

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: November 23, 2010

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
SEPTEMBER 30, 2009 AND 2010**

ORIGINATOR: Joe A. Hairston, Superintendent

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

INFORMATION

Attached is the general fund *Comparison of FY2010 and FY2011 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended September 30, 2009, and 2010.

***General Fund Comparison of FY2010 and FY2011 Revenues, Expenditures, and
Encumbrances-Budget and Actual***

These data are presented using Maryland State Department of Education (MSDE) 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 FY2010 and FY2011 general fund revenue budget. Figure 2 provides an overview of the FY2011 general fund expenditure budget. Figure 3 compares the percent of the budget obligated as of September 30, 2009, and 2010. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

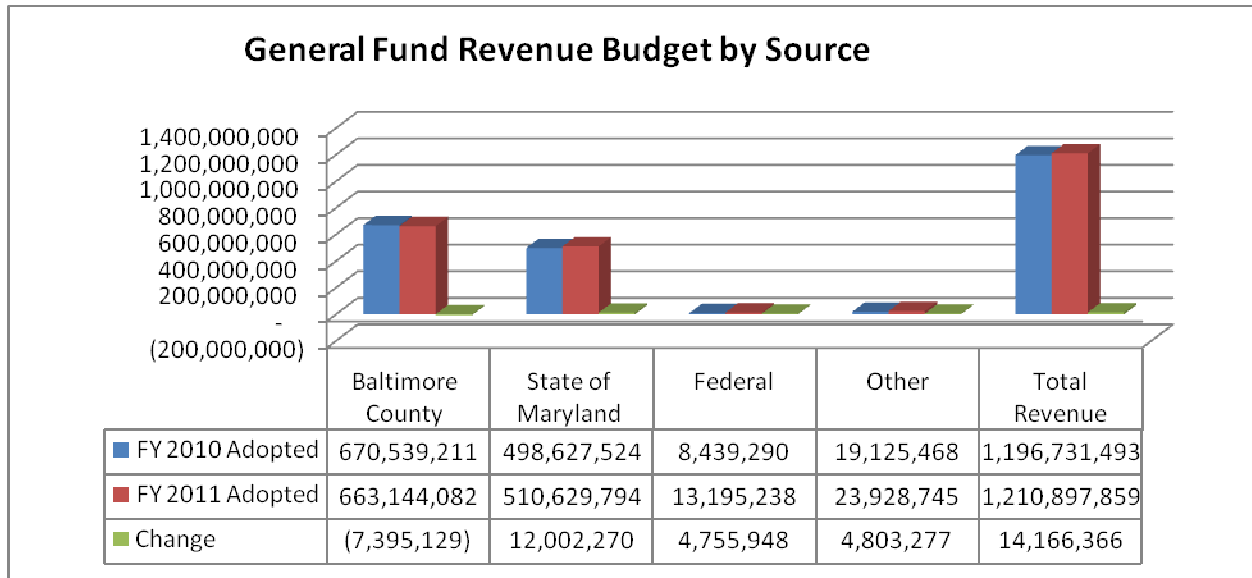


Figure 1

Year-to-Date Comparison

- ***Baltimore County*** – The FY2011 county appropriation decreased \$7.4 million, a 1.1% reduction from the FY2010 budget. This decrease is because the FY2011 county appropriation is the minimum funding required under the state maintenance of effort (MOE) requirements. In FY2010, county appropriation exceeded MOE by 4.9%. County funds are drawn based on cash flow requirements. The year-to-date county revenue recognized is \$60.5 million, 9.1% of the budget, as compared to \$57.2 million, 8.5% of the budget for FY2010.
- ***State of Maryland*** – The FY2011 state appropriation increased \$12 million, 2.4% over the FY2010 budget. The increase in the budgeted revenue is a result of an overall increase over the prior year in aid to education. The majority of state funds are received bi-monthly in equal installments. As of September 2010, two of the state payments had been received.
- ***Federal*** – The FY2011 federal budgeted revenue resulted from funding received under the American Recovery and Reinvestment Act. These State Fiscal Stabilization 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. These funds are not expected to continue in FY2012.
- ***Other Revenues*** – The other revenue budget is comprised of re-appropriations 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 \$3.3 million and are generally collected at year end, tuitions, and sundry revenues. The budgeted revenue increased significantly over the prior year because of a \$5 million increase in re-appropriated fund balance to \$16 million from the \$11 million utilized in the prior year. The year-to-date revenue consists of tuition and other revenues.

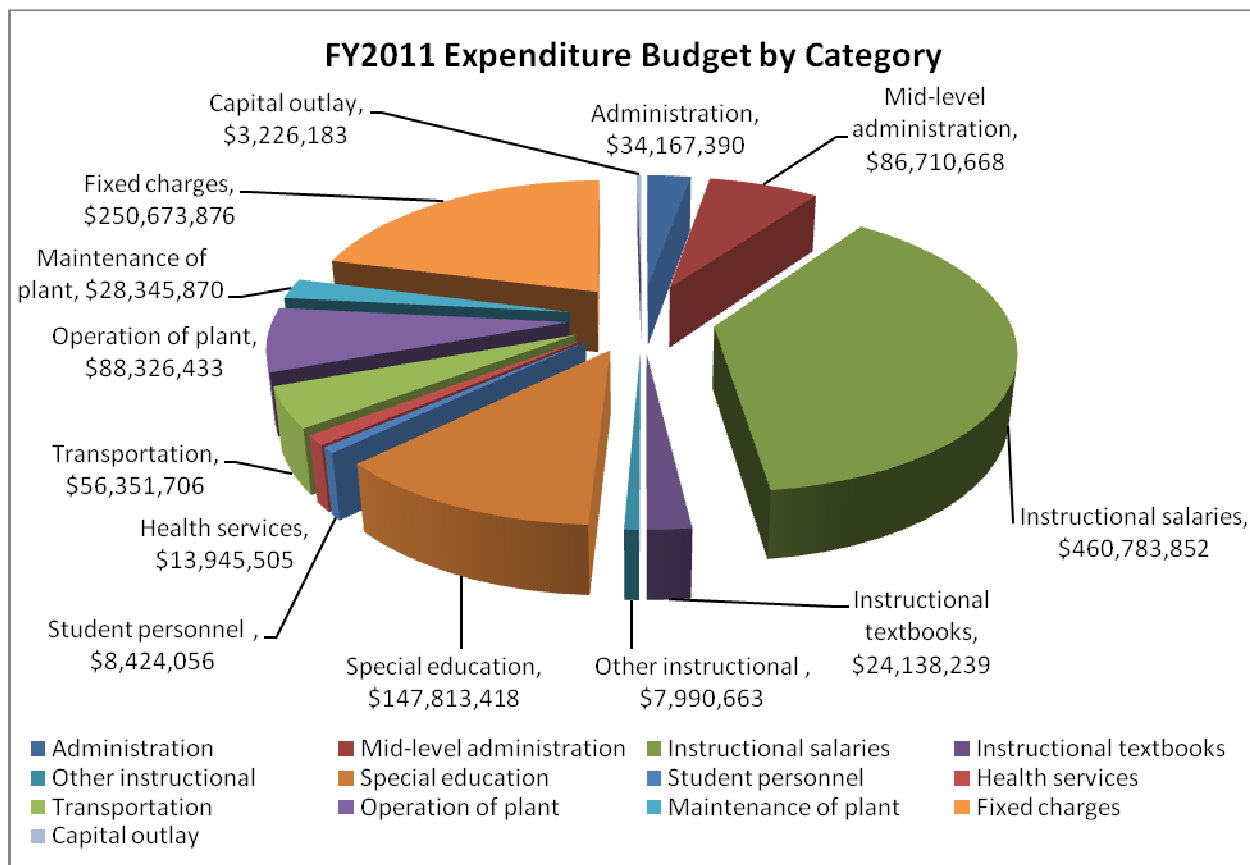


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through September 2010 are \$250 million, 20.6% obligated compared to \$225 million, 18.8% obligated, for the same period in FY2010. The increase of \$25 million in expenditures is a result of encumbrances for contracted services and nonpublic placements that were made much later in FY2010 than this year. 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 20.6% 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 10.4% 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 \$25.8 million, which included \$27.6 million to provide step increases and to fund a full year of salary adjustments implemented mid-year in FY2010. Other increases include additional salaries and benefits for West Towson Elementary, Imagine Discovery Public Charter School, the Infants and Toddlers program, and special education bus routes. The budget increase was offset by a reduction of \$3 million for anticipated salary turnover.

The nonsalary expenditures are budgeted for an overall decrease of \$11.6 million, or 2.6% over the prior year. The decreases in these expenditures are in a number of categories throughout the budget. The budget for administration was decreased by \$2.3 million, primarily because of a reduction for contracted services relating to changes in computer systems for fiscal services and human resources. The budget for mid-level administration increased by \$1.2 million, a 17% increase, primarily because of additional funding for the charter school and for BCPS office budget realignments. The instructional textbook category budget was decreased by \$3.2 million, which included a reduction in budgeted textbook expenditures of approximately \$7.6 million, and an increase in the budget for other classroom supplies of approximately \$5.6 million, which had been included in the other instructional costs category as equipment in prior years. The reduced budget for other instructional costs reflected the reclassification of the equipment to the instructional textbook category. The significant changes in other categories includes an increase of \$1.2 million for expected cost increases in diesel fuel in the transportation budget; a decrease in operation of plant of \$1 million for the expected overall decrease in fuel oil; and a decrease of \$1.9 million in workers' compensation expenditures in fixed charges, which is a result of plan experience.

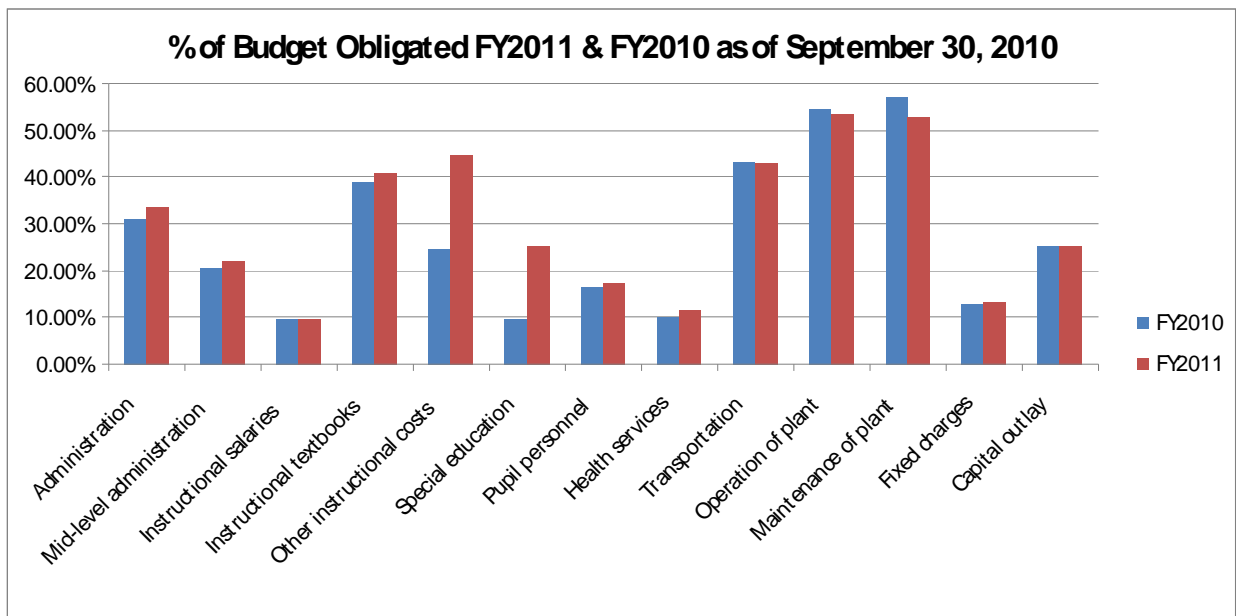


Figure 3

- Administration and Mid-Level Administration** – The budget for nonsalary administration expenditures decreased \$2.3 million, or 19%, from the amount budgeted last year primarily because of a decrease in consulting expenditures and equipment purchases related to the computer system upgrades in human resources and fiscal services expected to be completed this year. Mid-level administration nonsalary expenditures are budgeted for an increase of \$1.2 million, or 17% over the prior year. This increase is primarily related to a \$500,000 increase in the budget for the charter school for costs related to the addition of the sixth grade. The increase of \$1.2 million in expenditures in mid-level administration over the

expenditures of the prior year is the result of the timing of the encumbrance for FY2011 Edutrax Assessment software, which was recorded in August 2010. The FY2010 Edutrax software cost was not encumbered until June 2010.

- ***Instructional Salaries*** – The budget for instructional salaries was increased by \$19.4 million in FY2011 primarily to provide funding for salary increases and for the salary cost of the new West Towson Elementary School, which opened in August.
- ***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 FY2011 budget for this category was decreased by 11.7%, or approximately \$3.2 million. This budgetary decrease is the result of a decrease in the central budget for textbooks. Significant textbook purchases were made in the prior year, and no additional funds were provided for this year. The textbook decrease was offset by the reassignment of equipment purchases to this category by MSDE; these purchases were included in the other instructional costs category in past years. To date, \$9.8 million, 41% of the FY2011 budgeted textbook funds, has been committed; the remaining budget will be spent during the school year to purchase additional consumable classroom supplies, textbooks, and other media.
- ***Other Instructional Costs*** – This category is comprised of commitments for contracted services, staff development, equipment, and other costs used to support the instructional programs. The budget for this category decreased \$6.3 million, or 44.1%, from that of the prior year. This is due to the change by MSDE in the definition of equipment, which resulted in costs moving from this category to the instructional textbooks and supplies category. To date, \$3.5 million, 44.8% of the FY2011 budgeted funds, have been committed. In the prior year, \$3.5 million, 24.7%, had been committed. 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 FY2011 salary budget includes funding for salary increases of approximately \$1.2 million. Of the FY2011 special education nonsalary budget of \$41.4 million, \$36.7 million (88%) is for placement of children in nonpublic schools. The nonpublic placement budget increased \$739,000 over FY2010. To date, \$21.5 million of the funds for nonpublic placement have been committed, compared with a minimal amount of funds that had been committed at September 2009. This change is due to early encumbrance of projected services.
- ***Student Personnel and Health Services*** – Year-to-date FY2011 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 nonsalary 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 nonsalary expenditures. The nonsalary budget increased

by approximately \$1.6 million, which is primarily attributable to an expected increase in diesel fuel costs.

- ***Operation of Plant*** – This category contains salary costs for personnel 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 nonsalary expenditure budget for this category has decreased \$1.9 million, a 3.9% decrease over the prior year. This decrease is primarily attributable to an anticipated decrease in the cost of fuel oil. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$29 million. Other expenditures in this category include the cost of building rent, \$5.2 million; custodial supplies, \$1.7 million; trash removal, \$1.3 million; and other related expenditures. As of September 2010, 81.1% of the nonsalary budget has been committed, which is comparable to September 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 nonsalary expenditure budget for this category increased 3.3% over the prior year. Year-to-date nonsalary expenditures and encumbrances are \$12.3 million, 75.8% of the budgeted amount, as compared with \$12.9 million, or 82.3%, in the prior fiscal year. The decrease in expenditures over the prior year is related primarily to the timing of encumbrances for contracted services to maintain facilities. Capital outlay nonsalary expenditures are 48.5% expended at September 2010, as compared to 57.4% expended in September 2009. The decrease in expenditures over the prior year is a result of the purchase of relocatable units for school renovation programs which were made in the prior year.
- ***Fixed Charges*** – This category includes the cost of employee benefits and other fixed costs. Health insurance and employer FICA consume 70% and 22% of the fixed charges budget, respectively. The FY2011 budget includes a decrease of \$1.9 million resulting from a change in the workers' compensation plan experience. The additional costs of FICA expenses related to increased salaries are offset by a decrease in health care costs.

Board of Education of Baltimore County
Comparison of FY 2010 and FY 2011 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended September, 2009 and 2010
General Fund

	FY 2010				FY 2011				
	Adjusted Budget	Total Rev/Exp/Enc. as of 09/30/09	Remaining Budget as of 09/30/09	Percentage Earned or Obligated	Adopted Budget	Total Rev/Exp/Enc. as of 09/30/10	Remaining Budget as of 09/30/10	Percentage Earned or Obligated	
Revenues :									
Baltimore County	\$ 670,539,211	\$ 57,213,711	\$ 613,325,500	8.5%	\$ 663,144,082	\$ 60,466,806	\$ 602,677,276	9.1%	
State of Maryland	498,627,524	162,947,923	335,679,601	32.7%	510,629,794	167,215,510	343,414,284	32.7%	
Federal	8,439,290	-	8,439,290	0.0%	13,195,238	276,328	12,918,910	2.1%	
Other	19,125,468	12,886,769	6,238,699	67.4%	23,928,745	2,089,620	21,839,125	8.7%	
Total revenues	\$ 1,196,731,493	\$ 233,048,403	\$ 963,683,090	19.5%	\$ 1,210,897,859	\$ 230,048,264	\$ 980,849,595	19.0%	
Expenditures and encumbrances :									
Administration	salary	\$ 23,814,718	\$ 4,976,956	\$ 18,837,762	20.9%	\$ 24,250,249	\$ 5,268,052	\$ 18,982,197	21.7%
	non-salary	12,226,229	6,193,865	6,032,364	50.7%	9,917,141	6,208,193	3,708,948	62.6%
	subtotal	36,040,947	11,170,821	24,870,126	31.0%	34,167,390	11,476,245	22,691,145	33.6%
Mid-level administration	salary	76,009,546	15,075,592	60,933,954	19.8%	78,064,914	15,550,023	62,514,891	19.9%
	non-salary	7,376,426	2,239,236	5,137,190	30.4%	8,645,754	3,487,387	5,158,367	40.3%
	subtotal	83,385,972	17,314,828	66,071,144	20.8%	86,710,668	19,037,410	67,673,258	22.0%
Instruction:									
Instructional salaries	salary	441,427,940	43,784,043	397,643,897	9.9%	460,783,852	44,974,057	415,809,795	9.8%
Instructional textbooks	non-salary	27,320,909	10,637,289	16,683,620	38.9%	24,138,239	9,894,724	14,243,515	41.0%
Other instructional costs	non-salary	14,306,242	3,529,531	10,776,711	24.7%	7,990,663	3,581,135	4,409,528	44.8%
Special education	salary	105,222,816	12,621,991	92,600,825	12.0%	106,422,774	13,138,991	93,283,783	12.3%
	non-salary	40,611,980	1,582,991	39,028,989	3.9%	41,390,644	24,037,514	17,353,130	58.1%
	subtotal	145,834,796	14,204,982	131,629,814	9.7%	147,813,418	37,176,505	110,636,913	25.2%
Pupil personnel	salary	8,152,546	1,359,359	6,793,187	16.7%	8,219,068	1,428,560	6,790,508	17.4%
	non-salary	212,582	19,649	192,933	9.2%	204,988	20,478	184,510	10.0%
	subtotal	8,365,128	1,379,008	6,986,120	16.5%	8,424,056	1,449,038	6,975,018	17.2%
Health services	salary	13,143,736	1,274,532	11,869,204	9.7%	13,454,771	1,308,087	12,146,684	9.7%
	non-salary	494,111	128,911	365,200	26.1%	490,734	301,835	188,899	61.5%
	subtotal	13,637,847	1,403,443	12,234,404	10.3%	13,945,505	1,609,922	12,335,583	11.5%
Transportation	salary	31,578,328	3,532,546	28,045,782	11.2%	32,611,223	3,828,983	28,782,240	11.7%
	non-salary	22,157,671	19,749,978	2,407,693	89.1%	23,740,483	20,346,659	3,393,824	85.7%
	subtotal	53,735,999	23,282,524	30,453,475	43.3%	56,351,706	24,175,642	32,176,064	42.9%
Operation of plant	salary	39,274,589	8,220,973	31,053,616	20.9%	40,184,939	8,347,000	31,837,939	20.8%
	non-salary	50,092,041	40,604,508	9,487,533	81.1%	48,141,494	39,028,578	9,112,916	81.1%
	subtotal	89,366,630	48,825,481	40,541,149	54.6%	88,326,433	47,375,578	40,950,855	53.6%
Maintenance of plant	salary	11,637,912	2,650,748	8,987,164	22.8%	12,130,658	2,624,751	9,505,907	21.6%
	non-salary	15,690,679	12,918,305	2,772,374	82.3%	16,215,212	12,283,831	3,931,381	75.8%
	subtotal	27,328,591	15,569,053	11,759,538	57.0%	28,345,870	14,908,582	13,437,288	52.6%
Fixed charges	non-salary	252,688,706	33,157,630	219,531,076	13.1%	250,673,876	33,297,118	217,376,758	13.3%
Capital outlay	salary	2,865,121	592,366	2,272,755	20.7%	2,793,518	607,292	2,186,226	21.7%
	non-salary	426,665	244,774	181,891	57.4%	432,665	210,007	222,658	48.5%
	subtotal	3,291,786	837,140	2,454,646	25.4%	3,226,183	817,299	2,408,884	25.3%
Total Salary	\$ 753,127,252	\$ 94,089,105	\$ 659,038,147	12.5%	\$ 778,915,966	\$ 97,075,798	\$ 681,840,168	12.5%	
Total Non-Salary	443,604,241	131,006,665	312,597,576	29.5%	431,981,893	152,697,459	279,284,434	35.3%	
Total expenditures and encumbrances	\$ 1,196,731,493	\$ 225,095,770	\$ 971,635,723	18.8%	\$ 1,210,897,859	\$ 249,773,257	\$ 961,124,602	20.6%	

Figure 4

Prepared by: Office of Accounting and Financial Reporting, October 22, 2010