

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: November 21, 2006

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING SEPTEMBER 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 September 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 September 30, 2005 and 2006. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

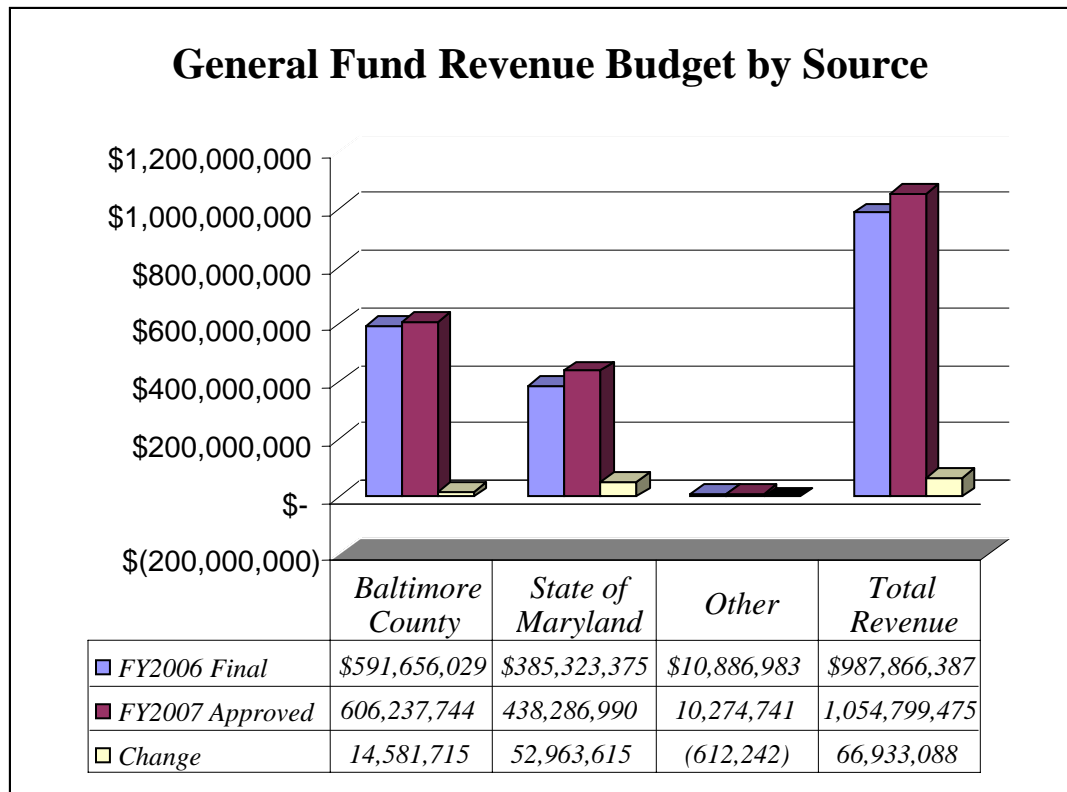


Figure 1

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 \$52.3 million, 8.2% of the budget, as compared to \$67.4 million, 11.4% of the budget, for FY2006.
- State of Maryland** – The FY2007 state appropriation increased \$52.9 million, 13.7% over the FY2006 budget. The increase is the result of the forth 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 \$2.8 million, 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 a re-appropriation of \$2.8 million of the prior year’s unspent fund balance; tuition, and other revenues of approximately \$1.4 million.

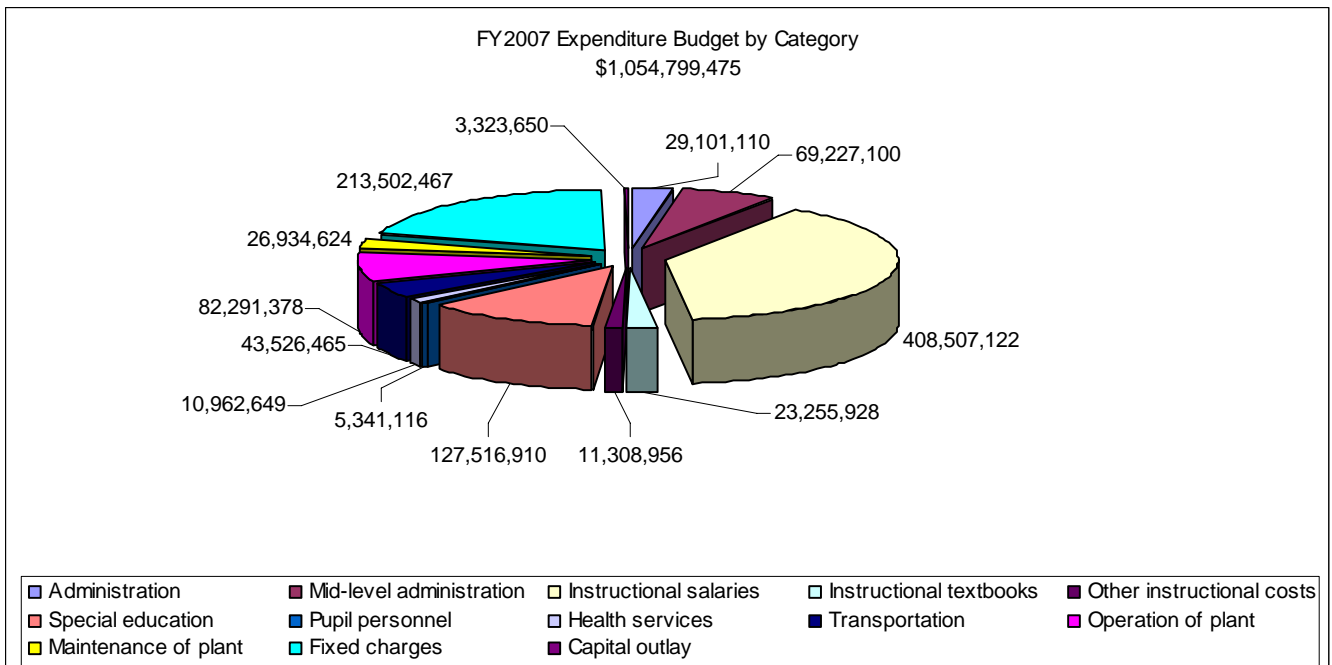


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through September, 2006, are \$216 million, 20.5 % obligated, compared to \$214 million, 21.7 % 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 21.8 % 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 12.7 % 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 were budgeted for an overall increase of \$35.1 million, or 10.2%. These projected increases were 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; \$11.7 million for expected increases in utilities cost and contractual services in operation of plant; \$4.4 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 purchases of additional portable classrooms. 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.

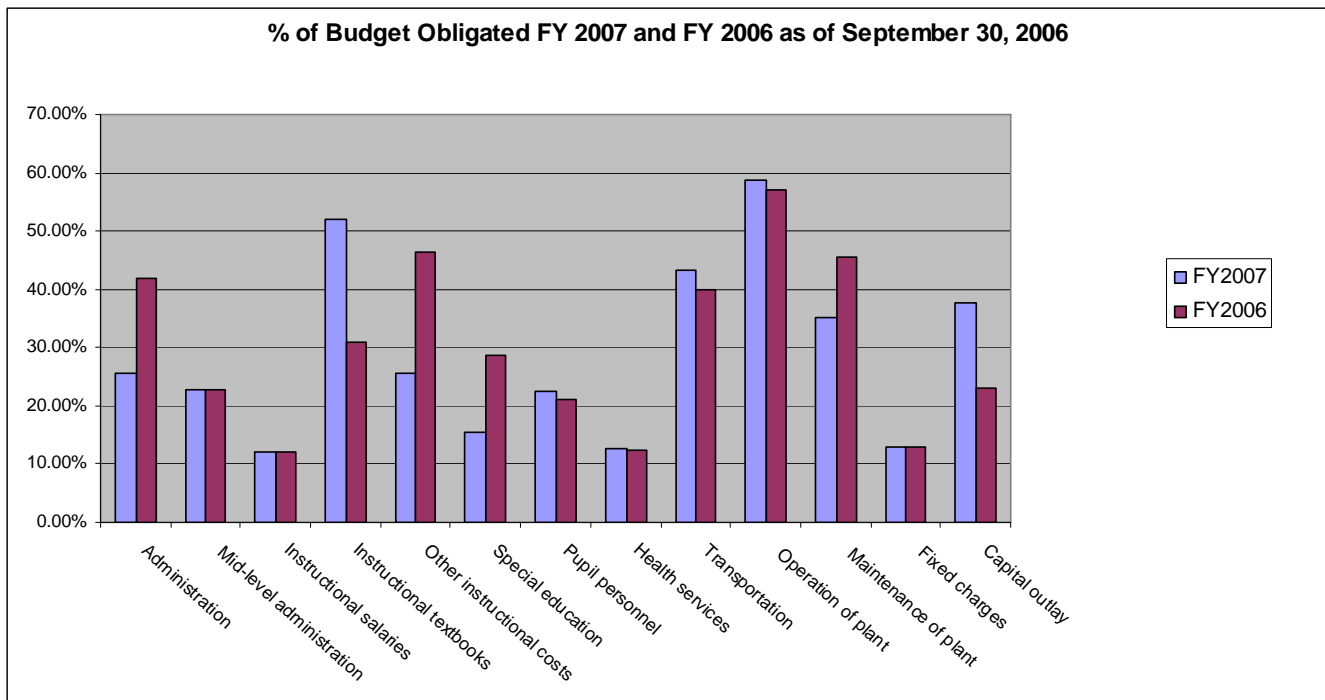


Figure 3

- Administration and Mid-level administration** – Year-to-date FY2007 administrative non-salary expenditures and encumbrances have decreased \$4.5 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 inline 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, \$12 million, 52% 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 \$2.9 million, 25.6% of the FY2007 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 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, 42.6% of the original budgeted funds for private placement, \$14 million, have been committed, compared with 63.3% committed at September 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 September 2006, 91.4% of the non-salary budget has been committed, compared with 85.4% committed as of September 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 a new school and also from 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 September 2006, 87.5% of the non-salary budget has been committed, compared with 90.7 % as of September 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 \$4.4 million or 40.9% 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 \$600,000 for the acquisition of portable classrooms to provide facilities for the expansion of all day kindergarten programs. 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, 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.

Board of Education of Baltimore County
Comparison of FY 2006 and FY 2007 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended September, 2005 and 2006
General Fund

		FY 2006				FY 2007			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
Revenues :		Budget	Rev/Exp/Enc. as of 09/30/05	Budget as of 09/30/05	Earned or Obligated	Budget	Rev/Exp/Enc. as of 09/30/06	Budget as of 09/30/06	Earned or Obligated
Baltimore County		\$ 591,656,029	\$ 67,413,580	\$ 524,242,449	11.4%	\$ 606,237,744	\$ 52,316,479	\$ 553,921,265	8.2%
State of Maryland		385,323,375	124,644,329	260,679,046	32.3%	438,286,990	142,137,391	296,149,599	32.4%
Other		10,886,983	5,278,557	5,608,426	48.5%	10,274,741	4,321,852	5,952,889	57.9%
Total revenues		\$ 987,866,387	\$ 197,336,466	\$ 790,529,921	20.0%	\$ 1,054,799,475	\$ 198,775,722	\$ 856,023,753	18.8%
Expenditures and encumbrances :									
Administration	salary	\$ 16,919,500	\$ 4,091,000	\$ 12,828,500	24.2%	\$ 19,368,269	4,497,157	14,871,112.	23.2%
	non-salary	10,765,186	7,497,655	3,267,531	69.6%	9,732,841	2,931,623	6,801,218.	30.1%
	subtotal	27,684,686	11,588,656	16,096,030	41.9%	29,101,110	7,428,780	21,672,330.	25.5%
Mid-level administration	salary	61,011,497	13,490,818	47,520,679	22.1%	63,906,065	14,035,402	49,870,663.	22.0%
	non-salary	5,128,198	1,503,473	3,624,725	29.3%	5,321,035	1,820,149	3,500,886.	34.2%
	subtotal	66,139,695	14,994,290	51,145,405	22.7%	69,227,100	15,855,550	53,371,550.	22.9%
Instruction:									
Instructional salaries	salary	393,789,802	47,084,093	346,705,709	12.0%	408,507,122	49,883,102	358,624,020.	12.2%
Instructional textbooks	non-salary	19,564,035	6,050,301	13,513,734	30.9%	23,255,928	12,082,992	11,172,936.	52.0%
Other instructional costs	non-salary	11,574,482	5,383,824	6,190,658	46.5%	11,308,956	2,896,862	8,412,094.	25.6%
Special education	salary	87,500,557	11,762,105	75,738,452	13.4%	92,926,790	13,006,870	79,919,920.	14.0%
	non-salary	39,649,253	24,640,816	15,008,437	62.1%	34,590,120	6,759,041	27,831,079.	19.5%
	subtotal	127,149,810	36,402,921	90,746,889	28.6%	127,516,910	19,765,911	107,750,999.	15.5%
Pupil personnel	salary	4,697,545	1,015,651	3,681,894	21.6%	5,156,410	1,183,409	3,973,001.	23.0%
	non-salary	167,936	12,417	155,519	7.4%	184,706	16,955	167,751.	9.2%
	subtotal	4,865,481	1,028,068	3,837,413	21.1%	5,341,116	1,200,364	4,140,752.	22.5%
Health services	salary	10,122,687	1,229,345	8,893,342	12.1%	10,728,840	1,351,812	9,377,028.	12.6%
	non-salary	232,453	50,808	181,645	21.9%	233,809	47,089	186,720.	20.1%
	subtotal	10,355,140	1,280,153	9,074,987	12.4%	10,962,649	1,398,901	9,563,748.	12.8%
Transportation	salary	25,890,607	3,401,133	22,489,474	13.1%	26,951,651	3,715,064	23,236,587.	13.8%
	non-salary	15,266,890	13,043,642	2,223,248	85.4%	16,574,814	15,144,437	1,430,377.	91.4%
	subtotal	41,157,497	16,444,775	24,712,722	40.0%	43,526,465	18,859,500	24,666,965.	43.3%
Operation of plant	salary	33,121,361	7,232,071	25,889,290	21.8%	35,828,432	7,689,956	28,138,476.	21.5%
	non-salary	34,558,291	31,340,325	3,217,966	90.7%	46,462,946	40,633,666	5,829,280.	87.5%
	subtotal	67,679,652	38,572,396	29,107,256	57.0%	82,291,378	48,323,622	33,967,756.	58.7%
Maintenance of plant	salary	10,218,229	2,166,823	8,051,406	21.2%	11,598,468	2,183,753	9,414,715.	18.8%
	non-salary	10,881,830	7,414,875	3,466,955	68.1%	15,336,156	7,292,635	8,043,521.	47.6%
	subtotal	21,100,059	9,581,698	11,518,361	45.4%	26,934,624	9,476,388	17,458,236.	35.2%
Fixed charges	non-salary	194,441,731	25,135,424	169,306,307	12.9%	213,502,467	27,501,334	186,001,133.	12.9%
Capital outlay	salary	2,162,667	461,934	1,700,733	21.4%	2,286,455	562,538	1,723,917.	24.6%
	non-salary	201,650	84,938	116,712	42.1%	1,037,195	691,520	345,675.	66.7%
	subtotal	2,364,317	546,872	1,817,445	23.1%	3,323,650	1,254,058	2,069,592.	37.7%
Total Salary		645,434,452	91,934,974	553,499,478	14.2%	677,258,502	98,109,062	579,149,440	14.5%
Total Non-Salary		342,431,935	122,158,498	220,273,437	35.7%	377,540,973	117,818,302	259,722,671	31.2%
Total expenditures and encumbrances		\$ 987,866,387	\$ 214,093,472	\$ 773,772,915	21.7%	\$ 1,054,799,475	\$ 215,927,364	\$ 838,872,111	20.5%

Figure 4