



HARFORD COUNTY, MARYLAND
Office of the County Auditor

**Harford County Public Schools Proposed Budget
for Fiscal Year 2018**

FISCAL IMPACT NOTE

April, 2017

Prepared by the Office of the County Auditor
Harford County, Maryland
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Summary of Board of Education Proposed FY2018 Budget

	2016 FY Actual	2017 FY Budget	2018 FY Budget	Change	Percent Change
Revenue					
Unrestricted Funding Sources					
Harford County	\$ 228,208,971	\$ 233,534,504	\$ 251,603,673	\$ 18,069,169	7.7%
State of Maryland	193,999,044	196,035,003	196,167,015	132,012	0.1%
Federal Government	423,240	390,000	420,000	30,000	7.7%
Other	5,146,148	3,448,822	3,128,762	(320,060)	-9.3%
Fund Balance	4,750,000	5,523,746	4,750,000	(773,746)	-14.0%
Total - Unrestricted Revenue	\$ 432,527,403	\$ 438,932,075	\$ 456,069,450	\$ 17,137,375	3.9%
Restricted Funding Sources					
State of Maryland	\$ 10,344,837	\$ 10,852,778	\$ 10,182,514	\$ (670,264)	-6.2%
Federal Government	18,957,778	18,967,893	20,131,895	1,164,002	6.1%
Other	236,828	144,813	120,000	(24,813)	-17.1%
Total - Restricted Revenue	\$ 29,539,443	\$ 29,965,484	\$ 30,434,409	\$ 468,925	1.6%
TOTAL - REVENUE	\$ 462,066,846	\$ 468,897,559	\$ 486,503,859	\$ 17,606,300	3.8%
Expenditures					
Fund: Unrestricted					
Board of Education	\$ 629,338	\$ 665,870	\$ 680,581	\$ 14,711	2.2%
Business Services	34,881,745	35,789,487	36,930,796	1,141,309	3.2%
Curriculum and Instruction	5,749,068	6,064,126	6,256,113	191,987	3.2%
Education Services	172,216,622	175,658,736	184,594,593	8,935,857	5.1%
Executive Administration	1,531,827	1,577,001	1,612,745	35,744	2.3%
Extra Curricular Activities	3,537,524	3,759,104	3,811,356	52,252	1.4%
Human Resources	76,852,968	78,110,306	82,051,899	3,941,593	5.0%
Operations and Maintenance	64,844,761	69,610,831	69,976,554	365,723	0.5%
Safety and Security	899,420	890,214	902,416	12,202	1.4%
Special Education	40,604,926	41,987,588	43,825,854	1,838,266	4.4%
Student Services	14,111,726	14,748,844	15,675,166	926,322	6.3%
Office of Technology & Information	9,035,322	10,069,968	9,751,377	(318,591)	-3.2%
Total - Unrestricted Fund	\$ 424,895,247	\$ 438,932,075	\$ 456,069,450	\$ 17,137,375	3.9%
Fund: Restricted					
Restricted Fund	\$ 29,539,443	\$ 29,965,484	\$ 30,434,409	\$ 468,925	1.6%
Fund: Current Expense					
Food Service	\$ 16,761,751	\$ 16,886,709	\$ 17,148,762	\$ 262,053	1.6%
Debt Service	31,014,737	31,036,964	29,379,143	(1,657,821)	-5.3%
Capital	33,285,201	20,348,948	86,084,716	65,735,768	323.0%
Pension	26,626,689	26,626,689	26,518,634	(108,055)	-0.4%
TOTAL - EXPENDITURES	\$ 562,123,068	\$ 563,796,869	\$ 645,635,114	\$ 81,838,245	14.5%
Statistics					
Current Expense Fund Employees	4,953.2	4,892.8	4,883.7	(9.1)	-0.2%
Enrollment	37,451	37,426	37,327	(99.0)	-0.3%

EXECUTIVE SUMMARY

Key Notes

- Total proposed budget is \$645,635,114 (+14.5%)
- County funding requested is \$251,603,673 (+7.7%)
- County Executive proposed funding is \$238,715,645 (+2.2%)
- Proposed wage adjustments totaling \$17.3 million
- Proposed Capital Projects are \$86,084,716 (+322.5%)
- Funded Capital Projects total \$44,313,500

The Board of Education has proposed a fiscal year 2018 Unrestricted Fund budget that is approximately \$17.1 million (3.9%) larger than the approved fiscal year (FY) 2017 budget. As in the prior year, the largest increases are in the areas of Salary and Wages. There are also significant increases for Insurance Costs (in Human Resources). Capital Projects have increased substantially within the Restricted Fund budgets. The County funding requested has increased by \$18.1 million or 7.7%.

The County Executive’s proposed budget includes \$238.7 million for school funding. This amount represents the prior year’s funding plus \$5.0 million for instructional salaries and \$181,141 for increases in bus contract costs.

Broadly, the budget prepared by HCPS is an incremental budget – it provides explanations for changes from the prior year budget and assumes that the prior year budget amounts are acceptable. In part, the State’s requirement for funding at the Maintenance of Effort level encourages this approach to budgeting. However, after a number of years, the base being used may not remain relevant because of changes in student needs, State and Federal mandates and the cost of doing business. Recently, the schools have implemented a citizen’s budget advisory board to provide input on the budget in future years, beginning with the FY2019 budget. We strongly recommend that the schools prepare a zero-based budget to demonstrate the specific programs, services and staffing levels that are needed. *This recommendation remains from the prior year.*

We have noted in the past, and continue to emphasize, that the Schools have many administrative functions that are similar to those of the County government. To our knowledge, there has been some study and consideration of combining some of these functions. Key areas that should be considered are Procurement, Human Resources, Payroll, Accounts Payable, Fleet Management and Maintenance. Additionally, some supporting functions such as Facilities Maintenance and Janitorial Services might be appropriate for consolidation. Per discussion with school officials, discussions with County officials have continued related to combining functions for some processes. We encourage School and County officials to continue to take steps towards identifying and implementing shared efficiency improvements.

To summarize the budget process, each year, Harford County Public Schools’ (HCPS) Superintendent prepares a proposed budget that is amended and approved by the Board of Education prior to submitting a funding request to the County Executive. HCPS additionally prepares a detailed budget book that includes many details to support the annual

funding request. The County Executive recommends the amount of County funding in the annual appropriation ordinance. The County Council may amend the County Executive’s proposed school funding upward, but may not reduce the proposed amount. It is relevant to note that the County Executive’s budget includes the projected revenue, which cannot be changed by the County Council. The requirement for a balanced budget means that increases to the school budget must be funded by reductions in other County departments by the County Council or an increase in revenue by the County Executive. Further, the annual budget appropriation authorizes current expense funding to the Board of Education in the State mandated reporting categories, but does not provide any further restrictions on how the money may be spent.

This analysis addresses the budget’s summary sections: Revenue, Expenditures, Positions and Priorities. Where appropriate, recommendations for further evaluation have been noted. Throughout this analysis, we refer to the section numbers in the Board of Education’s Proposed FY2018 Budget. Information used in this analysis was provided by the HCPS Budget and Finance personnel. In preparing this document, we inquired of members of HCPS management and the Board of Education to clarify our understanding of the subject and to initiate conversations about overall fiscal efficiency.

This fiscal impact note is not intended to substitute for reading HCPS’ budget book. Rather, it is intended to complement and summarize that information and provide recommendations for fiscal improvement. Our focus was on the financial costs of operating the school system; we defer to the school officials for their expertise and experience with best practices for educating students.

We strongly encourage all readers of this analysis to also read the proposed budget in full, giving particular attention to chapters 1 through 9, as they describe the HCPS background, objectives, results and approach to developing the budget.

SUMMARY OF RECOMMENDATIONS

- We strongly recommend that the schools prepare a zero-based budget to demonstrate the specific programs, services and staffing levels that are needed.(See page 6) *Remains from prior year.*
- We encourage School and County officials to continue to take steps towards identifying and implementing shared efficiency improvements. (See page 3) *Remains from prior year.*
- School and County officials should consider including technology refresh costs in the operating budget, rather than in the capital budget. (See page 13) *Remains from prior year.*

Additional Information

Report Version: 03
 (April, 2017)
 Based on Board of Education’s Proposed Budget

HCPS MANAGEMENT RESPONSE

Thank you for providing Harford County Public Schools with a draft copy of the “Harford County Public Schools Proposed Budget for Fiscal Year 2018 – Fiscal Impact Note” prepared by the Office of the County Auditor. We acknowledge, with gratitude, the in-depth analysis and recommendations provided throughout the report. We appreciated the opportunity to meet personally with Ms. Brooks and her staff to discuss in detail the Board of Education’s Proposed Budget for Fiscal Year 2018.

In response to the recommendation that *“the schools prepare a zero based budget to demonstrate the specific programs, services and staffing levels that are needed”*, we would like to emphasize that we utilize a comprehensive priority based approach to budgeting, not an incremental approach. We reallocate resources, including staff and funds, based on current and projected programmatic needs. Each year as part of the annual budget process, all aspects of the HCPS budget are examined in detail by budget managers to ensure optimal utilization of all resources. Annually, employee staffing is assessed, evaluated and assigned based on an analysis of enrollment changes, student and school needs, program requirements and assignments throughout the school system. Based on the limited growth in new resources since fiscal 2008, the need to reassess and repurpose all resources has been essential for the school system to function. The justification for previously budgeted funds is provided in the Accomplishments portion of each tabbed section of the budget book. If we truly used a zero-based budget approach, our critical needs list would be incorporated into the budget request.

In response to the recommendation that *“School and County officials continue to take steps towards identifying and implementing shared efficiency improvements”*, we welcome the opportunity to meet and work with the County Executive and members of his administration to continue to explore options.

We fully support your recommendation that *“School and County officials should consider including technology refresh costs in the operating budget, rather than the capital budget”*. The investment in technology is not a one-time expense, it is an ongoing, recurring and expensive undertaking. However, the 21st Century classroom demands and deserves the newest and best technology we can provide. We are open to discussions to include technology funding in subsequent years operating submissions.

SUMMARY OF REVENUES AND EXPENDITURES

Revenues

The Board of Education (BoE) primarily receives funding from the County, State and Federal Governments. The County funding request is approximately \$18.1 million (7.7%) higher than the prior year. County funds are only used to support Unrestricted Fund expenditures. Expenditures are discussed later in this analysis.

State funding is projected to increase slightly from the FY2017 budget. State funding is adjusted based upon comparative wealth factors between counties. The wealth factor is only one component of determining State funding. The School’s budget for state funding is based upon early projections. Increases or decreases may become apparent as the State’s budget process progresses through April.

‘Other revenue’ includes a wide variety of sources. The net reduction in ‘Other Revenue’ is approximately 9.3%. Of note, the proposed FY2018 budget projects that E-Rate revenue (rebates to install high-speed internet access) is expected to decrease by \$450,000 (90%). This revenue increased substantially for 2017; however, now that all school buildings have high-speed internet access, the system no longer qualifies for this program. PSAT Fee revenue is also expected to decrease from \$42,000 to \$0. The schools are projecting revenue increases totaling \$195,000 from Interest Income, Healthcare, Medicare and other benefit Rebates, Insurance Recoveries and Building Use Fees.

The Board of Education expects to use \$4.75 million of its fund balance (rainy day fund) to pay for operating expenses.

Expenditures

Overall, the proposed Unrestricted budget spending has increased by \$17.1 million or 3.9%.

As mentioned in the Executive Summary, the budget prepared by HCPS is an incremental budget – it provides explanations for changes from the prior year budget and assumes that the prior year budget amounts are acceptable. We strongly recommend that the schools prepare a zero-based budget to demonstrate the specific programs, services and staffing levels that are needed. A zero-based budget would provide justification for all requests, not just the changes from the prior year. This budgeting approach would require officials to identify the actual costs of each program and service provided. At a minimum, the zero-based budget should identify how many employees are needed and how they will be

deployed because salaries and benefits are the largest costs of educating students. At this time, it is not clear that a baseline calculation of required school-based staff has been performed. However, the priorities section of the proposed budget includes a number of teaching positions that officials feel should be filled.

The proposed budget summarizes the changes in expenditures as “Wages and Benefits”, “Base Budget Adjustments”, “Net Cost Savings Measures” and “Cost of Doing Business”.

Wages and Benefits are, by far, the majority of the increase, adding approximately \$18.1 million to the budget. \$17.3 million of that amount is related to a negotiated wage/salary package that includes a 2% cost of living adjustment and two pay steps for eligible employees. The increase is partially offset by an estimated \$2.5 million in savings from employee turnover. The remaining increase in this category reflects an estimated 5.5% increase in health insurance rates that will cost \$3.8 million.

Base Budget Adjustments net to \$0. Items included are generally personnel transfers between departments and reallocation of expenses.

The proposed increase in Cost of Doing Business (CODB) is detailed on page 117 of the Board of Education Proposed Budget and total approximately \$687,000. The most significant changes are related to Transportation, and various insurance costs. The increases are offset by cost saving measures totaling approximately \$1.7 million dollars. Savings are largely from conversion to the Fiber Optic networks and transportation efficiencies.

In prior years, we noted several detailed line items are routinely budgeted significantly higher or lower than the actual spending, based on prior years’ results. The schools perform transfers between accounts to ensure that no account is overspent in a fiscal year. For FY2012 through FY2016, we found that while the net annual variance was 1.1% below budget, the average difference at the State Category level showed actual spending averaged 2.7% lower than the budget, prior to year-end budget transfers. This implies that some small categories have significant variances that should be considered, but also that some large budget lines may have small percentage variances that represent large dollar amounts. However, it is a good sign that these numbers have gotten closer to one another over time. The table below summarizes the schools’ Unrestricted Fund results for the last two completed fiscal years. The ‘Application of Variance’ column, totaling negative \$4.8 million, represents the amount that would be unspent in FY2018 based on the prior years’ results. (A positive number in this table means that the schools spent more than budgeted.)

Unrestricted Funds	2018	Average PY	Application of	2016		2015	
	FY Budget	Variance	Variance	Actual-Budget		Actual-Budget	
Administrative Services	\$ 11,162,217	-3.3%	\$ (362,993)	\$ (305,529)	-2.9%	\$ (271,578)	-2.6%
Mid-Level Administration	27,163,901	-1.2%	(329,916)	(214,972)	-0.9%	(224,529)	-0.9%
Instructional Salaries	168,773,346	-1.0%	(1,705,065)	(2,836,251)	-1.8%	(2,629,498)	-1.7%
Textbooks & Classroom Supplies	7,007,435	-3.6%	(255,475)	(463,669)	-6.4%	(192,779)	-2.6%
Other Instructional Costs	2,800,763	14.3%	400,093	2,020,575	72.3%	(53,096)	-1.8%
Special Education	43,912,334	-0.7%	(292,024)	(597,974)	-1.4%	(406,872)	-1.0%
Student Services	1,828,168	-1.1%	(20,072)	238	0.0%	(36,980)	-2.2%
Health Services	3,660,842	-2.9%	(105,325)	(36,354)	-1.1%	(148,305)	-4.2%
Student Transportation	31,238,450	-1.5%	(463,994)	(1,193,091)	-3.9%	180,512	0.6%
Operation of Plant	29,634,809	-3.6%	(1,078,210)	(2,924,318)	-9.7%	(1,522,206)	-5.1%
Maintenance of Plant	14,031,089	-0.4%	(50,451)	198,826	1.5%	(221,977)	-1.8%
Fixed Charges	113,773,346	-0.3%	(390,994)	92,810	0.1%	(2,378,677)	-2.2%
Community Services	490,537	-17.1%	(83,931)	(56,860)	-10.8%	(86,000)	-16.2%
Capital Outlay	592,213	-15.3%	(90,811)	(1,235)	-0.2%	(40,171)	-9.5%
TOTAL	\$ 456,069,450		\$ (4,829,166)	\$ (6,317,804)	-1.5%	\$ (8,032,156)	-1.9%

We reviewed each line item in the proposed Unrestricted budget and identified a number of items that were over- or under-budgeted when compared to the FY2016 and FY2017 results. The differences were largely explained by proposed wage adjustments and employee benefit changes. We considered that expenditures may be reflected in categories other than the ones budgeted, so we analyzed the budget data at the level of category and department. The table below, based on the Superintendent’s proposed budget, summarizes the categories, by department, with significant variances in the Unrestricted Fund that were not fully explained by the above reasons. The total of those amounts suggests potential areas for reduction or adjustment in the FY2018 budget and is summarized below. (Positive figures in the table below represent categories that could be adjusted downward.)

	Total of Significant Variances	Total FY18 Budget	% of Line Item
Board of Education	\$ 27,400	\$ 680,581	
Contracted Services	14,848	138,530	10.7%
Other Charges	12,553	100,602	12.5%
Curriculum and Instruction	32,066	6,256,113	
Equipment	7,269	33,304	21.8%
Other Charges	24,797	148,130	16.7%
Education Services	484,470	184,220,782	
Contracted Services	260,048	960,794	27.1%
Equipment	(8,366)	930,144	-0.9%
Other Charges	16,049	186,749	8.6%

	Total of Significant Variances	Total FY18 Budget	% of Line Item
Supplies	216,738	5,139,669	4.2%
Executive Administration	19,226	1,612,745	
Contracted Services	19,226	58,451	32.9%
Extra-Curricular Activities	73,370	3,670,877	
Supplies	73,370	610,702	12.0%
Operations and Maintenance	(99,946)	69,819,615	
Contracted Services	129,700	26,310,949	0.5%
Equipment	(243,386)	38,613	-630.3%
Other Charges	13,740	13,890,888	0.1%
OTIS	167,677	9,751,377	
Contracted Services	76,197	2,657,165	2.9%
Equipment	18,920	314,045	6.0%
Other Charges	13,889	794,195	1.7%
Supplies	58,670	1,987,647	3.0%
Special Education	68,670	43,825,854	
Supplies	68,670	309,674	22.2%
Student Services	40,196	15,635,524	
Contracted Services	40,196	93,813	42.8%
Grand Total	\$ 813,129	\$ 455,250,701	0.2%

POSITIONS

The proposed budget includes 4,643.9 unrestricted, current expense fund positions, a net decrease of 3.5 full-time equivalent employees. within the Special Education Program.

We noted in the past that HCPS did not budget for employee turnover in the proposed budget. However, this year’s proposed budget does reflect an expected turnover savings of approximately \$2.5 million. That amount offsets the cost of the negotiated wage adjustments.

CRITICAL NEEDS

Given hypothetical unlimited resources, the expertise of school officials would likely generate a long list of programs and services that would help further the Board’s mission. The proposed budget includes a Critical

Needs List section which details many high priority items that the Board of Education felt were important, but that could not be included in the proposed budget at the requested funding level. The Critical Needs List items require total funding of \$9 million.

The most significant items on the list are new positions district-wide:

- 42.0 FTE - FTE Special Education Teachers and Para-educators
- 27.0 FTE - Regular Program Teachers
- 17.0FTE - School based Support (Social Workers, Guidance Counselor, Psychologists, and Custodians)
- 16.5 FTE - Elementary Math Coaches
- 15.0 FTE – Teacher Mentors
- 6.0 FTE – ESOL Teachers

Other priorities included instructional and operational furniture and equipment as well as professional development to support classroom technology. Library Materials and Technology Programs are also priorities, as well as Stormwater Management infrastructure repairs.

School officials noted that the Critical Needs list does not encompass all the staffing and resources that would be needed to reach target class sizes and fully implement initiatives aimed at providing more individualized learning opportunities.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

	2016	2017	2018	Change	Percent Change
Fund: Pension	FY Actual	FY Budget	FY Budget		
State of Maryland Contribution	\$ 26,626,689	\$ 27,894,866	\$ 26,518,634	\$ (1,376,232)	-4.9%
HCPS Funds to Teachers' Plan	8,448,709	9,135,186	9,007,778	(127,408)	-1.4%
HCPS Funds to Employees' Plan	2,749,421	2,809,745	2,390,000	(419,745)	-14.9%
Restricted Fund Contribution	1,860,687	1,700,000	1,800,000	100,000	5.9%
Total	\$ 39,685,506	\$ 41,539,797	\$ 39,716,412	\$ (1,823,385)	-4.4%
Fund: OPEB					
Annual OPEB Cost	59,695,000	59,695,000	59,695,000	-	0.0%
Contributions to Plan Payments	(25,939,000)	-	-	-	0.0%
Expected Plan Payments		(22,964,337)	(23,255,819)	(291,482)	1.3%
Increase in OPEB Liability	33,756,000	36,730,663	36,439,181	(291,482)	-0.8%

HCPS employees participate in pension plans administered by Maryland’s State Retirement Agency. In the past, the State has contributed the employer’s share to the pension. Beginning in FY2013,

the schools were required to absorb a portion of the employer's contribution. FY2016 was the first year that the County was responsible for 100% of the pension's normal cost. The FY2018 local costs will be \$0.55 million (4.6%) less than the prior year.

When employees retire, a portion of their health and dental costs are paid by HCPS. Those costs are paid by the Other Post-Employment Benefits (OPEB) trust which is funded to help pay for future costs. The Annual Required Contribution (ARC) is the actuarial estimate of how much the employer should contribute today to fund future costs plus an amount that is needed to catch up for earlier unfunded years. The annual OPEB cost is the ARC after being adjusted for interest and amortization of the net obligation. In prior years, HCPS has not funded its entire ARC. This contributes to a growing future liability. The 7/1/2015 Accrued Actuarial Liability was approximately \$707 million, while the plan's assets were approximately 5.33% of that amount. The proposed budget does not include OPEB projections or expected funding for the upcoming year. In prior years, the school system has used their healthcare consortium and Medicare Part D rebates to fund OPEB contributions; however, it is not clear whether these surpluses will be available in FY2018. *The table above reflects our estimate of contributions to the plan.*

School officials have indicated in prior years that they have considered Post-Employment Health Plans, but noted that the future obligation would not be reduced without a reduction in employee benefits. We agree with their assessment, but note that the current practice of large benefits and partial funding is not sustainable. School officials will need to consider how to best structure benefit plans to balance full-funding and maintaining an attractive benefit package for employees.

CAPITAL IMPROVEMENT PROGRAM

Description	Project Number	FY2018 Total Budget Reques	CE Proposal	Total Project Cos	Percent Comple
Fund: General					
Havre de Grace HS Replacement	B144111	38,000,000	38,000,000	99,202,000	4.0%
Bel Air ES HVAC/Open Space	New	7,560,000	3,780,500	7,560,000	0.0%
North Harford ES Roof Replacement	New	1,062,000		1,062,000	0.0%
Roye Williams HVAC Systemic Renovation	New	10,550,000		10,550,000	0.0%
Technology Refresh	B044118	7,000,000	1,000,000	103,255,371	25.0%
CEO Annex and Training Areas HVAC	New	1,860,000		1,860,000	0.0%
N. Harford HS Aqua. Lab and Greenhouse	New	830,000	830,000	830,000	0.0%
Harford Glen Generator and Dryers	New	154,000		154,000	0.0%
Swimming Pool Renovations	B104120	352,316	353,000	1,110,000	27.0%
Special Ed Facility Improvements	B114120	100,000		1,050,000	19.0%
Career & Tech Education Equipment Refresh	B064130	250,000		1,500,000	50.0%
Music Technology Lab	B144114	150,000		1,077,557	32.0%
Technology Education Lab Refresh	B994124	240,000		2,500,000	65.0%
Textbook/Supplemental Refresh	B064129	1,000,000		9,931,644	47.1%
Fire Alarm & ER Communications	B004112	900,000		4,165,000	27.0%
Security Measures	B144134	225,000		12,740,000	13.6%
Stormwater Mgmt, Erosion, Sediment Control	B064128	485,000		3,110,000	24.9%
Major HVAC Repairs	B064145	2,645,000		18,107,476	48.7%
Environmental Compliance	B974118	880,000		4,541,263	64.8%
ADA Improvements	B064143	100,000		1,200,000	50.0%
Septic Facility Code Upgrades	B114126	75,000		5,360,592	91.6%
Replacement Buses	B024118	3,224,000	250,000	18,422,994	54.6%
Replacement (Maint.) Vehicles & Equip.	B034115	4,412,400		13,934,796	40.1%
Paving - Overlay and Maintenance	B064127	700,000		4,406,370	48.9%
Athletic Field Repair and Restoration	B034113	100,000	100,000	1,087,000	44.8%
Domestic Water and Backflow Prevention	B054111	1,050,000		2,700,000	22.2%
Floor Covering Replacement	B114117	200,000		1,150,000	8.7%
Folding Partition Replacement	New	100,000		600,000	0.0%
Outdoor Track Reconditioning	B114119	100,000		550,000	63.6%
Paving - New Parking Areas	B064126	350,000		350,000	0.0%
Playground Equipment	B144117	300,000		5,699,241	0.0%
Building Envelope Improvements	B144107	200,000		1,900,000	0.0%
Music Equipment Refresh	B144113	50,000		925,000	0.0%
Equipment and Furniture Replacement	B004113	100,000		2,255,000	0.0%
Energy Conservation Measures	B114116	250,000		2,000,000	0.0%
Band Uniform Refresh		150,000		702,340	0.0%
Bleacher Replacement	B094130	100,000		600,000	0.0%
Locker Replacement	B094131	150,000		1,230,000	0.0%
Relocatable Classrooms	B094120	130,000		11,974,637	0.0%
Total		\$ 86,084,716	\$ 44,313,500	\$ 361,354,281	34.9%

Recommended Actions

- School and County officials should consider including technology refresh costs in the operating budget, rather than in the capital budget.

Prioritization of capital projects should be recommended by subject matter experts and approved by those in leadership. As a result, budget analysis of the capital projects is limited to general descriptions, current and prior appropriations and background information. The overall appropriateness of the Capital Improvement Program, including projected future funding, has not been assessed.

The Capital Improvement Plan includes the proposed projects that the Harford County Board of Education will undertake over the next six years that will add to, support or improve the physical infrastructure, capital assets or productive capacity of educational services. In accordance with §123-12.1 of the County Code, the Capital Program, which includes projects for the Board of Education, must be adopted by the County Council annually. The Board of Education requests funding for capital projects it deems priorities through its Capital Improvement Plan. The proposed Capital Improvement Plan for FY2018 consists of 39 projects totaling \$86,084,716. The local government funding request is \$66,884,716.

Overwhelmingly, the largest capital project funding requested is for the Havre de Grace Middle/ High School replacement project. The 2018 requested funding is \$38 million. This project has been fully funded in the County Executive's proposed budget.

Technology Refresh has \$7 million budgeted. Funds will be used for desktop/laptop refreshes and Core Equipment in the Data Center. Funding is also intended to partially address the need for devices required for PARCC testing. The Technology Refresh project would also address Auditorium A/V systems, PA systems, Interactive Classroom tools and phone systems. The Technology Refresh project has been partially funded in the County Executive's budget proposal.

The purchases funded by the Technology Refresh project are in the capital budget, but are more accurately classified as operating expenses because they represent the ongoing cost of maintaining the hardware and software used in classrooms and by administrators. We continue to recommend School and County officials should consider including technology refresh costs in the operating budget, rather than in the capital budget.

Many other capital projects are generic (Building Envelope Improvements, Fire Alarm and ER Communications, Paving, Replacement Buses, Textbook/Supplemental Refresh, Playground Equipment, etc.) and address needs that exist in multiple locations. These projects have been planned to address 1 or 2 schools each year. Buses are replaced every 12 years as required by the State Department of Education and



other vehicles are replaced, as needed, using the American Public Works Association standards. Some of the largest projects are for major building system enhancements such as HVAC improvements, roof replacements and Open Space enclosures. The Bel Air Elementary School HVAC/ Open Space project has been partially funded by the County Executive for FY2018.

School officials have noted that limited funding for the general/maintenance projects over several years has required the delay of some maintenance. Over time, these delays may lead to the failure of building systems and equipment that will require costly replacements.