

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: February 24, 2009

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
DECEMBER 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 FY2008 and FY2009 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended December 31, 2007 and 2008.

***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 December 31, 2007 and 2008. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

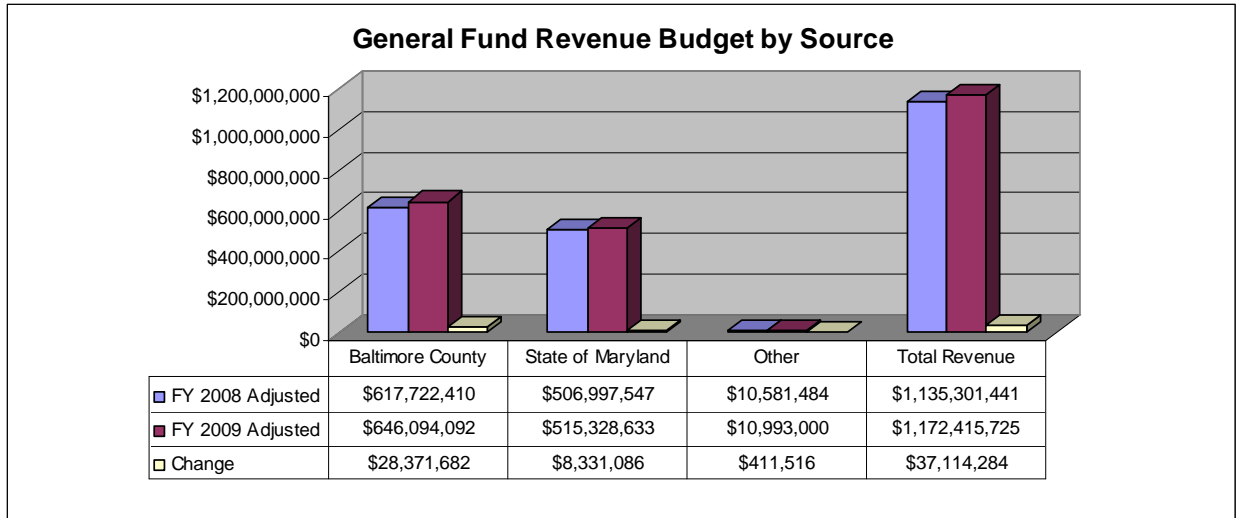


Figure 1

Year-to-Date Comparison

- **Baltimore County** – The 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 \$254.7 million, 39.4% of the budget, as compared to \$225.1 million, 36.5% 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 December 2008, three 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 \$3.5 million.

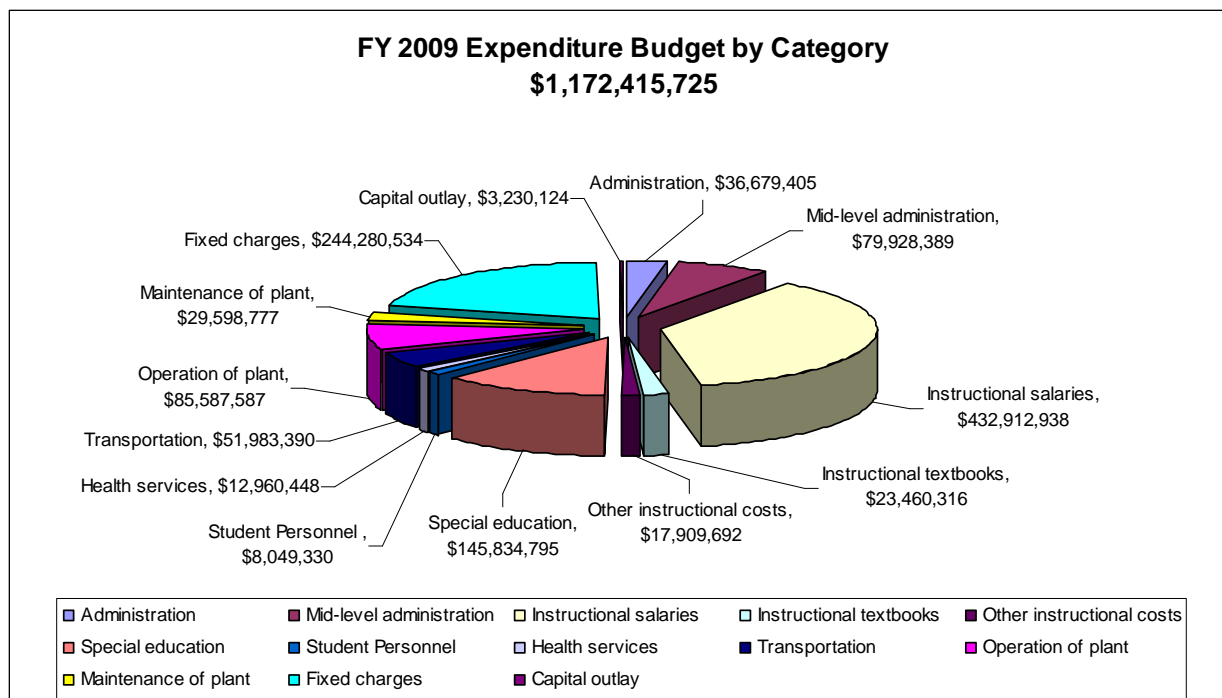


Figure 2 (Detail included in Figure 4)

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through December 2008 are \$585.7 million, 49.9% obligated compared to \$559.2 million, 49.3% 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 46.8% 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 43.7% 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 Administration 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.

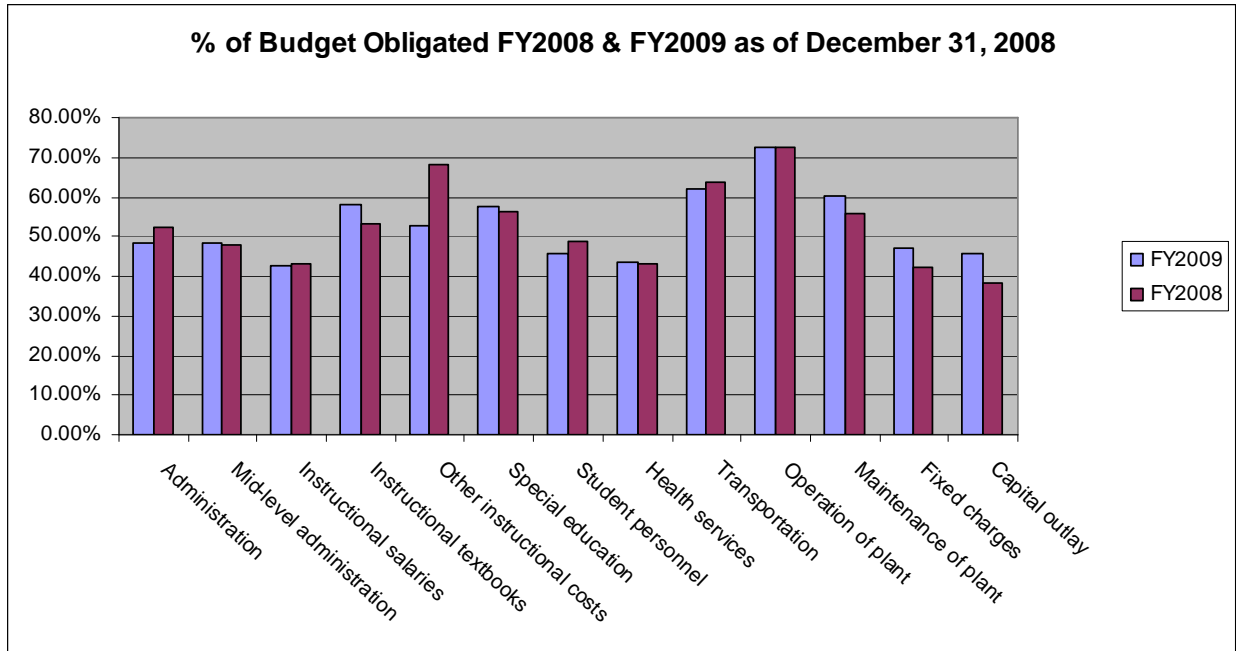


Figure 3

- 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 will begin 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. Year-to-date expenditures in these categories are comparable to the prior year.
- 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.
- 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, \$13.6 million, 58.2% of the FY2009 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. To date, \$9.4 million, 52.7% of the FY2009 budgeted funds have been committed. In the prior year, \$12.2 million, 68.2% 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. It is expected that the remaining FY2009 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 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, 94.9% of the budgeted funds for private placement, \$33.7 million, have been committed, compared with 85.4% committed at December 2007. 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.
- ***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. As of December 2008, 94.8% of the non-salary budget had been committed as compared with 96.3% 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, 8.1% 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. 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 December 2008, 95.1% of the non-salary budget has been committed, compared with 93.7% as of December 2007.

- ***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 \$12.5 million, 69.8% of the budgeted amount, as compared with \$11.1 million, or 65.2% in the prior fiscal year. Capital Outlay non-salary expenditures are 41.2% expended at December 2008, as compared to 20.4% expended in December 2007. This percentage increase is attributable to a significant reduction in the budget over the prior year, although the expenditures are comparable to FY2008.
- ***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. Year-to-date FY2009 expenditures and encumbrances are in line with the budget.

Baltimore County Public Schools
Comparison of FY 2008 and FY 2009 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended December, 2007 and 2008
General Fund

	FY 2008				FY 2009				
		Total	Remaining	Percentage		Total	Remaining	Percentage	
	Adjusted Budget	Rev/Exp/Enc. as of 12/31/07	Budget as of 12/31/07	Earned or Obligated	Adjusted Budget	Rev/Exp/Enc. as of 12/31/08	Budget as of 12/31/08	Earned or Obligated	
Revenues:									
Baltimore County	\$ 617,722,410	\$ 225,163,908	\$ 392,558,502	36.5%	\$ 646,094,092	\$ 254,681,058	\$ 391,413,034	39.4%	
State of Maryland	506,997,547	245,622,421	261,375,126	48.4%	515,328,633	252,399,337	262,929,296	49.0%	
Other	10,581,484	5,194,774	5,386,710	49.1%	10,993,000	6,505,332	4,487,668	59.2%	
Total Revenues	\$ 1,135,301,441	\$ 475,981,103	\$ 659,320,338	41.9%	\$ 1,172,415,725	\$ 513,585,727	\$ 658,829,998	43.8%	
Expenditures and Encumbrances:									
Administration	salary	\$ 21,844,285	\$ 10,375,105	\$ 11,469,180	47.5%	\$ 23,768,272	\$ 10,809,403	\$ 12,958,869	45.5%
	non-salary	10,824,465	6,670,669	4,153,796	61.6%	12,911,133	6,877,884	6,033,249	53.3%
	subtotal	32,668,750	17,045,774	15,622,976	52.2%	36,679,405	17,687,287	18,992,118	48.2%
Mid-level Administration	salary	68,818,100	33,415,557	35,402,543	48.6%	72,764,471	35,373,041	37,391,430	48.6%
	non-salary	6,749,863	2,828,631	3,921,232	41.9%	7,163,918	3,249,057	3,914,861	45.4%
	subtotal	75,567,963	36,244,188	39,323,775	48.0%	79,928,389	38,622,098	41,306,291	48.3%
Instruction:									
Instructional Salaries	salary	429,121,308	185,139,754	243,981,554	43.1%	432,912,938	184,693,942	248,218,996	42.7%
Instructional Textbooks	non-salary	20,015,044	10,633,901	9,381,143	53.1%	23,460,316	13,653,474	9,806,842	58.2%
Other Instructional Costs	non-salary	17,857,803	12,182,286	5,675,517	68.2%	17,909,692	9,444,730	8,464,962	52.7%
Special Education	salary	99,809,153	45,173,878	54,635,275	45.3%	105,171,833	46,979,299	58,192,534	44.7%
	non-salary	39,341,393	33,336,738	6,004,655	84.7%	40,662,962	37,268,905	3,394,057	91.7%
	subtotal	139,150,546	78,510,616	60,639,930	56.4%	145,834,795	84,248,204	61,586,591	57.8%
Student Personnel	salary	6,351,880	3,055,682	3,296,198	48.1%	7,855,304	3,608,922	4,246,382	45.9%
	non-salary	22,306	60,076	(37,770)	269.3%	194,026	68,861	125,165	35.5%
	subtotal	6,374,186	3,115,758	3,258,428	48.9%	8,049,330	3,677,783	4,371,547	45.7%
Health Services	salary	11,723,020	5,099,246	6,623,774	43.5%	12,676,193	5,458,644	7,217,549	43.1%
	non-salary	356,189	96,890	259,299	27.2%	284,255	158,699	125,556	55.8%
	subtotal	12,079,209	5,196,136	6,883,073	43.0%	12,960,448	5,617,343	7,343,105	43.3%
Transportation	salary	28,584,825	12,042,219	16,542,606	42.1%	30,732,661	12,105,213	18,627,448	39.4%
	non-salary	18,755,628	18,058,685	696,943	96.3%	21,250,729	20,137,426	1,113,303	94.8%
	subtotal	47,340,453	30,100,904	17,239,549	63.6%	51,983,390	32,242,639	19,740,751	62.0%
Operation of Plant	salary	37,822,008	16,638,992	21,183,016	44.0%	38,233,005	17,066,690	21,166,315	44.6%
	non-salary	51,649,601	48,406,423	3,243,178	93.7%	47,354,582	45,056,594	2,297,988	95.1%
	subtotal	89,471,609	65,045,415	24,426,194	72.7%	85,587,587	62,123,284	23,464,303	72.6%
Maintenance of Plant	salary	11,745,239	4,900,373	6,844,866	41.7%	11,680,331	5,320,039	6,360,292	45.5%
	non-salary	17,119,059	11,154,827	5,964,232	65.2%	17,918,446	12,513,686	5,404,760	69.8%
	subtotal	28,864,298	16,055,200	12,809,098	55.6%	29,598,777	17,833,725	11,765,052	60.3%
Fixed Charges	non-salary	232,785,046	98,364,550	134,420,496	42.3%	244,280,534	114,393,909	129,886,625	46.8%
Capital Outlay	salary	2,719,761	1,262,241	1,457,520	46.4%	2,803,459	1,300,281	1,503,178	46.4%
	non-salary	1,285,465	261,791	1,023,674	20.4%	426,665	175,712	250,953	41.2%
	subtotal	4,005,226	1,524,032	2,481,194	38.1%	3,230,124	1,475,993	1,754,131	45.7%
Total Salary		\$ 718,539,579	\$ 317,103,047	\$ 401,436,532	44.1%	\$ 738,598,467	\$ 322,715,474	\$ 415,882,993	43.7%
Total Non-Salary		416,761,862	242,055,467	174,706,395	58.1%	433,817,258	262,998,937	170,818,321	60.6%
Total Expenditures and Encumbrances		\$ 1,135,301,441	\$ 559,158,514	\$ 576,142,927	49.3%	\$ 1,172,415,725	\$ 585,714,411	\$ 586,701,314	49.9%