

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: July 09, 2013

TO: **BOARD OF EDUCATION**

FROM: S. Dallas Dance, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
MAY 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 May 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 May 31, 2012 and 2013. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

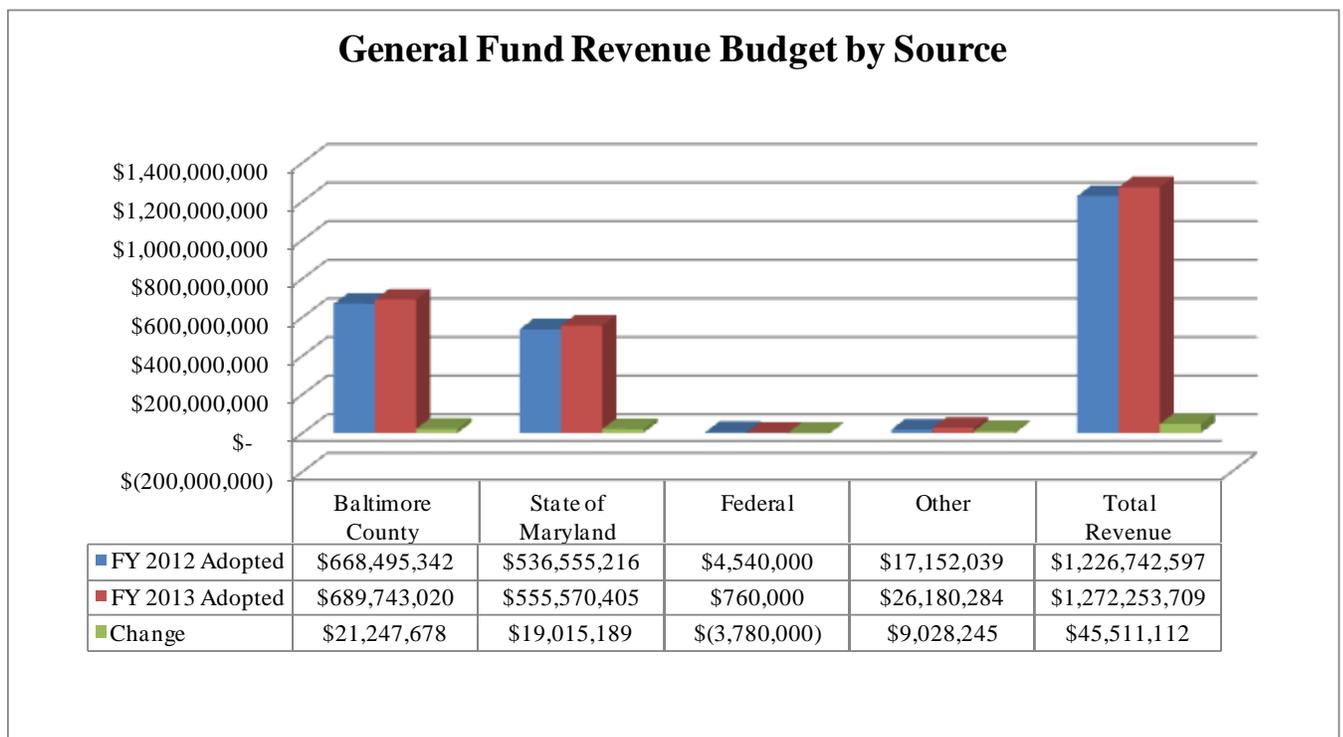


Figure 1

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 \$627.7 million, 91% of the budget, as compared to \$629.3 million, 94.1% 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 May 2013, all of the expected scheduled state payments had been received. Additionally, a payment from the state will be received in July 2013 for the state’s share of the Out-of-County funding; and, a final payment of the Non-public Placement funding is expected to be after year end.
- 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

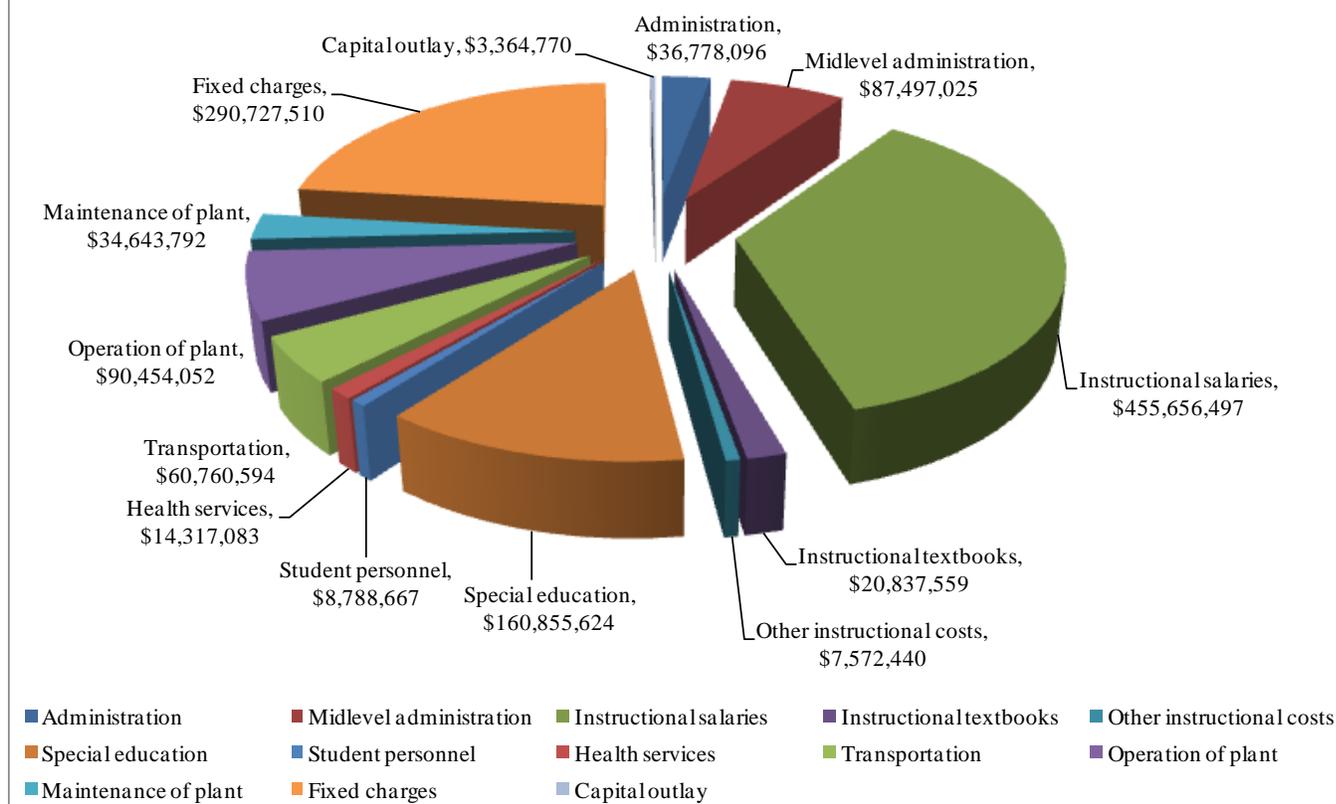


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through May 2013 are \$1.17 billion, 91.8% obligated, compared to \$1.12 billion, 91.7% obligated, for the same period in FY2012. The increase of \$43.6 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 87.4% 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 89.2% 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 was approved during the June council meeting. The revised expenditure budgetary amounts will be reflected in the June financial report.

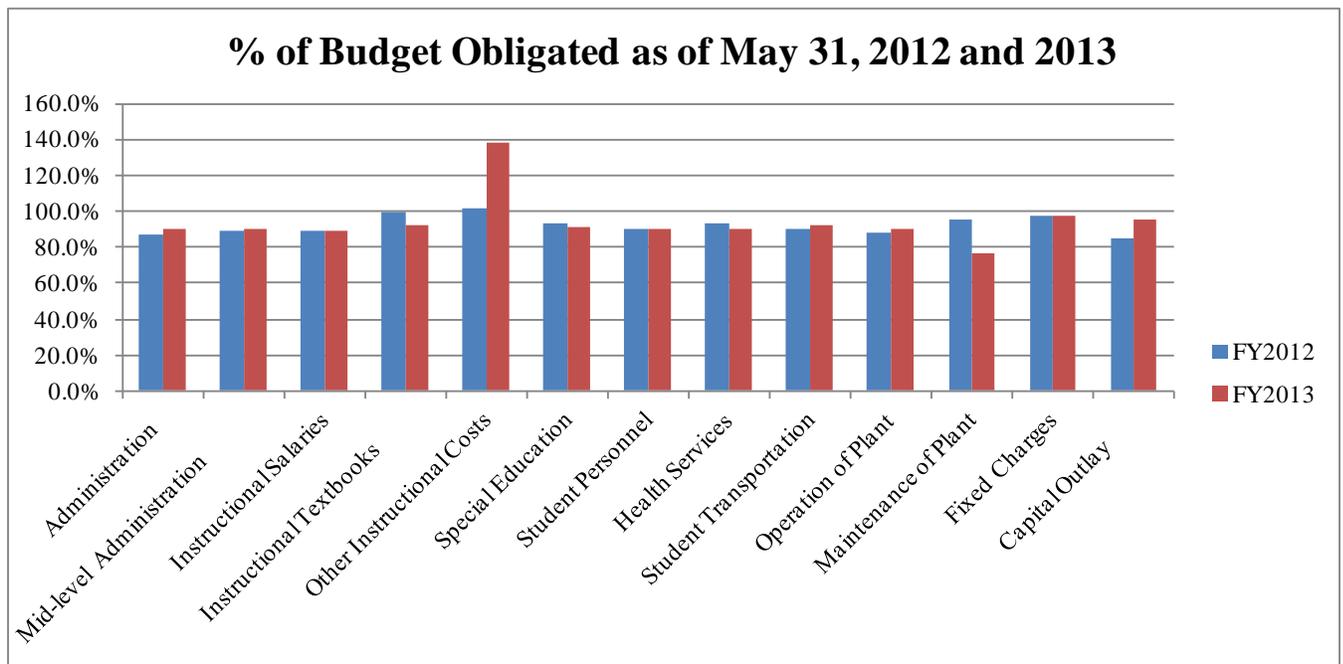


Figure 3

- **Administration and Midlevel Administration** – The budget for nonsalary administration expenditures is essentially the same as the prior year. The increase of approximately \$1 million in current year nonsalary expenditures, as compared with the prior year, is primarily the result of an encumbrance for consulting services for development of a capital improvement program and for expenditures relating to office moves. 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 May 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 \$2.9 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, \$8.1 million 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 May 2013, 98% of the nonsalary budget has been committed, compared to 97.9% committed at May 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 May 2013, 93% of the nonsalary budget has been committed, compared to 91.2% committed at May 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 \$15.5 million, 73.8% of the budgeted amount, as compared with \$15.3 million, or 97.5%, in the prior fiscal year. Capital outlay

nonsalary expenditures are in excess of the budgeted amount at May 2013, as compared to being 70.8% in May 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. A budget appropriation transfer request has been approved by the board and submitted to the county for approval to provide funding for these additional projects.

- ***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 May 31, 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 05/31/12	as of 05/31/12	Obligated		as of 05/31/13	as of 05/31/13	Obligated
Revenues									
Baltimore County		\$ 668,495,342	\$ 629,281,831	\$ 39,213,511	94.1%	\$ 689,743,020	\$ 627,686,026	\$ 62,056,994	91.0%
State of Maryland		536,555,216	524,718,398	11,836,818	97.8%	555,570,405	540,899,923	14,670,482	97.4%
Federal		4,540,000	4,755,189	(215,189)	104.7%	760,000	558,223	201,777	73.5%
Other		17,152,039	12,448,212	4,703,827	72.6%	26,180,284	21,075,765	5,104,519	80.5%
Total Revenues		\$ 1,226,742,597	\$ 1,171,203,630	\$ 55,538,967	95.5%	\$ 1,272,253,709	\$ 1,190,219,937	\$ 82,033,772	93.6%
Expenditures and Encumbrances									
Administration	salary	\$ 25,079,503	\$ 22,156,568	\$ 2,922,935	88.3%	\$ 25,058,479	\$ 22,010,459	\$ 3,048,020	87.8%
	non-salary	12,030,213	10,262,158	1,768,055	85.3%	11,719,617	11,215,114	504,503	95.7%
	subtotal	37,109,716	32,418,725	4,690,990	87.4%	36,778,096	33,225,573	3,552,523	90.3%
Mid-level Administration	salary	78,799,778	69,126,655	9,673,123	87.7%	79,688,827	71,211,400	8,477,427	89.4%
	non-salary	7,927,079	7,942,872	(15,793)	100.2%	7,808,198	7,851,282	(43,084)	100.6%
	subtotal	86,726,857	77,069,526	9,657,331	88.9%	87,497,025	79,062,681	8,434,344	90.4%
Instruction:									
Instructional Salaries	salary	451,832,533	400,623,636	51,208,897	88.7%	455,656,497	405,620,816	50,035,681	89.0%
Instructional Textbooks	non-salary	20,977,566	20,812,019	165,547	99.2%	20,837,559	19,189,517	1,648,042	92.1%
Other Instructional Costs	non-salary	8,009,237	8,148,496	(139,259)	101.7%	7,572,440	10,434,178	(2,861,738)	137.8%
Special Education	salary	113,758,611	104,868,846	8,889,765	92.2%	119,397,050	107,255,901	12,141,149	89.8%
	non-salary	41,470,784	40,117,472	1,353,312	96.7%	41,458,574	40,349,755	1,108,819	97.3%
	subtotal	155,229,395	144,986,318	10,243,077	93.4%	160,855,624	147,605,656	13,249,968	91.8%
Student Personnel	salary	8,388,579	7,582,349	806,230	90.4%	8,617,556	7,812,964	804,592	90.7%
	non-salary	171,111	159,197	11,914	93.0%	171,111	118,633	52,478	69.3%
	subtotal	8,559,690	7,741,546	818,144	90.4%	8,788,667	7,931,597	857,070	90.2%
Health Services	salary	13,417,920	12,515,440	902,480	93.3%	13,866,650	12,392,715	1,473,935	89.4%
	non-salary	467,818	463,504	4,314	99.1%	450,433	488,885	(38,452)	108.5%
	subtotal	13,885,738	12,978,943	906,795	93.5%	14,317,083	12,881,600	1,435,483	90.0%
Student Transportation	salary	33,290,193	28,085,129	5,205,064	84.4%	34,687,921	30,295,980	4,391,941	87.3%
	non-salary	24,979,624	24,443,034	536,590	97.9%	26,072,673	25,551,525	521,148	98.0%
	subtotal	58,269,817	52,528,163	5,741,654	90.1%	60,760,594	55,847,505	4,913,089	91.9%
Operation of Plant	salary	41,374,772	35,243,040	6,131,732	85.2%	43,058,502	37,899,788	5,158,714	88.0%
	non-salary	46,215,315	42,159,296	4,056,019	91.2%	47,395,550	44,084,632	3,310,918	93.0%
	subtotal	87,590,087	77,402,337	10,187,750	88.4%	90,454,052	81,984,420	8,469,632	90.6%
Maintenance of Plant	salary	11,942,283	10,929,711	1,012,572	91.5%	13,562,978	10,915,940	2,647,038	80.5%
	non-salary	15,759,183	15,364,887	394,296	97.5%	21,080,814	15,547,673	5,533,141	73.8%
	subtotal	27,701,466	26,294,598	1,406,868	94.9%	34,643,792	26,463,613	8,180,179	76.4%
Fixed Charges	non-salary	267,632,772	260,975,157	6,657,615	97.5%	290,727,510	284,919,344	5,808,166	98.0%
Capital Outlay	salary	2,820,491	2,457,441	363,050	87.1%	2,972,038	2,367,315	604,723	79.7%
	non-salary	397,232	281,420	115,812	70.8%	392,732	856,640	(463,908)	218.1%
	subtotal	3,217,723	2,738,861	478,862	85.1%	3,364,770	3,223,955	140,815	95.8%
Total Salary		780,704,663	693,588,815	87,115,848	88.8%	796,566,498	707,783,276	88,783,222	88.9%
Total Non-Salary		446,037,934	431,129,511	14,908,423	96.7%	475,687,211	460,607,180	15,080,031	96.8%
Total Expenditures and Encumbrances		\$ 1,226,742,597	\$ 1,124,718,326	\$ 102,024,271	91.7%	\$ 1,272,253,709	\$ 1,168,390,456	\$ 103,863,253	91.8%

Figure 4

Prepared by: Office of Financial Reporting, June 13, 2013