

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: February 14, 2006

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

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

General Fund Revenue Budget

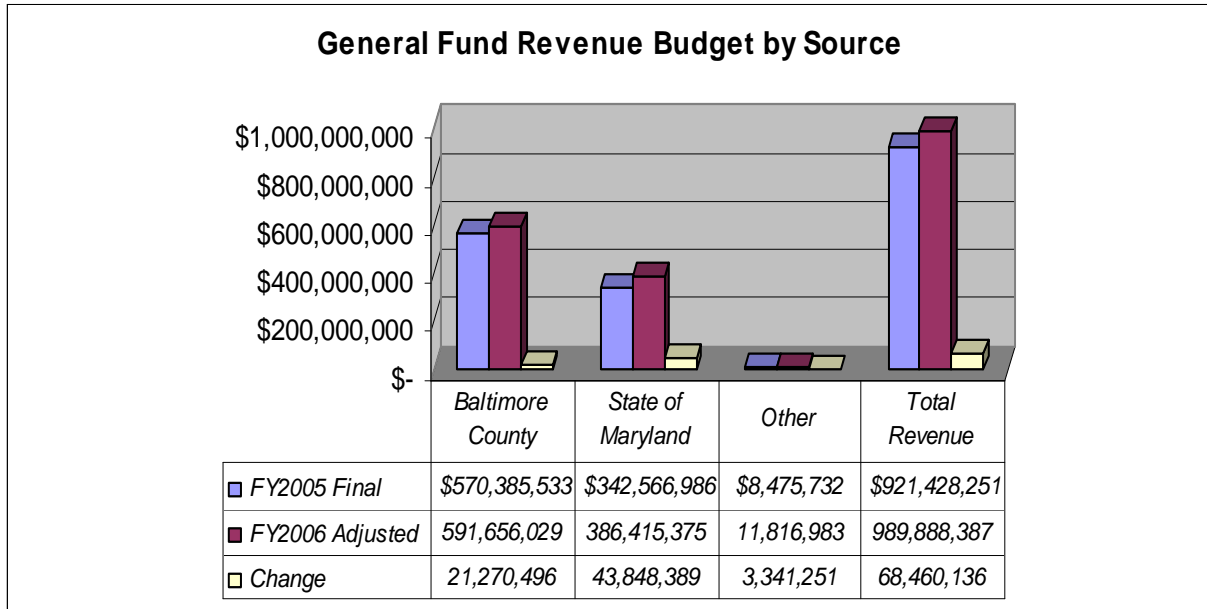


Figure 1

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 \$226 million, 38.3% of the budget, as compared to \$229 million, 40.2% 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 an 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. 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 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 an 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 \$1,205,000.

General Fund Expenditure Budget

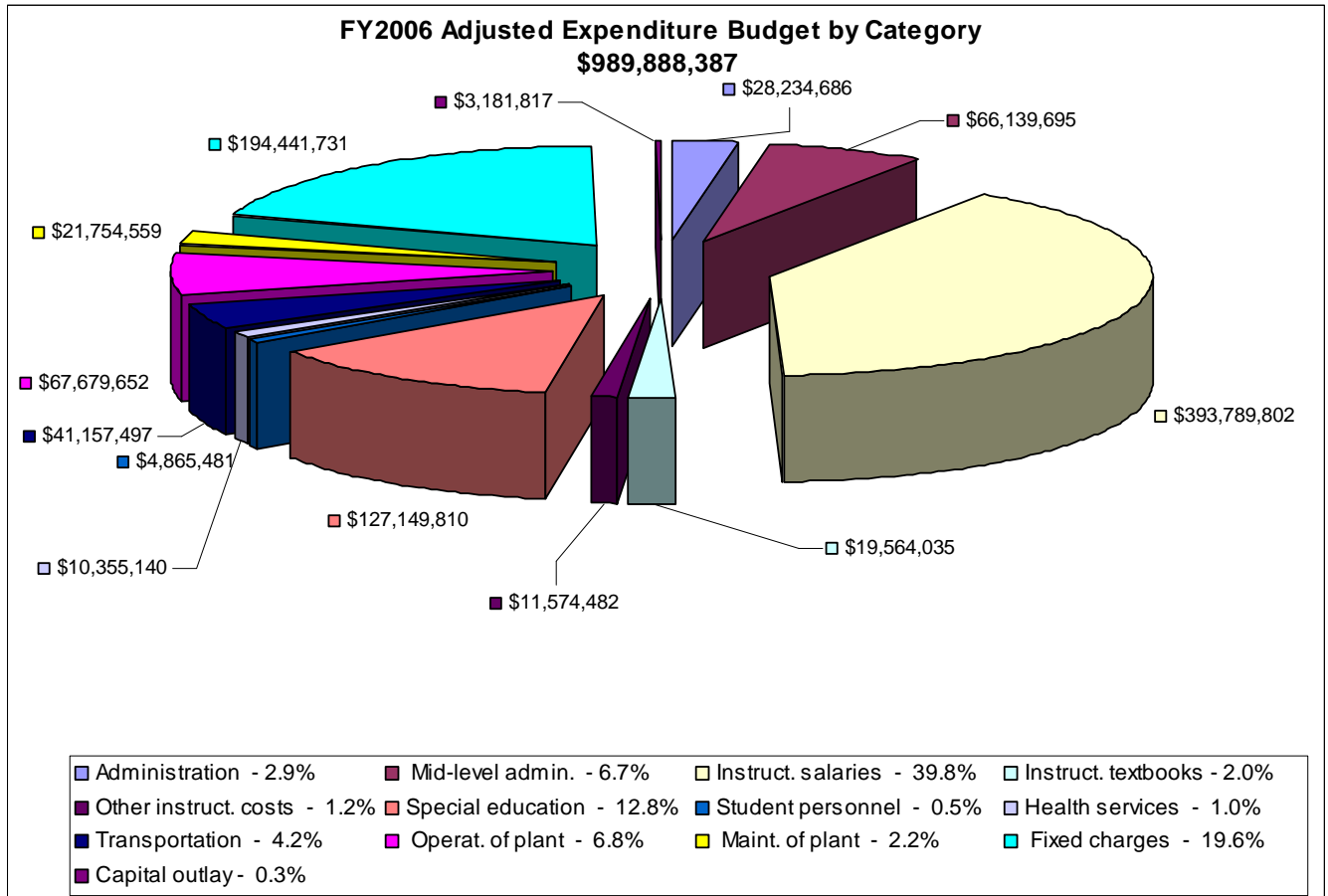


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through December 31, 2005, are \$473 million, 47.8% obligated, compared to \$449 million, 48.8% 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 48.2% 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, Student Personnel, Health Services, and Transportation) average 42.8% 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, 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

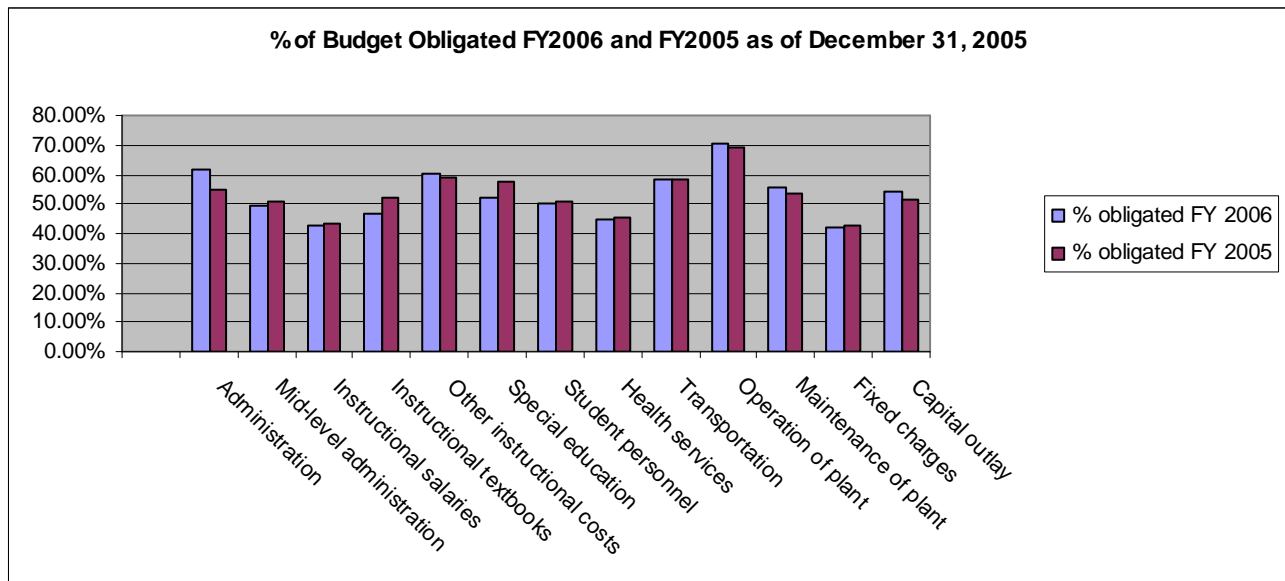


Figure 3

- Administration and Mid-level Administration** – Year-to-date FY2006 expenditures and encumbrances in Administration have increased \$3.9 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. 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 in line with the prior year.
- 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, \$9.1 million, 46.6% 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. To date \$6.9 million, 60.2% of the FY2006 budgeted funds has been committed, as compared to 59.1% 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.
- ***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, 71% of the original budgeted funds for private placement, \$26 million, have been committed, compared with 80% or \$26 million committed at December 2004. 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.
- ***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 December 2005, 89.6% of the non-salary budget has been committed, compared with 92% committed as of December 2004. 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. Anticipated expenditures for county sewer charges of approximately \$1 million have not been encumbered as of December 2005. 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 December 2005, 93.9% of the non-salary budget has been committed, compared with 93.1% as of December 2004.

- ***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. 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. In addition, a budget supplement of \$1,472,000 was approved to provide funding for the replacement of windows and air filters at various schools. 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. As of December 2005, 64.5% of the non-salary budget has been committed as compared with 62.2% as of December 2004. Capital Outlay expenditures to date are for contracted services and other costs, including \$489,000 for modular buildings purchased for three schools. 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.

Baltimore County Public Schools
Comparison of FY 2004 and FY 2005 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended December, 2004 and 2005
General Fund

		FY 2005				FY 2006			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc. as of 12/31/04	Budget as of 12/31/04	Earned or Obligated	Budget	Rev/Exp/Enc. as of 12/31/05	Budget as of 12/31/05	Earned or Obligated
Revenues:									
Baltimore County		\$ 570,385,533	\$ 229,457,000	\$ 340,928,533	40.2%	\$ 591,656,029	\$ 226,429,773	\$ 365,226,256	38.3%
State of Maryland		342,566,986	166,078,082	176,488,904	48.5%	386,415,375	187,621,976	198,793,399	48.6%
Other		8,475,732	3,819,614	4,656,118	45.1%	11,816,983	6,861,036	4,955,947	58.1%
Total Revenues		\$ 921,428,251	\$ 399,354,696	\$ 522,073,555	43.3%	\$ 989,888,387	\$ 420,912,785	\$ 568,975,602	42.5%
Expenditures and Encumbrances:									
Administration	salary	\$ 15,181,770	\$ 7,914,756	\$ 7,267,014	52.1%	\$ 16,919,500	\$ 8,771,586	\$ 8,147,914	51.8%
	non-salary	7,944,531	4,738,091	3,206,440	59.6%	11,315,186	8,606,559	2,708,627	76.1%
	subtotal	23,126,301	12,652,847	10,473,454	54.7%	28,234,686	17,378,145	10,856,541	61.5%
Mid-level Administration	salary	56,683,247	28,732,692	27,950,555	50.7%	61,011,497	30,050,199	30,961,298	49.3%
	non-salary	5,241,036	2,606,008	2,635,028	49.7%	5,128,198	2,746,949	2,381,249	53.6%
	subtotal	61,924,283	31,338,700	30,585,583	50.6%	66,139,695	32,797,148	33,342,547	49.6%
Instruction:									
Instructional Salaries	salary	374,416,758	161,397,073	213,019,685	43.1%	393,789,802	166,899,159	226,890,643	42.4%
Instructional Textbooks	non-salary	17,526,680	9,164,342	8,362,338	52.3%	19,564,035	9,118,591	10,445,444	46.6%
Other Instructional Costs	non-salary	13,700,759	8,090,879	5,609,880	59.1%	11,574,482	6,971,609	4,602,873	60.2%
Special Education	salary	79,191,225	36,094,648	43,096,577	45.6%	87,500,557	38,955,249	48,545,308	44.5%
	non-salary	36,233,248	30,602,188	5,631,060	84.5%	39,649,253	27,461,828	12,187,425	69.3%
	subtotal	115,424,473	66,696,836	48,727,637	57.8%	127,149,810	66,417,077	60,732,733	52.2%
Student Personnel	salary	4,361,971	2,235,673	2,126,298	51.3%	4,697,545	2,405,529	2,292,016	51.2%
	non-salary	154,236	48,098	106,138	31.2%	167,936	45,732	122,204	27.2%
	subtotal	4,516,207	2,283,771	2,232,436	50.6%	4,865,481	2,451,261	2,414,220	50.4%
Health Services	salary	9,608,799	4,337,516	5,271,283	45.1%	10,122,687	4,527,298	5,595,389	44.7%
	non-salary	157,860	92,934	64,926	58.9%	232,453	101,273	131,180	43.6%
	subtotal	9,766,659	4,430,450	5,336,209	45.4%	10,355,140	4,628,571	5,726,569	44.7%
Transportation	salary	24,125,796	9,914,274	14,211,522	41.1%	25,890,607	10,347,119	15,543,488	40.0%
	non-salary	12,638,504	11,625,526	1,012,978	92.0%	15,266,890	13,674,418	1,592,472	89.6%
	subtotal	36,764,300	21,539,800	15,224,500	58.6%	41,157,497	24,021,537	17,135,960	58.4%
Operation of Plant	salary	32,016,991	14,736,340	17,280,651	46.0%	33,121,361	15,060,907	18,060,454	45.5%
	non-salary	30,716,062	28,610,809	2,105,253	93.1%	34,558,291	32,434,682	2,123,609	93.9%
	subtotal	62,733,053	43,347,149	19,385,904	69.1%	67,679,652	47,495,589	20,184,063	70.2%
Maintenance of Plant	salary	9,823,730	4,418,151	5,405,579	45.0%	10,218,229	4,581,836	5,636,393	44.8%
	non-salary	10,512,858	6,534,486	3,978,372	62.2%	11,536,330	7,442,305	4,094,025	64.5%
	subtotal	20,336,588	10,952,637	9,383,951	53.9%	21,754,559	12,024,141	9,730,418	55.3%
Fixed Charges	non-salary	179,052,298	76,463,409	102,588,889	42.7%	194,441,731	81,115,324	113,326,407	41.7%
Capital Outlay	salary	1,931,742	1,067,911	863,831	55.3%	2,162,667	1,025,240	1,137,427	47.4%
	non-salary	208,150	41,118	167,032	19.8%	1,019,150	703,425	315,725	69.0%
	subtotal	2,139,892	1,109,029	1,030,863	51.8%	3,181,817	1,728,665	1,453,152	54.3%
Total Salary		607,342,029	270,849,634	336,492,395	44.6%	645,434,452	282,624,122	362,810,330	43.8%
Total Non-Salary		314,086,222	178,617,291	135,468,931	56.9%	344,453,935	190,422,694	154,031,241	55.3%
Total Expenditures and Encumbrances		\$ 921,428,251	\$ 449,466,925	\$ 471,961,326	48.8%	\$ 989,888,387	\$ 473,046,816	\$ 516,841,571	47.8%