

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: June 14, 2011

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING APRIL 30, 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 April 30, 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 April 30, 2010, and 2011. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

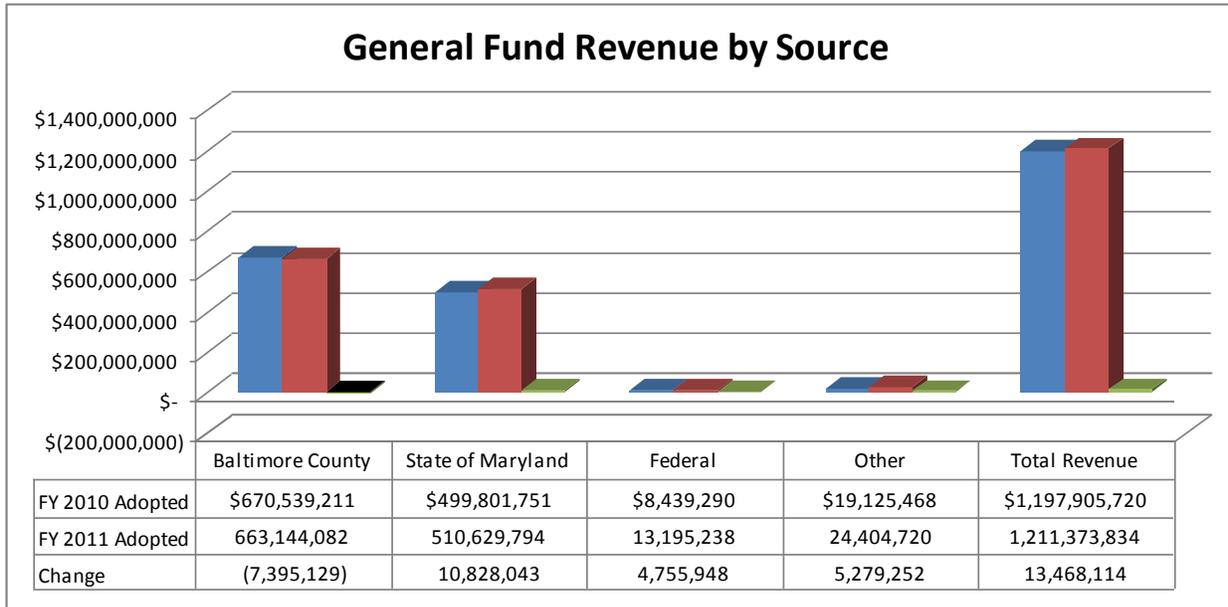


Figure 1

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 \$522 million, 78.7% of the budget, as compared to \$515.1 million, 76.8% of the budget for FY2010.
- State of Maryland*** – The FY2011 state appropriation increased \$10.8 million, 2.2% over the FY2010 budget. Subsequent to the approval of the FY2011 budget, the state reduced their funding by \$15.4 million and awarded a federal grant of \$19.2 million, \$15.4 million of which will be recognized in the current fiscal year. The details of the federal grant are explained in the Federal revenue section of this report. The majority of state funds are received bi-monthly in equal installments. As of April 2011, five 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. \$12.4 million of these funds are from State Fiscal Stabilization Funds, a federal stimulus program to provide funding stabilization for stressed state budgets. Additionally, \$15.4 million of funding from the Education Jobs Fund was received in April 2011. This funding was authorized by congress in 2010, subsequent to the approval of the 2011 budget, to save or create education jobs. These funds are being received on a reimbursement basis. These ARRA funds are not expected to continue at these levels 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 budgeted revenue was increased by a supplemental appropriation of approximately \$476,000, which was approved by the county council in April. These funds were approved to utilize insurance proceeds to replace greenhouses and for other costs resulting from storm damage at two schools. The year-to-date revenue consists of the re-appropriated funds, tuition and other revenues.

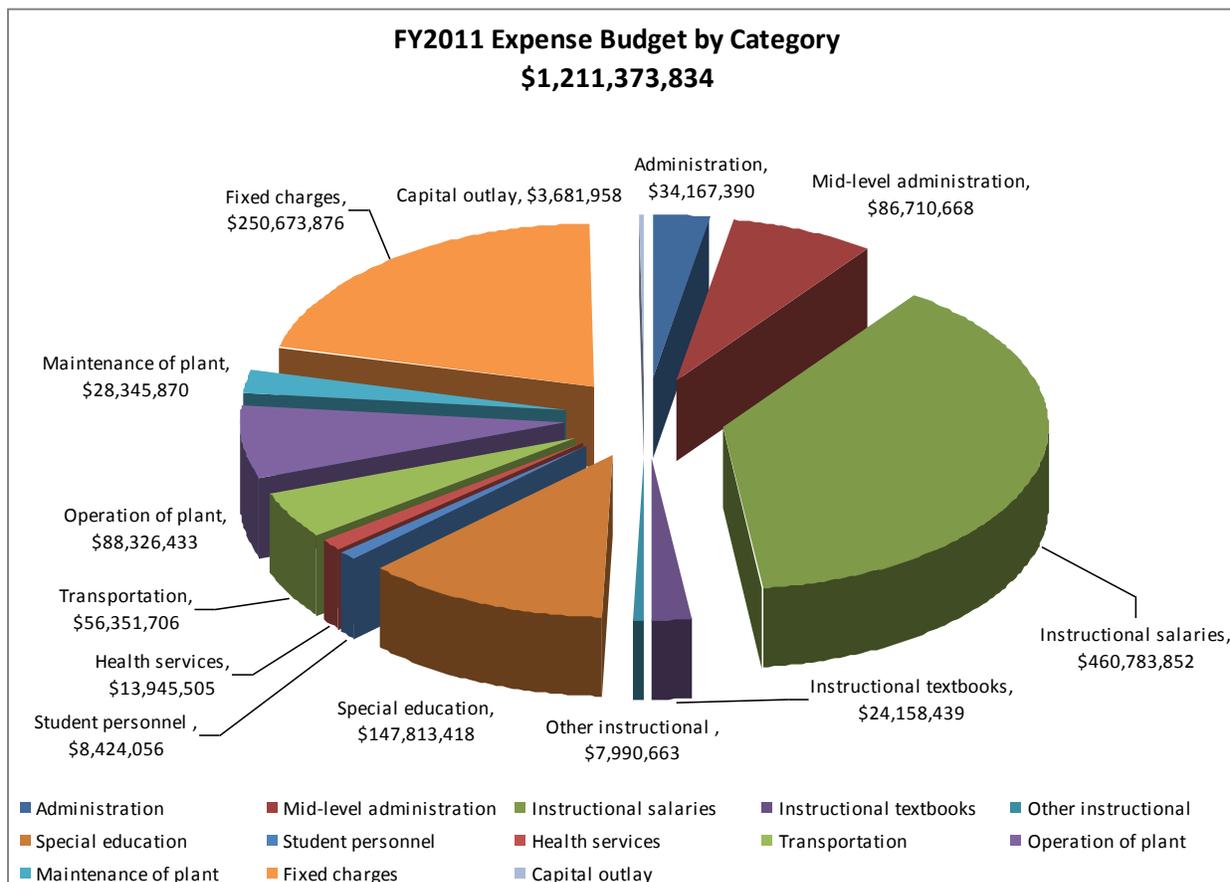


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through April 2011 are \$1.01 billion, 83.3% obligated compared to \$998.4 million, 83.4% obligated, for the same period in FY2010. Salary expenditures within categories that are primarily comprised of 12-month positions (e.g., administration, midlevel administration, operation of plant, maintenance of plant, and capital outlay) average 80.5% 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 80.3% 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 \$26.3 million, which included \$27.6 million to provide step increases and to fund a full year of salary adjustments implemented midyear 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 \$13.3 million, or 3% 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 midlevel 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.

A budget appropriation transfer request, which will realign funds by category with planned and projected year end expenses, was approved by the board in April, and submitted to the county executive and county council for consideration.

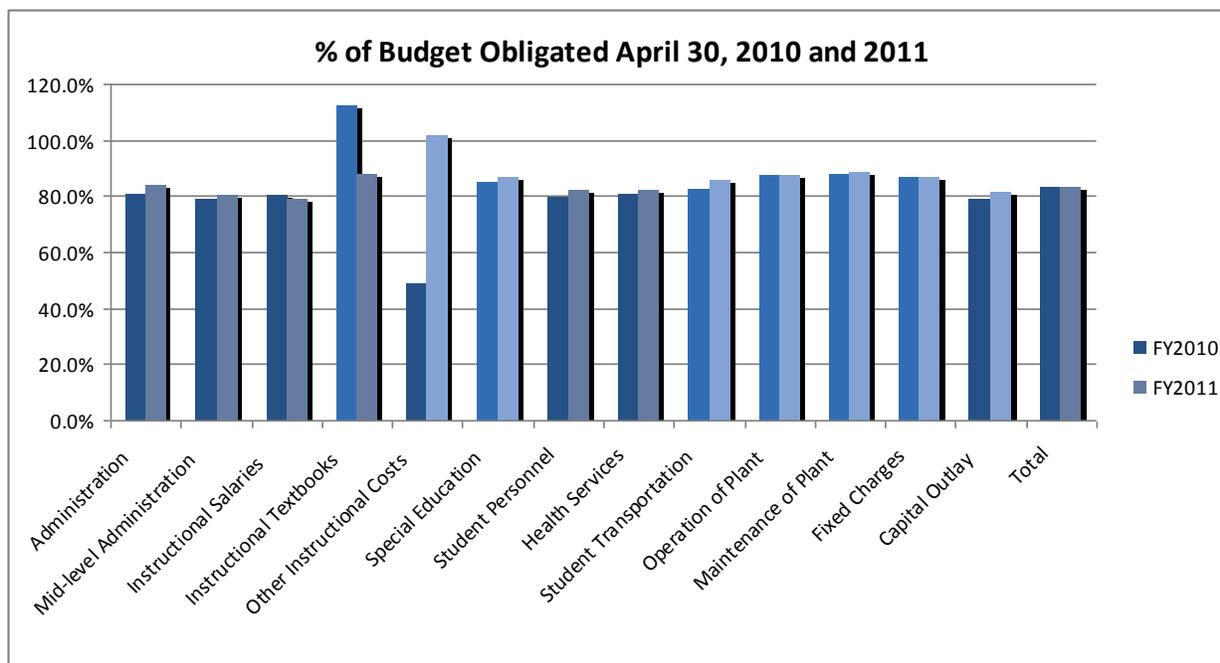


Figure 3

- Administration and Midlevel 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. Midlevel administration nonsalary expenditures are budgeted for an increase of 9.2% 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 \$1.7 million in expenditures in midlevel 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, \$21.2 million, 88% 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, \$8.1 million, 101.4% of the FY2011 budgeted funds, have been committed. In the prior year, \$7 million, 48.9%, had been committed. It is anticipated that a \$1.7 million budget transfer request will be approved by the county council to provide funding for the revised budget that has been submitted for this category.
- ***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, \$34.7 million (84%) is now estimated for placement of children in nonpublic schools. To date, \$31.4 million of the funds for nonpublic placement have been committed, compared with \$32.3 million committed at April 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 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 expenditures. The nonsalary budget increased by approximately \$1.6 million, which is primarily attributable to an expected increase in diesel fuel costs. As of April 2011, 94.3% of the nonsalary budget had been committed, compared to 94.1% 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 April 2011, 94.6% of the nonsalary budget has been committed, compared to 94.2% in April 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 Aging Schools

Program budget was reduced by \$400,000 in the current fiscal year, which accounts for most of the decrease in the nonsalary budget when compared with the prior year. Year-to-date nonsalary expenditures and encumbrances are \$14.8 million, 91.3% of the budgeted amount, as compared with \$15 million, or 89.1%, in the prior fiscal year. Capital outlay nonsalary budgeted expenditures were increased as a result of approval of a supplemental budget request to utilize insurance proceeds to cover costs related to storm damages to greenhouses at two schools. As of April 2011, 88.8% of the nonsalary budget has been committed, compared to 79.1% in April 2010. The increase in expenditures is related to the encumbrances for the repairs to the greenhouses.

- ***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 April 30, 2010 and 2011
General Fund

		FY 2010				FY 2011			
		Adjusted	Total	Remaining	Percentage	Adopted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 04/30/10	Budget as of 04/30/10	Earned or Obligated	Budget	Rev/Exp/Enc. as of 04/30/11	Budget as of 04/30/11	Earned or Obligated
Revenues									
Baltimore County		\$ 670,539,211	\$ 515,133,208	\$ 155,406,003	76.8%	\$ 663,144,082	\$ 521,973,443	\$ 141,170,639	78.7%
State of Maryland		499,801,751	408,785,526	91,016,225	81.8%	510,629,794	404,780,801	105,848,993	79.3%
Federal		8,439,290	3,723,164	4,716,126	44.1%	13,195,238	25,147,453	(11,952,215)	190.6%
Other		19,125,468	13,997,866	5,127,602	73.2%	24,404,720	19,764,646	4,640,074	81.0%
Total revenues		\$ 1,197,905,720	\$ 941,639,764	\$ 256,265,956	78.6%	\$ 1,211,373,834	\$ 971,666,343	\$ 239,707,491	80.2%
Expenditures and encumbrances									
Administration	salary	\$ 23,918,032	\$ 18,904,088	\$ 5,013,944	79.0%	\$ 24,251,557	\$ 20,251,440	\$ 4,000,117	83.5%
	non-salary	12,122,915	10,176,711	1,946,204	83.9%	9,915,833	8,451,862	1,463,971	85.2%
	subtotal	36,040,947	29,080,799	6,960,148	80.7%	34,167,390	28,703,302	5,464,088	84.0%
Mid-level administration	salary	75,579,264	60,601,490	14,977,774	80.2%	78,182,571	62,338,094	\$ 15,844,477	79.7%
	non-salary	7,806,708	5,345,602	2,461,106	68.5%	8,528,097	7,142,084	1,386,013	83.7%
	subtotal	83,385,972	65,947,092	17,438,880	79.1%	86,710,668	69,480,178	17,230,490	80.1%
Instruction:									
Instructional salaries	salary	441,427,940	355,263,354	86,164,586	80.5%	460,783,852	365,015,055	95,768,797	79.2%
Instructional textbooks	non-salary	27,320,909	30,608,753	(3,287,844)	112.0%	24,158,439	21,235,610	2,922,829	87.9%
Other instructional costs	non-salary	14,306,242	7,000,973	7,305,269	48.9%	7,990,663	8,101,341	(110,678)	101.4%
Special education	salary	105,222,816	86,816,661	18,406,155	82.5%	106,418,311	90,757,730	\$ 15,660,581	85.3%
	non-salary	40,611,980	37,342,620	3,269,360	91.9%	41,395,107	37,061,512	4,333,595	89.5%
	subtotal	145,834,796	124,158,281	21,675,515	85.1%	147,813,418	127,819,242	19,994,176	86.5%
Student personnel	salary	8,152,546	6,514,846	1,637,700	79.9%	8,219,068	6,805,651	1,413,417	82.8%
	non-salary	212,582	142,143	70,439	66.9%	204,988	96,089	108,899	46.9%
	subtotal	8,365,128	6,656,989	1,708,139	79.6%	8,424,056	6,901,740	1,522,316	81.9%
Health services	salary	13,143,736	10,632,860	2,510,876	80.9%	13,502,240	10,942,361	2,559,879	81.0%
	non-salary	494,111	418,188	75,923	84.6%	443,265	499,072	(55,807)	112.6%
	subtotal	13,637,847	11,051,048	2,586,799	81.0%	13,945,505	11,441,433	2,504,072	82.0%
Student transportation	salary	31,578,328	23,602,698	7,975,630	74.7%	32,611,223	25,763,542	6,847,681	79.0%
	non-salary	22,157,671	20,857,607	1,300,064	94.1%	23,740,483	22,397,864	1,342,619	94.3%
	subtotal	53,735,999	44,460,305	9,275,694	82.7%	56,351,706	48,161,406	8,190,300	85.5%
Operation of plant	salary	39,274,589	30,761,311	8,513,278	78.3%	40,184,939	31,622,019	8,562,920	78.7%
	non-salary	50,092,041	47,173,588	2,918,453	94.2%	48,141,494	45,551,168	2,590,326	94.6%
	subtotal	89,366,630	77,934,899	11,431,731	87.2%	88,326,433	77,174,187	11,153,246	87.4%
Maintenance of plant	salary	11,637,912	10,059,903	1,578,009	86.4%	12,130,658	10,289,480	1,841,178	84.8%
	non-salary	16,864,906	15,029,794	1,835,112	89.1%	16,215,212	14,808,862	1,406,350	91.3%
	subtotal	28,502,818	25,089,697	3,413,121	88.0%	28,345,870	25,098,342	3,247,528	88.5%
Fixed charges	non-salary	252,688,706	218,607,230	34,081,476	86.5%	250,673,876	216,911,871	33,762,005	86.5%
Capital outlay	salary	2,865,121	2,258,708	606,413	78.8%	2,793,518	2,206,166	587,352	79.0%
	non-salary	426,665	337,576	89,089	79.1%	888,440	788,986	99,454	88.8%
	subtotal	3,291,786	2,596,284	695,502	78.9%	3,681,958	2,995,152	686,806	81.3%
Total Salary		\$ 752,800,284	\$ 605,415,918	\$ 147,384,366	80.4%	\$ 779,077,937	\$ 625,991,539	\$ 153,086,398	80.4%
Total Non-Salary		445,105,436	393,040,785	52,064,651	88.3%	432,295,897	383,046,320	49,249,577	88.6%
Total expenditures and encumbrances		\$ 1,197,905,720	\$ 998,456,703	\$ 199,449,017	83.4%	\$ 1,211,373,834	\$ 1,009,037,859	202,335,975	83.3%