

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: July 11, 2006
TO: **BOARD OF EDUCATION**
FROM: Dr. Joe A. Hairston, Superintendent
SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING MAY 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 May 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 May 31, 2005 and 2006. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

General Fund Revenue Budget

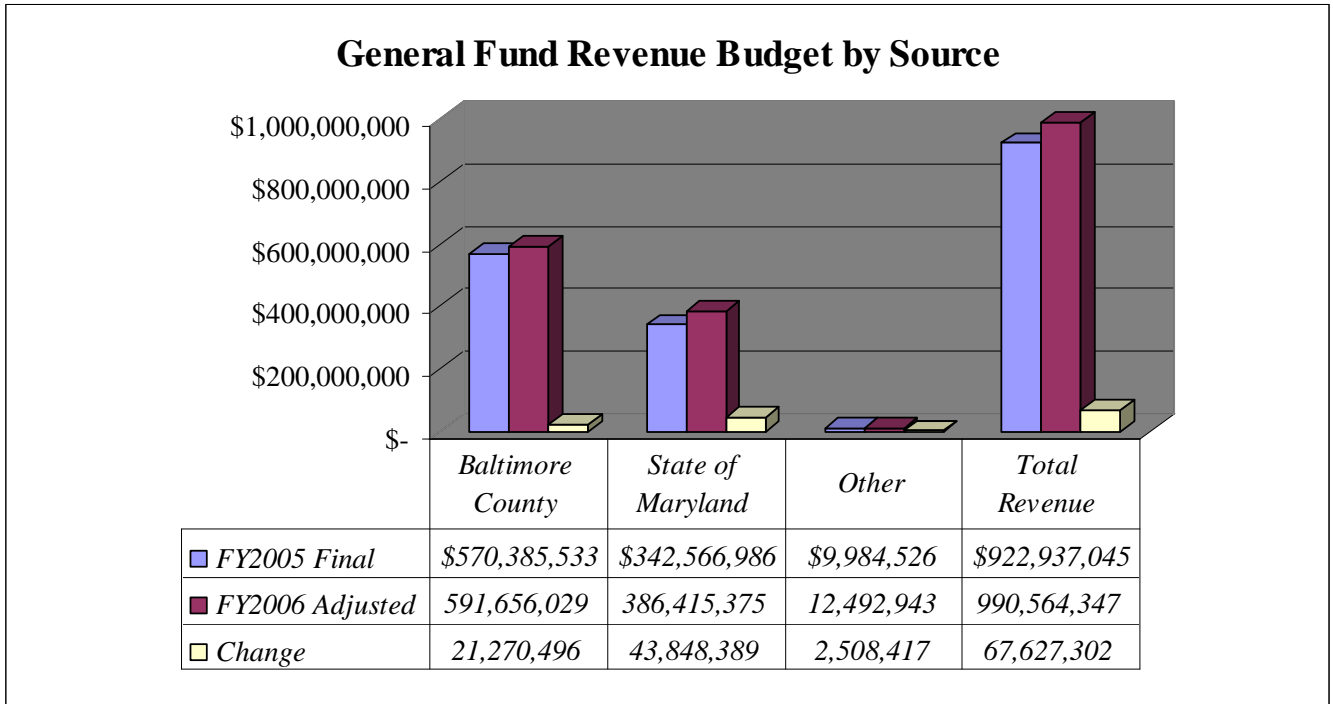


Figure 1

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 \$528 million, 89.2% of the budget, as compared to \$507 million, 88.9% 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, all of which have been received as of May 2006. Actual revenues to date total 95.9% of the amount budgeted, compared to 96.7% received as of May 2005.
- Other Revenues** –The other revenue budget is comprised of the re-appropriation of the prior year’s fund balance, which was increased in April 2006 by a \$675,960 supplemental budget appropriation to \$4.9 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 the re-appropriation of the prior year’s unspent fund balance of \$4.3 million, and tuitions and sundry other revenues of approximately \$3.4 million.

General Fund Expenditure Budget

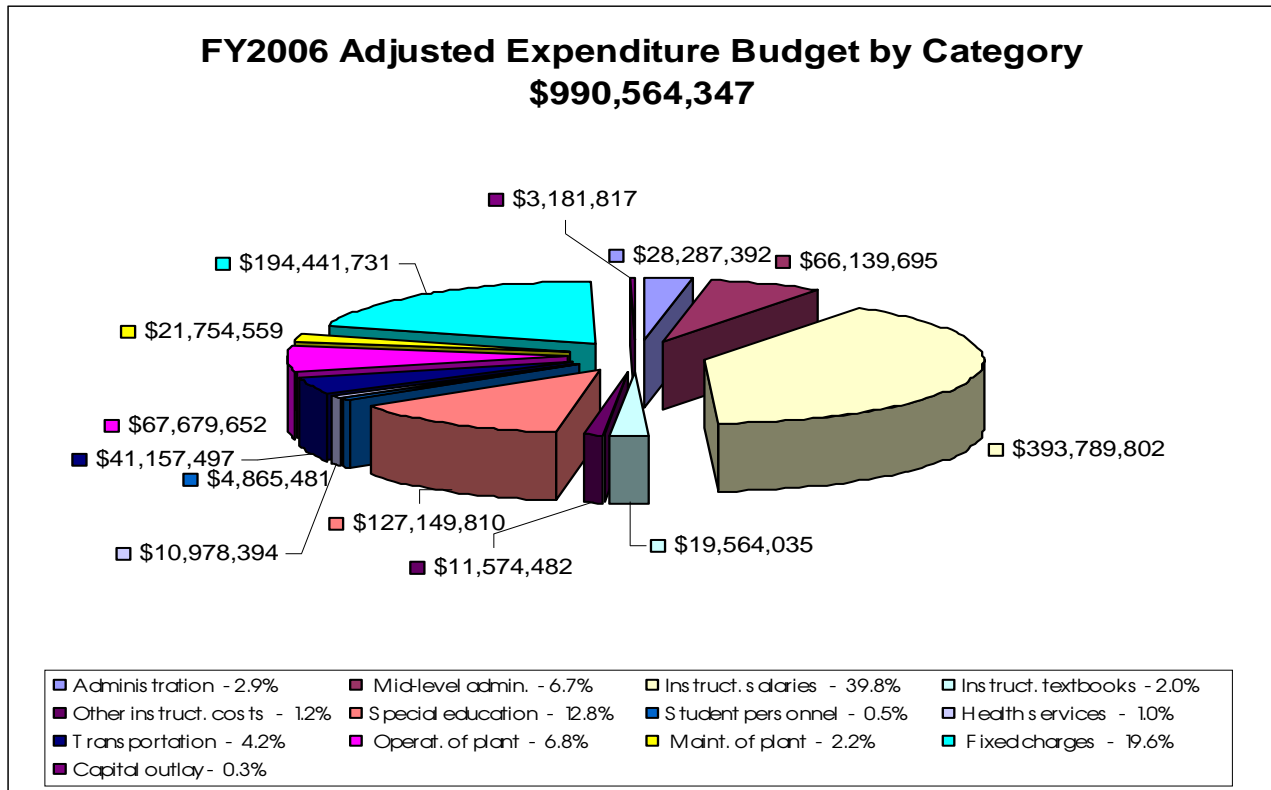


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through May 31, 2006, are \$876 million, 88.5% obligated, compared to \$818 million, 88.6% 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 87.9% of the budget amount and are in line considering the percentage 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 86.9% 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. A transfer of funds of \$8,500,000 to provide funding for budgetary shortfalls between various categories is currently waiting county council approval.

Percent of Budget Obligated

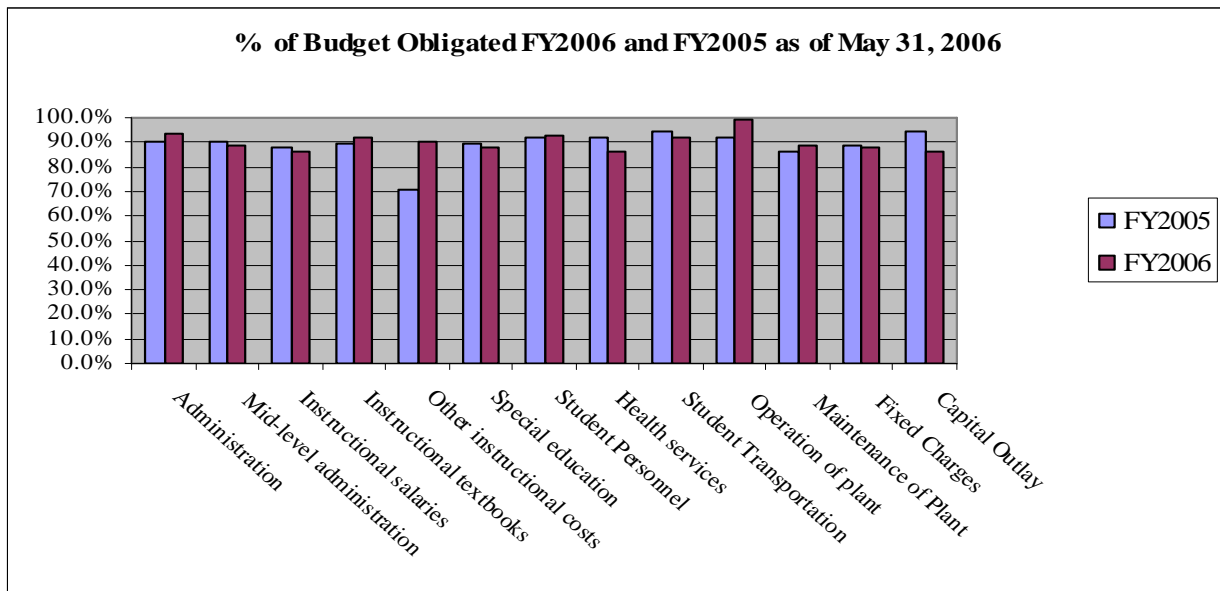


Figure 3

- Administration and Mid-level Administration** – Year-to-date FY2006 expenditures and encumbrances in Administration have increased \$5.4 million over those expended during the same period in FY2005. This increase resulted primarily from 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. An additional budget supplement of \$52,000 was approved in April 2006 to provide funding for the purchase of portable defibrillation equipment for offices. A transfer of funds between Administration and Mid-level Administration is pending approval 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 pending approval in order 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, \$17.9 million, 92% of the FY2006 budgeted funds has been committed; the remaining budget will be spent during the remainder of the year to purchase additional consumable classroom supplies, library books and other media. A transfer of funds into this category is pending approval in order to cover additional 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, \$10.4 million, 90.1% of the FY2006 budgeted funds has been committed, as compared to 71.1% in the prior fiscal year. A transfer of funds into this category is pending approval 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, \$30,407,000, 81.9% of the original budgeted funds for private placement have been committed. Based upon current student enrollment, 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 pending approval in order to cover expenditures in other categories.
- ***Student Personnel and Health Services*** – Year-to-date FY2006 expenditures in the Student Personnel category are comparable to the prior fiscal year. In April 2006, the budget in Health Services was increased by a supplemental budget appropriation of \$624,000 to provide funding for the purchase of portable defibrillation equipment for all schools. The salary expenditures for this category are comparable to those expenditures in the prior fiscal year. Minor transfers of funds into these categories are pending approval in order to cover the additional cost resulting from unachieved turnover.

- ***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 May 2006, 99.9% of the non-salary budget has been committed, compared with 105% committed as of May 2005. A transfer of funds into this category is pending approval in order to cover additional costs due to rising fuel prices and increases in the cost 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 an 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 May 2006, the non-salary budget has been exceeded, compared with 97.8% committed as of May 2005. A transfer of funds into this category is pending approval in order 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 May 2006, 92.8% of the non-salary budget has been committed as compared with 87.7% as of May 2005. . A transfer of funds into this category is pending approval due to rising fuel costs and additional costs of parts and maintenance. 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 into the Capital Outlay category for the purchase of modular facilities originally budgeted in the Maintenance of Plant category. 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 May 31, 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 05/31/05	as of 05/31/05	Obligated		as of 05/31/06	as of 05/31/06	Obligated	
Revenues										
Baltimore County		\$ 570,385,533	\$ 507,261,338	\$ 63,124,195	88.9%	\$ 591,656,029	\$ 527,807,114	\$ 63,848,915	89.2%	
State of Maryland		342,566,986	331,397,762	11,169,224	96.7%	386,415,375	370,561,657	15,853,718	95.9%	
Other		9,984,526	6,330,765	3,653,761	63.4%	12,492,943	7,665,838	4,827,105	61.4%	
Total revenues		\$ 922,937,045	\$ 844,989,865	\$ 77,947,180	91.6%	\$ 990,564,347	\$ 906,034,609	\$ 84,529,738	91.5%	
Expenditures and encumbrances										
Administration	salary	\$ 15,181,770	\$ 13,885,470	\$ 1,296,300	91.5%	\$ 16,919,500	\$ 15,641,936	\$ 1,277,564	92.4%	
	non-salary	7,944,531	7,053,239	891,292	88.8%	11,367,892	10,732,451	635,441	94.4%	
	subtotal	23,126,301	20,938,709	2,187,592	90.5%	28,287,392	26,374,387	1,913,005	93.2%	
Mid-level administration	salary	56,683,247	51,233,844	5,449,403	90.4%	61,011,497	53,763,413	7,248,084	88.1%	
	non-salary	5,241,036	4,422,300	818,736	84.4%	5,128,198	4,894,442	233,756	95.4%	
	subtotal	61,924,283	55,656,143	6,268,140	89.9%	66,139,695	58,657,855	7,481,840	88.7%	
Instruction:										
Instructional salaries	salary	374,416,758	328,188,990	46,227,768	87.7%	393,789,802	339,601,835	54,187,967	86.2%	
Instructional textbooks	non-salary	18,285,474	16,422,770	1,862,704	89.8%	19,564,035	17,998,802	1,565,233	92.0%	
Other instructional costs	non-salary	14,450,759	10,269,306	4,181,453	71.1%	11,574,482	10,434,223	1,140,259	90.1%	
Special education	salary	79,191,225	71,759,770	7,431,455	90.6%	87,500,557	78,346,432	9,154,125	89.5%	
	non-salary	36,233,248	31,099,089	5,134,159	85.8%	39,649,253	32,975,528	6,673,725	83.2%	
	subtotal	115,424,473	102,858,859	12,565,614	89.1%	127,149,810	111,321,960	15,827,850	87.6%	
Student personnel	salary	4,361,971	4,030,746	331,225	92.4%	4,697,545	4,427,091	270,454	94.2%	
	non-salary	154,236	104,975	49,261	68.1%	167,936	94,927	73,009	56.5%	
	subtotal	4,516,207	4,135,721	380,486	91.6%	4,865,481	4,522,018	343,463	92.9%	
Health services	salary	9,608,799	8,842,079	766,720	92.0%	10,122,687	9,209,537	913,150	91.0%	
	non-salary	157,860	155,787	2,073	98.7%	855,707	213,990	641,717	25.0%	
	subtotal	9,766,659	8,997,866	768,793	92.1%	10,978,394	9,423,527	1,554,867	85.8%	
Student Transportation	salary	24,125,796	21,402,604	2,723,192	88.7%	25,890,607	22,392,828	3,497,779	86.5%	
	non-salary	12,638,504	13,246,478	(607,974)	104.8%	15,266,890	15,258,370	8,520	99.9%	
	subtotal	36,764,300	34,649,082	2,115,218	94.2%	41,157,497	37,651,198	3,506,299	91.5%	
Operation of plant	salary	32,016,991	27,785,371	4,231,620	86.8%	33,121,361	28,749,863	4,371,498	86.8%	
	non-salary	30,716,062	30,039,907	676,155	97.8%	34,558,291	38,458,761	(3,900,470)	111.3%	
	subtotal	62,733,053	57,825,279	4,907,774	92.2%	67,679,652	67,208,623	471,029	99.3%	
Maintenance of plant	salary	9,823,730	8,356,409	1,467,321	85.1%	10,218,229	8,589,578	1,628,651	84.1%	
	non-salary	10,512,858	9,224,591	1,288,267	87.7%	11,536,330	10,704,540	831,790	92.8%	
	subtotal	20,336,588	17,581,000	2,755,588	86.5%	21,754,559	19,294,118	2,460,441	88.7%	
Fixed charges	non-salary	179,052,298	158,418,718	20,633,580	88.5%	194,441,731	171,342,510	23,099,221	88.1%	
Capital outlay	salary	1,931,742	1,862,193	69,549	96.4%	2,162,667	1,833,531	329,136	84.8%	
	non-salary	208,150	160,562	47,588	77.1%	1,019,150	908,753	110,397	89.2%	
	subtotal	2,139,892	2,022,756	117,136	94.5%	3,181,817	2,742,285	439,532	86.2%	
Total Salary		607,342,029	537,347,476	69,994,554	88.5%	645,434,452	562,556,146	82,878,306	87.2%	
Total Non-Salary		315,595,016	280,617,724	34,977,292	88.9%	345,129,895	314,017,194	31,112,701	91.0%	
Total expenditures and encumbrances		\$ 922,937,045	\$ 817,965,200	\$ 104,971,846	88.6%	\$ 990,564,347	\$ 876,573,340	\$ 113,991,007	88.5%	

Figure 4

Prepared by: Office of Accounting and Financial Reporting, June 6, 2006