

**BALTIMORE COUNTY PUBLIC SCHOOLS**

**DATE:** December 17, 2013

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

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

**SUBJECT:** **FINANCIAL REPORT – FOR THE MONTHS ENDING  
OCTOBER 31, 2012 and 2013**

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

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

***INFORMATION***

Attached are the *General Fund Comparison of FY2012 and FY2013 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended October 31, 2012 and 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 October 31, 2012 and 2013. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

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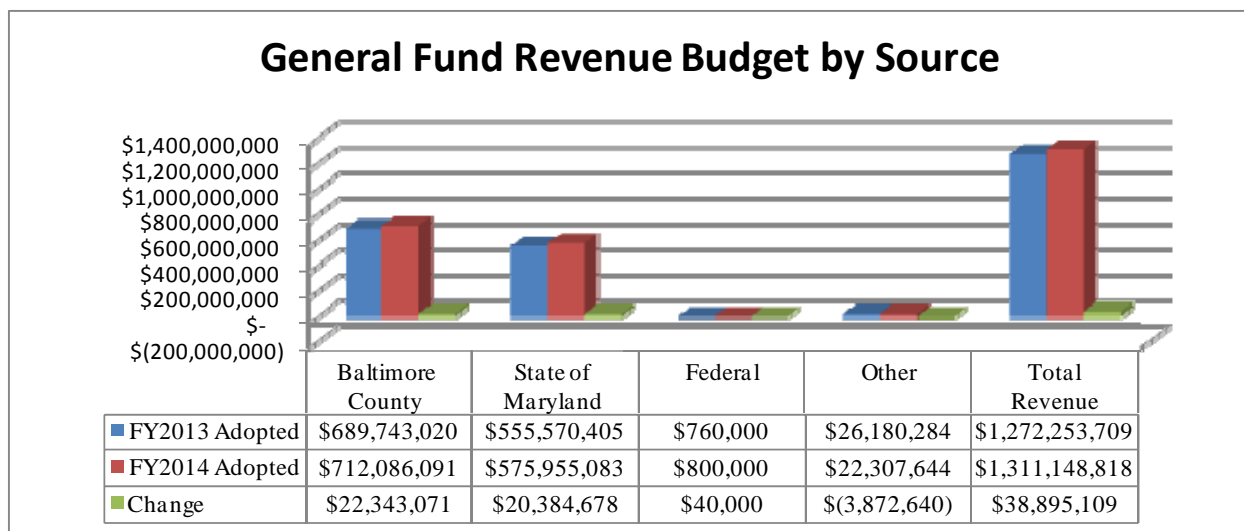
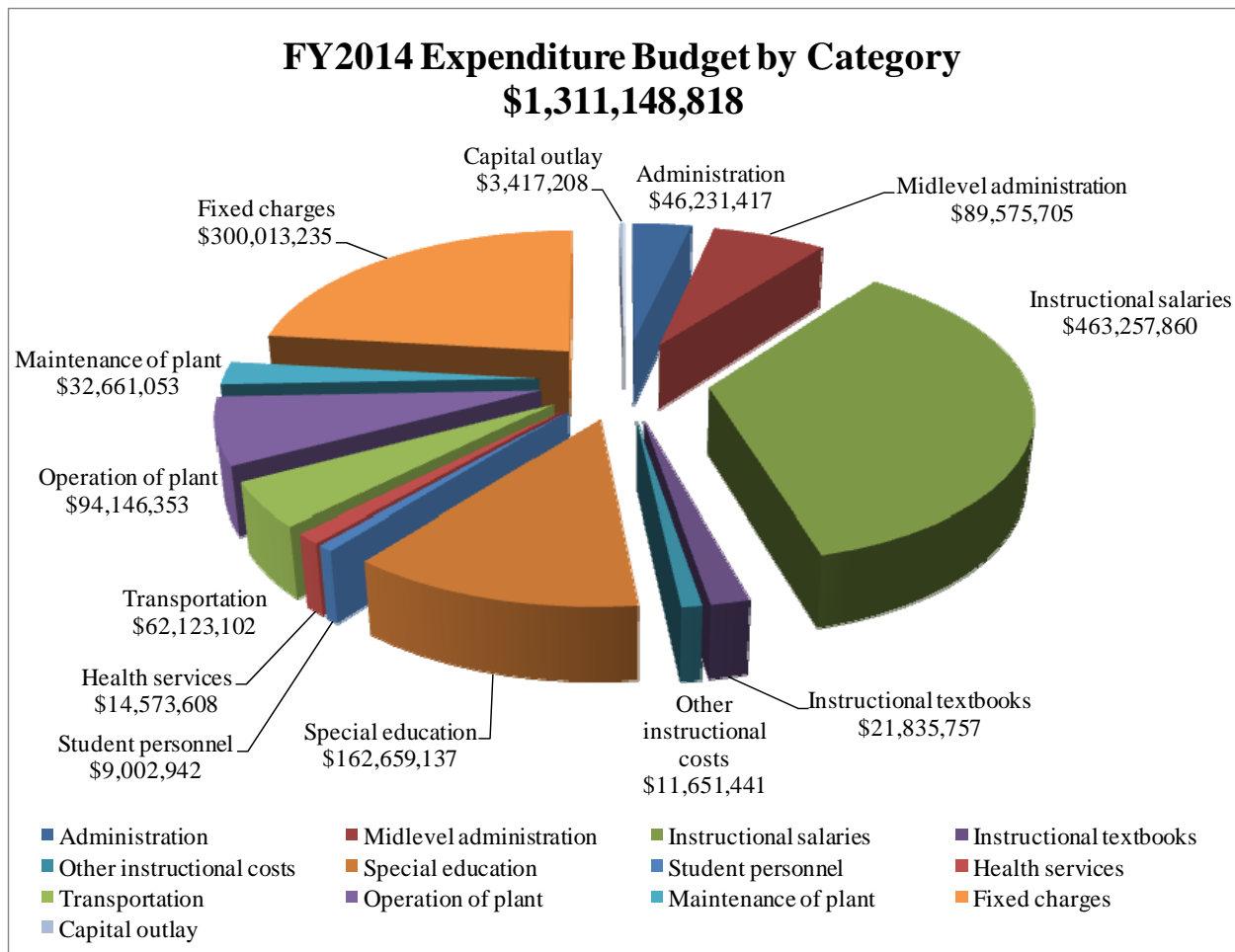


Figure 1

#### *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 (a \$4.2 million increase over the prior year’s contribution) and normal salary increases (\$15.1 million). County funds are drawn based on cash flow requirements. The year-to-date county revenue recognized is \$128.9 million, 18.1% of the budget, as compared to \$99.7 million, 14.5% 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 October 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 October 2013 are \$434.3 million, 33.1% obligated, compared to \$415.7 million, 32.7% obligated, for the same period in FY2013. 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 29.8% 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 22.8% 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 funding 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 increased 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.

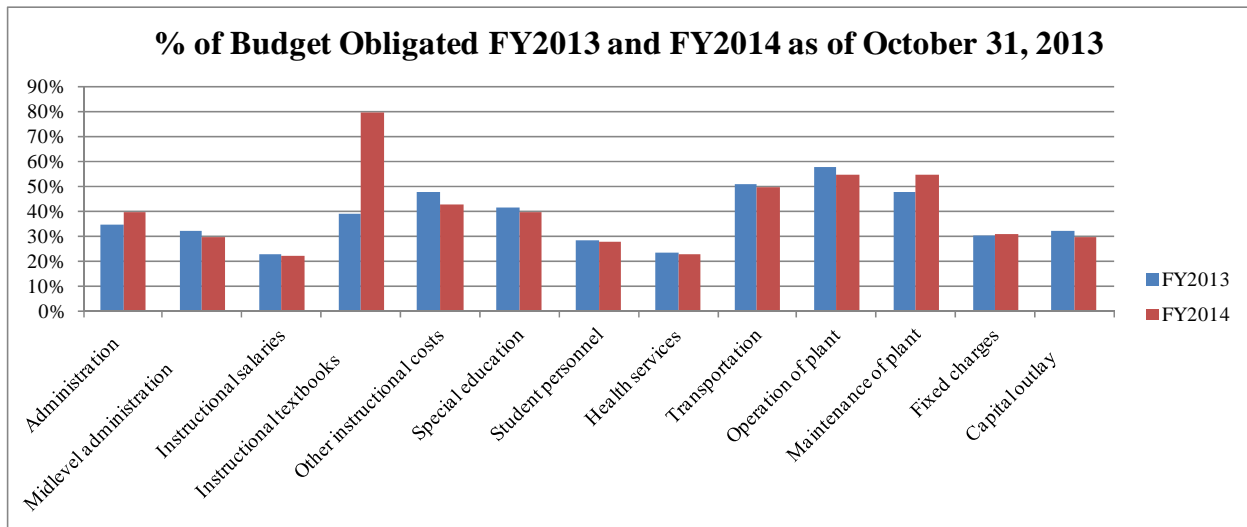


Figure 3

- 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 \$5.4 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 \$1.7 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 \$9.3 million over that incurred in the prior year results from encumbrances for new K-5 phonics and other language arts 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, \$5 million, 42.6% of the FY2014 budgeted funds, have been committed. In the prior year, \$3.6 million, 47.7%, had been committed. The increase in expenditures of \$1.3 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, \$32.7 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

October 2013, 78.9% of the nonsalary budget has been committed, compared to 84.6% committed at October 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 a decrease in funding for the state Aging Schools Program. Year-to-date nonsalary expenditures and encumbrances are \$14.2 million, 74.8% of the budgeted amount, as compared with \$13.2 million, or 62.6%, 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 60.3% expended at October 2013, as compared to 61.5% expended in October 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.

**Comparison of FY 2013 and FY 2014 Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**For the Periods Ended October 31, 2012 and 2013**  
**General Fund**

		FY2013				FY2014			
		Adjusted	Total	Remaining	Percentage	Adopted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 10/31/12	as of 10/31/12	Obligated		as of 10/31/13	as of 10/31/13	Obligated
<b>Revenues :</b>									
Baltimore County		\$ 689,743,020	\$ 99,713,048	\$ 590,029,972	14.5%	\$ 712,086,091	\$ 128,855,838	\$ 583,230,253	18.1%
State of Maryland		555,570,405	180,456,475	375,113,930	32.5%	575,955,083	188,046,205	387,908,878	32.6%
Federal		760,000	125,861	634,139	16.6%	800,000	226,317	573,683	28.3%
Other		26,180,284	20,266,559	5,913,725	77.4%	22,307,644	16,166,307	6,141,337	72.5%
Total revenues		\$ 1,272,253,709	\$ 300,561,943	\$ 971,691,766	23.6%	\$ 1,311,148,818	\$ 333,294,667	\$ 977,854,151	25.4%
<b>Expenditures and encumbrances :</b>									
Administration	salary	\$ 25,041,561	\$ 7,615,826	\$ 17,425,735	30.4%	\$ 26,450,863	\$ 8,103,218	\$ 18,347,645	30.6%
	non-salary	11,736,535	5,209,630	6,526,905	44.4%	19,780,554	10,147,691	9,632,863	51.3%
	subtotal	36,778,096	12,825,456	23,952,640	34.9%	46,231,417	18,250,910	27,980,507	39.5%
Midlevel administration	salary	79,664,053	23,855,553	55,808,500	29.9%	81,671,469	23,982,831	57,688,638	29.4%
	non-salary	7,832,972	4,287,083	3,545,889	54.7%	7,904,236	2,432,922	5,471,314	30.8%
	subtotal	87,497,025	28,142,636	59,354,389	32.2%	89,575,705	26,415,753	63,159,952	29.5%
Instruction:									
Instructional salaries	salary	455,656,497	102,467,897	353,188,600	22.5%	463,257,860	103,881,468	359,376,392	22.4%
Instructional textbooks	non-salary	20,837,559	8,131,641	12,705,918	39.0%	21,835,757	17,406,990	4,428,767	79.7%
Other instructional costs	non-salary	7,572,440	3,612,395	3,960,045	47.7%	11,651,441	4,961,536	6,689,905	42.6%
Special education	salary	119,398,061	27,948,907	91,449,154	23.4%	121,210,513	28,132,039	93,078,474	23.2%
	non-salary	41,457,563	38,394,936	3,062,627	92.6%	41,448,624	35,923,615	5,525,009	86.7%
	subtotal	160,855,624	66,343,843	94,511,781	41.2%	162,659,137	64,055,654	98,603,483	39.4%
Student personnel	salary	8,617,556	2,464,954	6,152,602	28.6%	8,806,087	2,481,735	6,324,352	28.2%
	non-salary	171,111	39,625	131,486	23.2%	196,855	34,200	162,655	17.4%
	subtotal	8,788,667	2,504,579	6,284,088	28.5%	9,002,942	2,515,935	6,487,008	27.9%
Health services	salary	13,858,234	3,142,016	10,716,218	22.7%	14,064,882	3,179,953	10,884,929	22.6%
	non-salary	458,849	218,421	240,428	47.6%	508,726	161,284	347,443	31.7%
	subtotal	14,317,083	3,360,437	10,956,646	23.5%	14,573,608	3,341,237	11,232,371	22.9%
Transportation	salary	34,687,921	6,878,874	27,809,047	19.8%	35,405,874	6,984,768	28,421,106	19.7%
	non-salary	26,072,673	24,108,959	1,963,714	92.5%	26,717,228	23,839,933	2,877,295	89.2%
	subtotal	60,760,594	30,987,833	29,772,761	51.0%	62,123,102	30,824,701	31,298,401	49.6%
Operation of plant	salary	43,056,852	11,860,125	31,196,727	27.5%	44,662,967	12,081,911	32,581,056	27.1%
	non-salary	47,397,200	40,108,444	7,288,756	84.6%	49,483,386	39,037,130	10,446,256	78.9%
	subtotal	90,454,052	51,968,569	38,485,483	57.5%	94,146,353	51,119,041	43,027,312	54.3%
Maintenance of plant	salary	13,563,978	3,313,386	10,250,592	24.4%	13,630,043	3,644,244	9,985,799	26.7%
	non-salary	21,079,814	13,202,899	7,876,915	62.6%	19,031,010	14,229,042	4,801,968	74.8%
	subtotal	34,643,792	16,516,285	18,127,507	47.7%	32,661,053	17,873,286	14,787,767	54.7%
Fixed charges	non-salary	290,727,510	87,724,230	203,003,280	30.2%	300,013,235	92,652,606	207,360,629	30.9%
Capital outlay	salary	2,972,038	833,570	2,138,468	28.0%	3,021,476	771,579	2,249,897	25.5%
	non-salary	392,732	241,405	151,327	61.5%	395,732	238,591	157,141	60.3%
	subtotal	3,364,770	1,074,976	2,289,794	31.9%	3,417,208	1,010,170	2,407,038	29.6%
Total Salary		\$ 796,516,751	\$ 190,381,109	\$ 606,135,642	23.9%	\$ 812,182,034	\$ 193,243,747	\$ 618,938,287	23.8%
Total Non-Salary		475,736,958	225,279,667	250,457,291	47.4%	498,966,784	241,065,540	257,901,244	48.3%
Total expenditures and encumbrances		\$ 1,272,253,709	\$ 415,660,776	\$ 856,592,933	32.7%	\$ 1,311,148,818	\$ 434,309,287	\$ 876,839,530	33.1%

Figure 4

Prepared by: Office of Financial Reporting, November 15, 2013