

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: January 9, 2007

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING
NOVEMBER 30, 2005 AND 2006**

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 FY2006 and FY2007 Revenues, Expenditures, and Encumbrances – Budget and Actual* for the periods ended November 30, 2005 and 2006.

***General Fund Comparison of FY2006 and FY2007 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 FY2006 and FY2007 General Fund Revenue Budget. Figure 2 provides an overview of the FY2007 General Fund Expenditure Budget. Figure 3 compares the percent of the budget obligated as of November 30, 2005 and 2006. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

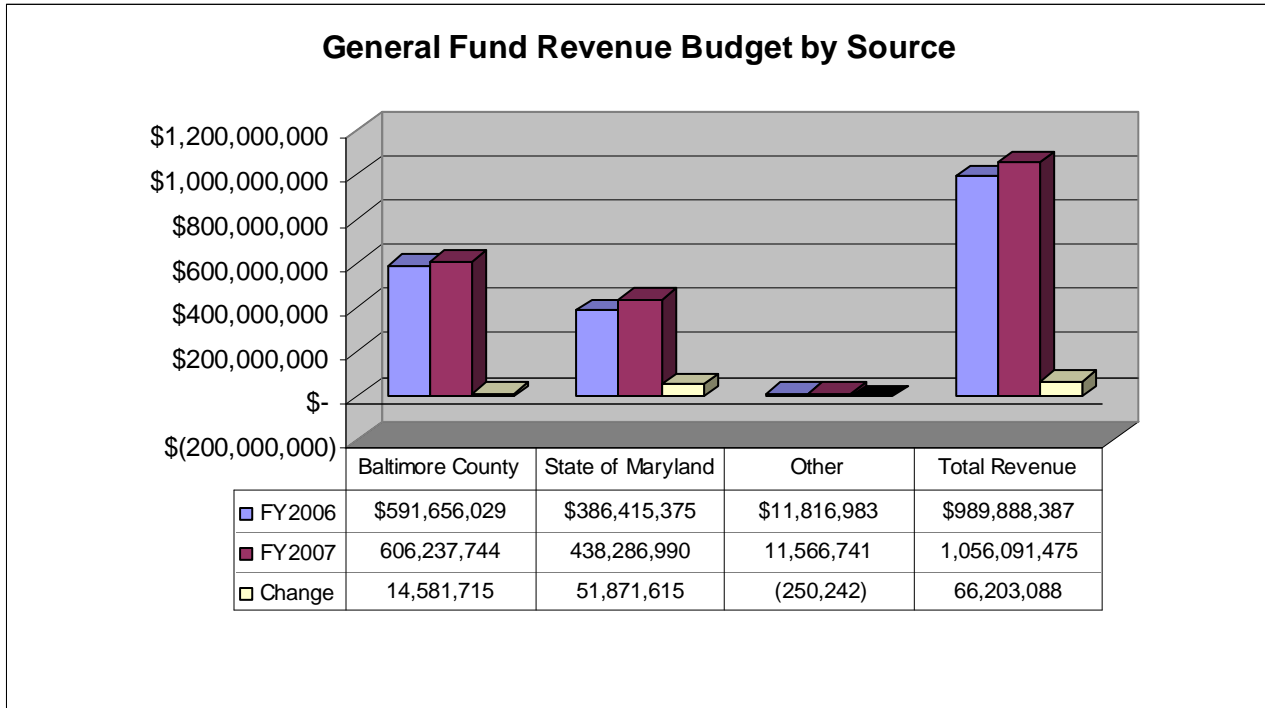


Figure 1
Year-to-Date Comparison

- **Baltimore County** – The FY2007 county appropriation increased \$14.6 million, 2.5% over the FY2006 budget. County funds are drawn based on cash flow requirements. Year-to-date county revenue recognized is \$172.5 million, 28.5% of the budget, as compared to \$183.3 million, 31% of the budget, for FY2006.
- **State of Maryland** – The FY2007 state appropriation increased \$51.8 million, 13.4% over the FY2006 budget. The increase is the result of the fourth year of the Maryland *Bridge to Excellence in Public Schools Act*. 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 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 \$4 million and are generally collected at year-end, tuitions, and sundry revenues. The year-to-date revenue includes the re-appropriation of \$4.1 million of the prior year’s fund balance, including \$1.3 million which was approved by the county council in November to provide funding for the window replacement project at Lansdowne Elementary school; tuition, and other revenues of approximately \$2.4 million.

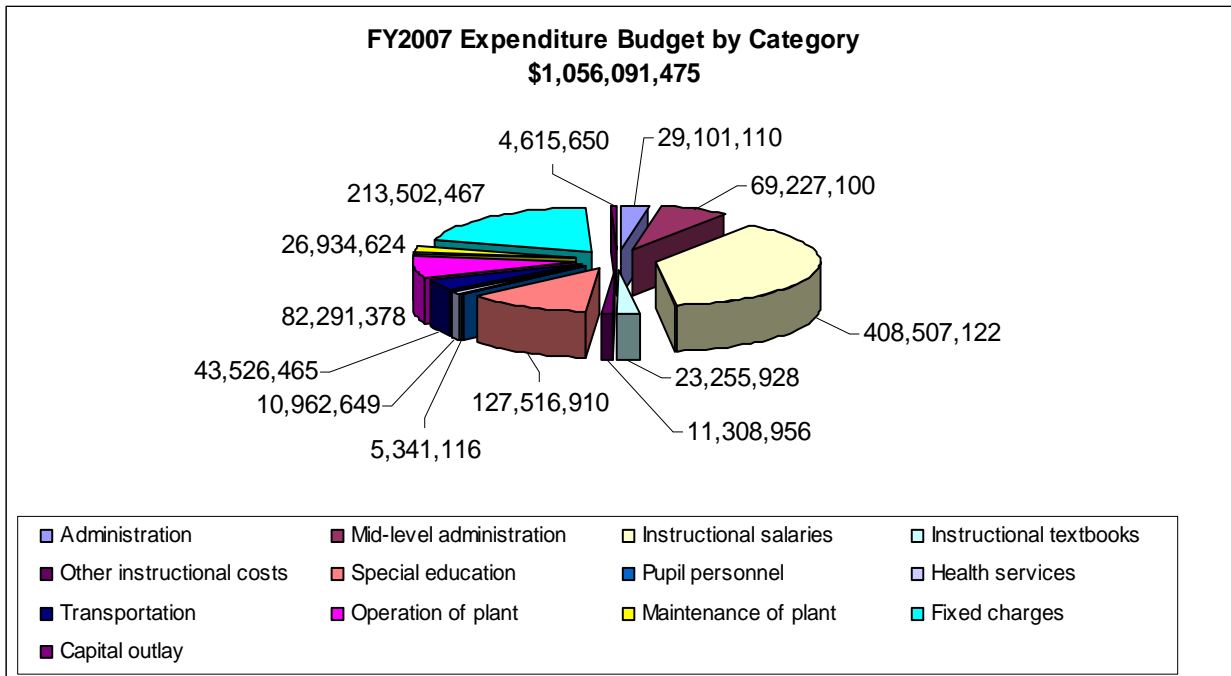


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through November, 2006, are \$410 million, 38.9% obligated, compared to \$369 million, 37.3% obligated, for the same period in FY2006. 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 37.1% 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, Pupil Personnel, Health Services, and Transportation) average 30.6% 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 non-salary expenditures are budgeted for an overall increase of \$34.4 million, or 10%. These projected increases are in a number of categories throughout the budget, including \$3.7 million in the instructional textbook category, primarily related to planned math textbook purchases and reading materials for students in grades 7 and 8; \$1.3 million increase in fuel cost in transportation; \$11.9 million for expected increases in utilities cost and contractual services in operation of plant; \$3.8 million in additional expenditures in maintenance of plant for planned repairs and replacement of building systems in a number of schools; an increase in fixed charges of \$19.1 million resulting from additional payroll related costs, which increase as salaries are increased and cost increases in health insurances; and funds budgeted in capital outlay for the purchase of additional portable classrooms and the window replacement project at Lansdowne Elementary school. The budgeted expenditures in administration were decreased primarily because of the reduction in costs related to the upgrade in the financial system, which occurred during FY2006.

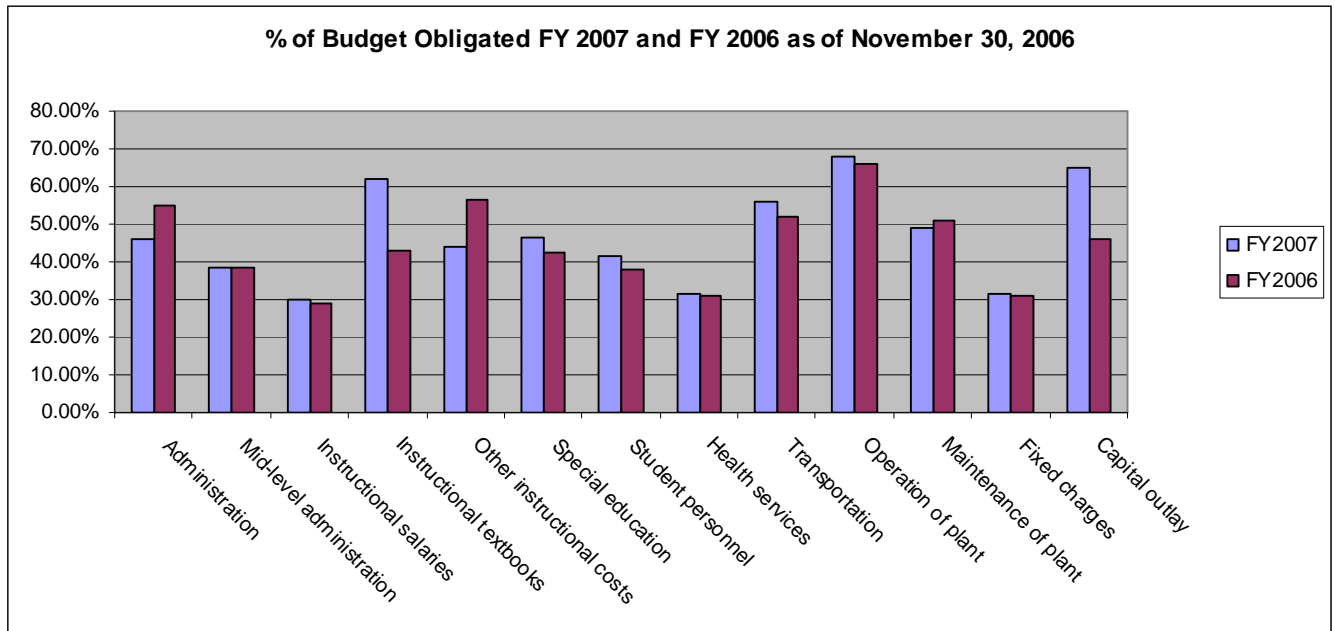


Figure 3

- **Administration and mid-level administration** – Year-to-date FY2007 administrative non-salary expenditures and encumbrances have decreased \$3 million over those expended during the same period in FY2006. This decrease results primarily from a decrease in budgeted contracted services related to the upgrade in the Board’s financial system, which was substantially completed in FY2006. 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 \$14.7 million in FY2007 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 and for special education kindergarten at 10 additional schools.
- **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 18.9% or approximately \$3.7 million for the year. The increase in the budget includes \$2.1 million county-wide expenditure for math textbooks and \$2.2 million for reading materials for grades 7 and 8. To date, \$14.4 million, 62% of the FY2007 budgeted textbook 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. To date \$5 million, 44.2% of the FY2007 budgeted funds has been committed. In the prior year \$6.5 million, 56.3% had been committed primarily because of \$2 million of expenditures for new computer equipment that had been incurred at that time. 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 FY2007 salary budget includes increased funding for salary restructuring, step increases, and the cost of an additional 28 full-time employees to support expansion of kindergarten special education inclusion programs. \$32.3 million (93.3%) of the FY2007 special education non-salary budget is for private placement of children in non-public schools. To date, 83.9% of the original budgeted funds for private placement, \$26.9 million, have been committed, compared with 80% committed at November 2005.
- ***Student personnel and health services*** – Year-to-date FY2007 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 \$1.3 million, which can be attributed primarily to anticipated additional fuel cost and increased costs for parts and maintenance. As of November 2006, 94.3% of the non-salary budget has been committed, compared with 88.6% committed as of November 2005. Expenditures for salaries are in line with the budget and with prior year expenditures.
- ***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 \$11.9 million, 34.4%. This increase is primarily attributable to additional cost of utilities of \$6.3 million, resulting from the cost associated with the new Windsor Mill Middle school and also from overall projected price increases. Encumbrances for utilities have been established for approximately the full amount of the budgeted annual costs of \$31 million. Other expenditures in this category include the cost of building rent, \$2.3 million, property insurance, \$1.1 million, trash removal, \$850,000, and related expenditures. As of November 2006, 92.9% of the non-salary budget has been committed, compared with 93.5% as of November 2005.

- ***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 \$3.8 million or 32.9% over the prior year. These increases included \$3.6 million for the planned repair and replacement of building systems at selected schools. The capital outlay category includes expenditures related to acquisition and construction of land, buildings and equipment. Capital outlay expenditures to date include approximately \$600,000 for the acquisition of portable classrooms to provide facilities for the expansion of all day kindergarten programs. Additionally, a budget supplement of \$1,292,000 was approved by the county council in November 2006 to provide funding for the completion of the window replacement project at Lansdowne Elementary school. 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 68% and 28% of the Fixed Charges budget, respectively. The FY2007 budget includes an increase of \$11.8 million resulting from increases in premiums for health insurance. Year-to-date FY2007 expenditures and encumbrances are in line with the budget.

Baltimore County Public Schools
Comparison of FY 2006 and FY 2007 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended November, 2005 and 2006
General Fund

		FY 2006				FY2007			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 11/30/05	as of 11/30/05	Obligated		as of 11/30/06	as of 11/30/06	Obligated
Revenues :									
Baltimore County		\$ 591,656,029	\$ 183,340,741	\$ 408,315,288	31.0%	\$ 606,237,744	\$ 172,549,436	\$ 433,688,308	28.5%
State of Maryland		386,415,375	187,621,979	198,793,396	48.6%	438,286,990	213,110,198	225,176,792	48.6%
Other		11,816,983	6,512,247	5,304,736	55.1%	11,566,741	6,561,386	5,005,355	56.7%
Total revenues		\$ 989,888,387	\$ 377,474,967	\$ 612,413,420	38.1%	\$ 1,056,091,475	\$ 392,221,020	\$ 663,870,455	37.1%
Expenditures and encumbrances :									
Administration	salary	\$ 16,919,500	\$ 6,768,412	\$ 10,151,088	40.0%	\$ 19,368,269	\$ 7,575,722	\$ 11,792,547	39.1%
	non-salary	11,315,186	8,760,909	2,554,277	77.4%	9,732,841	5,752,707	3,980,134	59.1%
	subtotal	28,234,686	15,529,321	12,705,365	55.0%	29,101,110	13,328,429	15,772,681	45.8%
Mid-level administration	salary	61,011,497	22,968,226	38,043,271	37.6%	63,906,065	24,101,509	39,804,556	37.7%
	non-salary	5,128,198	2,448,112	2,680,086	47.7%	5,321,035	2,617,882	2,703,153	49.2%
	subtotal	66,139,695	25,416,338	40,723,357	38.4%	69,227,100	26,719,391	42,507,709	38.6%
Instruction:									
Instructional salaries	salary	393,789,802	114,865,026	278,924,776	29.2%	408,507,122	122,482,802	286,024,320	30.0%
Instructional textbooks	non-salary	19,564,035	8,458,312	11,105,723	43.2%	23,255,928	14,410,332	8,845,596	62.0%
Other instructional cost	non-salary	11,574,482	6,511,404	5,063,078	56.3%	11,308,956	4,996,312	6,312,644	44.2%
Special education	salary	87,500,557	27,471,925	60,028,632	31.4%	92,926,790	29,679,473	63,247,317	31.9%
	non-salary	39,649,253	26,356,157	13,293,096	66.5%	34,590,120	29,413,963	5,176,157	85.0%
	subtotal	127,149,810	53,828,082	73,321,728	42.3%	127,516,910	59,093,436	68,423,474	46.3%
Student personnel	salary	4,697,545	1,811,432	2,886,113	38.6%	5,156,410	2,162,391	2,994,019	41.9%
	non-salary	167,936	33,802	134,134	20.1%	184,706	57,372	127,334	31.1%
	subtotal	4,865,481	1,845,234	3,020,247	37.9%	5,341,116	2,219,763	3,121,353	41.6%
Health services	salary	10,122,687	3,112,901	7,009,786	30.8%	10,728,840	3,368,496	7,360,344	31.4%
	non-salary	232,453	92,694	139,759	39.9%	233,809	77,848	155,961	33.3%
	subtotal	10,355,140	3,205,595	7,149,545	31.0%	10,962,649	3,446,344	7,516,305	31.4%
Transportation	salary	25,890,607	7,957,015	17,933,592	30.7%	26,951,651	8,723,151	18,228,500	32.4%
	non-salary	15,266,890	13,531,965	1,734,925	88.6%	16,574,814	15,633,075	941,739	94.3%
	subtotal	41,157,497	21,488,980	19,668,517	52.2%	43,526,465	24,356,226	19,170,239	56.0%
Operation of plant	salary	33,121,361	12,437,889	20,683,472	37.6%	35,828,432	12,991,495	22,836,937	36.3%
	non-salary	34,558,291	32,297,981	2,260,310	93.5%	46,462,946	43,155,090	3,307,856	92.9%
	subtotal	67,679,652	44,735,870	22,943,782	66.1%	82,291,378	56,146,585	26,144,793	68.2%
Maintenance of plant	salary	10,218,229	3,735,986	6,482,243	36.6%	11,598,468	3,741,496	7,856,972	32.3%
	non-salary	11,536,330	7,323,547	4,212,783	63.5%	15,336,156	9,460,428	5,875,728	61.7%
	subtotal	21,754,559	11,059,533	10,695,026	50.8%	26,934,624	13,201,924	13,732,700	49.0%
Fixed charges	non-salary	194,441,731	60,570,636	133,871,095	31.2%	213,502,467	67,091,892	146,410,575	31.4%
Capital outlay	salary	2,162,667	798,707	1,363,960	36.9%	2,286,455	938,195	1,348,260	41.0%
	non-salary	1,019,150	670,799	348,351	65.8%	2,329,195	2,054,445	274,750	88.2%
	subtotal	3,181,817	1,469,506	1,712,311	46.2%	4,615,650	2,992,640	1,623,010	64.8%
Total Salary		645,434,452	201,927,519	443,506,933	31.3%	677,258,502	215,764,730	461,493,772	31.9%
Total Non-Salary		344,453,935	167,056,318	177,397,617	48.5%	378,832,973	194,721,346	184,111,627	51.4%
Total expenditures and encumbrances		\$ 989,888,387	\$ 368,983,837	\$ 620,904,550	37.3%	\$ 1,056,091,475	\$ 410,486,076	\$ 645,605,399	38.9%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, December 11, 2006