

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: June 11, 2013

TO: **BOARD OF EDUCATION**

FROM: S. Dallas Dance, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
APRIL 30, 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 April 30, 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 April 30, 2012 and 2013. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

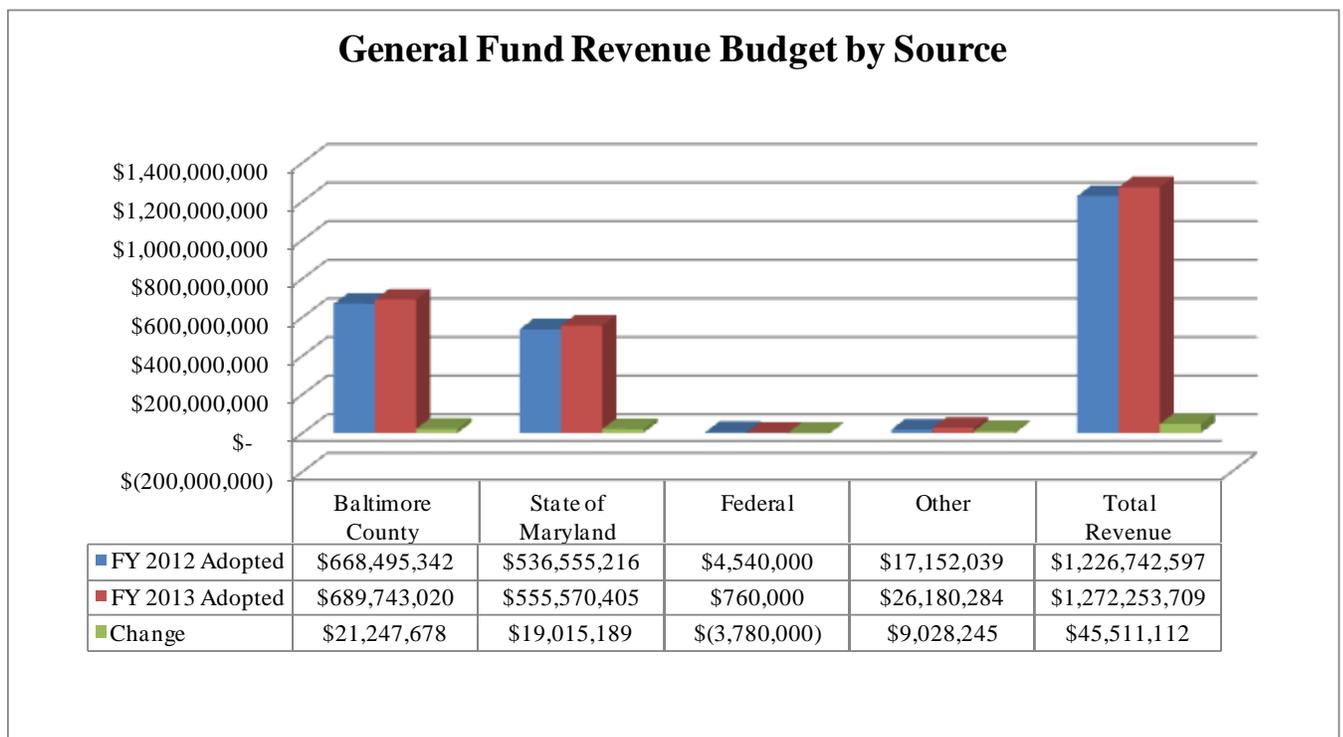


Figure 1

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 \$515.1 million, 74.7% of the budget, as compared to \$510.5 million, 76.4% 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 April 2013, five 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.

FY2013 Expenditure Budget by Category \$1,272,253,709

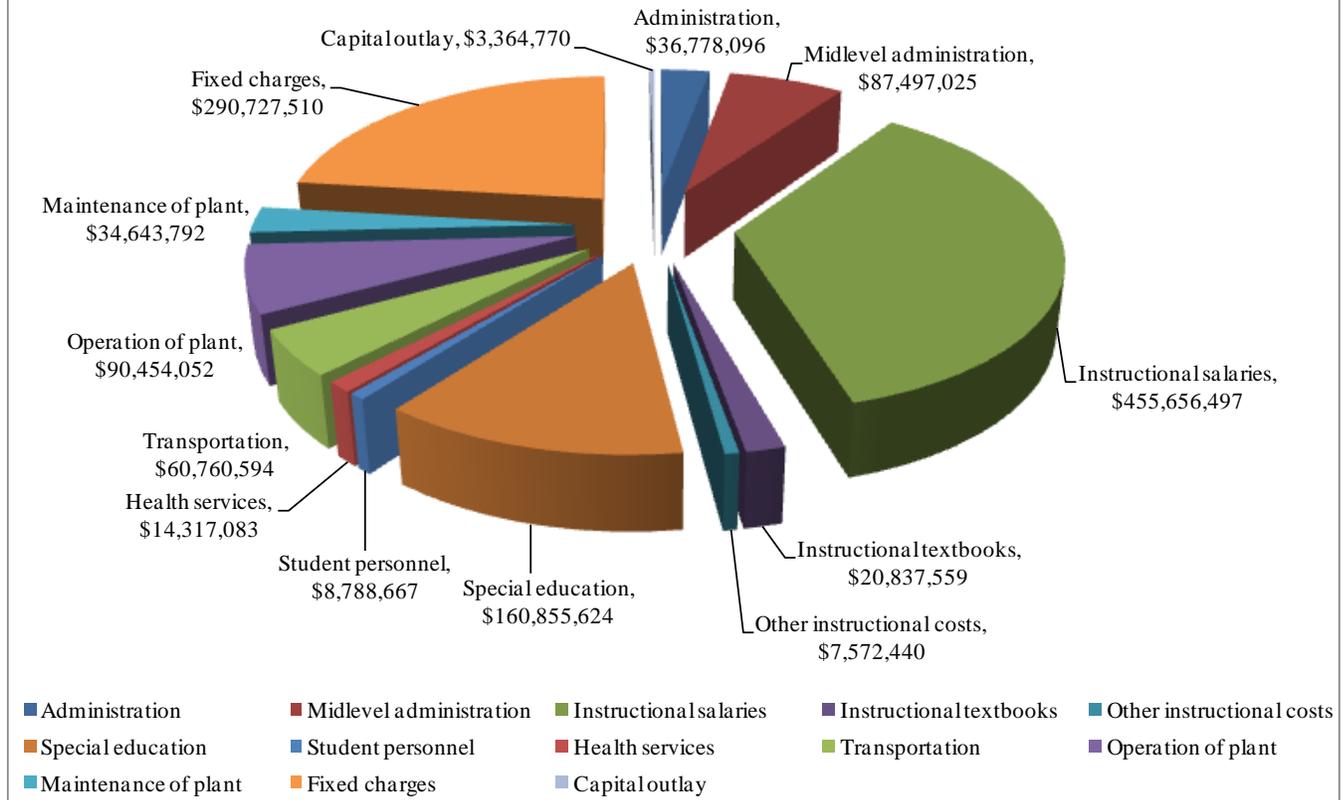


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through April 2013 are \$1.06 billion, 83.2% obligated, compared to \$1.03 billion, 83.8% obligated, for the same period in FY2012. The increase of \$30.8 million in expenditures over the prior year is a result primarily of expenditures 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 83.3% 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 80.4% 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.

A budget appropriation transfer request, which will realign funds by category with planned and projected year end expenditures, was approved by the board in April. This request was subsequently submitted to the county executive and county council for consideration and approval. It is expected that this request will be approved by the county council at their June meeting.

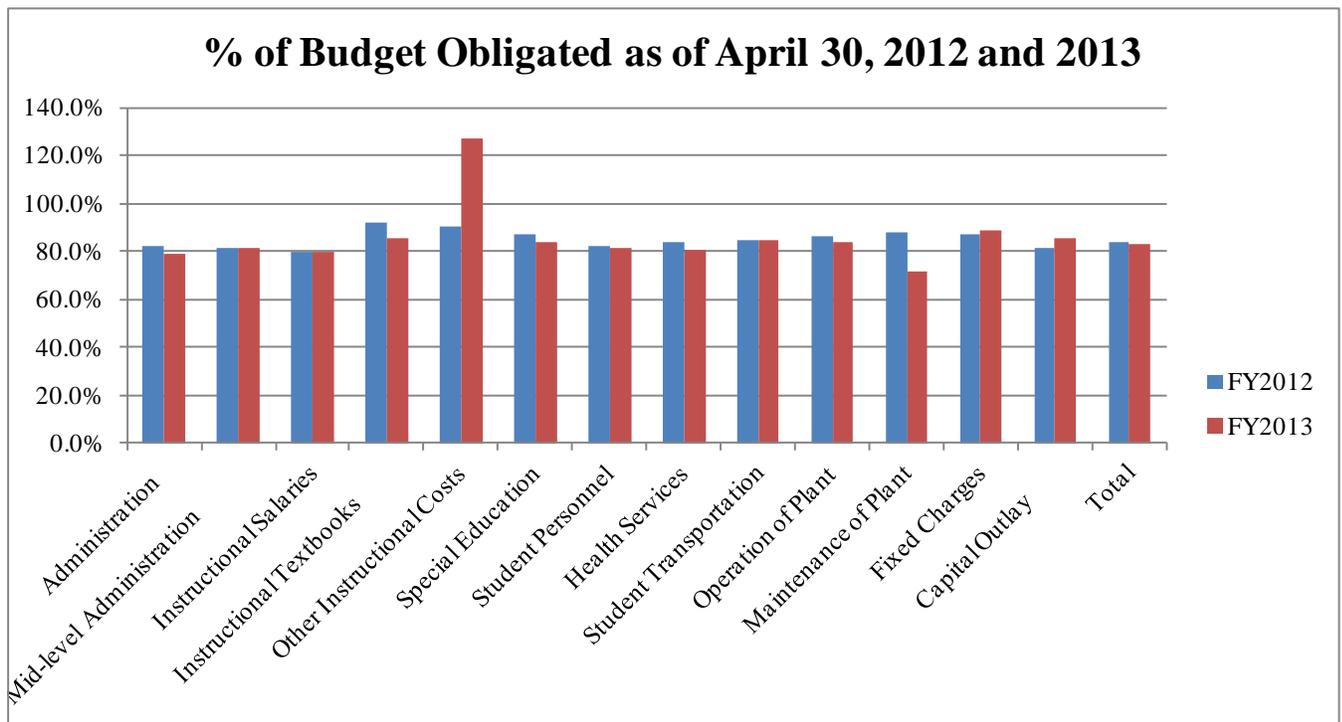


Figure 3

- **Administration and Midlevel Administration** – The budget for nonsalary administration expenditures is essentially the same as the prior year. The reduction of approximately \$1.3 million in current year nonsalary expenditures, as compared with the prior year, is primarily the result of a reduction in contractual services relating to the payroll and HR systems upgrade. 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 \$1.6 million less than the prior year because FY2012 had higher computer replacements costs through April 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. The expenditures in this category are approximately \$2 million over budget, primarily because of a contract to develop a digital platform for language arts curriculum which was begun in the current fiscal year. A budget appropriation transfer request has been approved by the board to provide funding for this and some additional projects. In the prior year, \$7.2 million, 90.3%, had been committed.
- ***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 April 2013, 97.9% of the nonsalary budget has been committed, compared to 96.4% committed at April 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 April 2013, 90.8% of the nonsalary budget has been committed, compared to 94.2% committed at April 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 \$15.1 million, 71.6% of the budgeted amount, as compared with \$14.3 million, or 90.6%, in the prior fiscal year. Capital outlay

nonsalary expenditures are in excess of the budgeted amount at April 2013, as compared to being 89.3% in April 2012. The increase in expenditures over the prior year is a result of encumbrances for additional relocatable classroom units to address elementary capacity issues in the western county, and to replace units damaged in a fire.

- ***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 April 30, 2012 and 2013
General Fund

		FY 2012				FY 2013			
		Adjusted	Total	Remaining	Percentage	Adopted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 04/30/12	Budget as of 04/30/12	Earned or Obligated	Budget	Rev/Exp/Enc. as of 04/30/13	Budget as of 04/30/13	Earned or Obligated
Revenues									
Baltimore County		\$ 668,495,342	\$ 510,478,469	\$ 158,016,873	76.4%	\$ 689,743,020	\$ 515,118,461	\$ 174,624,559	74.7%
State of Maryland		536,555,216	439,817,888	96,737,328	82.0%	555,570,405	451,770,449	103,799,956	81.3%
Federal		4,540,000	4,706,044	(166,044)	103.7%	760,000	505,856	254,144	66.6%
Other		17,152,039	12,317,549	4,834,490	71.8%	26,180,284	20,721,010	5,459,274	79.1%
Total revenues		\$ 1,226,742,597	\$ 967,319,950	\$ 259,422,647	78.9%	\$ 1,272,253,709	\$ 988,115,776	\$ 284,137,933	77.7%
Expenditures and encumbrances									
Administration	salary	\$ 25,079,503	\$ 20,282,125	\$ 4,797,378	80.9%	\$ 25,058,479	\$ 19,913,039	\$ 5,145,441	79.5%
	non-salary	12,030,213	10,315,098	1,715,115	85.7%	11,719,617	9,018,996	2,700,621	77.0%
	subtotal	37,109,716	30,597,224	6,512,492	82.5%	36,778,096	28,932,034	7,846,062	78.7%
Mid-level administration	salary	78,799,778	63,062,980	15,736,798	80.0%	79,688,827	64,028,494	15,660,333	80.3%
	non-salary	7,927,079	7,443,294	483,785	93.9%	7,808,198	7,402,228	405,970	94.8%
	subtotal	86,726,857	70,506,273	16,220,584	81.3%	87,497,025	71,430,722	16,066,303	81.6%
Instruction:									
Instructional salaries	salary	451,832,533	360,996,570	90,835,963	79.9%	455,656,497	364,884,610	90,771,887	80.1%
Instructional textbooks	non-salary	20,977,566	19,332,725	1,644,841	92.2%	20,837,559	17,775,912	3,061,647	85.3%
Other instructional costs	non-salary	8,009,237	7,232,862	776,375	90.3%	7,572,440	9,642,798	(2,070,358)	127.3%
Special education	salary	113,758,611	94,549,725	19,208,886	83.1%	119,397,050	94,896,379	24,500,671	79.5%
	non-salary	41,470,784	40,207,636	1,263,148	97.0%	41,458,574	40,112,487	1,346,087	96.8%
	subtotal	155,229,395	134,757,361	20,472,034	86.8%	160,855,624	135,008,867	25,846,757	83.9%
Student personnel	salary	8,388,579	6,888,202	1,500,377	82.1%	8,617,556	7,065,428	1,552,128	82.0%
	non-salary	171,111	145,219	25,892	84.9%	171,111	105,482	65,629	61.6%
	subtotal	8,559,690	7,033,421	1,526,269	82.2%	8,788,667	7,170,910	1,617,757	81.6%
Health services	salary	13,417,920	11,244,210	2,173,710	83.8%	13,866,650	11,115,095	2,751,555	80.2%
	non-salary	467,818	449,223	18,595	96.0%	450,433	469,874	(19,441)	104.3%
	subtotal	13,885,738	11,693,432	2,192,306	84.2%	14,317,083	11,584,970	2,732,113	80.9%
Student transportation	salary	33,290,193	25,107,241	8,182,952	75.4%	34,687,921	25,712,185	8,975,736	74.1%
	non-salary	24,979,624	24,075,132	904,492	96.4%	26,072,673	25,512,616	560,057	97.9%
	subtotal	58,269,817	49,182,373	9,087,444	84.4%	60,760,594	51,224,801	9,535,793	84.3%
Operation of plant	salary	41,374,772	32,121,851	9,252,921	77.6%	43,058,502	33,136,088	9,922,414	77.0%
	non-salary	46,215,315	43,536,790	2,678,525	94.2%	47,395,550	43,052,320	4,343,230	90.8%
	subtotal	87,590,087	75,658,640	11,931,447	86.4%	90,454,052	76,188,408	14,265,644	84.2%
Maintenance of plant	salary	11,942,283	10,005,016	1,937,267	83.8%	13,562,978	9,626,689	3,936,289	71.0%
	non-salary	15,759,183	14,278,431	1,480,752	90.6%	21,080,814	15,104,050	5,976,764	71.6%
	subtotal	27,701,466	24,283,447	3,418,019	87.7%	34,643,792	24,730,739	9,913,053	71.4%
Fixed charges	non-salary	267,632,772	233,732,737	33,900,035	87.3%	290,727,510	256,971,796	33,755,714	88.4%
Capital outlay	salary	2,820,491	2,258,703	561,788	80.1%	2,972,038	2,144,005	828,033	72.1%
	non-salary	397,232	354,645	42,587	89.3%	392,732	742,702	(349,970)	189.1%
	subtotal	3,217,723	2,613,348	604,375	81.2%	3,364,770	2,886,707	478,063	85.8%
Total Salary		\$ 780,704,663	\$ 626,516,622	\$ 154,188,041	80.3%	\$ 796,566,498	\$ 632,522,013	\$ 164,044,485	79.4%
Total Non-Salary		446,037,934	401,103,792	44,934,142	89.9%	475,687,211	425,911,263	49,775,948	89.5%
Total expenditures and encumbrances		\$ 1,226,742,597	\$ 1,027,620,414	\$ 199,122,183	83.8%	\$ 1,272,253,709	\$ 1,058,433,275	\$ 213,820,434	83.2%

Figure 4

Prepared by: Office of Financial Reporting, May 17, 2013

