

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: April 22, 2008

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: Financial Report – For the Months Ending February 2007 and 2008

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 February 2007 and 2008.

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 February 2007 and 2008. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

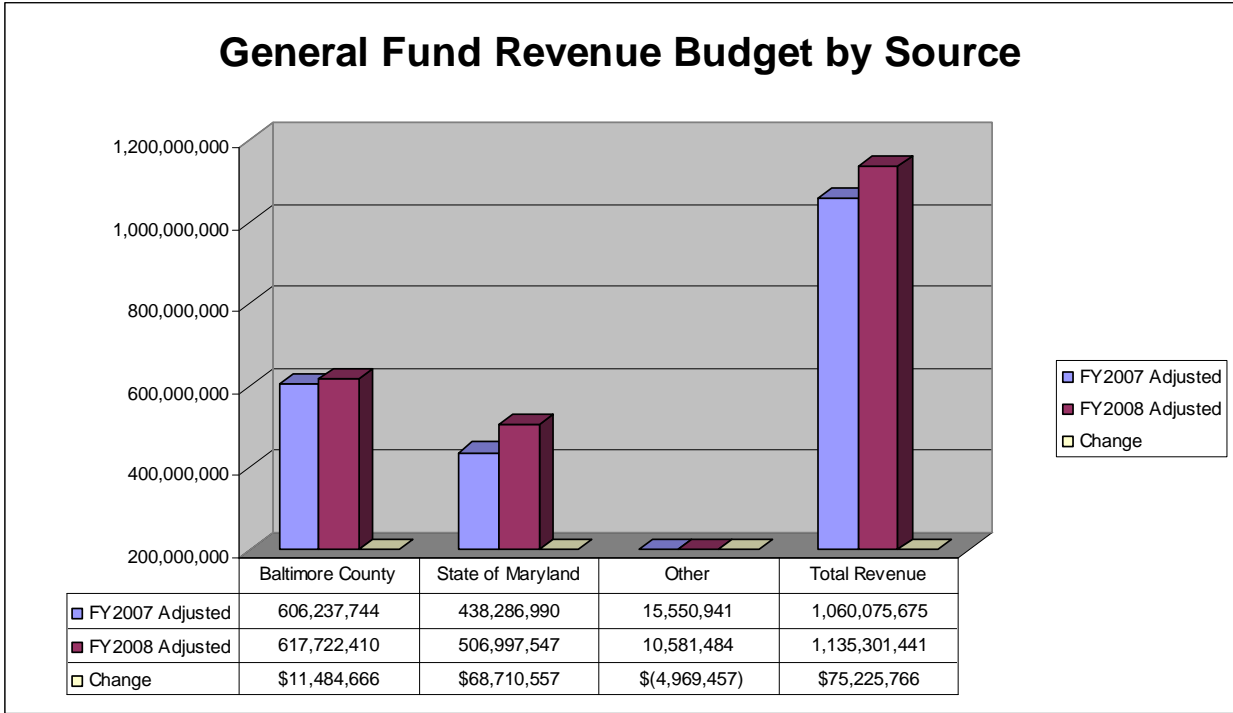


Figure 1

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 \$328.2 million, 53.1% of the budget, as compared to \$356.4 million, 58.8% 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 February 2008, four 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 \$3.2 million. The decrease in other revenue when compared to the prior year is primarily the result of less appropriation of prior year’s fund balance

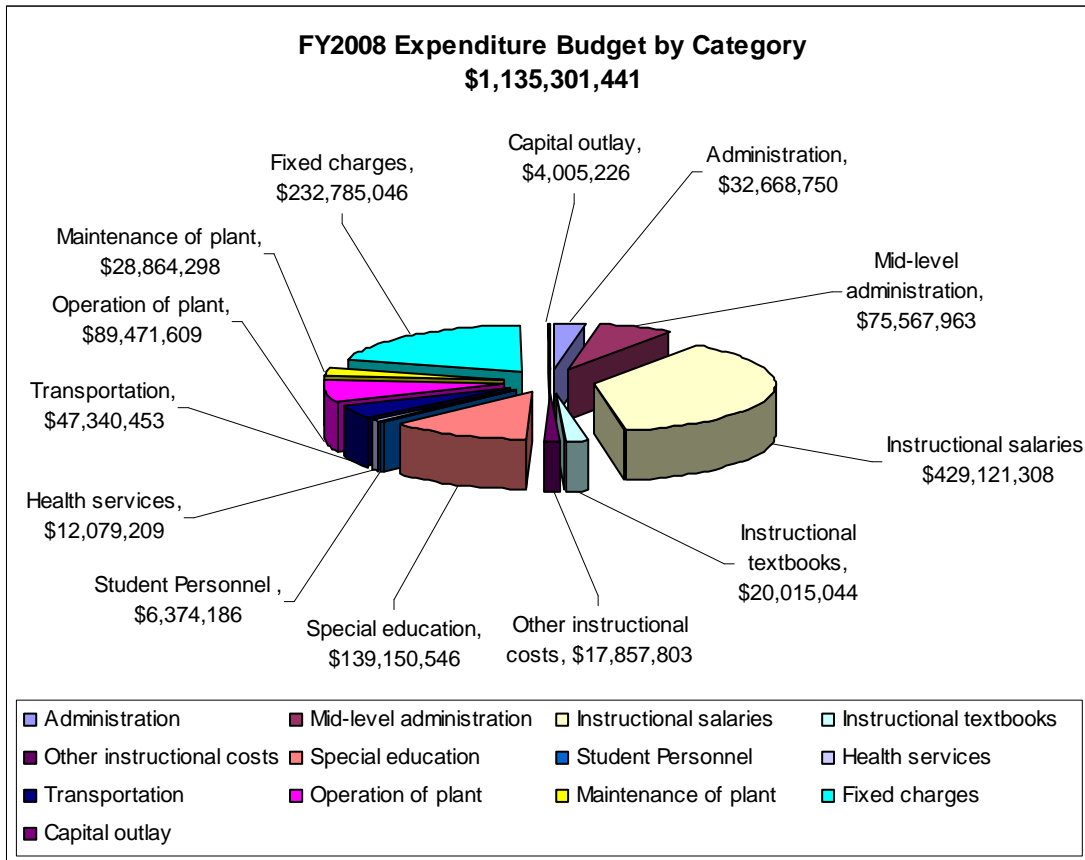


Figure 2 (Detail included in Figure 4)

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through February 2008, are \$737 million, 65% obligated, compared to \$692 million, 65.3% 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 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 62% 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 \$33.9 million, or 8.9% 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 tuition reimbursements paid to teachers for course work; an increase of \$2 million in Transportation for increased fees 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.

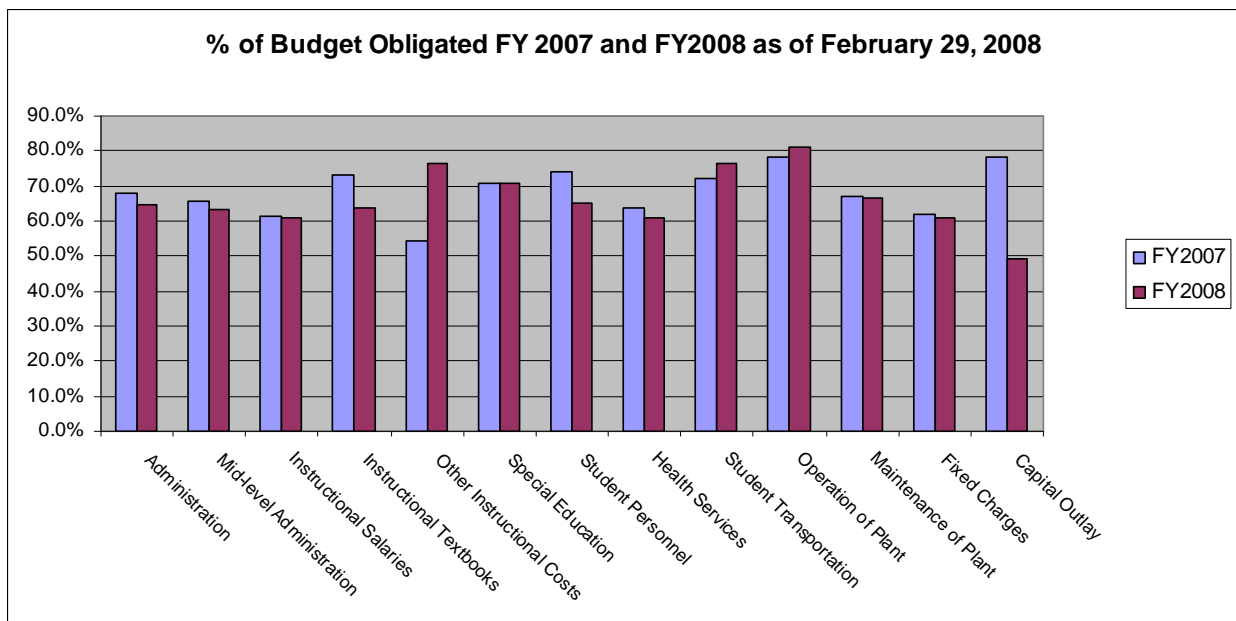


Figure 3

- **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 15.1 % or approximately \$3.5 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, \$12.8 million, 63.9% 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 \$5.3 million primarily relating to expenditures for computer network upgrades. To date, \$13.6 million, 76.5% of the FY2008 budgeted funds have been committed. In the prior year, \$6.8 million, 54.4% had been committed. The increase in expenditures in this fiscal year is the result of encumbrances for anticipated contracted 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 million (91%) of the FY2008 special education non-salary budget is for private placement of children in non-public schools. To date, 89% of the budgeted funds for private placement, \$31.8 million, have been committed, compared with 94% of non-placement funds committed at February 2007. 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 \$6.1 million, 12.7% 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 February 2008, 94.7% 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 \$1.5 million or 9.5% 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 \$12.2 million, 71.7% of the budgeted amount, as compared with \$12 million, and 77.1% in the prior fiscal year. Capital Outlay non-salary expenditures are 22% expended at February 2008, as compared to 86.9% expended in February 2007. This decrease is attributable to a pending budget transfer of \$877,000 from Capital Outlay to Other Instructional Costs for the AdvancePath Program.
- ***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.

Comparison of FY 2007 and FY 2008 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended February, 2007 and 2008
General Fund

		FY 2007				FY 2008			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 02/28/07	as of 02/28/07	Obligated		as of 02/29/08	as of 02/29/08	Obligated
Revenues									
Baltimore County		\$ 606,237,744	\$ 356,389,873	\$ 249,847,871	58.8%	\$ 617,722,410	\$ 328,222,861	\$ 289,499,549	53.1%
State of Maryland		438,286,990	285,207,344	153,079,646	65.1%	506,997,547	329,312,508	177,685,039	65.0%
Other		15,550,941	13,865,367	1,685,574	89.2%	10,581,484	5,668,758	4,912,726	53.6%
Total revenues		\$ 1,060,075,675	\$ 655,462,584	\$ 404,613,091	61.8%	\$ 1,135,301,441	\$ 663,204,127	\$ 472,097,314	58.4%
Expenditures and encumbrances									
Administration	salary	\$ 19,368,269	\$ 12,747,811	\$ 6,620,458	65.8%	\$ 21,844,285	\$ 13,585,730	8,258,555	62.2%
	non-salary	9,732,841	7,039,060	2,693,781	72.3%	10,824,465	7,524,390	3,300,075	69.5%
	subtotal	29,101,110	19,786,871	9,314,239	68.0%	32,668,750	21,110,120	11,558,630	64.6%
Mid-level administration	salary	63,906,065	41,631,705	22,274,360	65.1%	68,818,100	44,291,299	24,526,801	64.4%
	non-salary	5,336,035	3,847,971	1,488,064	72.1%	6,749,863	3,519,751	3,230,112	52.1%
	subtotal	69,242,100	45,479,676	23,762,424	65.7%	75,567,963	47,811,050	27,756,913	63.3%
Instruction:									
Instructional salaries	salary	408,507,122	250,173,263	158,333,859	61.2%	429,121,308	261,117,217	168,004,091	60.8%
Instructional textbooks	non-salary	23,590,928	17,198,746	6,392,182	72.9%	20,015,044	12,790,611	7,224,433	63.9%
Other instructional costs	non-salary	12,533,156	6,820,433	5,712,723	54.4%	17,857,803	13,664,118	4,193,685	76.5%
Special education	salary	92,926,790	58,311,891	34,614,899	62.8%	99,809,153	63,144,570	36,664,583	63.3%
	non-salary	34,590,120	32,226,261	2,363,859	93.2%	39,341,393	35,193,215	4,148,178	89.5%
	subtotal	127,516,910	90,538,152	36,978,758	71.0%	139,150,546	98,337,785	40,812,761	70.7%
Student personnel	salary	5,156,410	3,861,497	1,294,913	74.9%	6,351,880	4,090,427	2,261,453	64.4%
	non-salary	184,706	93,217	91,489	50.5%	22,306	73,853	(51,547)	331.1%
	subtotal	5,341,116	3,954,714	1,386,402	74.0%	6,374,186	4,164,280	2,209,906	65.3%
Health services	salary	10,728,840	6,894,549	3,834,291	64.3%	11,723,020	7,203,190	4,519,830	61.4%
	non-salary	233,809	111,896	121,913	47.9%	356,189	163,149	193,040	45.8%
	subtotal	10,962,649	7,006,445	3,956,204	63.9%	12,079,209	7,366,339	4,712,870	61.0%
Student transportation	salary	26,951,651	15,808,858	11,142,793	58.7%	28,584,825	18,339,736	10,245,089	64.2%
	non-salary	16,574,814	15,641,132	933,682	94.4%	18,755,628	17,870,844	884,784	95.3%
	subtotal	43,526,465	31,449,990	12,076,475	72.3%	47,340,453	36,210,580	11,129,873	76.5%
Operation of plant	salary	35,828,432	21,015,297	14,813,135	58.7%	37,822,008	23,638,575	14,183,433	62.5%
	non-salary	48,463,946	45,129,088	3,334,858	93.1%	51,649,601	48,924,654	2,724,947	94.7%
	subtotal	84,292,378	66,144,385	18,147,993	78.5%	89,471,609	72,563,229	16,908,380	81.1%
Maintenance of plant	salary	11,598,468	6,152,784	5,445,684	53.0%	11,745,239	6,953,327	4,791,912	59.2%
	non-salary	15,636,156	12,057,139	3,579,017	77.1%	17,119,059	12,268,199	4,850,860	71.7%
	subtotal	27,234,624	18,209,923	9,024,701	66.9%	28,864,298	19,221,526	9,642,772	66.6%
Fixed charges	non-salary	213,502,467	131,968,641	81,533,826	61.8%	232,785,046	141,336,702	91,448,344	60.7%
Capital outlay	salary	2,286,455	1,575,028	711,427	68.9%	2,719,761	1,687,643	1,032,118	62.1%
	non-salary	2,438,195	2,119,921	318,274	86.9%	1,285,465	283,410	1,002,055	22.0%
	subtotal	4,724,650	3,694,949	1,029,701	78.2%	4,005,226	1,971,053	2,034,173	49.2%
Total Salary		\$ 677,258,502	\$ 418,172,683	\$ 259,085,820	61.7%	718,539,579	444,051,714	274,487,865	61.8%
Total Non-Salary		382,817,173	274,253,505	50,549,335	71.6%	416,761,862	293,612,896	123,148,966	70.5%
Total expenditures and encumbrances		\$ 1,060,075,675	\$ 692,426,188	\$ 367,649,487	65.3%	\$ 1,135,301,441	\$ 737,664,610	\$ 397,636,831	65.0%

Figure 4

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