

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: April 5, 2011

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
FEBRUARY 28, 2010 AND 2011**

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 February 28, 2010, and 2011.

***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 February 28, 2010, and 2011. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

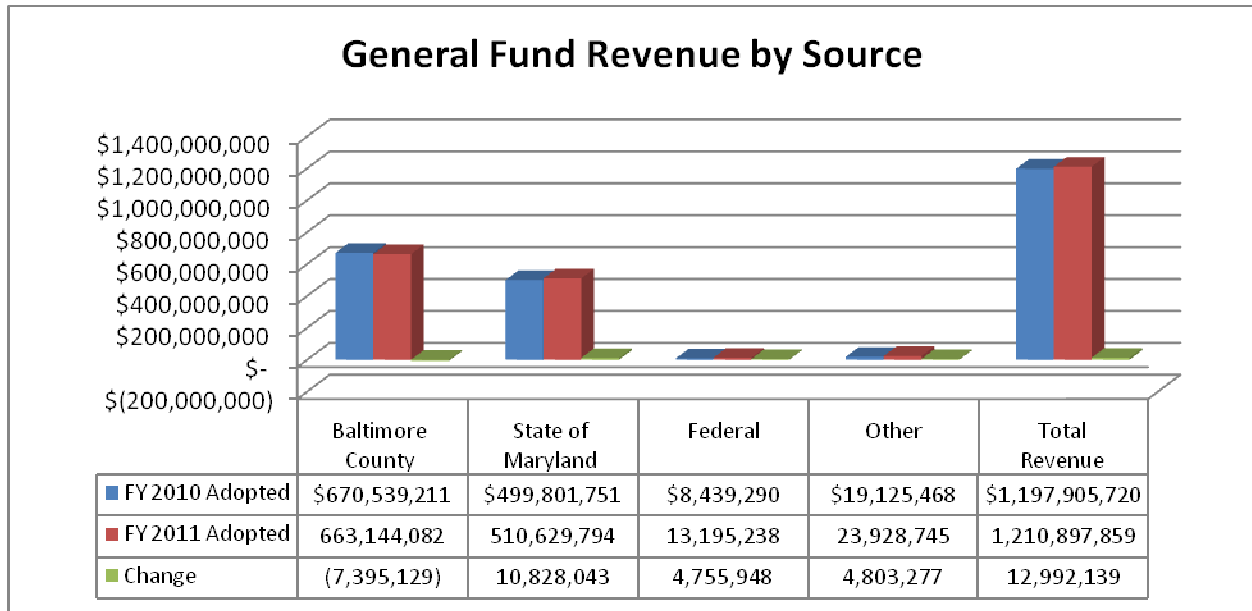


Figure 1

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 \$367 million, 55.4% of the budget, as compared to \$349 million, 52.1% of the budget for FY2010.
- State of Maryland** – The FY2011 state appropriation increased \$10.8 million, 2.2% 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 February 2011, four of the state payments had been received.
- Federal** – The FY2011 federal budgeted revenue resulted primarily from funding received under the American Recovery and Reinvestment Act. The 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.

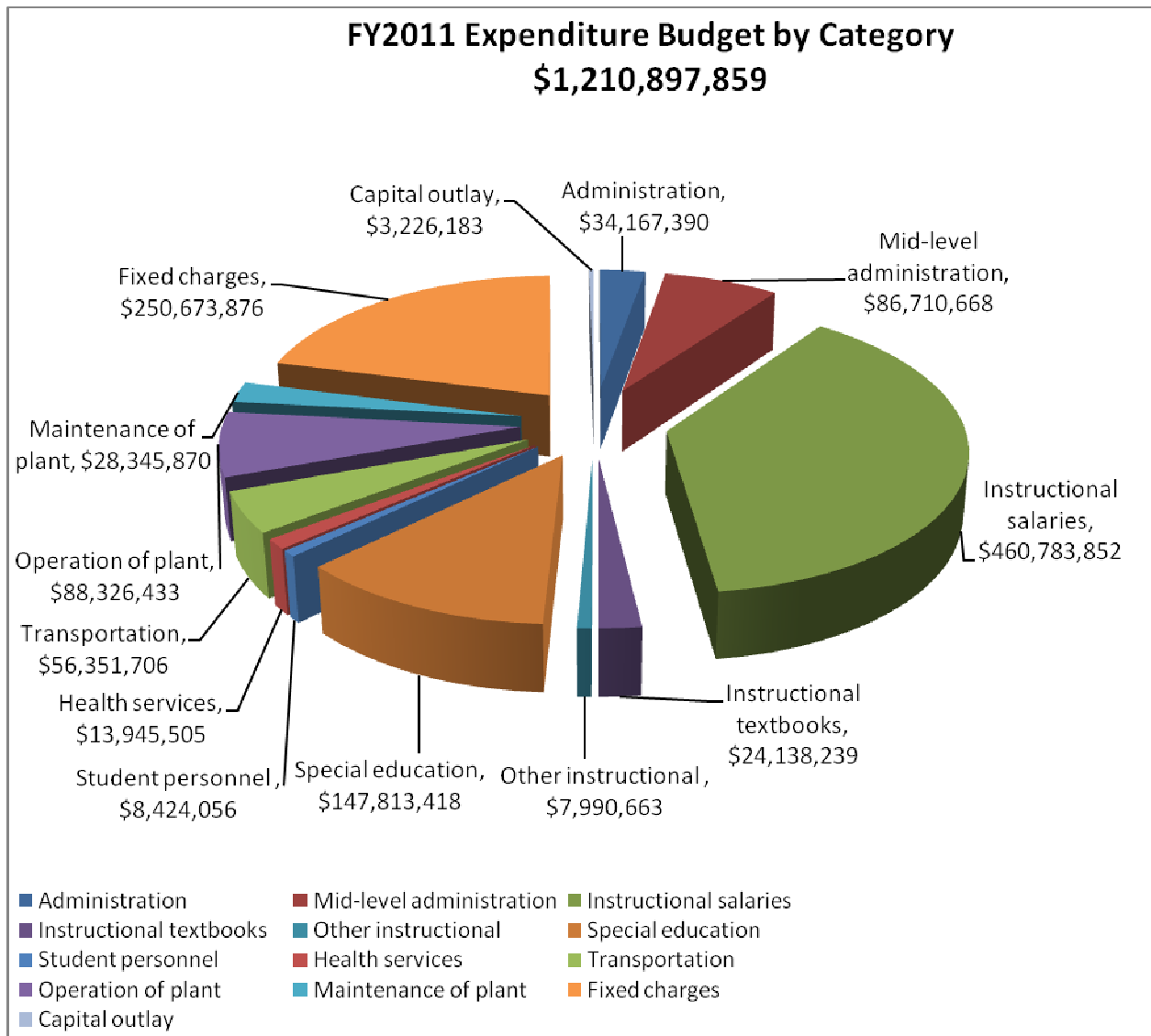


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through February 2011 are \$779.2 million, 64.3% obligated compared to \$771.8 million, 64.4% 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 63.1% 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 58.5% 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 non-salary expenditures are budgeted for an overall decrease of \$13.1 million, or 2.9% 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.

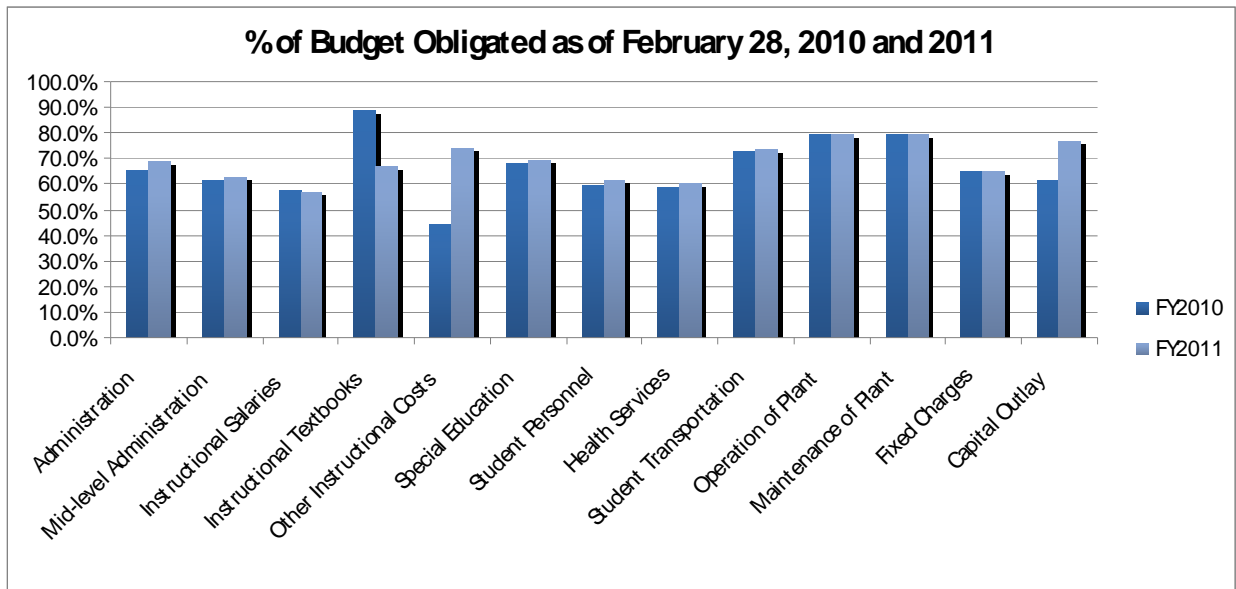


Figure 3

- ***Administration and Mid-Level Administration*** – The budget for non-salary 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 non-salary 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 \$1.6 million in expenditures in mid-level administration over the expenditures of the prior year is primarily the result of the timing of an encumbrance for software products, which was recorded in August 2010. The same software cost for the previous year 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, \$16.1 million, 66.6% 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, \$5.9 million, 74.5% of the FY2011 budgeted funds, have been committed. In the prior year, \$6.3 million, 44.1%, 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 non-salary budget of \$41.4 million, \$34.7 million (84%) is now estimated for placement of children in nonpublic schools. To date, \$30.3 million of the funds for nonpublic placement have been committed, compared with \$31.3 million committed at February 2010.

- ***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 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 expenditures. The non-salary budget increased by approximately \$1.6 million, which is primarily attributable to an expected increase in diesel fuel costs. As of February 2011, 91.3% of the non-salary budget had been committed compared to 92.8% 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 non-salary 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 February 2011, 92.5% of the non-salary budget has been committed, compared to 92.8% committed at February 2010.
- ***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 was increased \$1.2 million in February of the prior year because of supplemental funding for the Aging Schools Program. The Aging Schools Program budget was reduced by \$400,000 in the current fiscal year, which accounts for most of the decrease in the non-salary budget when compared with the prior year. Year-to-date non-salary expenditures and encumbrances are \$14.3 million, 88% of the budgeted amount, as compared with \$14.4 million, or 85.7%, in the prior fiscal year. Capital outlay non-salary expenditures are over the budgeted amount as of February 2011, as compared to 68.2% expended in February 2010. 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 for insurance proceeds 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 February, 2010 and 2011
General Fund**

	FY 2010				FY 2011				
	Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage	
	Budget	Rev/Exp/Enc. as of 02/28/10	Budget as of 02/28/10	Earned or Obligated	Budget	Rev/Exp/Enc. as of 02/28/11	Budget as of 02/28/11	Earned or Obligated	
Revenues									
Baltimore County	\$ 670,539,211	\$ 349,412,088	\$ 321,127,123	52.1%	\$ 663,144,082	\$ 367,242,975	\$ 295,901,107	55.4%	
State of Maryland	499,801,751	327,832,902	171,968,849	65.6%	510,629,794	325,066,774	185,563,020	63.7%	
Federal	8,439,290	3,355,191	5,084,099	39.8%	13,195,238	5,962,976	7,232,262	45.2%	
Other	19,125,468	13,699,916	5,425,552	71.6%	23,928,745	19,564,554	4,364,191	81.8%	
Total revenues	\$ 1,197,905,720	\$ 694,300,097	\$ 503,605,623	58.0%	\$ 1,210,897,859	\$ 717,837,279	\$ 493,060,580	59.3%	
Expenditures and encumbrances									
Administration	salary	\$ 23,918,032	\$ 14,641,643	\$ 9,276,389	61.2%	\$ 24,251,557	\$ 15,717,919	\$ 8,533,638	64.8%
	non-salary	12,122,915	9,080,852	3,042,063	74.9%	9,915,833	7,750,004	2,165,829	78.2%
	subtotal	36,040,947	23,722,495	12,318,452	65.8%	34,167,390	23,467,924	10,699,466	68.7%
Mid-level administration	salary	75,579,264	46,877,353	28,701,911	62.0%	78,039,971	48,345,403	29,694,568	61.9%
	non-salary	7,806,708	4,379,411	3,427,297	56.1%	8,670,697	5,951,174	2,719,523	68.6%
	subtotal	83,385,972	51,256,764	32,129,208	61.5%	86,710,668	54,296,577	32,414,091	62.6%
Instruction:									
Instructional salaries	salary	441,427,940	255,548,619	185,879,321	57.9%	460,783,852	263,716,750	197,067,102	57.2%
Instructional textbooks	non-salary	27,320,909	24,199,948	3,120,961	88.6%	24,138,239	16,082,176	8,056,063	66.6%
Other instructional costs	non-salary	14,306,242	6,304,665	8,001,577	44.1%	7,990,663	5,949,223	2,041,440	74.5%
Special education	salary	105,222,816	63,896,874	41,325,942	60.7%	106,418,311	67,154,199	39,264,112	63.1%
	non-salary	40,611,980	35,464,542	5,147,438	87.3%	41,395,107	35,760,444	5,634,663	86.4%
	subtotal	145,834,796	99,361,416	46,473,380	68.1%	147,813,418	102,914,644	44,898,774	69.6%
Student personnel	salary	8,152,546	4,909,137	3,243,409	60.2%	8,219,068	5,143,669	3,075,399	62.6%
	non-salary	212,582	87,191	125,391	41.0%	204,988	70,919	134,069	34.6%
	subtotal	8,365,128	4,996,328	3,368,800	59.7%	8,424,056	5,214,588	3,209,468	61.9%
Health services	salary	13,143,736	7,690,818	5,452,918	58.5%	13,502,240	7,947,687	5,554,553	58.9%
	non-salary	494,111	382,320	111,791	77.4%	443,265	435,369	7,896	98.2%
	subtotal	13,637,847	8,073,138	5,564,709	59.2%	13,945,505	8,383,056	5,562,449	60.1%
Student transportation	salary	31,578,328	18,443,012	13,135,316	58.4%	32,611,223	19,872,133	12,739,090	60.9%
	non-salary	22,157,671	20,555,599	1,602,072	92.8%	23,740,483	21,682,625	2,057,858	91.3%
	subtotal	53,735,999	38,998,611	14,737,388	72.6%	56,351,706	41,554,759	14,796,947	73.7%
Operation of plant	salary	39,274,589	24,607,854	14,666,735	62.7%	40,184,939	25,380,909	14,804,030	63.2%
	non-salary	50,092,041	46,486,447	3,605,594	92.8%	48,141,494	44,533,081	3,608,413	92.5%
	subtotal	89,366,630	71,094,301	18,272,329	79.6%	88,326,433	69,913,989	18,412,444	79.2%
Maintenance of plant	salary	11,637,912	8,217,297	3,420,615	70.6%	12,130,658	8,165,653	3,965,005	67.3%
	non-salary	16,864,906	14,450,732	2,414,174	85.7%	16,215,212	14,272,951	1,942,261	88.0%
	subtotal	28,502,818	22,668,029	5,834,789	79.5%	28,345,870	22,438,603	5,907,267	79.2%
Fixed charges	non-salary	252,688,706	163,506,426	89,182,280	64.7%	250,673,876	162,759,001	87,914,875	64.9%
Capital outlay	salary	2,865,121	1,738,859	1,126,262	60.7%	2,793,518	1,736,200	1,057,318	62.2%
	non-salary	426,665	290,830	135,835	68.2%	432,665	735,311	(302,646)	169.9%
	subtotal	3,291,786	2,029,689	1,262,097	61.7%	3,226,183	2,471,511	754,672	76.6%
Total Salary		752,800,284	446,571,465	306,228,819	59.3%	778,935,337	463,180,522	315,754,815	59.5%
Total Non-Salary		445,105,436	325,188,964	119,916,472	73.1%	431,962,522	315,982,279	115,980,243	73.2%
Total expenditures and encumbrances		\$ 1,197,905,720	\$ 771,760,429	\$ 426,145,291	64.4%	\$ 1,210,897,859	\$ 779,162,800	\$ 431,735,059	64.3%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, March 10, 2011