

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: December 16, 2008

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

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

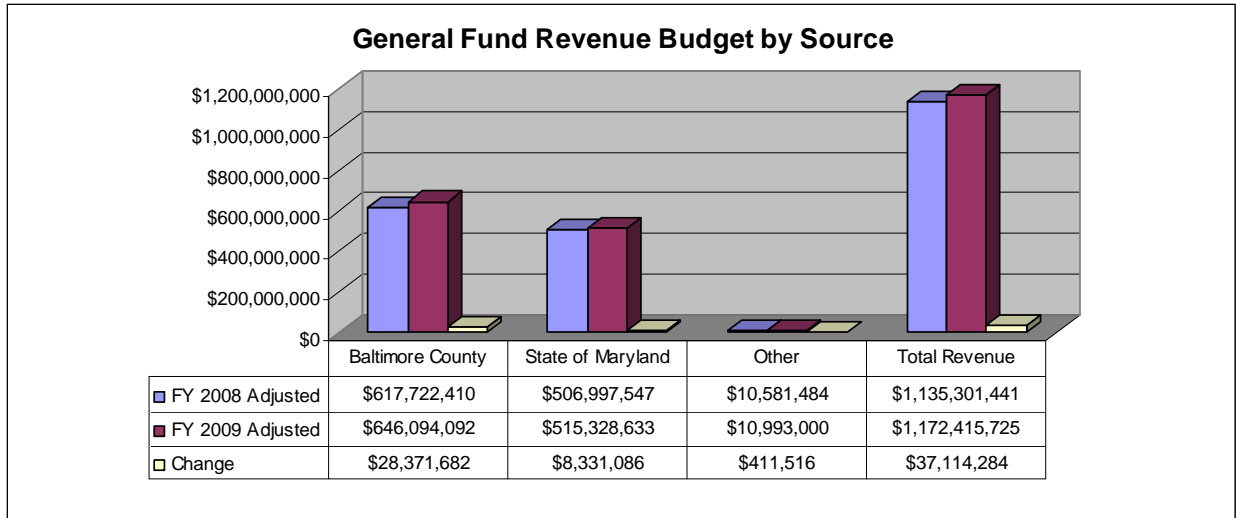


Figure 1

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 \$123.8 million, 19.2% of the budget, as compared to \$98.5 million, 15.9% of the budget for FY2008. The significant increase over the prior year was a result of the timing of the funds received in October.
- ***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 October 2008, 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 \$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 \$3.1 million.

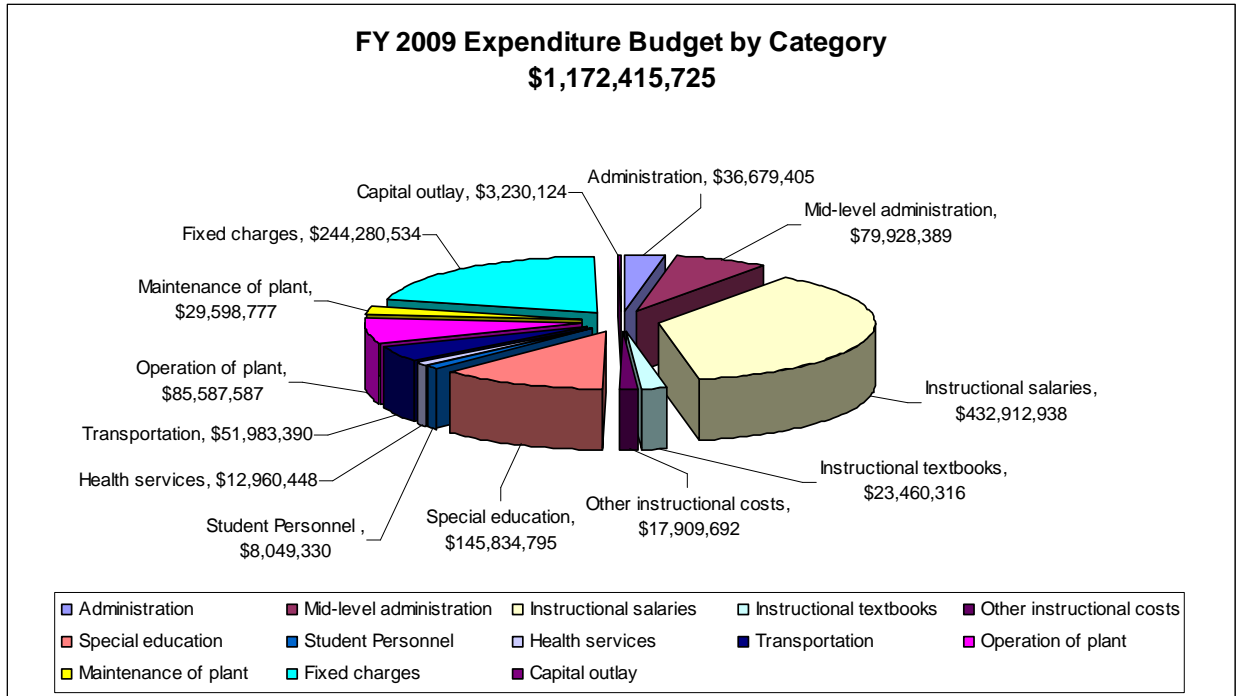


Figure 2 (Detail included in Figure 4)

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through October 2008 are \$398.1 million, 34% obligated compared to \$349.5 million, 30.8% 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 32% 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 25% of budget. The increase in salary expenditures over the prior year is the result of one additional payroll in October this year.

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, worker’s compensation and FICA. These increases were partially offset by a decrease of \$4.8 million in Operations for utility expenditures.

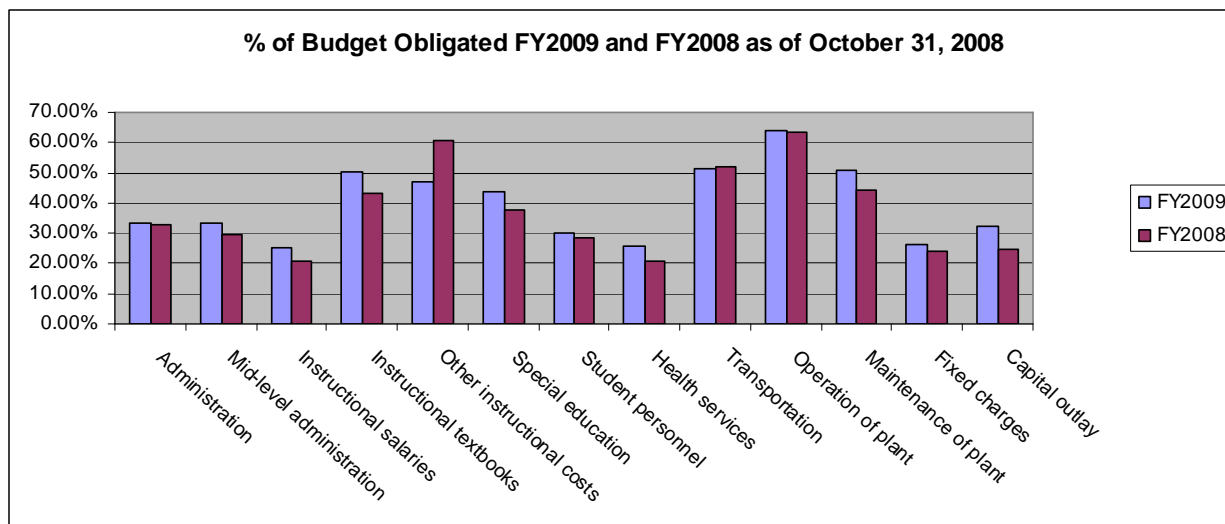


Figure 3

- 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, \$11.8 million, 50.4% 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, \$8.4 million, 47.1% of the FY2009 budgeted funds have been committed. In the prior year, \$10.8 million, 60.7% 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 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, 92.4% of the budgeted funds for private placement, \$32.8 million, have been committed, compared with 75% committed at October 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 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 \$2.4 million, which can be attributed primarily to additional expenditures for increased cost of fuel.
- ***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 October 2008, 92.1% of the non-salary budget has been committed, compared with 88.8% as of October 2007.
- ***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 4.7% 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 \$11.5 million, 64.1% of the budgeted amount, as compared with \$9.7 million, or 56.8% in the prior fiscal year. Capital Outlay non-salary expenditures are 37% expended at October 2008, as compared to 17.5% expended in October 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, worker’s compensation, FICA and costs related to new positions. Year-to-date FY2009 expenditures and encumbrances are in line with the budget.

Comparison of FY 2008 and FY 2009 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended October, 2007 and 2008
General Fund

		FY 2008				FY 2009			
		Adjusted	Total	Remaining	Percentage	Adopted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 10/31/07	as of 10/31/07	Obligated		as of 10/31/08	as of 10/31/08	Obligated
Revenues :									
Baltimore County		\$ 617,722,410	\$ 98,510,954	\$ 519,211,456	15.9%	\$ 646,094,092	\$ 123,846,933	\$ 522,247,159	19.2%
State of Maryland		506,997,547	163,895,841	343,101,706	32.3%	515,328,633	168,519,475	346,809,158	32.7%
Other		10,581,484	4,347,463	6,234,021	41.1%	10,993,000	6,174,249	4,818,751	56.2%
Total revenues		\$ 1,135,301,441	\$ 266,754,258	\$ 868,547,183	23.5%	\$ 1,172,415,725	\$ 298,540,657	\$ 873,875,068	25.5%
Expenditures and encumbrances :									
Administration	salary	\$ 21,840,565	\$ 6,396,827	\$ 15,443,738	29.3%	\$ 23,768,272	\$ 7,434,860	\$ 16,333,412	31.3%
	non-salary	10,828,185	4,385,774	6,442,411	40.5%	12,911,133	4,850,735	8,060,398	37.6%
	subtotal	32,668,750	10,782,602	21,886,148	33.0%	36,679,405	12,285,595	24,393,810	33.5%
Mid-level administration	salary	68,796,100	20,173,287	48,622,813	29.3%	72,764,471	24,078,410	48,686,061	33.1%
	non-salary	6,771,863	2,169,036	4,602,827	32.0%	7,163,918	2,450,922	4,712,996	34.2%
	subtotal	75,567,963	22,342,323	53,225,640	29.6%	79,928,389	26,529,332	53,399,057	33.2%
Instruction:									
Instructional salaries	salary	429,121,308	89,269,888	339,851,420	20.8%	432,912,938	107,746,741	325,166,197	24.9%
Instructional textbooks	non-salary	20,015,043	8,673,531	11,341,512	43.3%	23,460,316	11,819,258	11,641,058	50.4%
Other instructional costs	non-salary	17,857,804	10,833,703	7,024,101	60.7%	17,909,692	8,435,002	9,474,690	47.1%
Special education	salary	99,874,153	23,002,321	76,871,832	23.0%	105,171,833	28,267,163	76,904,670	26.9%
	non-salary	39,276,393	29,285,439	9,990,954	74.6%	40,662,962	35,498,871	5,164,091	87.3%
	subtotal	139,150,546	52,287,760	86,862,786	37.6%	145,834,795	63,766,034	82,068,761	43.7%
Student personnel	salary	6,351,880	1,764,698	4,587,182	27.8%	7,855,304	2,373,516	5,481,788	30.2%
	non-salary	22,306	35,293	(12,987)	158.2%	194,026	47,932	146,094	24.7%
	subtotal	6,374,186	1,799,991	4,574,195	28.2%	8,049,330	2,421,448	5,627,882	30.1%
Health services	salary	11,723,020	2,454,617	9,268,403	20.9%	12,676,193	3,209,003	9,467,190	25.3%
	non-salary	356,189	75,258	280,931	21.1%	284,255	111,297	172,958	39.2%
	subtotal	12,079,209	2,529,876	9,549,333	20.9%	12,960,448	3,320,300	9,640,148	25.6%
Transportation	salary	28,584,825	6,657,881	21,926,944	23.3%	30,732,661	6,763,317	23,969,344	22.0%
	non-salary	18,755,628	17,859,437	896,191	95.2%	21,250,729	19,960,159	1,290,570	93.9%
	subtotal	47,340,453	24,517,318	22,823,135	51.8%	51,983,390	26,723,476	25,259,914	51.4%
Operation of plant	salary	37,822,008	10,926,422	26,895,586	28.9%	38,233,005	11,251,271	26,981,734	29.4%
	non-salary	51,649,601	45,882,571	5,767,030	88.8%	47,354,582	43,608,866	3,745,716	92.1%
	subtotal	89,471,609	56,808,993	32,662,616	63.5%	85,587,587	54,860,137	30,727,450	64.1%
Maintenance of plant	salary	11,745,239	3,123,919	8,621,320	26.6%	11,680,331	3,512,440	8,167,891	30.1%
	non-salary	17,119,059	9,730,742	7,388,317	56.8%	17,918,446	11,490,068	6,428,378	64.1%
	subtotal	28,864,298	12,854,661	16,009,637	44.5%	29,598,777	15,002,508	14,596,269	50.7%
Fixed charges	non-salary	232,785,046	55,782,579	177,002,467	24.0%	244,280,534	64,169,235	180,111,299	26.3%
Capital outlay	salary	2,719,761	770,763	1,948,998	28.3%	2,803,459	887,125	1,916,334	31.6%
	non-salary	1,285,465	224,328	1,061,137	17.5%	426,665	157,559	269,106	36.9%
	subtotal	4,005,226	995,090	3,010,136	24.8%	3,230,124	1,044,684	2,185,440	32.3%
		\$ 1,135,301,441	\$ 349,478,316	\$ 785,823,125	30.8%	\$ 1,172,415,725	\$ 398,123,749	\$ 774,291,976	34.0%
Total Salary		\$ 718,578,859	\$ 164,540,625	\$ 554,038,234	22.9%	\$ 738,598,467	\$ 195,523,846	\$ 543,074,621	26.5%
Total Non-Salary		416,722,582	184,937,692	231,784,890	44.4%	433,817,258	202,599,903	231,217,355	46.7%
Total expenditures and encumbrances		\$ 1,135,301,441	\$ 349,478,316	\$ 785,823,125	30.8%	\$ 1,172,415,725	\$ 398,123,749	\$ 774,291,976	34.0%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, November 17, 2008