

**CONNECTICUT STATE BOARD OF EDUCATION**  
**Hartford**

TO: State Board of Education

FROM: George A. Coleman, Acting Commissioner of Education

SUBJECT: Fiscal Year 2011 Second Quarter Financial Report

This report reflects the general fund budget activities of the Department through the second quarter of fiscal year 2011. As of December 31, 2010, the Department incurred expenditures of \$745 million against an adjusted appropriation of \$2.452 billion, leaving a balance of \$1.707 billion to cover operating and grant obligations through the end of the fiscal year.

Consistent with the past few years, allotment reductions were made to the Department's budget. In July 2010, \$5.2 million of reductions were implemented, mainly in the Personal Services and Other Expenses accounts. These reductions are attributable to the Office of Policy and Management (OPM) implementing required statewide savings adjustments across all executive branch agencies. Savings generated from observing furlough days, hiring restrictions, outside contractual service reductions and interagency surcharges are reflected. Mindful that the Connecticut Technical High School System (CTHSS) constitutes approximately 85 percent of the Department's annual operating budget expenditures, the reductions adversely impair the Department's ability to cover necessary instructional and energy costs at the technical high schools.

It is important to note that the Department has taken measures to absorb the reductions in Personal Services of \$1.2 million and Other Current Expenses of \$500,000. However, the gravity of a funding decrease to the magnitude of \$3.5 million in Other Expenses severely cripples any ability to meet the critical and essential needs for sustaining CTHSS operations. It is highly unlikely that the department-wide efforts toward restricting spending and redirecting any available non-fixed line item resources will be enough to meet its Other Expense fixed operating obligations through June 30, 2011. Last year the Department spent \$18.1 million. After the reduction this year, \$14 million remains, creating an estimated \$3.5 to \$4.0 million shortfall. The remaining operating accounts are anticipated to be expended within adjusted appropriated levels.

Both the Department and OPM staff have been monitoring the agency's operations and are now reviewing the school district grant expenditure levels. Firm account balances, including most of the grant accounts, will be released in the third quarter statement once projections become stabilized. As in previous years, the Department will, under the guidance of OPM, seek approval to request a Finance Advisory Committee action to balance the Department's budget by transferring funds from accounts experiencing a surplus to those in deficit. However, at this time, we are not projecting surpluses or deficits for any of the grant accounts.

Prepared by \_\_\_\_\_  
Brian Mahoney, Chief Financial Officer  
Division of Finance and Internal Operations

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