

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: March 19, 2013

TO: **BOARD OF EDUCATION**

FROM: S. Dallas Dance, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
JANUARY 31, 2012 AND 2013**

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 January 31, 2012 and 2013.

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 January 31, 2012 and 2013. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

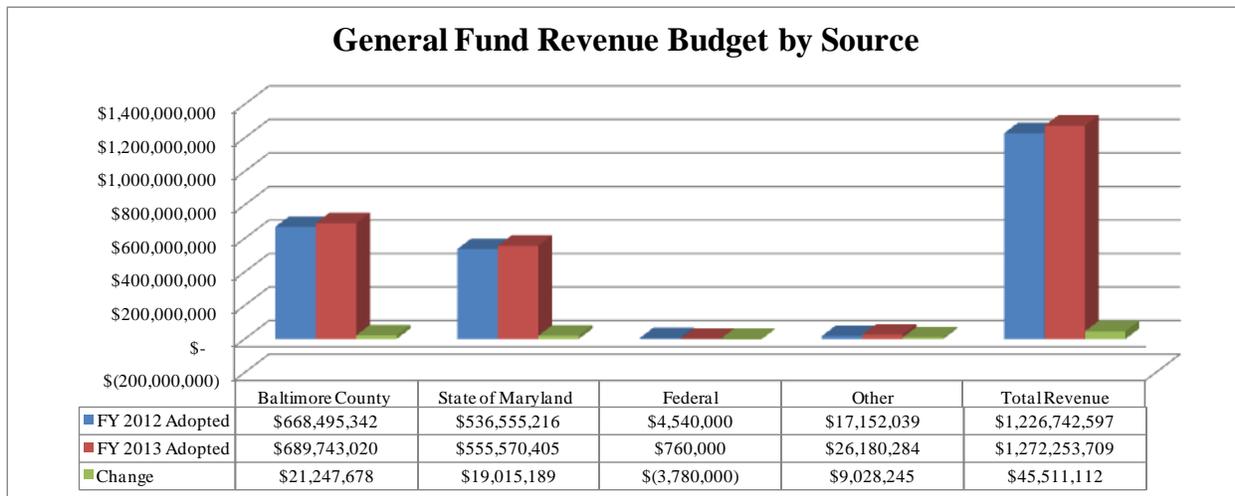


Figure 1

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 \$319.7 million, 46.4% of the budget, as compared to \$322.6 million, 48.3% 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 January 2013, four 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 \$2.1 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.

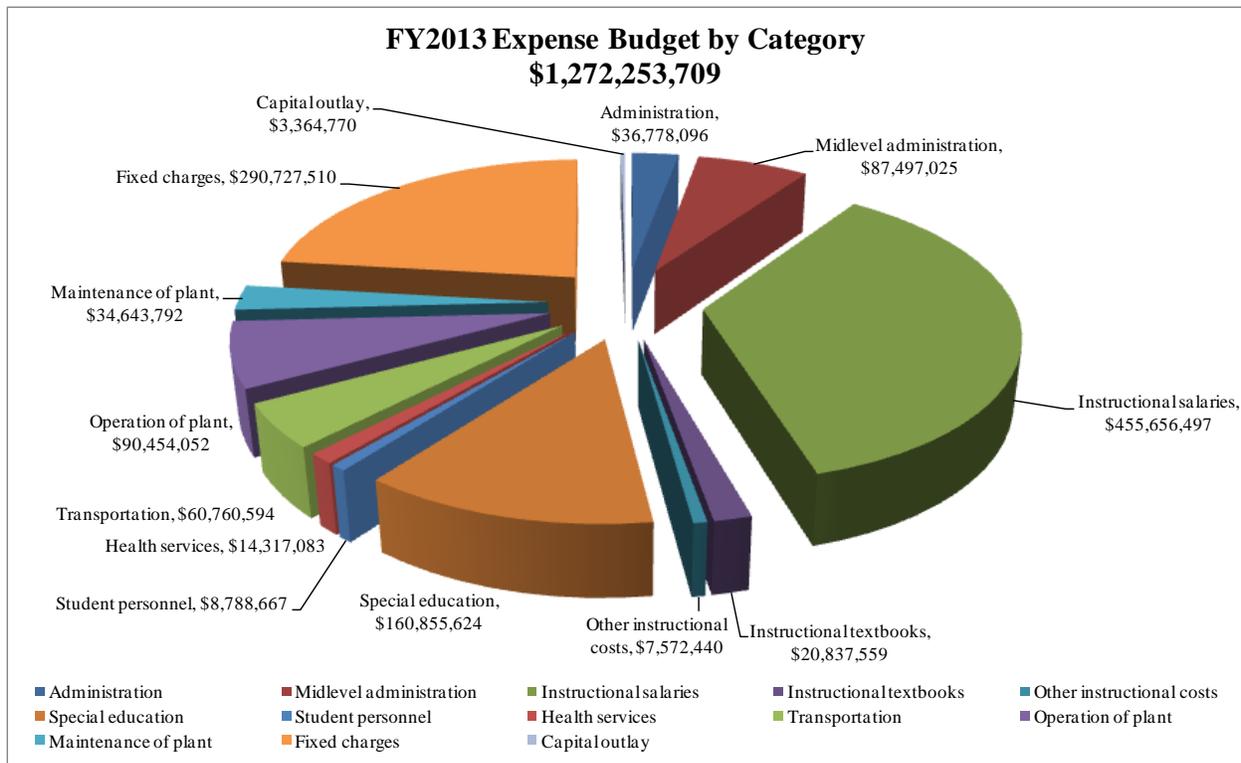


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through January 2013 are \$719.1 million, 56.5% obligated, compared to \$704.9 million, 57.5% obligated, for the same period in FY2012. The increase of \$14 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 53.6% 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 49.3% 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.

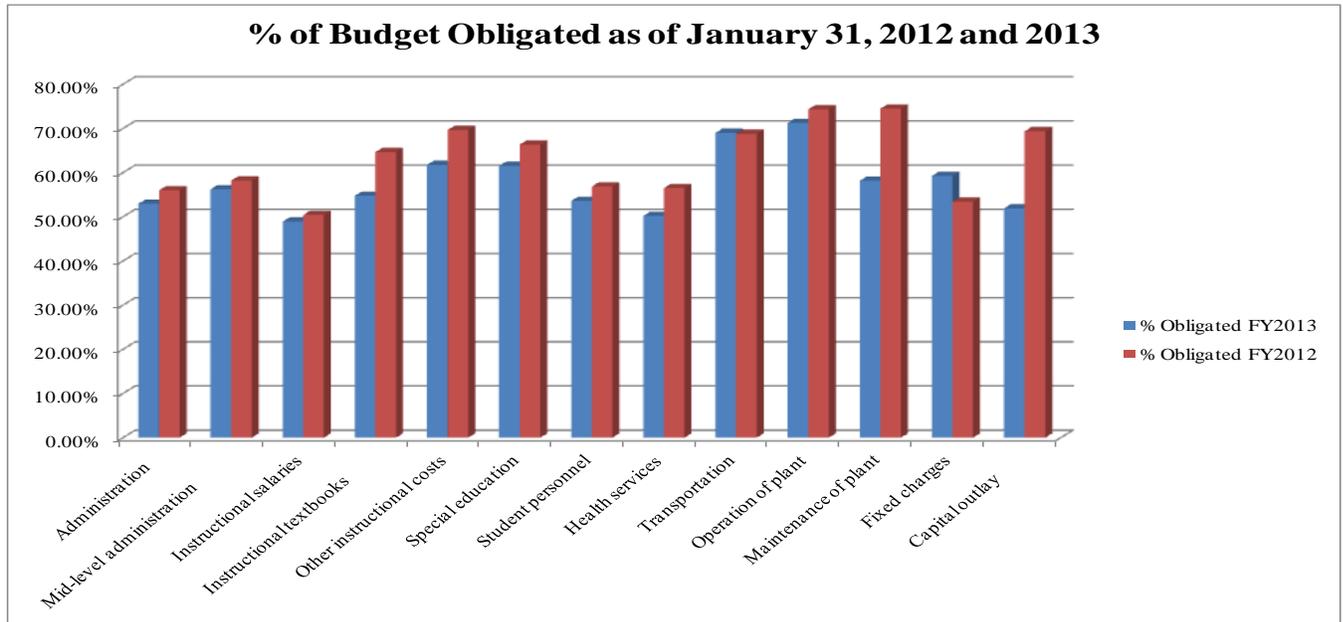


Figure 3

- **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. Year to date FY2013 expenditures are \$2.1 million less than FY2012 because FY2012 had higher computer replacements costs through January 2012. The remaining budget will be spent during the school year to purchase additional consumable classroom supplies, textbooks, computers, 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, \$4.7 million, 61.8% of the FY2013 budgeted funds, have been committed. In the prior year, \$5.6 million, 69.7%, 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 January 2013, 95.3% of the nonsalary budget has been committed, compared to 94.1% committed at January 2012.
- ***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 January 2013, 87% of the nonsalary budget has been committed, compared to 91.7% committed at January 2012.
- ***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 additional funding for the state Aging Schools Program. Year-to-date nonsalary expenditures and encumbrances for Maintenance of Plant are \$13.6 million, 64.7% of the budgeted amount, as compared with \$13.6 million, or 86%, in the prior fiscal year. Capital outlay nonsalary expenditures are 67.2% expended at January 2013, as compared to being over the budget in January 2012. 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 January, 2012 and 2013
General Fund

		FY 2012				FY 2013			
		Adjusted	Total	Remaining	Percentage	Adopted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 01/31/12	as of 01/31/12	Obligated		as of 01/31/13	as of 01/31/13	Obligated
Revenues:									
Baltimore County		\$ 668,495,342	\$322,568,383	\$345,926,959	48.3%	\$ 689,743,020	\$319,715,755	\$370,027,265	46.4%
State of Maryland		536,555,216	352,039,621	184,515,595	65.6%	555,570,405	361,999,059	193,571,346	65.2%
Federal		4,540,000	4,402,581	137,419	97.0%	760,000	328,858	431,142	43.3%
Other		17,152,039	12,065,654	5,086,385	70.3%	26,180,284	20,480,059	5,700,225	78.2%
Total revenues		\$ 1,226,742,597	\$ 691,076,239	\$ 535,666,358	56.3%	\$ 1,272,253,709	\$702,523,731	\$569,729,978	55.2%
Expenditures and Encumbrances:									
Administration	salary	\$ 25,079,503	\$ 14,388,915	\$ 10,690,589	57.4%	\$ 25,041,561	\$ 13,530,736	\$ 11,510,825	54.0%
	non-salary	12,030,213	6,388,819	5,641,394	53.1%	11,736,535	5,946,402	5,790,133	50.7%
	subtotal	37,109,716	20,777,734	16,331,982	56.0%	36,778,096	19,477,138	17,300,958	53.0%
Mid-level Administration	salary	78,799,778	44,766,572	34,033,206	56.8%	79,664,053	43,361,656	36,302,397	54.4%
	non-salary	7,927,079	5,713,393	2,213,686	72.1%	7,832,972	5,836,804	1,996,168	74.5%
	subtotal	86,726,857	50,479,965	36,246,892	58.2%	87,497,025	49,198,460	38,298,565	56.2%
Instruction:									
Instructional Salaries	salary	451,832,533	227,805,164	224,027,369	50.4%	455,656,497	222,928,491	232,728,006	48.9%
Instructional Textbooks	non-salary	20,977,566	13,562,514	7,415,052	64.7%	20,837,559	11,412,255	9,425,304	54.8%
Other Instructional Costs	non-salary	8,009,237	5,578,896	2,430,341	69.7%	7,572,440	4,677,241	2,895,199	61.8%
Special Education	salary	113,758,611	63,072,260	50,686,351	55.4%	119,398,061	60,121,447	59,276,614	50.4%
	non-salary	41,470,784	39,901,779	1,569,005	96.2%	41,457,563	38,860,405	2,597,158	93.7%
	subtotal	155,229,395	102,974,039	52,255,356	66.3%	160,855,624	98,981,852	61,873,772	61.5%
Student Personnel	salary	8,388,579	4,806,744	3,581,835	57.3%	8,617,556	4,639,626	3,977,930	53.8%
	non-salary	171,111	60,421	110,690	35.3%	171,111	69,953	101,158	40.9%
	subtotal	8,559,690	4,867,165	3,692,525	56.9%	8,788,667	4,709,579	4,079,088	53.6%
Health Services	salary	13,417,920	7,462,842	5,955,078	55.6%	13,858,234	6,857,491	7,000,743	49.5%
	non-salary	467,818	384,056	83,762	82.1%	458,849	331,240	127,609	72.2%
	subtotal	13,885,738	7,846,898	6,038,840	56.5%	14,317,083	7,188,730	7,128,353	50.2%
Student Transportation	salary	33,290,193	16,583,970	16,706,223	49.8%	34,687,921	17,073,244	17,614,677	49.2%
	non-salary	24,979,624	23,494,529	1,485,095	94.1%	26,072,673	24,852,424	1,220,249	95.3%
	subtotal	58,269,817	40,078,499	18,191,318	68.8%	60,760,594	41,925,668	18,834,926	69.0%
Operation of Plant	salary	41,374,772	22,693,906	18,680,866	54.8%	43,056,852	23,209,215	19,847,637	53.9%
	non-salary	46,215,315	42,397,401	3,817,914	91.7%	47,397,200	41,214,389	6,182,811	87.0%
	subtotal	87,590,087	65,091,307	22,498,780	74.3%	90,454,052	64,423,604	26,030,448	71.2%
Maintenance of Plant	salary	11,942,283	7,079,918	4,862,365	59.3%	13,563,978	6,519,382	7,044,596	48.1%
	non-salary	15,759,183	13,550,548	2,208,635	86.0%	21,079,814	13,629,619	7,450,195	64.7%
	subtotal	27,701,466	20,630,467	7,071,000	74.5%	34,643,792	20,149,002	14,494,790	58.2%
Fixed Charges	non-salary	267,632,772	143,010,217	124,622,555	53.4%	290,727,510	172,264,446	118,463,064	59.3%
Capital Outlay	salary	2,820,491	1,614,613	1,205,878	57.2%	2,972,038	1,482,467	1,489,571	49.9%
	non-salary	397,232	617,313	(220,081)	155.4%	392,732	263,982	128,750	67.2%
	subtotal	3,217,723	2,231,925	985,798	69.4%	3,364,770	1,746,450	1,618,320	51.9%
Total Salary		780,704,663	410,274,903	370,429,760	52.6%	796,516,751	399,723,755	396,792,996	50.2%
Total Non-Salary		446,037,934	294,659,886	151,378,048	66.1%	475,736,958	319,359,160	156,377,798	67.1%
Total Expenditures and Encumbrances		\$ 1,226,742,597	\$ 704,934,788	\$ 521,807,809	57.5%	\$ 1,272,253,709	\$ 719,082,915	\$ 553,170,794	56.5%

Figure 4

Prepared by: Office of Financial Reporting, February 11, 2013

FINANCIAL REPORT
OFFICE OF FOOD AND NUTRITION SERVICES
ENTERPRISE FUND
FOR THE MONTHS ENDING JANUARY 31, 2012 AND 2013

Attached is the proprietary fund *Comparison of FY2012 and FY2013 Revenue and Expenses – Budget and Actual* for the periods ending January 31, 2012 and January 31, 2013. Amounts included reflect actual revenues and expenses to date and do not reflect forecasts of revenues and expenses. Figure 1 is a comparative statement of budget-to-actual revenues and expenses. Figure 2 demonstrates the revenue breakdown by category.

Background

Proprietary Fund Financial Statements are used to reflect activities that operate like commercial enterprises. The Office of Food and Nutrition Services operates as an enterprise fund. An enterprise fund charges fees for services which are provided to customers.

The Office of Food and Nutrition Services directs the Child Nutrition Programs including the National School Lunch, School Breakfast, After-School Snack, Supper, Fresh Fruit and Vegetable, and the Summer Food Service programs for the students of Baltimore County Public Schools. These are federally subsidized programs. The program regulations are administered at the national level by the United States Department of Agriculture (USDA). The Maryland State Department of Education (MSDE) is responsible for the program operation within the state. The Office of Food and Nutrition Service operates within federal and state requirements. Federal revenue is received on a per meal basis. MSDE provides the majority of state funds in six equal installments.

Budget

The Office of Food and Nutrition Services' adopted budget is based on past performance and future expectations. At the beginning of the fiscal year, an adjusted budget is prepared to reflect the updated projections. The attached report includes the adjusted budget.

Revenue

Based on a 180 days operating year, as of January, 2013, 95 days or 52.8% of the school year has lapsed. Year-to-date operating revenues (food sales) total \$6,988,498 (52.6%) compared to \$7,492,042 (51.4%) for the same period in FY2012, a \$503,544 decrease. This change is due to a reduction in paid lunches. Federal reimbursement is \$13,508,146 (54.3%) year-to-date through January, 2013 compared to \$12,481,245 (56.6%) at January, 2012, a \$1,026,901 increase. This change is due to an increase in the free meal participation. The state revenues are \$463,689 (55.7%) year-to-date through January, 2013 compared to \$422,740 for the same period in FY2012, a \$40,949 increase. For FY 2013, interest income and other revenue includes onetime grants of \$289,833.

Expenses

Year-to-date expenses through January, 2013 are \$20,879,901 (50.89%) compared to \$19,916,637 (50.91%) for same period in FY2012. This increase of \$963,264 is the result of the increase in the total of paid and free meals served and increased food prices.

Baltimore County Public Schools
Comparison of FY 2012 and FY 2013 Revenues and Expenses
Budget and Actual
For the Periods Ended January, 2012 and 2013
Proprietary Fund

	FY 2012				FY 2013			
	Adjusted Budget	Total Rev/Exp as of 01/31/12	Remaining Budget	% of Budget Earned or Spent	Adjusted Budget	Total Rev/Exp as of 01/31/13	Remaining Budget	% of Budget Earned or Spent
Operating revenues:								
Charges for sales and services	\$ 14,572,050	\$ 7,492,042	\$ 7,080,008	51.41%	\$ 13,282,290	\$ 6,988,498	\$ 6,293,792	52.62%
Operating expenses:								
Cost of food sold	14,934,814	8,437,185	6,497,629	56.49%	17,741,230	9,340,707	8,400,523	52.65%
Salaries, wages, and benefits	21,100,723	9,988,689	11,112,034	47.34%	19,804,437	9,974,158	9,830,279	50.36%
Supplies	1,066,164	628,441	437,723	58.94%	1,298,500	742,483	556,017	57.18%
Maintenance and repair of	780,500	351,643	428,857	45.05%	700,500	352,342	348,158	50.30%
Administration and support	742,082	301,747	440,335	40.66%	749,630	299,283	450,347	39.92%
Other	498,000	208,931	289,069	41.95%	736,535	170,929	565,606	23.21%
Total operating expenses	39,122,283	19,916,637	19,205,647	50.91%	41,030,832	20,879,901	20,150,931	50.89%
Operating income (loss)	(24,550,233)	(12,424,595)	(12,125,639)	50.61%	(27,748,542)	(13,891,404)	(13,857,138)	50.06%
Nonoperating revenues (expenses):								
Federal reimbursement of food service costs	22,059,774	12,481,245	9,578,529	56.58%	24,867,462	13,508,146	11,359,316	54.32%
State reimbursement of food service costs	765,584	422,740	342,844	55.22%	833,080	463,689	369,391	55.66%
Federal donated commodities	1,796,000	957,867	838,133	53.33%	2,000,000	1,055,556	944,444	52.78%
Interest income and other	8,000	4,970	3,030	62.12%	48,000	292,642	(244,642)	609.67%
Total nonoperating revenues (expenses)	24,629,358	13,866,821	10,762,537	56.30%	27,748,542	15,320,033	12,428,509	55.21%
Total Revenue	39,201,408	21,358,863	17,842,545		41,030,832	22,308,530	18,722,302	
Income (loss)	\$79,125	\$1,442,226	(\$1,363,101)		\$0	\$1,428,629	(\$1,428,629)	

Figure 1

**Total Revenue
FY 2013
YTD January 31, 2013
\$22,308,530**

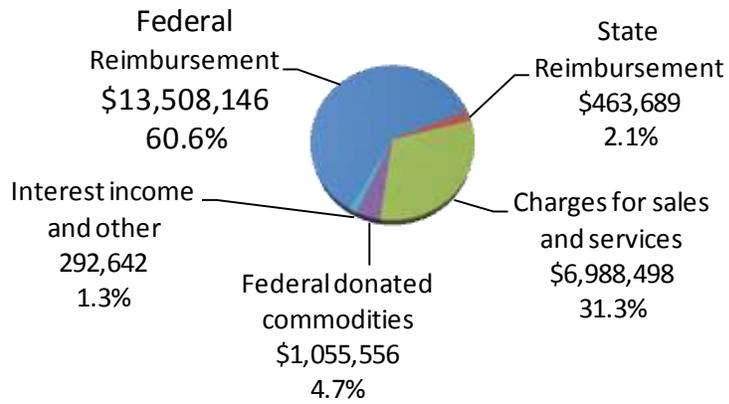


Figure 2