

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: April 24, 2007

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
FEBRUARY 28, 2006 AND 2007**

ORIGINATOR: J. Robert Haines, Esq., Deputy Superintendent

**RESOURCE
PERSON (S):** Barbara S. Burnopp, Chief Financial Officer
Patrick M. Fannon, Controller

INFORMATION

Attached is the General Fund *Comparison of FY2006 and FY2007 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended February 28, 2006 and 2007.

***General Fund Comparison of FY2006 and FY2007 Revenues, Expenditures, and
Encumbrances-Budget and Actual***

These data are presented using Maryland State Department of Education 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 FY2006 and FY2007 General Fund Revenue Budget. Figure 2 provides an overview of the FY2007 General Fund Expenditure Budget. Figure 3 compares the percent of the budget obligated as of February 28, 2006 and 2007. Figure 4 is a comparative statement of budget to actual revenues, expenditures, and encumbrances.

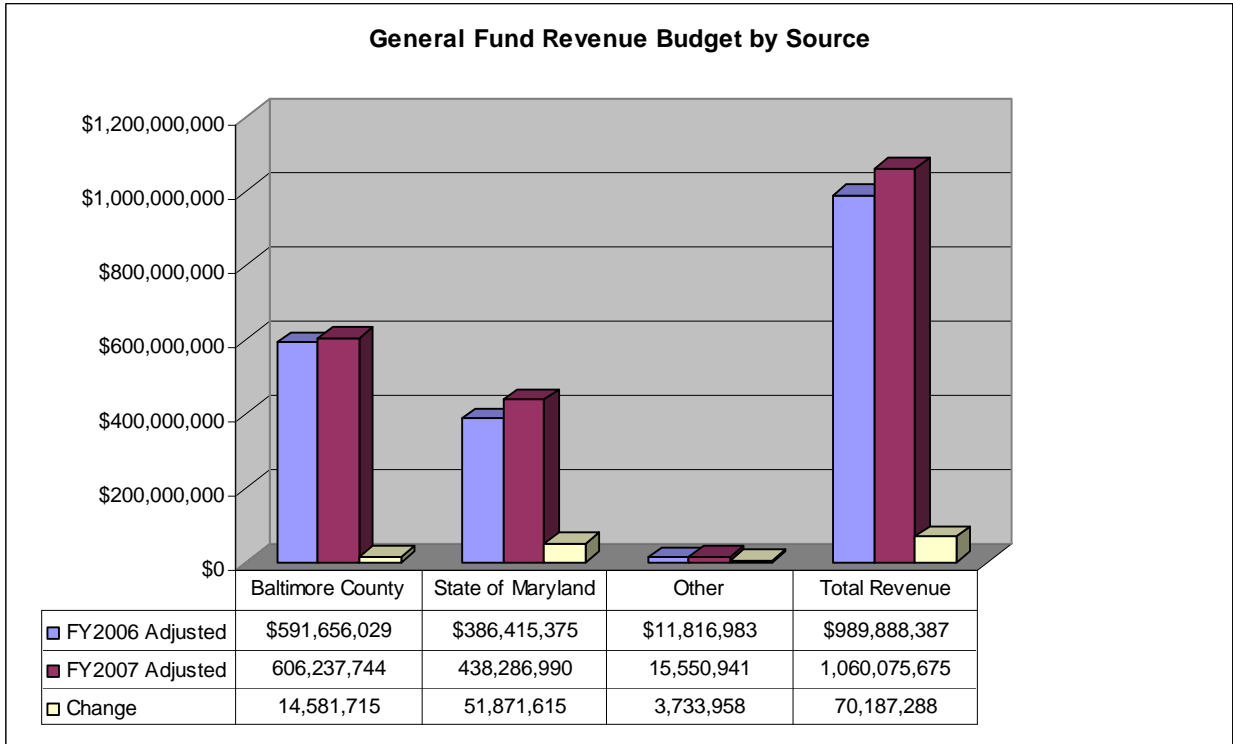
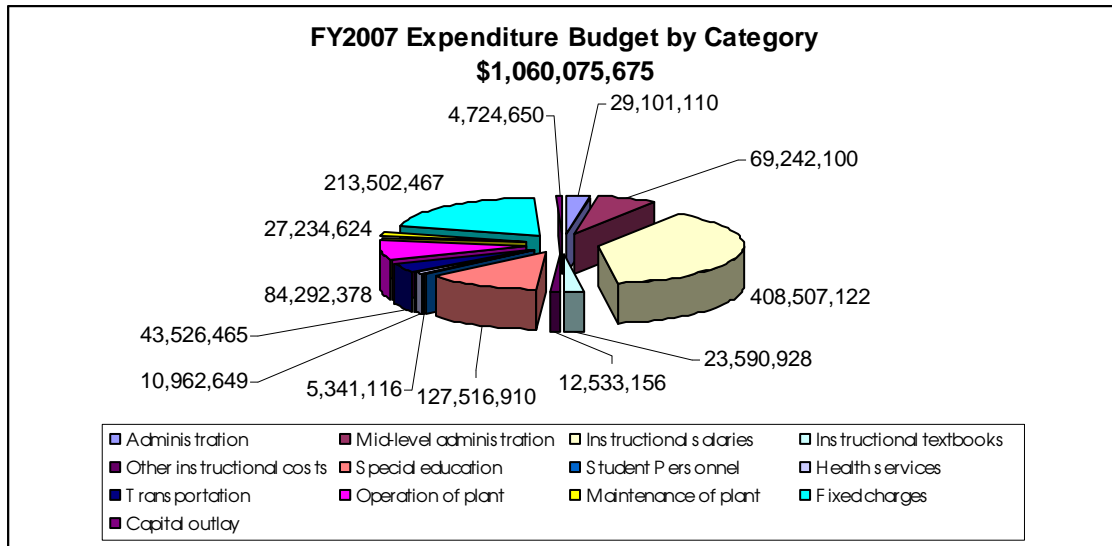


Figure 1

Year-to-Date Comparison

- Baltimore County** – The FY2007 county appropriation increased \$14.6 million, 2.5% over the FY2006 budget. County funds are drawn based on cash flow requirements. Year-to-date county revenue recognized is \$356.4 million, 58.8% of the budget, as compared to \$331.1 million, 56.0% of the budget, for FY2006.
- State of Maryland** – The FY2007 state appropriation increased \$51.8 million, 13.4% over the FY2006 budget. The increase is the result of the fourth year of the Maryland *Bridge to Excellence in Public Schools Act*. The majority of state funds are received bi-monthly in equal installments. Four of the bi-monthly payments have been received, and actual revenues to date are in line with the budget.
- 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 \$4 million and are generally collected at year-end, tuitions and sundry revenues. The year-to-date revenue includes the re-appropriation of \$8.1 million of the prior year’s fund balance, including \$5.3 million of budget supplements, which were approved by the county council to provide funding for the window replacement project at Lansdowne Elementary school, funding for two alternative academic programs and also the disaster recovery site being developed in partnership with the county government; tuition and other revenues of approximately \$5.7 million.

Figure 2 (Detail included in Figure 4)



Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through February, 2007, are \$692 million, 65.3% obligated, compared to \$629 million, 63.6% obligated, for the same period in FY2006. Salary expenditures within categories that are primarily comprised of 12-month positions (e.g., Administration, Mid-Level Administration, Operation of Plant, Maintenance of Plant, and Capital Outlay) average 63% 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 61.7% of budget, which is in line with the percentage of the school year that has elapsed. The increase in salary expense is attributable to salary restructuring for all employees and additional positions to expand full-time kindergarten and other programs. The non-salary expenditures are budgeted for an overall increase of \$38.4 million, or 11% over the prior year. These projected increases are in a number of categories throughout the budget, including \$3.7 million in the instructional textbook category, primarily related to planned math textbook purchases and reading materials for students in grades 7 and 8; \$1.3 million increase in fuel cost in transportation; \$11.9 million for expected increases in utilities cost and contractual services in operation of plant; \$3.8 million in additional expenditures in maintenance of plant for planned repairs and replacement of building systems in a number of schools; an increase in fixed charges of \$19.1 million resulting from additional payroll related costs, which increase as salaries are increased and cost increases in health insurances; and funds budgeted in capital outlay for the purchase of additional portable classrooms and the window replacement project at Lansdowne Elementary school. In addition to the above increases, approximately \$1.6 million is budgeted to fund the expected costs of a 4-classroom modular unit and other start-up costs for Maryland’s Tomorrow/Advance Path Academy, which is a dropout prevention program housed at Chesapeake High School; and, \$2.1 million is budgeted to provide funding for space rental, supplies and materials needed for the Secondary Academic Intervention Model servicing students in grades 6-10 in the eastern and central areas of Baltimore County. The budget also includes \$300,000 for computer equipment, data and telephone cabling for the Disaster Recovery Center.

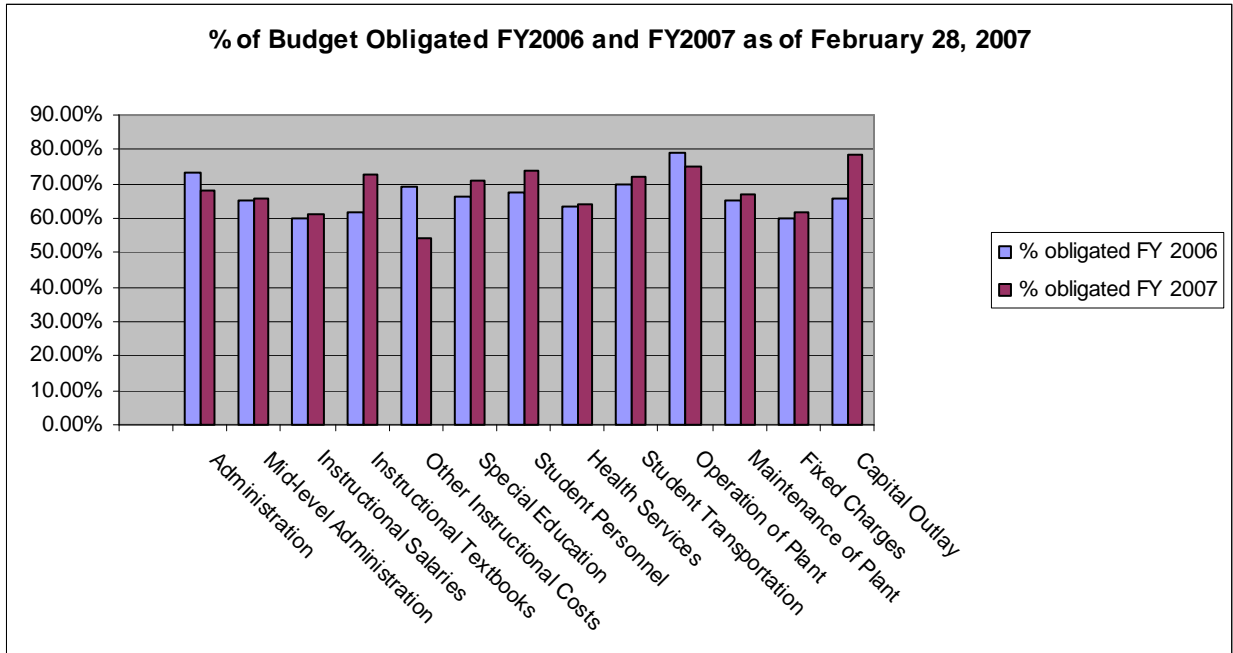


Figure 3

- Administration and Mid-level administration** – Year-to-date FY2007 administrative non-salary expenditures and encumbrances have decreased \$2.1 million over those expended during the same period in FY2006. This decrease results primarily from a decrease in budgeted contracted services related to the upgrade in the Board’s financial system, which was substantially completed in FY2006. Mid-level administration expenditures are in line with the budget and are comparable to the prior year.
- Instructional salaries** – The budget for instructional salaries was increased by \$14.7 million in FY2007 to include additional funding for salary restructuring and step increases. The budget increase also resulted from added instructional positions required to expand full-day kindergarten programs to 10 additional schools and for special education kindergarten at 10 additional schools.
- 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 budget for this category was increased by 18.9% or approximately \$4 million for the year. The increase in the budget includes \$2.1 million county-wide expenditure for math textbooks and \$2.2 million for reading materials for grades 7 and 8. To date, \$17.2 million, 72.9% of the FY2007 budgeted textbook funds has been committed; the remaining budget will be spent throughout the year to purchase additional consumable classroom supplies, library books and other media.

- ***Other instructional costs*** – This category is comprised of commitments for contracted services, staff development, and equipment used to support the instructional programs. The budgeted funds in this category were increased \$1.2 million in January for expected costs for two new secondary academic intervention programs. To date, \$6.8 million, 54.4% of the FY2007 budgeted funds has been committed. In the prior year, \$8 million, 69.5% had been committed primarily because of \$2 million of expenditures for new computer equipment that had been incurred at that time. Generally, a majority of these expenditures are committed early in the school year to prepare for the opening of school.
- ***Special education*** – The special education category includes costs associated with the educational needs of students receiving special education services. The FY2007 salary budget includes increased funding for salary restructuring, step increases, and the cost of an additional 28 full-time employees to support expansion of kindergarten special education inclusion programs. \$32.3 million (93.3%) of the FY2007 special education non-salary budget is for private placement of children in non-public schools. To date, 93.8% of the original budgeted funds for private placement, \$30.3 million, have been committed, compared with 80% committed at February 2006. A supplemental appropriation has been submitted to the Board to reflect increased tuition costs of \$1.5 million in excess of the budgeted amount. These excess costs will be funded entirely by additional state revenues. The total cost of non-public placements is projected to be approximately \$33.8 million for the current year.
- ***Student personnel and Health services*** – Year-to-date FY2007 expenditures and encumbrances 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 non-salary 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 non-salary expenditures. The non-salary budget increased \$1.3 million, which can be attributed primarily to anticipated additional fuel cost and increased costs for parts and maintenance. It is anticipated that the expenditures for private bus contractors will be significantly in excess of the amount budgeted because of contractual increases in rates agreed to in the spring of 2006. As of February 2007, 94.4% of the non-salary budget has been committed, compared with 92% committed as of February 2006. Expenditures for salaries are in line with the budget and with prior year expenditures.

- Operation of plant*** – This category contains costs for custodial and grounds keeping salaries 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 non-salary expenditure budget for this category has increased \$13.9 million, 40.2%. This increase is largely attributable to additional cost of utilities of \$6.3 million, resulting from the cost associated with the new Windsor Mill Middle school and also from overall projected price increases for supplies and services. Additionally, \$2 million was budgeted in January to provide funding for the purchase of relocatable classrooms, space rental and build-out costs associated with two intervention programs. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$31 million. It is anticipated that the expenditures for utilities will be less than budgeted as a result of the warmer weather experienced during much of this winter. Other expenditures in this category include the cost of building rent, \$2.3 million; property insurance, \$1.1 million; trash removal, \$850,000, and related expenditures. As of February 2007, 93.1% of the non-salary budget has been committed, compared with 97.2% as of February 2006.
- Maintenance of plant and capital outlay*** – The maintenance category consists of activities related to the service and upkeep of building systems and grounds. The non-salary expenditure budget for this category increased \$4.1 million or 35.5% over the prior year, including \$300,000 added in January 2007 for the Disaster Recovery Center. These increases included \$3.6 million for the planned repair and replacement of building systems at selected schools. The capital outlay category includes expenditures related to acquisition and construction of land, buildings and equipment. Capital outlay expenditures to date include approximately \$600,000 for the acquisition of portable classrooms to provide facilities for the expansion of all day kindergarten programs. Additionally, a budget supplement of \$1,292,000 was approved by the county council in November 2006 to provide funding for the completion of the window replacement project at Lansdowne Elementary school. Salary expenses for both categories are in line with the budget.
- Fixed charges*** – This category includes the cost of employee benefits and other fixed costs. Health insurance and employer FICA consume 68% and 28% of the Fixed Charges budget, respectively. The FY2007 budget includes an increase of \$11.8 million resulting from increases in premiums for health insurance. Year-to-date FY2007 expenditures and encumbrances are in line with the budget.

Baltimore County Public Schools
Comparison of FY 2006 and FY 2007 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended February, 2006 and 2007
General Fund

		FY 2006				FY 2007			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 02/28/06	as of 02/28/06	Obligated		as of 02/28/06	as of 02/28/06	Obligated
Revenues									
Baltimore County		\$ 591,656,029	\$ 331,156,933	\$ 260,499,096	56.0%	\$606,237,744	\$ 356,389,873	\$ 249,847,871	58.8%
State of Maryland		386,415,375	250,011,092	136,404,283	64.7%	438,286,990	285,207,344	153,079,646	65.1%
Other		11,816,983	7,177,211	4,639,772	60.7%	15,550,941	13,865,367	1,685,574	89.2%
Total revenues		\$ 989,888,387	\$ 588,345,236	\$ 401,543,151	59.4%	\$1,060,075,675	\$ 655,462,584	\$ 404,613,091	61.8%
Expenditures and encumbrances									
Administration	salary	\$ 16,919,500	\$ 11,471,574	\$ 5,447,926	67.8%	\$ 19,368,269	\$ 12,747,811	\$ 6,620,458	65.8%
	non-salary	11,315,186	9,194,747	2,120,439	81.3%	9,732,841	7,039,060	2,693,781	72.3%
	subtotal	28,234,686	20,666,321	7,568,365	73.2%	29,101,110	19,786,871	9,314,239	68.0%
Mid-level administration	salary	61,011,497	39,560,450	21,451,047	64.8%	63,906,065	41,631,705	22,274,360	65.1%
	non-salary	5,128,198	3,547,663	1,580,535	69.2%	5,336,035	3,847,971	1,488,064	72.1%
	subtotal	66,139,695	43,108,113	23,031,582	65.2%	69,242,100	45,479,676	23,762,424	65.7%
Instruction:									
Instructional salaries	salary	393,789,802	235,710,054	158,079,748	59.9%	408,507,122	250,173,263	158,333,859	61.2%
Instructional textbooks	non-salary	19,564,035	12,044,597	7,519,438	61.6%	23,590,928	17,198,746	6,392,182	72.9%
Other instructional costs	non-salary	11,574,482	8,043,414	3,531,068	69.5%	12,533,156	6,820,433	5,712,723	54.4%
Special education	salary	87,500,557	54,425,617	33,074,940	62.2%	92,926,790	58,311,891	34,614,899	62.8%
	non-salary	39,649,253	30,101,090	9,548,163	75.9%	34,590,120	32,226,261	2,363,859	93.2%
	subtotal	127,149,810	84,526,707	42,623,103	66.5%	127,516,910	90,538,152	36,978,758	71.0%
Student personnel	salary	4,697,545	3,207,123	1,490,422	68.3%	5,156,410	3,861,497	1,294,913	74.9%
	non-salary	167,936	65,313	102,623	38.9%	184,706	93,217	91,489	50.5%
	subtotal	4,865,481	3,272,436	1,593,045	67.3%	5,341,116	3,954,714	1,386,402	74.0%
Health services	salary	10,122,687	6,396,757	3,725,930	63.2%	10,728,840	6,894,549	3,834,291	64.3%
	non-salary	232,453	182,278	50,175	78.4%	233,809	111,896	121,913	47.9%
	subtotal	10,355,140	6,579,035	3,776,105	63.5%	10,962,649	7,006,445	3,956,204	63.9%
Student transportation	salary	25,890,607	14,660,412	11,230,195	56.6%	26,951,651	15,808,858	11,142,793	58.7%
	non-salary	15,266,890	14,045,032	1,221,858	92.0%	16,574,814	15,641,132	933,682	94.4%
	subtotal	41,157,497	28,705,444	12,452,053	69.7%	43,526,465	31,449,990	12,076,475	72.3%
Operation of plant	salary	33,121,361	20,056,157	13,065,204	60.6%	35,828,432	21,015,297	14,813,135	58.7%
	non-salary	34,558,291	33,596,678	961,613	97.2%	48,463,946	45,129,088	3,334,858	93.1%
	subtotal	67,679,652	53,652,835	14,026,817	79.3%	84,292,378	66,144,385	18,147,993	78.5%
Maintenance of plant	salary	10,218,229	6,083,750	4,134,479	59.5%	11,598,468	6,152,784	5,445,684	53.0%
	non-salary	11,536,330	8,087,214	3,449,116	70.1%	15,636,156	12,057,139	3,579,017	77.1%
	subtotal	21,754,559	14,170,964	7,583,595	65.1%	27,234,624	18,209,923	9,024,701	66.9%
Fixed charges	non-salary	194,441,731	117,160,523	77,281,208	60.3%	213,502,467	131,968,641	81,533,826	61.8%
Capital outlay	salary	2,162,667	1,342,091	820,576	62.1%	2,286,455	1,575,028	711,427	68.9%
	non-salary	1,019,150	757,108	262,042	74.3%	2,438,195	2,119,921	318,274	86.9%
	subtotal	3,181,817	2,099,199	1,082,618	66.0%	4,724,650	3,694,949	1,029,701	78.2%
Total Salary		\$ 645,434,452	\$ 392,913,985	\$ 252,520,467	60.9%	\$ 677,258,502	\$ 418,172,683	\$ 259,085,820	61.7%
Total Non-Salary		344,453,935	236,825,657	107,628,278	68.8%	382,817,173	274,253,505	50,549,335	71.6%
Total expenditures and encumbrances		\$ 989,888,387	\$ 629,739,642	\$ 360,148,745	63.6%	\$ 1,060,075,675	\$ 692,426,188	\$ 367,649,487	65.3%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, March 14, 2007