

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: April 23, 2013

TO: **BOARD OF EDUCATION**

FROM: S. Dallas Dance, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
FEBRUARY 28, 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 February 28, 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 February 28, 2012 and 2013. Figure 4 is a comparative statement of budget-to-actual revenues, expenditures, and encumbrances.

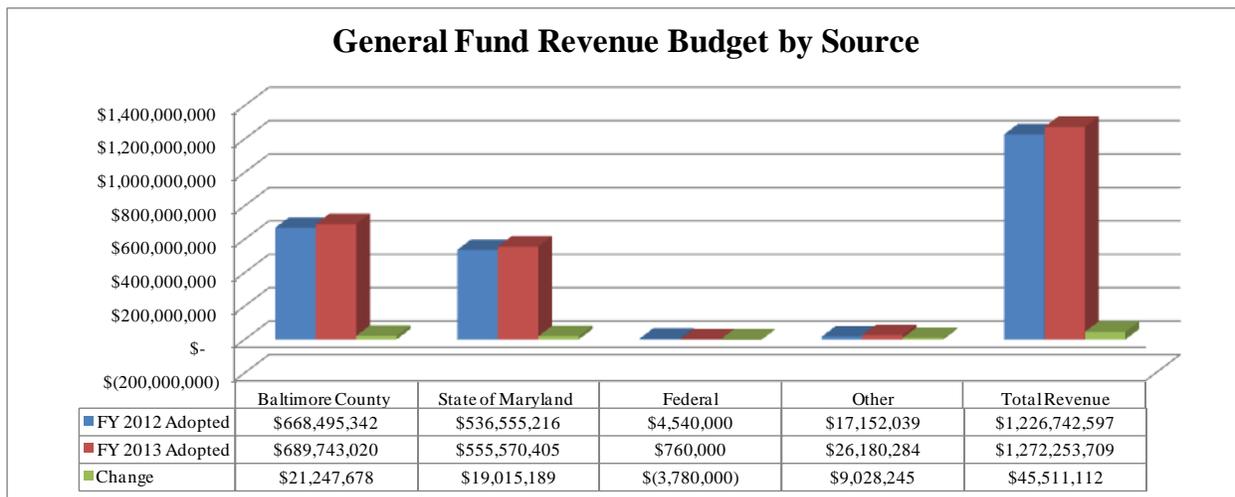


Figure 1

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 \$341.7 million, 49.5% of the budget, as compared to \$344.5 million, 51.5% 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 February 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.

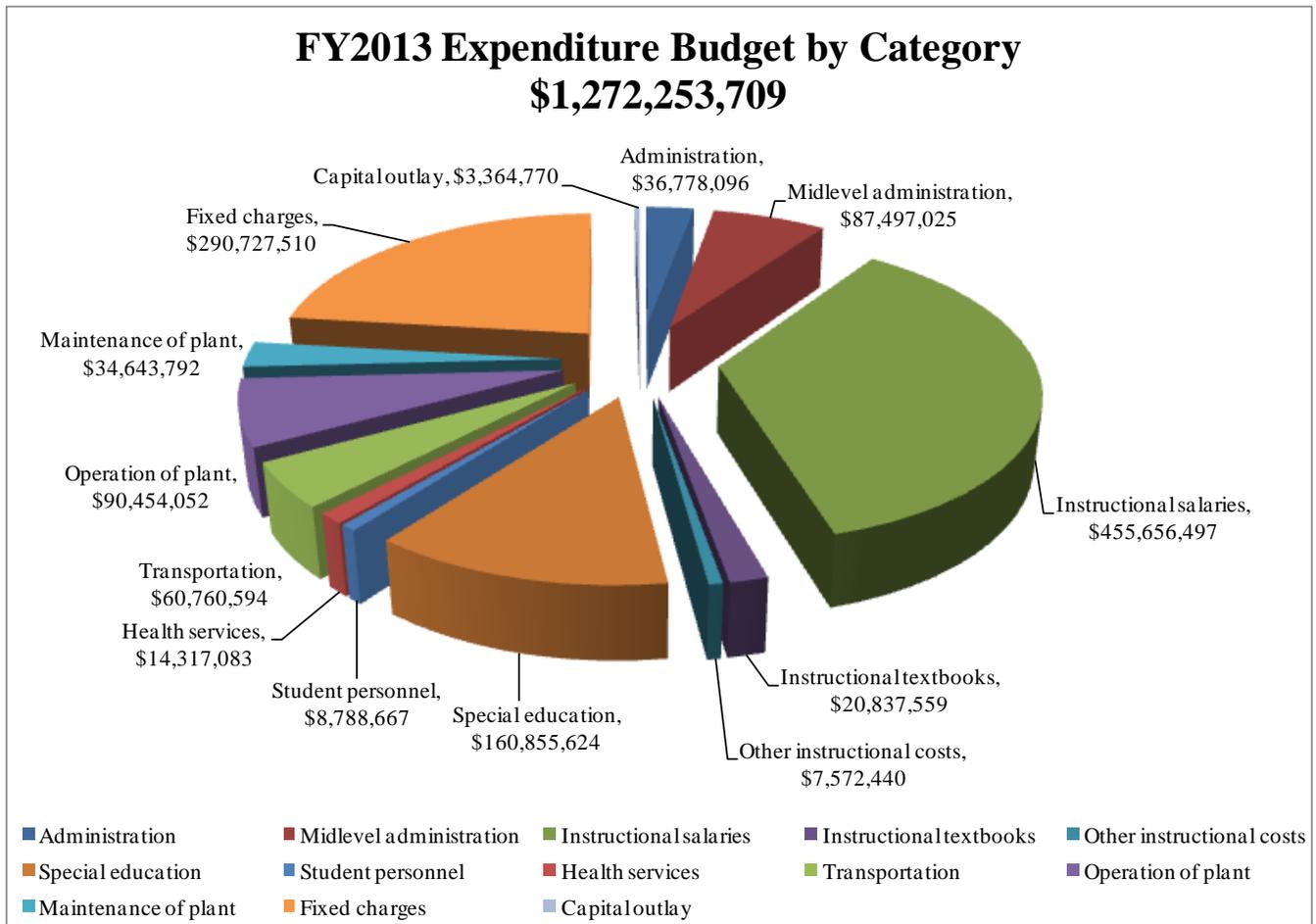


Figure 2 (Detail included in Figure 4)

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through February 2013 are \$819.7 million, 64.4% obligated, compared to \$796.1 million, 64.9% obligated, for the same period in FY2012. The increase of \$23.5 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 62.6% 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 58.6% 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.

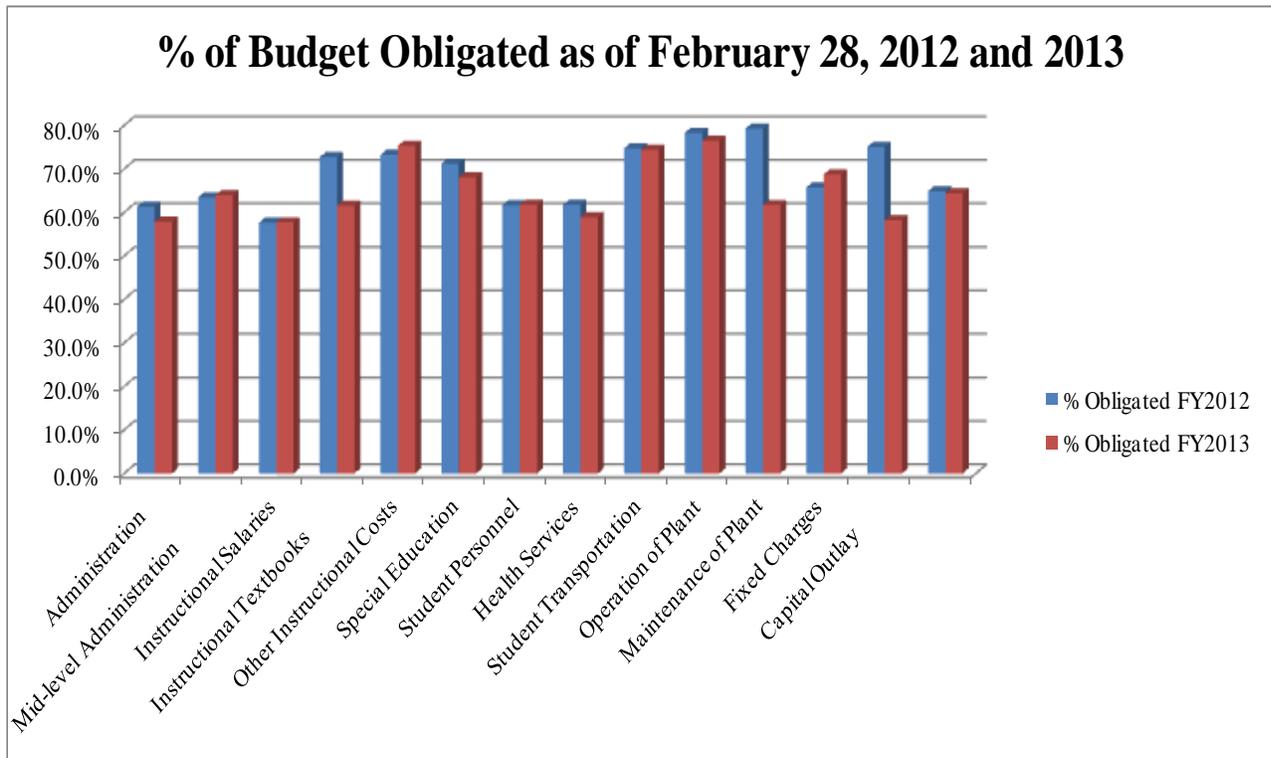


Figure 3

- **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 \$2.4 million less than FY2012 because FY2012 had higher computer replacements costs through February 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, \$5.7 million, 75.3% of the FY2013 budgeted funds, have been committed. In the prior year, \$5.9 million, 73.3%, 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 February 2013, 96.5% of the nonsalary budget has been committed, compared to 96.3% committed at February 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 February 2013, 90.1% of the nonsalary budget has been committed, compared to 92.6% committed at February 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 \$13.9 million, 65.7% of the budgeted amount, as compared with \$13.9 million, or 88.4%, in the prior fiscal year. Capital outlay nonsalary expenditures are 69.4% expended at February 2013, as compared to being over the budget in February 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.

Comparison of FY 2012 and FY 2013 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended February, 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 02/29/12	as of 02/29/12	Obligated		as of 02/28/13	as of 02/28/13	Obligated
Revenues									
Baltimore County		\$ 668,495,342	\$ 344,471,745	\$ 324,023,597	51.5%	\$ 689,743,020	\$ 341,683,323	\$ 348,059,697	49.5%
State of Maryland		536,555,216	353,443,271	183,111,945	65.9%	555,570,405	362,573,641	192,996,764	65.3%
Federal		4,540,000	4,448,682	91,318	98.0%	760,000	372,790	387,210	49.1%
Other		17,152,039	12,215,263	4,936,776	71.2%	26,180,284	20,528,918	5,651,366	78.4%
Total revenues		\$ 1,226,742,597	\$ 714,578,961	\$ 512,163,636	58.3%	\$ 1,272,253,709	\$ 725,158,672	\$ 547,095,037	57.0%
Expenditures and encumbrances									
Administration	salary	\$ 25,079,503	\$ 15,784,257	\$ 9,295,246	62.9%	\$ 25,058,479	\$ 15,418,521	\$ 9,639,958	61.5%
	non-salary	12,030,213	6,979,614	5,050,599	58.0%	11,719,617	5,874,074	5,845,543	50.1%
	subtotal	37,109,716	22,763,871	14,345,845	61.3%	36,778,096	21,292,595	15,485,501	57.9%
Mid-level administration	salary	78,799,778	48,832,404	29,967,374	62.0%	79,688,827	49,531,184	30,157,643	62.2%
	non-salary	7,927,079	6,180,926	1,746,153	78.0%	7,808,198	6,427,306	1,380,892	82.3%
	subtotal	86,726,857	55,013,331	31,713,526	63.4%	87,497,025	55,958,490	31,538,535	64.0%
Instruction:									
Instructional salaries	salary	451,832,533	260,365,120	191,467,413	57.6%	455,656,497	262,997,738	192,658,759	57.7%
Instructional textbooks	non-salary	20,977,566	15,248,040	5,729,526	72.7%	20,837,559	12,825,926	8,011,634	61.6%
Other instructional costs	non-salary	8,009,237	5,866,809	2,142,428	73.3%	7,572,440	5,703,247	1,869,193	75.3%
Special education	salary	113,758,611	70,389,036	43,369,575	61.9%	119,397,050	70,520,757	48,876,293	59.1%
	non-salary	41,470,784	40,161,804	1,308,980	96.8%	41,458,574	38,994,087	2,464,487	94.1%
	subtotal	155,229,395	110,550,840	44,678,555	71.2%	160,855,624	109,514,844	51,340,780	68.1%
Student personnel	salary	8,388,579	5,203,060	3,185,519	62.0%	8,617,556	5,345,309	3,272,247	62.0%
	non-salary	171,111	74,335	96,776	43.4%	171,111	81,725	89,386	47.8%
	subtotal	8,559,690	5,277,395	3,282,295	61.7%	8,788,667	5,427,034	3,361,633	61.8%
Health services	salary	13,417,920	8,177,038	5,240,882	60.9%	13,866,650	8,083,827	5,782,823	58.3%
	non-salary	467,818	397,041	70,777	84.9%	450,433	350,859	99,574	77.9%
	subtotal	13,885,738	8,574,079	5,311,659	61.7%	14,317,083	8,434,686	5,882,397	58.9%
Student transportation	salary	33,290,193	19,474,576	13,815,617	58.5%	34,687,921	20,047,128	14,640,793	57.8%
	non-salary	24,979,624	24,045,411	934,213	96.3%	26,072,673	25,148,447	924,226	96.5%
	subtotal	58,269,817	43,519,987	14,749,830	74.7%	60,760,594	45,195,575	15,565,019	74.4%
Operation of plant	salary	41,374,772	25,772,491	15,602,281	62.3%	43,058,502	26,468,579	16,589,923	61.5%
	non-salary	46,215,315	42,782,123	3,433,192	92.6%	47,395,550	42,682,034	4,713,516	90.1%
	subtotal	87,590,087	68,554,614	19,035,473	78.3%	90,454,052	69,150,613	21,303,439	76.4%
Maintenance of plant	salary	11,942,283	8,042,350	3,899,933	67.3%	13,562,978	7,516,965	6,046,013	55.4%
	non-salary	15,759,183	13,924,171	1,835,012	88.4%	21,080,814	13,857,871	7,222,943	65.7%
	subtotal	27,701,466	21,966,521	5,734,945	79.3%	34,643,792	21,374,837	13,268,955	61.7%
Fixed charges	non-salary	267,632,772	176,011,723	91,621,049	65.8%	290,727,510	199,823,956	90,903,554	68.7%
Capital outlay	salary	2,820,491	1,758,440	1,062,051	62.3%	2,972,038	1,685,733	1,286,305	56.7%
	non-salary	397,232	655,981	(258,749)	165.1%	392,732	272,634	120,098	69.4%
	subtotal	3,217,723	2,414,420	803,303	75.0%	3,364,770	1,958,367	1,406,403	58.2%
Total Salary		780,704,663	463,798,772	316,905,891	59.4%	796,566,498	467,615,743	328,950,755	58.7%
Total Non-Salary		446,037,934	332,327,977	113,709,957	74.5%	475,687,211	352,042,165	123,645,046	74.0%
Total expenditures and encumbrances		\$ 1,226,742,597	\$ 796,126,750	\$ 430,615,847	64.9%	\$ 1,272,253,709	\$ 819,657,908	\$ 452,595,801	64.4%

FINANCIAL REPORT
FEDERAL, STATE, AND LOCAL GRANTS
SPECIAL REVENUE FUND
FOR THE PERIOD ENDING FEBRUARY 28, 2013

Attached is the report of federal, state, and local grants budgets and expenditures, for the period ending February 28, 2013. Expenditure amounts included 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 2013, including those that have ended during fiscal year 2013.

Sources of Grant Funds

The largest source of grant funds is the federal government, which accounts for over 95% 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. Federal funds also include expenditures of Medicaid reimbursements received for services provided to special education Medicaid-eligible students. The entitlement grants represent over 60% of all grant funds received.

The largest expenditures of the grants are for salaries and benefits (80%). Grant programs fund over 550 positions during fiscal year 2013. 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 that provided additional funds for the Title I and Special Education programs were phased out. Almost all of the ongoing federal programs have experienced declining funding over the last few years. The only significant new federal program is the Race to the Top program which continues into fiscal year 2015.

The largest grants include Title I, Special Education, and Race to the Top. 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 student enrolled with disabilities and the funds are used to provide special education teachers, instructional assistants, and related services providers. The Race to the Top program is a competitive grant designed to incentivize excellence, spur reforms, and promote the adoption of effective policies and practices. The funds are utilized to revise, strengthen, and implement plans for educational reform and includes professional development and improvements to data systems.

Baltimore County Public Schools
Special Revenue Fund - Federal, State and Local Grants
Budget vs. Actual
As of February 28, 2013

<u>Grant Type</u>	<u>Grant Budget</u>	<u>Inception to Date Expenditures & Encumbrances</u>	<u>Remaining Available Balance</u>
Alternative Education Programs - Federal	\$ 423,172	\$ 243,829	\$ 179,343
Alternative Education Programs - State	15,836	15,836	-
Alternative Education Programs - Local	3,167	3,167	-
Total Alternative Education Programs	442,175	262,832	179,343
Career and Technology Programs - Federal	2,037,890	1,541,564	496,326
Career and Technology Programs - State	156,472	72,236	84,236
Total Career & Technology Programs	2,194,362	1,613,800	580,562
Infants and Toddlers Programs - Federal	4,104,038	2,903,448	1,200,590
Infants and Toddlers Programs - State	1,541,172	831,734	709,438
Total Infants & Toddlers Programs	5,645,210	3,735,182	1,910,028
Race to the Top - Federal	12,643,413	8,364,504	4,278,909
Special Education Programs - Federal	26,920,241	15,712,280	11,207,961
Special Education Programs - State	2,500,822	1,475,195	1,025,627
Total Special Education Programs	29,421,063	17,187,475	12,233,588
Third Party Billing - Medicaid - Federal	5,811,739	4,243,366	1,568,373
Title I Programs - Federal	63,139,777	46,854,995	16,284,782
Title II Teacher Quality - Federal	11,740,080	7,486,247	4,253,833
Title III World Languages - Federal	1,382,667	578,347	804,320
Other Miscellaneous Programs - Federal	1,907,888	1,542,637	365,251
Other Miscellaneous Programs - State	1,931,444	281,770	1,649,674
Other Miscellaneous Programs - Local	308,532	238,666	69,866
Total Other Miscellaneous Programs	4,147,864	2,063,073	2,084,791
Total Federal Programs	\$ 130,110,905	\$ 89,471,217	\$ 40,639,688
Total State Programs	6,145,746	2,676,771	3,468,975
Total Local Programs	311,699	241,833	69,866
Total Grant Programs	<u>\$ 136,568,350</u>	<u>\$ 92,389,821</u>	<u>\$ 44,178,529</u>

CAPITAL PROJECT STATUS REPORT
ADDITIONS AND NEW SCHOOL CONSTRUCTION PROJECTS
THROUGH DECEMBER 31, 2012

Below is a status report of capital additions and new school construction projects as of December 31, 2012. 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 NUMBER	PROJECT NAME	ESTIMATED COMPLETION DATE	TOTAL BUDGET	EXPENDED	ENCUMBERED	BALANCE
1151506	ELEMENTARY SCHOOL-DESIGN	TO BE DETERMINED	\$ 16,432,859.00	\$ -	\$ -	\$ 16,432,859.00
1151851	LUTHERVILLE AREA ES NEW	AUG '14	5,410,000.00	726,142.05	560,967.95	4,122,890.00
2001592	CARVER CENTER (REPLACEMENT)	PUNCHLIST	73,388,142.00	61,003,350.42	982,651.95	11,402,139.63
2001593	DUNDALK HS & SOLLERS PT CONST	AUG '13	100,897,368.00	73,973,568.88	12,530,030.02	14,393,769.10
2001822	DUNDALK HS & SOLLERS PT DESIGN	AUG '13	6,494,330.00	6,111,943.68	371,377.68	11,008.64
2011612	WEST TOWSON ES	CONSTRUCTION COMPLETE	24,272,810.00	21,611,987.20	32,962.51	2,627,860.29
2011656	STONELEIGH ES - ADDITION	AUG '13	21,984,114.00	5,989,831.68	1,949,449.73	14,044,832.59
2011657	HAMPTON ES - ADDITION	SEPT '13	14,193,857.00	10,219,297.89	2,072,151.84	1,902,407.27
2011896	YORK ROAD CORRIDOR ADDITIONS	ON GOING	432,131.00	0.00	0.00	432,131.00
		Total	\$ 263,505,611.00	\$179,636,121.80	\$ 18,499,591.68	\$ 65,369,897.52