

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: January 25, 2011

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
NOVEMBER 30, 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 November 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 November 30, 2009, and 2010. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

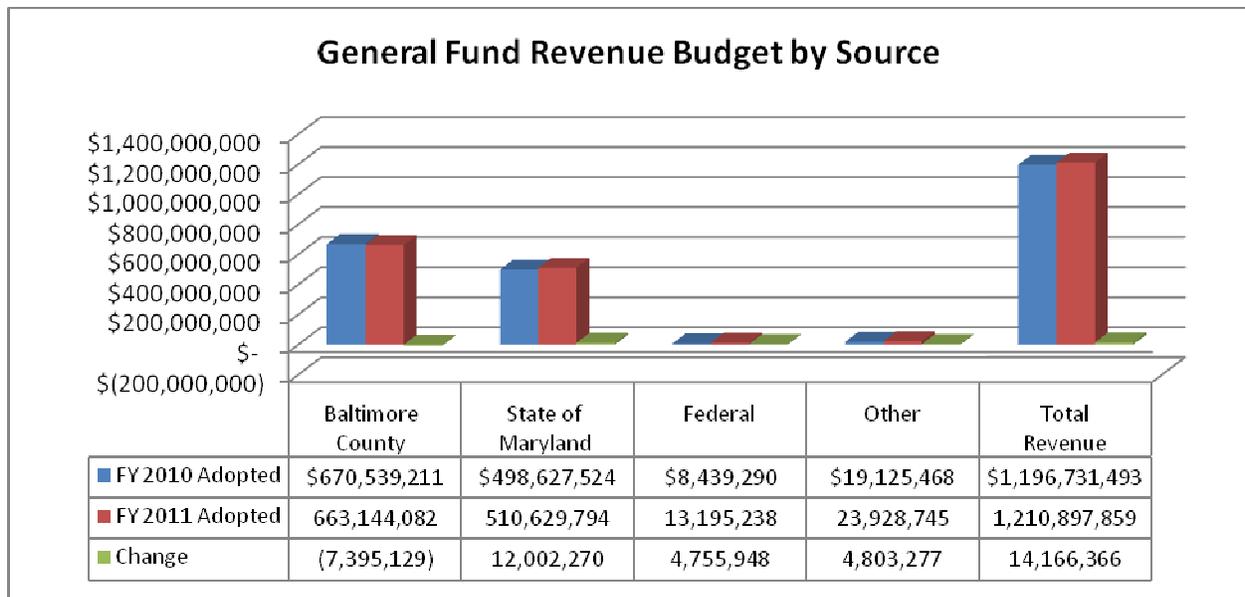


Figure 1

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 \$212.8 million, 32.1% of the budget, as compared to \$205.8 million, 30.7% 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 November 2010, three 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.

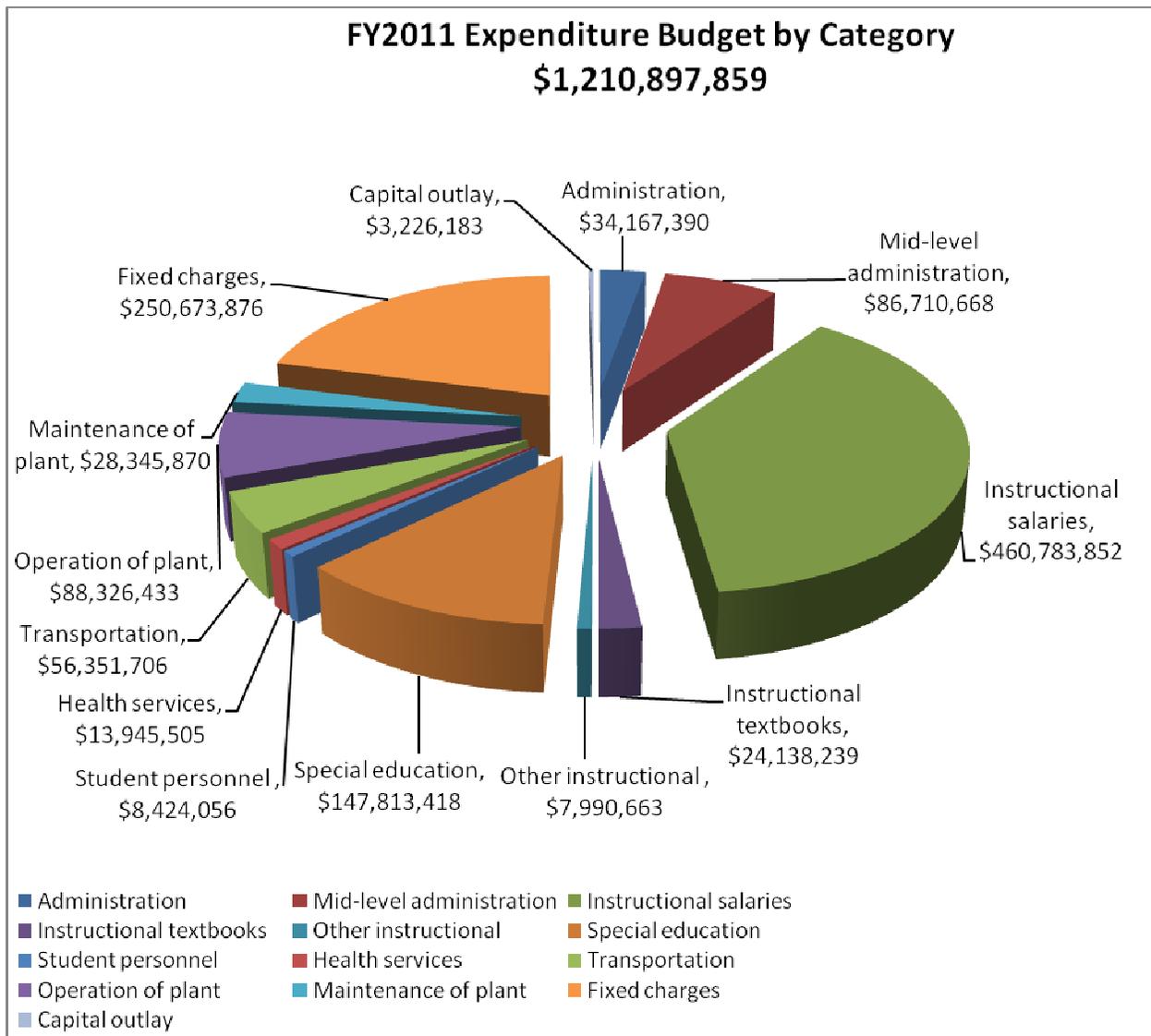


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through November 2010 are \$485.5 million, 40.1% obligated compared to \$475.2 million, 39.7% 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 37.9% 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 31.9% 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.

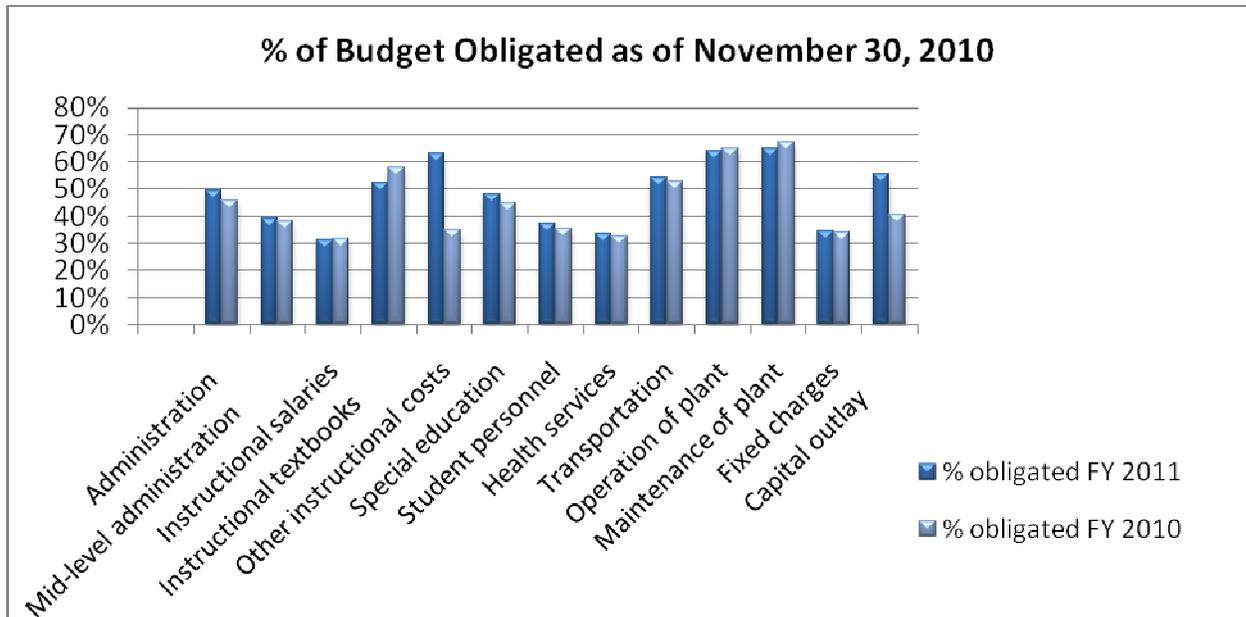


Figure 3

- ***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 Grade 6. The increase of \$1.4 million in expenditures in mid-level administration over the expenditures of the prior year is primarily 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, \$12.6 million, 52.2% 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, 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, \$5 million, 62.9% of the FY2011 budgeted funds, have been committed. In the prior year, \$5 million, 34.9%, 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, \$31.5 million of the funds for nonpublic placement have been committed, compared with \$28 million committed at November 2009. This change is due to earlier encumbrances of projected nonpublic 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 November 2010, 87.2% of the nonsalary budget had been committed compared to 87.5% committed in the prior fiscal year.
- ***Operation of Plant*** – This category contains personnel 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 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 November 2010, 87% of the nonsalary budget has been committed, compared to 88% committed at November 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 \$13.8 million, 84.9% of the budgeted amount, as compared with \$13.8 million, or 87.7%, in the prior fiscal year. Capital outlay nonsalary expenditures are over the budgeted amount as of November 2010, as compared to 61.2% expended in November 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.

Baltimore County Public Schools
Comparison of FY 2010 and FY 2011 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended November, 2009 and 2010
General Fund

		FY2010				FY2011			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 11/30/09	as of 11/30/09	Obligated		as of 11/30/10	as of 11/30/10	Obligated
		Budget				Budget			
Revenues :									
Baltimore County		\$ 670,539,211	\$ 205,836,405	\$ 464,702,806	30.7%	\$ 663,144,082	\$ 212,797,274	\$ 450,346,808	32.1%
State of Maryland		498,627,524	244,421,886	254,205,638	49.0%	510,629,794	250,520,045	260,109,749	49.1%
Federal		8,439,290	910,905	7,528,385	10.8%	13,195,238	3,125,398	10,069,840	23.7%
Other		19,125,468	13,331,856	5,793,612	69.7%	23,928,745	19,130,400	4,798,345	79.9%
Total Revenues		\$ 1,196,731,493	\$ 464,501,052	\$ 732,230,441	38.8%	\$ 1,210,897,859	\$ 485,573,117	\$ 725,324,742	40.1%
Expenditures and Encumbrances :									
Administration	salary	\$ 23,917,419	\$ 9,100,366	\$ 14,817,053	38.0%	\$ 24,251,557	\$ 9,788,970	14,462,587	40.4%
	non-salary	12,123,528	7,420,679	4,702,849	61.2%	9,915,833	7,171,476	2,744,357	72.3%
	subtotal	36,040,947	16,521,045	19,519,902	45.8%	34,167,390	16,960,446	17,206,944	49.6%
Mid-level administration	salary	75,916,885	28,599,180	47,317,705	37.7%	78,069,914	29,514,111	48,555,803	37.8%
	non-salary	7,469,087	3,224,449	4,244,638	43.2%	8,640,754	4,615,681	4,025,073	53.4%
	subtotal	83,385,972	31,823,629	51,562,343	38.2%	86,710,668	34,129,791	52,580,877	39.4%
Instruction:									
Instructional salaries	salary	441,427,940	140,054,052	301,373,888	31.7%	460,783,852	144,600,364	316,183,488	31.4%
Instructional textbooks	non-salary	27,320,909	15,797,587	11,523,322	57.8%	24,138,239	12,594,937	11,543,302	52.2%
Other instructional costs	non-salary	14,306,242	4,988,408	9,317,834	34.9%	7,990,663	5,026,078	2,964,585	62.9%
Special education	salary	105,222,816	34,826,389	70,396,427	33.1%	106,422,774	36,657,983	69,764,792	34.4%
	non-salary	40,611,980	30,849,409	9,762,571	76.0%	41,390,644	34,227,848	7,162,796	82.7%
	subtotal	145,834,796	65,675,798	80,158,998	45.0%	147,813,418	70,885,831	76,927,587	48.0%
Student personnel	salary	8,152,546	2,926,798	5,225,748	35.9%	8,219,068	3,081,414	5,137,654	37.5%
	non-salary	212,582	51,558	161,024	24.3%	204,988	49,242	155,746	24.0%
	subtotal	8,365,128	2,978,355	5,386,773	35.6%	8,424,056	3,130,656	5,293,400	37.2%
Health services	salary	13,143,736	4,128,896	9,014,840	31.4%	13,502,240	4,301,257	9,200,983	31.9%
	non-salary	494,111	345,966	148,145	70.0%	443,265	351,389	91,876	79.3%
	subtotal	13,637,847	4,474,862	9,162,985	32.8%	13,945,505	4,652,646	9,292,859	33.4%
Transportation	salary	31,578,328	9,034,834	22,543,494	28.6%	32,611,223	9,820,382	22,790,841	30.1%
	non-salary	22,157,671	19,395,101	2,762,570	87.5%	23,740,483	20,693,131	3,047,352	87.2%
	subtotal	53,735,999	28,429,935	25,306,064	52.9%	56,351,706	30,513,513	25,838,193	54.1%
Operation of plant	salary	39,274,589	14,159,667	25,114,922	36.1%	40,184,939	14,619,819	25,565,120	36.4%
	non-salary	50,092,041	44,076,459	6,015,582	88.0%	48,141,494	41,866,462	6,275,032	87.0%
	subtotal	89,366,630	58,236,126	31,130,504	65.2%	88,326,433	56,486,281	31,840,152	64.0%
Maintenance of plant	salary	11,637,912	4,650,629	6,987,283	40.0%	12,130,658	4,674,037	7,456,621	38.5%
	non-salary	15,690,679	13,765,778	1,924,901	87.7%	16,215,212	13,767,756	2,447,456	84.9%
	subtotal	27,328,591	18,416,407	8,912,184	67.4%	28,345,870	18,441,794	9,904,076	65.1%
Fixed charges	non-salary	252,688,706	86,510,193	166,178,513	34.2%	250,673,876	86,306,399	164,367,477	34.4%
Capital outlay	salary	2,865,121	1,071,797	1,793,324	37.4%	2,793,518	1,077,126	1,716,392	38.6%
	non-salary	426,665	260,941	165,724	61.2%	432,665	715,647	(282,982)	165.4%
	subtotal	3,291,786	1,332,739	1,959,047	40.5%	3,226,183	1,792,773	1,433,410	55.6%
Total Salary		\$ 753,137,292	\$ 248,552,608	\$ 504,584,684	33.0%	\$ 778,969,743	\$ 258,135,463	\$ 520,834,280	33.1%
Total Non-Salary		443,594,201	226,686,528	216,907,673	51.1%	431,928,116	227,386,046	204,542,070	52.6%
Total Expenditures and Encumbrances		\$ 1,196,731,493	\$ 475,239,137	\$ 721,492,356	39.7%	\$ 1,210,897,859	\$ 485,521,509	\$ 725,376,350	40.1%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, December 10, 2010