

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: May 6, 2008

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE PERIODS ENDING MARCH 31, 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 March 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 March 2007 and 2008. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

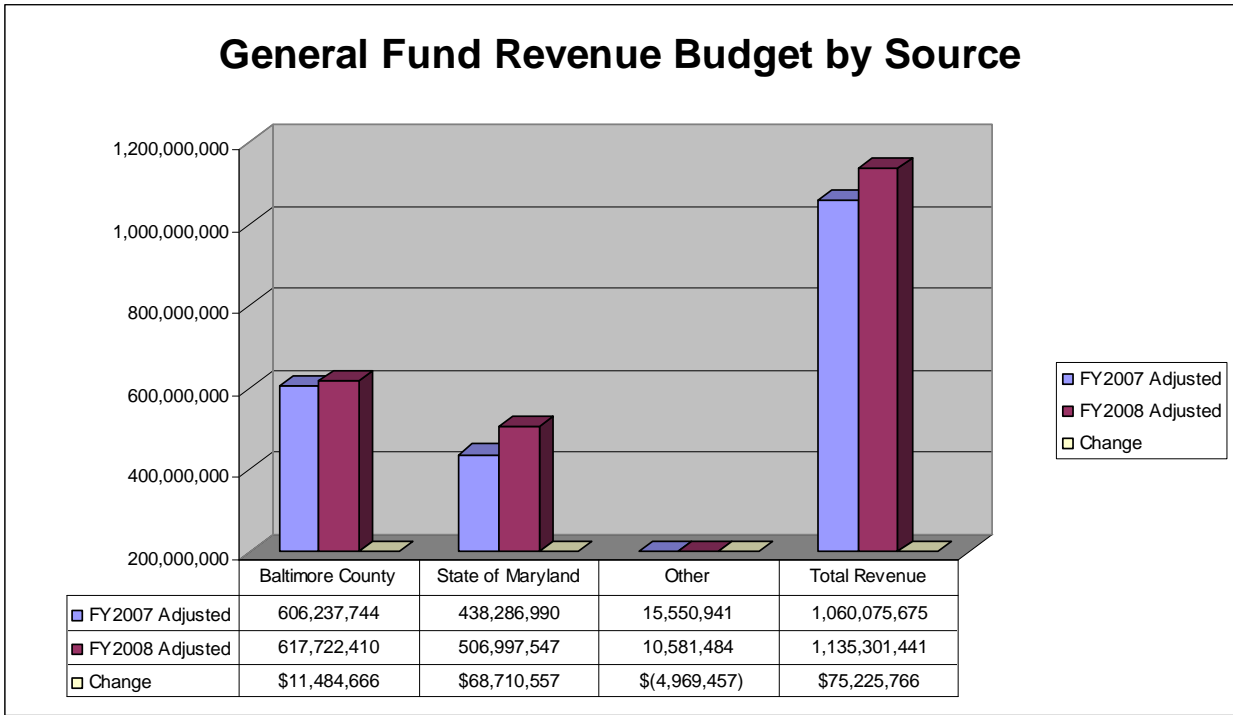


Figure 1

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 \$416.9 million, 67.5% of the budget, as compared to \$431.7 million, 71.2% 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 March 2008, five of the state payments have been received.
- Other Revenues** – The other revenue budget is comprised of re-appropriation 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 \$3.3 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.

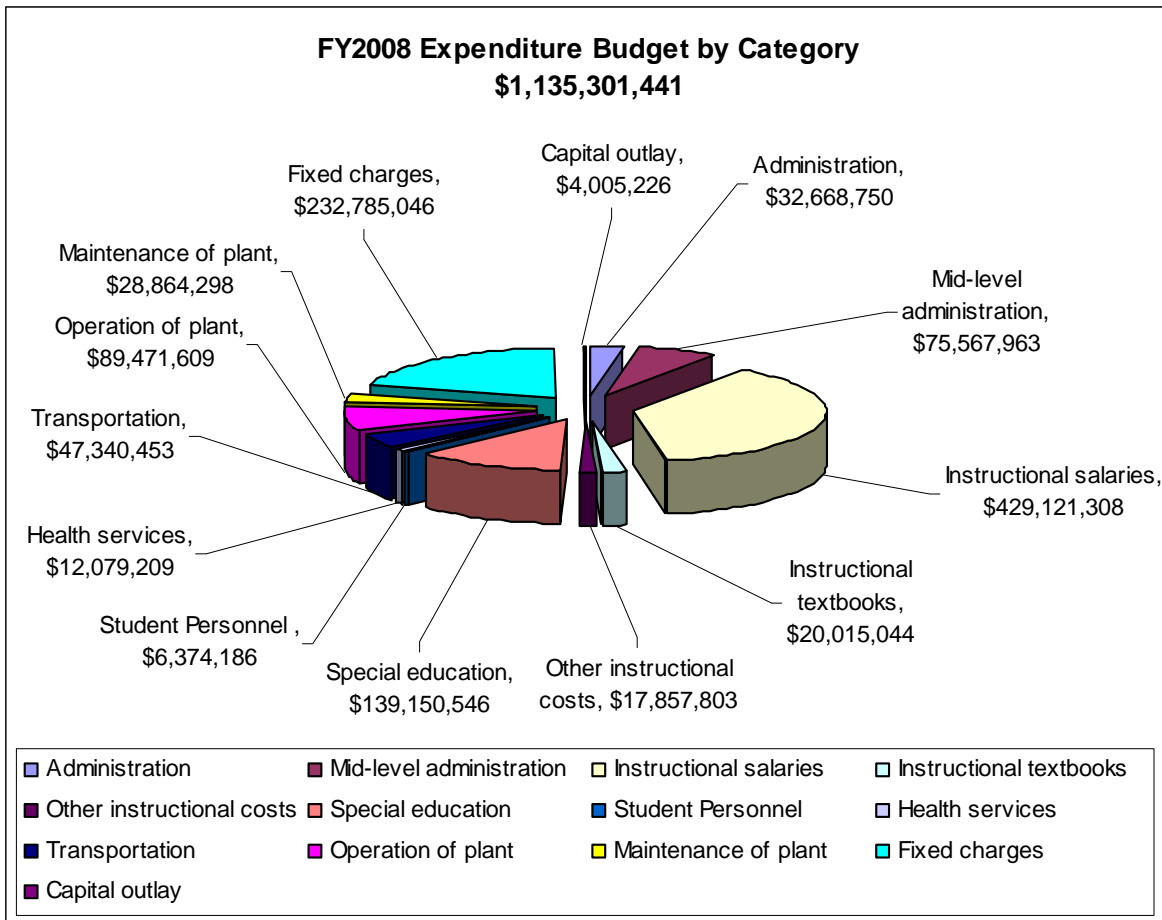


Figure 2 (Detail included in Figure 4)

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through March 2008, are \$825.8 million, 72.7% obligated, compared to \$782.7 million, 73.8% 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 71% 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 70% 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.

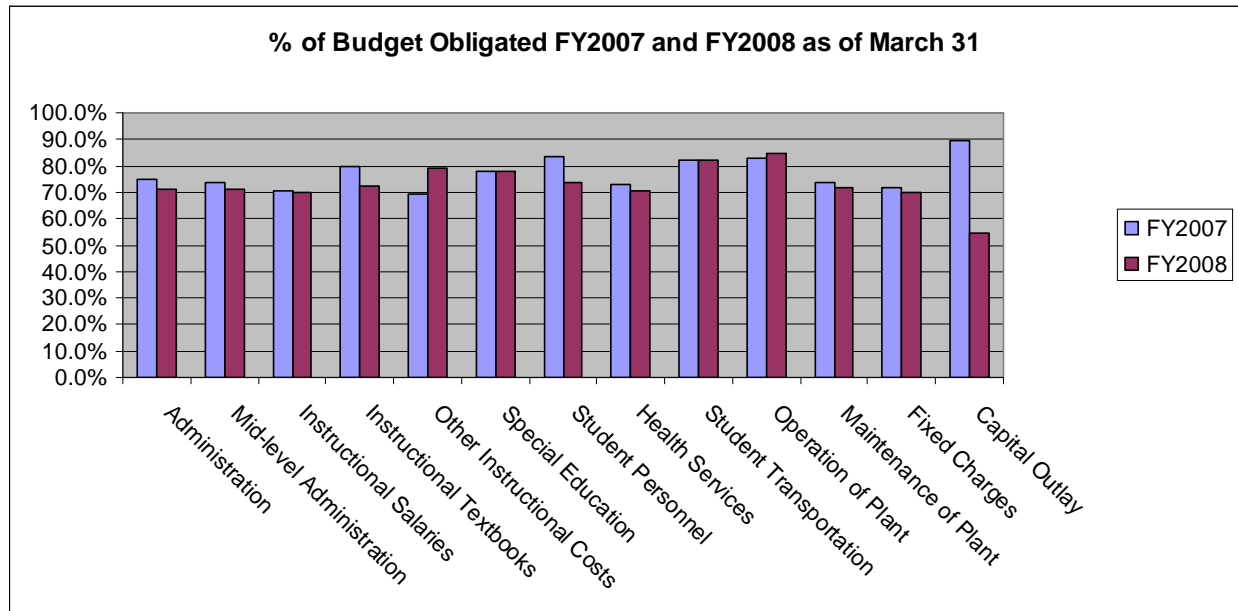


Figure 3

- 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. Year end budget appropriation transfers into these categories are anticipated to offset scrivener’s errors, to fund unachieved turnover savings, and to make other year-end adjustments.
- 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, \$14.4 million, 72.1% of the FY2008 budgeted textbooks and supplies 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. A year end budget appropriation transfer into this category is anticipated to cover additional start up costs at Vincent Farm Elementary School and to reclassify capital expenditures related to the AdvancePath Program.

- ***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, \$14.1 million, 79.4% of the FY2008 budgeted funds have been committed. In the prior year, \$8.7 million, 69.5% 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. A year end budget appropriation transfer into this category is anticipated to reclassify capital expenditures related to the AdvancePath program and to reflect budget reallocations by principals.
- ***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, 91% of the budgeted funds for private placement, \$32.5 million, have been committed, compared with 94% of non- public placement funds committed at March 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. Student personnel category will need a year end budget appropriation transfer to offset a scrivener's error in the initial county 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. A year end budget appropriation transfer into this category is anticipated to cover summer school transportation and rising diesel fuel costs.

- ***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 \$3.3 million, 6.8% 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 March 2008, 95% of the non-salary budget has been committed, which is comparable to the prior year. It is anticipated that utility savings in this category will be transferred to other categories as part of the year-end budget appropriation transfer.
- ***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 \$12.9 million, 75.2% of the budgeted amount, as compared with \$12.7 million, and 81.6% in the prior fiscal year. Capital Outlay non-salary expenditures are 22.9% expended at March 2008, as compared to 100% expended in March 2007. This decrease is attributable to a pending budget transfer of \$877,000 from Capital Outlay to Other Instructional Costs for the AdvancePath Program. It is anticipated that turnover savings in Maintenance of Plant will be transferred to other categories as part of the year end budget appropriation transfer. It is also anticipated that a year end budget appropriation transfer will reclassify the expenditures for the AdvancePath program to the appropriate categories.
- ***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 March, 2007 and 2008
General Fund

		FY 2007				FY 2008			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 03/31/07	Budget as of 03/31/07	Earned or Obligated	Budget	Rev/Exp/Enc. as of 03/31/08	Budget as of 03/31/08	Earned or Obligated
Revenues									
Baltimore County		\$ 606,237,744	\$ 431,706,352	\$ 174,531,392	71.2%	\$ 617,722,410	\$ 416,974,338	\$ 200,748,072	67.5%
State of Maryland		438,286,990	354,810,971	83,476,019	81.0%	506,997,547	409,422,984	97,574,563	80.8%
Other		15,550,941	14,038,322	1,512,619	90.3%	10,581,484	5,884,249	4,697,235	55.6%
Total revenues		\$ 1,060,075,675	\$ 800,555,645	\$ 259,520,030	75.5%	\$ 1,135,301,441	\$ 832,281,571	\$ 303,019,870	73.3%
Expenditures and encumbrances									
Administration	salary	\$ 19,368,269	\$ 14,185,703	\$ 5,182,566	73.2%	\$ 21,844,285	\$ 15,211,882	\$ 6,632,403	69.6%
	non-salary	9,732,841	7,622,663	2,110,178	78.3%	10,824,465	8,080,116	2,744,349	74.6%
	subtotal	29,101,110	21,808,366	7,292,744	74.9%	32,668,750	23,291,998	9,376,752	71.3%
Mid-level administration	salary	63,906,065	46,604,246	17,301,819	72.9%	68,818,100	49,822,477	18,995,623	72.4%
	non-salary	5,336,035	4,246,835	1,089,200	79.6%	6,749,863	3,840,866	2,908,997	56.9%
	subtotal	69,242,100	50,851,081	18,391,019	73.4%	75,567,963	53,663,343	21,904,620	71.0%
Instruction:									
Instructional salaries	salary	408,507,122	287,838,429	120,668,693	70.5%	429,121,308	299,118,943	130,002,365	69.7%
Instructional textbooks	non-salary	23,590,928	18,773,300	4,817,628	79.6%	20,015,044	14,436,815	5,578,229	72.1%
Other instructional costs	non-salary	12,533,156	8,707,287	3,825,869	69.5%	17,857,803	14,174,151	3,683,652	79.4%
Special education	salary	92,926,790	66,886,948	26,039,842	72.0%	99,809,153	72,097,242	27,711,911	72.2%
	non-salary	34,590,120	32,404,592	2,185,528	93.7%	39,341,393	35,988,162	3,353,231	91.5%
	subtotal	127,516,910	99,291,540	28,225,370	77.9%	139,150,546	108,085,404	31,065,142	77.7%
Student personnel	salary	5,156,410	4,353,493	802,917	84.4%	6,351,880	4,605,099	1,746,781	72.5%
	non-salary	184,706	102,048	82,658	55.2%	22,306	103,696	(81,390)	464.9%
	subtotal	5,341,116	4,455,541	885,575	83.4%	6,374,186	4,708,795	1,665,391	73.9%
Health services	salary	10,728,840	7,906,470	2,822,370	73.7%	11,723,020	8,259,677	3,463,343	70.5%
	non-salary	233,809	124,941	108,868	53.4%	356,189	231,893	124,296	65.1%
	subtotal	10,962,649	8,031,411	2,931,238	73.3%	12,079,209	8,491,570	3,587,639	70.3%
Student transportation	salary	26,951,651	19,823,452	7,128,199	73.6%	28,584,825	21,059,760	7,525,065	73.7%
	non-salary	16,574,814	16,080,976	493,838	97.0%	18,755,628	17,973,823	781,805	95.8%
	subtotal	43,526,465	35,904,428	7,622,037	82.5%	47,340,453	39,033,583	8,306,870	82.5%
Operation of plant	salary	35,828,432	24,935,069	10,893,363	69.6%	37,822,008	26,462,473	11,359,535	70.0%
	non-salary	48,463,946	45,011,883	3,452,063	92.9%	51,649,601	49,080,233	2,569,368	95.0%
	subtotal	84,292,378	69,946,952	14,345,426	83.0%	89,471,609	75,542,706	13,928,903	84.4%
Maintenance of plant	salary	11,598,468	7,290,489	4,307,979	62.9%	11,745,239	7,815,572	3,929,667	66.5%
	non-salary	15,636,156	12,763,783	2,872,373	81.6%	17,119,059	12,870,541	4,248,518	75.2%
	subtotal	27,234,624	20,054,272	7,180,352	73.6%	28,864,298	20,686,113	8,178,185	71.7%
Fixed charges	non-salary	213,502,467	152,801,308	60,701,159	71.6%	232,785,046	162,395,277	70,389,769	69.8%
Capital outlay	salary	2,286,455	1,798,858	487,597	78.7%	2,719,761	1,886,352	833,409	69.4%
	non-salary	2,438,195	2,440,507	(2,312)	100.1%	1,285,465	295,125	990,340	23.0%
	subtotal	4,724,650	4,239,365	485,285	89.7%	4,005,226	2,181,477	1,823,749	54.5%
Total Salary		\$ 677,258,502	\$ 481,623,157.00	\$ 195,635,345.00	71.1%	\$ 718,539,579	\$ 506,339,478	\$ 212,200,101	70.5%
Total Non-Salary		382,817,173	301,080,123	81,737,050	78.6%	416,761,862	319,470,697	97,291,165	76.7%
Total expenditures and encumbrances		\$ 1,060,075,675	\$ 782,703,280	\$ 277,372,395	73.8%	\$ 1,135,301,441	\$ 825,810,175	\$ 309,491,266	72.7%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, April 15, 2008