

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: April 25, 2006

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING FEBRUARY 28, 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 February 28, 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 February 28, 2005 and 2006. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

General Fund Revenue Budget

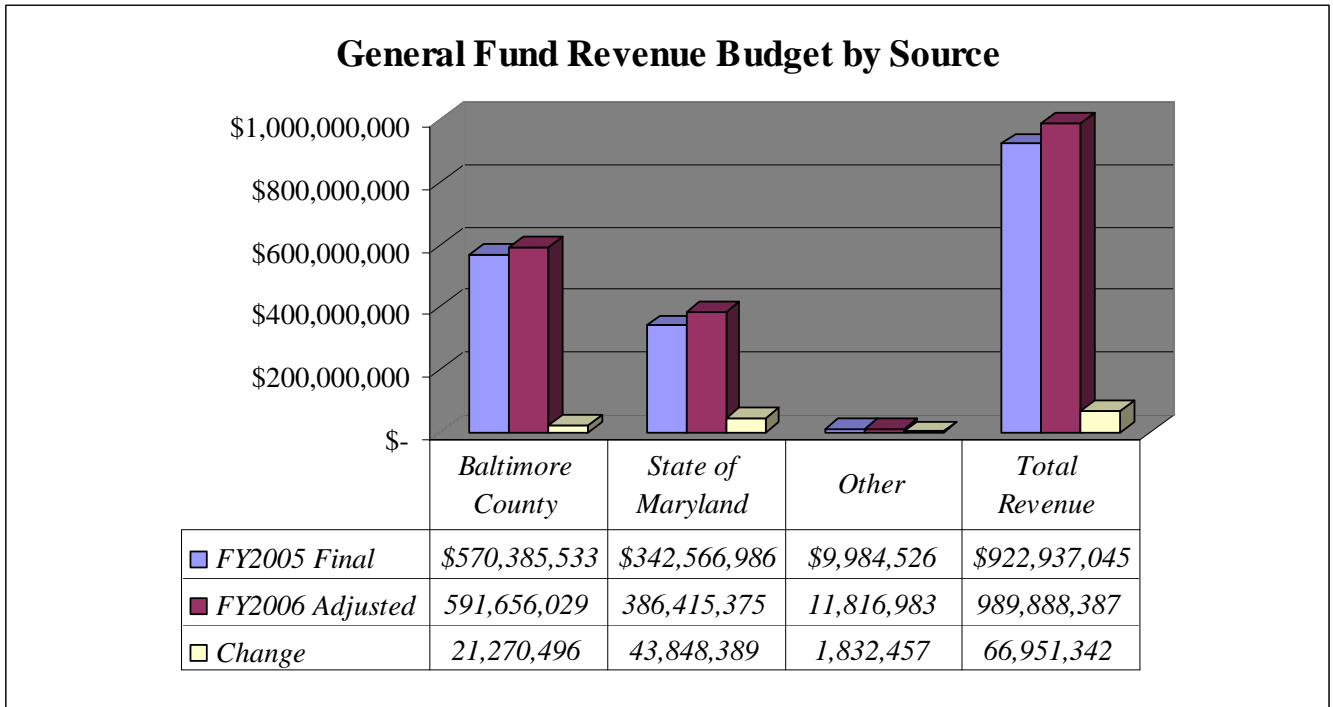


Figure 1

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 \$331 million, 56% of the budget, as compared to \$324 million, 57% 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. Four 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 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 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 \$2.4 million.

General Fund Expenditure Budget

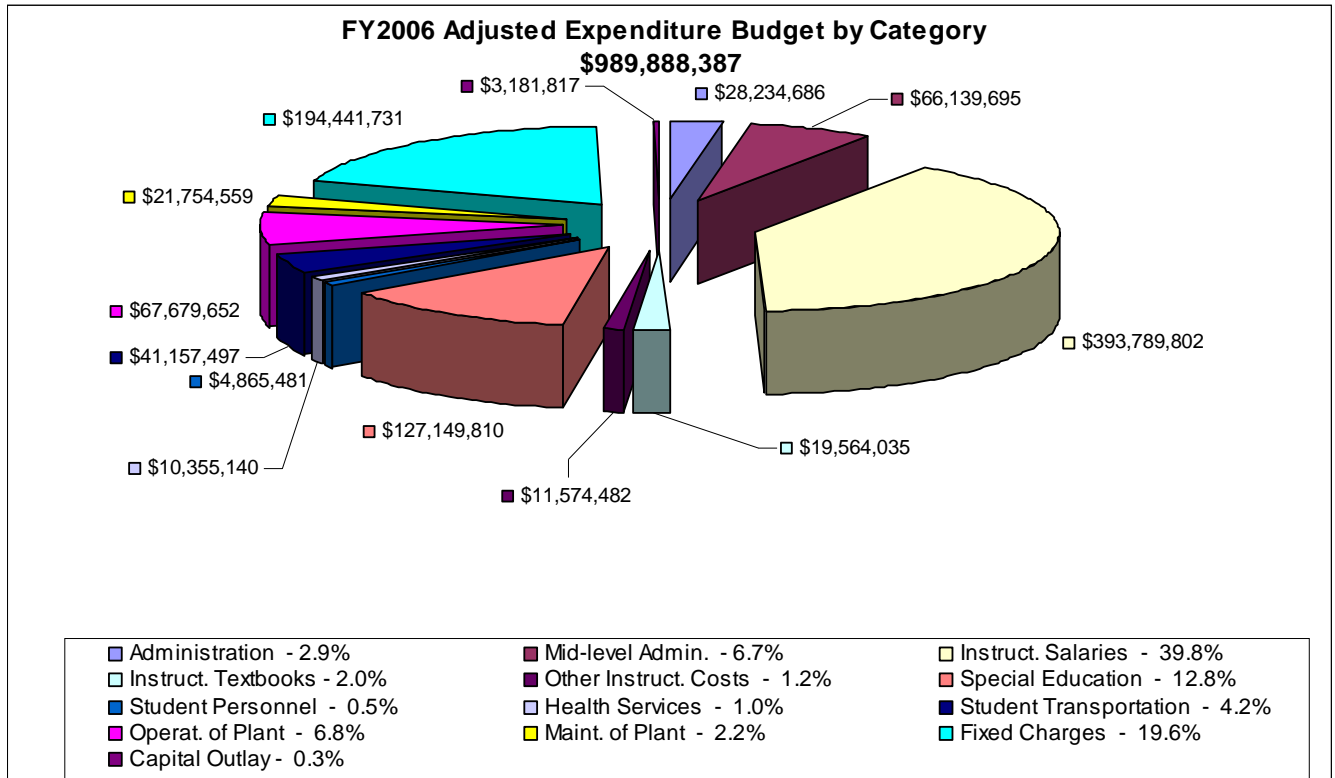


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total Expenditures and Encumbrances – Year-to-date expenditures and encumbrances through February 28, 2006, are \$630 million, 63.6% obligated, compared to \$593 million, 64.2% 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 63.6% 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 Student Transportation) average 60.2% 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.

Percent of Budget Obligated

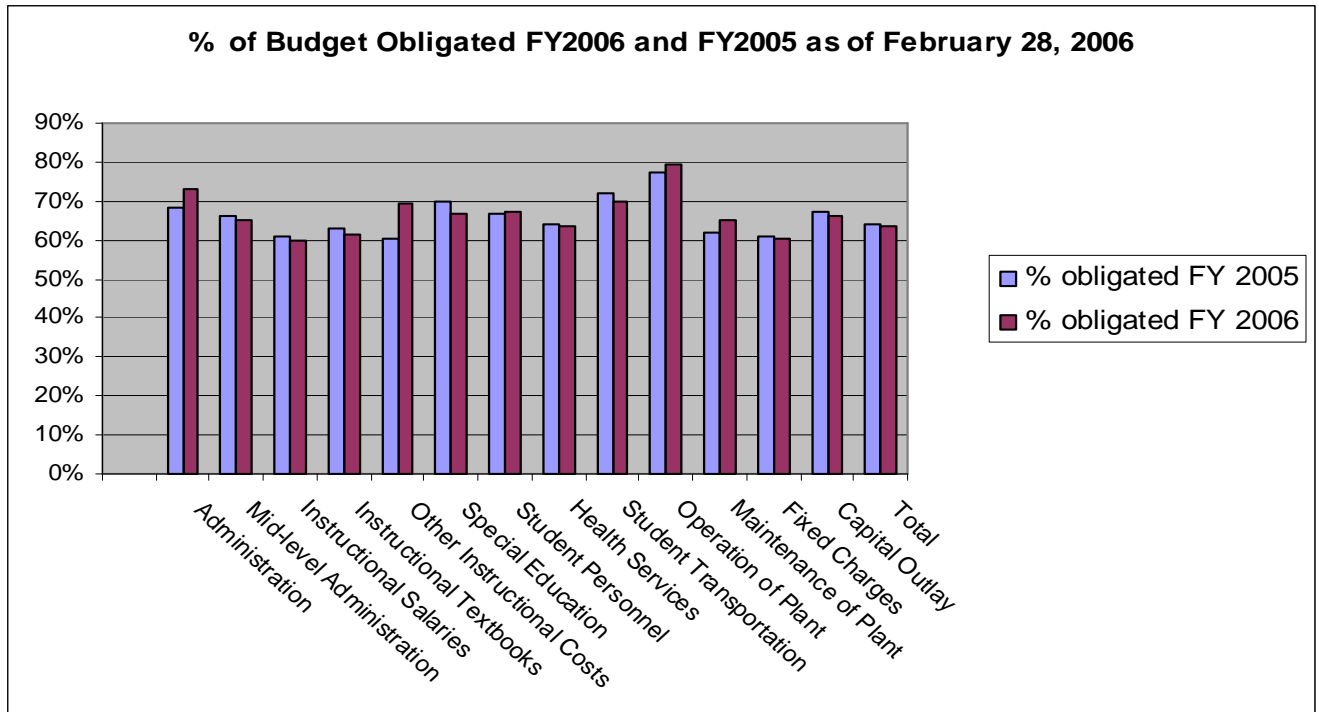


Figure 3

- Administration and Mid-level Administration** – Year-to-date FY2006 expenditures and encumbrances in Administration have increased \$3.7 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 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, \$12 million, 61.6% 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 \$2.8 million to more closely reflect the expenditures anticipated. To date \$8 million, 69.5% of the FY2006 budgeted funds has been committed, as compared to 60.1% 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, 73.9% of the original budgeted funds for private placement, \$28 million, have been committed, compared with 87% or \$29 million committed at February 2005. 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.
- ***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 February 2006, 92% of the non-salary budget has been committed, compared with 96.3% committed as of February 2005. It is anticipated that a transfer of funds will be required to provide for additional fuel costs incurred because of price increases. 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. 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. This category is expected to require a transfer of funds to provide for additional costs incurred in utilities because of larger than expected price increases. As of February 2006, 97.2% of the non-salary budget has been committed, compared with 93.8% as of February 2005.

- ***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 February 2006, 70.1% of the non-salary budget has been committed as compared with 63.4% as of February 2005. 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 February, 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 02/28/05	as of 02/28/05	Obligated		as of 02/28/06	as of 02/28/06	Obligated
Revenues									
Baltimore County		\$ 570,385,533	\$ 324,309,107	\$ 246,076,426	56.9%	\$ 591,656,029	\$ 331,156,933	\$ 260,499,096	56.0%
State of Maryland		342,566,986	221,319,021	121,247,965	64.6%	386,415,375	250,011,092	136,404,283	64.7%
Other		9,984,526	5,608,383	4,376,143	56.2%	11,816,983	7,177,211	4,639,772	60.7%
Total revenues		922,937,045	551,236,511	371,700,534	59.7%	989,888,387	588,345,236	401,543,151	59.4%
Expenditures and encumbrances									
Administration	salary	15,181,770	10,313,949	4,867,821	67.9%	16,919,500	11,471,574	5,447,926	67.8%
	non-salary	7,944,531	5,421,470	2,523,061	68.2%	11,315,186	9,194,747	2,120,439	81.3%
	subtotal	23,126,301	15,735,419	7,390,882	68.0%	28,234,686	20,666,321	7,568,365	73.2%
Mid-level administration	salary	56,683,247	37,731,396	18,951,851	66.6%	61,011,497	39,560,450	21,451,047	64.8%
	non-salary	5,241,036	3,247,695	1,993,341	62.0%	5,128,198	3,547,663	1,580,535	69.2%
	subtotal	61,924,283	40,979,091	20,945,192	66.2%	66,139,695	43,108,113	23,031,582	65.2%
Instruction:									
Instructional salaries	salary	374,416,758	227,744,784	146,671,974	60.8%	393,789,802	235,710,054	158,079,748	59.9%
Instructional textbooks	non-salary	18,285,474	11,564,052	6,721,422	63.2%	19,564,035	12,044,597	7,519,438	61.6%
Other instructional costs	non-salary	14,450,759	8,686,758	5,764,001	60.1%	11,574,482	8,043,414	3,531,068	69.5%
Special education	salary	79,191,225	50,014,897	29,176,328	63.2%	87,500,557	54,425,617	33,074,940	62.2%
	non-salary	36,233,248	30,692,906	5,540,342	84.7%	39,649,253	30,101,090	9,548,163	75.9%
	subtotal	115,424,473	80,707,803	34,716,670	69.9%	127,149,810	84,526,707	42,623,103	66.5%
Student personnel	salary	4,361,971	2,955,784	1,406,187	67.8%	4,697,545	3,207,123	1,490,422	68.3%
	non-salary	154,236	64,806	89,430	42.0%	167,936	65,313	102,623	38.9%
	subtotal	4,516,207	3,020,590	1,495,617	66.9%	4,865,481	3,272,436	1,593,045	67.3%
Health services	salary	9,608,799	6,147,239	3,461,560	64.0%	10,122,687	6,396,757	3,725,930	63.2%
	non-salary	157,860	111,056	46,804	70.4%	232,453	182,278	50,175	78.4%
	subtotal	9,766,659	6,258,295	3,508,364	64.1%	10,355,140	6,579,035	3,776,105	63.5%
Student transportation	salary	24,125,796	14,213,192	9,912,604	58.9%	25,890,607	14,660,412	11,230,195	56.6%
	non-salary	12,638,504	12,167,855	470,649	96.3%	15,266,890	14,045,032	1,221,858	92.0%
	subtotal	36,764,300	26,381,047	10,383,253	71.8%	41,157,497	28,705,444	12,452,053	69.7%
Operation of plant	salary	32,016,991	19,585,413	12,431,578	61.2%	33,121,361	20,056,157	13,065,204	60.6%
	non-salary	30,716,062	28,824,088	1,891,974	93.8%	34,558,291	33,596,678	961,613	97.2%
	subtotal	62,733,053	48,409,501	14,323,552	77.2%	67,679,652	53,652,835	14,026,817	79.3%
Maintenance of plant	salary	9,823,730	5,945,555	3,878,175	60.5%	10,218,229	6,083,750	4,134,479	59.5%
	non-salary	10,512,858	6,664,321	3,848,537	63.4%	11,536,330	8,087,214	3,449,116	70.1%
	subtotal	20,336,588	12,609,876	7,726,712	62.0%	21,754,559	14,170,964	7,583,595	65.1%
Fixed charges	non-salary	179,052,298	109,131,633	69,920,665	60.9%	194,441,731	117,160,523	77,281,208	60.3%
Capital outlay	salary	1,931,742	1,383,409	548,333	71.6%	2,162,667	1,342,091	820,576	62.1%
	non-salary	208,150	51,161	156,989	24.6%	1,019,150	757,108	262,042	74.3%
	subtotal	2,139,892	1,434,570	705,322	67.0%	3,181,817	2,099,199	1,082,618	66.0%
Total Salary		\$ 607,342,029	\$ 376,035,618	\$ 231,306,411	61.9%	\$ 645,434,452	\$ 392,913,985	\$ 252,520,467	60.9%
Total Non-Salary		315,595,016	216,627,801	98,967,215	68.6%	344,453,935	236,825,657	107,628,278	68.8%
Total expenditures and encumbrances		\$ 922,937,045	\$ 592,663,419	\$ 330,273,626	64.2%	\$ 989,888,387	\$ 629,739,642	\$ 360,148,745	63.6%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, March 8, 2006