



HARFORD COUNTY, MARYLAND

Office of the County Auditor

FISCAL IMPACT NOTE

Harford County Public Schools Proposed Budget for Fiscal Year 2026

April, 2025

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
HCPS MANAGEMENT RESPONSE	2
BACKGROUND	3
SUMMARY OF REVENUES AND EXPENDITURES	3
POSITIONS	5
CAPITAL IMPROVEMENT PROGRAM	6

Key Notes

- Total proposed operating budget is \$971,168,289 (+14.1%)
- County funding requested is \$347,602,277
- The request is \$26.2 million (8.2%) higher than the prior approved budget
- County Executive's proposed funding is \$347,602,277, an increase of \$26.2 million (8.2%) from the current year
- Proposed Capital Projects are \$144,801,475 (+149.1%)
- Proposed funded Capital Projects total \$87.3million

EXECUTIVE SUMMARY

The Board of Education has proposed a fiscal year 2026 Unrestricted Fund budget that is approximately \$26.2 million (8.2%) higher than the approved fiscal year (FY) 2025 budget. The County Executive has proposed funding of \$347,602,277, plus an additional \$3,385,485 for Teacher Pensions per a State-mandated cost shift to County Government.

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 FY2026, the Superintendent and Board of Education have proposed removing 167 positions, a cost reduction of approximately \$15.4 million. The reductions will be partially offset by the addition of 9 Pre-kindergarten positions (\$0.6 million) and 10 security and safety positions (\$0.7 million). Salary and wage adjustments for remaining employees are projected to cost \$12.9 million. Further insurance and benefit costs for employees will increase by \$12.9 million.

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; it describes HCPS' background, objectives, results, and approach to developing the budget.

Additional Information

Report Version: 01 (April 2025)

Based on the 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.

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 \$26.2 million (8.2%) higher than the prior year. The County Executive's proposed budget is \$347,602,277, matching the request. County funds are only used to support Unrestricted, Current Expense Fund expenditures.

State funding is projected to increase by \$10.7 million (3.6%) from the FY2025 budget in the Unrestricted Fund and \$4.7 million (22.8%) in the Restricted Fund. In the Unrestricted Fund, the base funding is adjusted based upon comparative wealth and other factors between counties

(approximately \$5.9 million). Adjustments also include Special Education (\$2.2 million) and Pre-Kindergarten programs (\$1.8 million). The Restricted Fund increases are primarily related to Maryland's Blueprint Concentration of Poverty funding (+\$3.7 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 \$3.5 million (14.3%) primarily related to Title I grants and increased Medical Assistance reimbursements.

Other Revenue is unchanged from the FY2025 budget and represents 0.7% of the Current expense fund budget. HCPS, without taxing authority, cannot independently raise a material amount of revenue. The schools' reserve savings - Fund Balance - is best used to address one-time expenses or short-term revenue variances. The proposed budget includes using \$10.0 million from the Schools' Fund Balance. This will reduce the amount that HCPS will have available to pay for unexpected expenses, without requesting additional County funding. At the end of FY2024, HCPS had assigned \$30.2 million of its Fund Balance to be spent on operating expenses in FY2025, leaving approximately \$24.4 million in its Unassigned General Fund Balance. *Using Fund Balance to pay for ongoing operating expenses is not sustainable over multiple years.*

Expenditures

Overall, the proposed Unrestricted budget is projected to increase by \$16.7 million or 2.6%. The proposed changes in expenditures are summarized on pages 38-39 of the Board of Education's Proposed Budget.

For the current fiscal year, HCPS implemented 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. The budget proposes to remove 167 positions, primarily through attrition and reorganization, but the cost centers for those reductions are not yet known. Since the financial system requires specific position inputs to fully automate the budgeting process, a detailed comparison of costs to prior years cannot be completed at this time.

With the information currently available, HCPS officials estimate that the positions reductions will save approximately \$15.4 million. Salary and Wages represent 58.2% of the current expense fund budget (approximately \$421.1 million). This amount includes approximately \$12.9 million for a Salary and Wage adjustment package; Employee benefits costs will increase by an additional \$12.9 million. However, the

amount budgeted may change if agreements with bargaining units have not yet been finalized.

Safety and Security costs are projected to increase by \$1.1 million, which includes the cost of 10 new safety liaison positions and ongoing detection system costs.

Each year transportation costs increase to cover previously negotiated contractual increases. For FY2026 the increase will be approximately \$1.0 million.

POSITIONS

The proposed budget includes 5,307.6 total positions. As discussed earlier in this analysis, 167.0 Instructional positions will be removed for a cost savings of \$15.4 million. School officials hope to reduce the positions through attrition and have determined how many positions should be eliminated in each building. However, until kindergarten enrollment figures are finalized, resignations are known and employees are reassigned, it is not clear which departments will be impacted.

Currently, the plan anticipates the following reductions:

- Central Office: 30.0 positions
- Elementary Schools :63.0 positions
- Middle Schools: 27.0 positions
- High Schools: 40.0 positions

CAPITAL IMPROVEMENT PROGRAM

	Description	FY2026 Total	
		Budget Request	CE Proposal
Fund: General			
Aberdeen Middle School Major HVAC	\$ 6,633,974	\$ -	
Harford Tech High Limited Renovation	16,000,000	16,000,000	
New Harford Academy & Elem. School	45,000,000	26,000,000	
North Harford HS Energy Recovery Units	1,879,000	-	
C. Milton Wright HS Limited Renovation	7,000,000	7,000,000	
North Harford HS Roof Replacement	6,949,000	8,336,880	
Life, Health, Safety and Compliance Measures	12,043,501	5,000,000	
Blueprint Facility Upgrades	2,002,500	2,002,500	
Technology Infrastructure	2,579,000	-	
Educational Facility Program	9,680,000	500,000	
Facilities Master Planning	750,000	750,000	
Relocatable Classrooms	1,500,000	-	
Athletic and Recreation Repairs and Improvement	2,649,000	-	
Fleet Replacement	5,543,000	-	
HCPS Site Improvements	1,511,500	-	
Major HVAC Repairs	18,616,000	-	
HCPS Facility Repair Program	1,225,000	-	
HWES - Town of Bel Air Emergency Access	2,165,000	-	
Central Office Space Modifications	950,000	-	
Harford Glen Truss Bridge Removal	125,000	-	
Total	\$ 144,801,475	\$ 65,589,380	

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 FY2026 consists of 43 projects totaling \$144.8 million. The local government funding request is \$123.0 million. The County Executive's proposed funding totals \$87.3 million, which includes \$21.7 million for Debt Service.

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 North Harford High Roof Replacement.

Local funding of \$45.0 million has been requested to start the planning for a new Harford Academy and Elementary School. The County Executive's proposed budget provides funding of \$26.0 million. \$6.0 million has been requested for the Harford Tech Limited Renovation project and \$7.0 million was requested for the C. Milton Wright Limited Renovation project. The County Executive's proposal funds both of those projects.

The Board of Education has requested \$9.6 million for various Educational Facility projects, including \$5.3 million for Career and Technology Education improvements, primarily at Fallston High School and \$2.5 million for Textbooks. Relocatable Classrooms and Site Improvements each have \$1.5 million requested. Fleet Replacement and Major HVAC Repairs will require \$5.5 million and \$18.6 million, respectively. Of these items, Educational Facilities, HCPS Facilities Master Plan and Life, Health Safety, and Compliance Measures are funded; the proposed funding is substantially lower than the requests, at \$500,000, \$750,000 and \$5.0 million, respectively.