

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: March 14, 2006

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING JANUARY 31, 2005 AND 2006**

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 January 31, 2005 and 2006.

***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 January 31, 2005 and 2006. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

General Fund Revenue Budget

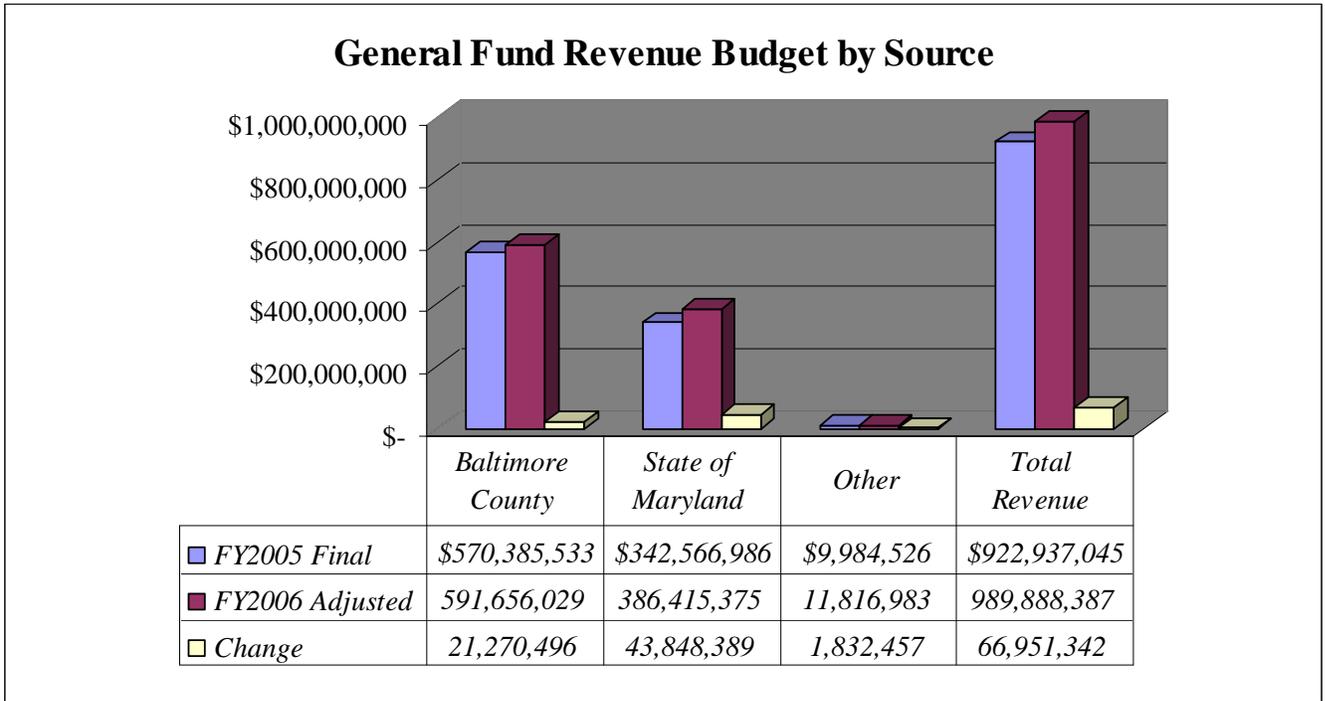


Figure 1

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 \$309 million, 52.3% of the budget, as compared to \$302 million, 53% 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 county approved an appropriation request to use additional state funding from the Aging Schools Program of \$1,092,000, for school window replacement. The majority of state funds are received bi-monthly in equal installments. Four 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 E-Rate 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 \$2,344,000.

General Fund Expenditure Budget

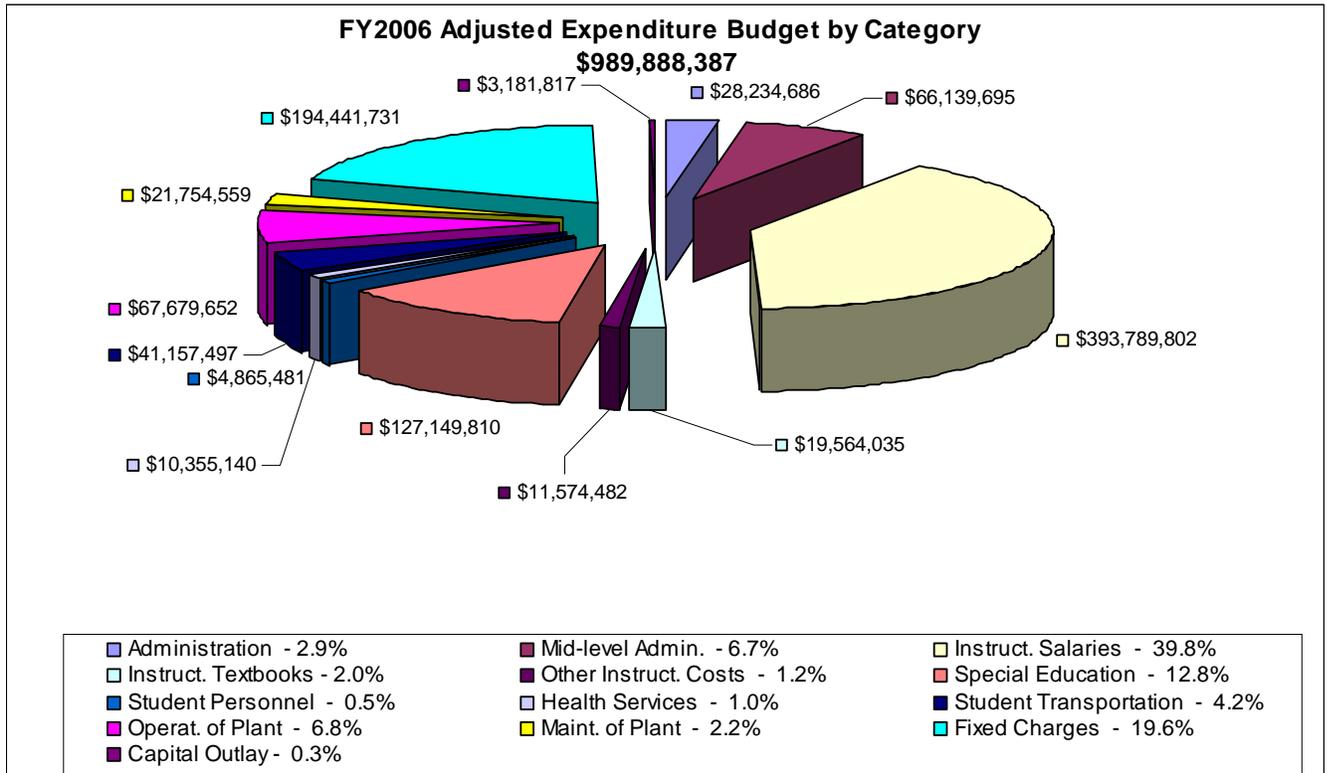


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through January 31, 2006, are \$552 million, 55.7% obligated, compared to \$521 million, 56.4% 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 55.9% 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 Student Transportation) average 51.4% 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-day kindergarten and other programs. The increase in year-to-date FY2006 total non-salary expenditures and encumbrances results primarily from additional costs in Administration, Student 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

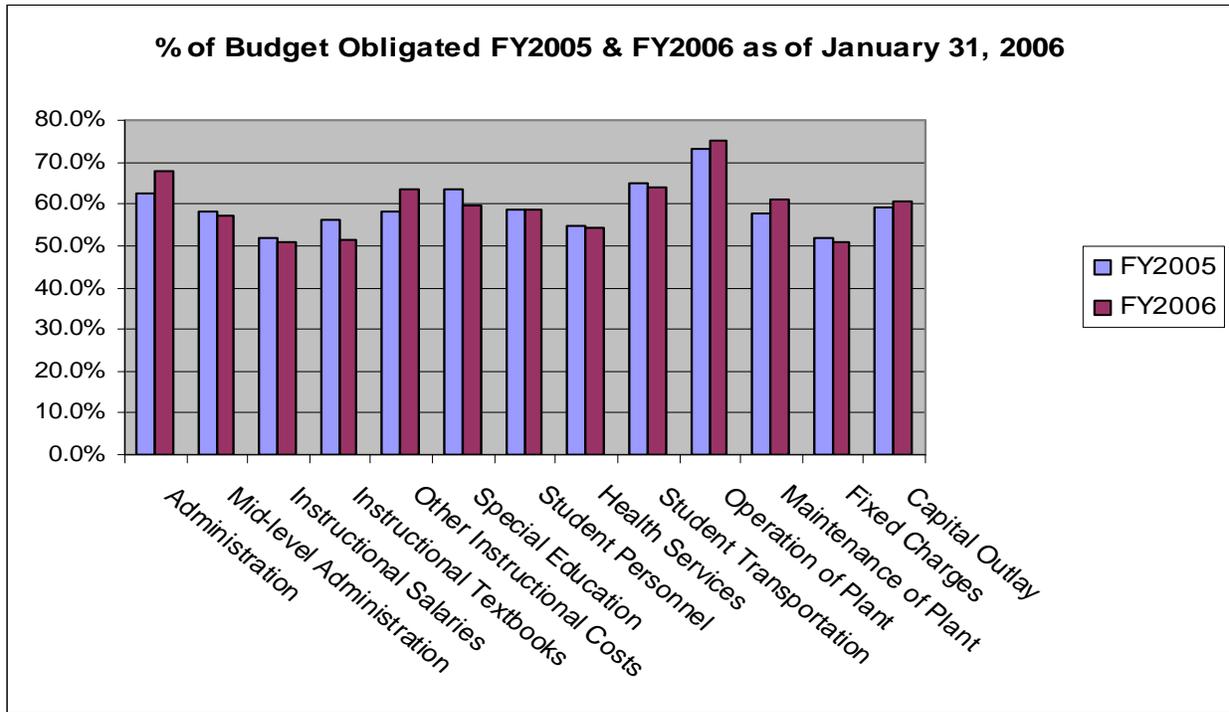


Figure 3

- Administration and Mid-level Administration** – Year-to-date FY2006 expenditures and encumbrances in Administration have increased \$3.7 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 7% or approximately \$1.3 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, \$10.1 million, 51.6% 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 \$2.8 million to more closely reflect the expenditures anticipated. To date \$7.3 million, 63.6% of the FY2006 budgeted funds, has been committed as compared to 58% 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 (95.2%) of the FY2006 Special Education non-salary budget is for private placement of children in non-public schools. To date, 73.9% of the original budgeted funds for private placement, \$28 million, have been committed compared with 87% or \$29 million committed at January 2005. Based upon current student enrollment, 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.
- ***Student 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 January 2006, 91.1% of the non-salary budget has been committed, compared with 94.7% committed as of January 2005. Salary 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. Expenditures of \$709,000 for county sewer charges were incurred during January. 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 January 2006, 96.5% of the non-salary budget has been committed, compared with 93.4% as of January 2005.

- ***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 the Capital Outlay category 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 of vehicles. As of January 2006, 69.1% of the non-salary budget has been committed as compared with 62.8% as of January 2005. 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 January, 2005 and 2006
General Fund

		FY2005				FY 2006			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 01/31/05	Budget as of 01/31/05	Earned or Obligated	Budget	Rev/Exp/Enc. as of 01/31/06	Budget as of 01/31/06	Earned or Obligated
Revenues:									
Baltimore County		\$ 570,385,533	\$ 302,245,743	\$ 268,139,790	53.0%	\$ 591,656,029	\$ 309,643,353	\$ 282,012,676	52.3%
State of Maryland		342,566,986	221,521,951	121,045,035	64.7%	386,415,375	250,011,093	\$ 136,404,282	64.7%
Other		9,984,526	5,515,733	4,468,793	55.2%	11,816,983	7,035,874	\$ 4,781,109	59.5%
Total revenues		<u>\$ 922,937,045</u>	<u>\$ 529,283,427</u>	<u>\$ 393,653,618</u>	<u>57.3%</u>	<u>\$ 989,888,387</u>	<u>\$ 566,690,320</u>	<u>\$ 423,198,067</u>	<u>57.2%</u>
Expenditures and Encumbrances:									
Administration	salary	\$ 15,181,770	\$ 9,116,868	\$ 6,064,902	60.1%	\$ 16,919,500	\$ 10,113,894	\$ 6,805,606	59.8%
	non-salary	7,944,531	5,318,557	2,625,974	66.9%	11,315,186	9,044,194	2,270,992	79.9%
	subtotal	<u>23,126,301</u>	<u>14,435,425</u>	<u>8,690,876</u>	<u>62.4%</u>	<u>28,234,686</u>	<u>19,158,088</u>	<u>9,076,598</u>	<u>67.9%</u>
Mid-level Administration	salary	56,683,247	33,218,348	23,464,899	58.6%	61,011,497	34,801,545	26,209,952	57.0%
	non-salary	5,241,036	2,922,355	2,318,681	55.8%	5,128,198	3,168,038	1,960,160	61.8%
	subtotal	<u>61,924,283</u>	<u>36,140,703</u>	<u>25,783,580</u>	<u>58.4%</u>	<u>66,139,695</u>	<u>37,969,583</u>	<u>28,170,112</u>	<u>57.4%</u>
Instruction:									
Instructional Salaries	salary	374,416,758	194,375,205	180,041,553	51.9%	393,789,802	200,956,285	192,833,517	51.0%
Instructional Textbooks	non-salary	18,285,474	10,268,858	8,016,616	56.2%	19,564,035	10,088,675	9,475,360	51.6%
Other Instructional Costs	non-salary	14,450,759	8,377,547	6,073,212	58.0%	11,574,482	7,364,628	4,209,854	63.6%
Special Education	salary	79,191,225	42,661,468	36,529,757	53.9%	87,500,557	46,598,580	40,901,977	53.3%
	non-salary	36,233,248	30,783,022	5,450,226	85.0%	39,649,253	28,946,328	10,702,925	73.0%
	subtotal	<u>115,424,473</u>	<u>73,444,491</u>	<u>41,979,982</u>	<u>63.6%</u>	<u>127,149,810</u>	<u>75,544,908</u>	<u>51,604,902</u>	<u>59.4%</u>
Student Personnel	salary	4,361,971	2,598,886	1,763,085	59.6%	4,697,545	2,804,830	1,892,715	59.7%
	non-salary	154,236	57,336	96,900	37.2%	167,936	52,520	115,416	31.3%
	subtotal	<u>4,516,207</u>	<u>2,656,221</u>	<u>1,859,986</u>	<u>58.8%</u>	<u>4,865,481</u>	<u>2,857,350</u>	<u>2,008,131</u>	<u>58.7%</u>
Health Services	salary	9,608,799	5,238,183	4,370,616	54.5%	10,122,687	5,457,290	4,665,397	53.9%
	non-salary	157,860	100,535	57,325	63.7%	232,453	163,494	68,959	70.3%
	subtotal	<u>9,766,659</u>	<u>5,338,719</u>	<u>4,427,940</u>	<u>54.7%</u>	<u>10,355,140</u>	<u>5,620,784</u>	<u>4,734,356</u>	<u>54.3%</u>
Student Transportation	salary	24,125,796	11,964,597	12,161,199	49.6%	25,890,607	12,474,991	13,415,616	48.2%
	non-salary	12,638,504	11,967,316	671,188	94.7%	15,266,890	13,905,035	1,361,855	91.1%
	subtotal	<u>36,764,300</u>	<u>23,931,913</u>	<u>12,832,387</u>	<u>65.1%</u>	<u>41,157,497</u>	<u>26,380,026</u>	<u>14,777,471</u>	<u>64.1%</u>
Operation of Plant	salary	32,016,991	17,123,311	14,893,680	53.5%	33,121,361	17,569,094	15,552,267	53.0%
	non-salary	30,716,062	28,702,024	2,014,038	93.4%	34,558,291	33,335,486	1,222,805	96.5%
	subtotal	<u>62,733,053</u>	<u>45,825,335</u>	<u>16,907,718</u>	<u>73.0%</u>	<u>67,679,652</u>	<u>50,904,580</u>	<u>16,775,072</u>	<u>75.2%</u>
Maintenance of Plant	salary	9,823,730	5,156,273	4,667,457	52.5%	10,218,229	5,336,459	4,881,770	52.2%
	non-salary	10,512,858	6,598,570	3,914,288	62.8%	11,536,330	7,967,427	3,568,903	69.1%
	subtotal	<u>20,336,588</u>	<u>11,754,843</u>	<u>8,581,745</u>	<u>57.8%</u>	<u>21,754,559</u>	<u>13,303,886</u>	<u>8,450,672</u>	<u>61.2%</u>
Fixed Charges	non-salary	179,052,298	92,993,940	86,058,358	51.9%	194,441,731	99,424,501	95,017,230	51.1%
Capital Outlay	salary	1,931,742	1,222,332	709,410	63.3%	2,162,667	1,185,533	977,134	54.8%
	non-salary	208,150	46,503	161,647	22.3%	1,019,150	745,734	273,416	73.2%
	subtotal	<u>2,139,892</u>	<u>1,268,835</u>	<u>871,057</u>	<u>59.3%</u>	<u>3,181,817</u>	<u>1,931,267</u>	<u>1,250,550</u>	<u>60.7%</u>
Total Salary		607,342,029	322,675,472	284,664,136	53.1%	645,434,452	337,298,501	308,135,951	52.3%
Total Non-Salary		315,595,016	198,136,563	117,458,454	62.8%	344,453,935	214,206,060	130,247,875	62.2%
Total Expenditures and Encumbrances		<u>\$ 922,937,045</u>	<u>\$ 520,812,034</u>	<u>\$ 402,122,590</u>	<u>56.4%</u>	<u>\$ 989,888,387</u>	<u>\$ 551,504,561</u>	<u>\$ 438,383,826</u>	<u>55.7%</u>

Figure 4

Prepared by: Office of Accounting and Financial Reporting, February 8, 2006.