



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### FISCAL IMPACT NOTE

#### Harford County Public Schools Proposed Budget for Fiscal Year 2022

**April, 2021**

Prepared by the Office of the County Auditor  
Harford County, Maryland  
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### Summary of Board of Education Proposed FY2022 Budget

	2019 FY Actual	2020 FY Actual	2021 FY Budget	2022 FY Budget	Change	Percent Change
<b>Revenue</b>						
Unrestricted Funding Sources						
Harford County	\$ 245,815,645	\$ 256,465,645	\$ 276,927,778	\$ 293,812,984	\$ 16,885,206	6.1%
State of Maryland	201,407,089	211,604,056	218,939,837	218,249,613	(690,224)	-0.3%
Federal Government	589,519	472,218	420,000	420,000	-	0.0%
Other	5,212,899	4,770,672	5,105,000	4,115,500	(989,500)	-19.4%
Fund Balance	14,680,933	5,000,000	2,000,000	2,989,500	989,500	49.5%
<b>Total - Unrestricted Revenue</b>	<b>\$ 467,706,085</b>	<b>\$ 478,312,591</b>	<b>\$ 503,392,615</b>	<b>\$ 519,587,597</b>	<b>\$ 16,194,982</b>	<b>3.2%</b>
Restricted Funding Sources						
State of Maryland	\$ 9,517,875	\$ 12,647,621	\$ 18,766,633	\$ 17,246,668	\$ (1,519,965)	-8.1%
Federal Government	21,819,739	23,125,047	20,068,723	19,516,908	(551,815)	-2.7%
Other	329,509	246,302	155,500	86,500	(69,000)	-44.4%
<b>Total - Restricted Revenue</b>	<b>\$ 31,667,123</b>	<b>\$ 36,018,970</b>	<b>\$ 38,990,856</b>	<b>\$ 36,850,076</b>	<b>\$ (2,140,780)</b>	<b>-5.5%</b>
<b>TOTAL - REVENUE</b>	<b>\$ 499,373,208</b>	<b>\$ 514,331,561</b>	<b>\$ 542,383,471</b>	<b>\$ 556,437,673</b>	<b>\$ 14,054,202</b>	<b>2.6%</b>
<b>Expenditures</b>						
Fund: Unrestricted						
Board of Education	\$ 623,183	\$ 729,698	\$ 787,804	\$ 904,642	\$ 116,838	14.8%
Business Services	36,782,454	38,017,199	39,976,123	40,905,684	929,561	2.3%
Curriculum and Instruction	4,827,765	5,061,519	7,493,606	10,552,446	3,058,840	40.8%
Education Services	182,943,071	181,763,339	195,864,768	200,645,530	4,780,762	2.4%
Executive Administration	1,437,890	1,798,967	2,045,775	2,104,185	58,410	2.9%
Extra Curricular Activities	3,690,253	3,535,928	3,849,835	3,849,835	-	0.0%
Human Resources	93,851,143	100,276,611	102,607,821	104,134,354	1,526,533	1.5%
Operations and Maintenance	67,368,853	65,638,932	72,465,552	74,127,478	1,661,926	2.3%
Safety and Security	827,186	1,076,288	1,180,155	1,191,666	11,511	1.0%
Special Education	43,555,046	46,143,338	49,141,978	52,570,999	3,429,021	7.0%
Student Services	16,009,590	17,198,030	18,374,030	19,328,474	954,444	5.2%
Office of Technology & Information	8,320,639	8,520,361	9,605,168	9,272,304	(332,864)	-3.5%
<b>Total - Unrestricted Fund</b>	<b>\$ 460,237,073</b>	<b>\$ 469,760,210</b>	<b>\$ 503,392,615</b>	<b>\$ 519,587,597</b>	<b>\$ 16,194,982</b>	<b>3.2%</b>
Fund: Restricted						
Restricted Fund	\$ 31,667,123	\$ 36,018,970	\$ 38,990,856	\$ 36,850,076	\$ (2,140,780)	-5.5%
Fund: Current Expense						
Food Service	\$ 18,050,447	\$ 16,862,633	\$ 18,638,517	\$ 18,638,517	\$ -	0.0%
Debt Service	34,075,503	34,703,127	32,855,867	33,592,723	736,856	2.2%
Capital	42,382,147	34,974,651	34,080,000	67,793,263	33,713,263	98.9%
Pension	26,749,784	28,417,497	27,643,879	28,288,745	644,866	2.3%
<b>TOTAL - EXPENDITURES</b>	<b>\$ 613,162,077</b>	<b>\$ 620,737,088</b>	<b>\$ 655,601,734</b>	<b>\$ 704,750,921</b>	<b>\$ 49,149,187</b>	<b>7.5%</b>

**Key Notes**

- Total proposed budget is \$704,750,921 (+7.5%)
- County funding requested is \$293,812,984 which has been fully funded by the County Executive
- The request is \$16.9 million (+6.1%) higher than the prior approved budget
- Proposed Capital Projects are \$67,793,263 (+98.9%)
- Funded Capital Projects total \$35,853,260

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**Additional Information**

Report Version: 01  
(April 2021)  
Based on Board of  
Education's  
Proposed Budget

## **EXECUTIVE SUMMARY**

The Board of Education has proposed a fiscal year 2022 Unrestricted Fund budget that is approximately \$16.2 million (3.2%) larger than the approved fiscal year (FY) 2021 budget.

Operating a school system is a labor-intensive endeavor. Employees and their related costs drive the largest changes to the school system's budget. For FY2022, the Superintendent and Board of Education have proposed adding 68.6 positions, between restorations, enhancements and mandatory increases. These additional positions will cost approximately \$4.5 million and will be distributed among Special Education, Education Services, Student Services, Transportation and Legal Services.

The budget includes \$8.0 million for salary and wage increases. Aside from the personnel related costs, the proposed budget is largely unchanged from the adopted FY2021 budget. This fiscal note will address any areas for potential reduction or recommendations for improvement.

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 consideration in the budget approval process. Our focus is 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 4, as they describe HCPS' background, objectives, results and approach to developing the budget.

## **SUMMARY OF RECOMMENDATIONS**

- School and County officials should consider including technology refresh costs in the operating budget, rather than in the capital budget. (See page 8) *Remains from prior year.*

## HCPS MANAGEMENT RESPONSE

When the pandemic began, HCPS entered into leases for teacher and student devices so that learning could continue. HCPS recognizes this finding is a repeat from prior years and knew it would not be easy to incorporate device refresh in the operating budget. Purchasing directly is an insurmountable challenge for the system. With CARE's and ESSER funding, the first few lease payments will be fully covered. In an effort to build a sustainable refresh budget over time, HCPS did include \$1.6M in FY21 and an additional \$1.5M in FY22 for Technology refresh, for a total of \$3.1M. Our intention is to include another \$1.5M in the FY23 budget for a total of \$4.6M. This amount will cover the recurring teacher and student device lease costs but may need to be increased due to increases in the lease agreements.

## BACKGROUND

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 a projected revenue amount 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.

Information used in this analysis was provided by HCPS Budget personnel. In preparing this document, we inquired of members of HCPS management to clarify our understanding of the subject and to initiate conversations about overall fiscal efficiency. Where appropriate, recommendations for further evaluation have been noted.

## 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 \$16.9 million (6.1%) higher than the prior year. The County Executive's proposed budget fully funds the request. County funds are only used to support Unrestricted Fund expenditures. Expenditures are discussed later in this analysis.

State funding is projected to decline by 0.3% from the FY2021 budget. State funding is adjusted based upon comparative wealth and other factors between counties. 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. Of note, the proposed FY2022 budget projects reduced revenue from Medicare Part D subsidies of \$750,000 (-50%) and Interest Income of \$220,000 (-52.4%). The schools' eligible retirees were moved to a Medicare Advantage Plan in 2021, so the subsidy is reduced this year and will continue to decrease in future years. Interest was less in FY2020 and school management expects it to remain low through FY2022.

### Expenditures

Overall, the proposed Unrestricted budget spending has increased by \$16.2 million or 3.2%. The proposed changes in expenditures are summarized on pages 59-63 of the Board of Education Proposed Budget.

The largest increases in the budget are related to Employees; we will discuss Position changes later in this report. Salary and Wages represent 58.2% of the budget (approximately \$323.8 million). This amount includes approximately \$8.0 million for a Salary and Wage adjustment package (including related taxes and insurance changes). However, the amount budgeted is just an estimate; agreements with bargaining units have not yet been finalized.

Each year transportation costs increase to cover previously negotiated contractual increases. For FY2022 the increase will be approximately \$1.2 million and includes 6 new bus drivers and 6 new bus attendance for Special Education programs.

Based on prior years' results, we reviewed each expense category, by department, in the proposed FY2022 Unrestricted budget and found some account groups that were over-budgeted; the total of those variances was less than \$800,000, approximately 0.15% of the budget.

Among those variances:

- Education Services and Special Education could be reduced in various areas for a total of \$179,000 and \$177,000 respectively; many items in these accounts are allocated to schools based on the number of students.
- Operations and Maintenance can be reduced by about \$380,000 to better reflect past use of Contracted Services.
- Student Services could be increased by about \$50,000 to reflect actual contracted Services expenditures.

We have shared with school officials the remaining categories where minor adjustments could be made. While there are refinements that could be made to some line items in the budget, the most significant impact on the schools' expenditures is the number of employees required to provide adequate programming.

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## **POSITIONS**

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The proposed budget includes 4,951.3 total positions, an increase of 68.6 full-time equivalent employees in the Unrestricted budget. The cost of the additional positions is approximately \$4.5 million.

Among the new school-based positions are

- 28.6 Special Education Teachers, Paraeducators and Speech Pathologists
- 13.0 Teachers and Paraeducators for Pre-K expansion
- 6.0 Assistant Principals
- 8.0 School Psychologists and Counselors

Other positions, not based in schools, include Bus Drivers and Attendants (6 each) and an Attorney.

CAPITAL IMPROVEMENT PROGRAM			
Category	Description	FY2022 Total Budget Request	CE Proposal
Fund: General			
	Homestead Wakefield Planning	\$ 6,000,000	\$ 6,000,000
	Joppatowne High School Limited Renovation	18,547,263	18,547,260
	Bel Air MS Roof Replacement	1,505,000	
	CEO Roof Replacement	4,329,000	4,329,000
	Abingdon ES Central Plant Replacement	2,378,000	2,378,000
	Bel Air ES HVAC/Open Space	-	(134,764)
	Aberdeen Middle School Roof Replacement	-	(7,576)
	Hickory Elementary School Roof Replacement	-	(709,576)
Technology Infrastructure	Technology Refresh/ Infrastructure	4,356,000	
	Phone System Replacement	260,000	260,000
	Enterprise Resource Planning System	5,000,000	
Life, Health, Safety and Compliance Measures	Emergency Systems Communications	1,737,000	
	Environmental Compliance	880,000	
	Security Measures	576,000	1,737,000
	Domestic Water and Backflow Prevention	120,000	
Fleet Replacement	Replacement Buses	3,526,000	
	Vehicles and Equipment	4,136,000	1,102,000
Site Improvements	Stormwater Mgmt, Erosion, Sediment Control	1,631,000	
	Septic Facility Code Upgrades	75,000	
	Paving - Overlay and Maintenance	1,575,000	500,000
	Paving - New Parking Areas	416,000	
Education Facility Program	Special Ed Facility Improvements	800,000	
	Textbook/Supplemental Refresh	1,000,000	
	Technology Education Lab Refresh	85,000	
	Music Equipment Refresh	75,000	
	Music Technology Lab	75,000	1,509,576
	Band Uniform Refresh	150,000	
	Equipment and Furniture Replacement	100,000	
	Career & Tech Education Equipment Refresh	25,000	
Facilities Master Plan	John Archer and William Paca Scope Study	400,000	200,000
Athletic and Recreation Repairs and Improvements	Outdoor Track Reconditioning	279,000	
	Athletic Field Repair and Restoration	100,000	
	Swimming Pool Renovations	1,000,000	
	Playground Equipment	560,000	
Major HVAC Repairs	Major HVAC Repairs	2,147,000	142,340
	ADA Improvements	700,000	
	Building Envelope Improvements	200,000	
Facility Repair Program	Floor Covering Replacement	250,000	
	Folding Partition Replacement	100,000	
	Bleacher Replacement	100,000	
	Locker Replacement	150,000	
Relocatable Classrooms	Relocatables	250,000	
Local Only Capital	Harford Glen Pier	250,000	
	CEO Annex and Training Areas HVAC	1,950,000	
	<b>Total</b>	<b>\$ 67,793,263</b>	<b>\$ 35,853,260</b>

**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 Board of Education requests funding for capital projects it deems priorities through its Capital Improvement Plan; those projects are grouped into categories based on their functions. The proposed Capital Improvement Plan for FY2022 consists of 41 projects totaling \$67.8 million. The local government funding request is \$53.9 million. The County Executive's proposed funding totals \$35.9 million.

There are 4 large projects that include State funding – Joppatowne High School Renovation, Bel Air Middle School and CEO Roof Replacements, and Abingdon Elementary Central Plant Replacement.

The Technology Infrastructure category has \$9.6 million budgeted. This is significantly less than in prior years. \$260,000 million has been funded by the County Executive; that amount covers the Phone System Replacement project. As in prior years, we note that 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. Because of its impact on the County's Maintenance of Effort calculation, this category has not been fully funded as a routine, priority expense. In FY2020 and FY2021, the school system moved to a 1:1 student-computer ratio. Many of those computers were leased and will be paid from grant funding in the next two years. Replacement plans for purchases computers is still being evaluated. We continue to strongly recommend School and County officials consider including technology refresh costs in the operating budget, rather than in the capital budget.

Fleet Replacement will require \$7.7 million; only \$1.1 million is included in the County Executive's proposal. The Educational Facilities category includes equipment for student use, such as Band Uniforms, Textbooks, Technology Labs and Music Labs. The category budget totals at \$2.3 million; the County Executive has funded \$1.5 million.

Major HVAC Repairs and CEO Annex Upgrades combined will cost \$4.1 million. Facilities Master Planning and Site Improvements (including lot paving, septic and Stormwater management projects) total \$4.1 million. Those projects are distinct from Facilities Repair projects totaling \$1.5 million. Life, Health, Safety and Compliance includes 4

projects totaling \$3.3 million. Athletic Facilities Projects total \$1.9 million. None of these projects are funded in the proposed County budget.