

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: May 9, 2006

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING MARCH 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 March 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 March 31, 2005 and 2006. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

General Fund Revenue Budget

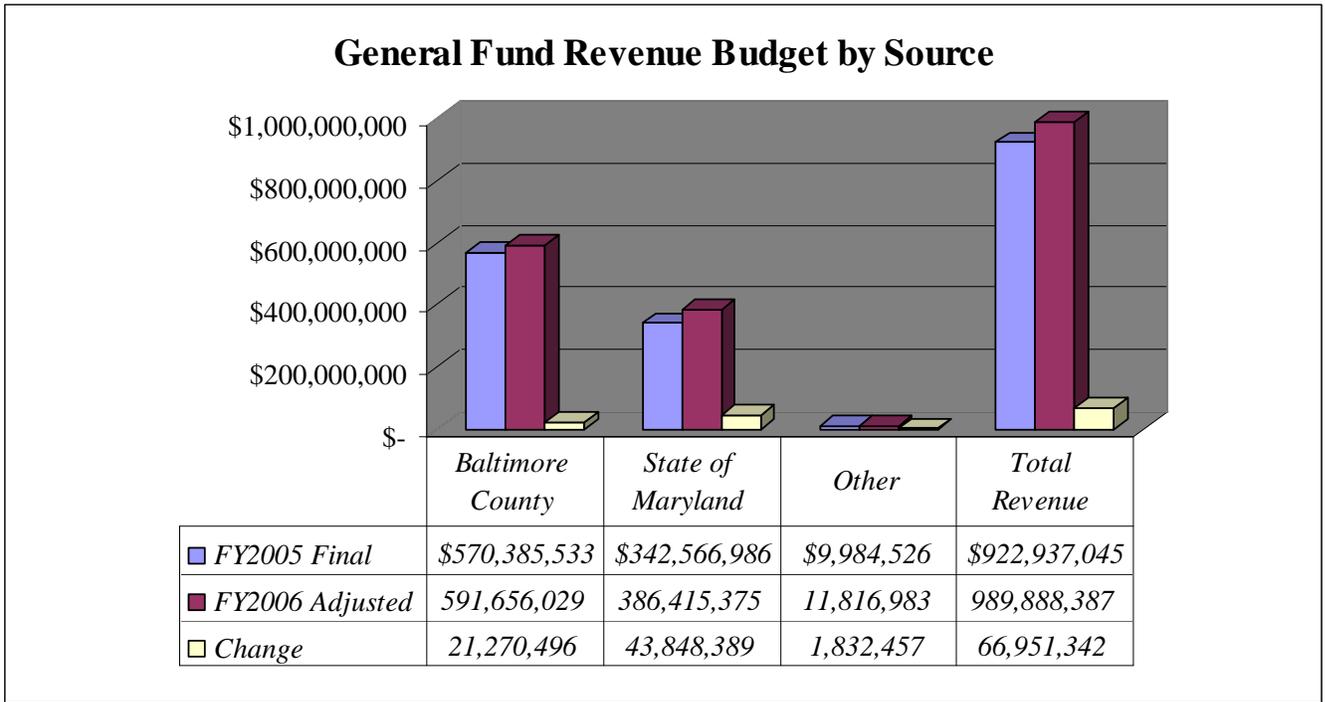


Figure 1

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 \$416 million, 70.3% of the budget, as compared to \$406 million, 71.2% 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 a supplemental 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. Five 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 a supplemental 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 \$3.1 million.

General Fund Expenditure Budget

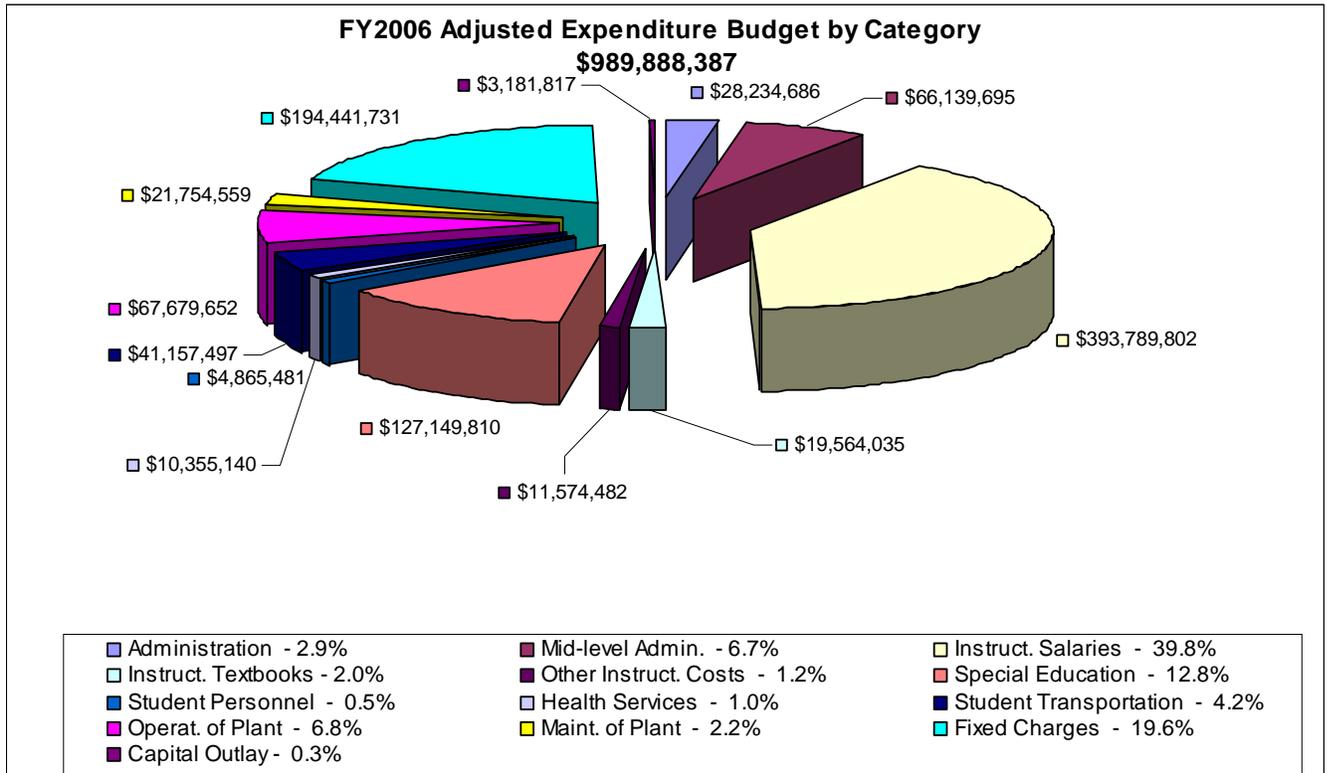


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through March 31, 2006, are \$715 million, 72.2% obligated, compared to \$668 million, 72.3% 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 72.6% 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 69.5% 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

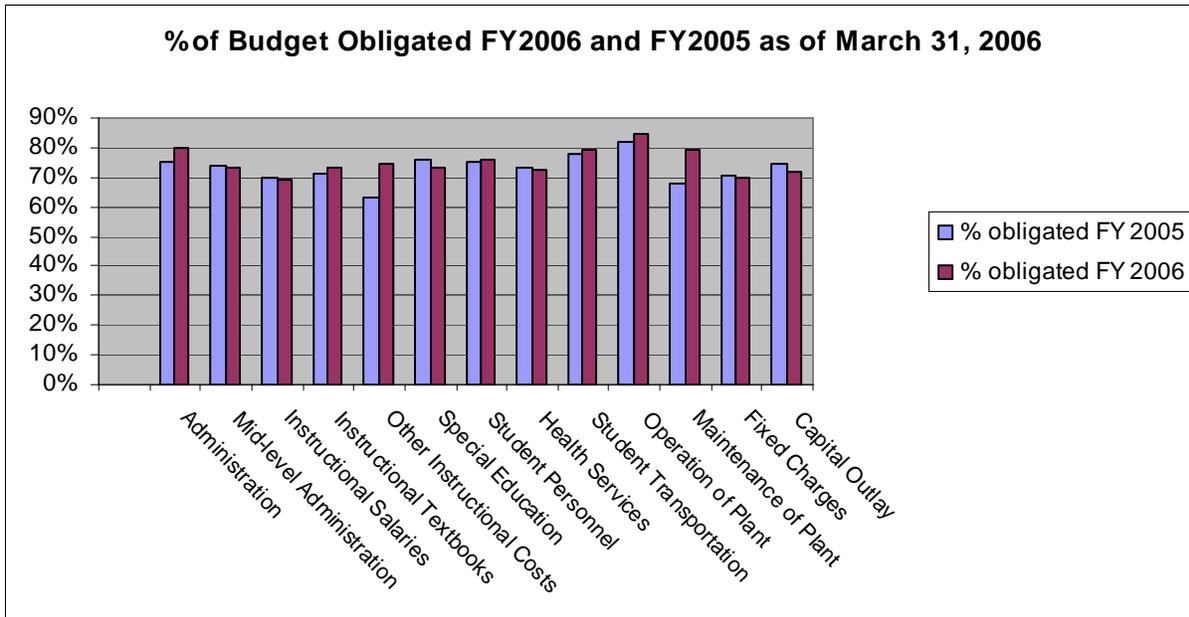


Figure 3

- Administration and Mid-level Administration** – Year-to-date FY2006 expenditures and encumbrances in Administration have increased \$5.1 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. A transfer of funds between Administration and Mid-level Administration is expected in order to cover the expenses of Information Technology positions moved from Mid-level Administration to Administration. 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 comparable with the prior year. A transfer of funds out of this category is expected to cover expenditures in other categories.
- 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, \$14.3 million, 73.2% 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. A small transfer is expected to cover projected expenditures.

- ***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, \$8.6 million, 74.6% of the FY2006 budgeted funds has been committed, as compared to 63.3% 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. A transfer of funds is expected in order to cover projected expenditures and the cost of purchasing computer servers for schools.
- ***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, 76.7% of the original budgeted funds for private placement have been committed, compared with 87% committed at March 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. A transfer of funds out of this category is expected to cover expenditures in other categories.
- ***Student Personnel and Health Services*** – Year-to-date FY2006 expenditures and encumbrances are comparable to last year. It is expected that a minor transfer of funds will be made to cover the cost of unachieved turnover savings.
- ***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 March 2006, 94.7% of the non-salary budget has been committed, compared with 97.6% committed as of March 2005. A transfer of funds is expected due to rising fuel costs and additional increases in the costs of parts. 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. 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 March 2006, 97.6% of the non-salary budget has been committed, compared with 96.6% as of March 2005. A transfer of funds is expected to cover additional costs incurred in utilities because of larger than expected price increases.

- ***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. 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. In November 2005 a budget supplement of \$1,472,000 was approved to provide funding for the replacement of windows and air filters at various schools. As of March 2006, 87.9% of the non-salary budget has been committed as compared with 67.3% as of March 2005. Capital Outlay expenditures to date are for contracted services and other costs, including \$489,000 for modular buildings purchased for three schools. 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. A transfer of funds is expected due to rising fuel costs and additional costs of parts and maintenance. Salary expenses for both categories are in line with the respective budgets.
- ***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 comparable with last year.

Baltimore County Public Schools
Comparison of FY 2005 and FY 2006 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended March, 2005 and 2006
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 03/31/05	as of 03/31/05	Obligated		as of 03/31/06	as of 03/31/06	Obligated
Revenues									
Baltimore County		\$ 570,385,533	\$ 405,913,851	\$ 164,471,682	71.2%	\$ 591,656,029	\$ 415,693,404	\$ 175,962,625	70.3%
State of Maryland		342,566,986	274,762,890	67,804,096	80.2%	386,415,375	310,243,258	76,172,117	80.3%
Other		9,984,526	5,718,225	4,266,301	57.3%	11,816,983	7,399,639	4,417,344	62.6%
Total revenues		\$ 922,937,045	\$ 686,394,966	\$ 236,542,079	74.4%	\$ 989,888,387	\$ 733,336,301	\$ 256,552,086	74.1%
Expenditures and encumbrances									
Administration	salary	\$ 15,181,770	\$ 11,496,819	\$ 3,684,951	75.7%	\$ 16,919,500	\$ 12,826,662	\$ 4,092,838	75.8%
	non-salary	7,944,531	5,862,201	2,082,330	73.8%	11,315,186	9,665,556	1,649,630	85.4%
	subtotal	23,126,301	17,359,020	5,767,281	75.1%	28,234,686	22,492,218	5,742,468	79.7%
Mid-level administration	salary	56,683,247	42,208,029	14,475,218	74.5%	61,011,497	44,301,399	16,710,098	72.6%
	non-salary	5,241,036	3,499,141	1,741,895	66.8%	5,128,198	3,993,476	1,134,722	77.9%
	subtotal	61,924,283	45,707,170	16,217,113	73.8%	66,139,695	48,294,875	17,844,820	73.0%
Instruction:									
Instructional salaries	salary	374,416,758	262,028,169	112,388,589	70.0%	393,789,802	271,181,538	122,608,264	68.9%
Instructional textbooks	non-salary	18,285,474	13,039,762	5,245,712	71.3%	19,564,035	14,320,898	5,243,137	73.2%
Other instructional costs	non-salary	14,450,759	9,153,659	5,297,100	63.3%	11,574,482	8,628,948	2,945,534	74.6%
Special education	salary	79,191,225	57,079,753	22,111,472	72.1%	87,500,557	62,588,716	24,911,841	71.5%
	non-salary	36,233,248	30,864,503	5,368,745	85.2%	39,649,253	30,640,863	9,008,390	77.3%
	subtotal	115,424,473	87,944,255	27,480,218	76.2%	127,149,810	93,229,579	33,920,231	73.3%
Student personnel	salary	4,361,971	3,324,558	1,037,413	76.2%	4,697,545	3,619,976	1,077,569	77.1%
	non-salary	154,236	79,422	74,814	51.5%	167,936	76,736	91,200	45.7%
	subtotal	4,516,207	3,403,980	1,112,227	75.4%	4,865,481	3,696,712	1,168,769	76.0%
Health services	salary	9,608,799	7,027,495	2,581,304	73.1%	10,122,687	7,329,818	2,792,869	72.4%
	non-salary	157,860	121,124	36,736	76.7%	232,453	191,430	41,023	82.4%
	subtotal	9,766,659	7,148,619	2,618,040	73.2%	10,355,140	7,521,248	2,833,892	72.6%
Student transportation	salary	24,125,796	16,423,797	7,701,999	68.1%	25,890,607	18,147,794	7,742,813	70.1%
	non-salary	12,638,504	12,331,182	307,322	97.6%	15,266,890	14,451,986	814,904	94.7%
	subtotal	36,764,300	28,754,979	8,009,321	78.2%	41,157,497	32,599,780	8,557,717	79.2%
Operation of plant	salary	32,016,991	21,937,542	10,079,449	68.5%	33,121,361	23,755,823	9,365,538	71.7%
	non-salary	30,716,062	29,673,192	1,042,870	96.6%	34,558,291	33,721,072	837,219	97.6%
	subtotal	62,733,053	51,610,733	11,122,320	82.3%	67,679,652	57,476,895	10,202,757	84.9%
Maintenance of plant	salary	9,823,730	6,717,172	3,106,558	68.4%	10,218,229	7,155,273	3,062,956	70.0%
	non-salary	10,512,858	7,077,605	3,435,253	67.3%	11,536,330	10,136,041	1,400,289	87.9%
	subtotal	20,336,588	13,794,777	6,541,811	67.8%	21,754,559	17,291,314	4,463,245	79.5%
Fixed charges	non-salary	179,052,298	126,168,194	52,884,104	70.5%	194,441,731	136,049,949	58,391,782	70.0%
Capital outlay	salary	1,931,742	1,534,784	396,958	79.5%	2,162,667	1,516,784	645,883	70.1%
	non-salary	208,150	67,413	140,737	32.4%	1,019,150	763,917	255,233	75.0%
	subtotal	2,139,892	1,602,197	537,695	74.9%	3,181,817	2,280,701	901,116	71.7%
Total Salary		607,342,029	429,778,118	177,563,911	70.8%	645,434,452	452,423,781	193,010,671	70.1%
Total Non-Salary		315,595,016	237,937,398	77,657,618	75.4%	344,453,935	262,640,874	81,813,061	76.2%
Total expenditures and encumbrances		\$ 922,937,045	\$ 667,715,516	\$ 255,221,529	72.3%	\$ 989,888,387	\$ 715,064,655	\$ 274,823,732	72.2%