

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: May 19, 2009

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING MARCH 31, 2008 AND 2009**

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 FY2008 and FY2009 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended March 31, 2008 and 2009.

General Fund Comparison of FY2008 and FY2009 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 FY2008 and FY2009 General Fund Revenue Budget. Figure 2 provides an overview of the FY2009 General Fund Expenditure Budget. Figure 3 compares the percent of the budget obligated as of March 31, 2008 and 2009. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

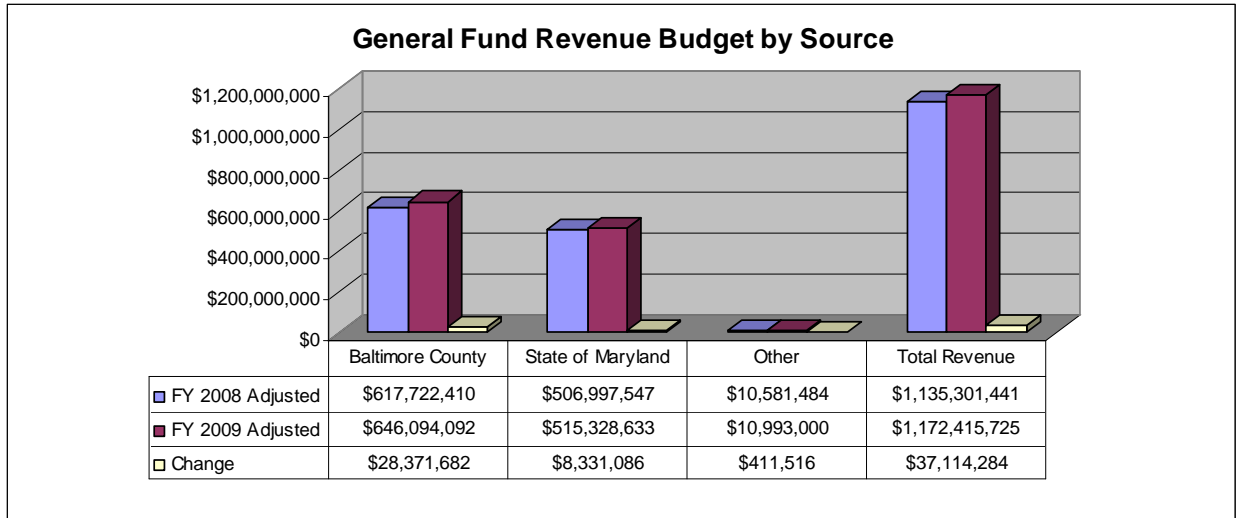


Figure 1

Year-to-Date Comparison

- **Baltimore County** – The FY2009 county appropriation increased \$28.4 million, 4.6% over the FY2008 budget. County funds are drawn based on cash flow requirements. Year-to-date county revenue recognized is \$457.5 million, 70.8% of the budget, as compared to \$417 million, 67.5% of the budget for FY2008.
- **State of Maryland** – The FY2009 state appropriation increased \$8.3 million, 1.6% over the FY2008 budget. The minimal increase in the budgeted revenue is a result of the state significantly restricting increases in funding. The majority of state funds are received bi-monthly in equal installments. As of March 2009, five 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 \$3.7 million and are generally collected at year-end, tuition and sundry revenues. The year-to-date revenue includes the re-appropriation of \$3 million of the prior year’s fund balance, tuition and other revenues of approximately \$3.9 million.

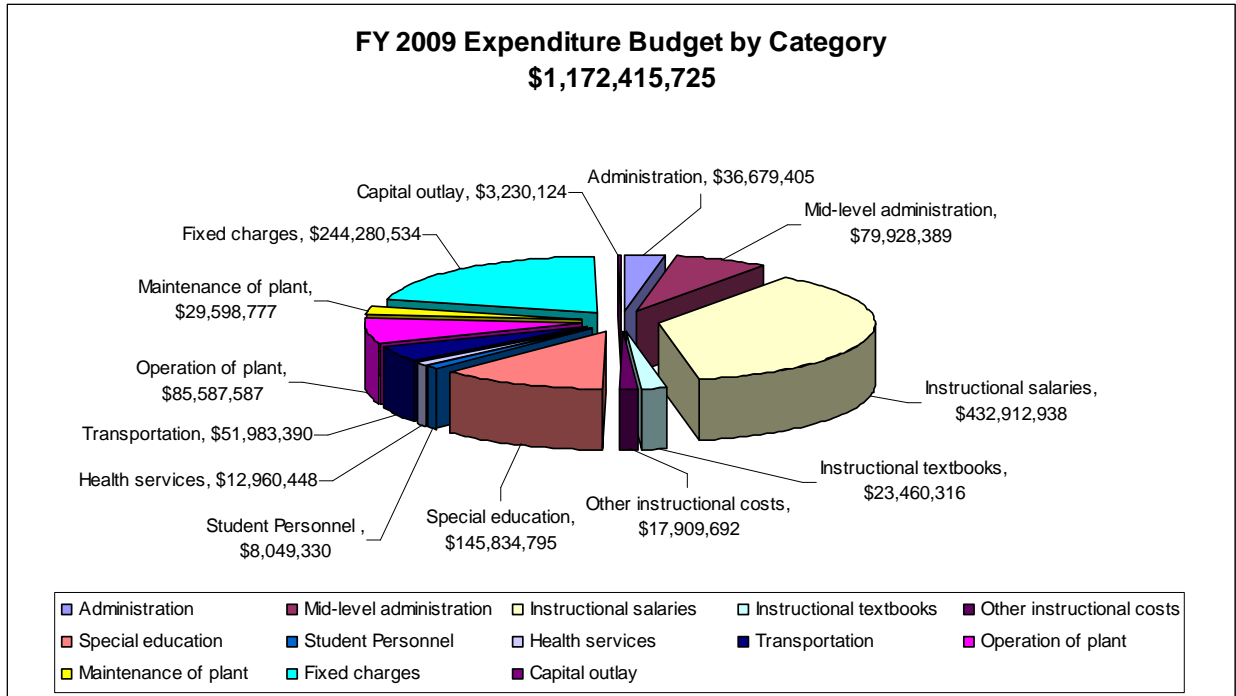


Figure 2 (Detail included in Figure 4)

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through March 2009 are \$869.7 million, 74.2% obligated compared to \$825.8 million, 72.7% obligated, for the same period in FY2008. 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 70.7% 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 69.6% of budget and are in line considering the percent of the school year that has elapsed.

The increase of \$20 million in budgeted salary expense is primarily attributable to annual step increases for all existing employees. Funding is also provided in salary expenses for Vincent Farm Elementary School and the Imagine Discovery Charter School. Positions previously funded by Third Party Billing Medicaid revenue (107.7 FTE) and the Pass-through grant (14 FTE) have been moved to the general fund.

The non-salary expenditures are budgeted for an overall increase of \$17.1 million, or 4.1% over the prior year. The increases in these expenditures are in a number of categories throughout the budget, including \$2.8 million in one-time Administration costs for the upgrade of the human resources computer system, an increase in Instructional Textbooks of \$3.4 million, an increase in Transportation for expected increases in fuel costs, and an increase in Fixed Charges of \$12 million due to cost increases in health insurance, workers' compensation and FICA. These increases were partially offset by a decrease of \$4.8 million in Operations for utility expenditures.

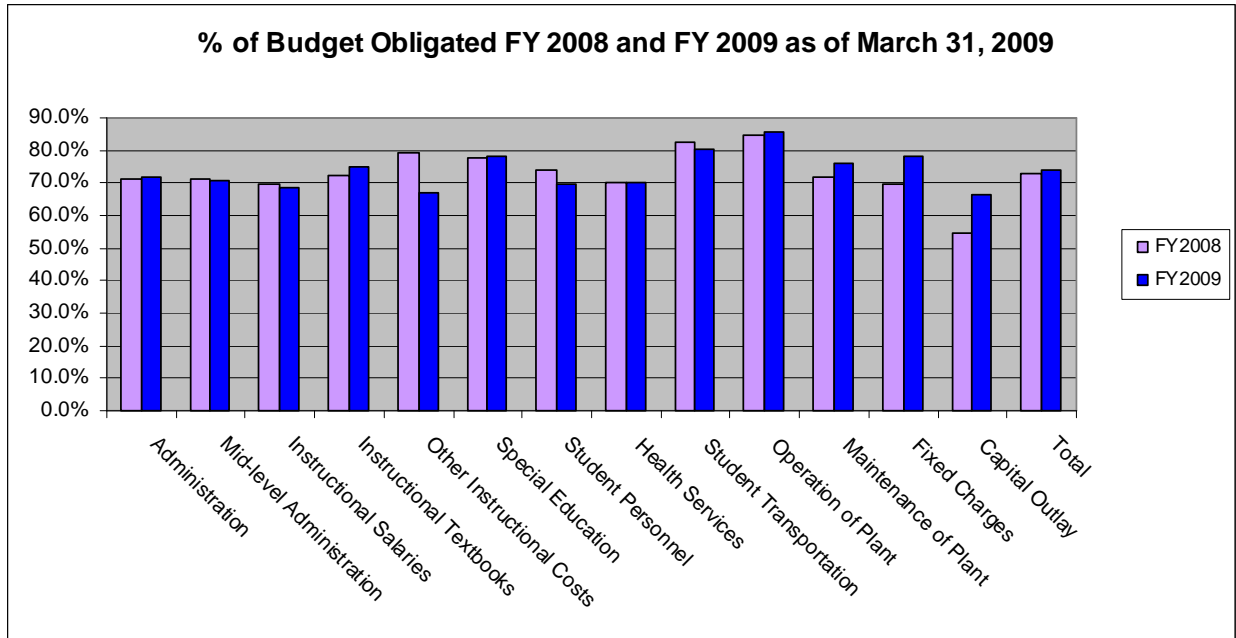


Figure 3

- Administration and Mid-level administration** – The budget for non-salary administration expenditures increased \$2.1 million or 19.6% over the prior fiscal year. This increase in budgeted expenditures is primarily attributed to the planned upgrade in the human resources computer system which was begun this year. Mid-level administration non-salary expenditures are budgeted for an increase due to the opening of Vincent Farm Elementary School and Imagine Discovery Charter School. A budget appropriation from other activities will be required to account for charter school expenditures in mid-level administration.
- Instructional salaries** – The budget for instructional salaries was increased by \$3.8 million in FY2009 primarily to fund step increases. The budget increase also resulted from added instructional positions required to maintain small kindergarten class sizes and staff the new elementary school and the charter school, which opened in August 2008. Estimated turnover savings will allow funds to be transferred to other activities as part of the year-end budget appropriation transfer.
- 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 17.2%, or approximately \$3.4 million for the system-wide purchase of textbooks. To date, \$17.6 million, 74.9% of the FY2009 budgeted textbook funds has been committed; the remaining budget will be spent by year-end to purchase additional consumable classroom supplies, library books and other media. A year-end budget appropriation into this activity is anticipated to cover part of the cost to develop software for the virtual classroom at Chesapeake High School.

- ***Other instructional costs*** – This category is comprised of commitments for contracted services, staff development, and equipment used to support the instructional programs. To date, \$12 million, 67% of the FY2009 budgeted funds have been committed. In the prior year, \$14.2 million, 79.4% had been committed. The decrease in expenditures over the prior year is the result of significant expenditures for computer network upgrades which were completed in FY2008. A year-end budget appropriation transfer into this activity is anticipated to reflect budget reallocations by principals, fund additional information technology for schools and account for charter school operations.
- ***Special education*** – The special education category includes costs associated with the educational needs of students receiving special education services. The FY2009 salary budget includes funding for instructional positions previously funded through Special Revenue funds, step increases, and the cost of staff to support additional services. \$35.5 million (88%) of the FY2009 special education non-salary budget is for private placement of children in non-public schools. To date, 96% of the projected expenditures for private placement, \$32.5 million, have been committed, compared with 91% committed at March 2008. This is the result of an effort by the Special Education Department to better project annual costs and the issuance of purchase orders that anticipate most of FY09 requirements. A year-end budget appropriation transfer into this activity will be required to account for employees' administrative leave and fund greater than anticipated costs for personal assistants.
- ***Student personnel and Health services*** – Year-to-date FY2009 expenditures for student personnel and health services are 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 \$2.4 million, which can be attributed primarily to additional expenditures for increased cost of fuel. A new fuel contract was finalized in December and the new fuel pricing should result in the total fuel costs being within the budgeted estimate for the year. As of March 2009, 97.8% of the non-salary budget had been committed as compared with 95.8% committed at this time in 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 decreased \$4.3 million, 8.3% less than the prior year. This decrease is primarily attributable to a significant reduction anticipated in utility costs of \$4.8 million. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$29 million. Utility costs are

currently projected to exceed the budget by approximately \$2.3 million and will require a budget appropriation transfer of funds from other activities to cover the additional expenditures. Other expenditures in this category include the cost of building rent, \$4 million; property insurance, \$1.3 million; trash removal, \$1.3 million and other related expenditures. As of March 2009, 97.4% of the non-salary budget has been committed, compared with 95% as of March 2008.

- ***Maintenance of plant and capital outlay*** – The maintenance category consists of activities related to the service and upkeep of building systems and grounds. Year-to-date non-salary expenditures and encumbrances are \$14 million, 78.3% of the budgeted amount, as compared with \$12.9 million, or 75.2% in the prior fiscal year. Capital Outlay non-salary expenditures are 50.7% expended at March 2009, as compared to 23% expended in March 2008. This percentage increase is attributable to a significant reduction in the budget over the prior year during which a supplemental appropriation was budgeted for additional costs of relocatable equipment needed for construction projects. A year-end budget appropriation transfer into this activity will be required to fund charter school operations and unachieved turnover savings.
- ***Fixed charges*** – This category includes the cost of employee benefits and other fixed costs. Health insurance and employer FICA consume 68% and 23% of the fixed charges budget, respectively. The FY2009 budget includes an increase of \$12 million resulting from increases in premiums for health insurance, workers compensation, FICA and costs related to new positions. A year-end budget appropriation into this activity will be required to fund the cost of health care and post retirement benefits.

Baltimore County Public Schools
Comparison of FY 2008 and FY 2009 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended March, 2008 and 2009
General Fund

		FY 2008				FY 2009			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 03/31/07	as of 03/31/07	Obligated		as of 03/31/08	as of 03/31/08	Obligated
Revenues									
Baltimore County		\$ 617,722,410	\$ 416,974,338	\$ 200,748,072	67.5%	\$ 646,094,092	\$ 457,482,246	\$ 188,611,846	70.8%
State of Maryland		506,997,547	409,422,984	97,574,563	80.8%	515,328,633	421,694,695	93,633,938	81.8%
Other		10,581,484	5,884,249	4,697,235	55.6%	10,993,000	6,960,507	4,032,493	63.3%
Total revenues		<u>\$ 1,135,301,441</u>	<u>\$ 832,281,571</u>	<u>\$ 303,019,870</u>	<u>73.3%</u>	<u>\$ 1,172,415,725</u>	<u>\$ 886,137,448</u>	<u>\$ 286,278,277</u>	<u>75.6%</u>
Expenditures and encumbrances									
Administration	salary	\$ 21,844,285	\$ 15,211,882	\$ 6,632,403	69.6%	\$ 23,768,272	\$ 15,882,356	\$ 7,885,916	66.8%
	non-salary	10,824,465	8,080,116	2,744,349	74.6%	12,911,133	10,536,252	2,374,881	81.6%
	subtotal	<u>32,668,750</u>	<u>23,291,998</u>	<u>9,376,752</u>	<u>71.3%</u>	<u>36,679,405</u>	<u>26,418,608</u>	<u>10,260,797</u>	<u>72.0%</u>
Mid-level administration	salary	68,818,100	49,822,477	18,995,623	72.4%	72,764,471	52,195,411	20,569,060	71.7%
	non-salary	6,749,863	3,840,866	2,908,997	56.9%	7,163,918	4,488,307	2,675,611	62.7%
	subtotal	<u>75,567,963</u>	<u>53,663,343</u>	<u>21,904,620</u>	<u>71.0%</u>	<u>79,928,389</u>	<u>56,683,718</u>	<u>23,244,671</u>	<u>70.9%</u>
Instruction:									
Instructional salaries	salary	429,121,308	299,118,943	130,002,365	69.7%	432,912,938	297,584,234	135,328,704	68.7%
Instructional textbooks	non-salary	20,015,044	14,436,815	5,578,229	72.1%	23,460,316	17,565,572	5,894,744	74.9%
Other instructional costs	non-salary	17,857,803	14,174,151	3,683,652	79.4%	17,909,692	12,000,639	5,909,053	67.0%
Special education	salary	99,809,153	72,097,242	27,711,911	72.2%	105,171,833	75,716,449	29,455,384	72.0%
	non-salary	39,341,393	35,988,162	3,353,231	91.5%	40,662,962	38,151,977	2,510,985	93.8%
	subtotal	<u>139,150,546</u>	<u>108,085,404</u>	<u>31,065,142</u>	<u>77.7%</u>	<u>145,834,795</u>	<u>113,868,426</u>	<u>31,966,369</u>	<u>78.1%</u>
Student personnel	salary	6,351,880	4,605,099	1,746,781	72.5%	7,855,304	5,485,024	2,370,280	69.8%
	non-salary	22,306	103,696	(81,390)	464.9%	194,026	110,243	83,783	56.8%
	subtotal	<u>6,374,186</u>	<u>4,708,795</u>	<u>1,665,391</u>	<u>73.9%</u>	<u>8,049,330</u>	<u>5,595,267</u>	<u>2,454,063</u>	<u>69.5%</u>
Health services	salary	11,723,020	8,259,677	3,463,343	70.5%	12,676,193	8,860,531	3,815,662	69.9%
	non-salary	356,189	231,893	124,296	65.1%	284,255	227,556	56,699	80.1%
	subtotal	<u>12,079,209</u>	<u>8,491,570</u>	<u>3,587,639</u>	<u>70.3%</u>	<u>12,960,448</u>	<u>9,088,087</u>	<u>3,872,361</u>	<u>70.1%</u>
Student transportation	salary	28,584,825	21,059,760	7,525,065	73.7%	30,732,661	21,126,060	9,606,601	68.7%
	non-salary	18,755,628	17,973,823	781,805	95.8%	21,250,729	20,778,216	472,513	97.8%
	subtotal	<u>47,340,453</u>	<u>39,033,583</u>	<u>8,306,870</u>	<u>82.5%</u>	<u>51,983,390</u>	<u>41,904,276</u>	<u>10,079,114</u>	<u>80.6%</u>
Operation of plant	salary	37,822,008	26,462,473	11,359,535	70.0%	38,233,005	27,058,142	11,174,863	70.8%
	non-salary	51,649,601	49,080,233	2,569,368	95.0%	47,354,582	46,135,326	1,219,256	97.4%
	subtotal	<u>89,471,609</u>	<u>75,542,706</u>	<u>13,928,903</u>	<u>84.4%</u>	<u>85,587,587</u>	<u>73,193,468</u>	<u>12,394,119</u>	<u>85.5%</u>
Maintenance of plant	salary	11,745,239	7,815,572	3,929,667	66.5%	11,680,331	8,538,178	3,142,153	73.1%
	non-salary	17,119,059	12,870,541	4,248,518	75.2%	17,918,446	14,035,572	3,882,874	78.3%
	subtotal	<u>28,864,298</u>	<u>20,686,113</u>	<u>8,178,185</u>	<u>71.7%</u>	<u>29,598,777</u>	<u>22,573,750</u>	<u>7,025,027</u>	<u>76.3%</u>
Fixed charges	non-salary	232,785,046	162,395,277	70,389,769	69.8%	244,280,534	191,107,096	53,173,438	78.2%
Capital outlay	salary	2,719,761	1,886,352	833,409	69.4%	2,803,459	1,927,629	875,830	68.8%
	non-salary	1,285,465	295,125	990,340	23.0%	426,665	216,295	210,370	50.7%
	subtotal	<u>4,005,226</u>	<u>2,181,477</u>	<u>1,823,749</u>	<u>54.5%</u>	<u>3,230,124</u>	<u>2,143,924</u>	<u>1,086,200</u>	<u>66.4%</u>
Total Salary		\$ 718,539,579	\$ 506,339,478	\$ 212,200,101	70.5%	\$ 738,598,467	\$ 514,374,014	\$ 224,224,453	69.6%
Total Non-Salary		416,761,862	319,470,697	97,291,165	76.7%	433,817,258	355,353,051	78,464,207	81.9%
Total expenditures and encumbrances		<u>\$ 1,135,301,441</u>	<u>\$ 825,810,175</u>	<u>\$ 309,491,266</u>	<u>72.7%</u>	<u>\$ 1,172,415,725</u>	<u>\$ 869,727,065</u>	<u>\$ 302,688,660</u>	<u>74.2%</u>

Figure 4

Prepared by: Office of Accounting and Financial Reporting, April 14, 2009