

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: November 20, 2007

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
SEPTEMBER 30, 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 FY2007 and FY2008 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended September 30, 2006 and 2007.

***General Fund Comparison of FY2007 and FY2008 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 FY2007 and FY2008 General Fund Revenue Budget. Figure 2 provides an overview of the FY2008 General Fund Expenditure Budget. Figure 3 compares the percent of the budget obligated as of September 30, 2006 and 2007. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

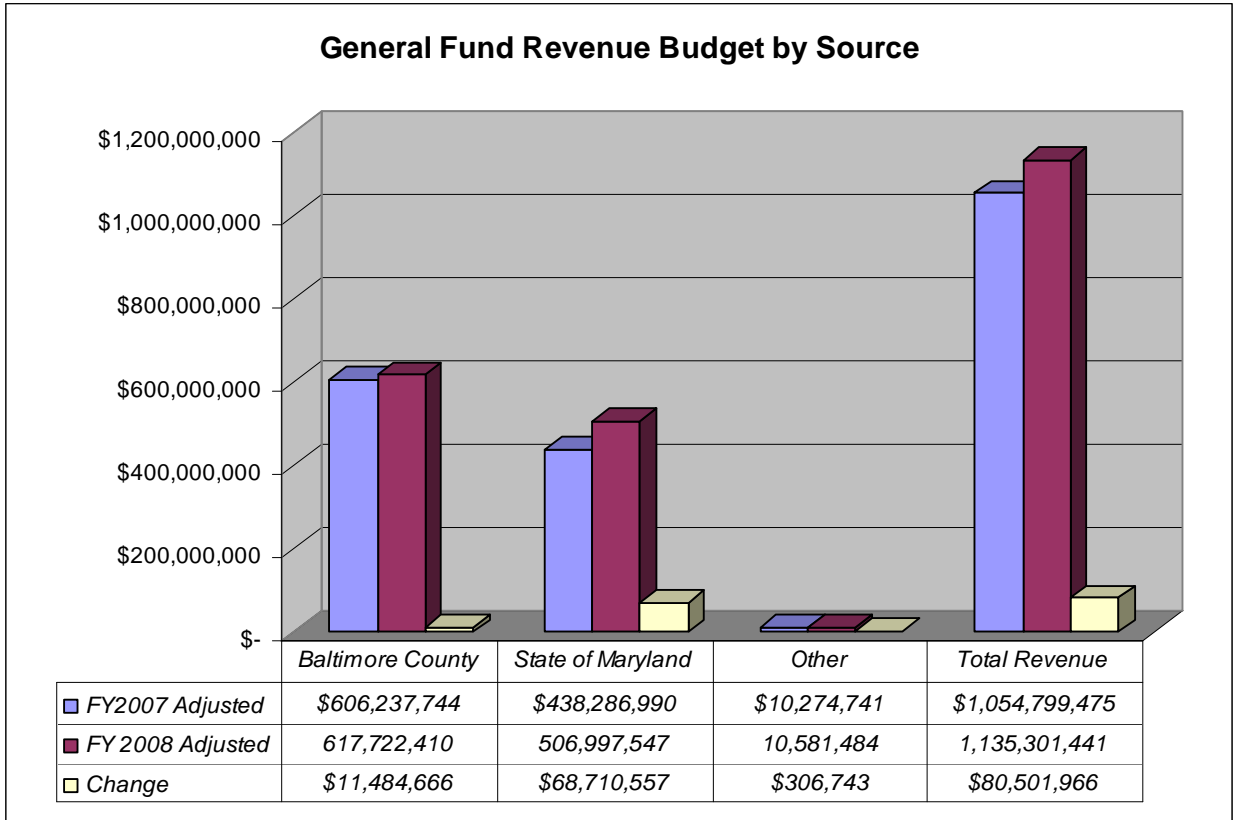
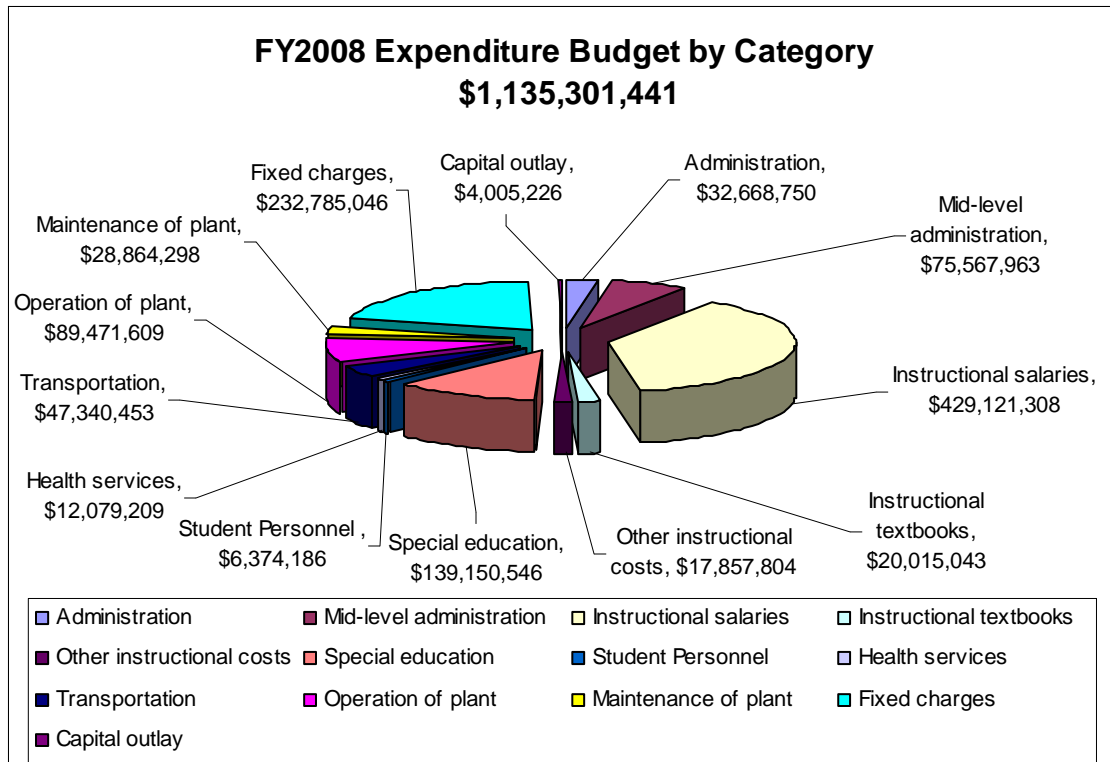


Figure 1

Year-to-Date Comparison

- ***Baltimore County*** – The FY2008 county appropriation increased \$11.5 million, 1.9% over the FY2007 budget. County funds are drawn based on cash flow requirements. Year-to-date county revenue recognized is \$82.6 million, 13.4% of the budget, as compared to \$52.3 million, 8.2% of the budget, for FY2007.
- ***State of Maryland*** – The FY2008 state appropriation increased \$68.7 million, 15.7% over the FY2007 budget. The increase is the result of the fifth year of the Maryland *Bridge to Excellence in Public Schools Act*. The majority of state funds are received bi-monthly in equal installments. As of September 2007, two of the state payments had been received.
- ***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 \$2.5 million of the prior year’s fund balance, and tuition and other revenues of approximately \$1.2 million.

Figure 2 (Detail included in Figure 4)



Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through September 2007 are \$244 million, 21.5% obligated, compared to \$216 million, 20.5% obligated, for the same period in FY2007. 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 22% 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 12% of budget, which is in line with the percentage of the school year that has elapsed.

The increase of \$42 million in budgeted salary expense is attributable to salary restructuring for all employees and costs for additional positions required to expand full-time kindergarten, for the Crossroads Center and other new programs.

The non-salary expenditures are budgeted for an overall increase of \$39.2 million, or 10.4% over the prior year. The increases in these expenditures are in a number of categories throughout the budget, including \$5.6 million in Other Instructional Costs category related to replacing computer network equipment and software in all schools; an increase of \$1.2 million in Mid-level Administration which is the result of the expenditure for student assessment software; an increase of \$2.1 million in Fixed Charges for additional reimbursement paid to teachers for

tuition course work; an increase of \$2 million in Transportation for increased fees to be paid to private bus contractors because of increased rates; and, an increase of \$3.6 million in non-public placement costs in Special Education due to an increase in rates and additional students. Additionally, an increase has been budgeted in Fixed Charges of \$17.1 million, due primarily to additional payroll related costs, which increase as salaries are increased; and cost increases in health insurances.

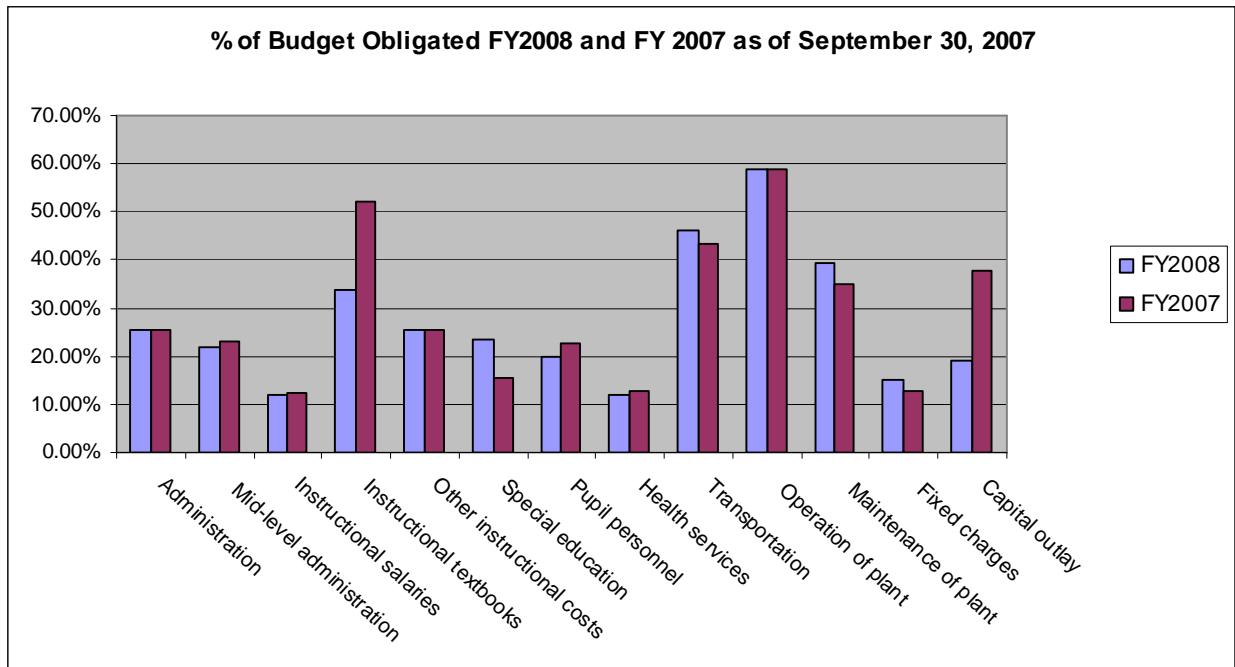


Figure 3

- **Administration and Mid-level administration** – Year-to-date FY2008 administrative non-salary expenditures and encumbrances are comparable with the prior year. Mid-level administration non-salary expenditures are budgeted for an increase due to the student assessment software. The percentage expended in the non-salary will increase as the school year progresses.
- **Instructional salaries** – The budget for instructional salaries was increased by \$20.6 million in FY2008 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, for the Crossroads Center, for special education and other programs.
- **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 decreased by 13.9% or approximately \$4 million for the year. The decrease was a result of a budget item in the prior year related to county-wide expenditure for math textbooks and for reading materials for grades 7 and 8. To date, \$6.8 million, 33.8% of the FY2008 budgeted textbook funds has been committed; the remaining budget will be spent

during the school 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 \$6.7 million primarily relating to expenditures for computer network upgrades. To date, \$4.5 million, 25.3% of the FY2008 budgeted funds have been committed. In the prior year, \$2.9 million, 25.6% 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 FY2008 salary budget includes increased funding for salary restructuring, step increases, and the cost of staff to support additional services. \$36.4 million (92.6%) of the FY2008 special education non-salary budget is for private placement of children in non-public schools. To date, 46.9% of the budgeted funds for private placement, \$17.1 million, have been committed, compared with 18.5% committed at September 2006.
- ***Student personnel and Health services*** – Year-to-date FY2008 expenditures for student personnel and health services are currently in line with the budget and comparable to the prior year.
- ***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 \$2.1 million, which can be attributed primarily to additional expenditures for private bus contractors resulting from an increase in contractor rates. Year-to-date expenditures are in line with the budget.
- ***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 \$5.2 million, 11.1% over the prior year. This increase is attributable to anticipated additional cost of telephone services of \$1 million for conversion to fiber optic technology; and for expected increase in utility costs of \$2.6 million. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$35 million. Other expenditures in this category include the cost of building rent, \$3.6 million; property insurance, \$1.6 million; trash removal, \$1.2 million and other related expenditures. As of September 2007, 86.5% of the non-salary budget has been committed, compared with 87.5% as of September 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 \$1.7 million or 11.6% over the prior year. This increase includes additional costs for contracted services to maintain and replace building systems throughout the schools. Year-to-date non-salary expenditures and encumbrances are \$9.1 million, 53% of the budgeted amount, as compared with \$7.3 million, 47.6% in the prior fiscal year. Capital Outlay non-salary expenditures are 15.1% expended at September 2007, as compared to 66.7% expended in September 2006. This decrease is attributable to the expenditures for relocatable units purchased early in the last fiscal year.
- ***Fixed charges*** – This category includes the cost of employee benefits and other fixed costs. Health insurance and employer FICA consume 71% and 23% of the fixed charges budget, respectively. The FY2008 budget includes an increase of \$12 million resulting from increases in premiums for health insurance and costs related to new positions. Year-to-date FY2008 expenditures and encumbrances are in line with the budget.

Board of Education of Baltimore County
 Comparison of FY 2007 and FY 2008 Revenues, Expenditures, and Encumbrances
 Budget and Actual
 For the Periods Ended September, 2006 and 2007
 General Fund

		FY 2007				FY 2008			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 09/30/06	Budget as of 09/30/06	Earned or Obligated	Budget	Rev/Exp/Enc. as of 09/30/07	Budget as of 09/30/07	Earned or Obligated
Revenues :									
Baltimore County		\$ 606,237,744	\$ 52,316,479	\$ 553,921,265	8.2%	\$ 617,722,410	\$ 82,559,477	\$ 535,162,933	13.4%
State of Maryland		438,286,990	142,137,391	296,149,599	32.4%	506,997,547	163,895,842	343,101,705	32.3%
Other		10,274,741	4,321,852	5,952,889	57.9%	10,581,484	3,752,812	6,828,672	35.5%
Total revenues		\$ 1,054,799,475	\$ 198,775,722	\$ 856,023,753	18.8%	\$ 1,135,301,441	\$ 250,208,131	\$ 885,093,310	22.0%
Expenditures and encumbrances :									
Administration	salary	\$ 19,368,269	\$ 4,497,157	\$ 14,871,112	23.2%	\$ 21,840,565	\$ 4,787,474	\$ 17,053,091	21.9%
	non-salary	9,732,841	2,931,623	6,801,218	30.1%	10,828,185	3,505,701	7,322,484	32.4%
	subtotal	29,101,110	7,428,780	21,672,330	25.5%	32,668,750	8,293,175	24,375,575	25.4%
Mid-level administration	salary	63,906,065	14,035,402	49,870,663	22.0%	68,796,100	14,909,027	53,887,073	21.7%
	non-salary	5,321,035	1,820,149	3,500,886	34.2%	6,771,863	1,620,059	5,151,804	23.9%
	subtotal	69,227,100	15,855,550	53,371,550	22.9%	75,567,963	16,529,086	59,038,877	21.9%
Instruction:									
Instructional salaries	salary	408,507,122	49,883,102	358,624,020	12.2%	429,121,308	51,609,139	377,512,169	12.0%
Instructional textbooks	non-salary	23,255,928	12,082,992	11,172,936	52.0%	20,015,043	6,755,227	13,259,816	33.8%
Other instructional costs	non-salary	11,308,956	2,896,862	8,412,094	25.6%	17,857,804	4,517,732	13,340,072	25.3%
Special education	salary	92,926,790	13,006,870	79,919,920	14.0%	99,874,153	14,119,433	85,754,720	14.1%
	non-salary	34,590,120	6,759,041	27,831,079	19.5%	39,276,393	18,330,234	20,946,159	46.7%
	subtotal	127,516,910	19,765,911	107,750,999	15.5%	139,150,546	32,449,666	106,700,880	23.3%
Pupil personnel	salary	5,156,410	1,183,409	3,973,001	23.0%	6,351,880	1,244,362	5,107,518	19.6%
	non-salary	184,706	16,955	167,751	9.2%	22,306	16,552	5,754	74.2%
	subtotal	5,341,116	1,200,364	4,140,752	22.5%	6,374,186	1,260,914	5,113,272	19.8%
Health services	salary	10,728,840	1,351,812	9,377,028	12.6%	11,723,020	1,404,522	10,318,498	12.0%
	non-salary	233,809	47,089	186,720	20.1%	356,189	55,485	300,704	15.6%
	subtotal	10,962,649	1,398,901	9,563,748	12.8%	12,079,209	1,460,007	10,619,202	12.1%
Transportation	salary	26,951,651	3,715,064	23,236,587	13.8%	28,584,825	3,926,784	24,658,041	13.7%
	non-salary	16,574,814	15,144,437	1,430,377	91.4%	18,755,628	17,825,748	929,880	95.0%
	subtotal	43,526,465	18,859,500	24,666,965	43.3%	47,340,453	21,752,532	25,587,921	45.9%
Operation of plant	salary	35,828,432	7,689,956	28,138,476	21.5%	37,822,008	8,141,025	29,680,983	21.5%
	non-salary	46,462,946	40,633,666	5,829,280	87.5%	51,649,601	44,680,882	6,968,719	86.5%
	subtotal	82,291,378	48,323,622	33,967,756	58.7%	89,471,609	52,821,907	36,649,702	59.0%
Maintenance of plant	salary	11,598,468	2,183,753	9,414,715	18.8%	11,745,239	2,302,675	9,442,565	19.6%
	non-salary	15,336,156	7,292,635	8,043,521	47.6%	17,119,059	9,068,880	8,050,179	53.0%
	subtotal	26,934,624	9,476,388	17,458,236	35.2%	28,864,298	11,371,554	17,492,744	39.4%
Fixed charges	non-salary	213,502,467	27,501,334	186,001,133	12.9%	232,785,046	34,744,646	54,477,108	14.9%
Capital outlay	salary	2,286,455	562,538	1,723,917	24.6%	2,719,761	572,222	2,147,539	21.0%
	non-salary	1,037,195	691,520	345,675	66.7%	1,285,465	194,285	1,091,180	15.1%
	subtotal	3,323,650	1,254,058	2,069,592	37.7%	4,005,226	766,507	3,238,719	19.1%
Total Salary		\$ 677,258,502	\$ 98,109,062	\$ 579,149,440	14.5%	\$ 718,578,859	\$ 103,016,662	\$ 615,562,197	14.3%
Total Non-Salary		377,540,973	117,818,302	259,722,671	31.2%	416,722,582	141,315,430	131,843,859	33.9%
Total expenditures and encumbrances		\$ 1,054,799,475	\$ 215,927,364	\$ 838,872,111	20.5%	\$ 1,135,301,441	\$ 244,332,093	\$ 747,406,056	21.5%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, October 22, 2007