

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: July 14, 2009

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING MAY 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 May 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 May 31, 2008 and 2009. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

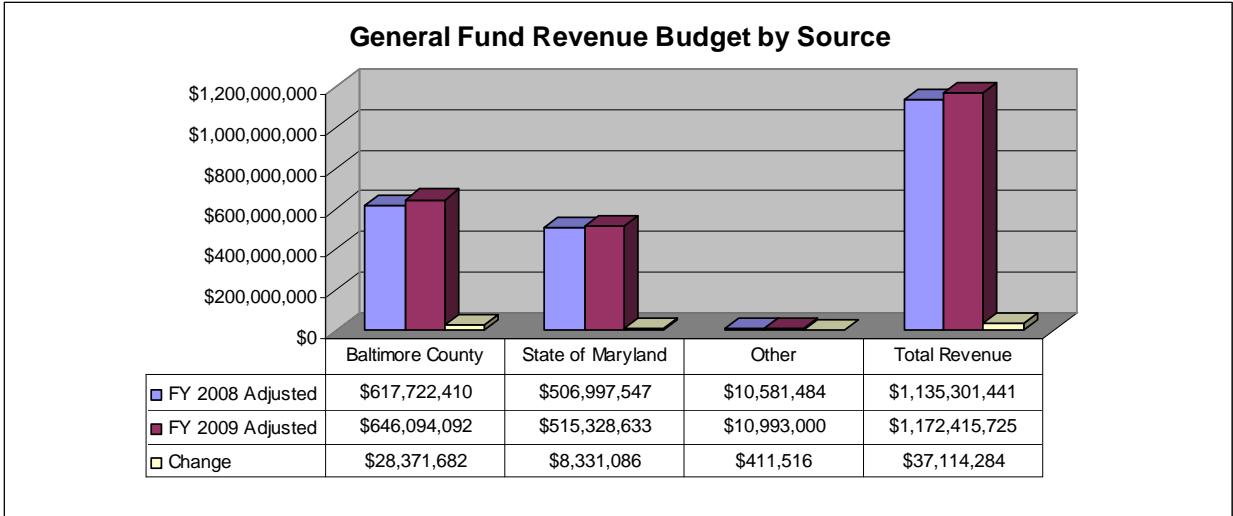


Figure 1

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 \$556.8 million, 86.2% of the budget, as compared to \$542.2 million, 87.8% 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 May 2009, all of the state scheduled payments had been received. Additional funding in certain categories of state revenue will be accrued during the year-end closing and will be received during the next fiscal year.
- **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 \$4.7 million.

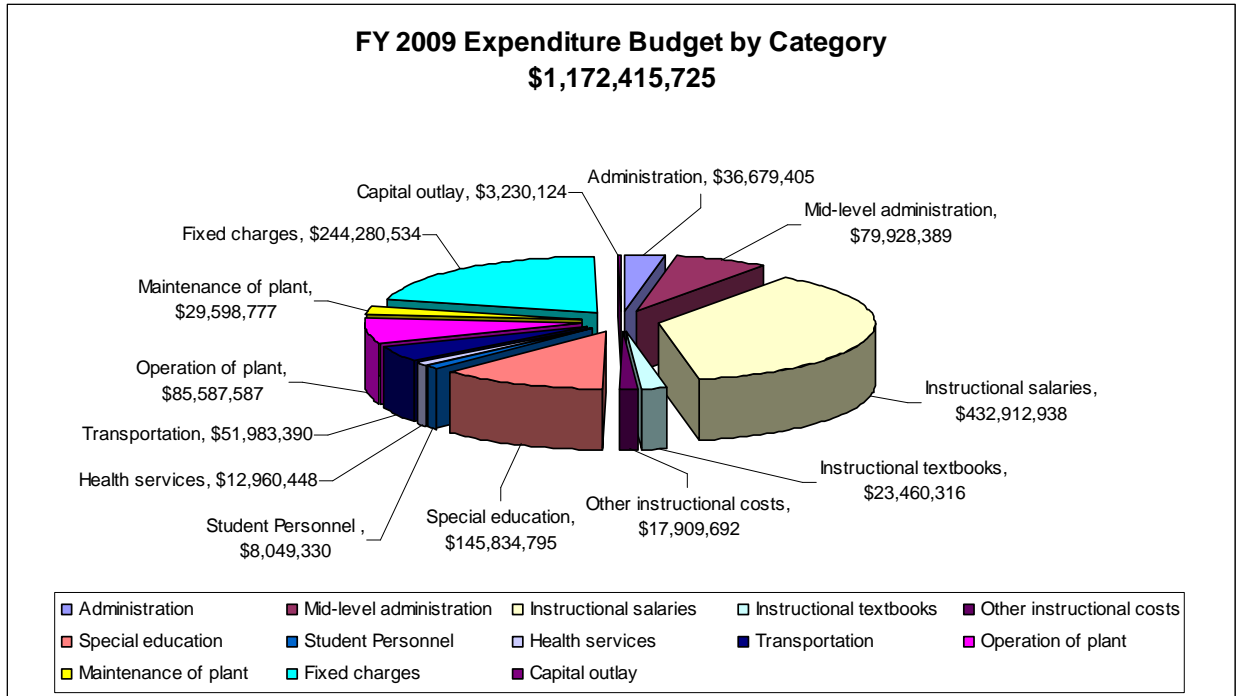


Figure 2 (Detail included in Figure 4)

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through May 2009 are \$1.076 billion, 91.7% obligated compared to \$1.035 billion, 91.2% 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 88.4% 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 91.4% 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.

In April, proposed year-end budget appropriation transfers between various categories of activities was approved by the Board of Education and sent to the County Council for its approval. These proposed transfers were required in order to provide funding for costs incurred over those originally included in the Adopted Budget. These budget appropriation transfers were approved by the County Council at its June 1, 2009, meeting and will be reflected in the Board's June financial reports.

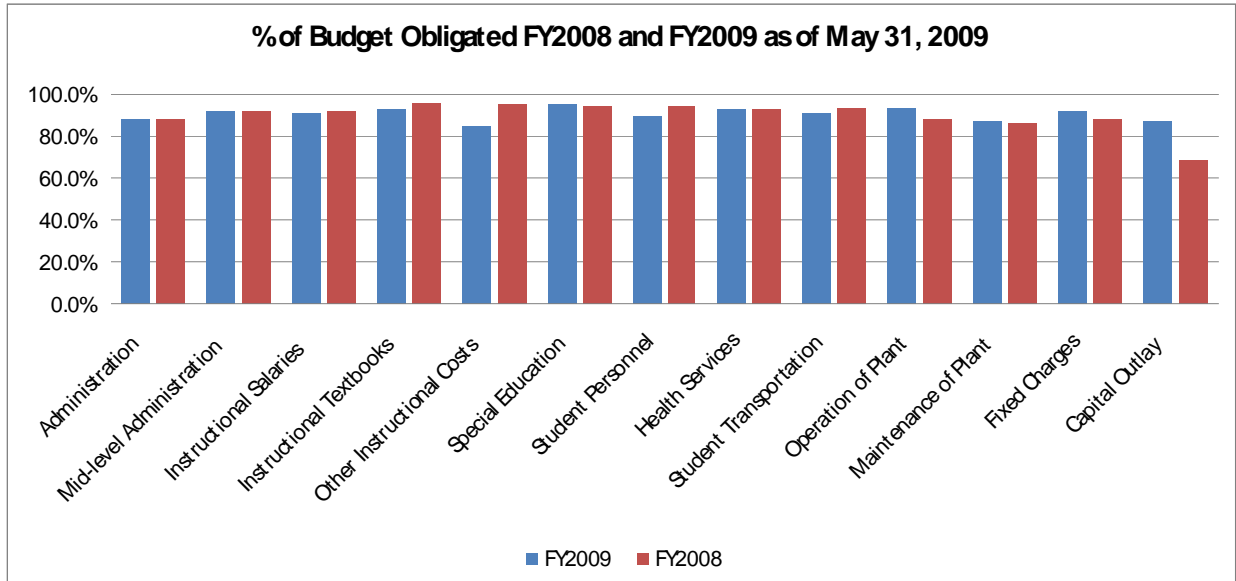


Figure 3

- 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 was approved by the County Council in June 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. The County Council approved a budget appropriation transfer for estimated turnover savings 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, \$21.8 million, 93% 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 transfer into this activity was approved by the County Council in June 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, \$15.1 million, 84.5% of the FY2009 budgeted funds have been committed. In the prior year, \$16.9 million, 95% 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 was approved by the County Council in June 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, 99% of the projected expenditures for private placement, \$32.8 million, have been committed, compared with 93% committed at May 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 was approved by the County Council in June to provide funding for employees' administrative leave and 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 May 2009, 98.6% of the non-salary budget had been committed as compared with 97.7% 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 a budget appropriation transfer of funds from other activities was approved by the County Council in June 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 May 2009, 99.8% of the non-salary budget has been committed, compared with 90.8% as of May 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 \$15.3 million, 85.7% of the budgeted amount, as compared with \$15.4 million, or 90.1% in the prior fiscal year. Capital Outlay non-salary expenditures are 92.6% expended at May 2009, as compared to 30.5% expended in May 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 Maintenance was approved by the County Council in June to fund charter school operations and unachieved turnover savings in this included in this activity.
- 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 transfer into this activity was approved by the County Council in June 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 May 31, 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 05/31/08	as of 05/31/08	Obligated		as of 05/31/09	as of 05/31/09	Obligated
Revenues									
Baltimore County		\$ 617,722,410	\$ 542,277,292	\$ 75,445,118	87.8%	\$ 646,094,092	\$ 556,849,308	\$ 89,244,784	86.2%
State of Maryland		506,997,547	490,342,419	16,655,128	96.7%	515,328,633	504,829,133	10,499,500	98.0%
Other		10,581,484	6,692,286	3,889,198	63.2%	10,993,000	7,724,532	3,268,468	70.3%
Total Revenues		\$ 1,135,301,441	\$ 1,039,311,997	\$ 95,989,444	91.5%	\$ 1,172,415,725	\$ 1,069,402,973	\$ 103,012,752	91.2%
Expenditures and Encumbrances									
Administration	salary	\$ 21,844,285	\$ 19,249,644	\$ 2,594,641	88.1%	\$ 23,768,272	\$ 20,120,941	\$ 3,647,331	84.7%
	non-salary	10,824,465	9,382,090	1,442,375	86.7%	12,911,133	12,138,388	772,745	94.0%
	subtotal	32,668,750	28,631,734	4,037,016	87.6%	36,679,405	32,259,329	4,420,076	87.9%
Mid-level Administration	salary	68,669,700	63,547,112	5,122,588	92.5%	72,764,471	66,142,407	6,622,064	90.9%
	non-salary	6,898,263	6,088,732	809,531	88.3%	7,163,918	7,092,132	71,786	99.0%
	subtotal	75,567,963	69,635,843	5,932,120	92.1%	79,928,389	73,234,539	6,693,850	91.6%
Instruction:									
Instructional Salaries	salary	429,121,308	395,964,777	33,156,531	92.3%	432,912,938	394,615,648	38,297,290	91.2%
Instructional Textbooks	non-salary	20,015,044	19,192,961	822,083	95.9%	23,460,316	21,821,498	1,638,818	93.0%
Other Instructional Costs	non-salary	17,857,803	16,967,100	890,703	95.0%	17,909,692	15,136,754	2,772,938	84.5%
Special Education	salary	100,493,687	93,906,313	6,587,374	93.4%	105,171,833	99,083,083	6,088,750	94.2%
	non-salary	38,656,859	36,989,614	1,667,245	95.7%	40,662,962	39,253,234	1,409,728	96.5%
	subtotal	139,150,546	130,895,927	8,254,619	94.1%	145,834,795	138,336,317	7,498,478	94.9%
Student Personnel	salary	6,351,880	5,880,433	471,447	92.6%	7,855,304	7,037,182	818,122	89.6%
	non-salary	22,306	130,348	(108,042)	584.4%	194,026	151,605	42,421	78.1%
	subtotal	6,374,186	6,010,780	363,406	94.3%	8,049,330	7,188,787	860,543	89.3%
Health Services	salary	11,723,020	10,923,039	799,981	93.2%	12,676,193	11,736,176	940,017	92.6%
	non-salary	356,189	287,271	68,918	80.7%	284,255	264,639	19,616	93.1%
	subtotal	12,079,209	11,210,310	868,899	92.8%	12,960,448	12,000,815	959,633	92.6%
Student Transportation	salary	28,584,825	26,149,466	2,435,359	91.5%	30,732,661	26,282,422	4,450,239	85.5%
	non-salary	18,755,628	18,324,003	431,625	97.7%	21,250,729	20,942,735	307,994	98.6%
	subtotal	47,340,453	44,473,470	2,866,983	93.9%	51,983,390	47,225,157	4,758,233	90.8%
Operation of Plant	salary	37,822,008	32,124,255	5,697,753	84.9%	38,233,005	32,848,819	5,384,186	85.9%
	non-salary	51,649,601	46,918,512	4,731,089	90.8%	47,354,582	47,253,605	100,977	99.8%
	subtotal	89,471,609	79,042,767	10,428,842	88.3%	85,587,587	80,102,424	5,485,163	93.6%
Maintenance of Plant	salary	11,745,239	9,545,296	2,199,943	81.3%	11,680,331	10,432,450	1,247,881	89.3%
	non-salary	17,119,059	15,427,518	1,691,541	90.1%	17,918,446	15,361,049	2,557,397	85.7%
	subtotal	28,864,298	24,972,814	3,891,484	86.5%	29,598,777	25,793,499	3,805,278	87.1%
Fixed Charges	non-salary	232,785,046	205,516,217	27,268,829	88.3%	244,280,534	225,045,942	19,234,592	92.1%
Capital Outlay	salary	2,719,761	2,363,291	356,470	86.9%	2,803,459	2,413,326	390,133	86.1%
	non-salary	1,285,465	392,515	892,950	30.5%	426,665	394,982	31,683	92.6%
	subtotal	4,005,226	2,755,806	1,249,420	68.8%	3,230,124	2,808,308	421,816	86.9%
Total Salary		719,075,713	659,653,626	59,422,087	91.7%	738,598,467	670,712,454	67,886,013	90.8%
Total Non-Salary		416,225,728	375,616,882	40,608,846	90.2%	433,817,258	404,856,563	28,960,695	93.3%
Total Expenditures and Encumbrances		\$ 1,135,301,441	\$ 1,035,270,507	\$ 100,030,934	91.2%	\$ 1,172,415,725	\$ 1,075,569,017	\$ 96,846,708	91.7%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, June 8, 2009