been revised for FY2019. Eleven fully supported behavior interventionist staff are being transferred to the general fund. The Third Party Billing programs will support additional assistants for Medicaid-eligible special education students, 22 behavior interventionist staff, and one psychologist in FY2019. BCPS will seek efficiencies in the hiring of additional assistants, increase

Executive Summary

program revenues by providing additional reimbursable services, and consider shifting costs to other grants and the general fund as necessary.

BCPS actively seeks new public and private grant opportunities to support the educational goals of the strategic plan. In FY2018, BCPS was awarded a five-year, \$15.0 million, Magnet School Assistance Program grant. This magnet initiative is fully aligned with BCPS' Blueprint 2.0 strategic plan and will support the goal of increasing equity and excellence by creating vertical magnet pathways in International Baccalaureate (IB) and Health Sciences. The magnet programs will be developed by converting 6 schools into whole-school magnet programs: Woodmoor Elementary School, Windsor Mill Middle School, Middle River Middle School, New Town High School, Golden Ring Middle School, and Overlea High School. Another new federal grant BCPS received in FY2018 and expects in FY2019 is the Title IV, Part A Student Support and Academic Enrichment grant. This funding will provide materials for Conscious Discipline and Restorative Practices and professional learning in elementary, middle, and high schools. FY2018 will be the final year for the Kellogg grant, a three-year grant began in FY2016 and provides support for the professional development for the S.T.A.T. initiative as well as equity training for BCPS employees.

BCPS is strengthening and expanding early childhood education in our community to build early foundations for learning success and eliminate achievement gaps before they occur. Currently, a federal grant provides full-day prekindergarten for students at Halstead, Hawthorne, and Sandy Plains elementary schools. In FY2019, BCPS will continue to expand services to children ages birth through four years and their families through the two Judy P. Hoyer Early Child Care and Education Centers. One center is located at Hawthorne Elementary School and supports students and families from Hawthorne Elementary School community. The other center is located at Campfield Early Learning Center and supports students and families who live in the Bedford Elementary School community. Additionally, this grant funds expansion of Aliza Brandywine Center services to Title I schools in the larger catchment area.

The federal Title II Improving Teacher Quality core grant, used for training highly qualified teachers and to provide support for teachers in targeted schools remains at approximately a constant level. The federal Title III grant supporting English learners (ELs) increases 28% over FY18 adjusted budget due to unprecedented growth in the number of ELs. Currently there are ELs in over 140 schools.

Capital Projects Fund

For FY2019, BCPS has requested \$127.2 million from the state of Maryland for a variety of capital projects. Funding provided by Baltimore County Government is based on a two-year budget cycle in which capital improvement bonds are issued every other year. The proposed budget for FY2019 totals \$0 because bond funding in the amount of \$167.0 million will be proposed in FY2020.

State funding of \$16.4 million has been requested for the construction of a new 700-seat

Executive Summary

Northeast Area elementary school. County funding of \$34.0 million has been previously committed. This school is scheduled to open in August 2018. Funding of \$17.1 million has been requested from the state for the construction of a 700-seat replacement of Dundalk Elementary School. This school is scheduled to open in August 2019 and has previously received \$18.2 million in county funding. The state has previously funded \$18.4 million for the construction of replacement schools at Victory Villa and Lansdowne elementary schools. The FY2019 state request includes the remaining \$9.3 million necessary for completion of these projects. The county has previously funded a total of \$50.3 million for these two schools. BCPS is requesting \$6.3 million in FY2019 and \$8.2 million in FY2020 from the state for the construction of a 600-seat replacement of Berkshire Elementary School. The county has previously funded \$3.0 million for this project and an additional \$15.0 million will be requested in FY2020.

The FY2019 state budget request includes \$57.8 million for the limited renovation projects at Patapsco, Lansdowne and Woodlawn high schools. Previously, \$88.2 million has been funded from the county for these much needed projects. Although there is no funding currently requested in FY2019, the County Executive will include \$15.0 million to fund the planning of a new Towson High School and an additional high school subject to the results of the high school study which is currently underway. Remaining state funding of \$7.9 million is requested for the installation of central air conditioning at Franklin and Kenwood high schools. Previously, \$7.2 million was approved by the state and \$19.0 million by the county for these two projects. The state request also includes boiler replacement projects at Battle Grove and Featherbed Lane elementary schools and chiller replacements at McCormick and Owings Mills elementary schools. Roof replacement projects are being requested at Orems, Timber Grove and Johnnycake elementary schools, Deer Park Middle School, and Loch Raven High School.

Debt Service Fund

Though BCPS has no authority to issue long-term debt, and, as such, has no contingent liability for long-term debt payments, the debt service fund is included in this document because capital assets are reported on the Board's financial statements. For FY2019, debt service payments will increase 2.6% from \$53.0 million in FY2018 to \$54.4 million. Debt service increases primarily due to increased borrowing by county government to fund the Schools for Our Future capital improvement plan.

Enterprise Fund

The enterprise fund is used to account for all financial activities of the food services program, which is responsible for providing nutritious meals for the students of BCPS. In FY2009, meal prices were adjusted to reflect the impact of significantly higher costs for fuel, grain, and dairy products. These meal price adjustments were in line with BCPS' long-range projections. Due to higher commodity prices, the fund returned an accounting loss in FY2008; however, moderating food, energy, and labor costs have significantly improved fund performance. Sufficient cash reserves have permitted the fund to continue operating as it is presently structured with equipment replacements as needed and stable meal prices for the past ten years. Recent federal legislation to encourage modified school menus to reduce starch, increase whole grains, and include fresh vegetables has cost

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more to implement than is provided by current incentive programs. The new standards were implemented in July 2012. As the economy has improved, the enterprise fund is transitioning to declining participation in the free and reduced price meals program. BCPS is currently studying the fiscal impact of this trend, as well as that of the Community Eligibility pilot in four schools.

Internal Service Fund

During FY2014, BCPS assumed responsibility from county government for operating a self-insured workers' compensation plan. The internal service fund is a self-insurance fund that pays each employee workers' compensation claim as it is incurred.

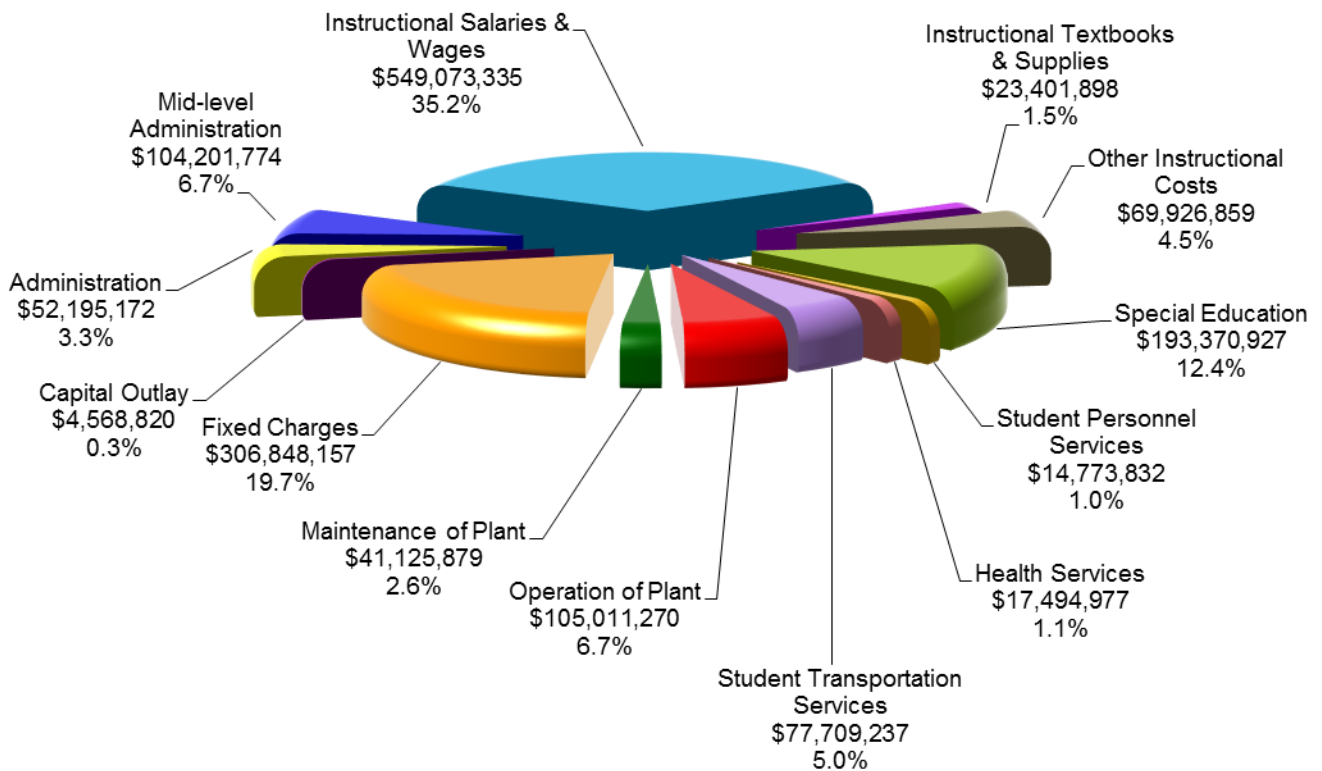
The state of Maryland authorized the Board to become independently self-insured for workers' compensation claims on September 1, 2013, including an estimated liability transferred from county government. BCPS employs a third party claims administrator to determine compensability for salary, lost time, and payment of medical and other costs for work-related injuries of employees. The board also purchases excess insurance coverage in order to protect against any unpredicted or catastrophic claims.

The internal service fund is an internal device used to accumulate and allocate costs internally among various functions. All claims are paid from the fund, and participating (general fund, special revenue funds, and enterprise fund) are charged for their share of the expenses.

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General Fund Category	FY18 Adjusted Budget	FY19 Proposed Budget	Difference	% Change
Administration	51,413,003	52,195,172	782,169	1.5%
Mid-level Administration	101,223,182	104,201,774	2,978,592	2.9%
Instructional Salaries & Wages	523,938,625	549,073,335	25,134,710	4.8%
Instructional Textbooks & Supplies	24,904,484	23,401,898	(1,502,586)	-6.0%
Other Instructional Costs	55,325,467	69,926,859	14,601,392	26.4%
Special Education	180,087,014	193,370,927	13,283,913	7.4%
Student Personnel Services	12,332,115	14,773,832	2,441,717	19.8%
Health Services	17,077,843	17,494,977	417,134	2.4%
Student Transportation Services	70,959,992	77,709,237	6,749,245	9.5%
Operation of Plant	99,637,372	105,011,270	5,373,898	5.4%
Maintenance of Plant	35,935,538	41,125,879	5,190,341	14.4%
Fixed Charges	299,311,595	306,848,157	7,536,562	2.5%
Capital Outlay	4,318,720	4,568,820	250,100	5.8%
Total	\$1,476,464,950	\$1,559,702,137	\$83,237,187	5.6%

FY2019 General Fund Expenditure \$1,559,702,137



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EXPENDITURES

Enrollment has increased steadily each year since 2008, totaling 9,639 additional students between September 2008 and September 2017. Another 1,088 students are projected to enroll in September 2018. The number of students who qualify for free and reduced-price meals in Baltimore County has dropped to 43.8%, a 1.3% decline from FY2017. It is possible that the recovering economy contributed to the decrease in students qualifying for free and reduced-price meals.

Rising enrollment was initially linked to the weak recovery from the recession of 2008–2009. Nevertheless, growth drives both increased operating and capital expenditures, and it is clear that more and more parents are choosing BCPS and parents' expectations of our schools are higher than ever before. Our strategic operating goals are laid out in *Blueprint 2.0* and a ten-year capital plan, *Schools for Our Future*. The proposed FY2019 budget includes the staff, programs, and operating costs to implement the next phase of our strategic goals and fulfill the promises of *Blueprint 2.0*.

In FY2014, BCPS began significant investments in our future by initiating construction of a systemwide wireless network for every classroom and facility. The project was completed in FY2016 and provides the foundation of a personalized learning environment in which every teacher and student will have a digital device. Students and Teachers Accessing Tomorrow (S.T.A.T.) is proposed to be fully implemented by FY2019, making every classroom a 21st century learning environment focused on the 21st century learning skills outlined in our Teaching and Learning Framework: Core Knowledge; Learning and Innovation Skills; Information, Media, and Technology; and Life and Career Skills.

For the past four years, teachers have received training in curriculum that is being delivered digitally via the network. Staff will increasingly rely upon digital media, textbooks, and online resources to provide students with blended learning opportunities. As the state of Maryland has revised its standards and moved toward more computer-based assessments, including state assessments, we have aligned our curriculum and planned our technology upgrades accordingly. In 2015, BCPS and Baltimore County government initiated long-term commitments in security, technology, curriculum, and new construction. Digital learning devices are being used for all grades in every elementary and middle school and Grades 9–12 in three Lighthouse high schools for a second year. In FY2019, the program will expand to include all grades in all schools to complete the roll-out of the program.

Special Education and English for Speakers of Other Languages (ESOL)

Enrollment of English learners (ELs) in the English for Speakers of Other Languages (ESOL) program grew 132.3% from FY2008 to FY2018, but staffing has not been fully adjusted for increased enrollment. The most effective three-tiered instruction model cannot be supported with existing elementary and secondary staffing ratios of 1:56 and 1:40 (PreK not included), respectively, that are well above the state average. The Office of ESOL and World Languages also lacks the administrative staff to support additional ESOL teachers, implement a revised instructional model, and provide the expanded

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“welcome” services required. The ESOL program provides support to both students and teachers alike by addressing classroom ratios. Beginning in FY2016, the ESOL program began focusing on a multi-year phased expansion. In FY2016, FY2017, and FY2018, 10.3, 26.6, and 14.0 ESOL positions, respectively, were added to the budget. For FY2019, 18.0 ESOL positions and \$972 thousand have been included in the proposed budget. BCPS plans to request to continued implementation of its ESOL expansion through FY2020, then keep pace with increasing enrollment after that.

Also included in the FY2019 proposed budget is \$2.1 million for 40.0 special education school based positions, following the addition of 20.0 positions in FY2017 and 15.0 positions in FY2018. The additional special education positions are part of a multi-year program planned to help ensure that resources support the growth of our most vulnerable students. The program is designed to lower student-to-teacher ratios, reduce caseloads, and provide secondary program enhancements and critical services intended to retain more BCPS students in our schools and reduce nonpublic placements. These positions were identified as a critical need through an outside audit of the special education program. Additionally, five-year growth rates through FY2018 for students identified with disabilities, including autism (+24.8%), developmental delayed (+40.6%), and those with multiple disabilities (+32.0%), increased much faster than overall enrollment growth, and the FY2019 proposed budget provides significant additional resources to support these populations. The Office of Special Education will request resources to continue implementing the program’s expansion goals through the next several years.

Growth and Infrastructure

Enrollment is projected to increase 1,088 in FY2019 after increasing 1,143 last year. An additional 80.7 school based positions (\$4.0 million) are added in the budget to maintain current staffing and classroom standards. FTEs totaling 12.8 to support the new Northeast Area elementary school are included for \$893 thousand. One Board of Education budget analyst (\$88 thousand) is in the proposed budget. The school budgets also include adjustments for enrollment, technology, and digital curriculum.

The BCPS general fund budget, like most school systems, governments, and service organizations, consists primarily of salaries and benefits (82.3%). With approximately 17,731 employees and a general fund payroll of approximately \$975.4 million, the FY2019 proposed budget includes \$33.6 million for increased compensation according to collective bargaining agreements and \$7.5 million for increased fringe benefit expenses. Three-year labor agreements for all bargaining groups began in FY2017.

Finally, resources to support facilities, transportation, information technology (IT) infrastructure, and maintenance (including increased numbers of central air conditioning systems) have not kept up with enrollment and facility square footage growth. The FY2019 proposed budget includes Facilities initiatives of \$690 thousand for building maintenance and repair, \$497 thousand for 13.5 custodial FTEs and 1.0 grounds FTE, and \$500 thousand to provide bottled water to some schools.

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Proposed transportation initiatives cover \$1.5 million for additional contracted bus routes and \$113 thousand for a white fleet automatic vehicle location system (AVL) and vehicle diagnostics subscription. Also included in the budget is \$344 thousand to support the final year of a three-year reorganization of the Office of Transportation and \$100 thousand for driver professional development.

In the Technology area, funds are proposed for classroom audio visual equipment (\$1.0 million), replacement of the middle school core network components (\$1.5 million), \$533 thousand for UPS backup replacement units, and \$25 thousand for payroll system support.

Literacy

S.T.A.T. is a transformational initiative, which delivers personalized digital instruction to each student. In August 2014, ten elementary Lighthouse schools field tested the technology and curriculum that would be eventually rolled out to the entire system. In FY2019, BCPS will complete the implementation of S.T.A.T. in all remaining high schools, with a focus on digital safety, student data privacy, and incorporating more authentic, experiential learning opportunities into teaching and learning. The midyear evaluation of year four of the program will be presented to the Board's Curriculum Committee in February 2018, and the year-four final evaluation is scheduled to be presented to the Board prior to the start of school year 2018–2019. The proposed S.T.A.T. budget increases by \$10.4 million.

Second language acquisition is a key component of the *Blueprint 2.0* and the stated theory of action calling for BCPS to “equip every student with the critical 21st century skills needed to be globally competitive,” including being sure that “every student has equitable access to learning and developing proficiency in a second language.” In its fourth year, the Passport program is currently in 45 schools. An additional 5.0 FTEs (\$303 thousand) are included in the budget to expand to five additional schools. The proposed budget includes 7.0 FTEs (\$365 thousand) and \$654 thousand for magnet program expansion, 3.0 gifted and talented teachers (\$152 thousand), 8.4 teachers for AVID expansion in middle school (\$426 thousand), and 1.0 newly developed position of coordinator workforce development (\$113 thousand). Early childhood education is critical for success in later grades. The proposed budget includes funds for 11 new half day programs (\$437 thousand), including 5.5 teachers and 5.5 para educators. Funds for MSDE Bridge projects, CCBC grade 12 math and elementary social studies field trips (\$99 thousand) are also proposed.

School Climate

A positive school climate helps students achieve and grow more. Included in the proposed operating budget are 18.0 school counselors (\$931 thousand), 16.0 social workers (\$879 thousand), 8.0 FTEs for the school climate core support team (\$456 thousand), 11.0 behavioral interventionists moved from the Third Party Billing grant (\$683 thousand), 7.0 psychologist FTEs (\$495 thousand), 15.0 bus attendants (\$342 thousand) for additional special education routes, 1.4 health assistants (\$40 thousand) and health software licensing fees (\$213 thousand). Also included in the proposed budget is 5.0 pupil personnel workers (\$557 thousand), 5.0 residency investigators (\$321 thousand), \$100

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thousand for a residency policy review, \$25 thousand for a mentoring program, \$62 thousand for extended day meals, \$100 thousand for Equal Opportunity schools, \$49 thousand for replacement equipment for the visitor identification system, and \$63 thousand for active assailant training.

Built-In Requests

An important part of the management strategy for minimizing administrative expenses in FY2019 has been to offset increased built-in costs with reductions wherever possible. Proposed built-in costs for FY2019 total \$503.9 million and will increase \$17.3 million from the adjusted FY2018 budget. These fixed costs include employee benefits, utilities, transportation, and nonpublic placement tuition for special education students, and together make up the most significant portion of the budget after salaries. Many of these costs vary with market conditions, multi-year government contracts, and even the weather. Baltimore County government manages the self-insurance program for BCPS and projects that health costs will increase \$12.1 million or 8.1% in the general fund. Employee cost sharing remains at 15% of total premiums for FY2019. Retirement costs increased for employees in the Maryland Teachers' Retirement and Pension System under legislation passed in May 2012, requiring local county governments and boards of education to shift the burden of normal costs away from the state. The BCPS obligation for state pension costs phased in over the past four years is now included in MOE at a total projected cost of \$32.2 million. Grant funds are now liable for the full employer pension costs at the rate of 15.7% of payroll. Proposed FY2019 Social Security and Medicare employer contributions of \$71.7 million include funds to cover the increases associated with collective bargaining agreements.

The combined local and state cost of nonpublic placement in the FY2019 proposed budget is \$44.9 million and currently serves approximately 564 students. Nonpublic placement costs are projected to increase approximately \$3.5 million over FY2018 based on growing enrollment and state fee and funding formula adjustments. Transportation fuel costs (\$3.7 million) are proposed to decrease by \$78 thousand as a result of aligning the budget to projected consumption and the cost of fuel contracts purchased by the Baltimore Regional Cooperative Purchasing Committee. Private bus operator contracts are indexed to the Internal Revenue Service mileage reimbursement rate of \$0.545 per mile and will be adjusted in the middle of FY2019. Built-ins also include an increase of \$295 thousand for contract bus routes.

Combined utility costs in the FY2019 proposed budget total \$34.8 million and will increase by \$2.1 million, driven by increased electricity costs associated with more total building square footage and central air conditioning units coming online in additional schools. Energy performance contracting was approved by the Board and will be used to upgrade lighting, water conservation, HVAC, fuel conversion, and building envelopes to maximize energy efficiencies, while funding capital improvements and air conditioning projects with the associated cost avoidance at over 150 locations throughout the BCPS facilities inventory.

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The nature of workers' compensation changed in FY2014 and is reflected in the FY2019 budget. On September 1, 2013, management of current workers' compensation claims was transferred from Baltimore County government to BCPS. On November 1, 2013, the liability for pre-existing claims also became the responsibility of BCPS. The proposed FY2019 general fund budget of \$8.8 million, an increase of \$673 thousand, is based on current experience since November 2013.

One-Time Requests

The proposed FY2019 budget total one-time funding of \$10.3 million includes \$5.0 million for additional textbooks and instructional materials and \$163 thousand for a pre-advanced placement pilot program. Also included is \$80 thousand for pre-kindergarten furniture, \$400 thousand for court paving and storage canopies, and \$149 thousand for start-up and moving costs at Dundalk Elementary School. The proposed budget includes \$2.4 million for building maintenance and repair and \$713 thousand for transportation vehicle lifts and other maintenance related items. Maintenance vehicles for facilities and technology support staff totaling \$813 thousand are in the proposed budget. Technology infrastructure including \$399 thousand for middle school core network replacement and \$160 thousand for a project manager for the financial and payroll system upgrades are in the proposed budget.

Redirected Funding

As enrollment declined between 2003 and 2008, the Baltimore County executive and county council funded the retention of teaching positions to support new instructional programs. Enrollment has increased consistently since 2008 and Baltimore County government has funded the necessary teaching positions to accommodate projected growth. Technology and instructional material resources have been redirected from school and office budgets to central offices managing S.T.A.T. (\$461 thousand). The FY2019 proposed budget also redirects \$132 thousand from the nursing substitute account to create 2.6 nurse FTEs.

Ongoing Revolving Funds

Ongoing accounts have been established to maintain and upgrade the inventories of critical instructional materials. The Division of Curriculum and Instruction will retain a \$900 thousand account for textbooks and curricular material and \$567 thousand to replace and update school library books and media. Funds are also designated for musical instrument replacement and repairs of \$323 thousand.

Budget Process

The FY2019 general fund budget of \$1.56 billion was developed in the following manner within published schedules (see page 10). This was accomplished for FY2019 based on increased major state aid and local funding formulas, which take into account increased enrollment, somewhat lower levels of student poverty, and inflationary adjustments. The overall budget process involves several detailed considerations including:

- Develop the FY2019 baseline budget from the FY2018 adjusted budget.

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- Redirect and reduce resources within the baseline amount according to revised priorities.
- Adjust funding for built-in operating costs.
- Add funding for salary increments.
- Adjust funding for programs aimed at improving efficiency and student achievement.

The framework of BCPS' *Blueprint 2.0*, the basis of the school system's five-year strategic plan, serves as the foundation for development of the budget, ensuring that all budget proposals align with the system's goals. In formulating the operating budget, BCPS first seeks input from all stakeholders through community meetings from the five geographic areas, and public hearings conducted by the Board of Education of Baltimore County. This process has been expanded to include Web based surveys, presentations, and other outreach efforts.

The superintendent's initial budget proposal allocates resources to best achieve the goals set forth in *Blueprint 2.0*. The Board of Education holds a public hearing before conducting a work session. Thereafter, the board endorses a budget to be forwarded to the county executive as prescribed by state law. The county executive's staff reviews and amends the board's budget before making a recommendation to the county council, which conducts further review before taking final action to adopt the proposed budget.

Development of the capital budget proceeds on a parallel track so that it can be incorporated into the operating budget. Capital projects approved by the board are first submitted to the Interagency Committee (IAC) of the State Public School Construction Program to request partial state funding according to IAC criteria.

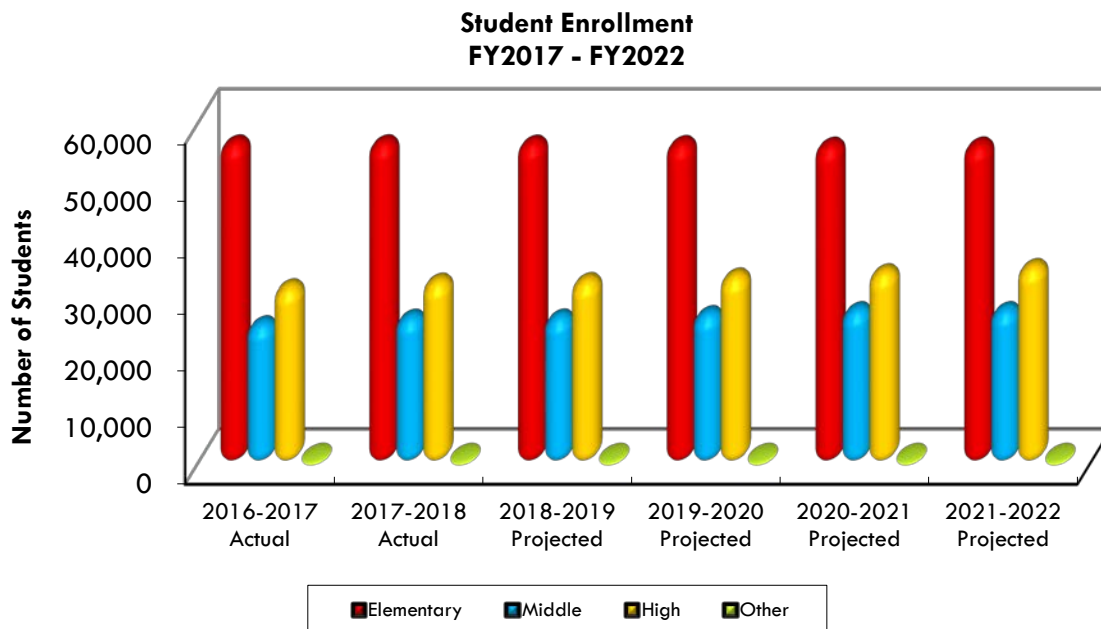
Appeals are heard by the State Board of Public Works before a final decision is made in conjunction with an approval of the state's operating and capital budget in the spring. A separate request, that includes some of the projects eligible for partial state funding, is submitted by the board to the county government for the largest portion of capital funds and includes many projects not eligible for state funding. After review by the Baltimore County Office of Planning and Zoning and the County Planning Board, the county council adopts a capital budget that is incorporated within the operating budget adopted in May.

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ENROLLMENT

Enrollment increased by 1,343 in FY2014, 1,608 in FY2015, 1,142 in FY2016, 1,013 in FY2017, 1,143 in FY2018 and another 1,088 students are expected to enroll in FY2019. Projections employ the cohort survival method prescribed by state regulation. FY2019 is projected to be the tenth consecutive year of increased enrollment. State law requires local governments to provide a minimum level of funding based on enrollment increases. Baltimore County has historically provided revenue in excess of the minimum, although local funding support was at or near the MOE level from FY2011 through FY2014. Funding at 1.6% above MOE was approved in FY2015, 0.3% above MOE in FY2016, 0.1% above MOE in FY2017, 2.6% above MOE in FY2018, and a proposed increase of 7.5% above MOE in FY2019 is based on increased expenses associated with labor agreements, projected smaller than historical increases of state funding, and the maintenance of established instructional programs. BCPS' multi-year budget forecast is based on ten-year enrollment projections and assumptions about local funding at or above MOE.

Student Enrollment: FY2013 – FY2022										
Grades	Actual 2012-2013	Actual 2013-2014	Actual 2014-2015	Actual 2015-2016	Actual 2016-2017	Actual 2017-2018	Projected 2018-2019	Projected 2019-2020	Projected 2020-2021	Projected 2021-2022
Elementary	52,499	53,873	55,278	55,933	56,193	56,408	56,151	56,075	55,787	55,819
Middle	22,391	22,632	23,233	23,737	24,325	24,764	25,515	26,115	26,807	26,817
High	30,573	30,359	30,541	30,571	30,736	31,279	31,841	32,656	33,392	34,321
Alternative and Special	861	851	798	770	771	733	755	755	755	755
Other	709	661	134	115	114	98	108	108	108	108
Total	107,033	108,376	109,984	111,126	112,139	113,282	114,370	115,709	116,849	117,820



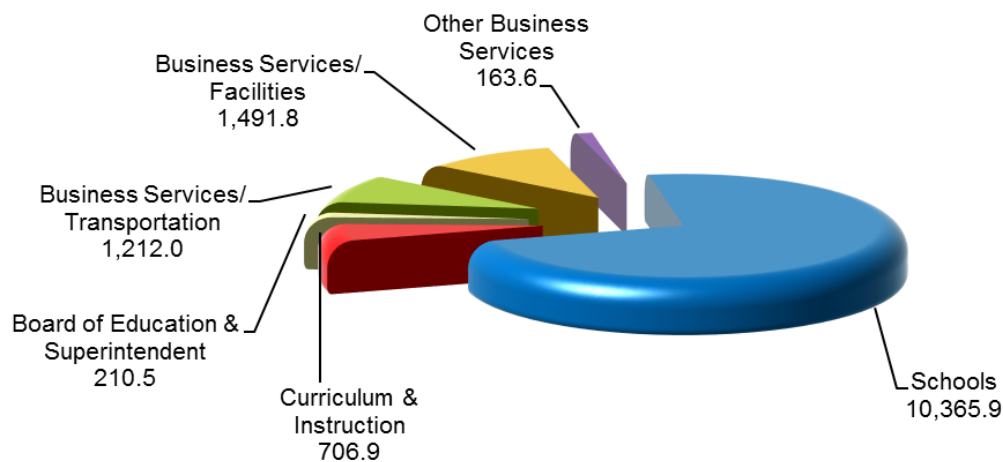
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PERSONNEL RESOURCES

Regular education teachers are allocated based on class sizes of 21.9 students in Grades K–2, 24.9 students in Grades 3–5, 27.6 students in middle schools, and 29 students in most high schools. Special area teachers (art, music, and physical education), counselors, librarians, and nurses are assigned based on faculty and school sizes. Curriculum and instructional programs such as instrumental music, educational options, career and technology education, and mentoring are centrally administered, and these teachers are assigned by the managing department. The number of special education teachers is ratio driven, based upon student placements in inclusive or self-contained classrooms, and the number of students requiring communication, behavior, and adapted functional learning support. The Office of Special Education assigns staff according to an annual plan approved by the Board and based on the Individualized Education Program for each student. Administrative and professional positions are only added to the general fund budget if authorized by the superintendent and specifically funded and approved by county government as part of the operating budget. Administrative, instructional, and professional positions approved in a grant award may be added to the special revenue fund with the approval of the superintendent.

Full-time Equivalent Positions	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Adjusted Budget	FY19 Proposed Budget
General Fund	13,445.2	13,571.4	13,716.7	13,857.3	14,150.7
Special Revenue Fund	594.1	621.8	681.7	746.1	742.1
Proprietary Funds	586.4	591.5	616.5	627.0	624.6
Total Number of Positions	14,625.7	14,784.7	15,014.9	15,230.4	15,517.4

**General Fund
FY2019 Proposed FTEs
14,150.7**



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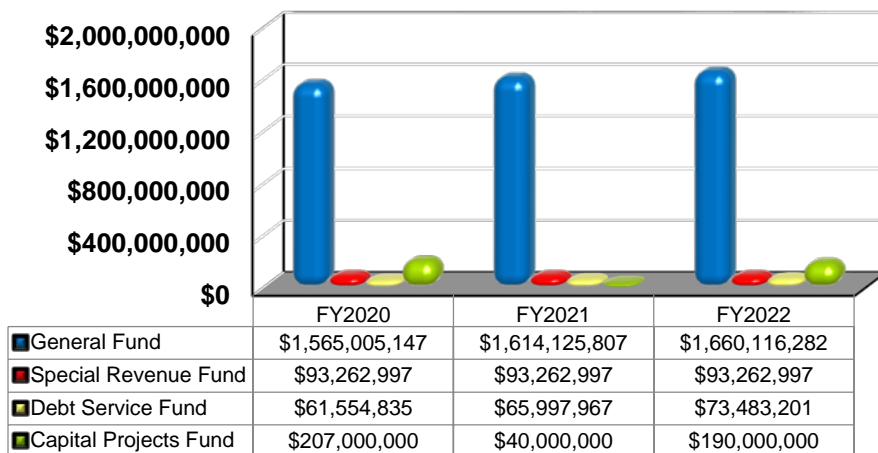
BUDGET FORECAST AND STRATEGIC ISSUES

The budget projection is based on assumptions that reflect historical experience over the past ten years and the most current information that BCPS has about the next four years. Local county revenue in the proposed budget increases 7.5% above MOE in 2019, and may need to stay at that level or higher for several years to support multi-year labor agreements and instructional programs. State revenue is projected to increase very modestly in the near future for both the Foundation and Transportation grants, based on the most recent revenue projections released by the state. Prior to the 2008–2009 recession, state revenue increased at an average annual rate of 12.1%. State aid to BCPS grew 3.2% annually between FY2013 and FY2018; however, a conservative rate of growth is anticipated for the near term, including only 2.4% in the FY2019 proposed budget.

BCPS has no authority to levy taxes and is totally fiscally dependent on contributions and grants from the county, state, and federal government for its operating resources. General fund balances revert to the county at year-end and may only be reappropriated in subsequent fiscal years with county government approval. County government has increased the use of fund balance for both education and general government operations. Continued use of fund balance is incorporated in the forecast. Use of fund balance was \$15.2 million in FY2014, \$13.1 million in FY2015, \$19.2 million in FY2016, \$23.2 million in FY2017, \$27.7 million in FY2018. The proposed FY2019 BCPS budget includes \$27.7 million of appropriated fund balance.

Three-year labor agreements, which assured that there will be no furloughs or layoffs through 2019 and guaranteed the advancement of eligible employees through updated pay scales, went into effect in FY2017. Funds are included in the FY2019 budget to provide for negotiated compensation increases with each employee bargaining group.

Budget Forecast



Employer-funded health and pension benefits costs are projected to increase at a 3.0% annual rate in the near future. A three-year phase-in of cost sharing agreements with employee bargaining units was fully implemented in January 2017. Other post-

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employment benefits are managed and funded by Baltimore County government for BCPS employees.

BCPS is also self-insured through Baltimore County government for health care. Workers' compensation claims management was shifted from Baltimore County government to BCPS in FY2014 to improve cost containment. Because more than 95% of BCPS employees are provided with health care, the impact of the federal Affordable Care Act has been minimal.

Equipment and contracted services are projected to increase 1% annually in the FY2020-FY2022 budget forecast. The fourth year of S.T.A.T. has been implemented for FY2018 and provides digital learning devices for all grades in every elementary and middle school, and the second year for Grades 9–12 in three Lighthouse high schools. In FY2019, the program will expand to include all grades in all schools to complete implementation of the program. The impact of S.T.A.T. is being evaluated by Johns Hopkins University. BCPS and Baltimore County government continue to assess the impact of the program on our students. The midyear evaluation of year four of the program will be presented to the Board's Curriculum Committee in February 2018, and the year-four final evaluation is scheduled to be presented to the Board prior to the start of school year 2018–2019. Multi-year programs and systems have been incorporated in our projection. These include the One-card identification system, employee card access to every school and facility, and centralized camera monitoring of all schools

Baltimore County government has also expanded its commitment to capital investment in education by increasing its planned biennial borrowing from approximately \$100.0 million to \$167.0 million in FY2020 and \$150.0 million in FY2022. If approved by referendum, these bond issues will raise \$317.0 million over the next four years. State funding of approximately \$40.0 million annually is projected to continue. The Baltimore County executive has developed a ten-year plan, Schools for Our Future, which is incorporated into BCPS' capital budget for FY2019 and beyond. The program addresses enrollment growth by adding or replacing 6,500 student seats, installing central air conditioning in nearly all school buildings, and modernizing existing buildings.

Special revenue fund activities are primarily grant reimbursements; therefore, expenditures closely match revenues. Federal spending under the sequestration principles approved in December 2013 have been incorporated in a continuing spending resolution, and that was renewed in large part through the fall of 2017. However, the new federal government has begun to reduce the titled grant spending and future changes to federal education funding have been discussed. Most of this discussion contemplates decreased funding.

The special revenue fund balance is entirely related to the Third Party Billing program and is used to provide Medicaid-eligible BCPS special education students with speech, occupational and physical therapy, nursing, social work, and transportation services. BCPS is maximizing the resources of the Third Party Billing program to improve special

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education; however, over the next few years the ability of the program to support these service levels will be continually reexamined for sustainability as major reductions to Medicaid are discussed by Congress in relation to the Affordable Care Act. BCPS will seek efficiencies in the hiring of additional assistants, increase program revenues by providing additional reimbursable services, and consider shifting costs to other grants and the general fund as necessary. Fund balance is typically the result of timing of expenditures and current reimbursement rates.

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Blueprint 2.0: Budget Changes by Performance Goal

Program Description	FTE	Salary	Nonsalary	FY19 Proposed
PERFORMANCE GOAL 1: ACADEMICS				
WORLD-CLASS TEACHING AND LEARNING				
School staffing enrollment increase	80.7	3,940,097		3,940,097
School per pupil enrollment increase			74,789	74,789
Northeast Area elementary school	12.8	893,323		893,323
Special education programs	40.0	2,118,937	9,000	2,127,937
ESOL program	18.0	921,708	50,000	971,708
Passport expansion	5.0	253,710	50,000	303,710
Magnet program expansion	7.0	365,365	654,195	1,019,560
Gifted and talented teachers	3.0	152,226		152,226
Prekindergarten	11.0	436,502		436,502
MSDE Bridge projects		75,000		75,000
Mentoring program		0	25,000	25,000
CCBC mathematics Grade 12		3,000	11,000	14,000
Elementary field trips - social studies			10,000	10,000
eLearning teachers and software	2.0	101,484	250,000	351,484
Meals for extended day learning programs			62,100	62,100
AVID and college and career readiness	8.4	426,232		426,232
Equal opportunity schools			100,000	100,000
School counselors	18.0	931,264	70,000	1,001,264
S.T.A.T. program			10,376,721	10,376,721
Subtotal Academics	205.9	\$10,618,848	\$11,742,805	\$22,361,653
PERFORMANCE GOAL 2: SAFETY				
SAFE AND SECURE TEACHING, LEARNING, AND WORKING ENVIRONMENTS				
Pupil personnel workers and residency investigators	10.0	877,875	100,000	977,875
School climate core school based support team	8.0	405,936	50,000	455,936
Positive Behavior Support Software			90,000	90,000
Behavior interventionists	11.0	682,539		682,539
School social workers	16.0	878,688		878,688
Psychologists	7.0	494,921		494,921
Athletics trainers, coaches, and advisors		242,260		242,260
Health assistants and nursing software	1.4	40,071	213,420	253,491
Visitor identification system and professional development			111,500	111,500
Bus attendants	15.0	342,225		342,225
Contract bus routes			1,456,245	1,456,245
AVL system for cars and trucks			107,905	107,905
Vehicle diagnostics and maintenance			4,600	4,600
Professional development for bus drivers		100,000		100,000
Subtotal Safety	68.4	\$4,064,515	\$2,133,670	\$6,198,185

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Program Description	FTE	Salary	Nonsalary	FY19 Proposed
PERFORMANCE GOAL 4: ORGANIZATIONAL EFFECTIVENESS				
ORGANIZATIONAL PERFORMANCE STANDARDS AND ACCOUNTABILITY				
Cost of living salary adjustment for bargaining unit agreements		17,033,947		17,033,947
Salary step increments and other salary adjustments		16,576,828		16,576,828
Transportation support		325,625	18,352	343,977
Benefit costs - healthcare, OPEB, FICA, unemployment, leave			7,547,462	7,547,462
Utilities - gas, electric, fuel oil, water, and sewage			2,057,497	2,057,497
Coordinator work force development	1.0	113,391		113,391
Board of education budget analyst	1.0	88,152		88,152
Custodial support for additional square footage	14.5	497,033		497,033
School based audio visual equipment			1,000,000	1,000,000
Middle school core network replacement			1,516,058	1,516,058
UPS backup replacement units			532,800	532,800
Bottled water for schools			500,000	500,000
Building and grounds maintenance			690,200	690,200
Payroll system expansion			25,000	25,000
Subtotal Organizational Effectiveness	16.5	\$34,634,976	\$13,887,369	\$48,522,345
ONE-TIME REQUESTS				
Elementary school additions - start-up costs			69,000	69,000
Moves for new school construction			79,800	79,800
Instructional materials and resources			5,000,000	5,000,000
Furniture for prekindergarten classrooms			80,000	80,000
Early College High School and College Board pre-AP courses			185,069	185,069
Building maintenance and repair			2,415,173	2,415,173
Multipurpose courts, storage shelters for playgrounds and fields			400,000	400,000
Financial and payroll system upgrades, project manager			160,000	160,000
Middle school core network replacement			398,570	398,570
Trucks for facilities and technology service support staff			813,200	813,200
Vehicle maintenance lifts			554,266	554,266
Vehicle maintenance diagnostic tools			10,000	10,000
Vehicle parts inventory			50,000	50,000
GETAC devices for MVA inspection records			31,000	31,000
Transportation facility improvements			68,000	68,000
Subtotal one-time requests		\$0	\$10,314,078	\$10,314,078
Subtotal adjustments for built-ins and redirects	2.6	\$128,136	\$7,602,628	\$7,730,764
Total FY2019 General Fund Request	293.4	\$49,446,475	\$45,680,550	\$95,127,025

Executive Summary

Summary of Changes to General Fund

	FTE	Salary	Nonsalary	FY19 Proposed
FY2018 General Fund budget	13,857.3	927,046,773	549,418,177	1,476,464,950
Less: FY2018 one-time budget		(24,106)	(11,865,732)	(11,889,838)
Plus: FY2019 requested ongoing additions	293.4	49,446,475	35,366,472	84,812,947
Plus: FY2019 requested one-time additions			10,314,078	10,314,078
Subtotal Net Change	293.4	\$49,422,369	\$33,814,818	\$83,237,187
Total FY2019 General Fund Budget	14,150.7	\$976,469,142	\$583,232,995	\$1,559,702,137

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