

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: November 22, 2011

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
SEPTEMBER 30, 2010 AND 2011**

ORIGINATOR: Renee A. Foose, Deputy Superintendent

**RESOURCE
PERSON (S):** Barbara S. Burnopp, Chief Financial Officer
Patrick M. Fannon, Controller

INFORMATION

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Attached is the general fund *Comparison of FY2011 and FY2012 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended September 30, 2010 and 2011.

***General Fund Comparison of FY2011 and FY2012 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 FY2011 and FY2012 general fund revenue budget. Figure 2 provides an overview of the FY2012 general fund expenditure budget. Figure 3 compares the percent of the budget obligated as of September 30, 2010 and 2011. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

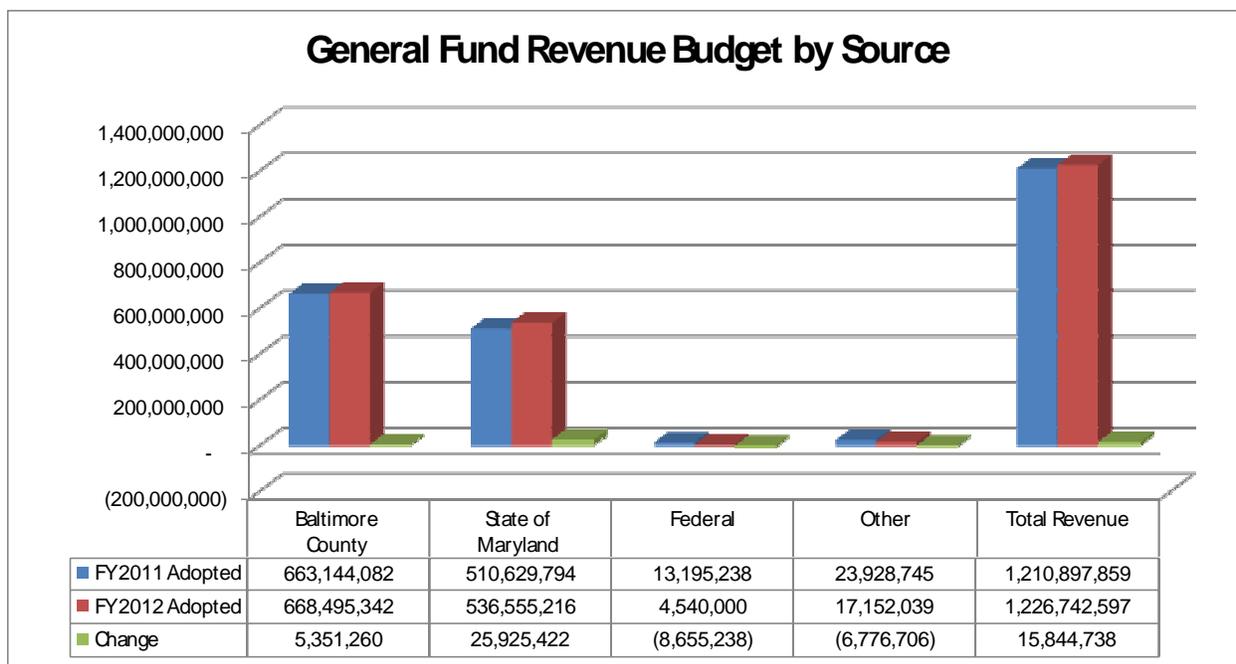


Figure 1

Year-to-Date Comparison

- Baltimore County** – The FY2012 county appropriation increased \$5.3 million, a .7% increase over the FY2011 budget. Increased enrollment resulted in additional funding for FY2012 even though the county appropriation, excluding one-time expenditures, is the minimum funding required under the state maintenance of effort (MOE) requirements. County funds are drawn based on cash flow requirements. The year-to-date county revenue recognized is \$64.6 million, 9.7% of the budget, as compared to \$60.5 million, 9.1% of the budget for FY2011.
- State of Maryland** – The FY2012 state appropriation increased approximately \$26 million, 5.1% over the FY2011 budget. The increase in the budgeted revenue is a result of an overall increase over the prior year in aid to education and was made possible due to Federal Education Jobs Fund Bill revenue used by the state in FY2011 to make resources available for FY2012. The majority of state funds are received bi-monthly in equal installments. As of September 2011, two of the state payments had been received.
- Federal** – The FY2012 federal budgeted revenue is significantly reduced because of the ending of most of the funding previously received under the American Recovery and Reinvestment Act. The school system will receive its share of federal stimulus funds under the Education Jobs Fund Bill, approximately \$3.8 million, all of which will be used to support employee health care costs. These funds are to be received on a reimbursement basis and are not expected to continue in FY2013.
- 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 \$2.8 million and are generally collected at year end, tuitions, and sundry revenues. The budgeted revenue decreased significantly over the

prior year because of a \$6.9 million decrease in the re-appropriated fund balance to approximately \$9.1 million from the \$16 million utilized in the prior year. The year-to-date revenue consists of tuition and other revenues.

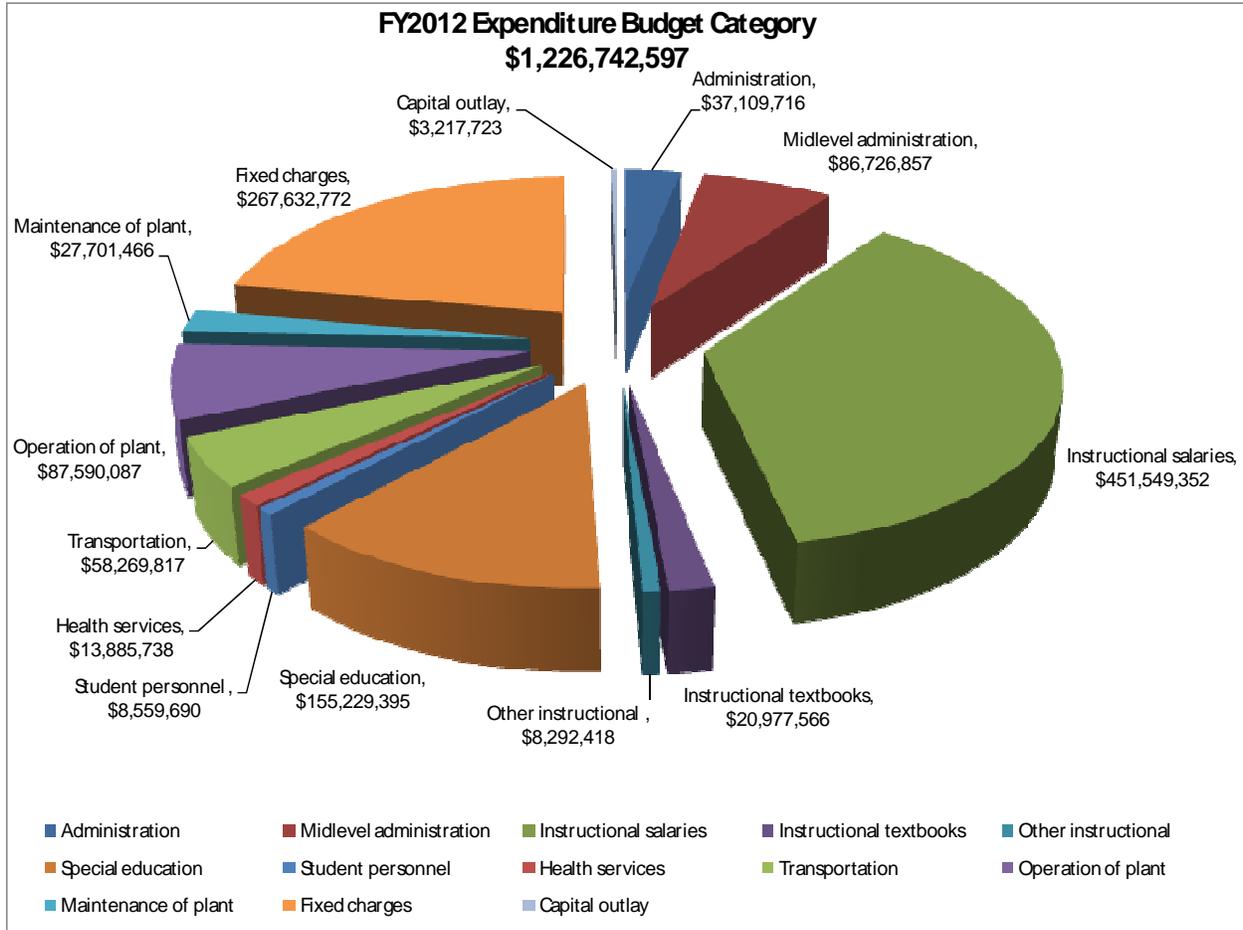


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through September 2011 are \$293.9 million, 24% obligated, compared to \$249.8 million, 20.6% obligated, for the same period in FY2011. The increase of \$44 million in expenditures over the prior year is a result of timing of payroll, whereby, one additional payroll period was incurred in September 2011 when compared with the same period last year, and because encumbrances for contracted services and nonpublic placements were made earlier in this fiscal year than the previous year. 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 22.2% 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 14% of the budget, which is in line with the percentage of the school year that has elapsed.

The salary budget had a net increase of approximately \$1.6 million, which included \$15.1 million to provide salary step increases and other salary adjustments. Additionally, \$3.1 million and \$2.6 million, respectively, were added to the salary budget to provide for additional teachers because of increased enrollment and to provide other additional positions for special education. The budget increases were offset by a reduction of \$15.8 million through decreased school staffing allocations, by a \$3.2 million transfer of the costs of special education additional assistants to the Third Party Billing program, and decreases in summer school, extended year, and extra duty programs.

The nonsalary expenditures are budgeted for an overall net increase of \$14.1 million, or 3.2% over the prior year. The changes in these expenditures are in a number of categories throughout the budget. The nonsalary budget for administration was increased by \$1.8 million, primarily because of an increase in one-time expenditures for contracted services and equipment relating to expanding the functionality of student data systems for the Office of Student Data and for network support services. The nonsalary budget for transportation was increased by \$1.2 million, a 5.1% increase, because of an expected increase for school bus replacements and diesel fuel costs. An increase of \$16.9 million is budgeted for fixed charges, a 6.8% increase, because of an increase in health benefit costs, and to provide for increased state and county pension costs and increased workers compensation expenses. These budget increases were somewhat offset by a decrease of \$562,000 in the budget for midlevel administration, primarily because of an overall reduction in school and office expenditures; a \$3.1 million decrease in textbook and personal computer replacement costs; and a \$2.2 million decrease in the budget for operation of plant, primarily related to an expected decrease in the cost of utilities.

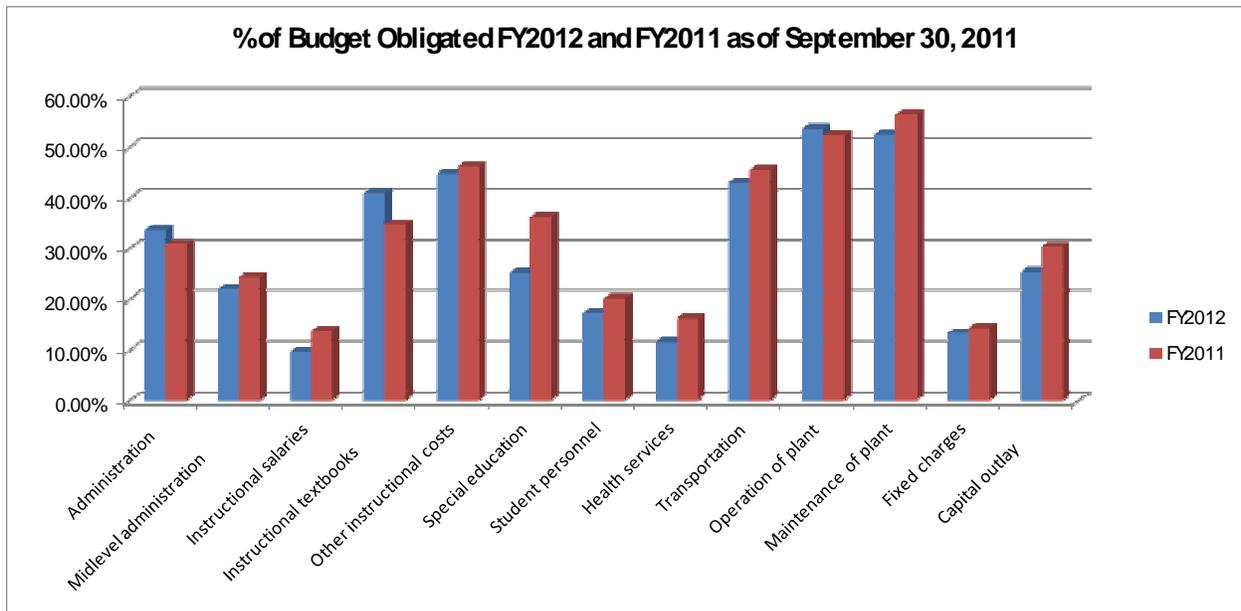


Figure 3

- ***Administration and Midlevel Administration*** – The budget for nonsalary administration expenditures increased \$1.8 million, or 18%, over the amount budgeted last year, primarily because of an increase in one-time consulting expenditures and equipment purchases related to student data system upgrades in the Office of Student Data and in network support services. Midlevel administration nonsalary expenditures are budgeted for a decrease of \$562,000, or 6.5%, from the prior year’s budget. This decrease results primarily from a 5% decrease in the school and office budgets for the year. The decrease of \$700,000 in year-to-date expenditures in administration over the expenditures of the prior year is the result of the timing of the encumbrances for FY2012 as compared with encumbrances recorded for the same period in FY2011.
- ***Instructional Salaries*** – The budget for instructional salaries had a net decrease of \$9.2 million in FY2012. From the operating budget, 194 teaching position vacancies were frozen and offsetting adjustments were made to classroom staffing allocations for the vacancies that were not filled. Notwithstanding the class size adjustments, it was necessary to hire 77 additional teachers to accommodate enrollment growth. The budget was also increased for salary step increases for teachers.
- ***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 FY2012 budget for this category was decreased by 13.1%, or approximately \$3.2 million. This budgetary decrease is the result of a reduction in the central budget for textbooks and computer replacements as well as a 5% reduction to classroom budgets. Significant textbook purchases were made in prior years, and no additional funds were provided for this year. 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. To date, \$3.8 million, 46.2% of the FY2012 budgeted funds, have been committed. In the prior year, \$3.6 million, 44.8%, 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 FY2012 salary budget increased by \$7.3 million, 6.8% over the prior year, which included funding for salary step increases and funding of \$2.6 million for 47.8 additional positions. Additionally, 194 instructional assistant positions were transferred to the operating budget. These positions had previously been funded by grant revenues from the federal stimulus program which were included in the special revenue budget. Of the FY2012 special education nonsalary budget of \$41.4 million, \$34.8 million (84%) is for placement of children in nonpublic schools. The nonpublic placement budget decreased approximately \$2 million from the FY2011 budgeted amount. This decrease was offset by a \$2.1 million increase in contracted related services in order to provide additional therapeutic services to special education students throughout the school system. To date, \$33 million of the funds for nonpublic placement have been

committed, compared with \$21.5 million committed in September 2010. This change is due to the early encumbrance of projected 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 school bus replacements and diesel fuel costs.
- ***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 4% decrease over the prior year. This decrease is primarily attributable to an anticipated decrease in the cost of utilities. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$27 million. Other expenditures in this category include the cost of building rent, \$5.4 million; supplies and materials, \$2.4 million; trash removal, \$1.3 million; and other related expenditures. As of September 2011, 80.7% of the nonsalary budget has been committed, which is comparable to September 2010.
- ***Maintenance of Plant and Capital Outlay*** – The maintenance category consists of activities related to the service and upkeep of building systems. The nonsalary expenditure budget for this category decreased 2.7% over the prior year. Year-to-date nonsalary expenditures and encumbrances are \$12.9 million, 81.7% of the budgeted amount, as compared with \$12.3 million, or 75.8%, in the prior fiscal year. The increase 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 81.7% expended at September 2011, as compared to 48.5% expended in September 2010. The increase in expenditures over the prior year is a result of encumbrances for relocatable units for school renovation programs.
- ***Fixed Charges*** – This category includes the cost of employee benefits and other fixed costs. Health insurance and employer FICA consume 71% and 22% of the fixed charges budget, respectively. The FY2012 budget includes an increase of \$16.9 million, resulting from a significant increase in health insurance costs, increased state and county pension costs, and increased workers compensation expenses.

Board of Education of Baltimore County
Comparison of FY 2011 and FY 2012 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended September, 2010 and 2011
General Fund

	FY 2011				FY 2012			
	Adjusted Budget	Total Rev/Exp/Enc. as of 09/30/10	Remaining Budget as of 09/30/10	Percentage Earned or Obligated	Adopted Budget	Total Rev/Exp/Enc. as of 09/30/11	Remaining Budget as of 09/30/11	Percentage Earned or Obligated
Revenues :								
Baltimore County	\$ 663,144,082	\$ 60,466,806	\$ 602,677,276	9.1%	\$ 668,495,342	\$ 64,612,975	\$ 603,882,367	9.7%
State of Maryland	510,629,794	167,215,510	343,414,284	32.7%	536,555,216	175,476,449	361,078,767	32.7%
Federal	13,195,238	276,328	12,918,910	2.1%	4,540,000	121,852	4,418,148	2.7%
Other	23,928,745	2,089,620	21,839,125	8.7%	17,152,039	742,192	16,409,847	4.3%
Total revenues	\$ 1,210,897,859	\$ 230,048,264	\$ 980,849,595	19.0%	\$ 1,226,742,597	\$ 240,953,468	\$ 985,789,129	19.6%
Expenditures and encumbrances :								
Administration								
salary	\$ 24,250,249	\$ 5,268,052	\$ 18,982,197	21.7%	\$ 25,390,430	\$ 5,954,369	\$ 19,436,061	23.5%
non-salary	9,917,141	6,208,193	3,708,948	62.6%	11,719,286	5,504,234	6,215,052	47.0%
subtotal	34,167,390	11,476,245	22,691,145	33.6%	37,109,716	11,458,604	25,651,112	30.9%
Midlevel administration								
salary	78,064,914	15,550,023	62,514,891	19.9%	78,643,410	17,581,477	61,061,933	22.4%
non-salary	8,645,754	3,487,387	5,158,367	40.3%	8,083,447	3,525,434	4,558,013	43.6%
subtotal	86,710,668	19,037,410	67,673,258	22.0%	86,726,857	21,106,911	65,619,946	24.3%
Instruction:								
Instructional salaries	460,783,852	44,974,057	415,809,795	9.8%	451,549,352	62,396,064	389,153,288	13.8%
Instructional textbooks	24,138,239	9,894,724	14,243,515	41.0%	20,977,566	7,290,137	13,687,429	34.8%
Other instructional costs	7,990,663	3,581,135	4,409,528	44.8%	8,292,418	3,827,189	4,465,229	46.2%
Special education								
salary	106,422,774	13,138,991	93,283,783	12.3%	113,758,611	17,233,527	96,525,084	15.1%
non-salary	41,390,644	24,037,514	17,353,130	58.1%	41,470,784	39,131,053	2,339,731	94.4%
subtotal	147,813,418	37,176,505	110,636,913	25.2%	155,229,395	56,364,579	98,864,816	36.3%
Student personnel								
salary	8,219,068	1,428,560	6,790,508	17.4%	8,388,579	1,713,514	6,675,065	20.4%
non-salary	204,988	20,478	184,510	10.0%	171,111	10,839	160,272	6.3%
subtotal	8,424,056	1,449,038	6,975,018	17.2%	8,559,690	1,724,352	6,835,338	20.1%
Health services								
salary	13,454,771	1,308,087	12,146,684	9.7%	13,417,920	1,922,143	11,495,777	14.3%
non-salary	490,734	301,835	188,899	61.5%	467,818	319,108	148,710	68.2%
subtotal	13,945,505	1,609,922	12,335,583	11.5%	13,885,738	2,241,252	11,644,486	16.1%
Transportation								
salary	32,611,223	3,828,983	28,782,240	11.7%	33,303,850	3,633,585	29,670,265	10.9%
non-salary	23,740,483	20,346,659	3,393,824	85.7%	24,965,967	22,877,250	2,088,717	91.6%
subtotal	56,351,706	24,175,642	32,176,064	42.9%	58,269,817	26,510,835	31,758,982	45.5%
Operation of plant								
salary	40,184,939	8,347,000	31,837,939	20.8%	41,374,772	8,630,237	32,744,535	20.9%
non-salary	48,141,494	39,028,578	9,112,916	81.1%	46,215,315	37,291,553	8,923,762	80.7%
subtotal	88,326,433	47,375,578	40,950,855	53.6%	87,590,087	45,921,790	41,668,297	52.4%
Maintenance of plant								
salary	12,130,658	2,624,751	9,505,907	21.6%	11,928,626	2,742,256	9,186,370	23.0%
non-salary	16,215,212	12,283,831	3,931,381	75.8%	15,772,840	12,888,189	2,884,651	81.7%
subtotal	28,345,870	14,908,582	13,437,288	52.6%	27,701,466	15,630,445	12,071,021	56.4%
Fixed charges								
non-salary	250,673,876	33,297,118	217,376,758	13.3%	267,632,772	38,426,202	229,206,570	14.4%
Capital outlay								
salary	2,793,518	607,292	2,186,226	21.7%	2,820,491	651,683	2,168,808	23.1%
non-salary	432,665	210,007	222,658	48.5%	397,232	324,715	72,517	81.7%
subtotal	3,226,183	817,299	2,408,884	25.3%	3,217,723	976,398	2,241,325	30.3%
Total Salary	\$ 778,915,966	\$ 97,075,798	\$ 681,840,168	12.5%	\$ 780,576,041	\$ 122,458,855	\$ 658,117,186	15.7%
Total Non-Salary	431,981,893	152,697,459	279,284,434	35.3%	446,166,556	171,415,903	274,750,653	38.4%
Total expenditures and encumbrances	\$ 1,210,897,859	\$ 249,773,257	\$ 961,124,602	20.6%	\$ 1,226,742,597	\$ 293,874,758	\$ 932,867,839	24.0%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, October 22, 2011