

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: February 19, 2013

TO: **BOARD OF EDUCATION**

FROM: S. Dallas Dance, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
DECEMBER 31, 2011 AND 2012**

ORIGINATOR: Michael G. Sines, Chief Operations Officer

**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 FY2012 and FY2013 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended December 31, 2011 and 2012.

***General Fund Comparison of FY2012 and FY2013 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 FY2012 and FY2013 general fund revenue budget. Figure 2 provides an overview of the FY2013 general fund expenditure budget. Figure 3 compares the percent of the budget obligated as of December 31, 2011 and 2012. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

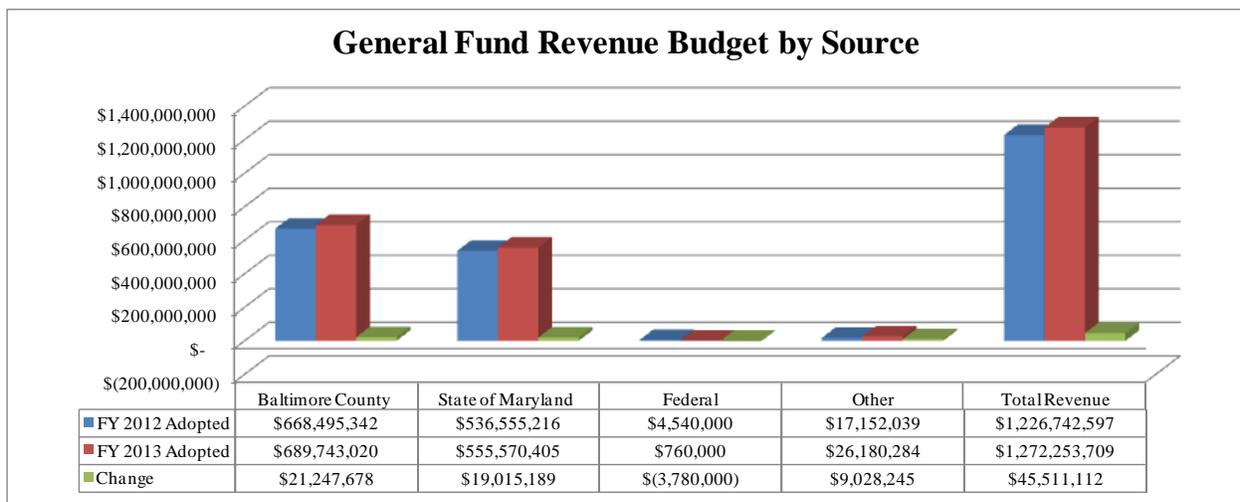


Figure 1

Year-to-Date Comparison

- Baltimore County** – The FY2013 county appropriation increased \$21.2 million, a 3.2% increase over the FY2012 budget. Increased enrollment resulted in \$5.4 million in additional funding for FY2013. Additionally, increased funding was also provided to support the new obligation of the Board to fund a portion of the Maryland State Teachers’ Retirement and Pension System employers’ pension contribution. County funds are drawn based on cash flow requirements. The year-to-date county revenue recognized is \$222.3 million, 32.2% of the budget, as compared to \$221 million, 33.1% of the budget for FY2012.
- State of Maryland** – The FY2013 state appropriation increased approximately \$19 million, 3.5% over the FY2012 budget. The increase in the budgeted revenue is a result of an overall increase over the prior year in aid to education. The majority of state funds are received bi-monthly in equal installments. As of December 2012, three of the state payments had been received.
- Federal** – The FY2013 federal budgeted revenue is significantly reduced because of the ending of the Education Jobs Fund Bill, a part of the American Recovery and Reinvestment Act. The school system received approximately \$4.1 million in funding from these stimulus funds in the prior year.
- 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 \$2.5 million and are generally collected at year end, tuitions, and sundry revenues. The budgeted revenue increased significantly over the prior year because of an \$8.4 million increase in the re-appropriated fund balance to approximately \$17.7 million from the \$9.2 million utilized in the prior year. The year-to-date revenue consists primarily of revenue from the re-appropriation of prior year balance of \$17.7 million, revenue from the ERATE program, tuition and other revenues.

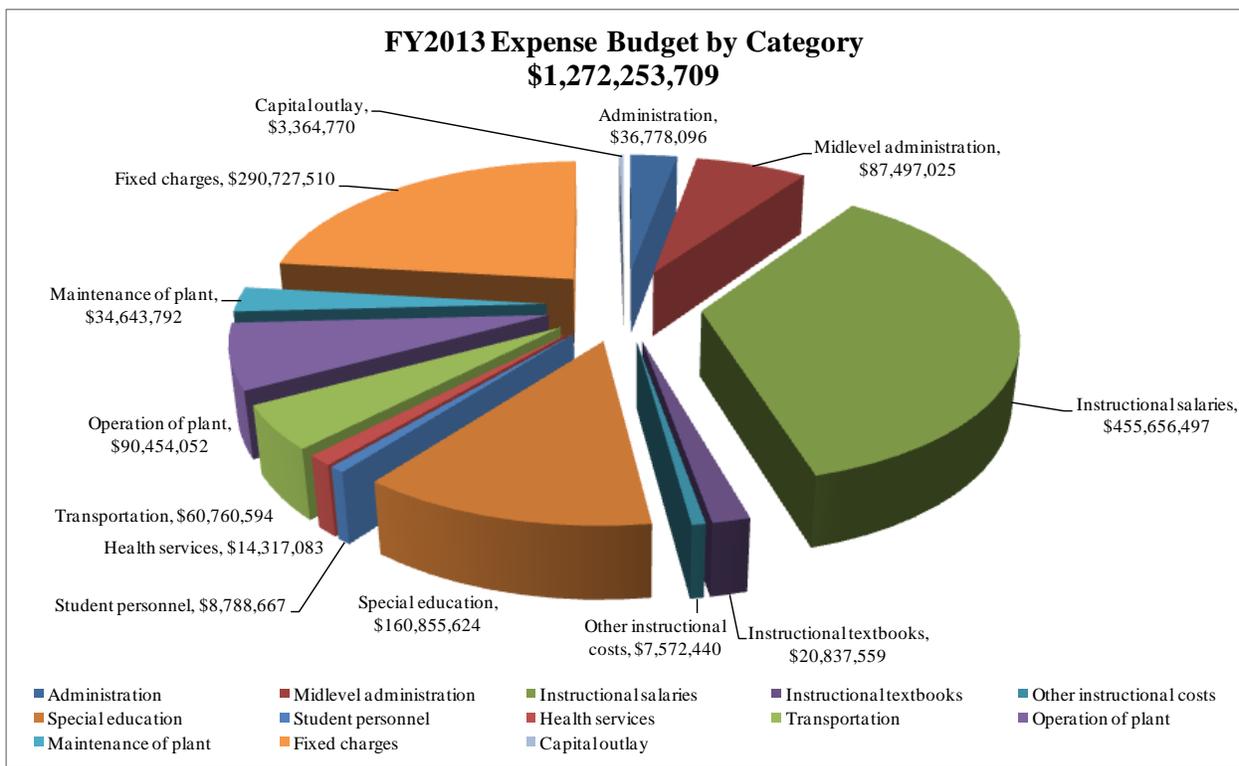


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through December 2012 are \$619.2 million, 48.7% obligated, compared to \$596.8 million, 48.6% obligated, for the same period in FY2012. The increase of \$23 million in expenditures over the prior year is a result primarily of an encumbrance of \$15.8 million for the contribution to the Maryland State Teachers’ Retirement and Pension System, which was not a required expenditure in prior years, and additional costs for health care and other fixed charges. 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 47.3% 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 41.5% of the budget, which is in line with the percentage of the school year that has elapsed.

Additionally, \$5.9 million was 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 reductions in non-classroom school staffing positions, decreases in projected overtime compensation, and other miscellaneous staffing strategies and program modifications.

The nonsalary expenditures are budgeted for an overall net increase of \$29.5 million, or 6.7% over the prior year. The changes in these expenditures are in a number of categories throughout the budget. The nonsalary budget for transportation was increased by \$1.1 million, a 4.4% increase, because of an expected increase for private bus operators and diesel fuel costs. An increase of \$23 million is budgeted for fixed charges, an 8.6% increase, because of the addition of \$15.8 million for the contribution to the teachers’ retirement and pension fund, and an increase of approximately \$8 million in the contribution to the retired employees health benefit costs (OPEB). The nonsalary budget for operation of plant was increased by \$1.2 million for projected increases in energy costs. Additionally, the nonsalary budget for

maintenance of plant was increased by approximately \$5.3 million primarily relating to \$5.2 million of additional funding for the Aging Schools Program.

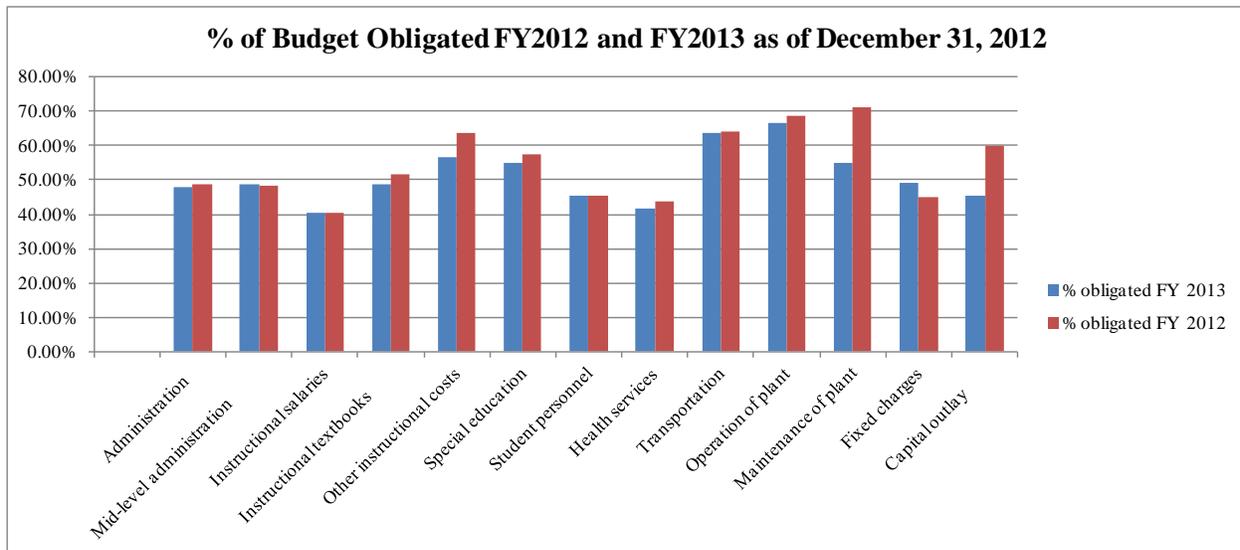


Figure 3

- Administration and Midlevel Administration** – The budget for nonsalary administration expenditures is essentially the same as the prior year. The decrease in nonsalary expenditures as compared to the prior year is attributed to a decrease in contracted services primarily relating to the human resource-payroll systems. Midlevel administration nonsalary expenditures are comparable to last year and in line with the budget.
- Instructional Salaries** – The budget for instructional salaries had a net increase of \$3.8 million in FY2013. The budget was 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 FY2013 budget for this category is essentially unchanged from the prior 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, \$4.3 million, 56.7% of the FY2013 budgeted funds, have been committed. In the prior year, \$5.1 million, 63.6%, 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 FY2013 salary budget increased by \$5.6 million, 4.9% over the prior year, which included funding for salary step increases and funding additional positions. Additionally, 82 instructional assistant positions, and 4.7 additional 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 FY2013 special education nonsalary budget of \$41.5 million, \$34.3 million (84%) is for

placement of children in nonpublic schools. To date, almost the entire nonpublic budget has been committed, which is comparable to the prior year.

- ***Student Personnel and Health Services*** – Year-to-date FY2013 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. The salary budget increased by \$1.4 million over the budget in the prior year. This increase is primarily for additional funding for salary restructuring and substitute drivers and bus attendants. 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 \$1.1 million, which is primarily attributable to an expected increase in cost for services provided by private bus contractors and diesel fuel costs. As of December 2012, 92.9% of the nonsalary budget has been committed, compared to 93.8% committed at December 2011.
- ***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 salary budget increased by \$1.7 million, 4% over the prior year. This increase is primarily for salary restructuring budgeted for school based custodians. The nonsalary expenditure budget for this category has increased \$1.1 million, a 2.6% increase over the prior year. This increase is primarily attributable to an anticipated increase in the cost of utilities. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$28 million. Other expenditures in this category include the cost of building rent, \$5.5 million; supplies and materials, \$2.4 million; trash removal, \$1.2 million; and other related expenditures. As of December 2012, 85% of the nonsalary budget has been committed, compared to 88.1% committed at December 2011.
- ***Maintenance of Plant and Capital Outlay*** – The maintenance category consists of activities related to the service and upkeep of building systems. The salary budget for this area increased by \$1.6 million, 13.7% over the prior year, due to salary restructuring and reallocation of projected turnover. The nonsalary expenditure budget for this category increased \$5.3 million, a significant portion of this increase is related to increase funding for the state Aging Schools Program. Year-to-date nonsalary expenditures and encumbrances for Maintenance of Plant are \$13.4 million, 63.6% of the budgeted amount, as compared with \$13.6 million, or 86.6%, in the prior fiscal year. Capital outlay nonsalary expenditures are 64.7% expended at December 2012, as compared to being over the budget in December 2011. The decrease in expenditures over the prior year is a result of a reduction in encumbrances for relocatable units for school renovation programs.
- ***Fixed Charges*** – This category includes the cost of employee benefits and other fixed costs. Health insurance, including the contribution to retired employees (OPEB) plan, and employer FICA, comprise 71% and 20% of the fixed charges budget, respectively. The FY2013 budget includes an increase of \$23 million, which results primarily from an \$8 million increase in health insurance contributions to OPEB and the new requirement for an employer contribution to the state teachers' pension system of \$15.8 million.

Baltimore County Public Schools
Comparison of FY 2012 and FY 2013 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended December, 2011 and 2012
General Fund

		FY 2012				FY 2013			
		Adjusted	Total	Remaining	Percentage	Adopted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget as	Earned or	Budget	Rev/Exp/Enc.	Budget as	Earned or
			as of 12/31/11	of 12/31/11	Obligated		as of 12/31/12	of 12/31/12	Obligated
Revenues:									
Baltimore County		\$ 668,495,342	\$ 220,965,021	\$ 447,530,321	33.1%	\$ 689,743,020	\$ 222,348,186	\$ 467,394,834	32.2%
State of Maryland		536,555,216	263,288,872	273,266,344	49.1%	555,570,405	271,309,927	284,260,478	48.8%
Federal		4,540,000	385,619	4,154,381	8.5%	760,000	286,025	473,975	37.6%
Other		17,152,039	12,019,398	5,132,641	70.1%	26,180,284	20,358,820	5,821,464	77.8%
Total Revenues		\$ 1,226,742,597	\$ 496,658,910	\$ 730,083,687	40.5%	\$ 1,272,253,709	\$ 514,302,958	\$ 757,950,751	40.4%
Expenditures and Encumbrances:									
Administration	salary	\$ 25,079,503	\$ 11,955,086	\$ 13,124,417	47.7%	\$ 25,041,561	\$ 11,640,754	\$ 13,400,807	46.5%
	non-salary	12,030,213	6,177,120	5,853,093	51.3%	11,736,535	5,947,624	5,788,911	50.7%
	subtotal	37,109,716	18,132,206	18,977,510	48.9%	36,778,096	17,588,378	19,189,718	47.8%
Mid-level Administration	salary	78,799,778	36,717,670	42,082,108	46.6%	79,664,053	37,214,344	42,449,709	46.7%
	non-salary	7,927,079	5,170,877	2,756,202	65.2%	7,832,972	5,419,542	2,413,430	69.2%
	subtotal	86,726,857	41,888,547	44,838,310	48.3%	87,497,025	42,633,886	44,863,139	48.7%
Instruction:									
Instructional Salaries	salary	451,832,533	182,006,247	269,826,286	40.3%	455,656,497	183,457,460	272,199,037	40.3%
Instructional Textbooks	non-salary	20,977,566	10,810,799	10,166,767	51.5%	20,837,559	10,168,056	10,669,503	48.8%
Other Instructional Costs	non-salary	8,009,237	5,097,870	2,911,367	63.6%	7,572,440	4,292,562	3,279,878	56.7%
Special Education	salary	113,758,611	49,760,969	63,997,642	43.7%	119,398,061	49,868,758	69,529,303	41.8%
	non-salary	41,470,784	39,218,202	2,252,582	94.6%	41,457,563	38,660,715	2,796,848	93.3%
	subtotal	155,229,395	88,979,171	66,250,224	57.3%	160,855,624	88,529,473	72,326,151	55.0%
Student Personnel	salary	8,388,579	3,831,946	4,556,633	45.7%	8,617,556	3,933,792	4,683,764	45.6%
	non-salary	171,111	54,313	116,798	31.7%	171,111	62,410	108,701	36.5%
	subtotal	8,559,690	3,886,259	4,673,431	45.4%	8,788,667	3,996,202	4,792,465	45.5%
Health Services	salary	13,417,920	5,704,114	7,713,806	42.5%	13,858,234	5,634,946	8,223,288	40.7%
	non-salary	467,818	371,923	95,895	79.5%	458,849	312,602	146,247	68.1%
	subtotal	13,885,738	6,076,037	8,036,538	43.8%	14,317,083	5,947,548	8,369,535	41.5%
Transportation	salary	33,290,193	13,854,347	19,435,846	41.6%	34,687,921	14,372,540	20,315,381	41.4%
	non-salary	24,979,624	23,439,583	1,540,041	93.8%	26,072,673	24,225,810	1,846,863	92.9%
	subtotal	58,269,817	37,293,930	20,975,887	64.0%	60,760,594	38,598,350	22,162,244	63.5%
Operation of Plant	salary	41,374,772	19,476,527	21,898,245	47.1%	43,056,852	20,024,012	23,032,840	46.5%
	non-salary	46,215,315	40,698,105	5,517,210	88.1%	47,397,200	40,275,289	7,121,911	85.0%
	subtotal	87,590,087	60,174,632	27,415,455	68.7%	90,454,052	60,299,302	30,154,750	66.7%
Maintenance of Plant	salary	11,942,283	6,086,396	5,855,887	51.0%	13,563,978	5,591,908	7,972,070	41.2%
	non-salary	15,759,183	13,643,961	2,115,222	86.6%	21,079,814	13,408,467	7,671,347	63.6%
	subtotal	27,701,466	19,730,357	7,971,109	71.2%	34,643,792	19,000,376	15,643,416	54.8%
Fixed Charges	non-salary	267,632,772	120,785,822	146,846,950	45.1%	290,727,510	143,140,180	147,587,330	49.2%
Capital Outlay	salary	2,820,491	1,322,457	1,498,034	46.9%	2,972,038	1,276,248	1,695,790	42.9%
	non-salary	397,232	611,638	(214,406)	154.0%	392,732	254,094	138,638	64.7%
	subtotal	3,217,723	1,934,095	1,283,628	60.1%	3,364,770	1,530,342	1,834,428	45.5%
Total Salary		\$ 780,704,663	\$ 330,715,759	\$ 449,988,904	42.4%	\$ 796,516,751	\$ 333,014,763	\$ 463,501,988	41.8%
Total Non-Salary		446,037,934	266,080,213	179,957,721	59.7%	475,736,958	286,167,352	189,569,606	60.2%
Total Expenditures and Encumbrances		\$ 1,226,742,597	\$ 596,795,972	\$ 629,946,625	48.6%	\$ 1,272,253,709	\$ 619,182,115	\$ 653,071,594	48.7%

Figure 4

Prepared by: Office of Financial Reporting, January 14, 2013.