

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: December 21, 2010

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **SUPERINTENDENT’S UPDATE ON FISCAL YEAR 2012 OPERATING BUDGET**

ORIGINATOR: Joe A. Hairston, Superintendent

RESOURCE PERSON(S): Barbara Burnopp, Chief Financial Officer
George Sarris, Director, Office of Budget and Reporting

RECOMMENDATION

At the August 14, 2010, Board of Education retreat, Board members reviewed information on the financial climate likely facing the school system in FY 2012. This same information, in addition to examples of expenditure objects, was shared with the Board president and vice president and with BCPS leadership on September 1, 2010, at the leadership retreat. These materials were updated and provided to the board in October and November with the commitment to review expenditure reductions further.

At the superintendent’s request, staff members continue to study a number of expenditure objects for possible realignment in connection with the preparation of the FY 2012 operating budget proposals. Additional information is being shared regarding the FY 2012 budget in preparation for the superintendent’s budget request presentation to the Board on January 11, 2011, the Board’s work session on January 25, 2011, and Board action scheduled for February 8, 2011.

- Attachment I – FY 2012 Operating Budget Revenue Estimates
- Attachment II – FY 2012 Operating Budget Services and Expenditure Goals
- Attachment III – FY 2012 Preliminary Estimates
- Attachment IV – BCPS Number of New Hires 2004-2012
- Attachment V – Expenditure Objects in Base Budget with Study Items

FY 2012 OPERATING BUDGET REVENUE ESTIMATES

1. The state is projecting a budget deficit of approximately \$1.6 billion for the FY2012 operating budget. **The general assembly and the governor's Pension Sustainability Commission are examining ways to restructure state employee compensation and benefit obligations. Shifting a portion of teacher pension costs to counties has been discussed for several years and appears likely to have the greatest possible impact on our FY2012 budget.**
2. State education aid to Baltimore County is not projected to increase above 1%, or approximately \$4.9 million, in FY2012.
3. Federal stimulus funding designated for general education will decrease by approximately \$19.4 million. **This decrease would have been larger if not for the federal Education Jobs Fund program of \$3.8 million made available by the governor in September 2010.**
4. **Enrollment for FY2011 increased by 499 students, generating both additional revenue and some costs.** Although projected state aid to education won't be released until February 2011, we believe that state and county funding, net of costs, may increase by approximately \$3.6 million for projected FY2012 enrollment of 105,195.
5. **In recent fiscal years, county government has permitted BCPS to redirect funding from teaching positions to other academic programs as enrollment declined between 2004 and 2009.** As a result of increased enrollment, opportunities to redirect resources are greatly limited.
6. County funding for FY2011 did not increase significantly above Maintenance of Effort (MOE) for the first time since 1996. **Preliminary indications are that local education funding will remain near current levels even though employees have been promised salary increases and job security.**
7. **The county's Spending Affordability Committee (SAC) recommended that county spending growth should not exceed 3.8% in FY2011; however, education funding was capped at FY2010 levels.** The FY2012 SAC recommendation is, therefore, expected to have minimal impact on FY2012 funding decisions.

**FY2012 OPERATING BUDGET
SERVICES AND EXPENDITURE GOALS**

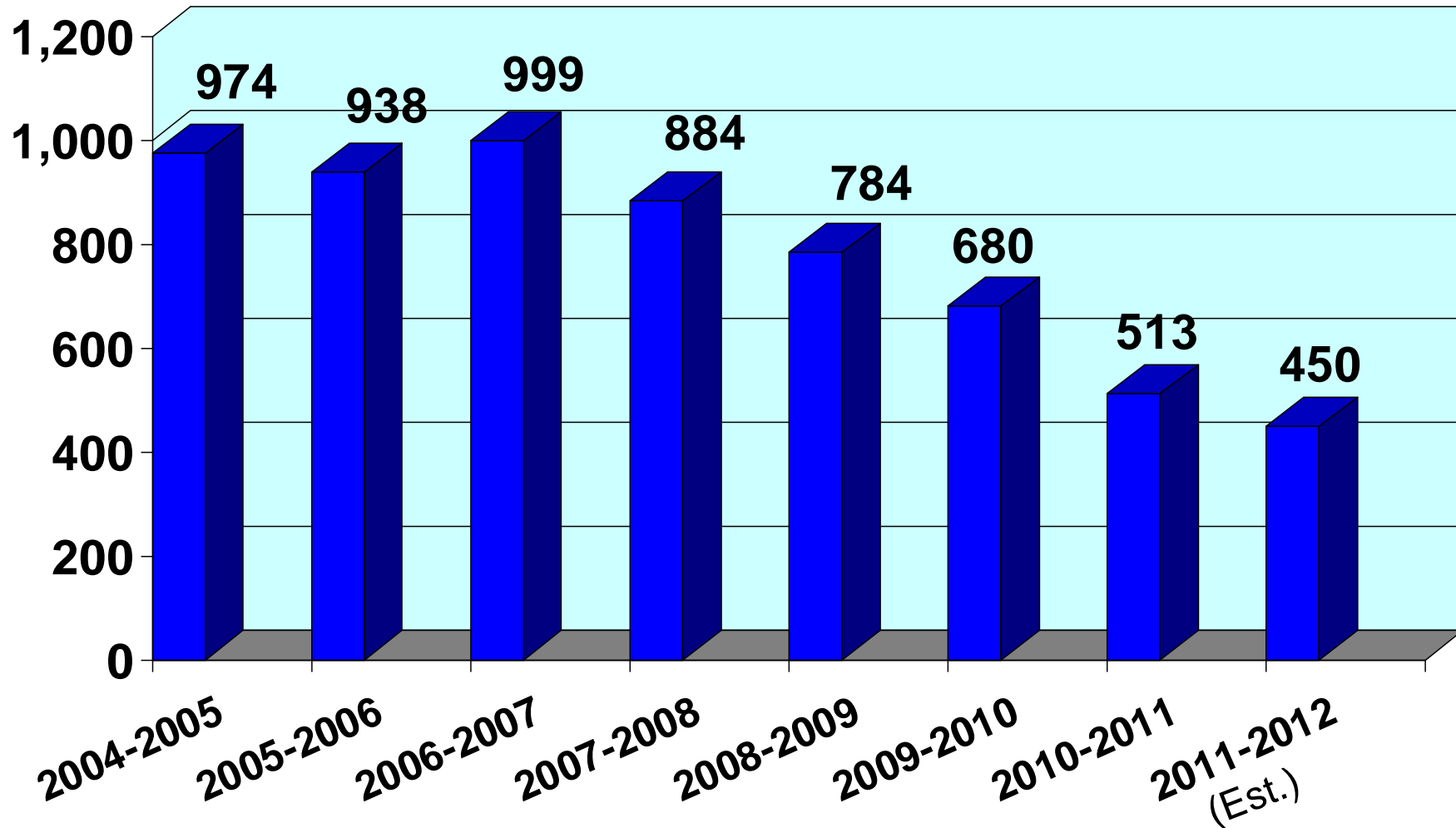
1. Preserve a social network of positive student/teacher interaction, led by our principals, and supported by administrative offices by implementing the strategies outlined in the Blueprint for Progress.
2. Remain on the forefront of advancing STEM education in Maryland.
3. Maintain alignment of the BCPS budget with county government funding objectives.
4. Improve student achievement while implementing targeted program reductions that minimize impacts on instruction.
5. Preserve employee job security and benefits without furloughs or layoffs.
6. Fund salary step increments for all eligible employees on every pay scale (average 2% increase).
7. Provide startup costs for the new George Washington Carver Center for Arts and Technology opening in FY2013.
8. Comply with legal requirements for Title I and special education programs and students.
9. Advance implementation of *Race To The Top* federally funded programs totaling \$17.4 million.
10. Provide ongoing support for restructuring plans at Southwest Academy, Lansdowne, Deer Park, and Old Court middle schools, and any future plans that may be necessary.

FY2012 Preliminary Estimates

12/21/10 (in millions)

REVENUE AND EXPENDITURE PROJECTIONS	FY2012 Projection #1	FY2012 Projection #2	FY2012 Projection #3
REVENUE			
State (0%, 1%, 2% increases)		\$ 4.91	\$ 9.82
State Revenue Adjustment for Enrollment	1.35	1.35	1.35
Federal Stimulus	(\$23.16)	(\$23.16)	(\$23.16)
Education Jobs Bill Funding	3.80	3.80	3.80
County Funding above MOE (0%, 1%, 2% increases)	0.00	6.61	13.23
County Revenue Adjustment for Enrollment	2.62	2.62	2.62
TOTAL REVENUE	\$ (15.39)	\$ (3.87)	\$ 7.66
EXPENDITURES			
Compensation	\$ 15.10	\$ 15.10	\$ 15.10
Teacher Staffing for Enrollment Growth	0.62	0.62	0.62
Health Insurance/OPEB/FICA/Workers' Comp.	5.54	5.54	5.54
Special Education Paraeducators on ARRA funding	3.20	3.20	3.20
Total Built-in, Mid-Year Add and Redirect Costs	(0.21)	(0.21)	(0.21)
Master Plan Goals and Objectives	1.75	1.75	1.75
George Washington Carver Center Start-up Costs	1.00	1.00	1.00
TOTAL EXPENDITURES	\$ 27.00	\$ 27.00	\$ 27.00
Percentage of FY2011 General Fund Budget	-3.5%	-2.5%	-1.6%
PROJECTED BUDGET SHORTFALL	\$ (42.4)	\$ (30.9)	\$ (19.3)

BALTIMORE COUNTY PUBLIC SCHOOLS NUMBER OF NEW HIRES 2004 - 2012



Expenditure Objects in Base Budget with Study Items

Examples of Where We Spend Our Funds	Examples of FY2012 Budget Study Items
<ul style="list-style-type: none"> ▪ Extra teacher compensation (EYE, RF, EDA) \$13.3 million ▪ Office budgets \$41 million ▪ School budgets \$18.2 million ▪ Summer school \$2.4 million ▪ Library books \$1.3 million ▪ Computer purchases \$2.0 million ▪ Restructuring \$1.6 million 	<ul style="list-style-type: none"> ▪ EYE, EDA, RF \$2.2 million ▪ 5% Reduction in office budgets \$2.1 million ▪ 5% Reduction in school budgets \$.9 million ▪ Limit summer school programs \$0.47 million ▪ Library books \$0.45 million ▪ Computer purchases \$0.70 million
<ul style="list-style-type: none"> ▪ Classroom teachers \$289.6 million 	<ul style="list-style-type: none"> ▪ Classroom teacher turnover <ul style="list-style-type: none"> • 100 teachers \$6.0 million • 200 teachers \$12.0 million • 300 teachers \$18.0 million