



HARFORD COUNTY, MARYLAND

Office of the County Auditor

FISCAL IMPACT NOTE

Harford County Public Schools Proposed Budget for Fiscal Year 2025

April, 2024

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Summary of Board of Education Proposed FY2025 Budget

	2023 FY Actual	2024 FY Budget	2025 FY Budget	Change	Percent Change
Revenue					
Unrestricted Funding Sources					
Harford County	\$ 324,237,657	\$ 314,852,402	\$ 354,913,621	\$ 40,061,219	12.7%
State of Maryland	245,827,322	279,062,279	296,331,488	\$ 17,269,209	6.2%
Federal Government	420,000	420,000	420,000	\$ -	0.0%
Other	4,115,500	4,210,500	4,210,500	\$ -	0.0%
Fund Balance	4,791,581	15,000,000	5,000,000	\$ (10,000,000)	-66.7%
Total - Unrestricted Revenue	\$ 579,392,060	\$ 613,545,181	\$ 660,875,609	\$ 47,330,428	7.7%
Restricted Funding Sources					
State of Maryland	\$ 17,662,239	\$ 18,945,897	\$ 20,497,647	\$ 1,551,750	8.2%
Federal Government	27,042,914	20,774,600	24,493,743	\$ 3,719,143	17.9%
Other	5,086,500	1,086,500	88,000	\$ (998,500)	-91.9%
Total - Restricted Revenue	\$ 49,791,653	\$ 40,806,997	\$ 45,079,390	\$ 4,272,393	10.5%
TOTAL - REVENUE	\$ 629,183,713	\$ 654,352,178	\$ 705,954,999	\$ 51,602,821	7.9%
Expenditures					
Fund: Unrestricted					
Board of Education	\$ 941,826	\$ 1,011,496	\$ 1,241,450	\$ 229,954	22.7%
Business Services	2,588,529	2,844,906	4,081,799	\$ 1,236,893	43.5%
Curriculum and Instruction	132,436,240	28,911,442	201,838,782	\$ 172,927,340	598.1%
Education Services	108,477,541	225,840,658	141,175,406	\$ (84,665,252)	-37.5%
Executive Administration	3,069,149	3,389,447	4,081,440	\$ 691,993	20.4%
Extra Curricular Activities	-	-	-	-	-
Human Resources	141,751,350	155,833,032	43,311,673	\$ (112,521,359)	-72.2%
Operations and Maintenance	42,226,114	43,576,174	54,325,798	\$ 10,749,624	24.7%
Transportation	41,991,019	44,539,970	52,071,669	\$ 7,531,699	16.9%
Safety and Security	2,223,005	2,935,489	3,610,899	\$ 675,410	23.0%
Special Education	64,590,524	69,310,562	100,949,833	\$ 31,639,271	45.6%
Student Services	22,164,761	25,700,028	35,660,188	\$ 9,960,160	38.8%
Office of Technology & Information	8,143,047	9,651,977	18,526,672	\$ 8,874,695	91.9%
Total - Unrestricted Fund	\$ 570,603,105	\$ 613,545,181	\$ 660,875,609	\$ 47,330,428	7.7%
Fund: Restricted					
Restricted Fund	\$ 70,480,459	\$ 40,806,997	\$ 45,079,390	\$ 4,272,393	10.5%
Fund: Current Expense					
Food Service	\$ 23,098,976	\$ 19,203,368	\$ 21,972,500	\$ 2,769,132	14.4%
Debt Service	35,344,646	35,473,929	35,473,929	\$ -	0.0%
Capital	95,106,935	87,905,642	120,259,862	\$ 32,354,220	36.8%
Pension	27,001,491	28,645,157	36,928,490	\$ 8,283,333	28.9%
TOTAL - EXPENDITURES	\$ 821,635,612	\$ 825,580,274	\$ 920,589,780	\$ 95,009,506	11.5%

Key Notes

- Total proposed budget is \$920,589,780 (+11.5%)
- County funding requested is \$354,913,621
- The request is \$40.1 million (12.7%) higher than the prior approved budget
- County Executive's proposed funding is \$314,852,402 which is equal to the current year
- Proposed Capital Projects are \$120,259,862 (+36.8%)
- Proposed funded Capital Projects total \$73.8 million

EXECUTIVE SUMMARY

The Board of Education has proposed a fiscal year 2025 Unrestricted Fund budget that is approximately \$47.3 million (7.7%) higher than the approved fiscal year (FY) 2024 budget. The County Executive has proposed level funding.

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 FY2025, the Superintendent and Board of Education have proposed adding 64.5 positions, between transfers and expansions. These additional positions will cost approximately \$17.9 million and will mostly be distributed among Special Education, Education Services, Swan Creek and Transportation. The budget includes \$17.6 million for salary and wage increases.

Aside from the personnel related costs, the proposed budget includes increased funding for Special Education programs and a reduction in federal grant funding from the adopted FY2024 budget.

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: 01 (April 2024)

Based on Board of Education's Proposed Budget and the County Executive's Proposed Budget

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. The expenditure changes reflect the related increases in the budget for FY2025 as requested, but it also represents reallocation of fixed charges to the department and location level.

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 \$40.1 million (12.7%) higher than the prior year. The County Executive's proposed budget is \$314,852,402, which is the same as the current year. County funds are only used to support Unrestricted, Current Expense Fund expenditures. Expenditures are discussed later in this analysis.

State funding is projected to increase by 6.2% from the FY2024 budget in the Unrestricted Fund and \$1.6 million (8.2%) in the Restricted Fund. The base funding is adjusted based upon comparative wealth and other factors between counties (approximately \$2.3 million). It also includes adjustments for Special Education (\$8.0 million), Pre-Kindergarten programs (\$1.2 million), English Language Proficiency (\$0.7 million) and support for Free and Reduced Meal eligible students (\$4.5 million). 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 in the Restricted Fund is expected to increase by approximately \$3.7 million (17.9%) primarily related to a new grant for 21st Century Community Learning Centers and increased Medical Assistance reimbursements.

The proposed budget includes using \$5.0 million from the Schools' Fund Balance. Use of Fund Balance reduces the amount that HCPS will have available to pay for unexpected expenses, without requesting additional County funding.

Other Revenue includes a wide variety of sources and is projected to remain level except for a decrease of approximately \$1.0 million in the Restricted Fund (92.0%) for FY2025. This is related to a previous grant that will not be available in FY2025.

Expenditures

Overall, the proposed Unrestricted budget is projected to increase by \$47.3 million or 7.7%. The proposed changes in expenditures are summarized on pages 51-57 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 59.8% of the current expense fund budget (approximately \$422.3 million). This amount includes approximately \$17.6 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.

HCPS is currently implementing a new enterprise resource planning system to manage various budgetary, financial, and administrative tasks. The new system allows for more detailed cost tracking by employee, building, program, etc. This helps address some new state reporting requirements. As a result, throughout the proposed budget, the cost of employee benefits and taxes (Health and Dental Insurance, Worker's Compensation, Retirement, Social Security) have been moved from Human Resources, distributing the \$113.0 million cost to the various departments where the employees are assigned.

Special Education expenditures are projected to increase \$31.6 million (45.6%) from the prior year budget largely because of program expansion and the required funding for positions that were previously funded by grants.

The Office of Information Systems and Technology costs are projected to increase \$8.9 million (91.9%) from the prior year. The increase includes laptop leases for educators and administration (\$430,000), software that was previously grant funded (\$700,000) and maintenance required for endpoint services (\$1.6 million).

Each year transportation costs increase to cover previously negotiated contractual increases. For FY2025 the increase will be approximately \$7.5 million, partly due to increases in contractual bus services (\$1.6 million), 18 additional positions for Drivers/Attendants related to the Special Education program expansion at a cost of \$765,963 and moving the Special Education Transportation benefits costs (\$4.9 million) to this department.

POSITIONS

The proposed budget includes 5,717.4 total positions, a net increase of 64.5 full-time equivalent employees (FTE). 123.6 FTEs grant funded positions (including 107.1 that were in the Restricted fund) will be funded from the Unrestricted operating budget and 48 FTEs will be added for various programs. Among the new school-based positions are 30 Special Education Teachers, Paraeducators, Speech Pathologists, and Occupational Therapists at Emmorton, Southampton and Bel Air High School. It also includes 18 Bus Drivers and Attendants for Special Education program expansion.

The net cost of the additional positions is approximately \$17.9 million.

CAPITAL IMPROVEMENT PROGRAM

Category	Description	FY2025 Total		CE Proposal
		Budget Request	Fund: General	
	Homestead Wakefield ES Replacement	\$ 23,125,000	\$ 23,125,000	
	Harford Tech Limited Renovation	\$ 17,811,087	\$ 17,812,000	
	Aberdeen Middle School Major HVAC	17,087,275	17,087,475	
	North Harford HS Energy Recovery Units	2,044,000		
	Prospect Mill ES Roof	3,696,000	3,611,314	
	C. Milton Wright HS Limited Renovation	7,000,000	7,000,000	
Blueprint Facility	BluePrint Facility Program	600,000	1,000,000	
Technology Infrastructure	Technology Phone and PA Systems	910,000		910,000
	Aging Technology Systems	5,330,000		
	Special Ed Facility Improvements	400,000		
	Textbook/Supplemental Refresh	1,000,000		
Education Facility Program	Music Equipment Refresh	75,000		
	Music Technology Lab	75,000	400,000	
	Band Uniform and Choir Robe Refresh	155,000		
	Equipment and Furniture Replacement	500,000		
	Career & Tech Education Equipment Refresh	5,348,500		
Relocatable Classrooms	Relocatables	3,400,000		-
Life, Health, Safety and Compliance Measures	Emergency Systems Communications	771,000		
	Security Measures	1,157,000		
	Adequate Health Suites	2,039,000	771,000	
	Environmental Compliance	200,000		
	Domestic Water and Backflow Prevention	60,000		
Fleet Replacement	Replacement Buses - Special Needs	1,545,000		1,545,000
	Vehicles and Equipment	4,740,000		
Athletic and Recreation Repairs and Improvements	Outdoor Track Reconditioning	1,100,000		
	Athletic Field Repair and Restoration	200,000		
	Playground Equipment	500,000	500,000	
	Swimming Pool Renovations	624,000		
	Middle School Sports	123,000		
Site Improvements	Stormwater Mgmt, Erosion, Sediment Control	425,000		
	Septic Facility Code Upgrades	75,000		
	Paving - Overlay and Maintenance	885,500		
	Fencing	100,000		
Major HVAC Repairs	Major HVAC Repairs	13,143,500		-
Facilities Master Plan	Facility Planning Scope Studies	600,000		-
	ADA Improvements	350,000		
	Building Envelope Improvements	200,000		
Facility Repair Program	Folding Partition Replacement	150,000		
	Floor Covering Replacement	150,000		
	Bleacher Replacement	100,000		
	Locker Replacement	175,000		
Local Only Capital	HWES - Town of Bel Air Emergency Access Rd	2,165,000		
	Harford Glen Truss Bridge Removal	125,000		
	Total	\$ 120,259,862	\$ 73,761,789	

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 FY2025 consists of 44 projects totaling \$120.3 million. The local government funding request is \$94.1 million. The County Executive's proposed funding totals \$73.8 million.

There are 4 projects that include State funding – Harford Tech Limited Renovation, Aberdeen Middle School Major HVAC Systemic Renovation, North Harford High Energy Recovery and Prospect Mill Elementary Roof Replacement.

Local funding of \$7.0 million has been requested for the new C. Milton Wright Limited Renovation project and \$23.1 million for the ongoing Homestead-Wakefield Replacement project. The County Executive's proposal funds both of those projects.

Technology Infrastructure includes updating Public Address systems, replacing network devices, laptop refreshes, server replacements and new classroom display technology. The requested funding for these items is \$6.2 million; \$910,000 has been funded by the County Executive.

The Board of Education has requested \$7.6 million for various Educational Facility projects, including \$5.3 million for Career and Technology Education improvements, primarily at Fallston High School. Relocatable Classrooms has \$3.4 million requested. Fleet Replacement and Major HVAC Repairs will require \$6.3 million and \$13.1 million, respectively. Of these items, only Educational Facilities and Fleet Replacement are funded; the proposed funding is substantially lower than the requests, at \$400,000 and \$1.5 million, respectively.