

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: January 8, 2008

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
NOVEMBER 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 November 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 November 30, 2006 and 2007. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

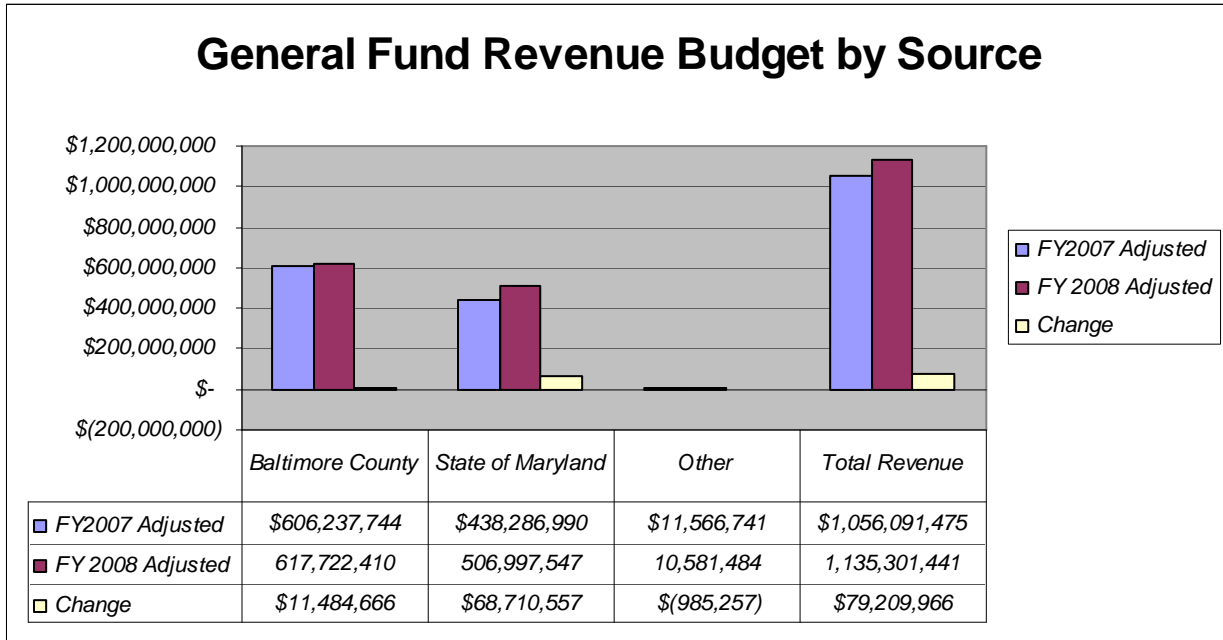


Figure 1

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 \$190.4 million, 30.8% of the budget, as compared to \$172.5 million, 28.5% 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 November 2007, three of the state payments have 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 \$2.6 million. The decrease in other revenue when compared to the prior year is the result of an additional appropriation of fund balance being approved in November 2006 of \$1.3 million which was used for a renovation project at Lansdowne Elementary School.

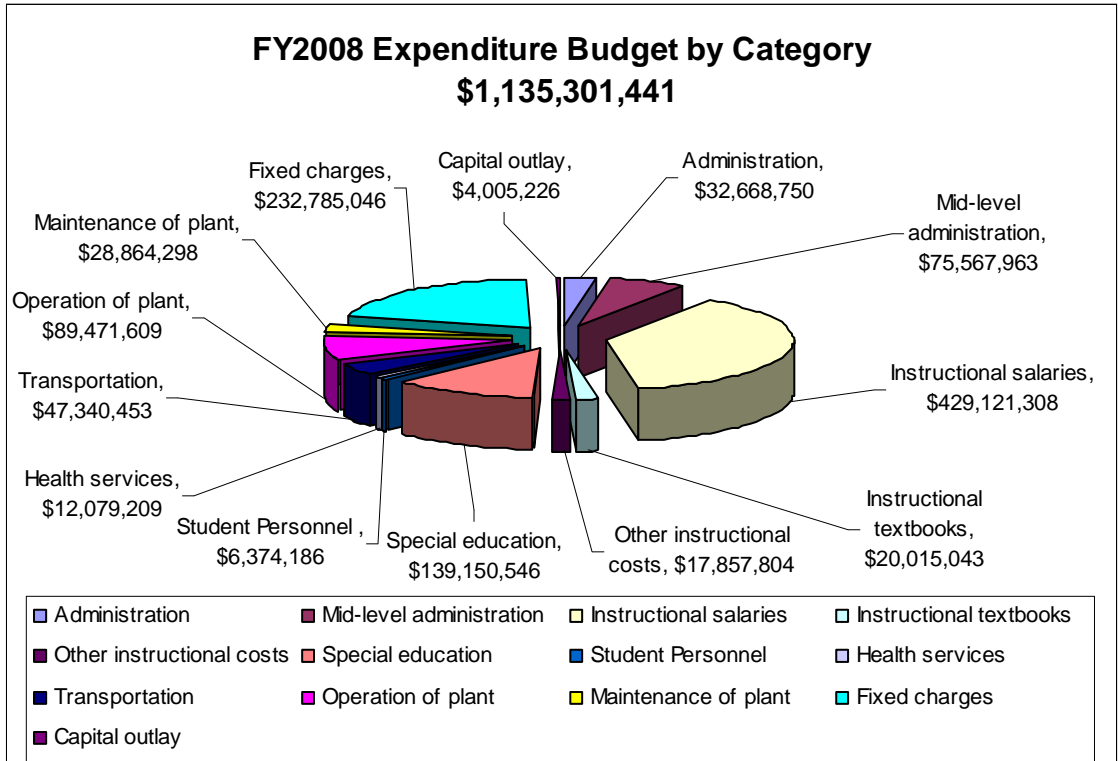


Figure 2 (Detail included in Figure 4)

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through November 2007, are \$473 million, 41.7% obligated, compared to \$410 million, 38.9% 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 40% 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 35% of budget, which is in line with the percentage of the school year that has elapsed. The increase in salary expenditures over the prior year is attributable to timing of payrolls, as we have had eleven pay dates this year compared to ten pay dates at this time last year.

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, the SAIM Crossroads School, and other new programs.

The non-salary expenditures are budgeted for an overall increase of \$37.9 million, or 10% 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 reimbursements 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 to reflect costs increases resulting from changes in required administrative processes. 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.

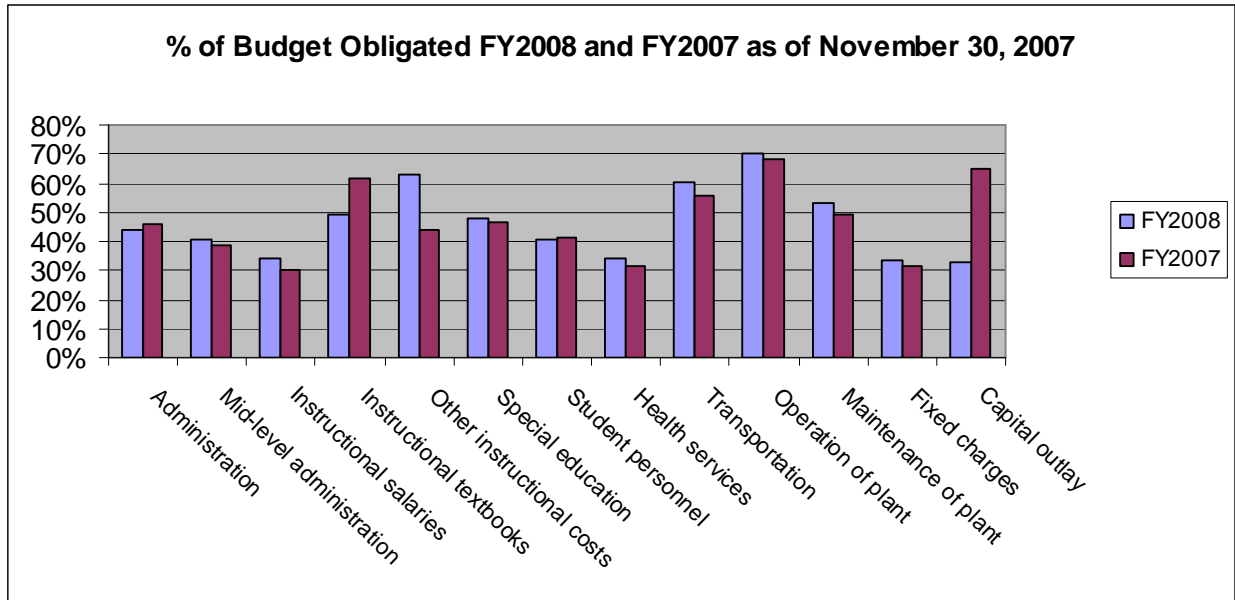


Figure 3

- 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 expenditures for contracted services and for supplies as a percentage of the budget were greater last year than at this time in the current year .
- 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 SAIM Crossroads School, 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 \$3.2 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, \$9.8 million, 48.9% 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 \$6.5 million primarily relating to expenditures for computer network upgrades. To date, \$11.3 million, 63.2% of the FY2008 budgeted funds have been committed. In the prior year, \$5 million, 44.2% had been committed. The increase in expenditures in this fiscal year is the result of encumbrances for anticipated contractual services over the amount expended in the prior year. 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, 76.2% of the budgeted funds for private placement, \$27.3 million, have been committed, compared with 83.9% committed at November 2006. The decrease in the percentage of non-salary expenditures over the prior year is the result of the timing of recording encumbrances for private placement services.
- ***Student personnel and Health services*** – Year-to-date FY2008 non-salary expenditures for student personnel are currently over budget. The budget was misallocated during the final stages of approval and a budget appropriation transfer will occur before year end to provide additional funds in this category. 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 \$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 and comparable to the prior year.
- ***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 November 2007, 92.8% of the non-salary budget has been committed, which is comparable to the prior year.

- ***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 \$10.9 million, 63.8% of the budgeted amount, as compared with \$9.4 million, 61.7% in the prior fiscal year. Capital Outlay non-salary expenditures are 19% expended at November 2007, as compared to 88.2% expended in November 2006. This decrease is attributable to the expenditures for relocatable units purchased early in the prior 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.

Baltimore County Public Schools
Comparison of FY 2007 and FY 2008 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended November, 2006 and 2007
General Fund

| | | FY 2007 | | | | FY2008 | | | |
|--|------------|-------------------------|--------------------------------|--------------------------|------------------------|-------------------------|--------------------------------|--------------------------|------------------------|
| | | Adjusted | Total | Remaining | Percentage | Adjusted | Total | Remaining | Percentage |
| | | Budget | Rev/Exp/Enc. as of 11/30/06 | Budget as of 11/30/06 | Earned or Obligated | Budget | Rev/Exp/Enc. as of 11/30/07 | Budget as of 11/30/07 | Earned or Obligated |
| Revenues : | | | | | | | | | |
| Baltimore County | | \$ 606,237,744 | \$ 172,549,436 | \$ 433,688,308 | 28.5% | \$ 617,722,410 | \$ 190,362,431 | \$ 427,359,979 | 30.8% |
| State of Maryland | | 438,286,990 | 213,110,198 | 225,176,792 | 48.6% | 506,997,547 | 245,622,422 | 261,375,125 | 48.4% |
| Other | | 11,566,741 | 6,561,386 | 5,005,355 | 56.7% | 10,581,484 | 5,068,279 | 5,513,205 | 47.9% |
| Total revenues | | \$ 1,056,091,475 | \$ 392,221,020 | \$ 663,870,455 | 37.1% | \$ 1,135,301,441 | \$ 441,053,132 | \$ 694,248,309 | 38.8% |
| Expenditures and encumbrances : | | | | | | | | | |
| Administration | salary | \$ 19,368,269 | \$ 7,575,722 | \$ 11,792,547 | 39.1% | \$ 21,844,285 | \$ 8,786,299 | \$ 13,057,986 | 40.2% |
| | non-salary | 9,732,841 | 5,752,707 | 3,980,134 | 59.1% | 10,824,465 | 5,664,280 | 5,160,185 | 52.3% |
| | subtotal | 29,101,110 | 13,328,429 | 15,772,681 | 45.8% | 32,668,750 | 14,450,579 | 18,218,171 | 44.2% |
| Mid-level administration | salary | 63,906,065 | 24,101,509 | 39,804,556 | 37.7% | 68,818,100 | 28,141,602 | 40,676,498 | 40.9% |
| | non-salary | 5,321,035 | 2,617,882 | 2,703,153 | 49.2% | 6,749,863 | 2,501,913 | 4,247,950 | 37.1% |
| | subtotal | 69,227,100 | 26,719,391 | 42,507,709 | 38.6% | 75,567,963 | 30,643,515 | 44,924,448 | 40.6% |
| Instruction: | | | | | | | | | |
| Instructional salaries | salary | 408,507,122 | 122,482,802 | 286,024,320 | 30.0% | 429,121,308 | 147,508,983 | 281,612,325 | 34.4% |
| Instructional textbooks | non-salary | 23,255,928 | 14,410,332 | 8,845,596 | 62.0% | 20,015,044 | 9,790,215 | 10,224,829 | 48.9% |
| Other instructional costs | non-salary | 11,308,956 | 4,996,312 | 6,312,644 | 44.2% | 17,857,803 | 11,287,922 | 6,569,881 | 63.2% |
| Special education | salary | 92,926,790 | 29,679,473 | 63,247,317 | 31.9% | 99,809,153 | 36,551,543 | 63,257,610 | 36.6% |
| | non-salary | 34,590,120 | 29,413,963 | 5,176,157 | 85.0% | 39,341,393 | 29,844,849 | 9,496,544 | 75.9% |
| | subtotal | 127,516,910 | 59,093,436 | 68,423,474 | 46.3% | 139,150,546 | 66,396,392 | 72,754,154 | 47.7% |
| Student personnel | salary | 5,156,410 | 2,162,391 | 2,994,019 | 41.9% | 6,351,880 | 2,542,482 | 3,809,398 | 40.0% |
| | non-salary | 184,706 | 57,372 | 127,334 | 31.1% | 22,306 | 51,507 | (29,201) | 230.9% |
| | subtotal | 5,341,116 | 2,219,763 | 3,121,353 | 41.6% | 6,374,186 | 2,593,989 | 3,780,197 | 40.7% |
| Health services | salary | 10,728,840 | 3,368,496 | 7,360,344 | 31.4% | 11,723,020 | 4,041,900 | 7,681,120 | 34.5% |
| | non-salary | 233,809 | 77,848 | 155,961 | 33.3% | 356,189 | 82,629 | 273,560 | 23.2% |
| | subtotal | 10,962,649 | 3,446,344 | 7,516,305 | 31.4% | 12,079,209 | 4,124,529 | 7,954,680 | 34.1% |
| Transportation | salary | 26,951,651 | 8,723,151 | 18,228,500 | 32.4% | 28,584,825 | 10,630,658 | 17,954,167 | 37.2% |
| | non-salary | 16,574,814 | 15,633,075 | 941,739 | 94.3% | 18,755,628 | 17,941,574 | 814,054 | 95.7% |
| | subtotal | 43,526,465 | 24,356,226 | 19,170,239 | 56.0% | 47,340,453 | 28,572,232 | 18,768,221 | 60.4% |
| Operation of plant | salary | 35,828,432 | 12,991,495 | 22,836,937 | 36.3% | 37,822,008 | 15,149,849 | 22,672,159 | 40.1% |
| | non-salary | 46,462,946 | 43,155,090 | 3,307,856 | 92.9% | 51,649,601 | 47,911,181 | 3,738,420 | 92.8% |
| | subtotal | 82,291,378 | 56,146,585 | 26,144,793 | 68.2% | 89,471,609 | 63,061,030 | 26,410,579 | 70.5% |
| Maintenance of plant | salary | 11,598,468 | 3,741,496 | 7,856,972 | 32.3% | 11,745,239 | 4,368,443 | 7,376,796 | 37.2% |
| | non-salary | 15,336,156 | 9,460,428 | 5,875,728 | 61.7% | 17,119,059 | 10,917,762 | 6,201,297 | 63.8% |
| | subtotal | 26,934,624 | 13,201,924 | 13,732,700 | 49.0% | 28,864,298 | 15,286,205 | 13,578,093 | 53.0% |
| Fixed charges | non-salary | 213,502,467 | 67,091,892 | 146,410,575 | 31.4% | 232,785,046 | 78,451,392 | 154,333,654 | 33.7% |
| Capital outlay | salary | 2,286,455 | 938,195 | 1,348,260 | 41.0% | 2,719,761 | 1,081,215 | 1,638,546 | 39.8% |
| | non-salary | 2,329,195 | 2,054,445 | 274,750 | 88.2% | 1,285,465 | 244,770 | 1,040,695 | 19.0% |
| | subtotal | 4,615,650 | 2,992,640 | 1,623,010 | 64.8% | 4,005,226 | 1,325,985 | 2,679,241 | 33.1% |
| Total Salary | | 677,258,502 | 215,764,730 | 461,493,772 | 31.9% | 718,539,579 | 258,802,974 | 459,736,605 | 36.0% |
| Total Non-Salary | | 378,832,973 | 194,721,346 | 184,111,627 | 51.4% | 416,761,862 | 214,689,994 | 202,071,868 | 51.5% |
| Total expenditures and encumbrances | | \$ 1,056,091,475 | \$ 410,486,076 | \$ 645,605,399 | 38.9% | \$ 1,135,301,441 | \$ 473,492,968 | \$ 661,808,473 | 41.7% |

Figure 4

Prepared by: Office of Accounting and Financial Reporting, December 7, 2007