

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: January 24, 2012

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

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

ORIGINATOR: Renee A. Foose, Deputy Superintendent

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

INFORMATION

Attached is the general fund *Comparison of FY2011 and FY2012 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended November 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 November 30, 2010 and 2011. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

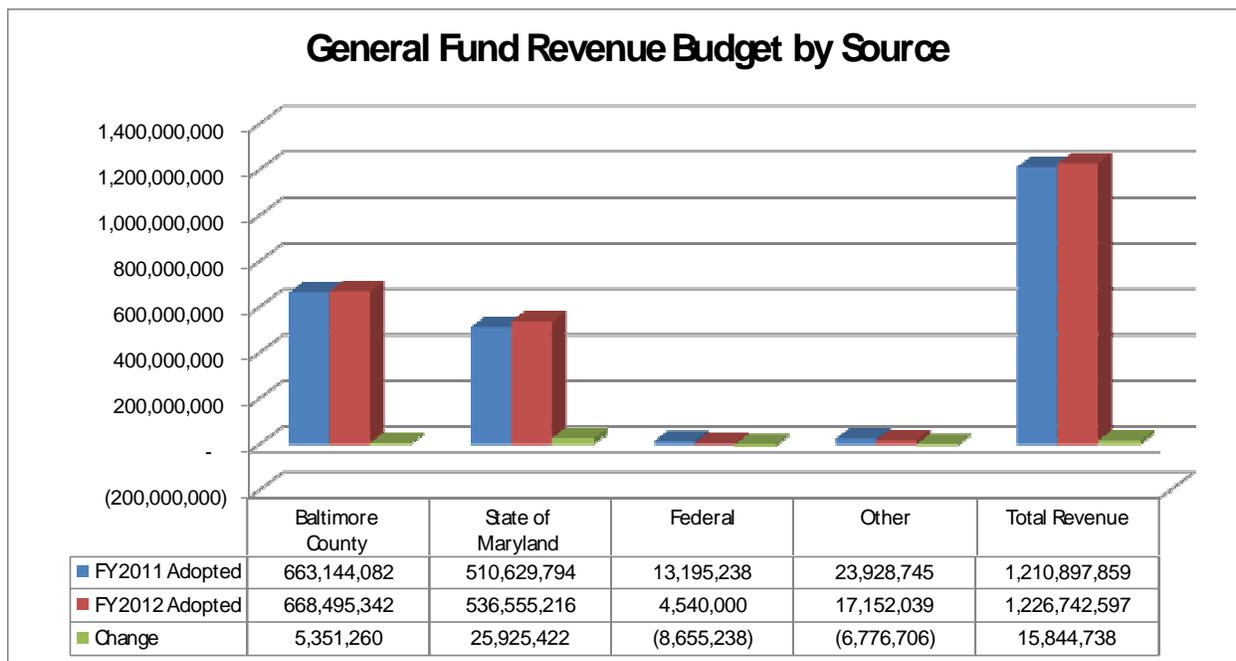


Figure 1

Year-to-Date Comparison

- Baltimore County** – The FY2012 county appropriation increased \$5.3 million, a 0.7% 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 \$199.1 million, 29.8% of the budget, as compared to \$212.8 million, 32.1% 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 November 2011, three 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.

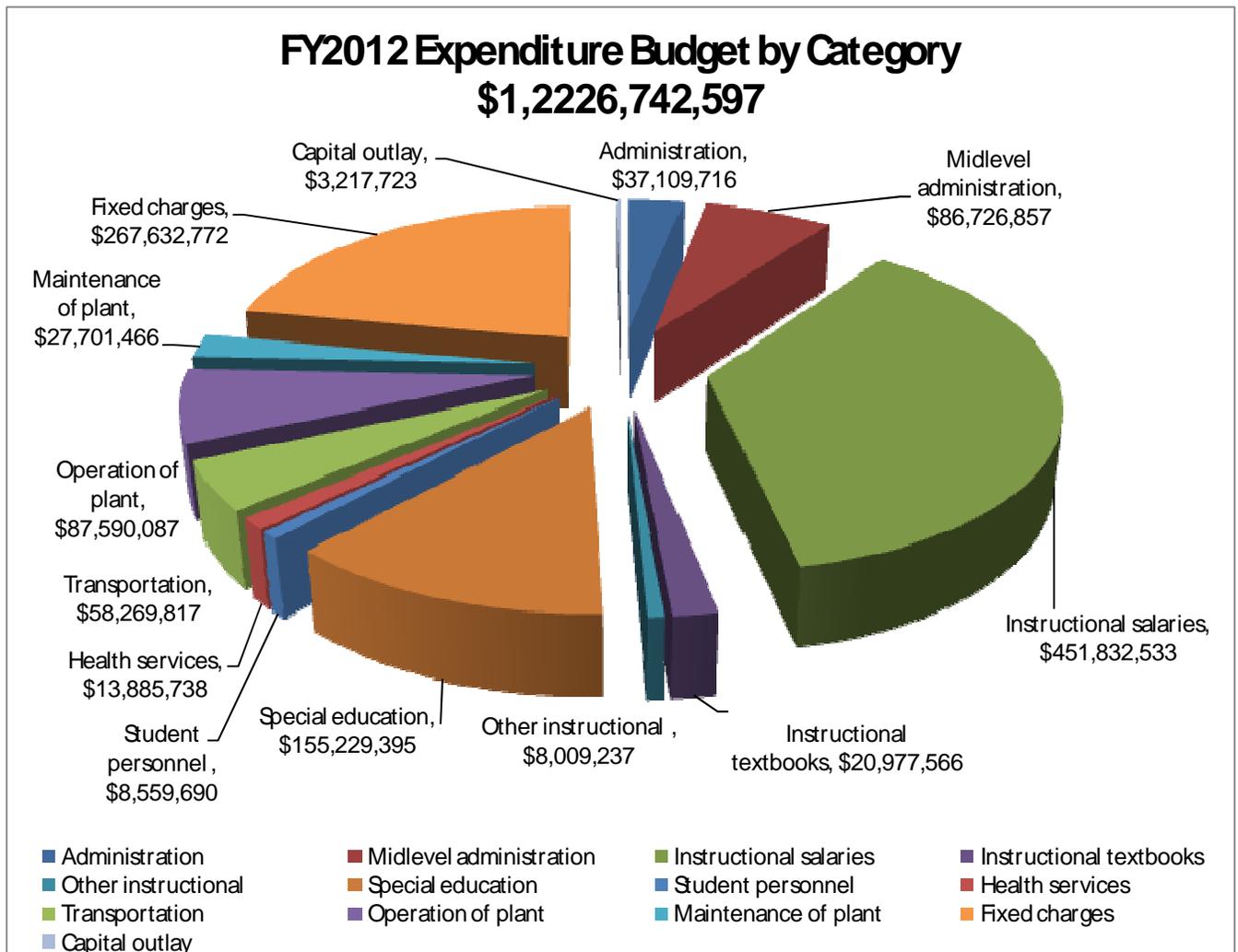


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through November 2011 are \$492.7 million, 40.2% obligated, compared to \$485.5 million, 40.1% obligated, for the same period in FY2011. 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 37.6% 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 31.8% 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 \$1.7 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 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 \$2.1 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 \$714,000 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 \$1.9 million decrease in the budget for operation of plant, primarily related to an expected decrease in the cost of utilities.

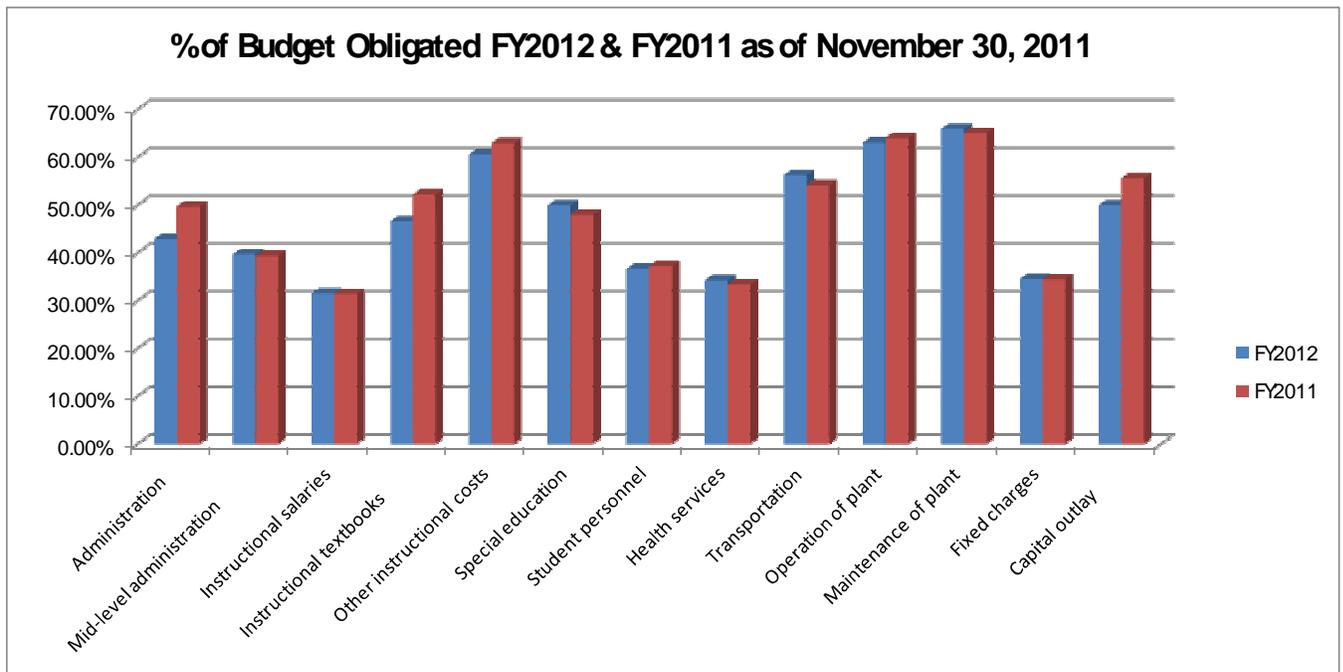


Figure 3

- Administration and Midlevel Administration** – The budget for nonsalary administration expenditures increased \$2.1 million, or 21%, 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 \$714,000, or 8.3% 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 approximately \$1.1 million 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 \$9.0 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, \$4.9 million, 60.6% of the FY2012 budgeted funds, have been committed. In the prior year, \$5 million, 62.9%, 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 FY2012 salary budget increased by \$7.3 million, 6.9% 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 \$41.5 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 contractual related services in order to provide additional therapeutic services to special education students throughout the school system. To date, all of the funds for nonpublic placement have been committed, compared with \$31.4 million committed in November 2010. This change is due to the early encumbrance of projected services.
- ***Student Personnel and Health Services*** – Year-to-date FY2012 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 \$1.2 million, which is primarily attributable to an expected increase in school bus replacements and diesel fuel costs. As of November 2011, \$23.4 million, 93.5% of the nonsalary budget, has been committed compared to \$20.7 million, 87.2% expended, at November 2010. The increase of \$2.6 million in nonsalary expenditures over the prior year is attributable to the increase in encumbrances for diesel fuel and for additional bus purchases to replace units that the system is required to take out of service based upon state regulations.

- ***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 November 2011, 87.3% of the nonsalary budget has been committed, which is comparable to November 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 2.8% over the prior year. Year-to-date nonsalary expenditures and encumbrances are \$13.5 million, 85.8% of the budgeted amount, as compared with \$13.8 million, or 84.9%, in the prior fiscal year. Capital outlay nonsalary expenditures are over the amount budgeted at November 2011. The increase in expenditures over those budgeted is the result of contractual services required because of earthquake damage at a number of schools. It is expected that these costs will be covered by insurance proceeds.
- ***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.

Baltimore County Public Schools
Comparison of FY 2011 and FY 2012 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended November, 2010 and 2011
General Fund

		FY2011				FY2012			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 11/30/10	Budget as of 11/30/10	Earned or Obligated	Budget	Rev/Exp/Enc. as of 11/30/11	Budget as of 11/30/11	Earned or Obligated
Revenues :									
Baltimore County		\$ 663,144,082	\$ 212,797,274	\$ 450,346,808	32.1%	\$ 668,495,342	\$ 199,061,659	\$ 469,433,683	29.8%
State of Maryland		510,629,794	250,520,045	260,109,749	49.1%	536,555,216	263,260,372	273,294,844	49.1%
Federal		13,195,238	3,125,398	10,069,840	23.7%	4,540,000	329,800	4,210,200	7.3%
Other		23,928,745	19,130,400	4,798,345	79.9%	17,152,039	11,530,279	5,621,760	67.2%
Total Revenues		\$ 1,210,897,859	\$ 485,573,117	\$ 725,324,742	40.1%	\$ 1,226,742,597	\$ 474,182,110	\$ 752,560,487	38.7%
Expenditures and Encumbrances :									
Administration	salary	\$ 24,251,557	\$ 9,788,970	\$ 14,462,587	40.4%	\$ 25,079,503	\$ 9,810,899	\$ 15,268,604	39.1%
	non-salary	9,915,833	7,171,476	2,744,357	72.3%	12,030,213	6,103,703	5,926,510	50.7%
	subtotal	34,167,390	16,960,446	17,206,944	49.6%	37,109,716	15,914,602	21,195,114	42.9%
Mid-level administration	salary	78,069,914	29,514,111	48,555,803	37.8%	78,799,778	29,732,462	49,067,316	37.7%
	non-salary	8,640,754	4,615,681	4,025,073	53.4%	7,927,079	4,680,439	3,246,640	59.0%
	subtotal	86,710,668	34,129,791	52,580,877	39.4%	86,726,857	34,412,902	52,313,955	39.7%
Instruction:									
Instructional salaries	salary	460,783,852	144,600,364	316,183,488	31.4%	451,832,533	142,269,247	309,563,286	31.5%
Instructional textbooks	non-salary	24,138,239	12,594,937	11,543,302	52.2%	20,977,566	9,766,460	11,211,106	46.6%
Other instructional costs	non-salary	7,990,663	5,026,078	2,964,585	62.9%	8,009,237	4,854,808	3,154,429	60.6%
Special education	salary	106,422,774	36,657,983	69,764,792	34.4%	113,758,611	38,049,421	75,709,190	33.4%
	non-salary	41,390,644	34,227,848	7,162,796	82.7%	41,470,784	39,422,816	2,047,968	95.1%
	subtotal	147,813,418	70,885,831	76,927,587	48.0%	155,229,395	77,472,237	77,757,158	49.9%
Student personnel	salary	8,219,068	3,081,414	5,137,654	37.5%	8,388,579	3,092,896	5,295,683	36.9%
	non-salary	204,988	49,242	155,746	24.0%	171,111	43,408	127,703	25.4%
	subtotal	8,424,056	3,130,656	5,293,400	37.2%	8,559,690	3,136,304	5,423,386	36.6%
Health services	salary	13,502,240	4,301,257	9,200,983	31.9%	13,417,920	4,408,463	9,009,457	32.9%
	non-salary	443,265	351,389	91,876	79.3%	467,818	349,305	118,513	74.7%
	subtotal	13,945,505	4,652,646	9,292,859	33.4%	13,885,738	4,757,767	9,127,971	34.3%
Transportation	salary	32,611,223	9,820,382	22,790,841	30.1%	33,290,193	9,410,797	23,879,396	28.3%
	non-salary	23,740,483	20,693,131	3,047,352	87.2%	24,979,624	23,352,512	1,627,112	93.5%
	subtotal	56,351,706	30,513,513	25,838,193	54.1%	58,269,817	32,763,309	25,506,508	56.2%
Operation of plant	salary	40,184,939	14,619,819	25,565,120	36.4%	41,374,772	14,820,148	26,554,624	35.8%
	non-salary	48,141,494	41,866,462	6,275,032	87.0%	46,215,315	40,332,888	5,882,427	87.3%
	subtotal	88,326,433	56,486,281	31,840,152	64.0%	87,590,087	55,153,036	32,437,051	63.0%
Maintenance of plant	salary	12,130,658	4,674,037	7,456,621	38.5%	11,942,283	4,735,912	7,206,371	39.7%
	non-salary	16,215,212	13,767,756	2,447,456	84.9%	15,759,183	13,516,036	2,243,147	85.8%
	subtotal	28,345,870	18,441,794	9,904,076	65.1%	27,701,466	18,251,948	9,449,518	65.9%
Fixed charges	non-salary	250,673,876	86,306,399	164,367,477	34.4%	267,632,772	92,369,144	175,263,628	34.5%
Capital outlay	salary	2,793,518	1,077,126	1,716,392	38.6%	2,820,491	1,077,007	1,743,484	38.2%
	non-salary	432,665	715,647	(282,982)	165.4%	397,232	529,180	(131,948)	133.2%
	subtotal	3,226,183	1,792,773	1,433,410	55.6%	3,217,723	1,606,187	1,611,536	49.9%
Total Salary		\$ 778,969,743	\$ 258,135,463	\$ 520,834,280	33.1%	\$ 780,704,663	\$ 257,407,253	\$ 523,297,410	33.0%
Total Non-Salary		431,928,116	227,386,046	204,542,070	52.6%	446,037,934	235,320,698	210,717,236	52.8%
Total Expenditures and Encumbrances		\$ 1,210,897,859	\$ 485,521,509	\$ 725,376,350	40.1%	\$ 1,226,742,597	\$ 492,727,951	\$ 734,014,646	40.2%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, December 12, 2011