

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: July 13, 2010

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING MAY 31, 2009 and 2010**

ORIGINATOR: Joe A. Hairston, Superintendent

RESOURCE PERSON (S): Barbara S. Burnopp, Chief Financial Officer
Patrick M. Fannon, Controller

INFORMATION

Attached is the General Fund *Comparison of FY2009 and FY2010 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended May 31, 2009 and 2010.

General Fund Comparison of FY2009 and FY2010 Revenues, Expenditures, and Encumbrances-Budget and Actual

These data are presented using Maryland State Department of Education categories. Amounts included reflect actual revenues, expenditures and encumbrances to date and do not reflect forecasts of revenues and expenditures. Figure 1 presents an overview of the FY2009 and FY2010 General Fund Revenue Budget. Figure 2 provides an overview of the FY2010 General Fund Expenditure Budget. Figure 3 compares the percent of the budget obligated as of May 31, 2009 and 2010. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

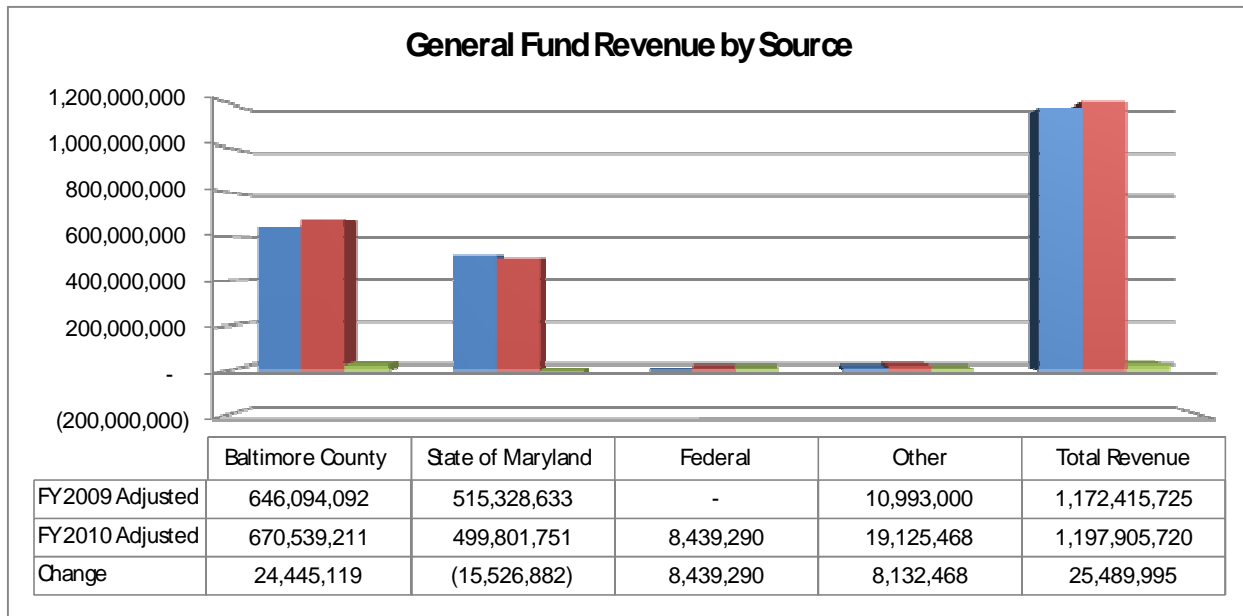


Figure 1

Year-to-Date Comparison

- ***Baltimore County*** – The FY2010 county appropriation increased \$24.4 million, 3.78% over the FY2009 budget. County funds are drawn based on cash flow requirements. Year-to-date county revenue recognized is \$565.5 million, 84.3% of the budget, as compared to \$556.8 million, 86.2% of the budget for FY2009.
- ***State of Maryland*** – The FY2010 state-adjusted appropriation decreased \$15.5 million, 3.0% less than the FY2009 budget. The decrease in the budgeted revenue is a result of the state reducing aid to education because of overall state budget constraints. The majority of state funds are received bi-monthly in equal installments. As of May 2010, all of the state bi-monthly payments had been received. Additional state revenues to be received include the state portion of out of county placements, and the final non-public placement payment after a final reconciliation is complete by the state. These revenues will be accrued as necessary during the year-end closing process. In February, the county council approved a supplemental funding request of approximately \$1.2 million for funding by the state for the Aging Schools Program. These funds will be used to cover the costs to be incurred for an approved list of projects.
- ***Federal*** – The FY2010 federal-budgeted revenue resulted from funding received under the American Recovery and Reinvestment Act. These funds are from a federal stimulus program to provide funding stabilization for stressed state budgets. These funds are to be received on a reimbursement basis. As of May 2010, approximately 44.1% of the funds had been received.

- Other Revenues** – The other revenue budget is comprised of re-appropriation of funds from the prior year’s fund balance, out-of-county living arrangement payments from other local education agencies, which are estimated to be \$3.7 million and are generally collected at year-end, tuitions, and sundry revenues. The budgeted revenue increased significantly over the prior year because of an \$8 million increase in re-appropriated fund balance to \$11 million from the \$3 million utilized in the prior year. The year-to-date revenue includes the re-appropriation of \$11 million of the prior year’s fund balance, tuition, and other revenues of approximately \$3.1 million.

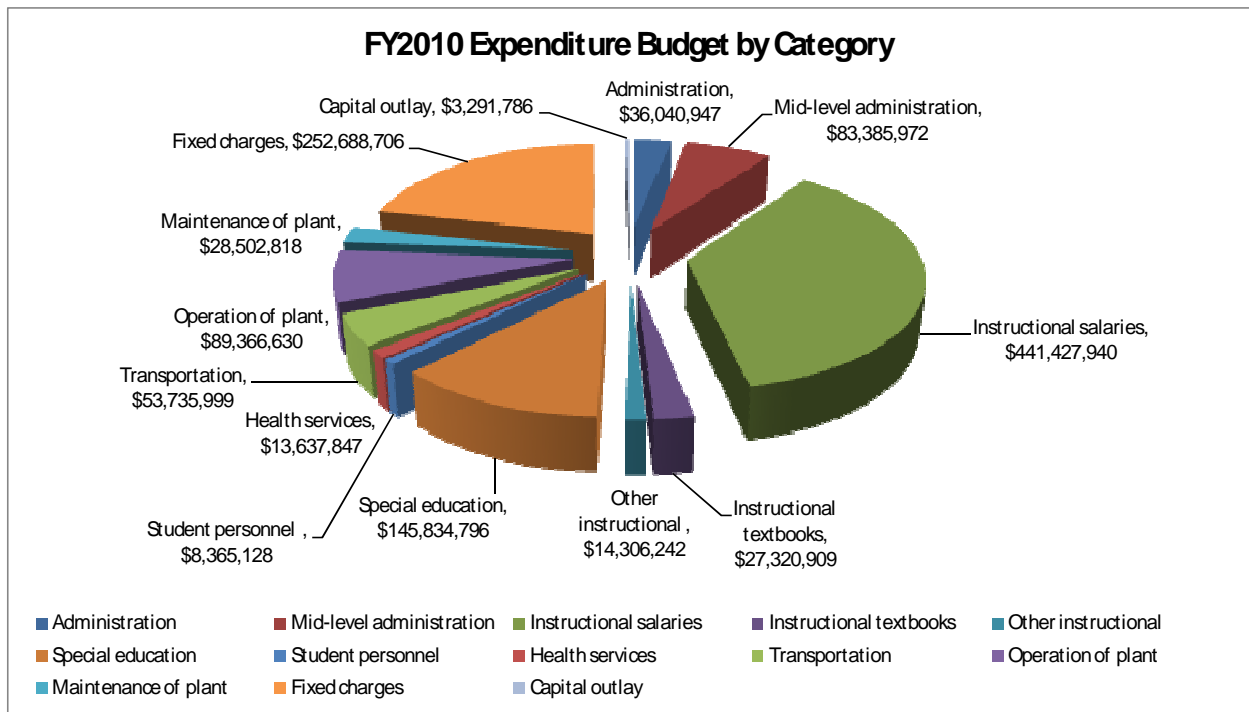


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through May 2010 are \$1.08 billion, 89.9% obligated compared to \$1.08 billion, 91.7% obligated, for the same period in FY2009. Salary expenditures within categories that are primarily comprised of 12-month positions (e.g., administration, mid-level administration, operation of plant, maintenance of plant, and capital outlay) average 87.7% of the budget amount and are in line considering the percent of the fiscal year that has elapsed. Salary expenditures in categories with large concentrations of 10-month school-based personnel (e.g., instructional salaries, special education, student personnel, health services, and transportation) average 89.7% of budget, which is in line with the percentage of the school year that has elapsed.

The salary budget had a net increase of approximately \$14 million, which included \$23 million to provide step increases and salary restructuring for full-time employees. Additionally, the budget increase was offset by a reduction of \$4.9 million for the cost of 194 positions, which were transferred to the special revenue fund, and by \$5 million for anticipated salary turnover. The non-salary expenditures are budgeted for an overall increase of \$11.3 million, or 2.6% over the prior year. The increases in these expenditures are in a number of categories throughout the budget, including a \$3.8 million increase for instructional textbooks, an increase of \$1.8 million in operation of plant for utility expenditures, and an increase in fixed charges of \$8.4 million due to cost increases in health insurance, workers compensation, and payroll taxes. These increases were offset by a decrease of \$3.6 million in other instructional costs relating to networking costs which were incurred last year, a \$1 million decrease in maintenance of plant resulting from a reduction in the Aging Schools Program, and reduced fuel costs of \$1.2 million in transportation.

A budget appropriation transfer request which will realign funds by category with planned and projected year-end expenses was approved by the board in April and was subsequently approved by the county council in June. The adjusted budget by activity will be changed in June to reflect the realigned amounts.

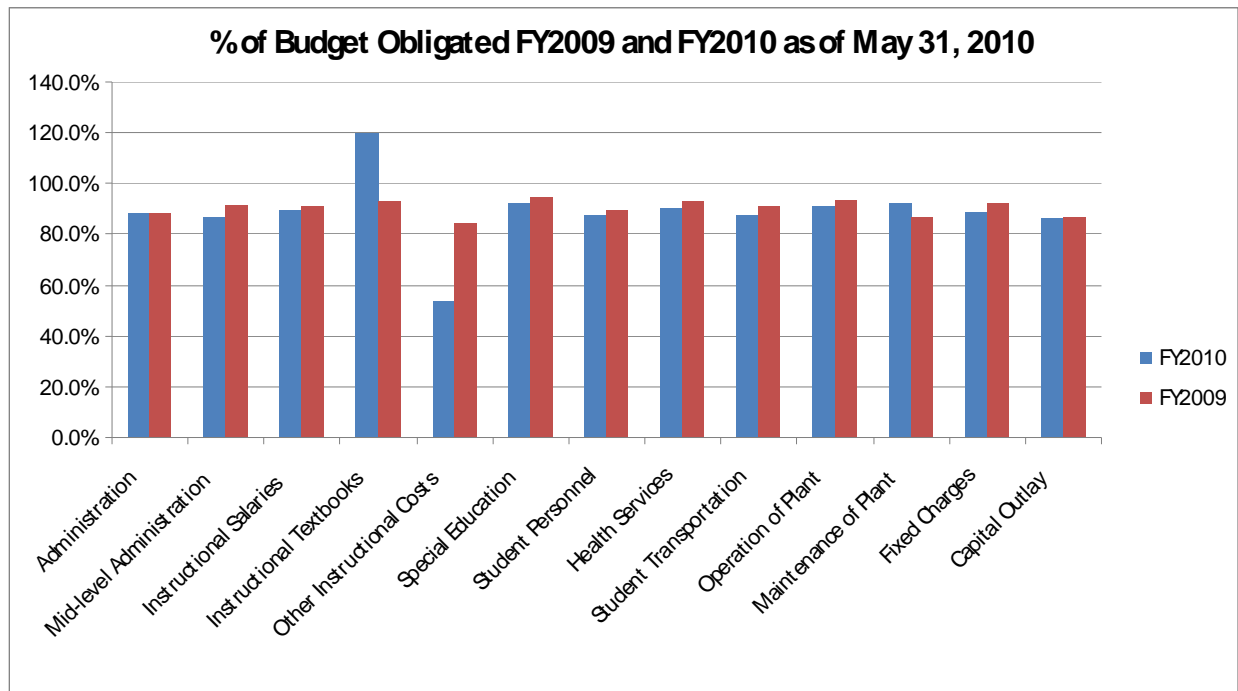


Figure 3

- Administration and Mid-level Administration** – The budget for non-salary administration expenditures decreased 5% from the amount budgeted last year primarily because of a decrease in consulting expenditures. This reduction is related to the upgrade in the human resources and fiscal computer systems, which are expected to be completed this year. Mid-level administration non-salary expenditures are budgeted for a slight increase this year.

- ***Instructional Salaries*** – The budget for instructional salaries was increased by \$8.5 million in FY2010 primarily to provide funding for salary increases. The budget increase also resulted from added instructional positions required due to increased enrollment, to maintain existing programs, and to provide for added personnel in some program areas.
- ***Instructional Textbooks and Supplies*** – A significant portion of the instructional textbooks and supplies category is spent early in the fiscal year as orders are placed with vendors for textbooks and classroom supplies needed for the opening of school. The budget for this category was increased by 16.4%, or approximately \$3.8 million for the system-wide purchase of textbooks. To date, the budgeted amount has been over committed by approximately \$5.5 million due to an accounting change implemented by MSDE after the start of the year. A budget transfer request of \$8.4 million that realigns the budget according to the new state reporting requirements was approved by the board in April and forwarded to the county council for approval. Once the budget transfer request is approved by the council, the revised budget in this category will be \$35.7 million; by year end, it is expected that this amount will have been spent to purchase consumable classroom supplies, textbooks, and other media.
- ***Other Instructional Costs*** – This category is comprised of commitments for contracted services, staff development, and equipment used to support the instructional programs. To date, \$7.7 million, 53.9% of the FY2010 budgeted funds have been committed. In the prior year, \$15.1 million, 84.5% had been committed. The decrease in year-to-date expenditures over last year resulted primarily from significant expenditures for system-wide network enhancements which were completed in the prior year. Additionally, because of the accounting change made by MSDE previously mentioned, \$4.9 million of the budget for this category is being moved to instructional textbooks and supplies budget. It is expected that the remaining funds will be utilized by year end.
- ***Special Education*** – The special education category includes costs associated with the educational needs of students receiving special education services. The FY2010 salary budget includes funding for salary increases; and, additionally, was decreased by the budgeted costs of 194 FTE positions transferred to the pass-through grant. Also, \$35.5 million (88%) of the FY2010 special education non-salary budget is for private placement of children in non-public schools. To date, 90%, \$32.2 million of funds, for private placement have been committed, compared with 94% committed at May 2009. It is expected that the remaining funds will be utilized by year-end for private placement and related services.
- ***Student Personnel and Health Services*** – Year-to-date FY2010 expenditures for student personnel and health services are currently in line with the budget.

- **Transportation** – This category includes all costs associated with providing school transportation services for students between home, school, and school activities. Much of the transportation non-salary budget is committed early in the fiscal year to reflect the anticipated annual expenditures for contracts with private bus operators, fuel for vehicles, cost of bus maintenance, and other non-salary expenditures. The non-salary budget increased by approximately \$1 million, which can be attributed primarily to an increased budget for private bus contractors.
- **Operation of Plant** – This category includes salary costs for care and upkeep of grounds and buildings. Additionally, costs of utilities (including telecommunications costs, gas and electric, fuel oil, sewer, and water) are also included. The non-salary expenditure budget for this category has increased \$2.6 million, 5.8% over the prior year. This increase is primarily attributable to an anticipated increase in the cost of utilities of \$1.8 million. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$35 million. Other expenditures in this category include the cost of building rent, \$5 million (including charter lease); custodial supplies, \$1.6 million; trash removal, \$1.1 million, and other related expenditures. As of May 2010, 94.7% of the non-salary budget has been committed, compared with 99.8% as of May 2009.
- **Maintenance of Plant and Capital Outlay** – The maintenance category consists of activities related to the service and upkeep of building systems and grounds. The non-salary expenditure budget for this category decreased 5.9% over the prior year. This decrease is primarily related to a significant decrease in the state funding for the Aging Schools Program. Year-to-date non-salary expenditures and encumbrances are \$15.3 million, 90.5% of the adjusted budgeted amount, as compared with \$15.4 million, or 85.7% in the prior fiscal year. The increase in expenditures over the prior year is related primarily to an increase in contracted services to maintain facilities. Capital outlay non-salary expenditures are 83.5% at May 2010, as compared to 92.6% expended by May 2009.
- **Fixed Charges** – This category includes the cost of employee benefits and other fixed costs. Health insurance and employer FICA represent 70% and 22% of the fixed charges budget, respectively. The FY2010 budget includes an increase of \$8.4 million resulting from increases in premiums for health insurance, workers compensation, FICA, and costs related to new positions.

Baltimore County Public Schools
Comparison of FY 2009 and FY 2010 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended May 31, 2009 and 2010
General Fund

		FY 2009				FY 2010			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 05/31/09	as of 05/31/09	Obligated		as of 05/31/10	as of 05/31/10	Obligated
Revenues									
Baltimore County		\$ 646,094,092	\$ 556,849,308	\$ 89,244,784	86.2%	\$ 670,539,211	\$ 565,533,208	\$ 105,006,003	84.3%
State of Maryland		515,328,633	504,829,133	10,499,500	98.0%	499,801,751	487,895,942	11,905,809	97.6%
Federal		-	-	-	0.0%	8,439,290	3,723,164	4,716,126	44.1%
Other		10,993,000	7,724,532	3,268,468	70.3%	19,125,468	14,133,433	4,992,035	73.9%
Total Revenues		\$ 1,172,415,725	\$ 1,069,402,973	\$ 103,012,752	91.2%	\$ 1,197,905,720	\$ 1,071,285,747	\$ 126,619,973	89.4%
Expenditures and Encumbrances									
Administration	salary	\$ 23,768,272	\$ 20,120,941	\$ 3,647,331	84.7%	\$ 23,918,032	\$ 20,712,705	\$ 3,205,327	86.6%
	non-salary	12,911,133	12,138,388	772,745	94.0%	12,122,915	11,006,984	1,115,931	90.8%
	subtotal	36,679,405	32,259,329	4,420,076	87.9%	36,040,947	31,719,689	4,321,258	88.0%
Mid-level Administration	salary	72,764,471	66,142,407	6,622,064	90.9%	75,579,264	66,461,875	9,117,389	87.9%
	non-salary	7,163,918	7,092,132	71,786	99.0%	7,806,708	5,949,171	1,857,537	76.2%
	subtotal	79,928,389	73,234,539	6,693,850	91.6%	83,385,972	72,411,046	10,974,926	86.8%
Instruction:									
Instructional Salaries	salary	432,912,938	394,615,648	38,297,290	91.2%	441,427,940	395,487,824	45,940,116	89.6%
Instructional Textbooks	non-salary	23,460,316	21,821,498	1,638,818	93.0%	27,320,909	32,848,677	(5,527,768)	120.2%
Other Instructional Costs	non-salary	17,909,692	15,136,754	2,772,938	84.5%	14,306,242	7,705,584	6,600,658	53.9%
Special Education	salary	105,171,833	99,083,083	6,088,750	94.2%	105,222,816	96,634,200	8,588,616	91.8%
	non-salary	40,662,962	39,253,234	1,409,728	96.5%	40,611,980	38,207,745	2,404,235	94.1%
	subtotal	145,834,795	138,336,317	7,498,478	94.9%	145,834,796	134,841,945	10,992,851	92.5%
Student Personnel	salary	7,855,304	7,037,182	818,122	89.6%	8,152,546	7,174,204	978,342	88.0%
	non-salary	194,026	151,605	42,421	78.1%	212,582	158,545	54,037	74.6%
	subtotal	8,049,330	7,188,787	860,543	89.3%	8,365,128	7,332,749	1,032,379	87.7%
Health Services	salary	12,676,193	11,736,176	940,017	92.6%	13,143,736	11,848,141	1,295,595	90.1%
	non-salary	284,255	264,639	19,616	93.1%	494,111	437,383	56,728	88.5%
	subtotal	12,960,448	12,000,815	959,633	92.6%	13,637,847	12,285,524	1,352,323	90.1%
Student Transportation	salary	30,732,661	26,282,422	4,450,239	85.5%	31,578,328	26,493,224	5,085,104	83.9%
	non-salary	21,250,729	20,942,735	307,994	98.6%	22,157,671	20,629,494	1,528,177	93.1%
	subtotal	51,983,390	47,225,157	4,758,233	90.8%	53,735,999	47,122,718	6,613,281	87.7%
Operation of Plant	salary	38,233,005	32,848,819	5,384,186	85.9%	39,274,589	33,723,790	5,550,799	85.9%
	non-salary	47,354,582	47,253,605	100,977	99.8%	50,092,041	47,413,140	2,678,901	94.7%
	subtotal	85,587,587	80,102,424	5,485,163	93.6%	89,366,630	81,136,930	8,229,700	90.8%
Maintenance of Plant	salary	11,680,331	10,432,450	1,247,881	89.3%	11,637,912	10,995,983	641,929	94.5%
	non-salary	17,918,446	15,361,049	2,557,397	85.7%	16,864,906	15,261,183	1,603,723	90.5%
	subtotal	29,598,777	25,793,499	3,805,278	87.1%	28,502,818	26,257,166	2,245,652	92.1%
Fixed Charges	non-salary	244,280,534	225,045,942	19,234,592	92.1%	252,688,706	224,597,533	28,091,173	88.9%
Capital Outlay	salary	2,803,459	2,413,326	390,133	86.1%	2,865,121	2,480,163	384,958	86.6%
	non-salary	426,665	394,982	31,683	92.6%	426,665	356,192	70,473	83.5%
	subtotal	3,230,124	2,808,308	421,816	86.9%	3,291,786	2,836,355	455,431	86.2%
Total Salary		738,598,467	670,712,454	67,886,013	90.8%	752,800,284	672,012,109	80,788,175	89.3%
Total Non-Salary		433,817,258	404,856,563	28,960,695	93.3%	445,105,436	404,571,629	40,533,807	90.9%
Total Expenditures and Encumbrances		\$ 1,172,415,725	\$ 1,075,569,017	\$ 96,846,708	91.7%	\$ 1,197,905,720	\$ 1,076,583,738	\$ 121,321,982	89.9%