

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: November 22, 2005

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING SEPTEMBER 30, 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 September 30, 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 September 30, 2004 and 2005. Figure 4 is a comparative statement of budget to actual revenues, expenditures, and encumbrances.

General Fund Revenue Budget

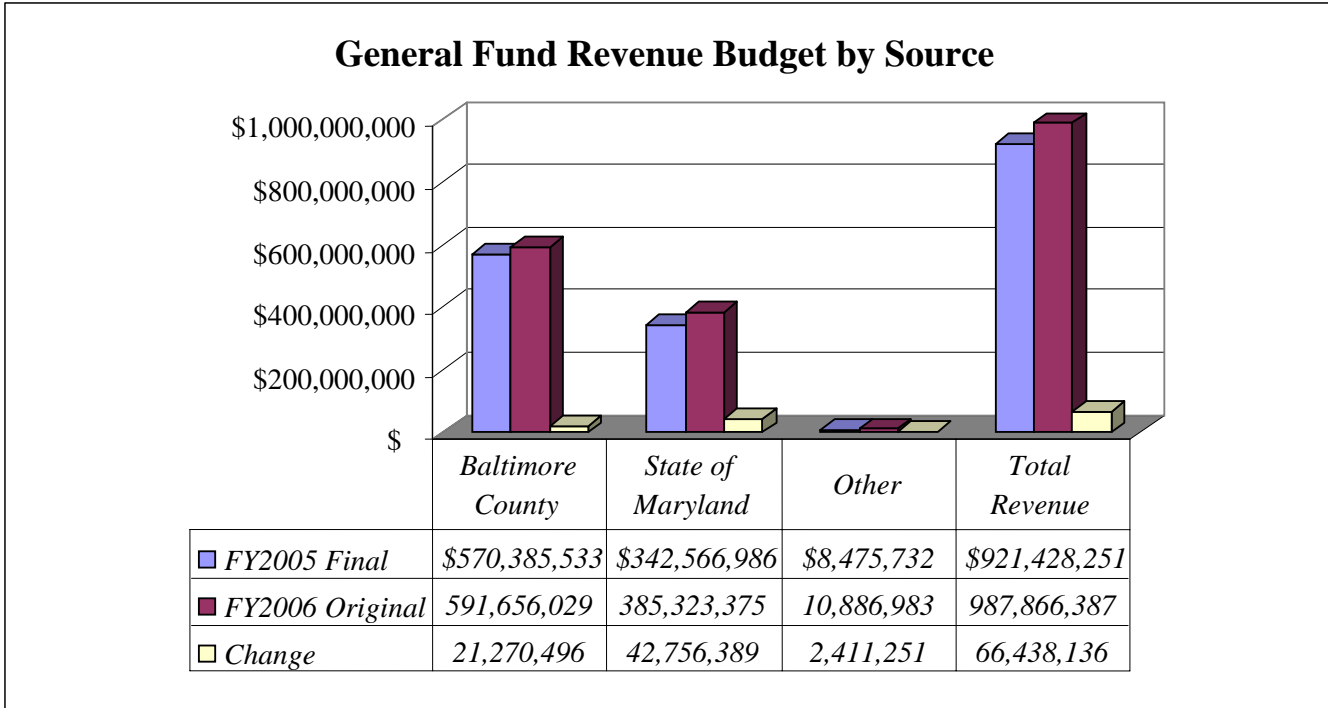


Figure 1

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 \$67.4 million, 11.4% of the budget, as compared to \$63.4 million, 11.1% 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

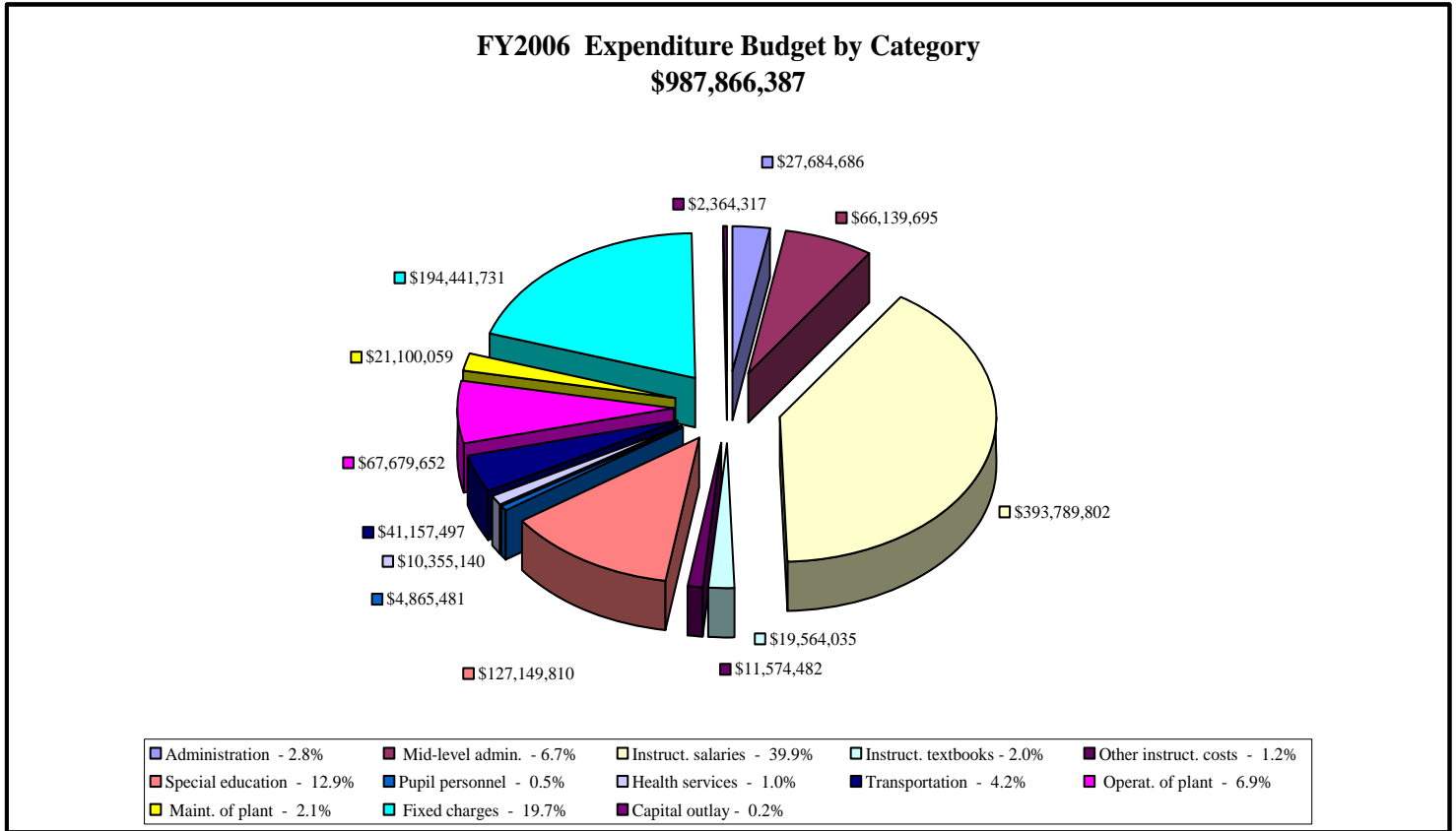


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through September 30, 2005, are \$214 million, 21.7 % obligated, compared to \$180 million, 19.5 % 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 22.2 % 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 12.4 % of the 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 financial system, and 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

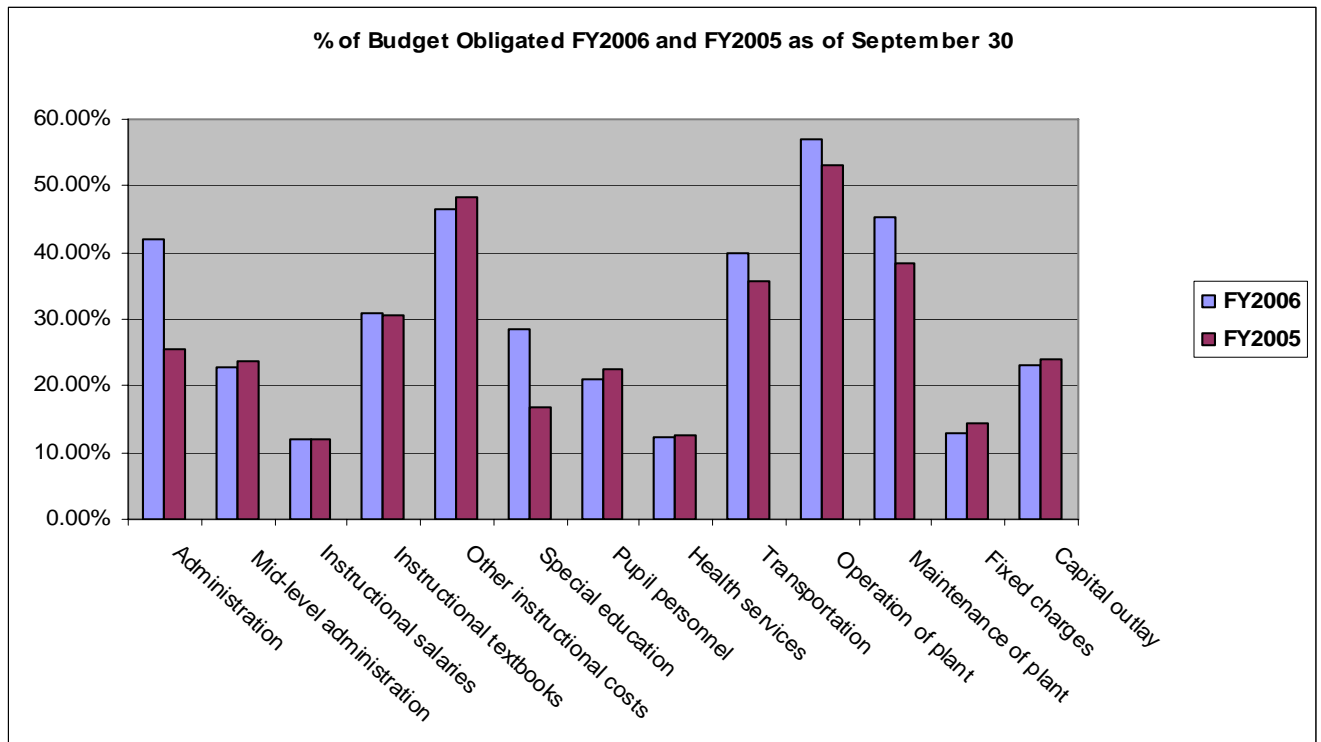


Figure 3

- Administration and Mid-level administration*** – Year-to-date FY2006 expenditures and encumbrances in administration have increased \$5.2 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 financial system. 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 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 ten additional schools and for special education kindergarten at five 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, \$6 million, 30.9% 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 \$5.4 million, 46.5% 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 \$8.2 million, or 25.2%, committed at September 2004.
- ***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 and \$1.2 million of additional fuel cost and increased costs for parts and maintenance. As of September 2005, 85% of the non-salary budget has been committed, compared with 87% committed as of September 2004. The expenditures for salaries increased because of an additional pay day during the period and also because of increased costs for additional driver and attendant positions which were added this year.
- ***Operation of plant*** – This category contains costs for custodial and grounds keeping salaries for the 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 September 2005, 91% of the non-salary budget has been committed, compared with 88 % as of September 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 transportation 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 includes an increase of \$12.1 million, primarily as a result of increases in premium rates for health insurance. 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 September, 2004 and 2005
General Fund

		FY2005				FY 2006			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 09/30/04	Budget as of 09/30/04	Earned or Obligated	Budget	Rev/Exp/Enc. as of 09/30/05	Budget as of 09/30/05	Earned or Obligated
Revenues :									
Baltimore County		\$ 570,385,533	\$ 63,410,755	\$ 506,974,778	11.1%	\$ 591,656,029	\$ 67,413,580	\$ 524,242,449	11.4%
State of Maryland		342,566,986	110,925,737	231,641,249	32.4%	385,323,375	124,644,329	260,679,046	32.3%
Other		8,475,732	3,272,141	5,203,591	38.6%	10,886,983	5,278,557	5,608,426	48.5%
Total revenues		\$ 921,428,251	\$ 177,608,633	\$ 743,819,618	19.3%	\$ 987,866,387	\$ 197,336,466	\$ 790,529,921	20.0%
Expenditures and encumbrances :									
Administration	salary	\$ 15,181,770	\$ 3,654,558	\$ 11,527,212	24.1%	\$ 16,919,500	\$ 4,091,000	\$ 12,828,500	24.2%
	non-salary	7,944,531	2,268,987	5,675,544	28.6%	10,765,186	7,497,655	3,267,531	69.6%
	subtotal	23,126,301	5,923,545	17,202,756	25.6%	27,684,686	11,588,656	16,096,030	41.9%
Mid-level administration	salary	56,683,247	13,027,125	43,656,122	23.0%	61,011,497	13,490,818	47,520,679	22.1%
	non-salary	5,592,279	1,581,565	3,659,471	30.2%	5,128,198	1,503,473	3,624,725	29.3%
	subtotal	61,924,283	14,608,690	47,315,593	23.6%	66,139,695	14,994,290	51,145,405	22.7%
Instruction:									
Instructional salaries	salary	374,416,758	44,941,266	329,475,492	12.0%	393,789,802	47,084,093	346,705,709	12.0%
Instructional textbooks	non-salary	17,526,680	5,377,815	12,148,865	30.7%	19,564,035	6,050,301	13,513,734	30.9%
Other instructional costs	non-salary	13,700,759	6,606,421	7,094,338	48.2%	11,574,482	5,383,824	6,190,658	46.5%
Special education	salary	79,191,225	10,647,059	68,544,166	13.4%	87,500,557	11,762,105	75,738,452	13.4%
	non-salary	36,233,248	8,903,307	27,329,941	24.6%	39,649,253	24,640,816	15,008,437	62.1%
	subtotal	115,424,473	19,550,366	95,874,107	16.9%	127,149,810	36,402,921	90,746,889	28.6%
Pupil personnel	salary	4,361,971	994,078	3,367,893	22.8%	4,697,545	1,015,651	3,681,894	21.6%
	non-salary	154,236	17,617	136,619	11.4%	167,936	12,417	155,519	7.4%
	subtotal	4,516,207	1,011,695	3,504,512	22.4%	4,865,481	1,028,068	3,837,413	21.1%
Health services	salary	9,608,799	1,195,147	8,413,652	12.4%	10,122,687	1,229,345	8,893,342	12.1%
	non-salary	157,860	21,087	136,773	13.4%	232,453	50,808	181,645	21.9%
	subtotal	9,766,659	1,216,234	8,550,425	12.5%	10,355,140	1,280,153	9,074,987	12.4%
Transportation	salary	24,125,796	2,180,607	21,945,189	9.0%	25,890,607	3,401,133	22,489,474	13.1%
	non-salary	12,638,504	10,940,545	1,697,959	86.6%	15,266,890	13,043,642	2,223,248	85.4%
	subtotal	36,764,300	13,121,152	23,643,148	35.7%	41,157,497	16,444,775	24,712,722	40.0%
Operation of plant	salary	32,016,991	6,252,521	25,764,470	19.5%	33,121,361	7,232,071	25,889,290	21.8%
	non-salary	30,716,062	27,151,824	3,564,238	88.4%	34,558,291	31,340,325	3,217,966	90.7%
	subtotal	62,733,053	33,404,345	29,328,708	53.2%	67,679,652	38,572,396	29,107,256	57.0%
Maintenance of plant	salary	9,823,730	1,872,724	7,951,006	19.1%	10,218,229	2,166,823	8,051,406	21.2%
	non-salary	10,512,858	5,912,743	4,600,115	56.2%	10,881,830	7,414,875	3,466,955	68.1%
	subtotal	20,336,588	7,785,467	12,551,121	38.3%	21,100,059	9,581,698	11,518,361	45.4%
Fixed charges	non-salary	179,052,298	25,937,406	153,114,892	14.5%	194,441,731	25,135,424	169,306,307	12.9%
Capital outlay	salary	1,931,742	490,617	1,441,125	25.4%	2,162,667	461,934	1,700,733	21.4%
	non-salary	208,150	25,698	182,452	12.3%	201,650	84,938	116,712	42.1%
	subtotal	2,139,892	516,315	1,623,577	24.1%	2,364,317	546,872	1,817,445	23.1%
Total Salary		607,342,029	85,255,702	522,086,327	14.0%	645,434,452	91,934,974	553,499,478	14.2%
Total Non-Salary		314,086,222	94,745,015	219,341,207	30.2%	342,431,935	122,158,498	220,273,437	35.7%
Total expenditures and encumbrances		\$ 921,428,251	\$ 180,000,717	\$ 741,427,534	19.5%	\$ 987,866,387	\$ 214,093,472	\$ 773,772,915	21.7%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, October 14, 2005