

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: January 10, 2006

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING NOVEMBER 30, 2004 AND 2005**

ORIGINATOR: J. Robert Haines, Deputy Superintendent, Business Services

RESOURCE PERSON (S): Barbara S. Burnopp, Chief Financial Officer
Patrick M. Fannon, Controller

INFORMATION

Attached is the General Fund *Comparison of FY2005 and FY2006 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended November 30, 2004 and 2005.

General Fund Comparison of FY2005 and FY2006 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 FY2005 and FY2006 General Fund Revenue Budget. Figure 2 provides an overview of the FY2006 General Fund Expenditure Budget. Figure 3 compares the percent of the budget obligated as of November 30, 2004 and 2005. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

General Fund Revenue Budget

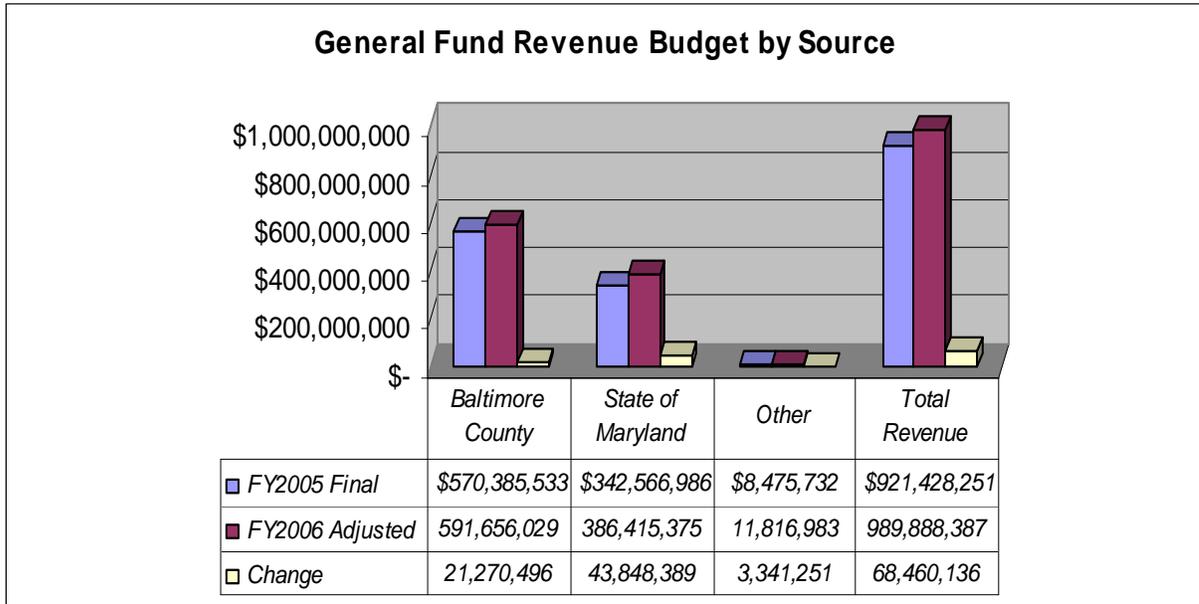


Figure 1

Year-to-Date Comparison

- Baltimore County** – The FY2006 county appropriation increased \$21.3 million, 3.7% over the FY2005 budget. County funds are drawn based on cash flow requirements. Year-to-date county revenue recognized is \$183.3 million, 31% of the budget, as compared to \$176.9 million, 31% of the budget, for FY2005.
- State of Maryland** – The FY2006 state appropriation originally increased \$42.8 million, 12.5% over the FY2005 budget. This increase was the result of the third year of the Maryland *Bridge to Excellence in Public Schools Act*. In November 2005, the state increased the Aging Schools Program appropriation by \$1,092,000, in order to provide funding for school window replacement. The majority of state funds are received bi-monthly in equal installments. Three of the bi-monthly payments have been received, and actual revenues to date are in line with the budget.
- Other Revenues** –The other revenue budget is comprised of the re-appropriation of the prior year’s fund balance of \$4.3 million, out-of-county living arrangement payments from other local education agencies (LEAs) which are estimated to be \$4 million and are generally collected at year-end, tuitions and sundry revenues. In November 2005, the county approved an appropriation request to increase other revenue sources by \$930,000, which consists of additional Erate revenue and the use of available escheat funds. The year-to-date revenue includes summer school and other tuition, the re-appropriation of the prior year’s unspent fund balance of \$4.3 million and sundry other revenues of approximately \$1,205,000.

General Fund Expenditure Budget

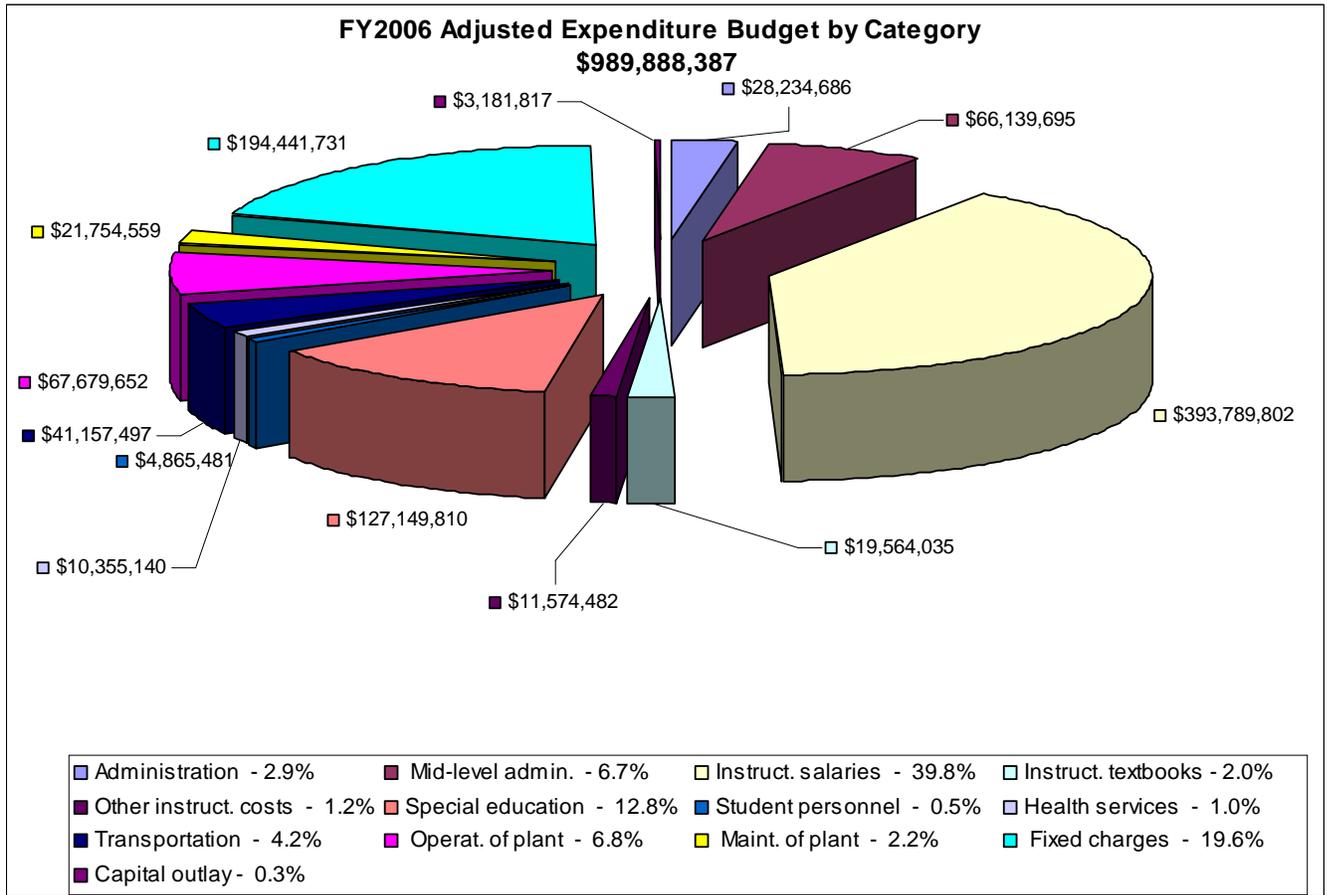


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through November 30, 2005, are \$369 million, 37.3% obligated, compared to \$350 million, 38% obligated, for the same period in FY2005. 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 37.8% 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 29.7% of budget, which is in line with the percentage of the school year that has elapsed. The increase in salary expense is attributable to salary restructuring for all employees and additional positions to expand full-time kindergarten and other programs. The increase in year-to-date FY2006 total non-salary expenditures and encumbrances results primarily from additional costs in administration, transportation and operation of plant. These additional costs are for expenditures obligated for the upgrade of the Board’s automated financial system and data warehouse, the costs of fuel, utilities and contracted services. Additionally, a significant portion of the contracted services in the Special Education budget have been encumbered for the year and increases have occurred in Fixed Charges primarily from an increase in health benefit costs.

Percent of Budget Obligated

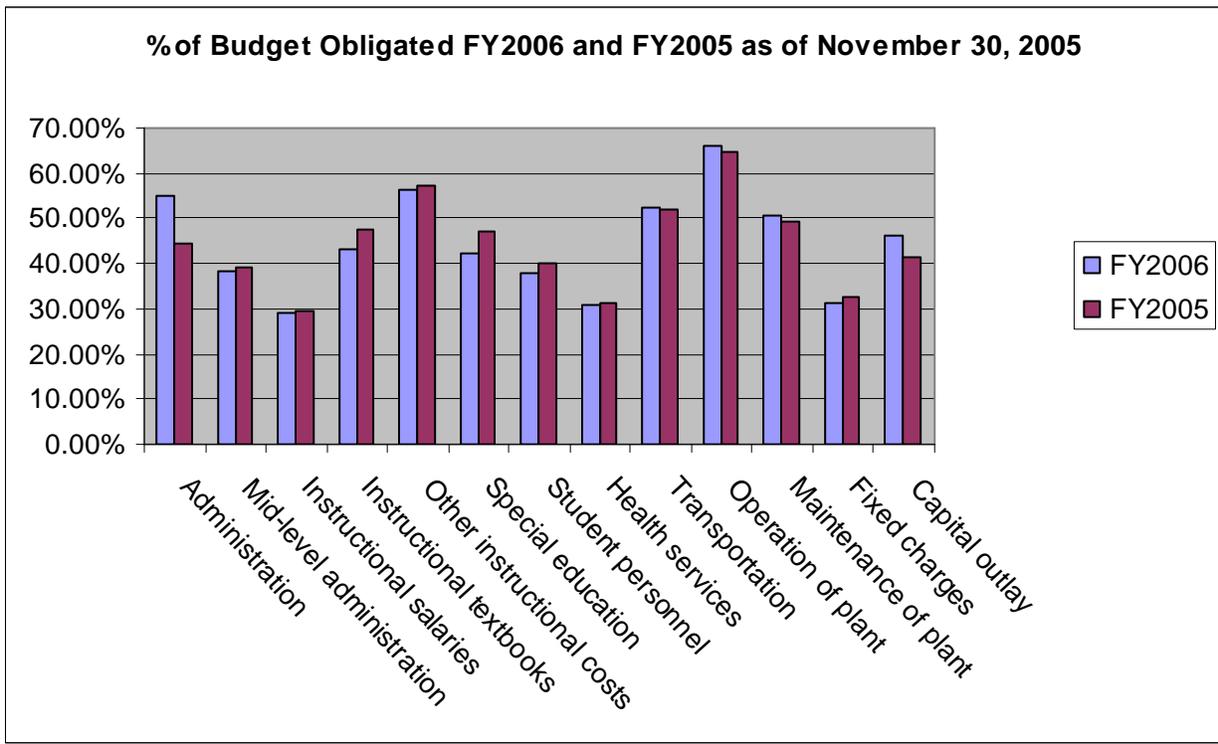


Figure 3

- Administration and Mid-level administration** – Year-to-date FY2006 expenditures and encumbrances in administration have increased \$5.3 million over those expended during the same period in FY2005. This increase results primarily from an increase in contracted services related to the upgrade of the Board’s automated financial system and data warehouse. In November 2005, a budget supplement of \$550,000 was approved to provide additional funding for expenditures to be incurred for student scheduling software and other data processing enhancements. Mid-level administration expenditures are in line with the budget and are comparable to the prior year.
- Instructional salaries** – The budget for instructional salaries was increased by \$19.4 million in FY2006 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 to 10 additional schools. Instructional salaries expenditures are in line with the prior year.

- ***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 11.6% or approximately \$2 million for the year. The increase in the budget is attributable to \$1.1 million for additional library books for elementary schools, an increase of \$130,000 for elementary programs and additional increases in school based expenditures. To date, \$8.4 million, 43.2% of the FY2006 budgeted funds has been committed; the remaining budget will be spent throughout the 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. This category's budget was decreased by \$2.1 million to more closely reflect the expenditures anticipated. To date \$6.5 million, 56.3% of the FY2006 budgeted funds has been committed, as compared to 57.1% in the prior fiscal year. Generally a majority of these expenditures are committed early in the school year to prepare for the opening of school.
- ***Special education*** – The special education category includes costs associated with the educational needs of students receiving special education services. The FY2006 salary budget includes increased funding for salary restructuring, step increases, and the addition of 35 full-time employees to support expansion of kindergarten special education inclusion programs. \$37.7 million (96.5%) of the FY2006 special education non-salary budget is for private placement of children in non-public schools. To date, 68% of the original budgeted funds for private placement, \$25 million, have been committed, compared with 80% or \$26 million committed at October 2004. Based upon current student data, it is anticipated that the entire amount originally budgeted for private placement will not be required for this school year.
- ***Student personnel and Health services*** – Year-to-date FY2006 expenditures and encumbrances 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 \$2.6 million, which can be attributed primarily to \$1.1 million of additional capital lease obligations related to bus acquisitions and \$1.2 million of additional fuel cost and increased costs for parts and maintenance. As of November 2005, 88.6% of the non-salary budget has been committed, compared with 91.2% committed as of November 2004. Salaries expenses are in line with the budget and are 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 included here. The non-salary expenditure budget for this category has increased 12.5%, primarily because of the expected increase in the cost of utilities of \$2.7 million. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$24 million. Other expenditures in this category include the cost of building rent, \$2.3 million, property insurance, \$1.1 million, trash removal, \$850,000, telecommunication, \$1.8 million, and copier maintenance of \$660,000. As of November 2005, 93.5% of the non-salary budget has been committed, compared with 92.4 % as of November 2004.
- ***Maintenance of plant and Capital outlay*** – The maintenance of plant category consists of activities related to the service and upkeep of building systems and grounds. In November 2005, a budget transfer of \$817,500 was approved to transfer funds to capital outlay for the purchase of modular facilities originally budgeted in this category. In addition a budget supplement of \$1,472,000 was approved to provide funding for the replacement of windows and air filters at various schools. The budgeted expenditures in this category include \$6.8 million for maintenance (including service contracts), \$2.5 million for maintenance under the Aging School Program and \$1.5 million for costs related to maintenance vehicles. As of November 2005, 63.5% of the non-salary budget has been committed as compared with 60.9% as of November 2004. Capital outlay expenditures to date are for contracted services and other costs, including \$489,000 for modular buildings purchased for three schools. Salary expenses for both categories are in line with the budget.
- ***Fixed charges*** – This category includes the cost of employee benefits and other fixed costs. Health insurance and employer FICA consume 69% and 25% of the Fixed Charges budget, respectively. The FY2006 budget increased \$15.4 million, primarily as a result of increases in premium rates for health insurance and additional FICA expense, which is directly related to payroll increases. Year-to-date FY2006 expenditures and encumbrances are in line with the budget.

Baltimore County Public Schools
Comparison of FY 2005 and FY 2006 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended November, 2004 and 2005
General Fund

		FY 2005				FY 2006			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 11/30/04	as of 11/30/04	Obligated		as of 11/30/05	as of 11/30/05	Obligated
Revenues :									
Baltimore County		\$ 570,385,533	\$ 176,968,256	\$ 393,417,277	31.0%	\$ 591,656,029	\$ 183,340,741	\$ 408,315,288	31.0%
State of Maryland		342,566,986	166,078,082	176,488,904	48.5%	386,415,375	187,621,979	198,793,396	48.6%
Other		8,475,732	3,651,642	4,824,090	43.1%	11,816,983	6,512,247	5,304,736	55.1%
Total revenues		<u>\$ 921,428,251</u>	<u>\$ 346,697,980</u>	<u>\$ 574,730,271</u>	<u>37.6%</u>	<u>\$ 989,888,387</u>	<u>\$ 377,474,967</u>	<u>\$ 612,413,420</u>	<u>38.1%</u>
Expenditures and encumbrances :									
Administration	salary	\$ 15,181,770	\$ 6,086,076	\$ 9,095,694	40.1%	\$ 16,919,500	\$ 6,768,412	\$ 10,151,088	40.0%
	non-salary	7,944,531	4,165,896	3,778,635	52.4%	11,315,186	8,760,910	2,554,276	77.4%
	subtotal	<u>23,126,301</u>	<u>10,251,972</u>	<u>12,874,329</u>	<u>44.3%</u>	<u>28,234,686</u>	<u>15,529,321</u>	<u>12,705,365</u>	<u>55.0%</u>
Mid-level administration	salary	56,683,247	21,954,776	34,728,471	38.7%	61,011,497	22,968,226	38,043,271	37.6%
	non-salary	5,241,036	2,301,164	2,939,872	43.9%	5,128,198	2,448,111	2,680,087	47.7%
	subtotal	<u>61,924,283</u>	<u>24,255,940</u>	<u>37,668,343</u>	<u>39.2%</u>	<u>66,139,695</u>	<u>25,416,338</u>	<u>40,723,357</u>	<u>38.4%</u>
Instruction:									
Instructional salaries	salary	374,416,758	110,781,096	263,635,662	29.6%	393,789,802	114,865,026	278,924,776	29.2%
Instructional textbooks	non-salary	17,526,680	8,296,809	9,229,871	47.3%	19,564,035	8,458,312	11,105,723	43.2%
Other instructional costs	non-salary	13,700,759	7,817,515	5,883,244	57.1%	11,574,482	6,511,404	5,063,078	56.3%
Special education	salary	79,191,225	25,354,753	53,836,472	32.0%	87,500,557	27,471,925	60,028,632	31.4%
	non-salary	36,233,248	28,858,979	7,374,269	79.6%	39,649,253	26,356,156	13,293,097	66.5%
	subtotal	<u>115,424,473</u>	<u>54,213,732</u>	<u>61,210,741</u>	<u>47.0%</u>	<u>127,149,810</u>	<u>53,828,082</u>	<u>73,321,728</u>	<u>42.3%</u>
Student personnel	salary	4,361,971	1,777,562	2,584,409	40.8%	4,697,545	1,811,432	2,886,113	38.6%
	non-salary	154,236	38,396	115,840	24.9%	167,936	33,802	134,134	20.1%
	subtotal	<u>4,516,207</u>	<u>1,815,958</u>	<u>2,700,249</u>	<u>40.2%</u>	<u>4,865,481</u>	<u>1,845,234</u>	<u>3,020,247</u>	<u>37.9%</u>
Health services	salary	9,608,799	2,979,000	6,629,799	31.0%	10,122,687	3,112,901	7,009,786	30.8%
	non-salary	157,860	89,835	68,025	56.9%	232,453	92,694	139,759	39.9%
	subtotal	<u>9,766,659</u>	<u>3,068,835</u>	<u>6,697,824</u>	<u>31.4%</u>	<u>10,355,140</u>	<u>3,205,595</u>	<u>7,149,545</u>	<u>31.0%</u>
Transportation	salary	24,125,796	7,612,561	16,513,235	31.6%	25,890,607	7,957,015	17,933,592	30.7%
	non-salary	12,638,504	11,530,396	1,108,108	91.2%	15,266,890	13,531,965	1,734,925	88.6%
	subtotal	<u>36,764,300</u>	<u>19,142,957</u>	<u>17,621,343</u>	<u>52.1%</u>	<u>41,157,497</u>	<u>21,488,980</u>	<u>19,668,517</u>	<u>52.2%</u>
Operation of plant	salary	32,016,991	12,227,698	19,789,293	38.2%	33,121,361	12,437,889	20,683,472	37.6%
	non-salary	30,716,062	28,379,307	2,336,755	92.4%	34,558,291	32,297,981	2,260,310	93.5%
	subtotal	<u>62,733,053</u>	<u>40,607,005</u>	<u>22,126,048</u>	<u>64.7%</u>	<u>67,679,652</u>	<u>44,735,870</u>	<u>22,943,782</u>	<u>66.1%</u>
Maintenance of plant	salary	9,823,730	3,587,656	6,236,074	36.5%	10,218,229	3,735,986	6,482,243	36.6%
	non-salary	10,512,858	6,397,782	4,115,076	60.9%	11,536,330	7,323,547	4,212,783	63.5%
	subtotal	<u>20,336,588</u>	<u>9,985,438</u>	<u>10,351,150</u>	<u>49.1%</u>	<u>21,754,559</u>	<u>11,059,533</u>	<u>10,695,026</u>	<u>50.8%</u>
Fixed charges	non-salary	179,052,298	58,563,757	120,488,541	32.7%	194,441,731	60,570,636	133,871,095	31.2%
Capital outlay	salary	1,931,742	853,738	1,078,004	44.2%	2,162,667	798,707	1,363,960	36.9%
	non-salary	208,150	35,606	172,544	17.1%	1,019,150	670,800	348,350	65.8%
	subtotal	<u>2,139,892</u>	<u>889,343</u>	<u>1,250,549</u>	<u>41.6%</u>	<u>3,181,817</u>	<u>1,469,506</u>	<u>1,712,311</u>	<u>46.2%</u>
Total Salary		607,342,029	193,214,915	414,127,114	31.8%	645,434,452	201,927,519	443,506,933	31.3%
Total Non-Salary		314,086,222	156,475,443	157,610,779	49.8%	344,453,935	167,056,318	177,397,617	48.5%
Total expenditures and encumbrances		<u>\$ 921,428,251</u>	<u>\$ 349,690,358</u>	<u>\$ 571,737,893</u>	<u>38.0%</u>	<u>\$ 989,888,387</u>	<u>\$ 368,983,838</u>	<u>\$ 620,904,549</u>	<u>37.3%</u>

Figure 4