



HARFORD COUNTY, MARYLAND

Office of the County Auditor

FISCAL IMPACT NOTE

Harford County Public Schools Proposed Budget for Fiscal Year 2023

April, 2022

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Summary of Board of Education Proposed FY2023 Budget

	2020 FY Actual	2021 FY Actual	2022 FY Budget	2023 FY Budget	Change	Percent Change
Revenue						
Unrestricted Funding Sources						
Harford County	\$ 256,465,645	\$ 276,927,778	\$ 293,812,984	\$ 324,237,657	\$ 30,424,673	10.4%
State of Maryland	211,604,056	219,125,080	218,249,613	235,200,912	16,951,299	7.8%
Federal Government	472,218	852,961	420,000	420,000	-	0.0%
Other	4,770,672	18,930,913	4,115,500	4,115,500	-	0.0%
Fund Balance	5,000,000	2,000,000	2,989,500	4,791,581	1,802,081	60.3%
Total - Unrestricted Revenue	\$ 478,312,591	\$ 517,836,732	\$ 519,587,597	\$ 568,765,650	\$ 49,178,053	9.5%
Restricted Funding Sources						
State of Maryland	\$ 12,647,621	\$ 13,759,385	\$ 16,037,714	\$ 19,896,403	\$ 3,858,689	24.1%
Federal Government	23,125,047	35,407,557	68,960,504	19,416,908	(49,543,596)	-71.8%
Other	246,302	268,910	86,500	86,500	-	0.0%
Total - Restricted Revenue	\$ 36,018,970	\$ 49,435,852	\$ 85,084,718	\$ 39,399,811	\$ (45,684,907)	-53.7%
TOTAL - REVENUE	\$ 514,331,561	\$ 567,272,584	\$ 604,672,315	\$ 608,165,461	\$ 3,493,146	0.6%
Expenditures						
Fund: Unrestricted						
Board of Education	\$ 729,698	\$ 688,601	\$ 904,642	\$ 961,502	\$ 56,860	6.3%
Business Services	38,017,199	39,284,598	40,905,684	44,699,751	3,794,067	9.3%
Curriculum and Instruction	5,061,519	6,194,749	10,552,446	8,025,986	(2,526,460)	-23.9%
Education Services	181,763,339	193,672,942	200,645,530	224,937,716	24,292,186	12.1%
Executive Administration	1,798,967	2,061,613	2,104,185	2,511,538	407,353	19.4%
Extra Curricular Activities	3,535,928	2,556,762	3,849,835	3,874,835	25,000	0.6%
Human Resources	100,276,611	97,215,378	104,134,354	104,262,117	127,763	0.1%
Operations and Maintenance	65,638,932	60,807,011	74,127,478	81,822,216	7,694,738	10.4%
Safety and Security	1,076,288	1,068,807	1,191,666	1,262,448	70,782	5.9%
Special Education	46,143,338	48,940,454	52,570,999	64,155,520	11,584,521	22.0%
Student Services	17,198,030	17,962,384	19,328,474	21,785,259	2,456,785	12.7%
Office of Technology & Information	8,520,361	9,635,021	9,272,304	10,466,762	1,194,458	12.9%
Total - Unrestricted Fund	\$ 469,760,210	\$ 480,088,320	\$ 519,587,597	\$ 568,765,650	\$ 49,178,053	9.5%
Fund: Restricted						
Restricted Fund	\$ 36,018,970	\$ 49,435,852	\$ 85,084,718	\$ 39,399,811	\$ (45,684,907)	-53.7%
Fund: Current Expense						
Food Service	\$ 16,862,633	\$ 10,669,238	\$ 23,268,929	\$ 19,203,368	\$ (4,065,561)	-17.5%
Debt Service	34,703,127	32,855,867	33,592,723	31,581,173	(2,011,550)	-6.0%
Capital	34,974,651	49,280,618	53,111,000	96,231,167	43,120,167	81.2%
Pension	28,417,497	27,548,632	28,288,745	28,288,745	-	0.0%
TOTAL - EXPENDITURES	\$ 620,737,088	\$ 649,878,527	\$ 742,933,712	\$ 783,469,914	\$ 40,536,202	5.5%

Key Notes

- Total proposed budget is \$783,469,914 (+5.5%)
- County funding requested is \$324,237,657 which has been fully funded by the County Executive
- The request is \$30.4 million (+10.4%) higher than the prior approved budget
- Proposed Capital Projects are \$96,231,167 (+81.2%)
- Funded Capital Projects total \$80.6 million

Additional Information

Report Version: 01
(April 2022)
Based on Board of
Education's
Proposed Budget

EXECUTIVE SUMMARY

The Board of Education has proposed a fiscal year 2023 Unrestricted Fund budget that is approximately \$49.2 million (9.5%) larger than the approved fiscal year (FY) 2022 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 FY2023, the Superintendent and Board of Education have proposed adding 68.6 positions, between transfers, expansions and mandatory increases. These additional positions will cost approximately \$7.9 million and will be distributed among Special Education, Education Services and Transportation.

The budget includes \$30.4 million for salary and wage increases. Aside from the personnel related costs, the proposed budget is largely unchanged from the adopted FY2022 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 materials. 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 7) *Remains from prior year.*

HCPS MANAGEMENT RESPONSE

With regard to the Technology Refresh Costs:

The FY23 Board of Education's Proposed Operating Budget contains \$5,372,767 in 105-XXX-001-990 55455 Regular Program – Instructional Equipment, page 140; \$623,829 to be allocated to individual schools and \$4,748,938 for student and staff device leases.

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 \$30.4 million (10.4%) higher than the prior year. The County Executive's proposed budget is \$324,237,657. County funds are only used to support Unrestricted Fund expenditures. Expenditures are discussed later in this analysis.

State funding is projected to increase by 7.8% from the FY2022 budget. The 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 and is projected to remain flat in FY2023. There is an increase of \$350,000 (100%) in Device Restitutions, which is a new revenue item related to student laptop insurance. Revenue is reduced for Medicare Part D Subsidies and interest income.

Expenditures

Overall, the proposed Unrestricted budget spending has increased by \$49.2 million or 9.5%. The proposed changes in expenditures are summarized on pages 55-61 of the Board of Education's 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 59.1% of the total budget (approximately \$359.5 million). This amount includes approximately \$30.4 million for a Salary and Wage adjustment package (including related taxes and insurance changes). However, the amount budgeted may change if agreements with bargaining units have not yet been finalized.

Each year transportation costs increase to cover previously negotiated contractual increases. For FY2023 the increase will be approximately \$3.6 million. Additionally, the budget includes 3 new bus drivers and 3 new bus attendants for Special Education programs at a cost of \$221,334.

Based on prior years' results, we reviewed each expense category, by department, in the proposed FY2023 Unrestricted budget and found some account groups that were over-budgeted; the total of those variances was less than \$850,000, approximately 0.15% of the budget.

Among those variances:

- Education Services could be reduced in various areas for a total of \$582,000; many items in these accounts are allocated to schools based on the number of students.
- Administrative Services, Mid-Level Administration and Student Transportation could be reduced by about \$156,000 to reflect past use of training and conference funds more accurately.

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.

POSITIONS

The proposed budget includes 5,511.4 total positions, an increase of 138.2 full-time equivalent employees in the Unrestricted budget and a reduction of 69.6 in the Restricted budget. The 69.6 FTEs were being paid for with grants from the Restricted fund but will now be funded from the Unrestricted operating budget. The net cost of the additional positions is approximately \$7.9 million.

Among the new school-based positions are

- 28.6 Special Education Teachers, Paraeducators, Speech Pathologists and Social Workers
- 13.0 Instructional Coaches and Testing Coordinators
- 15.0 Literacy, Language Arts and Teacher Specialists
- 2.0 Assistant Principals

Other positions, not based in schools, include Bus Drivers and Attendants (3 each).

CAPITAL IMPROVEMENT PROGRAM

Category	Description	FY2023 Total		CE Proposal
		Budget Request	Fund: General	
	Homestead Wakefield ES Replacement	\$ 37,934,667	\$ 37,937,000	
	Harford Tech Limited Renovation	20,000,000	\$ 20,000,000	
	Meadowvale ES Chiller Replacement	865,000	\$ 870,000	
	Bakerfield ES Chiller Replacement	1,252,000	\$ 1,260,000	
	Bakerfield ES Roof Replacement	2,168,000	\$ 2,175,000	
	Swan Creek HVAC Upgrades	3,132,000	\$ 3,135,000	
	MD Lead Water Testing Compliance	284,500		
	Special Ed Facility Improvements	1,319,000		
	Textbook/Supplemental Refresh	1,000,000		
Education Facility Program	Music Equipment Refresh	75,000		3,385,000
	Band Uniform Refresh	225,000		
	Equipment and Furniture Replacement	100,000		
	Career & Tech Education Equipment Refresh	2,065,000		
	Technology Phone and PA Systems	650,000		
	Aging Technology Systems	5,229,000		
Relocatable Classrooms	Relocatables	900,000		900,000
Life, Health, Safety and Compliance Measures	MD Lead Water Testing Compliance	2,711,000		3,645,000
	Emergency Systems Communications	750,000		
	Environmental Compliance	200,000		
	Security Measures	450,000		
	Domestic Water and Backflow Prevention	60,000		
Fleet Replacement	Replacement Buses - Special Needs	3,451,000		3,455,000
	Replacement Business Services Equipment	134,000		
	Replacement Non-bus Fleet	1,500,000		
Site Improvements	Stormwater Mgmt, Erosion, Sediment Control	1,631,000		
	Septic Facility Code Upgrades	75,000		
	Paving - Overlay and Maintenance	440,000		
	Paving - New Parking Areas	840,000		
	Fencing	100,000		
Facilities Master Plan	William Paca /Old Post Road Scope Study	200,000		200,000
	Outdoor Track Reconditioning	279,000		
	Athletic Field Repair and Restoration	100,000		
	Swimming Pool Renovations	1,000,000		
	Playground Equipment	500,000		
Athletic and Recreation Repairs and Improvements	Major HVAC Repairs	2,536,000		
	ADA Improvements	600,000		
	Building Envelope Improvements	200,000		
	Floor Covering Replacement	150,000		
	Folding Partition Replacement	150,000		
	Bleacher Replacement	100,000		
Facility Repair Program	Locker Replacement	150,000		
	Harford Glen Pier	500,000		
	Harford Glen Truss Bridge Removal	125,000		
	Aberdeen HS Ticket Booth	100,000		
	Total	\$ 96,231,167	\$ 80,562,000	

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 FY2023 consists of 44 projects totaling \$96.2 million. The local government funding request is \$66.5 million. The County Executive's proposed funding totals \$80.6 million.

There are 7 projects that include State funding –Homestead Wakefield Elementary School Replacement, Harford Tech Limited Renovation, Meadowvale Elementary School and Bakerfield Elementary School Chiller Replacements, Bakerfield Elementary School Roof Replacement, Swan Creek HVAC Upgrades and MD Lead Water Testing Compliance.

The Technology Infrastructure category has \$5.9 million budgeted. This is significantly less than in prior years. The County Executive has provided funding of \$3.6 million, which covers 3 projects. As in prior years, we note that some of the purchases funded by the Technology Infrastructure project are in the capital budget, but equipment refresh purchases 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. 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 and Major HVAC Repairs will require \$5.1 million and \$2.5 million, respectively.