

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: December 18, 2007

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING OCTOBER 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 October 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 October 31, 2006 and 2007. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

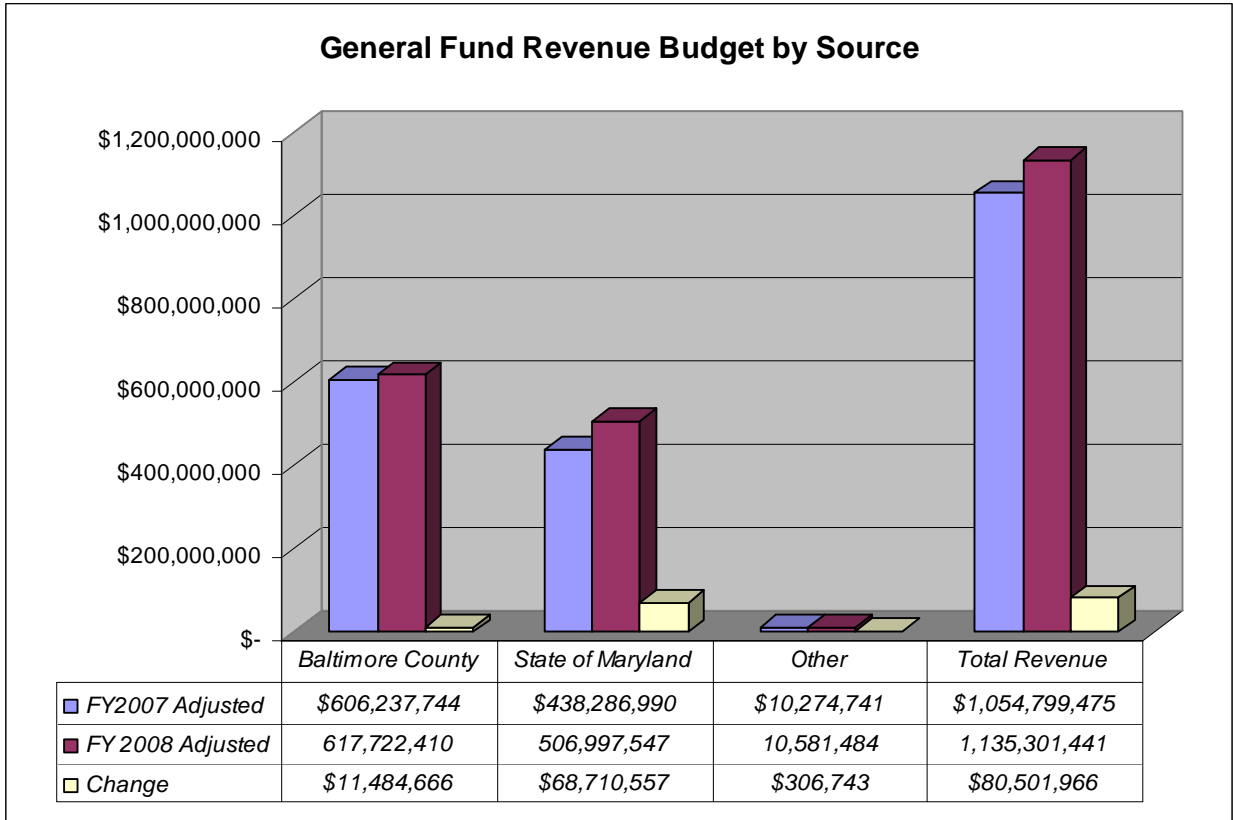
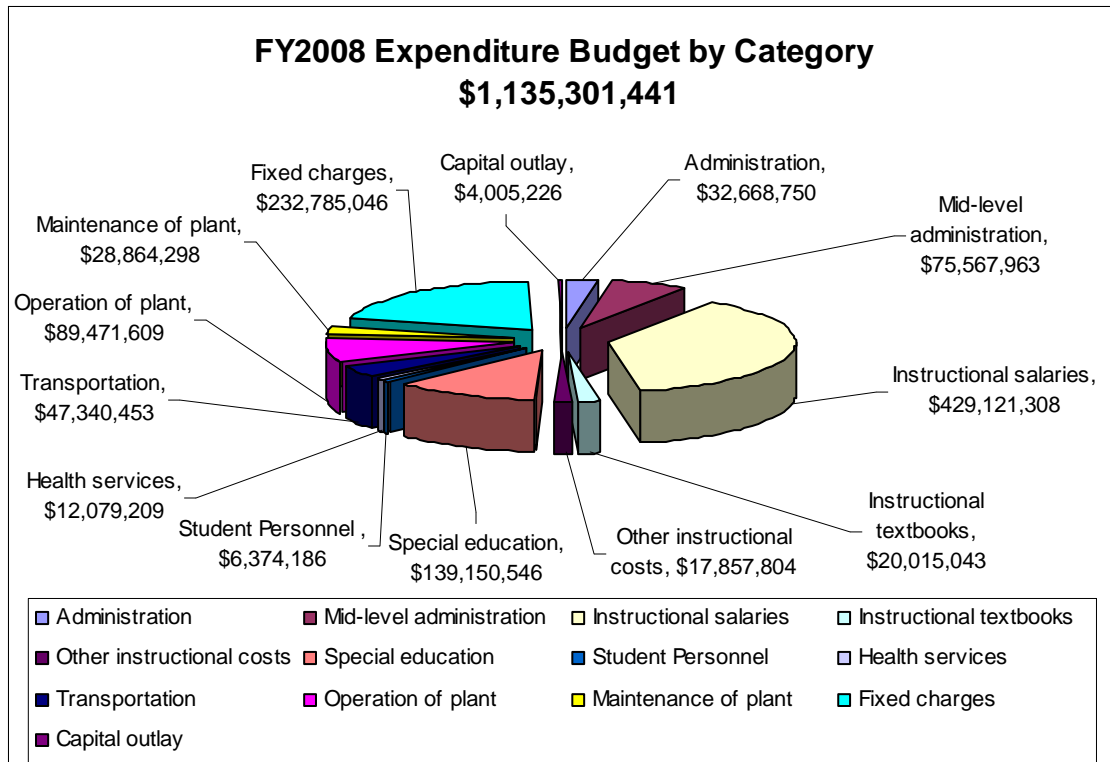


Figure 1

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 \$98.5 million, 15.9% of the budget, as compared to \$83.8 million, 13.8% 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 October 2007, two 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 \$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 \$1.8 million.

Figure 2 (Detail included in Figure 4)



Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through October 2007, are \$349 million, 30.8% obligated, compared to \$307 million, 29.1% 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 29% 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 21% 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 SAIM Crossroads School, and other new programs.

The non-salary expenditures are budgeted for an overall increase of \$39.2 million, or 10.4% 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.

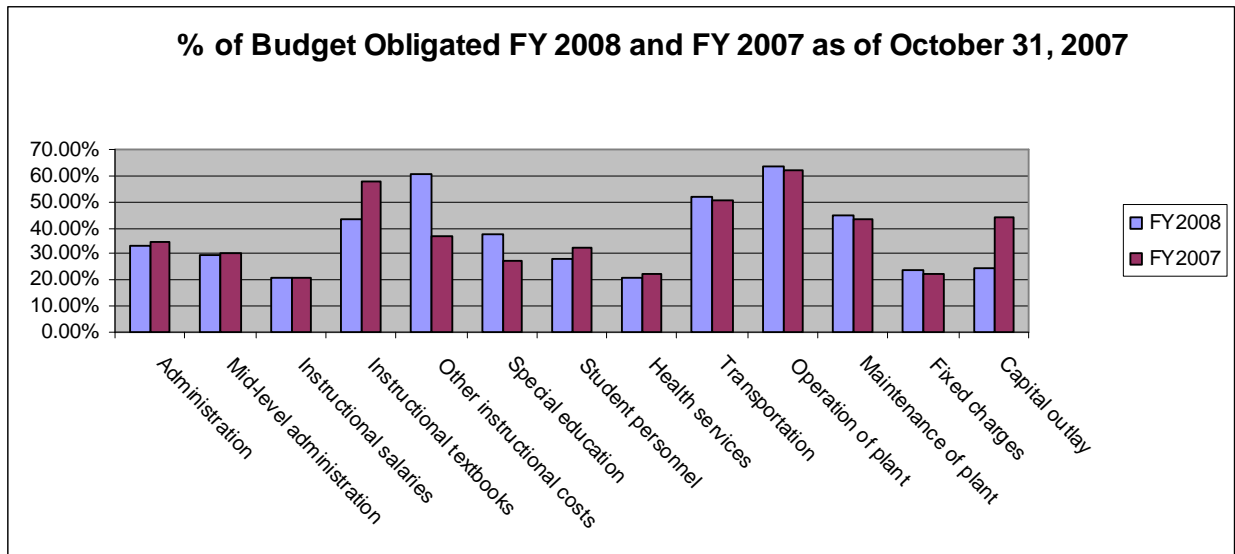


Figure 3

- **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 percentage expended in the non-salary category will increase as the school year progresses.
- **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, \$8.6 million, 43.3% 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, \$10.8 million, 60.7% of the FY2008 budgeted funds have been committed. In the prior year, \$4.1 million, 36.5% had been committed. 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, 75.4% of the budgeted funds for private placement, \$26.9 million, have been committed, compared with 43.2% committed at October 2006. The increase in the non-salary expenditures over the prior year is the result of earlier recording of 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 October 2007, 88.8% of the non-salary budget has been committed, compared with 87.9% as of October 2006.

- ***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 \$9.7 million, 56.8% of the budgeted amount, as compared with \$8.6 million, 56.1% in the prior fiscal year. Capital Outlay non-salary expenditures are 17.5% expended at October 2007, as compared to 67.6% expended in October 2006. This decrease is attributable to the expenditures for relocatable units purchased early in the last 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.

**Comparison of FY 2007 and FY 2008 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended October, 2006 and 2007
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 10/31/06	as of 10/31/06	Obligated		as of 10/31/07	as of 10/31/07	Obligated
Revenues :									
Baltimore County		\$ 606,237,744	\$ 83,832,958	\$ 522,404,786	13.8%	\$ 617,722,410	\$ 98,510,954	\$ 519,211,456	15.9%
State of Maryland		438,286,990	143,137,391	295,149,599	32.7%	506,997,547	163,895,841	343,101,706	32.3%
Other		10,274,741	5,094,171	5,180,570	49.6%	10,581,484	4,347,463	6,234,021	41.1%
Total revenues		\$ 1,054,799,475	\$ 232,064,520	\$ 822,734,955	22.0%	\$ 1,135,301,441	\$ 266,754,258	\$ 868,547,183	23.5%
Expenditures and encumbrances :									
Administration	salary	\$ 19,368,269	\$ 6,023,652	\$ 13,344,617	31.1%	\$ 21,840,565	\$ 6,396,827	\$ 15,443,738	29.3%
	non-salary	9,732,841	3,996,795	5,736,046	41.1%	10,828,185	4,385,774	6,442,411	40.5%
	subtotal	29,101,110	10,020,447	19,080,663	34.4%	32,668,750	10,782,602	21,886,148	33.0%
Mid-level administration	salary	63,906,065	19,020,277	44,885,788	29.8%	68,796,100	20,173,287	48,622,813	29.3%
	non-salary	5,321,035	2,177,698	3,143,337	40.9%	6,771,863	2,169,036	4,602,827	32.0%
	subtotal	69,227,100	21,197,975	48,029,125	30.6%	75,567,963	22,342,323	53,225,640	29.6%
Instruction:									
Instructional salaries	salary	408,507,122	85,901,629	322,605,493	21.0%	429,121,308	89,269,888	339,851,420	20.8%
Instructional textbooks	non-salary	23,255,928	13,355,491	9,900,437	57.4%	20,015,043	8,673,531	11,341,512	43.3%
Other instructional costs	non-salary	11,308,956	4,128,259	7,180,697	36.5%	17,857,804	10,833,703	7,024,101	60.7%
Special education	salary	92,926,790	21,347,889	71,578,901	23.0%	99,874,153	23,002,321	76,871,832	23.0%
	non-salary	34,590,120	13,609,475	20,980,645	39.3%	39,276,393	29,285,439	9,990,954	74.6%
	subtotal	127,516,910	34,957,364	92,559,546	27.4%	139,150,546	52,287,760	86,862,786	37.6%
Student personnel	salary	5,156,410	1,675,167	3,481,243	32.5%	6,351,880	1,764,698	4,587,182	27.8%
	non-salary	184,706	42,063	142,643	22.8%	22,306	35,293	(12,987)	158.2%
	subtotal	5,341,116	1,717,230	3,623,886	32.2%	6,374,186	1,799,991	4,574,195	28.2%
Health services	salary	10,728,840	2,355,354	8,373,486	22.0%	11,723,020	2,454,617	9,268,403	20.9%
	non-salary	233,809	67,569	166,240	28.9%	356,189	75,258	280,931	21.1%
	subtotal	10,962,649	2,422,923	8,539,726	22.1%	12,079,209	2,529,876	9,549,333	20.9%
Transportation	salary	26,951,651	6,277,659	20,673,992	23.3%	28,584,825	6,657,881	21,926,944	23.3%
	non-salary	16,574,814	15,580,129	994,685	94.0%	18,755,628	17,859,437	896,191	95.2%
	subtotal	43,526,465	21,857,789	21,668,677	50.2%	47,340,453	24,517,318	22,823,135	51.8%
Operation of plant	salary	35,828,432	10,319,402	25,509,030	28.8%	37,822,008	10,926,422	26,895,586	28.9%
	non-salary	46,462,946	40,854,636	5,608,310	87.9%	51,649,601	45,882,571	5,767,030	88.8%
	subtotal	82,291,378	51,174,038	31,117,340	62.2%	89,471,609	56,808,993	32,662,616	63.5%
Maintenance of plant	salary	11,598,468	2,961,098	8,637,370	25.5%	11,745,239	3,123,919	8,621,320	26.6%
	non-salary	15,336,156	8,610,226	6,725,930	56.1%	17,119,059	9,730,742	7,388,317	56.8%
	subtotal	26,934,624	11,571,325	15,363,299	43.0%	28,864,298	12,854,661	16,009,637	44.5%
Fixed charges	non-salary	213,502,467	47,120,386	166,382,081	22.1%	232,785,046	55,782,579	177,002,467	24.0%
Capital outlay	salary	2,286,455	750,807	1,535,648	32.8%	2,719,761	770,763	1,948,998	28.3%
	non-salary	1,037,195	701,652	335,543	67.6%	1,285,465	224,328	1,061,137	17.5%
	subtotal	3,323,650	1,452,459	1,871,191	43.7%	4,005,226	995,090	3,010,136	24.8%
Total Salary		\$ 677,258,502	\$ 156,632,935	\$ 520,625,567	23.1%	\$ 718,578,859	\$ 164,540,625	\$ 554,038,234	22.9%
Total Non-Salary		377,540,973	150,244,380	227,296,593	39.8%	416,722,582	184,937,692	231,784,890	44.4%
Total expenditures and encumbrances		\$ 1,054,799,475	\$ 306,877,315	\$ 747,922,160	29.1%	\$ 1,135,301,441	\$ 349,478,316	\$ 785,823,125	30.8%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, November 20, 2007