

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: April 17, 2012

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
FEBRUARY 2011 AND 2012**

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 February 2011 and 2012.

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 February 2011 and 2012. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

General Fund Revenue Budget by Source

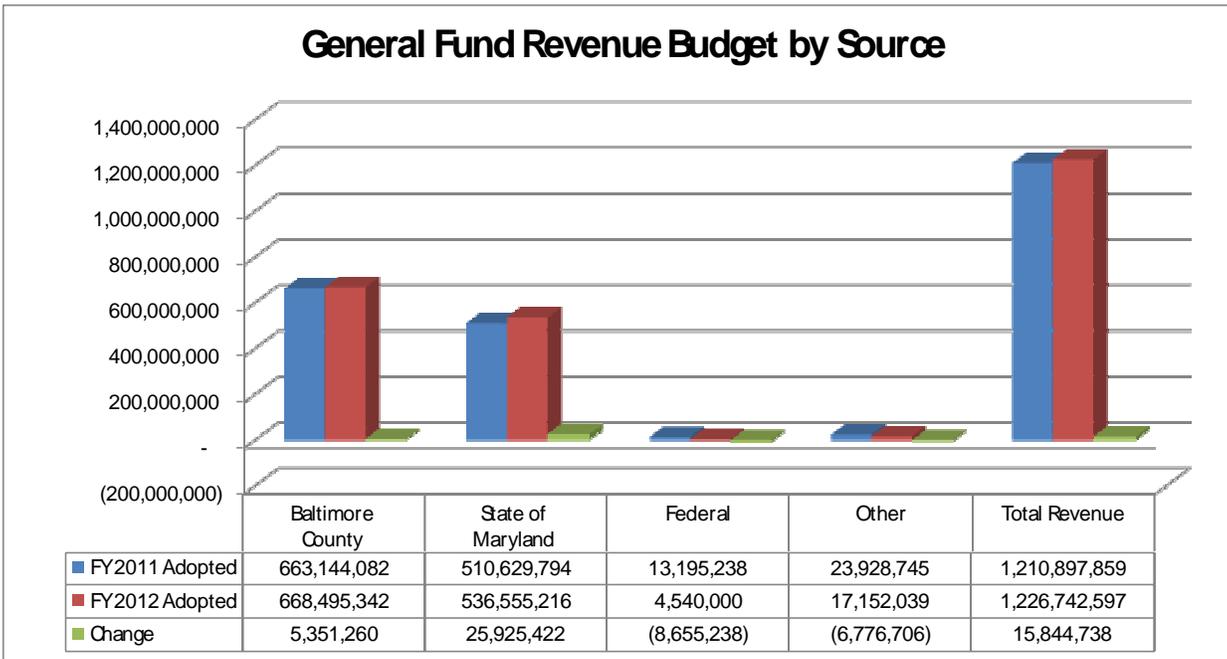


Figure 1

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 \$344.5 million, 51.5% of the budget, as compared to \$367.2 million, 55.4% of the budget for FY2011. The decrease in county funds received at February 29, 2012, over that of 2011 was based upon timing of cash requirements for payroll.
- 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 February 2012, four 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 received its current year share of federal stimulus funds under the Education Jobs Fund Bill, approximately \$3.8 million, all of which was used to support employee health care costs. These funds 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.

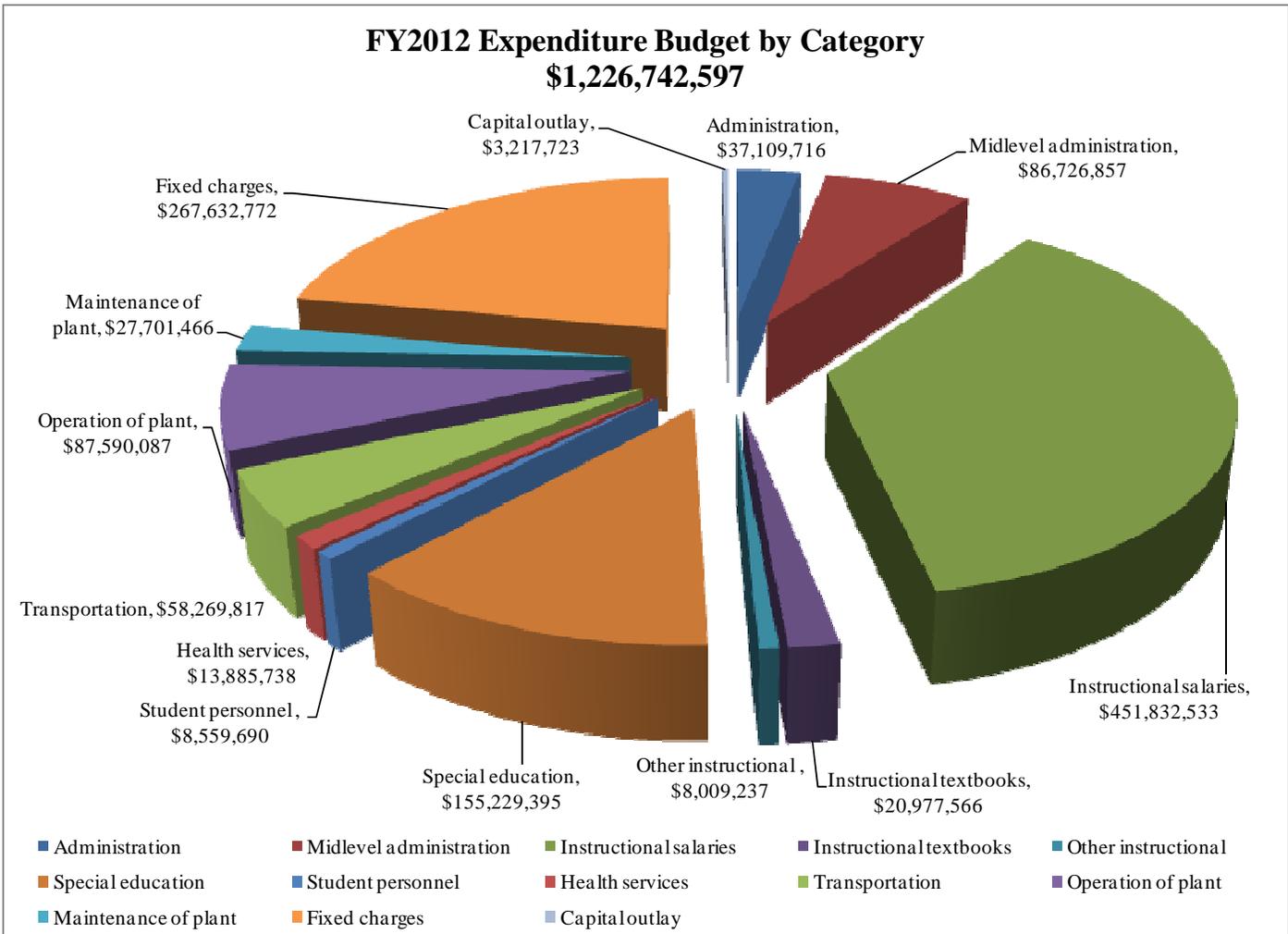


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through February 2012 are \$796.1 million, 64.9% obligated, compared to \$779.2 million, 64.3% 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 62.6% 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 58.6% 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.

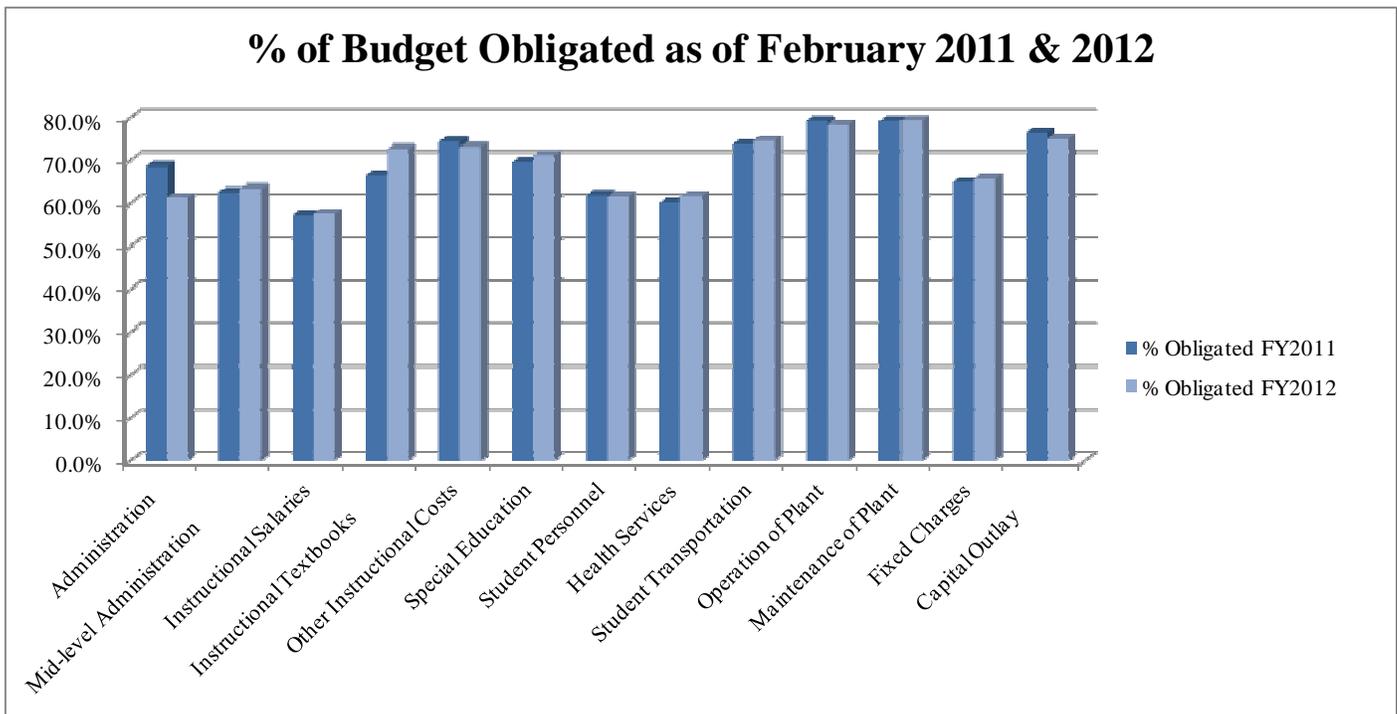


Figure 3

- 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 \$ 770,000 in year-to-date nonsalary 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, \$5.9 million, 73.3% of the FY2012 budgeted funds, have been committed. In the prior year, \$5.9 million, 74.5%, 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 \$30.5 million committed in February 2011. 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 February 2012, \$24 million, 96.3% of the nonsalary budget, has been committed, compared to \$21.7 million, 91.3% expended at February 2011. The increase of approximately \$2.3 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 February 2012, 92.6% of the nonsalary budget has been committed, compared to 92.5% committed at February 2011. The decrease in expenditures over the prior year results primarily from certain anticipated costs, i.e., heating oil and

related type expenditures that have not been fully encumbered as of February 2012; whereas, anticipated costs for these items were fully encumbered in the prior year.

- ***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 \$13.9 million, 88.4% of the budgeted amount, as compared with \$14.3 million, or 88%, in the prior fiscal year. Capital outlay nonsalary expenditures are over the amount budgeted at February 2012. 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.

Comparison of FY 2011 and FY 2012 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended February, 2011 and 2012
General Fund

| | | FY 2011 | | | | FY 2012 | | | |
|--------------------------------------|------------|------------------|----------------|----------------|------------|------------------|----------------|----------------|------------|
| | | Adjusted | Total | Remaining | Percentage | Adopted | Total | Remaining | Percentage |
| | | Budget | Rev/Exp/Enc. | Budget | Earned or | Budget | Rev/Exp/Enc. | Budget | Earned or |
| | | | as of 02/28/11 | as of 02/28/11 | Obligated | | as of 02/29/12 | as of 02/29/12 | Obligated |
| Revenues | | | | | | | | | |
| Baltimore County | | \$ 663,144,082 | \$ 367,242,975 | \$ 295,901,107 | 55.4% | \$ 668,495,342 | \$ 344,471,745 | \$ 324,023,597 | 51.5% |
| State of Maryland | | 510,629,794 | 325,066,774 | 185,563,020 | 63.7% | 536,555,216 | 353,443,271 | 183,111,945 | 65.9% |
| Federal | | 13,195,238 | 5,962,976 | 7,232,262 | 45.2% | 4,540,000 | 4,448,682 | 91,318 | 98.0% |
| Other | | 23,928,745 | 19,564,554 | 4,364,191 | 81.8% | 17,152,039 | 12,215,263 | 4,936,776 | 71.2% |
| Total revenues | | \$ 1,210,897,859 | \$ 717,837,279 | \$ 493,060,580 | 59.3% | \$ 1,226,742,597 | \$ 714,578,961 | \$ 512,163,636 | 58.3% |
| Expenditures and encumbrances | | | | | | | | | |
| Administration | salary | \$ 24,251,557 | \$ 15,717,919 | \$ 8,533,638 | 64.8% | 25,079,503 | \$ 15,784,257 | \$ 9,295,246 | 62.9% |
| | non-salary | 9,915,833 | 7,750,004 | 2,165,829 | 78.2% | 12,030,213 | 6,979,614 | 5,050,599 | 58.0% |
| | subtotal | 34,167,390 | 23,467,923 | 10,699,467 | 68.7% | 37,109,716 | 22,763,871 | 14,345,845 | 61.3% |
| Mid-level administration | salary | 78,039,971 | 48,345,403 | 29,694,568 | 61.9% | 78,799,778 | 48,832,404 | 29,967,374 | 62.0% |
| | non-salary | 8,670,697 | 5,951,174 | 2,719,523 | 68.6% | 7,927,079 | 6,180,926 | 1,746,153 | 78.0% |
| | subtotal | 86,710,668 | 54,296,577 | 32,414,091 | 62.6% | 86,726,857 | 55,013,330 | 31,713,527 | 63.4% |
| Instruction: | | | | | | | | | |
| Instructional salaries | salary | 460,783,852 | 263,716,750 | 197,067,102 | 57.2% | 451,832,533 | 260,365,120 | 191,467,413 | 57.6% |
| Instructional textbooks | non-salary | 24,138,239 | 16,082,176 | 8,056,063 | 66.6% | 20,977,566 | 15,248,040 | 5,729,526 | 72.7% |
| Other instructional costs | non-salary | 7,990,663 | 5,949,223 | 2,041,440 | 74.5% | 8,009,237 | 5,866,809 | 2,142,428 | 73.3% |
| Special education | salary | 106,418,311 | 67,154,199 | 39,264,112 | 63.1% | 113,758,611 | 70,389,036 | 43,369,575 | 61.9% |
| | non-salary | 41,395,107 | 35,760,444 | 5,634,663 | 86.4% | 41,470,784 | 40,161,804 | 1,308,980 | 96.8% |
| | subtotal | 147,813,418 | 102,914,643 | 44,898,775 | 69.6% | 155,229,395 | 110,550,840 | 44,678,555 | 71.2% |
| Student personnel | salary | 8,219,068 | 5,143,669 | 3,075,399 | 62.6% | 8,388,579 | 5,203,060 | 3,185,519 | 62.0% |
| | non-salary | 204,988 | 70,919 | 134,069 | 34.6% | 171,111 | 74,335 | 96,776 | 43.4% |
| | subtotal | 8,424,056 | 5,214,588 | 3,209,468 | 61.9% | 8,559,690 | 5,277,395 | 3,282,295 | 61.7% |
| Health services | salary | 13,502,240 | 7,947,687 | 5,554,553 | 58.9% | 13,417,920 | 8,177,038 | 5,240,882 | 60.9% |
| | non-salary | 443,265 | 435,369 | 7,896 | 98.2% | 467,818 | 397,041 | 70,777 | 84.9% |
| | subtotal | 13,945,505 | 8,383,056 | 5,562,449 | 60.1% | 13,885,738 | 8,574,079 | 5,311,659 | 61.7% |
| Student transportation | salary | 32,611,223 | 19,872,133 | 12,739,090 | 60.9% | 33,290,193 | 19,474,576 | 13,815,617 | 58.5% |
| | non-salary | 23,740,483 | 21,682,625 | 2,057,858 | 91.3% | 24,979,624 | 24,045,411 | 934,213 | 96.3% |
| | subtotal | 56,351,706 | 41,554,758 | 14,796,948 | 73.7% | 58,269,817 | 43,519,987 | 14,749,830 | 74.7% |
| Operation of plant | salary | 40,184,939 | 25,380,909 | 14,804,030 | 63.2% | 41,374,772 | 25,772,491 | 15,602,281 | 62.3% |
| | non-salary | 48,141,494 | 44,533,081 | 3,608,413 | 92.5% | 46,215,315 | 42,782,123 | 3,433,192 | 92.6% |
| | subtotal | 88,326,433 | 69,913,990 | 18,412,443 | 79.2% | 87,590,087 | 68,554,614 | 19,035,473 | 78.3% |
| Maintenance of plant | salary | 12,130,658 | 8,165,653 | 3,965,005 | 67.3% | 11,942,283 | 8,042,350 | 3,899,933 | 67.3% |
| | non-salary | 16,215,212 | 14,272,951 | 1,942,261 | 88.0% | 15,759,183 | 13,924,171 | 1,835,012 | 88.4% |
| | subtotal | 28,345,870 | 22,438,604 | 5,907,266 | 79.2% | 27,701,466 | 21,966,521 | 5,734,945 | 79.3% |
| Fixed charges | non-salary | 250,673,876 | 162,759,001 | 87,914,875 | 64.9% | 267,632,772 | 176,011,723 | 91,621,049 | 65.8% |
| Capital outlay | salary | 2,793,518 | 1,736,200 | 1,057,318 | 62.2% | 2,820,491 | 1,758,440 | 1,062,051 | 62.3% |
| | non-salary | 432,665 | 735,311 | (302,646) | 169.9% | 397,232 | 655,981 | (258,749) | 165.1% |
| | subtotal | 3,226,183 | 2,471,511 | 754,672 | 76.6% | 3,217,723 | 2,414,421 | 803,302 | 75.0% |
| Total Salary | | 778,935,337 | 463,180,522 | 315,754,815 | 59.5% | 780,704,663 | 463,798,772 | 316,905,891 | 59.4% |
| Total Non-Salary | | 431,962,522 | 315,982,279 | 115,980,243 | 73.2% | 446,037,934 | 332,327,977 | 113,709,957 | 74.5% |
| Total expenditures and encumbrances | | \$ 1,210,897,859 | \$ 779,162,801 | \$ 431,735,058 | 64.3% | \$ 1,226,742,597 | \$ 796,126,749 | \$ 430,615,848 | 64.9% |

Figure 4

Prepared by: Office of Accounting and Financial Reporting, March 12, 2012