

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: December 21, 2010

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING OCTOBER 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 FY2010 and FY2011 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended October 31, 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 October 31, 2009, and 2010. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

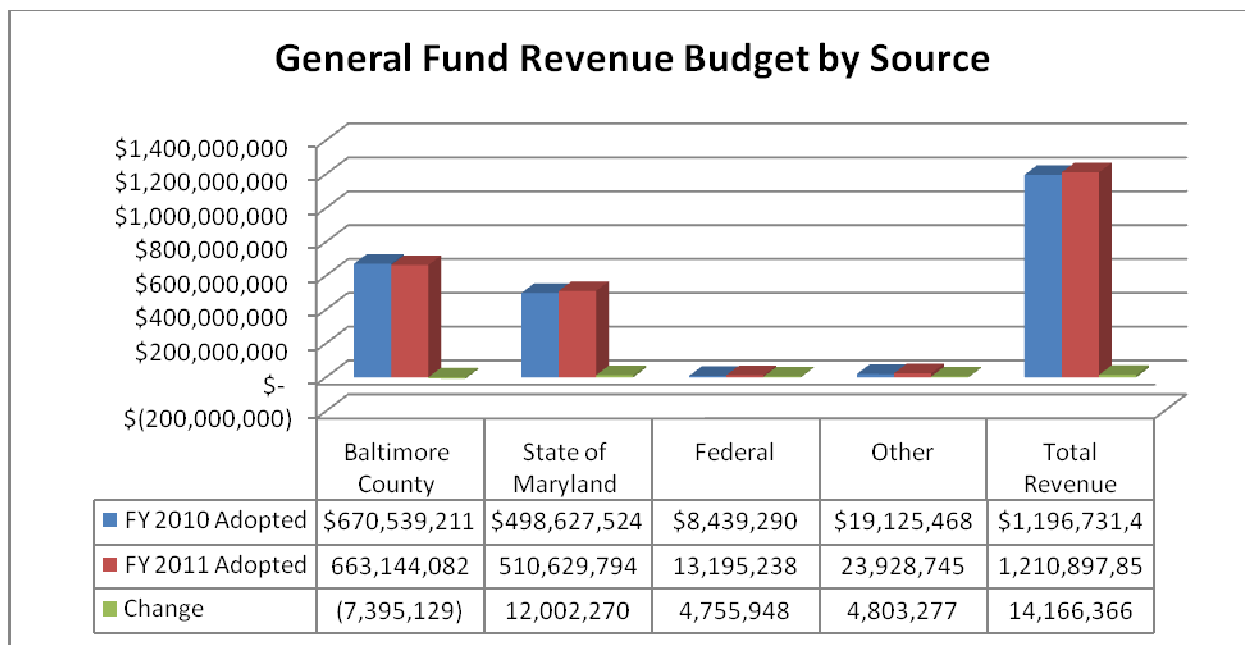


Figure 1

Year-to-Date Comparison

- Baltimore County** – The 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 \$101.7 million, 15.3% of the budget, as compared to \$109.9 million, 16.4% 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 October 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 the re-appropriated funds, tuition and other revenues.

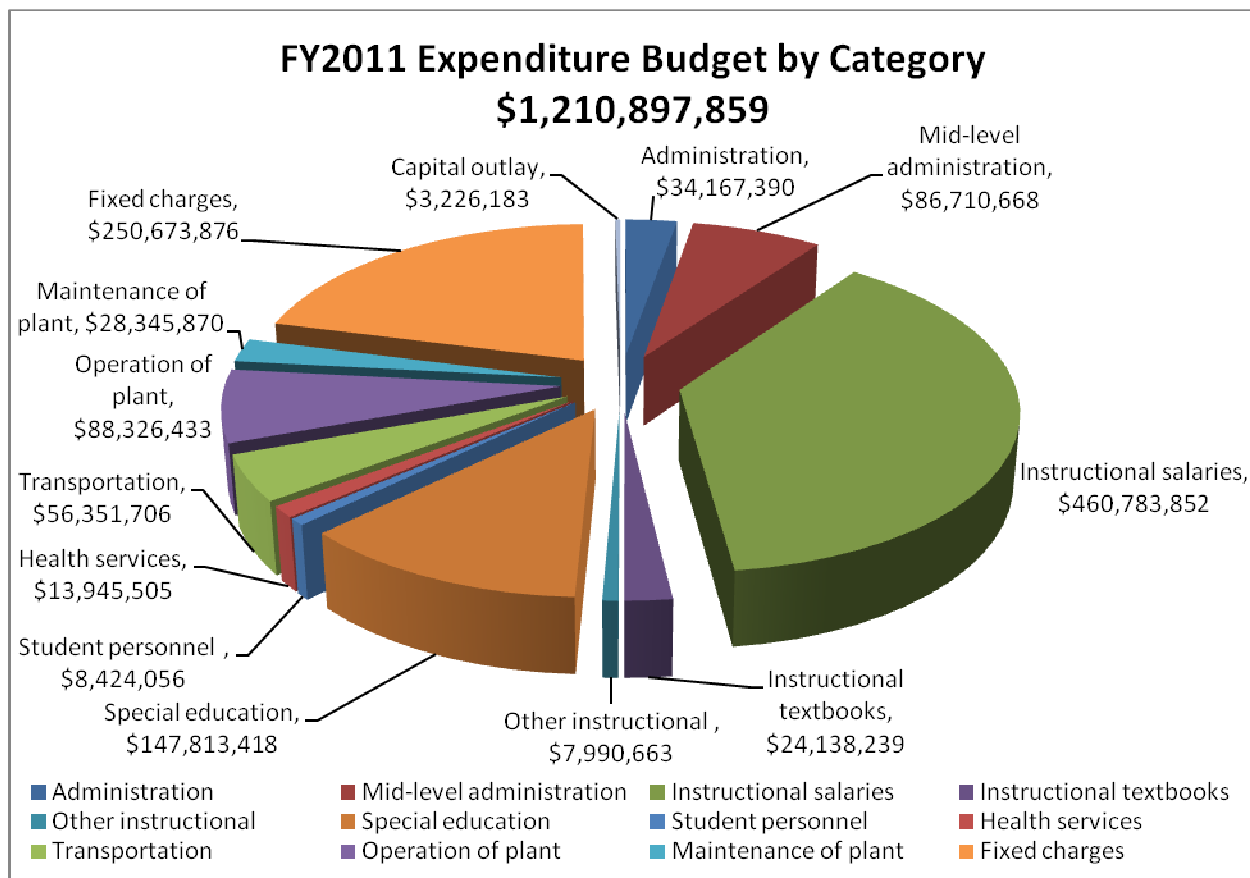


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through October 2010 are \$386.8 million, 31.9% obligated compared to \$398.1 million, 34% obligated, for the same period in FY2010. 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 30.2% 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 22.9% 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% less than 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; this increase relates primarily to 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.

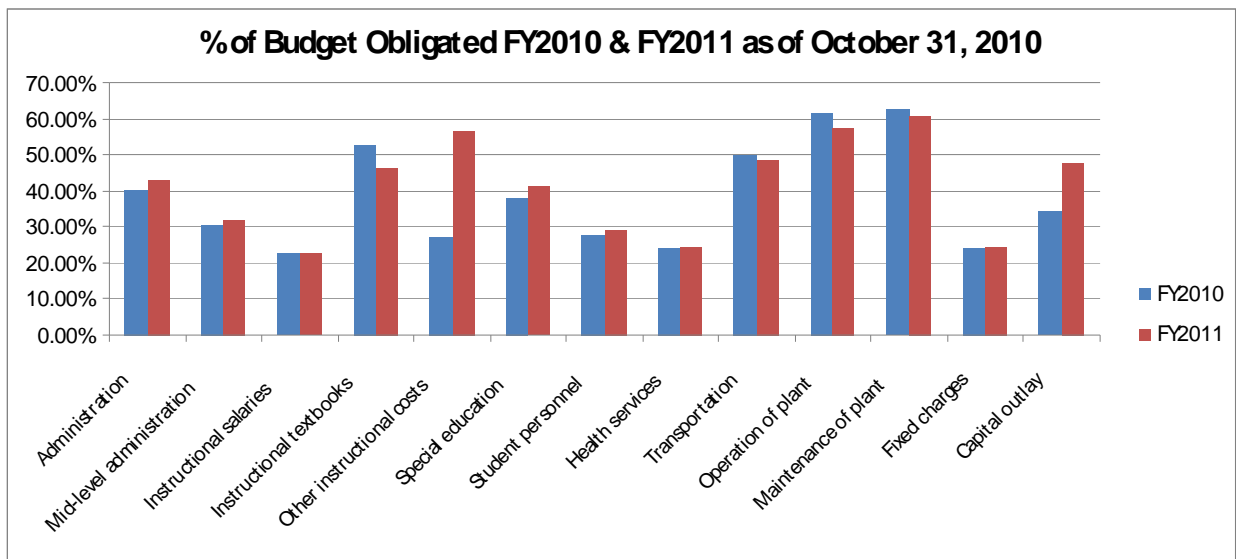


Figure 3

- Administration and Mid-Level Administration** – The budget for nonsalary administration expenditures decreased \$2.2 million, or 18.2%, 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 a 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, \$11.2 million, 46.5% of the FY2011 budgeted instructional textbook and supplies 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, \$4.5 million, 56.4% of the FY2011 budgeted funds, have been committed. In the prior year, \$3.9 million, 27.5%, 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, \$31.4 million of the funds for nonpublic placement have been committed, compared with \$27.2 million committed at October 2009. This change is due to earlier encumbrance of projected non-public 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. As of October 2010, 86.6% of the non-salary budget had been committed compared to 92.3% committed in the prior fiscal year.

- ***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 October 2010, 81.8% of the nonsalary budget has been committed, compared to 87.5% committed at October 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 \$13.5 million, 83.5% of the budgeted amount, as compared with \$13.3 million, or 85.1%, 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 over the budgeted amount as of October 2010, as compared to 59.5% expended in October 2009. The amount in excess of the budget resulted from encumbrances relating to repairing greenhouses at two schools that were damaged by the storms last winter. The budget overage will be resolved by a supplemental appropriation which will occur subsequent to the final repair costs being determined.
- ***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.

Comparison of FY 2010 and FY 2011 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended October, 2009 and 2010
General Fund

	FY2010				FY2011				
	Adjusted	Total	Remaining	Percentage	Adopted	Total	Remaining	Percentage	
	Budget	Rev/Exp/Enc. as of 10/31/09	Budget as of 10/31/09	Earned or Obligated	Budget	Rev/Exp/Enc. as of 10/31/10	Budget as of 10/31/10	Earned or Obligated	
Revenues :									
Baltimore County	\$ 670,539,211	\$ 109,925,844	\$ 560,613,367	16.4%	\$ 663,144,082	\$ 101,682,040	\$ 561,462,042	15.3%	
State of Maryland	498,627,524	162,947,923	335,679,601	32.7%	510,629,794	167,224,547	343,405,247	32.7%	
Federal	8,439,290	-	8,439,290	0.0%	13,195,238	1,779,138	11,416,100	0.0%	
Other	19,125,468	13,160,855	5,964,613	68.8%	23,928,745	18,595,433	5,333,312	77.7%	
Total revenues	\$ 1,196,731,493	\$ 286,034,622	\$ 910,696,871	23.9%	\$ 1,210,897,859	\$ 289,281,158	\$ 921,616,701	23.9%	
Expenditures and encumbrances :									
Administration	salary	\$ 23,917,419	\$ 7,365,222	\$ 16,552,197	30.8%	\$ 24,251,557	\$ 7,873,690	\$ 16,377,867	32.5%
	non-salary	12,123,528	7,151,840	4,971,688	59.0%	9,915,833	6,887,323	3,028,510	69.5%
	subtotal	36,040,947	14,517,062	21,523,885	40.3%	34,167,390	14,761,014	19,406,376	43.2%
Mid-level administration	salary	75,916,885	22,826,197	53,090,688	30.1%	78,069,914	23,577,603	54,492,311	30.2%
	non-salary	7,469,087	2,810,123	4,658,964	37.6%	8,640,754	4,130,941	4,509,813	47.8%
	subtotal	83,385,972	25,636,319	57,749,653	30.7%	86,710,668	27,708,544	59,002,124	32.0%
Instruction:									
Instructional salaries	salary	441,427,940	100,211,282	341,216,658	22.7%	460,783,852	103,664,708	357,119,144	22.5%
Instructional textbooks	non-salary	27,320,909	14,453,834	12,867,075	52.9%	24,138,239	11,229,255	12,908,984	46.5%
Other instructional costs	non-salary	14,306,242	3,927,853	10,378,389	27.5%	7,990,663	4,508,600	3,482,063	56.4%
Special education	salary	105,222,816	25,547,418	79,675,398	24.3%	106,422,774	26,778,237	79,644,537	25.2%
	non-salary	40,611,980	29,848,091	10,763,889	73.5%	41,390,644	34,010,242	7,380,402	82.2%
	subtotal	145,834,796	55,395,509	90,439,287	38.0%	147,813,418	60,788,479	87,024,939	41.1%
Student personnel	salary	8,152,546	2,282,762	5,869,784	28.0%	8,219,068	2,405,507	5,813,561	29.3%
	non-salary	212,582	30,977	181,605	14.6%	204,988	38,342	166,646	18.7%
	subtotal	8,365,128	2,313,739	6,051,389	27.7%	8,424,056	2,443,849	5,980,207	29.0%
Health services	salary	13,143,736	2,969,655	10,174,081	22.6%	13,502,240	3,087,696	10,414,544	22.9%
	non-salary	494,111	299,682	194,429	60.7%	443,265	318,042	125,223	71.7%
	subtotal	13,637,847	3,269,337	10,368,510	24.0%	13,945,505	3,405,738	10,539,767	24.4%
Transportation	salary	31,578,328	6,409,434	25,168,894	20.3%	32,611,223	6,908,067	25,703,156	21.2%
	non-salary	22,157,671	20,440,899	1,716,772	92.3%	23,740,483	20,569,849	3,170,634	86.6%
	subtotal	53,735,999	26,850,333	26,885,666	50.0%	56,351,706	27,477,916	28,873,790	48.8%
Operation of plant	salary	39,274,589	11,223,494	28,051,095	28.6%	40,184,939	11,533,755	28,651,184	28.7%
	non-salary	50,092,041	43,832,646	6,259,395	87.5%	48,141,494	39,399,513	8,741,981	81.8%
	subtotal	89,366,630	55,056,140	34,310,490	61.6%	88,326,433	50,933,268	37,393,165	57.7%
Maintenance of plant	salary	11,637,912	3,705,830	7,932,082	31.8%	12,130,658	3,692,830	8,437,829	30.4%
	non-salary	15,690,679	13,353,924	2,336,755	85.1%	16,215,212	13,541,204	2,674,008	83.5%
	subtotal	27,328,591	17,059,754	10,268,837	62.4%	28,345,870	17,234,033	11,111,837	60.8%
Fixed charges	non-salary	252,688,706	60,768,826	191,919,880	24.0%	250,673,876	61,095,449	189,578,427	24.4%
Capital outlay	salary	2,865,121	869,444	1,995,677	30.3%	2,793,518	879,122	1,914,396	31.5%
	non-salary	426,665	253,705	172,960	59.5%	432,665	659,476	(226,811)	152.4%
	subtotal	3,291,786	1,123,148	2,168,638	34.1%	3,226,183	1,538,598	1,687,585	47.7%
Total Salary	\$ 738,598,467	\$ 195,523,846	\$ 543,074,621	26.5%	\$ 778,969,743	\$ 190,401,215	\$ 588,568,528	24.4%	
Total Non-Salary	433,817,258	202,599,903	231,217,355	46.7%	431,928,116	196,388,236	235,539,880	45.5%	
Total expenditures and encumbrances	\$ 1,172,415,725	\$ 398,123,749	\$ 774,291,976	34.0%	\$ 1,210,897,859	\$ 386,789,452	\$ 824,108,407	31.9%	

Figure 4

Prepared by: Office of Accounting and Financial Reporting, November 11, 2010