

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: June 12, 2012

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

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

ORIGINATOR: Renee A. Foose, Deputy Superintendent

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

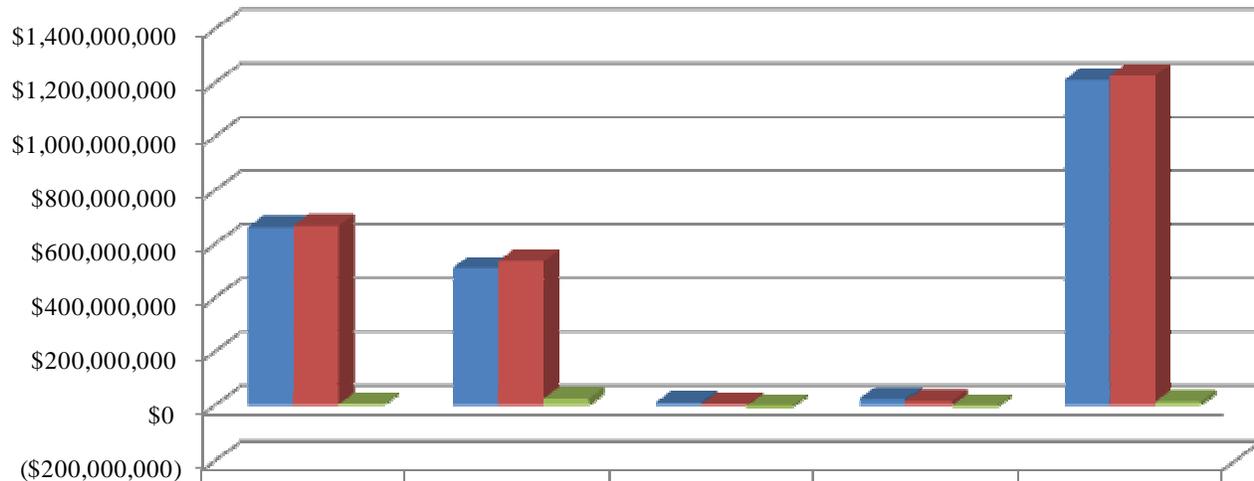
INFORMATION

Attached is the general fund *Comparison of FY2011 and FY2012 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended April 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 April 2011 and 2012. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

General Fund Revenue Budget by Source



	Baltimore County	State of Maryland	Federal	Other	Total Revenue
FY 2011 Adjusted	\$663,144,082	\$510,629,794	\$13,195,238	\$24,404,720	\$1,211,373,834
FY 2012 Adopted	668,495,342	536,555,216	4,540,000	17,152,039	1,226,742,597
Change	5,351,260	25,925,422	(8,655,238)	(7,252,681)	15,368,763

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 \$510.5 million, 76.4% of the budget, as compared to \$522 million, 78.7% of the budget for FY2011. The decrease in county funds received at April 30, 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 April 2012, five 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.

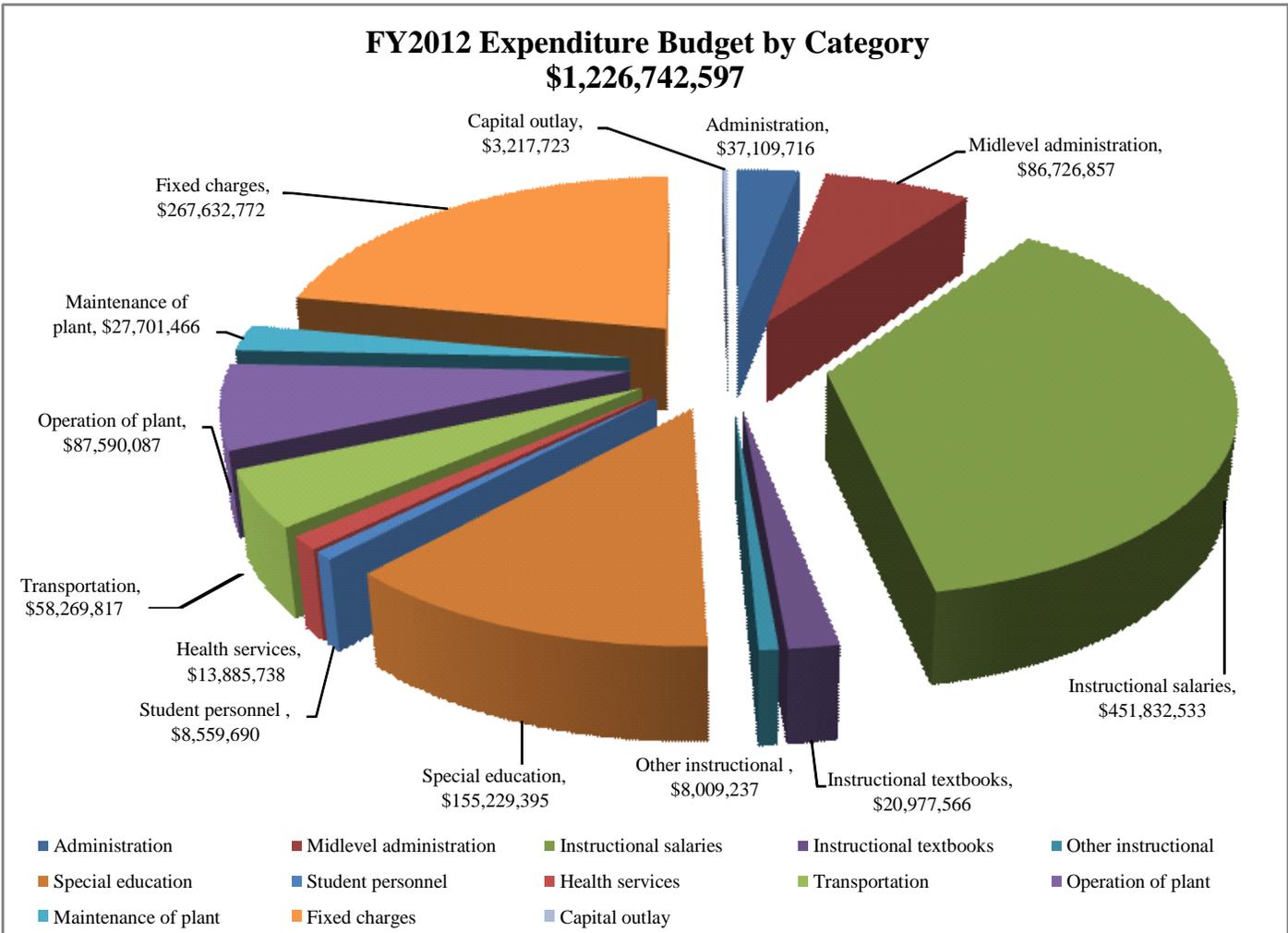


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through April 2012 are \$1.028 billion, 83.8% obligated, compared to \$1.009 billion, 83.3% 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 79.8% 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 80.4% 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.

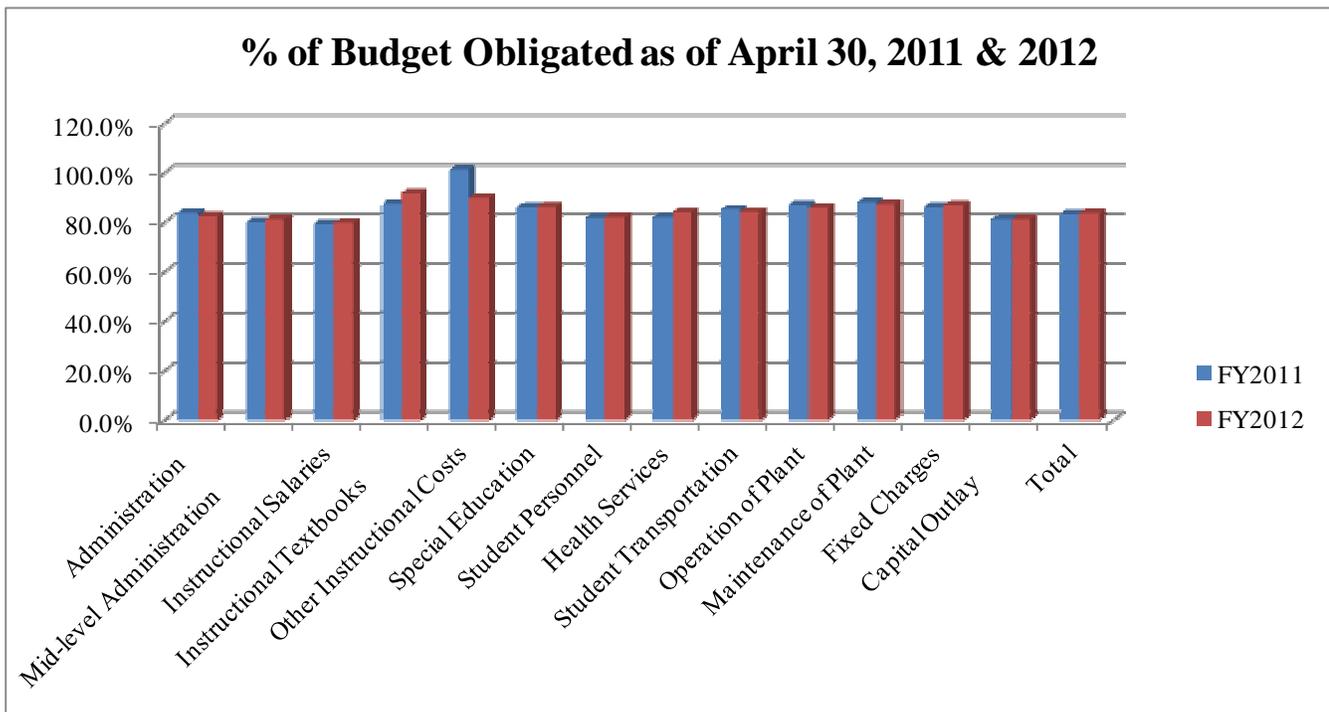


Figure 3

- 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 \$601,000, or 7%, from the prior year’s budget. This decrease results primarily from a 5% decrease in the school and office budgets for the year. The increase of approximately \$1.9 million in year-to-date nonsalary expenditures in administration over the expenditures of the prior year is the result primarily of the timing of the encumbrances for software license fees 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, \$7.2 million, 90.3% of the FY2012 budgeted funds, have been committed. It is expected that the remaining funds will be utilized by year end. In the prior year, the budget was overcommitted at the end of April, but was subsequently funded by an approved budget appropriation transfer.
- ***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, \$34.9 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, substantially all of the funds for nonpublic placement have been committed, compared with \$30.8 million committed in April 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 April 2012, \$24.1 million, 96.4% of the nonsalary budget, has been committed compared to \$22.4 million, 94.3%, expended at April 2011. The increase of approximately \$1.7 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 April 2012, 94.2% of the nonsalary budget has been committed, compared to 94.6% committed at April 2011.

- ***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 \$14.3 million, 90.6% of the budgeted amount, as compared with \$14.8 million, or 91.3%, in the prior fiscal year. Capital outlay nonsalary expenditures at April 2012 are comparable with the percent of the budget expended in the prior year.
- ***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 April 30, 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 04/30/11	as of 04/30/11	Obligated		as of 04/30/12	as of 04/30/12	Obligated
Revenues									
Baltimore County		\$ 663,144,082	\$ 521,973,443	\$ 141,170,639	78.7%	\$ 668,495,342	\$ 510,478,469	\$ 158,016,873	76.4%
State of Maryland		510,629,794	404,780,801	105,848,993	79.3%	536,555,216	439,817,888	96,737,328	82.0%
Federal		13,195,238	25,147,453	(11,952,215)	190.6%	4,540,000	4,706,044	(166,044)	103.7%
Other		24,404,720	19,764,646	4,640,074	81.0%	17,152,039	12,317,549	4,834,490	71.8%
Total revenues		\$ 1,211,373,834	\$ 971,666,343	\$ 239,707,491	80.2%	\$ 1,226,742,597	\$ 967,319,950	\$ 259,422,647	78.9%
Expenditures and encumbrances									
Administration	salary	\$ 24,251,557	\$ 20,251,440	\$ 4,000,117	83.5%	\$ 25,079,503	\$ 20,282,125	\$ 4,797,378	80.9%
	non-salary	9,915,833	8,451,862	1,463,971	85.2%	12,030,213	10,315,098	1,715,115	85.7%
	subtotal	34,167,390	28,703,302	5,464,088	84.0%	37,109,716	30,597,223	6,512,493	82.5%
Mid-level administration	salary	78,182,571	62,338,094	15,844,477	79.7%	78,799,778	63,062,980	15,736,798	80.0%
	non-salary	8,528,097	7,142,084	1,386,013	83.7%	7,927,079	7,443,294	483,785	93.9%
	subtotal	86,710,668	69,480,178	17,230,490	80.1%	86,726,857	70,506,274	16,220,583	81.3%
Instruction:									
Instructional salaries	salary	460,783,852	365,015,055	95,768,797	79.2%	451,832,533	360,996,570	90,835,963	79.9%
Instructional textbooks	non-salary	24,158,439	21,235,610	2,922,829	87.9%	20,977,566	19,332,725	1,644,841	92.2%
Other instructional costs	non-salary	7,990,663	8,101,341	(110,678)	101.4%	8,009,237	7,232,862	776,375	90.3%
Special education	salary	106,418,311	90,757,730	15,660,581	85.3%	113,758,611	94,549,725	19,208,886	83.1%
	non-salary	41,395,107	37,061,512	4,333,595	89.5%	41,470,784	40,207,636	1,263,148	97.0%
	subtotal	147,813,418	127,819,242	19,994,176	86.5%	155,229,395	134,757,361	20,472,034	86.8%
Student personnel	salary	8,219,068	6,805,651	1,413,417	82.8%	8,388,579	6,888,202	1,500,377	82.1%
	non-salary	204,988	96,089	108,899	46.9%	171,111	145,219	25,892	84.9%
	subtotal	8,424,056	6,901,740	1,522,316	81.9%	8,559,690	7,033,421	1,526,269	82.2%
Health services	salary	13,502,240	10,942,361	2,559,879	81.0%	13,417,920	11,244,210	2,173,710	83.8%
	non-salary	443,265	499,072	(55,807)	112.6%	467,818	449,223	18,595	96.0%
	subtotal	13,945,505	11,441,433	2,504,072	82.0%	13,885,738	11,693,433	2,192,305	84.2%
Student transportation	salary	32,611,223	25,763,542	6,847,681	79.0%	33,290,193	25,107,241	8,182,952	75.4%
	non-salary	23,740,483	22,397,864	1,342,619	94.3%	24,979,624	24,075,132	904,492	96.4%
	subtotal	56,351,706	48,161,406	8,190,300	85.5%	58,269,817	49,182,373	9,087,444	84.4%
Operation of plant	salary	40,184,939	31,622,019	8,562,920	78.7%	41,374,772	32,121,851	9,252,921	77.6%
	non-salary	48,141,494	45,551,168	2,590,326	94.6%	46,215,315	43,536,790	2,678,525	94.2%
	subtotal	88,326,433	77,173,187	11,153,246	87.4%	87,590,087	75,658,641	11,931,446	86.4%
Maintenance of plant	salary	12,130,658	10,289,480	1,841,178	84.8%	11,942,283	10,005,016	1,937,267	83.8%
	non-salary	16,215,212	14,808,862	1,406,350	91.3%	15,759,183	14,278,431	1,480,752	90.6%
	subtotal	28,345,870	25,098,342	3,247,528	88.5%	27,701,466	24,283,447	3,418,019	87.7%
Fixed charges	non-salary	250,673,876	216,911,871	33,762,005	86.5%	267,632,772	233,732,737	33,900,035	87.3%
Capital outlay	salary	2,793,518	2,206,166	587,352	79.0%	2,820,491	2,258,703	561,788	80.1%
	non-salary	888,440	788,986	99,454	88.8%	397,232	354,645	42,587	89.3%
	subtotal	3,681,958	2,995,152	686,806	81.3%	3,217,723	2,613,348	604,375	81.2%
Total Salary		\$ 779,077,937	\$ 625,991,539	\$ 153,086,398	80.4%	\$ 780,704,663	\$ 626,516,622	\$ 154,188,041	80.3%
Total Non-Salary		432,295,897	383,046,320	49,249,577	88.6%	446,037,934	401,103,792	44,934,142	89.9%
Total expenditures and encumbrances		\$ 1,211,373,834	\$ 1,009,037,859	\$ 202,335,975	83.3%	\$ 1,226,742,597	\$ 1,027,620,414	\$ 199,122,183	83.8%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, May 10, 2012