

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: July 10, 2007

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING MAY 31, 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 May 31, 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 May 31, 2006 and 2007. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

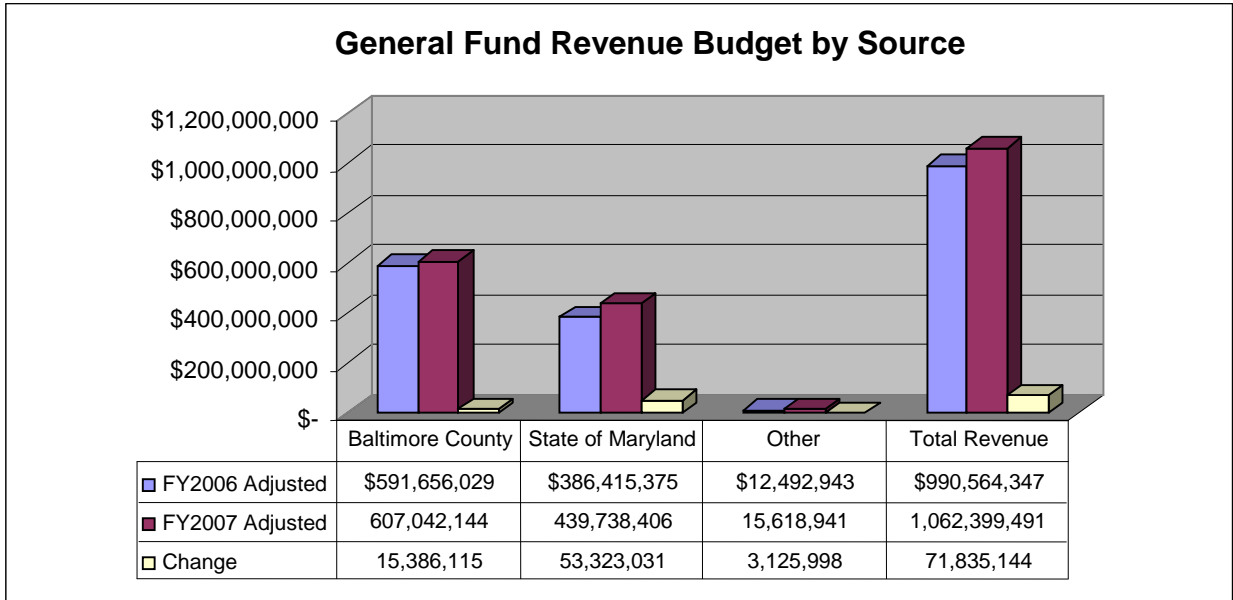
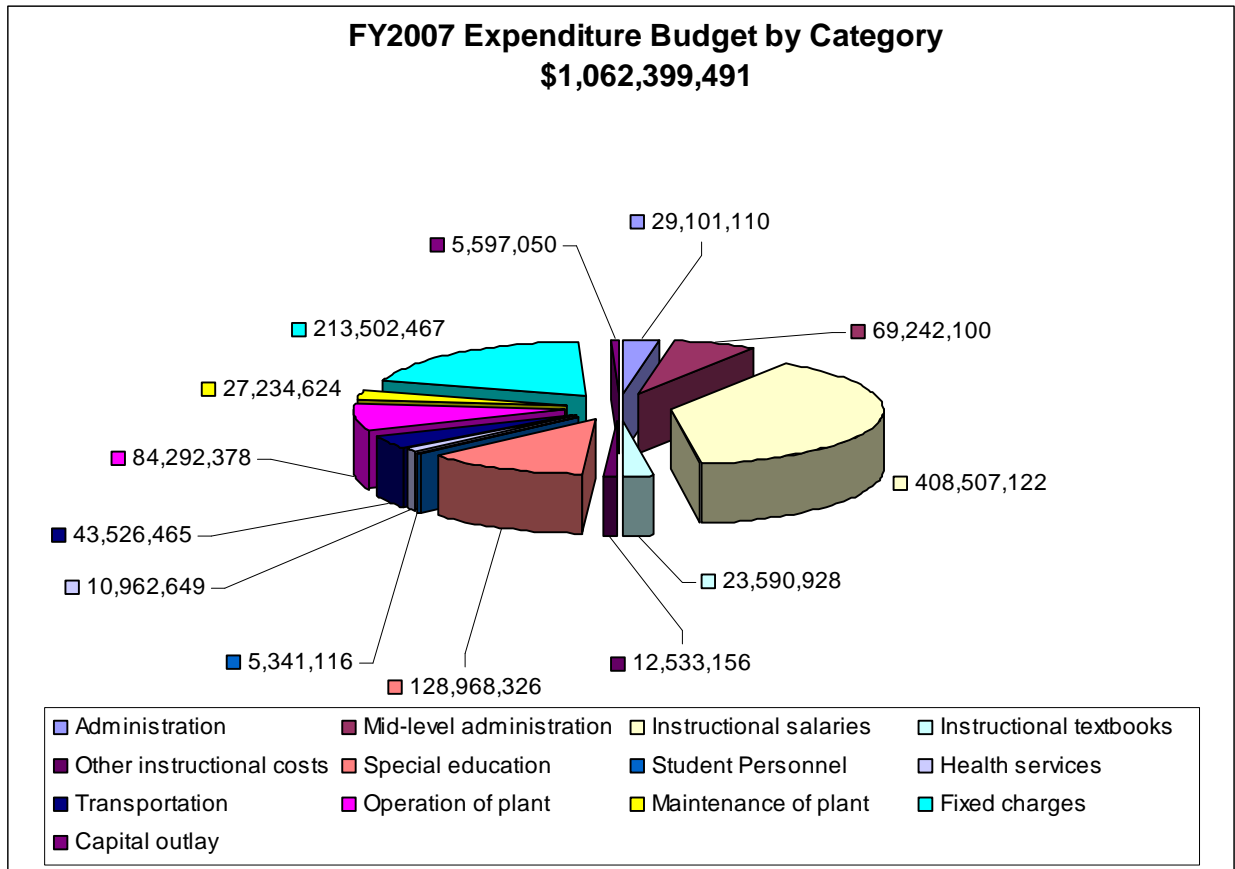


Figure 1

Year-to-Date Comparison

- Baltimore County** – The FY2007 county appropriation increased \$15.3 million, 2.6% over the FY2006 budget. County funds are drawn based on cash flow requirements. Year-to-date county revenue recognized is \$549.3 million, 90.5% of the budget, as compared to \$527.8 million, 89.2% of the budget, for FY2006.
- State of Maryland** – The FY2007 state appropriation increased \$53.3 million, 13.8% 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. All of the scheduled bi-monthly payments have been received. Additional revenues to be recognized include the state portion of the out-of-county tuitions and additional revenues which are related to special education students and the Aging Schools program.
- 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; and tuition and other revenues of approximately \$6.7 million.

Figure 2 (Detail included in Figure 4)



Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through May, 2007, are \$953 million, 89.7% obligated, compared to \$877 million, 88.5% 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 86% 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% 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 \$37.7 million, or 11% over the prior year.

The increases noted above are in a number of categories throughout the budget, including \$3.7 million in the instructional textbook category, primarily related to 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 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.

Additionally, an increase has been budgeted in fixed charges of \$19.1 million, due primarily to additional payroll related costs, which increase, as salaries are increased; and cost increases in health insurances.

The funds budgeted in capital outlay have also increased to cover the cost of additional portable classrooms and the window replacement project at Lansdowne Elementary School.

In addition to the previously mentioned increases, approximately \$1.6 million is budgeted to fund the 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.

During April 2007, the board approved a budget appropriation transfer request of \$4.9 million which will align funds by category. The transfer request is due to additional expenditures in a number of categories, including \$2.3 million in transportation expenditures primarily attributable to increased costs for private bus contractors. These additional expenditures are being funded primarily by savings achieved in the cost of utilities. The budget transfer request was submitted to the county council for approval, and was approved at the June 18, 2007 council meeting. Since this report is for data as of May 31, 2007 the budget transfer request has not been reflected in this report.

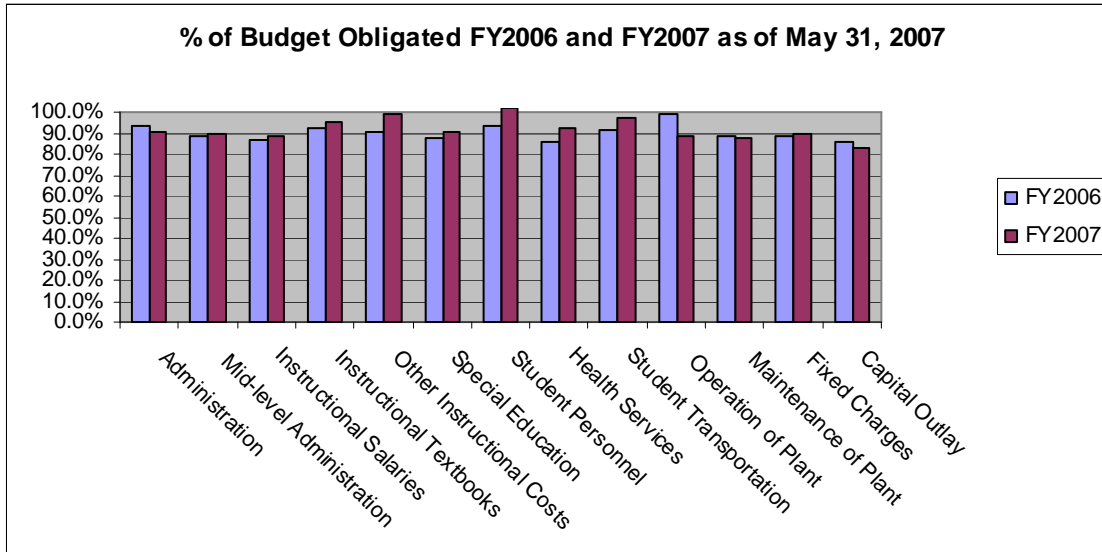


Figure 3

- Administration and Mid-level administration** – Year-to-date FY2007 administrative non-salary expenditures and encumbrances have decreased \$1.7 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, \$22.5 million, 95.6% of the FY2007 budgeted textbook funds has been committed; the remaining budget will be spent by the end of 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 secondary academic intervention programs. To date, \$12.4 million, 99.4% of the FY2007 budgeted funds has been committed. In the prior year, \$10.4 million, 90.1% 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 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 (93.9%) of the FY2007 special education non-salary budget is for private placement of children in non-public schools. To date, 89.6% of the budgeted funds for private placement, \$30.3 million, have been committed, compared with 90.1% committed at May 2006. A supplemental appropriation to reflect increased tuition costs of approximately \$1.5 million in excess of the budgeted amount was approved by the county council in May 2007. These excess costs were funded entirely by additional state revenues.
- ***Student personnel and Health services*** – Year-to-date FY2007 expenditures for student personnel are over the amount budgeted at May, 2007. A budget transfer request of \$840,000, which will provide funding for additional expenditures, was approved by the county council in June 2007. The year-to-date expenditures in 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 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. In anticipation of increased expenditures for private bus contractors resulting from an increase in contractor rates agreed to in the spring of 2006, a budget appropriation transfer was submitted and approved by the county council in June.

- 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% over the prior year. 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 \$3.8 million less than the amount budgeted and this amount will be transferred to provide funding for expenses in other categories. 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 May 2007, 91.1% of the non-salary budget has been committed, compared with 111.3% as of May 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 a transfer to the capital budget 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 May 31, 2006 and 2007
General Fund

		FY 2006				FY 2007			
		Total	Remaining	Percentage	Total	Remaining	Percentage		
		Adjusted	Budget	Earned or	Adjusted	Budget	Earned or		
		Budget	as of 05/31/06	Obligated	Budget	as of 05/31/06	Obligated		
Revenues									
Baltimore County		\$ 591,656,029	\$ 527,807,114	\$ 63,848,915	89.2%	\$ 607,042,144	\$ 549,339,309	\$ 57,702,835	90.5%
State of Maryland		386,415,375	370,561,657	15,853,718	95.9%	439,738,406	424,507,454	15,230,952	96.5%
Other		12,492,943	7,665,838	4,827,105	61.4%	15,618,941	14,781,699	837,242	94.6%
Total Revenues		\$ 990,564,347	\$ 906,034,609	\$ 84,529,738	91.5%	\$ 1,062,399,491	\$ 988,628,462	\$ 73,771,029	93.1%
Expenditures and Encumbrances									
Administration	salary	\$ 16,919,500	\$ 15,641,936	\$ 1,277,564	92.4%	\$ 19,368,269	\$ 17,212,506	\$ 2,155,763	88.9%
	non-salary	11,367,892	10,732,451	635,441	94.4%	9,732,841	9,036,878	695,963	92.8%
	subtotal	28,287,392	26,374,387	1,913,005	93.2%	29,101,110	26,249,383	2,851,727	90.2%
Mid-level Administration	salary	61,011,497	53,763,413	7,248,084	88.1%	63,906,065	56,572,361	7,333,704	88.5%
	non-salary	5,128,198	4,894,442	233,756	95.4%	5,336,035	5,302,375	33,660	99.4%
	subtotal	66,139,695	58,657,855	7,481,840	88.7%	69,242,100	61,874,736	7,367,364	89.4%
Instruction:									
Instructional Salaries	salary	393,789,802	339,601,835	54,187,967	86.2%	408,507,122	361,176,115	47,331,007	88.4%
Instructional Textbooks	non-salary	19,564,035	17,998,802	1,565,233	92.0%	23,590,928	22,549,251	1,041,677	95.6%
Other Instructional Costs	non-salary	11,574,482	10,434,223	1,140,259	90.1%	12,533,156	12,453,294	79,862	99.4%
Special Education	salary	87,500,557	78,346,432	9,154,125	89.5%	92,926,790	83,720,592	9,206,198	90.1%
	non-salary	39,649,253	32,975,528	6,673,725	83.2%	36,041,536	32,868,786	3,172,750	91.2%
	subtotal	127,149,810	111,321,960	15,827,850	87.6%	128,968,326	116,589,379	12,378,947	90.4%
Student Personnel	salary	4,697,545	4,427,091	270,454	94.2%	5,156,410	5,314,657	(158,247)	103.1%
	non-salary	167,936	94,927	73,009	56.5%	184,706	124,485	60,221	67.4%
	subtotal	4,865,481	4,522,018	343,463	92.9%	5,341,116	5,439,141	(98,025)	101.8%
Health Services	salary	10,122,687	9,209,537	913,150	91.0%	10,728,840	9,939,186	789,654	92.6%
	non-salary	855,707	213,990	641,717	25.0%	233,809	224,132	9,677	95.9%
	subtotal	10,978,394	9,423,527	1,554,867	85.8%	10,962,649	10,163,318	799,331	92.7%
Student Transportation	salary	25,890,607	22,392,828	3,497,779	86.5%	26,951,651	24,512,706	2,438,945	91.0%
	non-salary	15,266,890	15,258,370	8,520	99.9%	16,574,814	17,600,763	(1,025,949)	106.2%
	subtotal	41,157,497	37,651,198	3,506,299	91.5%	43,526,465	42,113,469	1,412,996	96.8%
Operation of Plant	salary	33,121,361	28,749,863	4,371,498	86.8%	35,828,432	30,145,548	5,682,884	84.1%
	non-salary	34,558,291	38,458,761	(3,900,470)	111.3%	48,463,946	44,144,941	4,319,005	91.1%
	subtotal	67,679,652	67,208,623	471,029	99.3%	84,292,378	74,290,489	10,001,889	88.1%
Maintenance of Plant	salary	10,218,229	8,589,578	1,628,651	84.1%	11,598,468	8,842,501	2,755,967	76.2%
	non-salary	11,536,330	10,704,540	831,790	92.8%	15,636,156	14,976,462	659,694	95.8%
	subtotal	21,754,559	19,294,118	2,460,441	88.7%	27,234,624	23,818,963	3,415,661	87.5%
Fixed Charges	non-salary	194,441,731	171,342,510	23,099,221	88.1%	213,502,467	192,005,065	21,497,402	89.9%
Capital Outlay	salary	2,162,667	1,833,531	329,136	84.8%	2,286,455	2,177,219	109,236	95.2%
	non-salary	1,019,150	908,753	110,397	89.2%	3,310,595	2,483,941	826,654	75.0%
	subtotal	3,181,817	2,742,285	439,532	86.2%	5,597,050	4,661,160	935,890	83.3%
Total Salary		645,434,452	562,556,146	82,878,306	87.2%	677,258,502	599,613,390	77,645,112	88.5%
Total Non-Salary		345,129,895	314,017,194	31,112,701	91.0%	385,140,989	353,770,373	31,370,616	91.9%
Total Expenditures and Encumbrances		\$ 990,564,347	\$ 876,573,340	\$ 113,991,007	88.5%	\$ 1,062,399,491	\$ 953,383,764	\$ 109,015,727	89.7%