

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: December 6, 2005

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING OCTOBER 31, 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 October 31, 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 October 31, 2004 and 2005. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

General Fund Revenue Budget

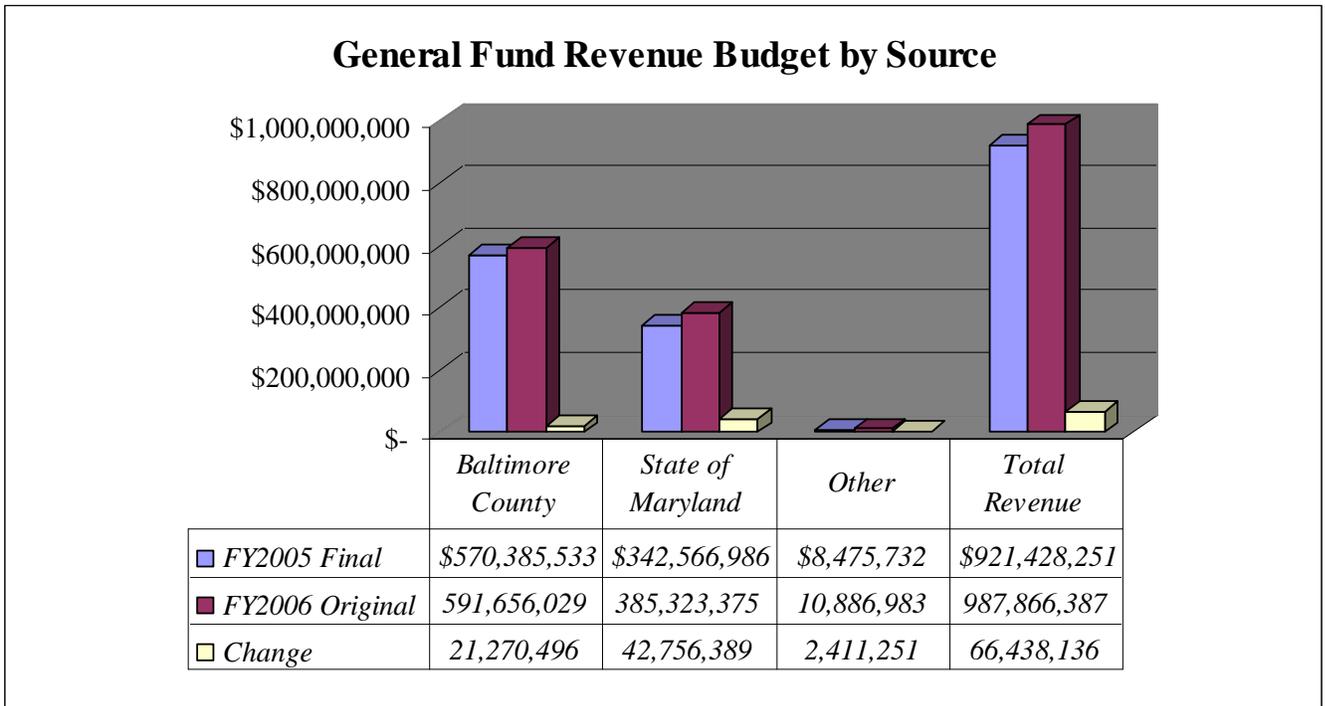


Figure 1

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 \$94.7 million, 16% of the budget, as compared to \$93.5 million, 16.4% of the budget, for FY2005.
- ***State of Maryland*** – The FY2006 state appropriation increased \$42.8 million, 12.5% over the FY2005 budget. The increase is the result of the third year of the Maryland *Bridge to Excellence in Public Schools Act*. The majority of state funds are received bi-monthly in equal installments. Two 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. 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 \$825,000.

General Fund Expenditure Budget

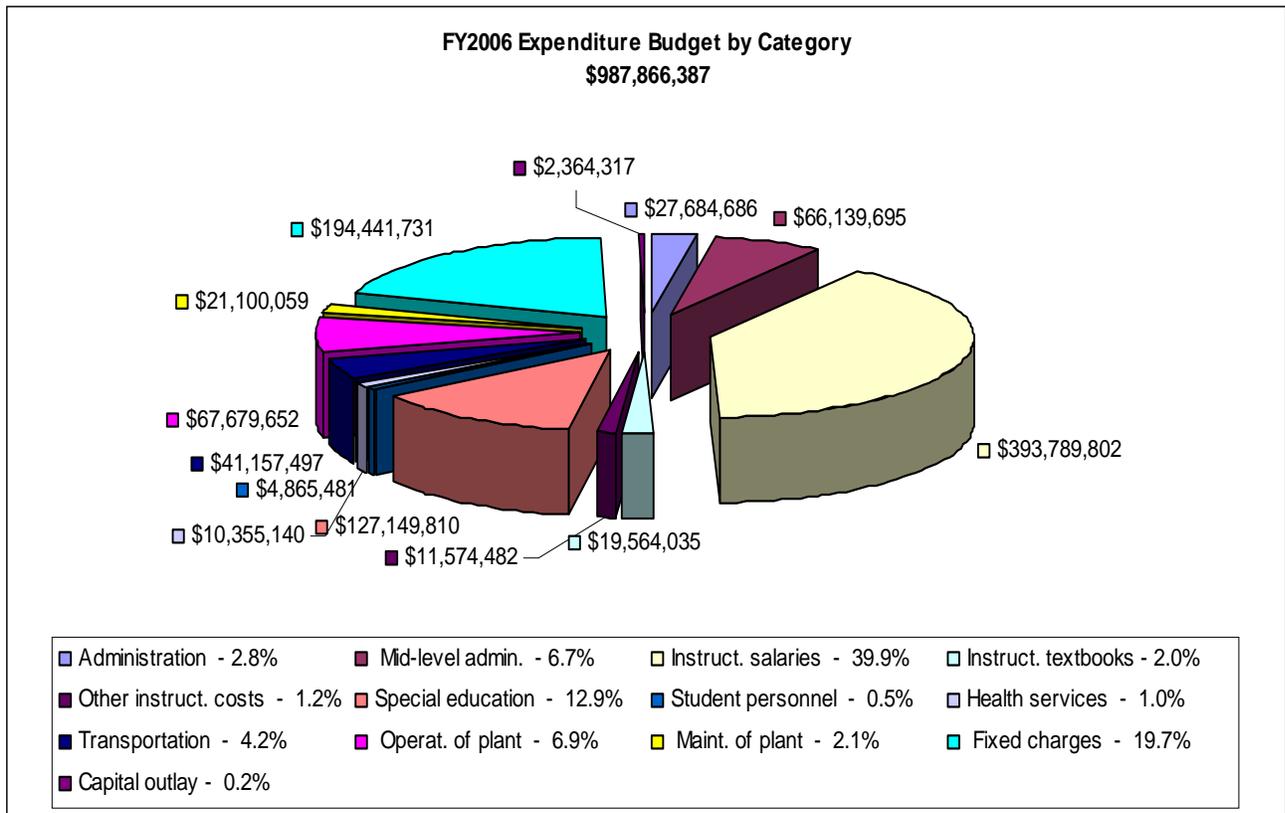


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through October 31, 2005, are \$292 million, 29.6 % obligated, compared to \$276 million, 29.9 % 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 30.4 % 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 21.6 % 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 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, the costs of fuel and 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

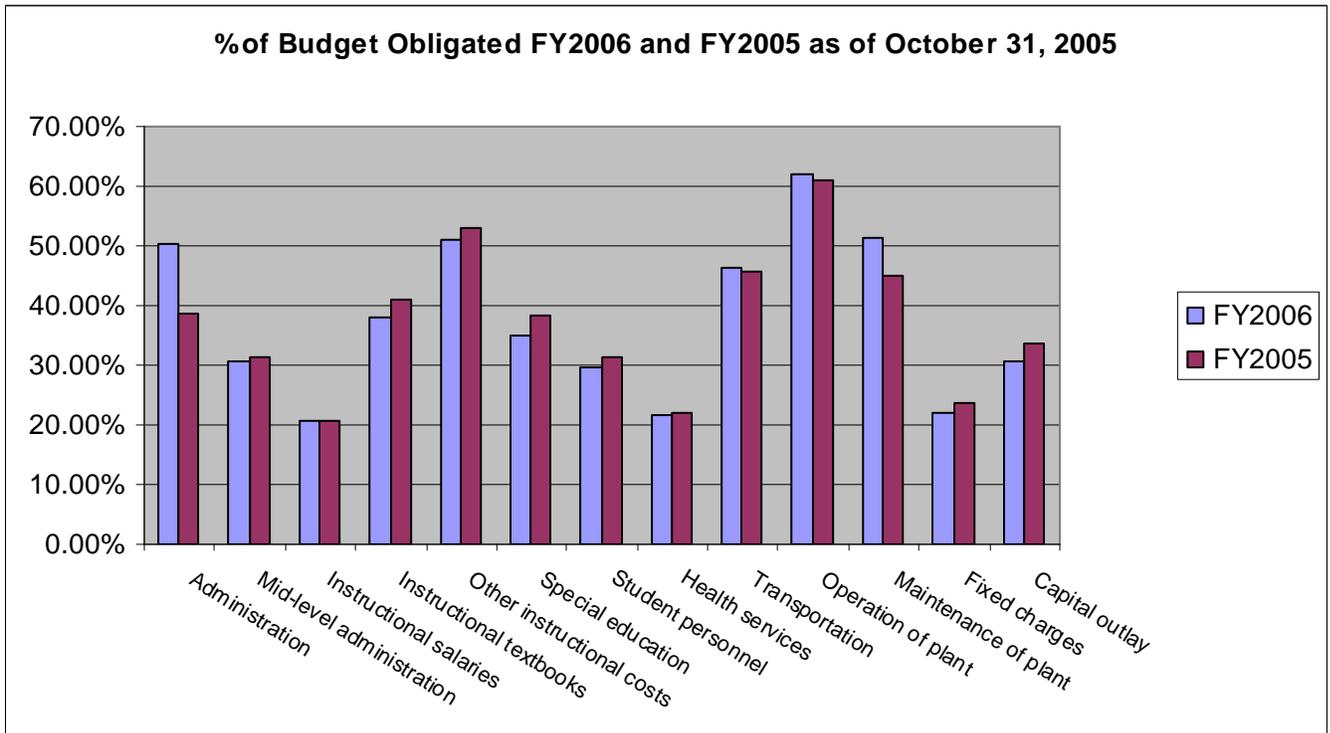


Figure 3

- **Administration and Mid-level administration** – Year-to-date FY2006 expenditures and encumbrances in administration have increased \$4.4 million over those expended during the same period in FY2005. This increase results primarily from an increase in contracted services related to the upgrade in the Board’s automated financial system and data warehouse. 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 and for special education kindergarten at 5 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 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, \$7.4 million, 38% 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. The prior year’s budget had costs of \$2.7 million for additional computers that were purchased last school year. To date, \$5.9 million, 51% of the FY2006 budgeted funds has been committed. 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. Also, \$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, 63.9% of the original budgeted funds for private placement, \$23.7 million, have been committed, compared with \$26 million, or 80%, 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 October 2005, 87% of the non-salary budget has been committed, compared with 90.2% committed as of October 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, telecommunications, \$1.8 million, and copier maintenance of \$660,000. As of October 2005, 92.6% of the non-salary budget has been committed, compared with 91.9 % as of October 2004.
- ***Maintenance of plant and Capital outlay*** – The maintenance category consists of activities related to the service and upkeep of building systems and grounds. The budgeted expenditures in this category include \$1.1 million for rent of modular facilities, \$6.8 million for maintenance (including service contracts), \$1.5 million for maintenance under the Aging School Program, and \$1.5 million for costs related to maintenance vehicles. The capital outlay category includes expenditures related to acquisition and construction of land, buildings, and equipment. Year-to-date FY2006 expenditures and encumbrances for maintenance of plant have increased 25%, or \$1.5 million, over last year. The

increase is attributable to earlier encumbrances for service contracts for electrical, mechanical, and other types of services. Capital outlay expenditures to date are for contracted services and other costs. 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.

Comparison of FY 2005 and FY 2006 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended October, 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 10/31/04	as of 10/31/04	Obligated		as of 10/31/05	as of 10/31/05	Obligated
Revenues :									
Baltimore County		\$ 570,385,533	\$ 93,515,274	\$ 476,870,259	16.4%	\$ 591,656,029	\$ 94,727,161	\$ 496,928,868	16.0%
State of Maryland		342,566,986	110,634,211	231,932,775	32.3%	385,323,375	124,604,786	260,718,589	32.3%
Other		8,475,732	3,515,675	4,960,057	41.5%	10,886,983	5,389,534	5,497,449	49.5%
Total revenues		\$ 921,428,251	\$ 207,665,160	\$ 713,763,091	22.5%	\$ 987,866,387	\$ 224,721,481	\$ 763,144,906	22.7%
Expenditures and encumbrances :									
Administration	salary	\$ 15,181,770	\$ 4,866,274	\$ 10,315,496	32.1%	\$ 16,919,500	\$ 5,434,933	\$ 11,484,567	32.1%
	non-salary	7,944,531	4,060,682	3,883,849	51.1%	10,765,186	8,495,152	2,270,034	78.9%
	subtotal	23,126,301	8,926,956	14,199,345	38.6%	27,684,686	13,930,085	13,754,601	50.3%
Mid-level administration	salary	56,683,247	17,492,220	39,191,027	30.9%	61,011,497	18,223,128	42,788,369	29.9%
	non-salary	5,241,036	1,962,738	3,278,298	37.4%	5,128,198	1,980,088	3,148,110	38.6%
	subtotal	61,924,283	19,454,958	42,469,325	31.4%	66,139,695	20,203,216	45,936,479	30.5%
Instruction:									
Instructional salaries	salary	374,416,758	77,794,715	296,622,043	20.8%	393,789,802	80,918,471	312,871,331	20.5%
Instructional textbooks	non-salary	17,526,680	7,207,060	10,319,620	41.1%	19,564,035	7,432,251	12,131,784	38.0%
Other instructional costs	non-salary	13,700,759	7,251,091	6,449,668	52.9%	11,574,482	5,900,594	5,673,888	51.0%
Special education	salary	79,191,225	18,073,755	61,117,470	22.8%	87,500,557	19,650,362	67,850,195	22.5%
	non-salary	36,233,248	26,204,010	10,029,238	72.3%	39,649,253	25,050,289	14,598,964	63.2%
	subtotal	115,424,473	44,277,765	71,146,708	38.4%	127,149,810	44,700,651	82,449,159	35.2%
Student personnel	salary	4,361,971	1,384,581	2,977,390	31.7%	4,697,545	1,413,728	3,283,817	30.1%
	non-salary	154,236	31,496	122,740	20.4%	167,936	25,589	142,347	15.2%
	subtotal	4,516,207	1,416,077	3,100,130	31.4%	4,865,481	1,439,317	3,426,164	29.6%
Health services	salary	9,608,799	2,072,514	7,536,285	21.6%	10,122,687	2,171,422	7,951,266	21.5%
	non-salary	157,860	63,705	94,155	40.4%	232,453	66,596	165,857	28.6%
	subtotal	9,766,659	2,136,219	7,630,440	21.9%	10,355,140	2,238,018	8,117,122	21.6%
Transportation	salary	24,125,796	5,344,840	18,780,956	22.2%	25,890,607	5,772,951	20,117,656	22.3%
	non-salary	12,638,504	11,406,019	1,232,485	90.2%	15,266,890	13,284,958	1,981,932	87.0%
	subtotal	36,764,300	16,750,859	20,013,441	45.6%	41,157,497	19,057,909	22,099,588	46.3%
Operation of plant	salary	32,016,991	9,958,414	22,058,577	31.1%	33,121,361	9,917,437	23,203,924	29.9%
	non-salary	30,716,062	28,215,738	2,500,324	91.9%	34,558,291	31,991,513	2,566,778	92.6%
	subtotal	62,733,053	38,174,152	24,558,901	60.9%	67,679,652	41,908,950	25,770,702	61.9%
Maintenance of plant	salary	9,823,730	2,854,037	6,969,693	29.1%	10,218,229	2,988,631	7,229,598	29.2%
	non-salary	10,512,858	6,275,363	4,237,495	59.7%	10,881,830	7,833,236	3,048,594	72.0%
	subtotal	20,336,588	9,129,400	11,207,188	44.9%	21,100,059	10,821,867	10,278,192	51.3%
Fixed charges	non-salary	179,052,298	42,647,905	136,404,393	23.8%	194,441,731	42,829,421	151,612,310	22.0%
Capital outlay	salary	1,931,742	685,156	1,246,586	35.5%	2,162,667	632,407	1,530,260	29.2%
	non-salary	208,150	32,538	175,612	15.6%	201,650	92,577	109,073	45.9%
	subtotal	2,139,892	717,694	137,826,591	33.5%	2,364,317	724,984	1,639,333	30.7%
Total Salary		607,342,029	140,526,506	466,815,523	23.1%	645,434,452	147,123,470	498,310,982	22.8%
Total Non-Salary		314,086,222	135,358,345	178,727,877	43.1%	342,431,935	144,982,263	197,449,672	42.3%
Total expenditures and encumbrances		\$ 921,428,251	\$ 275,884,851	\$ 645,543,400	29.9%	\$ 987,866,387	\$ 292,105,733	\$ 695,760,654	29.6%

Figure 4