

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: December 5, 2006

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **FINANCIAL REPORT – FOR THE MONTHS ENDING OCTOBER 31, 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 October 31, 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 October 31, 2005 and 2006. Figure 4 is a comparative statement of budget to actual revenues, expenditures and encumbrances.

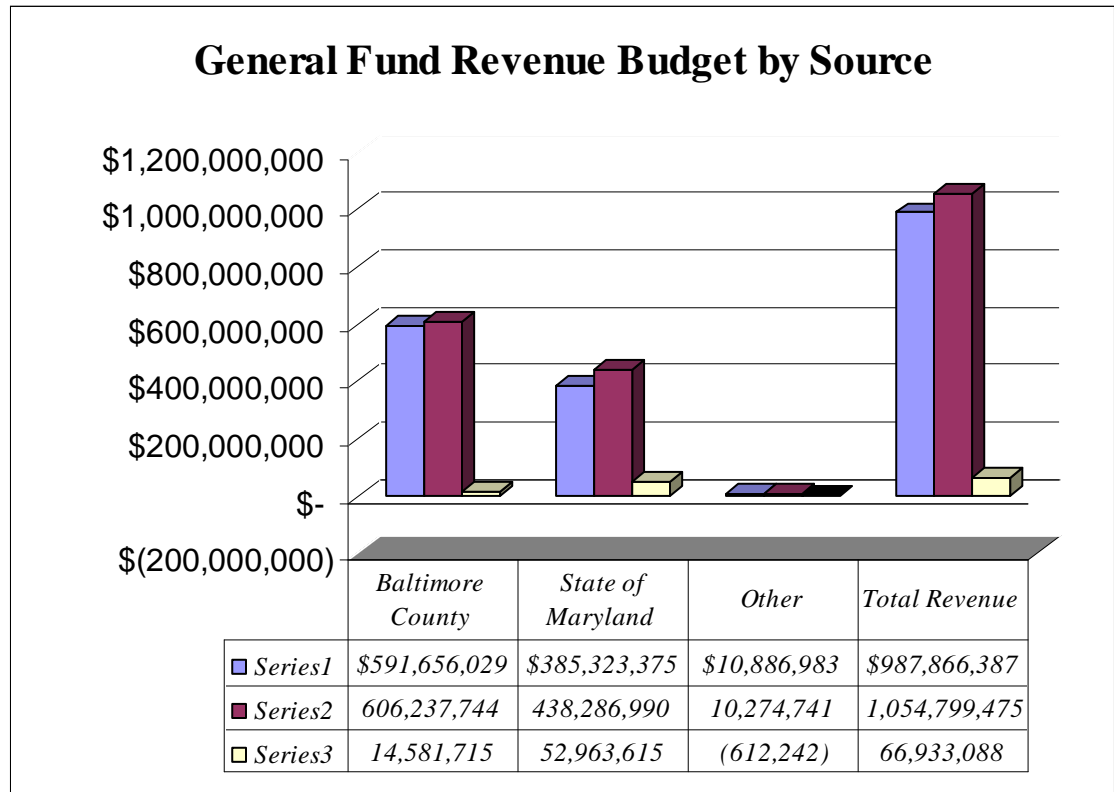


Figure 1

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 \$83.8 million, 13.8% of the budget, as compared to \$94.7 million, 16% 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 fourth 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 \$2.2 million.

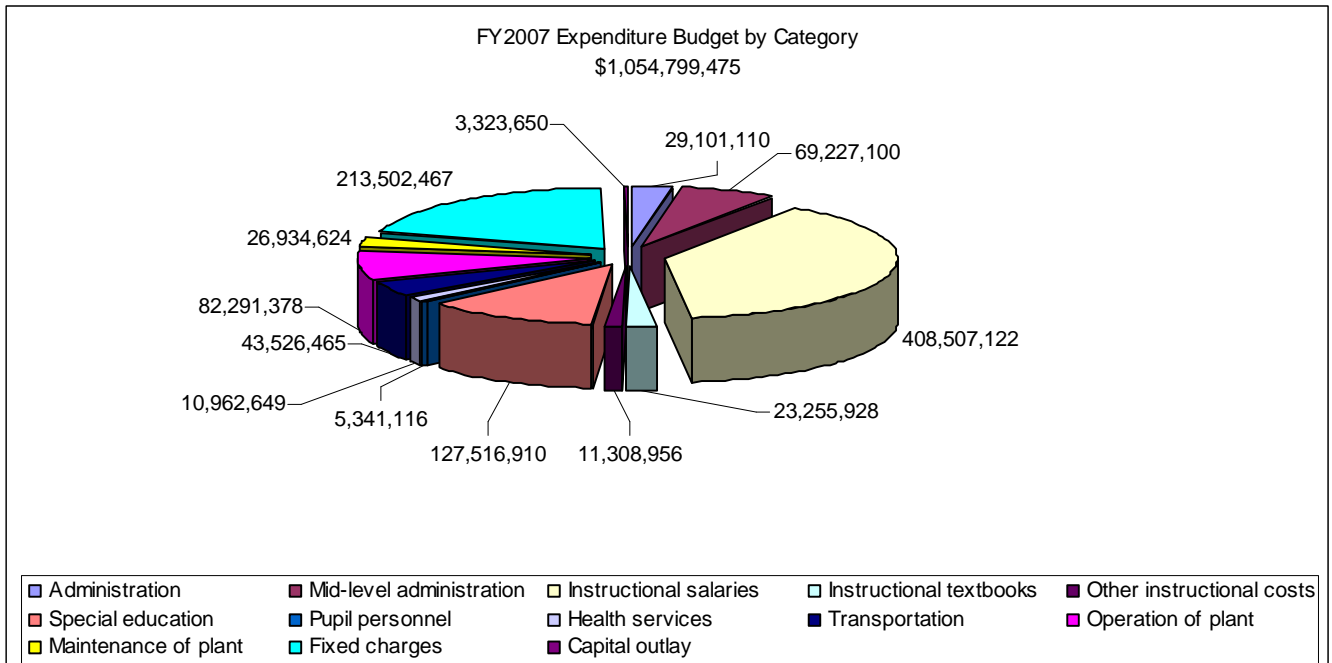


Figure 2 (Detail included in Figure 4)

Year-to-Date Comparison

Total expenditures and encumbrances – Year-to-date expenditures and encumbrances through October, 2006, are \$307 million, 29.1 % obligated, compared to \$292 million, 29.6 % 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 29.4 % 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, Pupil 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 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.

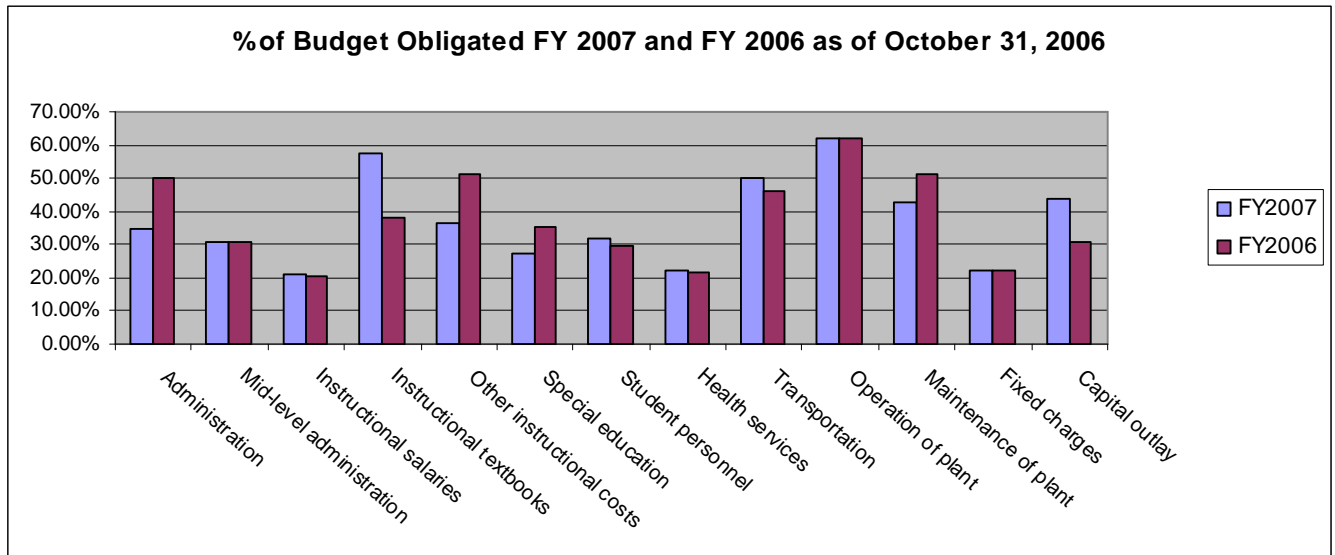


Figure 3

- 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, \$13.3 million, 57.4% 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 \$4.1 million, 36.5% of the FY2007 budgeted funds has been committed. In the prior year \$5.9 million, 51% had been committed primarily because of \$2 million of expenditures for new computer equipment that had been incurred at that time. 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 October 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 October 2006, 94% of the non-salary budget has been committed, compared with 87% committed as of October 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 October 2006, 87.9% of the non-salary budget has been committed, compared with 92.6% as of October 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 approximately \$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 FY2007 expenditures and encumbrances are in line with the budget.

Comparison of FY 2006 and FY 2007 Revenues, Expenditures, and Encumbrances
Budget and Actual
For the Periods Ended October, 2005 and 2006
General Fund

		FY 2006				FY 2007			
		Adjusted	Total	Remaining	Percentage	Adjusted	Total	Remaining	Percentage
		Budget	Rev/Exp/Enc.	Budget	Earned or	Budget	Rev/Exp/Enc.	Budget	Earned or
			as of 10/31/05	as of 10/31/05	Obligated		as of 10/31/06	as of 10/31/06	Obligated
Revenues :									
Baltimore County		\$ 591,656,029	\$ 94,727,161	\$ 496,928,868	16.0%	\$ 606,237,744	\$ 83,832,958	\$ 522,404,786	13.8%
State of Maryland		385,323,375	124,604,786	260,718,589	32.3%	438,286,990	143,137,391	295,149,599	32.7%
Other		10,886,983	5,389,534	5,497,449	49.5%	10,274,741	5,094,171	5,180,570	49.6%
Total revenues		\$ 987,866,387	\$ 224,721,481	\$ 763,144,906	22.7%	\$ 1,054,799,475	\$ 232,064,520	\$ 822,734,955	22.0%
Expenditures and encumbrances :									
Administration	salary	\$ 16,919,500	\$ 5,434,933	\$ 11,484,567	32.1%	\$ 19,368,269	\$ 6,023,652	\$ 13,344,617	31.1%
	non-salary	10,765,186	8,495,152	2,270,034	78.9%	9,732,841	3,996,795	5,736,046	41.1%
	subtotal	27,684,686	13,930,085	13,754,601	50.3%	29,101,110	10,020,447	19,080,663	34.4%
Mid-level administration	salary	61,011,497	18,223,128	42,788,369	29.9%	63,906,065	19,020,277	44,885,788	29.8%
	non-salary	5,128,198	1,980,088	3,148,110	38.6%	5,321,035	2,177,698	3,143,337	40.9%
	subtotal	66,139,695	20,203,216	45,936,479	30.5%	69,227,100	21,197,975	48,029,125	30.6%
Instruction:									
Instructional salaries	salary	393,789,802	80,918,471	312,871,331	20.5%	408,507,122	85,901,629	322,605,493	21.0%
Instructional textbooks	non-salary	19,564,035	7,432,251	12,131,784	38.0%	23,255,928	13,355,491	9,900,437	57.4%
Other instructional costs	non-salary	11,574,482	5,900,594	5,673,888	51.0%	11,308,956	4,128,259	7,180,697	36.5%
Special education	salary	87,500,557	19,650,362	67,850,195	22.5%	92,926,790	21,347,889	71,578,901	23.0%
	non-salary	39,649,253	25,050,289	14,598,964	63.2%	34,590,120	13,609,475	20,980,645	39.3%
	subtotal	127,149,810	44,700,651	82,449,159	35.2%	127,516,910	34,957,364	92,559,546	27.4%
Student personnel	salary	4,697,545	1,413,728	3,283,817	30.1%	5,156,410	1,675,167	3,481,243	32.5%
	non-salary	167,936	25,589	142,347	15.2%	184,706	42,063	142,643	22.8%
	subtotal	4,865,481	1,439,317	3,426,164	29.6%	5,341,116	1,717,230	3,623,886	32.2%
Health services	salary	10,122,687	2,171,422	7,951,266	21.5%	10,728,840	2,355,354	8,373,486	22.0%
	non-salary	232,453	66,596	165,857	28.6%	233,809	67,569	166,240	28.9%
	subtotal	10,355,140	2,238,018	8,117,122	21.6%	10,962,649	2,422,923	8,539,726	22.1%
Transportation	salary	25,890,607	5,772,951	20,117,656	22.3%	26,951,651	6,277,659	20,673,992	23.3%
	non-salary	15,266,890	13,284,958	1,981,932	87.0%	16,574,814	15,580,129	994,685	94.0%
	subtotal	41,157,497	19,057,909	22,099,588	46.3%	43,526,465	21,857,789	21,668,677	50.2%
Operation of plant	salary	33,121,361	9,917,437	23,203,924	29.9%	35,828,432	10,319,402	25,509,030	28.8%
	non-salary	34,558,291	31,991,513	2,566,778	92.6%	46,462,946	40,854,636	5,608,310	87.9%
	subtotal	67,679,652	41,908,950	25,770,702	61.9%	82,291,378	51,174,038	31,117,340	62.2%
Maintenance of plant	salary	10,218,229	2,988,631	7,229,598	29.2%	11,598,468	2,961,098	8,637,370	25.5%
	non-salary	10,881,830	7,833,236	3,048,594	72.0%	15,336,156	8,610,226	6,725,930	56.1%
	subtotal	21,100,059	10,821,867	10,278,192	51.3%	26,934,624	11,571,325	15,363,299	43.0%
Fixed charges	non-salary	194,441,731	42,829,421	151,612,310	22.0%	213,502,467	47,120,386	166,382,081	22.1%
Capital outlay	salary	2,162,667	632,407	1,530,260	29.2%	2,286,455	750,807	1,535,648	32.8%
	non-salary	201,650	92,577	109,073	45.9%	1,037,195	701,652	335,543	67.6%
	subtotal	2,364,317	724,984	1,639,333	30.7%	3,323,650	1,452,459	1,871,191	43.7%
Total Salary		645,434,452	147,123,470	498,310,982	22.8%	677,258,502	156,632,935	520,625,567	23.1%
Total Non-Salary		342,431,935	144,982,263	197,449,672	42.3%	377,540,973	150,244,380	227,296,593	39.8%
Total expenditures and encumbrances		\$ 987,866,387	\$ 292,105,733	\$ 695,760,654	29.6%	\$ 1,054,799,475	\$ 306,877,315	\$ 747,922,160	29.1%

Figure 4

Prepared by: Office of Accounting and Financial Reporting, November 10, 2006