

**BALTIMORE COUNTY PUBLIC SCHOOLS**

**DATE:** November 19, 2013

**TO:** **BOARD OF EDUCATION**

**FROM:** S. Dallas Dance, Superintendent

**SUBJECT:** **FINANCIAL REPORT – FOR THE MONTHS ENDING  
SEPTEMBER 30, 2012 and 2013**

**ORIGINATOR:** Michael G. Sines, Chief Operations Officer

**RESOURCE  
PERSON (S):** Barbara S. Burnopp, Executive Director  
Patrick M. Fannon, Controller

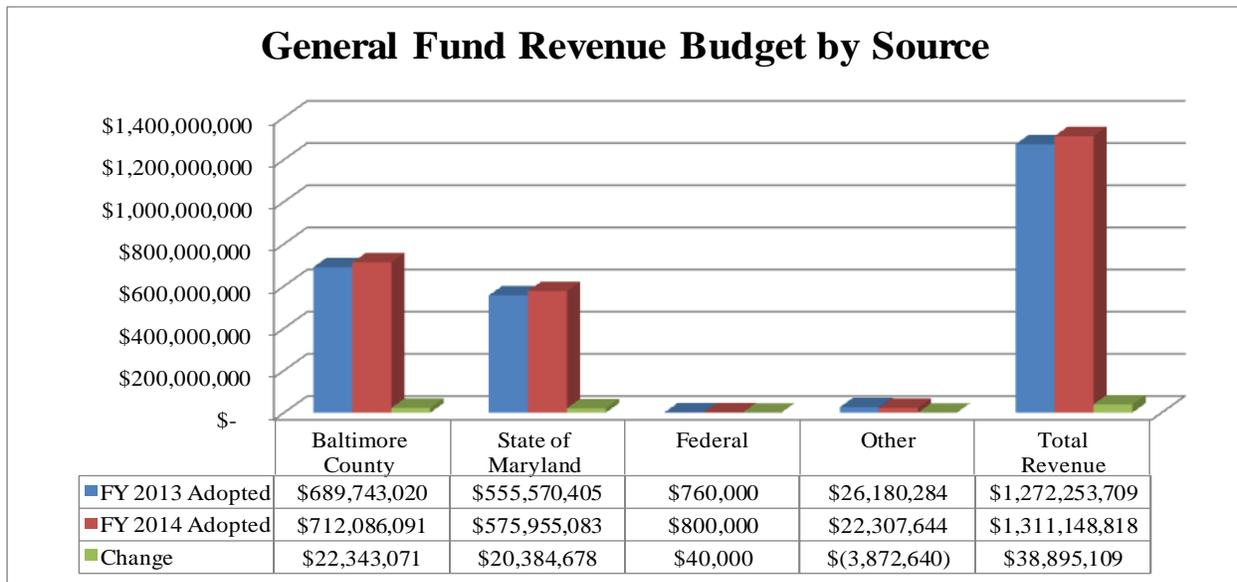
***INFORMATION***

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Attached are the *General Fund Comparison of FY2013 and FY2014 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended September 30, 2012 and 2013; the Financial Report of the Special Revenue Fund, and the Capital Projects Status Report for the period ended September 30, 2013.

***General Fund Comparison of FY2013 and FY2014 Revenues, Expenditures, and  
Encumbrances-Budget and Actual***

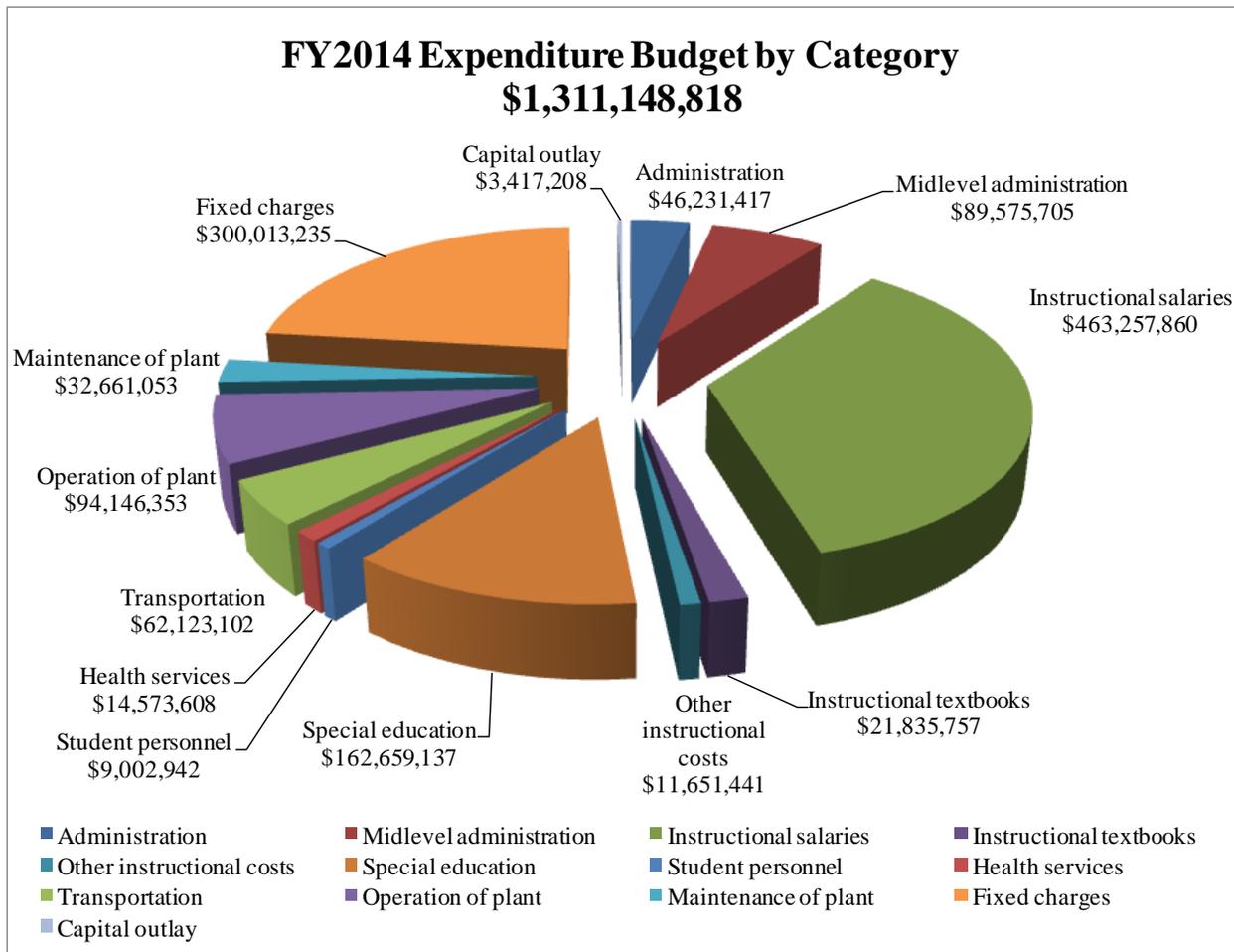
These data are presented using Maryland State Department of Education (MSDE) categories. Amounts included reflect actual revenues, expenditures, and encumbrances to date and do not reflect forecasts of revenues and expenditures. Figure 1 presents an overview of the FY2013 and FY2014 general fund revenue budget. Figure 2 provides an overview of the FY2014 general fund expenditure budget. Figure 3 compares the percent of the budget obligated as of September 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 Revenue**– The FY2014 county appropriation represents 54% of total budgeted revenues and increased \$22.3 million, a 3.2% increase over the FY2013 budget. Increased enrollment resulted in \$11.5 million in additional funding for FY2014. Additionally, increased funding was also provided to support the obligation of the Board to fund a portion of the Maryland State Teachers’ Retirement and Pension System employers’ pension contribution (\$4.2 million) and normal salary increases (\$15.1 million). County funds are drawn based on cash flow requirements. The year-to-date county revenue recognized is \$80.6 million, 11.3% of the budget, as compared to \$41.3 million, 6% of the budget for FY2013. The increase in revenue over that of the prior year is primarily related to the timing of cash requirements for payroll.
- State of Maryland Revenue**– The FY2014 state appropriation represents 44% of total budgeted revenues and increased approximately \$20.4 million, 3.7% over the FY2013 budget. The increase in the budgeted revenue is a result of an overall increase in enrollment, numbers of students eligible for free and reduced-price meals, and decreased local wealth factors. The majority of state funds are received bi-monthly in equal installments. As of September 2013, two of the state payments had been received.
- Federal Revenue**– The FY2014 federal budgeted revenue results from funding for teachers in the ROTC program and is approximately the same as the prior year.
- Other Revenues** – The other revenue budget is comprised of re-appropriations of funds from the prior year’s fund balance, tuition, and 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. The budgeted revenue decreased significantly over the prior year because of a \$2.5 million decrease in the re-appropriated fund balance to approximately \$15.2 million from the \$17.7 million utilized in the prior year. The year-to-date revenue consists primarily of the re-appropriated fund balance and tuition and other sundry revenues.



**Figure 2 (Detail included in Figure 4)**

**Total Expenditures and Encumbrances** – Year-to-date expenditures and encumbrances through September 2013 are \$299 million, 22.8% obligated, compared to \$310.5 million, 24.4% obligated, for the same period in FY2013. The decrease of \$11.5 million in expenditures as compared with the prior year is primarily a result of the timing of the payment of health benefits. 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 21.2% 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 13.8% of the budget, which is in line with the percentage of the school year that has elapsed.

Additionally, the salary budget increased \$15.7 million to provide for additional teachers because of increased enrollment, \$12.1 million for salary increments, and to fund a principal and secretary position for the new elementary school in the central area.

The nonsalary expenditures are budgeted for an overall net increase of \$23.2 million, or 4.9% 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 \$8 million, a 68.5% increase, to provide funding of \$4 million for network services for the first phase of the wireless classroom implementation; and, \$4 million for a new comprehensive student data system. The budget for Other Instructional Costs was increased by \$4.1 million, a 53.9% increase, to provide \$2.8 million for Common Core Curriculum development; and \$0.9 million for out-of-county living costs and education fees estimated to be payable to other state and local educational agencies. The nonsalary budget for Operation of Plant has a net increase of \$2.1 million, primarily attributable to \$2.5 million of one-time funding for school safety and security equipment. The budget for Fixed Charges was increased by \$9.3 million to provide funding for increased costs of employee benefits including, \$5 million for additional funding for state and county retirement, \$6.1 million for contributions to the Other Post Employment Benefits (OPEB) fund and \$1.3 million for additional payroll FICA costs resulting from the increase in the salaries budget. These were offset by a decrease in health benefit costs of \$4.8 million.

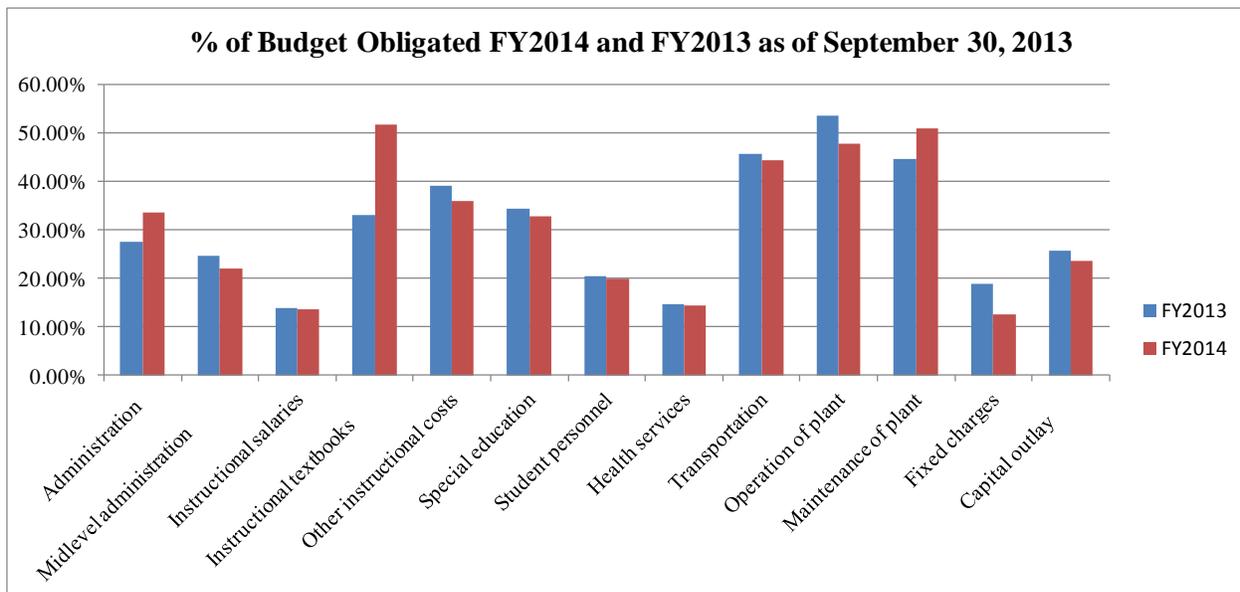


Figure 3

- Administration and Midlevel Administration** – The budget for nonsalary administration expenditures is increased by \$8 million to provide funding for Phase 1 of the wireless classroom implementation and also, for a new student data system. The increase in Administration expenditures of \$5 million over the prior year is attributable to funds that have been encumbered for these initiatives. Midlevel administration nonsalary expenditures are budgeted at approximately the same level as the prior year. The decrease in Midlevel expenditures of \$1.8 million as compared with the prior year is primarily the result of an encumbrance of \$1.2 million for assessment software that was utilized in the prior year, but not encumbered for the current year.
- Instructional Salaries** – The budget for instructional salaries had a net increase of \$7.6 million in FY2014. The budget was increased to provide for 101 additional instructional positions because of anticipated enrollment increases, for normal salary step increases, and was offset by a decrease in average salaries due to turnover.

- ***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 FY2014 budget for this category has increased by \$1 million for school technology over that of the prior year. The increase in expenditures for this category of \$4.4 over that incurred in the prior year results from encumbrances for new K-5 phonics textbooks and for start-up costs of the new elementary school. 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. The budget for this category increased by \$4 million to provide funding for development of the Common Core Curriculum, expansion of AdvancePath and estimated increased out-of-county living costs. To date, \$4.2 million, 35.8% of the FY2014 budgeted funds, have been committed. In the prior year, \$3 million, 39.1%, had been committed. The increase in expenditures of \$1 million over that expended at the same time in the prior year is a result of the encumbrance of AdvancePath costs. 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 FY2014 salary budget increased by \$1.8 million, which included funding for enrollment growth and salary step increases. Of the FY2014 special education nonsalary budget of \$41.4 million, \$34.8 million (84%) is for placement of children in nonpublic schools. To date, \$33.7 million of the funds for nonpublic placement have been committed, which is comparable with the prior year.
- ***Student Personnel and Health Services*** – Year-to-date FY2014 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 increase is primarily attributable to an increase in funding for new school buses of \$1.6 million, offset by decreases in expected fuel costs and the cost of private bus operators.
- ***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 \$1.6 million, 3.7% over the prior year. This increase is primarily for salary step increases for school based custodians. The nonsalary expenditure budget for this category has increased \$2.1 million, a 4.4% increase over the prior year. This increase is primarily attributable to a one-time cost of \$2.5 million for school safety and security equipment, offset by a decrease in the cost of rent for facilities. 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, \$4.2 million; supplies and materials, \$3 million; trash removal, \$1.2 million; and other related expenditures. As of September 2013, 73.1% of the nonsalary budget has been committed, compared to 84.1% committed at September 2012.

- ***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 by \$2 million, a significant portion of this is related to decreased funding for the state Aging Schools Program. Year-to-date nonsalary expenditures and encumbrances are \$14 million, 73.5% of the budgeted amount, as compared with \$12.9 million, or 61.7%, in the prior fiscal year. The increase in percent share of expenditures over the prior year is related primarily to the timing of encumbrances for contracted services to maintain facilities. Capital outlay nonsalary expenditures are 57.4% expended at September 2013, as compared to 59.8% expended in September 2012.
- ***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 76.5% and 20% of the fixed charges budget, respectively. The FY2014 budget was increased by \$9.3 million, which includes \$6.1 million for OPEB contributions, \$5 million for an increase in the contributions to the State Teachers' Retirement and Pension Fund and County Retirement Fund, and \$1.3 million for social security taxes related to increased salaries. These increases were offset by a decrease in health benefit costs of \$4.8 million.

**Board of Education of Baltimore County**  
**Comparison of FY 2013 and FY 2014 Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**For the Periods Ended September, 2012 and 2013**  
**General Fund**

		FY 2013				FY 2014			
		Adjusted	Total	Remaining	Percentage	Adopted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
		Budget	as of 09/30/12	as of 09/30/12	Obligated	Budget	as of 09/30/13	as of 09/30/13	Obligated
<b>Revenues :</b>									
Baltimore County		\$ 689,743,020	\$ 41,264,402	\$ 648,478,618	6.0%	\$ 712,086,091	\$ 80,600,000	\$ 631,486,091	11.3%
State of Maryland		555,570,405	180,288,362	375,282,043	32.5%	575,955,083	188,046,204	387,908,879	32.6%
Federal		760,000	63,351	696,649	8.3%	800,000	143,426	656,574	17.9%
Other		26,180,284	2,261,675	23,918,609	8.6%	22,307,644	16,080,248	6,227,396	72.1%
Total revenues		\$ 1,272,253,709	\$ 223,877,790	\$ 1,048,375,919	17.6%	\$ 1,311,148,818	\$ 284,869,878	\$ 1,026,278,940	21.7%
<b>Expenditures and encumbrances :</b>									
Administration	salary	\$ 25,041,561	\$ 5,723,837	19,317,724	22.9%	\$ 26,450,863	\$ 6,063,120	\$ 20,387,743	22.9%
	non-salary	11,736,535	4,388,386	7,348,149	37.4%	19,780,554	9,445,543	10,335,011	47.8%
	subtotal	36,778,096	10,112,223	26,665,873	27.5%	46,231,417	15,508,663	30,722,754	33.5%
Midlevel administration	salary	79,664,053	17,672,568	61,991,485	22.2%	81,671,469	17,732,907	63,938,562	21.7%
	non-salary	7,832,972	3,766,637	4,066,335	48.1%	7,904,236	1,887,393	6,016,843	23.9%
	subtotal	87,497,025	21,439,205	66,057,820	24.5%	89,575,705	19,620,300	69,955,405	21.9%
<b>Instruction:</b>									
Instructional salaries	salary	455,656,497	62,741,601	392,914,896	13.8%	463,257,860	63,266,212	399,991,648	13.7%
Instructional textbooks	non-salary	20,837,559	6,863,905	13,973,654	32.9%	21,835,757	11,288,363	10,547,394	51.7%
Other instructional costs	non-salary	7,572,440	2,963,309	4,609,131	39.1%	11,651,441	4,170,629	7,480,812	35.8%
Special education	salary	119,398,061	17,581,502	101,816,559	14.7%	121,210,513	17,709,218	103,501,296	14.6%
	non-salary	41,457,563	37,554,092	3,903,471	90.6%	41,448,624	35,638,582	5,810,042	86.0%
	subtotal	160,855,624	55,135,593	105,720,031	34.3%	162,659,137	53,347,800	109,311,337	32.8%
Student personnel	salary	8,617,556	1,758,498	6,859,058	20.4%	8,806,087	1,769,940	7,036,147	20.1%
	non-salary	171,111	28,601	142,510	16.7%	196,855	14,824	182,031	7.5%
	subtotal	8,788,667	1,787,099	7,001,568	20.3%	9,002,942	1,784,764	7,218,178	19.8%
Health services	salary	13,858,234	1,911,078	11,947,156	13.8%	14,064,882	1,936,623	12,128,259	13.8%
	non-salary	458,849	203,365	255,484	44.3%	508,726	142,217	366,509	28.0%
	subtotal	14,317,083	2,114,443	12,202,640	14.8%	14,573,608	2,078,840	12,494,768	14.3%
Transportation	salary	34,687,921	3,732,434	30,955,487	10.8%	35,405,874	3,834,096	31,571,778	10.8%
	non-salary	26,072,673	23,992,116	2,080,557	92.0%	26,717,228	23,633,035	3,084,193	88.5%
	subtotal	60,760,594	27,724,550	33,036,044	45.6%	62,123,102	27,467,131	34,655,971	44.2%
Operation of plant	salary	43,056,852	8,614,901	34,441,951	20.0%	44,662,967	8,853,250	35,809,717	19.8%
	non-salary	47,397,200	39,881,461	7,515,739	84.1%	49,483,386	36,165,543	13,317,843	73.1%
	subtotal	90,454,052	48,496,362	41,957,690	53.6%	94,146,353	45,018,793	49,127,560	47.8%
Maintenance of plant	salary	13,563,978	2,415,070	11,148,908	17.8%	13,630,043	2,660,851	10,969,192	19.5%
	non-salary	21,079,814	12,996,191	8,083,623	61.7%	19,031,010	13,991,948	5,039,062	73.5%
	subtotal	34,643,792	15,411,261	19,232,531	44.5%	32,661,053	16,652,799	16,008,254	51.0%
Fixed charges	non-salary	290,727,510	54,837,253	235,890,257	18.9%	300,013,235	37,962,161	262,051,074	12.7%
Capital outlay	salary	2,972,038	625,767	2,346,271	21.1%	3,021,476	578,972	2,442,504	19.2%
	non-salary	392,732	234,686	158,046	59.8%	395,732	227,115	168,617	57.4%
	subtotal	3,364,770	860,453	2,504,317	25.6%	3,417,208	806,087	2,611,121	23.6%
Total Salary		\$ 796,516,751	\$ 122,777,255	\$ 673,739,496	15.4%	\$ 812,182,034	\$ 124,405,189	\$ 687,776,845	15.3%
Total Non-Salary		475,736,958	187,710,002	288,026,956	39.5%	498,966,784	174,567,352	324,399,432	35.0%
Total expenditures and encumbrances		\$ 1,272,253,709	\$ 310,487,257	\$ 961,766,451	24.4%	\$ 1,311,148,818	\$ 298,972,541	\$ 1,012,176,277	22.8%

Figure 4

Prepared by the Office of Financial Reporting, October 16, 2013

**FINANCIAL REPORT**  
**FEDERAL, STATE, AND LOCAL GRANTS**  
**SPECIAL REVENUE FUND**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2013**

Attached is the report of federal, state, and local grant budgets and expenditures, for the period ending September 30, 2013. Expenditure amounts reflect actual expenses/obligations to date since the inception of the grant and do not reflect forecasts of expenditures. Budget amounts include the total grant awards, which cover the entire grant period, not just the current fiscal year.

**Background**

The special revenue fund accounts for resources received and spent on restricted federal, state, and local grants. These grants include specific requirements regarding how the funds may be used and the period of time in which the funds must be spent. Many grants cross fiscal years and some include grant periods of more than one year. The attached report includes inception to date expenditures for all grants open during fiscal year 2014, including those that may end during fiscal year 2014.

**Sources of Grant Funds**

The largest source of grant funds is the federal government, which accounts for over 94% of the grant funds received. Federal grants include formula driven entitlement grants such as Title I and Special Education Passthrough, and competitive grants such as Race to the Top. The two entitlement grants represent over 65% of all grant funds received. Federal funds also include expenditures of Medicaid reimbursements for services provided to special education Medicaid-eligible students.

The largest expenditure of grant funds is for salaries and benefits (80%). Grant funding is expected to pay for over 570 positions during fiscal year 2014. This is down significantly from a high of 918 positions in fiscal year 2011 when the last of the American Recovery and Reinvestment Act (ARRA) grants, which provided additional funds for the Title I and Special Education programs, were phased out. Almost all of the ongoing federal programs have experienced a decline in funding over the last few years. The only significant new federal program is the Race to the Top program which continues into the first quarter of fiscal year 2015.

The largest grants include Title I, Special Education, and Title II (Improving Teacher Quality). Title I provides funding to certain schools to improve the academic performance of disadvantaged children. Special Education funds are received based on the number of students with disabilities and the funds are used primarily for special education teachers, instructional assistants, and related services. The Title II program provides professional development opportunities for teachers, principals, and paraprofessionals.

**Baltimore County Public Schools**  
**Special Revenue Fund - Federal, State and Local Grants**  
**Budget vs. Actual**  
**As of September 30, 2013**

<u>Grant Type</u>	<u>Grant Budget</u>	<u>Inception to Date Expenditures &amp; Encumbrances</u>	<u>Remaining Available Balance</u>
Alternative Education Programs - Federal	\$ 434,514	\$ 263,800	\$ 170,714
Career and Technology Programs - Federal	2,043,529	1,142,046	901,483
Career and Technology Programs - State	180,488	123,846	56,642
Total Career & Technology Programs	<u>2,224,017</u>	<u>1,265,892</u>	<u>958,125</u>
Infants and Toddlers Programs - Federal	5,216,413	2,798,041	2,418,372
Infants and Toddlers Programs - State	3,044,068	1,870,600	1,173,468
Total Infants & Toddlers Programs	<u>8,260,481</u>	<u>4,668,641</u>	<u>3,591,840</u>
Race to the Top - Federal	9,529,605	5,968,291	3,561,314
Special Education Programs - Federal	47,685,741	25,830,877	21,854,864
Special Education Programs - State	4,084,418	2,442,093	1,642,325
Total Special Education Programs	<u>51,770,159</u>	<u>28,272,970</u>	<u>23,497,189</u>
Third Party Billing - Medicaid - Federal	5,964,967	663,027	5,301,940
Title I Programs - Federal	61,241,978	42,643,164	18,598,814
Title II Teacher Quality - Federal	10,841,101	5,750,531	5,090,570
Title III World Languages - Federal	1,332,163	895,299	436,864
Other Miscellaneous Programs - Federal	1,996,441	1,906,327	90,114
Other Miscellaneous Programs - State	1,270,242	715,123	555,119
Other Miscellaneous Programs - Local	308,532	307,076	1,456
Total Other Miscellaneous Programs	<u>3,575,215</u>	<u>2,928,526</u>	<u>646,689</u>
Total Federal Programs	<u>\$ 146,286,452</u>	<u>\$ 87,861,403</u>	<u>\$ 58,425,049</u>
Total State Programs	8,579,216	5,151,662	3,427,554
Total Local Programs	308,532	307,076	1,456
Total Grant Programs	<u>\$ 155,174,200</u>	<u>\$ 93,320,141</u>	<u>\$ 61,854,059</u>

**CAPITAL PROJECTS STATUS REPORT**  
**ADDITIONS AND NEW SCHOOL CONSTRUCTION PROJECTS**  
**THROUGH SEPTEMBER 30, 2013**

Below is a status report of capital additions and new school construction projects as of September 30, 2013. The report includes the project name and description, an estimated completion date, approved budget, expenditures to date, encumbrances (open purchase orders), and the remaining balance.

PROJECT NAME	ESTIMATED COMPLETION DATE	TOTAL BUDGET	EXPENDED	ENCUMBERED	REMAINING BALANCE
ELEMENTARY SCHOOL-DESIGN	TO BE DETERMINED	\$ 562,164	\$ -	\$ -	\$ 562,164
NEW ELEMENTARY SCHOOL LUTHERVILLE AREA	AUGUST 2014	28,774,695	2,335,575	14,279,089	12,160,031
NEW ELEMENTARY SCHOOL NORTHWEST AREA	DESIGN PHASE	21,380,000	-	1,063,454	20,316,546
NEW ELEMENTARY SCHOOL TOWSON AREA	TO BE DETERMINED	3,000,000	-	-	3,000,000
NEW ELEMENTARY SCHOOL SOUTHWEST AREA	TO BE DETERMINED	1,500,000	-	-	1,500,000
CARVER CENTER REPLACEMENT	CLOSEOUT	73,410,652	63,020,851	2,799,459	7,590,342
SOLLERS POINT - FURNITURE & EQUIPMENT	COMPLETE	1,200,000	921,732	96,383	181,885
DUNDALK HS & SOLLERS POINT CONSTRUCTION	CONSTRUCTION COMPLETE	101,047,368	87,067,976	7,911,234	6,068,159
DUNDALK HS & SOLLERS POINT- DESIGN PHASE	COMPLETE	6,494,330	6,385,602	97,720	11,009
WEST TOWSON ELEMENTARY SCHOOL	CONSTRUCTION COMPLETE	24,272,810	21,614,962	6,658	2,651,190
STONELEIGH ELEMENTARY SCHOOL - ADDITION	DECEMBER 2013	17,515,430	13,878,141	956,864	2,680,425
HAMPTON ELEMENTARY SCHOOL - ADDITION	CONSTRUCTION COMPLETE	14,193,857	12,223,006	707,918	1,262,933
YORK ROAD CORRIDOR ADDITIONS	TO BE DETERMINED	4,200,347	-	-	4,200,347
SPARKS- ELEMENTARY SCHOOL ADDITION	TO BE DETERMINED	2,966,000	-	331,106	2,634,894
Total		\$ 300,517,653	\$ 207,447,844	\$ 28,249,885	\$ 64,819,924