



HARFORD COUNTY, MARYLAND

Office of the County Auditor

FISCAL IMPACT NOTE

Harford County Public Schools Proposed Budget for Fiscal Year 2024

May, 2023

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Summary of Board of Education Proposed FY2024 Budget

	2021 FY Actual	2022 FY Actual	2023 FY Budget	2024 FY Budget	Change	Percent Change	Increase over actuals
Revenue							
Unrestricted Funding Sources							
Harford County	\$ 276,927,778	\$ 293,812,984	\$ 324,237,657	\$ 343,911,537	\$ 19,673,880	6.1%	42.4%
State of Maryland	219,125,080	219,450,551	245,827,322	278,100,740	32,273,418	13.1%	37.4%
Federal Government	852,961	449,032	420,000	420,000	-	0.0%	-24.9%
Other	18,930,913	20,483,647	4,115,500	3,680,500	(435,000)	-10.6%	-53.0%
Fund Balance	2,000,000	2,989,500	4,791,581	4,791,581	-	0.0%	-22.9%
Total - Unrestricted Revenue	\$ 517,836,732	\$ 537,185,714	\$ 579,392,060	\$ 630,904,358	\$ 51,512,298	8.9%	37.6%
Restricted Funding Sources							
State of Maryland	\$ 13,759,385	\$ 16,122,642	\$ 17,662,239	\$ 18,722,729	\$ 1,060,490	6.0%	68.2%
Federal Government	35,407,557	59,942,961	27,042,914	19,674,600	(7,368,314)	-27.2%	-22.2%
Other	268,910	259,428	5,086,500	86,500	(5,000,000)	-98.3%	-69.7%
Total - Restricted Revenue	\$ 49,435,852	\$ 76,325,031	\$ 49,791,653	\$ 38,483,829	\$ (11,307,824)	-22.7%	4.8%
TOTAL - REVENUE	\$ 567,272,584	\$ 613,510,745	\$ 629,183,713	\$ 669,388,187	\$ 40,204,474	6.4%	35.2%
Expenditures							
Fund: Unrestricted							
Board of Education	\$ 688,601	\$ 829,990	\$ 970,035	\$ 1,003,875	\$ 33,840	3.5%	56.4%
Business Services	39,284,598	38,946,990	48,492,936	51,923,139	3,430,203	7.1%	39.3%
Curriculum and Instruction	6,194,749	7,675,038	7,743,108	7,840,016	96,908	1.3%	38.9%
Education Services	193,672,942	199,661,754	228,708,769	251,589,822	22,881,053	10.0%	26.6%
Executive Administration	2,061,613	2,217,407	3,197,226	3,451,747	254,521	8.0%	85.7%
Extra Curricular Activities	2,556,762	3,684,400	3,981,817	4,917,680	935,863	23.5%	13.6%
Human Resources	97,215,378	94,327,841	105,638,808	108,474,006	2,835,198	2.7%	25.9%
Operations and Maintenance	60,807,011	72,655,554	81,532,417	90,202,576	8,670,159	10.6%	22.2%
Safety and Security	1,068,807	1,245,675	2,079,861	2,914,429	834,568	40.1%	114.7%
Special Education	48,940,454	52,834,566	64,304,869	71,696,396	7,391,527	11.5%	48.6%
Student Services	17,962,384	19,267,292	21,939,948	23,667,807	1,727,859	7.9%	40.9%
Office of Technology & Information	9,635,021	8,921,432	10,802,266	13,222,865	2,420,599	22.4%	21.9%
Total - Unrestricted Fund	\$ 480,088,320	\$ 502,267,939	\$ 579,392,060	\$ 630,904,358	\$ 51,512,298	8.9%	29.9%
Fund: Restricted							
Restricted Fund	\$ 49,435,852	\$ 76,325,031	\$ 49,791,653	\$ 38,483,829	\$ (11,307,824)	-22.7%	35.7%
Fund: Current Expense							
Food Service	\$ 10,669,238	\$ 19,111,429	\$ 19,203,368	\$ 19,203,368	\$ -	0.0%	18.6%
Debt Service	32,855,867	33,592,723	35,344,646	33,528,013	(1,816,633)	-5.1%	11.2%
Capital	49,280,618	32,668,360	85,768,948	94,580,725	8,811,777	10.3%	152.6%
Pension	27,548,632	28,202,536	27,001,491	27,001,491	-	0.0%	-3.6%
TOTAL - EXPENDITURES	\$ 649,878,527	\$ 692,168,018	\$ 796,502,166	\$ 843,701,784	\$ 47,199,618	5.9%	34.4%

Key Notes

- Total proposed budget is \$843,701,784 (+5.9%)
- County funding requested is \$343,911,537
- The request is \$19.7 million (+6.1%) higher than the prior approved budget
- County Executive's proposed funding is \$304,852,402 which is \$19.4 million (6.0%) less than the prior year
- With proposed amendments adding \$10.0 million, funding is 2.9% less than the prior year
- Proposed Capital Projects are \$94,580,725 (10.3%)
- With proposed amendments, funded Capital Projects total \$66.186.7 million

EXECUTIVE SUMMARY

The Board of Education has proposed a fiscal year 2024 Unrestricted Fund budget that is approximately \$51.5 million (8.9%) higher than the approved fiscal year (FY) 2023 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 FY2024, the Superintendent and Board of Education have proposed adding 66.4 positions, between transfers and expansions. These additional positions will cost approximately \$6.8 million and will mostly be distributed among Special Education and Education Services with a few additional positions within the remaining programs.

The budget includes \$19.2 million for salary and wage increases. Aside from the personnel related costs, the proposed budget includes increased funding for Special Education programs and reduction in federal grant funding from the adopted FY2023 budget. An additional \$10.0 million has been proposed by the County Executive, to be directed towards Instructional Salaries.

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.

Additional Information

Report Version: 02 (May 2023)

Based on Board of Education's Proposed Budget and Amendments to the County Executive's budget proposed on 5/30/2023.

HCPS MANAGEMENT RESPONSE

Harford County Public Schools appreciates the work by the Office of the County Auditor to review its budget. The HCPS budget is complex and we welcome the analysis so that readers have further information.

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 \$19.7 million (6.1%) higher than the prior year. The County Executive's proposed budget is \$304,852,402, which is \$19.4 million (6.0%) less

than the prior year; with amendments, the proposed County funding is 2.9% less than the prior year. County funds are only used to support Unrestricted, Current Expense Fund expenditures. Expenditures are discussed later in this analysis.

The Maryland State Department of Education requires projected expenditures be reported in 14 defined categories. Some of those categories do not have any funding in the County Executive's FY2024 proposed budget. Administrative Services, which received \$4.4 million for FY2023, includes Board of Education, Executive Administration, Fiscal Services, Human Resources, and Information Technology. Community Services pays for various clerical and custodial costs. Capital Outlay spending is primarily for the HCPS Administration building lease payments. Those two categories totaled approximately \$78,000 in the FY2023 budget but are not funded in FY2024.

State funding is projected to increase by 13.1% from the FY2023 budget. The funding is adjusted based upon comparative wealth and other factors between counties. The schools' budget for state funding is based upon early projections. Increases or decreases may become apparent as the State's budget process progresses through April.

Federal revenue is expected to decrease \$7.4 million (27.2%) as pandemic grant funding will end.

State revenue is expected to increase \$1.1 million (6.0%) because of additional grant funding for the Blueprint for Maryland's Future initiative (\$730,000), and nonpublic placement for students with a disability (\$300,000).

One-time, Talent Pathways grant funding of \$5.0 million received last year has been eliminated for FY2024.

Other Revenue includes a wide variety of sources and is projected to decrease \$435,000 (10.6%) in FY2024. Interest Income is projected to increase \$615,000 (1,230%) because of market changes. Medicare Part D Subsidy Revenue will be reduced to \$0, as expected, based on retiree benefit changes that were made a few years ago. Revenue for Sports Participation Fees and Summer School & PE Classes will be eliminated from the proposed budget since they will be free to students. In recent fiscal years, Coronavirus Relief Funds have funded summer school salaries.

Expenditures

Overall, the proposed Unrestricted budget is projected to increase by \$51.5 million or 8.9%. The proposed changes in expenditures are summarized on pages 62-72 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 59.9% of the current expense fund budget (approximately \$400.8 million). This amount includes approximately \$19.2 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.

Special Education expenditures are projected to increase \$7.4 million (11.5%) from the prior year budget largely because of program expansion and the required funding for positions that were previously funded by grants.

Budget increases for the Office of Technology and Information total \$2.4 million (18.3%). The increases relate to subscription fees for HCPS's new financial management system, Materials of Instruction software, the addition of 2 positions, and software subscriptions previously funded by grants.

Expenses for Safety & Security are budgeted to increase \$834,568 (40.1%) generally due to the addition of two Safety Liaisons and one Regional Safety Coordinator. The increase also reflects equipment maintenance contract changes, security equipment and additional payroll hours.

For FY2024, Summer School expenses are budgeted to increase \$825,000 (474%) to cover summer high school salaries that were funded by grants in the prior year.

Within Interscholastic Athletics & Student Activities, increased funding for Middle School Athletics (\$259,429) are budgeted to continue the development of the middle school athletics program and for coaches at the high school and middle school levels. Additional funding increases for athletic training expenses (\$184,030) were included for certifications and professional development for athletic directors.

Dual Enrollment fees (\$1.0 million) will increase to comply with the Blueprint for Maryland's Future which requires free participation for students in dual-enrollment programs. Other Special Programs will include the addition of 19 staff positions related to ESOL and pre-kindergarten and paraeducators, costing approximately \$1.0 million.

Each year transportation costs increase to cover previously negotiated contractual increases. For FY2024 the increase will be approximately \$4.1 million, mostly due to increases in contractual bus services (\$3.3 million) and transportation supplies (\$251,594). The increase also

includes an additional position for a Mechanic and Bus Routing Associate at a cost of \$88,847.

Based on prior years' results, we reviewed each expense category, by department, in the proposed FY2024 Unrestricted budget and found some account groups that were over-budgeted; the total of those variances was \$570,000, approximately 0.1% of the budget.

We have shared with school officials the 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 5,691.6 total positions, a net increase of 66.4 full-time equivalent employees (FTE). 118.3 FTEs were funded by grants in the Restricted fund but will now be funded from the Unrestricted operating budget. The net cost of the additional positions is approximately \$6.8 million.

Among the new school-based positions are

- 30 Special Education Teachers, Paraeducators, Speech Pathologists, and Occupational Therapists
- 29.0 Classroom and ESOL teachers, Teacher Specialist and Pre-K Expansion positions
- 1.4 School psychologists and part-time nurse
- 1.0 School Counselor

Other new positions, not based in schools, include administrative (1), supervisory (3), facilities (6), technology (2) and transportation (2) staff

CAPITAL IMPROVEMENT PROGRAM			
Category	Description	FY2024 Total Budget Request	CE Proposal
Fund: General			
	Harford Tech Limited Renovation	\$ 20,793,225	\$ 20,794,000
	Havre de Grace Roof Replacement	2,863,000	2,870,000
	Aberdeen Middle School Major HVAC Systemic Renovation	17,087,900	17,087,000
	Harford Academy at Campus Hills Planning and Design	16,000,000	16,000,000
	Healthy Schools - NHHS Energy Recovery	1,200,000	3,244,000
	Bel Air MS Roof Replacement	-	(48,190)
	George D. Lisby Elementary School HVAC	-	(19,563)
	North Bend Elementary School Central Plant and Fire Alarms	-	(30,403)
Education Facility Program	Special Ed Facility Improvements	2,393,000	
	Textbook/Supplemental Refresh	1,000,000	
	Building Envelope Improvements	200,000	
	Music Equipment Refresh	75,000	
	Band Uniform and Choir Robe Refresh	135,000	
	Equipment and Furniture Replacement	100,000	
Blueprint Facility Upgrades	Blueprint Pre-k	200,000	
	Blueprint Community Schools	250,000	
Technology Infrastructure	Technology Phone and PA Systems	692,000	
	Aging Technology Systems	7,936,000	11,349,642
Relocatable Classrooms	Relocatables	200,000	500,000
Life, Health, Safety and Compliance Measures	Emergency Systems Communications	1,057,000	
	Security Measures	810,600	
	Environmental Compliance	200,000	
	Domestic Water and Backflow Prevention	60,000	
Fleet Replacement	Replacement Buses - Special Needs	441,000	
	SB 528 Climate Solutions NOW Act Consultant	150,000	
	Replace the HCPS aging non-bus fleet	6,760,000	
	Facilities Tractor and equipment replacement	600,000	
	Replacement Business Services Equipment	134,000	
Site Improvements	Purchase five new vehicles	225,000	
	Stormwater Mgmt, Erosion, Sediment Control	1,414,000	
	Septic Facility Code Upgrades	75,000	
	Paving - Overlay and Maintenance	820,000	
	Paving - New Parking Areas	550,000	
Facilities Master Plan	Fencing	100,000	
	Facility Planning Scope Studies	600,000	
Athletic and Recreation Repairs and Improvements	Outdoor Track Reconditioning	1,111,000	
	Athletic Field Repair and Restoration	200,000	
	Playground Equipment	500,000	
	Swimming Pool Renovations	1,000,000	
	Middle School Sports	123,000	
Major HVAC Repairs	Major HVAC Repairs	4,150,000	2,000,000
	ADA Improvements	350,000	
Facility Repair Program	Folding Partition Replacement	150,000	
	Floor Covering Replacement	150,000	
	Bleacher Replacement	100,000	
	Locker Replacement	150,000	
	Joppatowne HS Site Improvements - Stormwater	750,000	
Local Only Capital	Harford Glen Truss Bridge Removal	125,000	
	Harford Glen Pier	500,000	
	Aberdeen HS Ticket Booth	100,000	
	Total	\$ 94,580,725	\$ 86,758,642

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 FY2024 consists of 47 projects totaling \$94.6 million. The local government funding request is \$74.6 million. The County Executive's proposed funding totals \$66.1 million.

There are 3 projects that include State funding – Harford Tech Limited Renovation, Havre de Grace Roof Replacement, and Aberdeen Middle School Major HVAC Systemic Renovation.

Local funding of \$16 million has been requested and funded for the new Harford Academy at Campus Hills Planning and Design project. The County Executive's proposal also funds \$20.8 million for the Harford Tech Renovation, \$2.9 million for Havre de Grace Roof Replacement and \$17.1 million for the Aberdeen Middle School HVAC project. A few closed projects have their remaining balances reallocated to other projects.

The Technology Infrastructure category has \$8.6 million budgeted, which is \$2.7 million more than FY2023 but similar to that of previous years. The County Executive has provided funding of \$500,000.

Fleet Replacement and Major HVAC Repairs will require \$8.3 million and \$4.2 million, respectively.

[The County Executive has proposed adding \\$20.7 million to the Capital Budget to be funded from the HCPS Fund Balance. Those changes add funding across the various project categories shown in red font above.](#)