

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: February 13, 2008

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
DECEMBER 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 FY2007 and FY2008 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended December 31, 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 December 31, 2006 and 2007. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

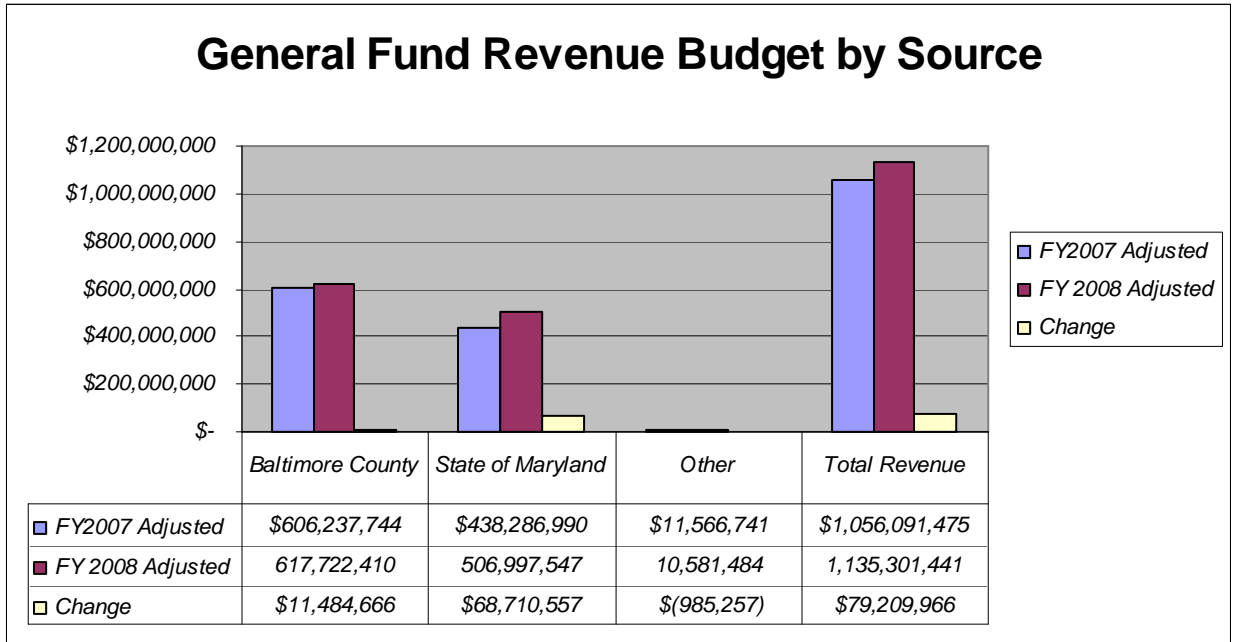


Figure 1

Year-to-Date Comparison

- Baltimore County** – The 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 \$225.2 million, 36.5% of the budget, as compared to \$233.6 million, 38.5% 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 December 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 primarily 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.

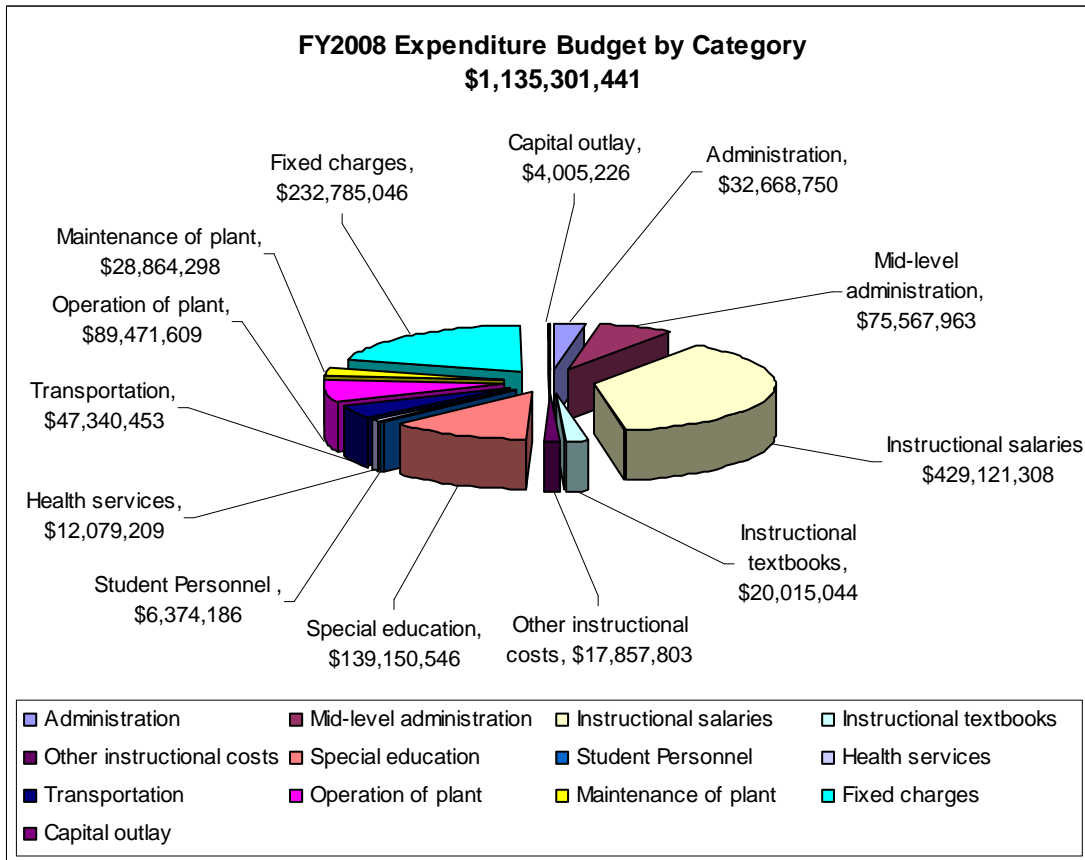


Figure 2 (Detail included in Figure 4)

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through December 2007, are \$559 million, 49.3% obligated, compared to \$526 million, 49.9% 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 47% 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 43% 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, the Crossroads Center, 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.

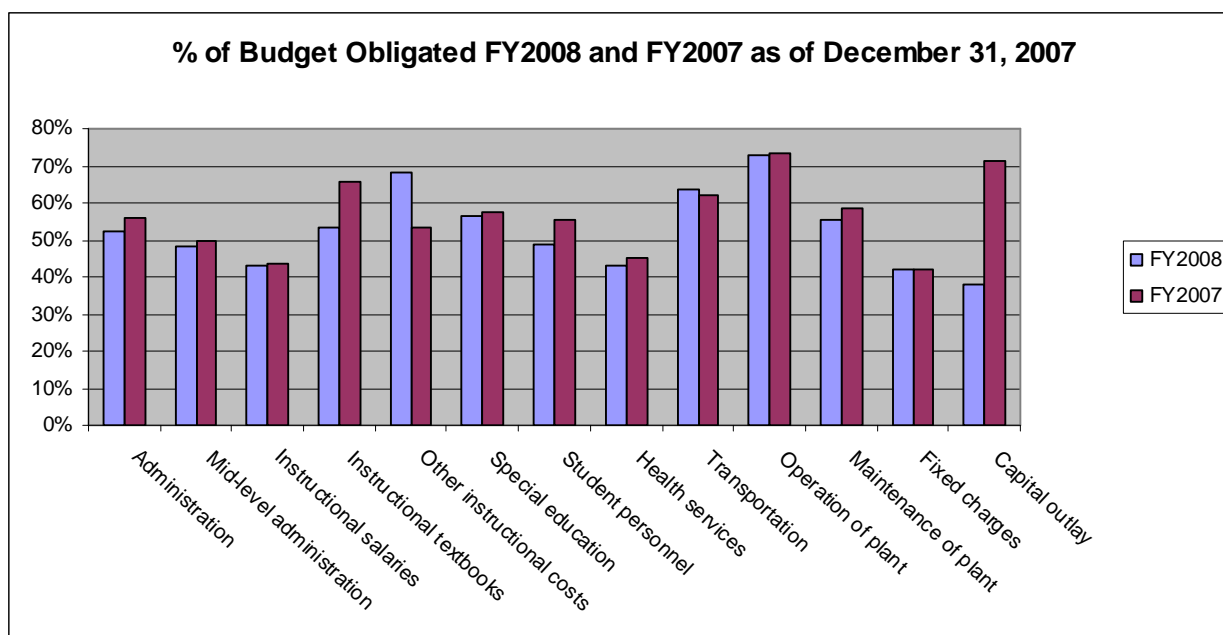


Figure 3

- **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 Crossroads Center, 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, \$10.6 million, 53.1% 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, \$12.1 million, 68.2% of the FY2008 budgeted funds have been committed. In the prior year, \$6 million, 53.2% 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, 86% of the budgeted funds for private placement, \$31.3 million, have been committed, compared with 87.8% committed at December 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 December 2007, 93.7% 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 \$11.1 million, 65.2% of the budgeted amount, as compared with \$11.1 million, and 72.7% in the prior fiscal year. The decrease in expenditures over the prior year is primarily attributable to a \$1.1 million dollar encumbrance in FY2007 for a project in the Aging School Program; no encumbrances have been made for any Aging School Program projects in this fiscal year. Additionally, the budget for contracted services has been significantly increased this year and only 25% of these funds have been committed to date. Capital Outlay non-salary expenditures are 20.4% expended at December 2007, as compared to 89.6% expended in December 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 December, 2006 and 2007
General Fund

		FY 2007				FY 2008			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 12/31/06	Budget as of 12/31/06	Earned or Obligated	Budget	Rev/Exp/Enc. as of 12/31/07	Budget as of 12/31/07	Earned or Obligated
Revenues:									
Baltimore County		\$ 606,237,744	\$ 233,565,915	\$ 372,671,829	38.5%	\$ 617,722,410	\$ 225,163,908	\$ 392,558,502	36.5%
State of Maryland		438,286,990	213,110,198	225,176,792	48.6%	506,997,547	245,622,421	261,375,126	48.4%
Other		11,566,741	7,117,067	4,449,674	61.5%	10,581,484	5,194,774	5,386,710	49.1%
Total Revenues		\$ 1,056,091,475	\$ 453,793,180	\$ 602,298,295	43.0%	\$ 1,135,301,441	\$ 475,981,103	\$ 659,320,338	41.9%
Expenditures and Encumbrances:									
Administration	salary	\$ 19,368,269	\$ 9,925,256	\$ 9,443,013	51.2%	\$ 21,844,285	\$ 10,375,105	\$ 11,469,180	47.5%
	non-salary	9,732,841	6,284,981	3,447,860	64.6%	10,824,465	6,670,669	4,153,796	61.6%
	subtotal	29,101,110	16,210,237	12,890,873	55.7%	32,668,750	17,045,774	15,622,976	52.2%
Mid-level Administration	salary	63,906,065	31,608,217	32,297,848	49.5%	68,818,100	33,415,557	35,402,543	48.6%
	non-salary	5,321,035	2,918,362	2,402,673	54.8%	6,749,863	2,828,631	3,921,232	41.9%
	subtotal	69,227,100	34,526,579	34,700,521	49.9%	75,567,963	36,244,188	39,323,775	48.0%
Instruction:									
Instructional Salaries	salary	408,507,122	177,612,868	230,894,254	43.5%	429,121,308	185,139,754	243,981,554	43.1%
Instructional Textbooks	non-salary	23,255,928	15,318,676	7,937,252	65.9%	20,015,044	10,633,901	9,381,143	53.1%
Other Instructional Costs	non-salary	11,308,956	6,021,800	5,287,156	53.2%	17,857,803	12,182,286	5,675,517	68.2%
Special Education	salary	92,926,790	42,070,396	50,856,394	45.3%	99,809,153	45,173,878	54,635,275	45.3%
	non-salary	34,590,120	31,125,391	3,464,729	90.0%	39,341,393	33,336,738	6,004,655	84.7%
	subtotal	127,516,910	73,195,787	54,321,123	57.4%	139,150,546	78,510,616	60,639,930	56.4%
Student Personnel	salary	5,156,410	2,898,975	2,257,435	56.2%	6,351,880	3,055,682	3,296,198	48.1%
	non-salary	184,706	65,731	118,975	35.6%	22,306	60,076	(37,770)	269.3%
	subtotal	5,341,116	2,964,706	2,376,410	55.5%	6,374,186	3,115,758	3,258,428	48.9%
Health Services	salary	10,728,840	4,883,884	5,844,956	45.5%	11,723,020	5,099,246	6,623,774	43.5%
	non-salary	233,809	87,151	146,658	37.3%	356,189	96,890	259,299	27.2%
	subtotal	10,962,649	4,971,036	5,991,613	45.3%	12,079,209	5,196,136	6,883,073	43.0%
Transportation	salary	26,951,651	11,339,692	15,611,959	42.1%	28,584,825	12,042,219	16,542,606	42.1%
	non-salary	16,574,814	15,654,549	920,265	94.4%	18,755,628	18,058,685	696,943	96.3%
	subtotal	43,526,465	26,994,241	16,532,224	62.0%	47,340,453	30,100,904	17,239,549	63.6%
Operation of Plant	salary	35,828,432	15,763,057	20,065,375	44.0%	37,822,008	16,638,992	21,183,016	44.0%
	non-salary	46,462,946	44,410,217	2,052,729	95.6%	51,649,601	48,406,423	3,243,178	93.7%
	subtotal	82,291,378	60,173,274	22,118,104	73.1%	89,471,609	65,045,415	24,426,194	72.7%
Maintenance of Plant	salary	11,598,468	4,612,054	6,986,414	39.8%	11,745,239	4,900,373	6,844,866	41.7%
	non-salary	15,336,156	11,141,901	4,194,255	72.7%	17,119,059	11,154,827	5,964,232	65.2%
	subtotal	26,934,624	15,753,955	11,180,669	58.5%	28,864,298	16,055,200	12,809,098	55.6%
Fixed Charges	non-salary	213,502,467	89,561,556	123,940,911	41.9%	232,785,046	98,364,550	134,420,496	42.3%
Capital Outlay	salary	2,286,455	1,196,141	1,090,314	52.3%	2,719,761	1,262,241	1,457,520	46.4%
	non-salary	2,329,195	2,086,218	242,977	89.6%	1,285,465	261,791	1,023,674	20.4%
	subtotal	4,615,650	3,282,359	1,333,291	71.1%	4,005,226	1,524,032	2,481,194	38.1%
Total Salary		677,258,502	301,910,540	375,347,962	44.6%	718,539,579	317,103,047	401,436,532	44.1%
Total Non-Salary		378,832,973	224,676,533	154,156,440	59.3%	416,761,862	242,055,467	174,706,395	58.1%
Total Expenditures and Encumbrances		\$ 1,056,091,475	\$ 526,587,073	\$ 529,504,402	49.9%	\$ 1,135,301,441	\$ 559,158,514	\$ 576,142,927	49.3%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, January 11, 2008