



HARFORD COUNTY, MARYLAND  
Office of the County Auditor

**FISCAL IMPACT NOTE**

**Harford County Public Schools Proposed Budget  
for Fiscal Year 2021**

**April, 2020**

Prepared by the Office of the County Auditor  
Harford County, Maryland  
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**TABLE OF CONTENTS**

EXECUTIVE SUMMARY .....	3
SUMMARY OF RECOMMENDATIONS .....	3
HCPS MANAGEMENT RESPONSE.....	4
BACKGROUND .....	4
SUMMARY OF REVENUES AND EXPENDITURES .....	4
POSITIONS.....	6
CAPITAL IMPROVEMENT PROGRAM .....	7

**Summary of Board of Education Proposed FY2021 Budget**

	2017 FY Actual	2018 FY Actual	2019 FY Actual	2020 FY Budget	2021 FY Budget	Change	Percent Change
<b>Revenue</b>							
Unrestricted Funding Sources							
Harford County	\$ 233,534,504	\$ 238,715,645	\$ 245,815,645	\$ 256,465,645	\$ 276,927,778	\$ 20,462,133	8.0%
State of Maryland	196,211,473	198,526,233	201,407,089	211,723,056	218,946,471	7,223,415	3.4%
Federal Government	391,653	408,977	589,519	420,000	420,000	-	0.0%
Other	5,273,223	5,114,027	5,212,899	4,599,960	4,855,000	255,040	5.5%
Fund Balance	5,523,746	5,466,052	14,680,933	5,000,000	2,000,000	(3,000,000)	-60.0%
<b>Total - Unrestricted Revenue</b>	<b>\$ 440,934,599</b>	<b>\$ 448,230,934</b>	<b>\$ 467,706,085</b>	<b>\$ 478,208,661</b>	<b>\$ 503,149,249</b>	<b>\$ 24,940,588</b>	<b>5.2%</b>
Restricted Funding Sources							
State of Maryland	\$ 8,898,221	\$ 9,039,371	\$ 9,517,875	\$ 14,097,516	\$ 18,766,633	\$ 4,669,117	33.1%
Federal Government	21,040,936	20,537,747	21,819,739	19,702,848	20,068,723	365,875	1.9%
Other	412,325	273,866	329,509	153,000	155,500	2,500	1.6%
<b>Total - Restricted Revenue</b>	<b>\$ 30,351,482</b>	<b>\$ 29,850,984</b>	<b>\$ 31,667,123</b>	<b>\$ 33,953,364</b>	<b>\$ 38,990,856</b>	<b>\$ 5,037,492</b>	<b>14.8%</b>
<b>TOTAL - REVENUE</b>	<b>\$ 471,286,081</b>	<b>\$ 478,081,918</b>	<b>\$ 499,373,208</b>	<b>\$ 512,162,025</b>	<b>\$ 542,140,105</b>	<b>\$ 29,978,080</b>	<b>5.9%</b>
<b>Expenditures</b>							
Fund: Unrestricted							
Board of Education	\$ 567,527	\$ 653,713	\$ 623,183	\$ 657,466	\$ 751,849	\$ 94,383	14.4%
Business Services	34,198,345	35,263,576	36,782,454	38,071,301	40,231,511	2,160,210	5.7%
Curriculum and Instruction	5,931,839	5,945,228	4,827,765	5,623,784	6,178,850	555,066	9.9%
Education Services	175,800,623	177,060,166	182,943,071	186,505,680	195,987,355	9,481,675	5.1%
Executive Administration	1,470,449	1,580,936	1,437,890	1,848,337	2,059,112	210,775	11.4%
Extra Curricular Activities	3,688,230	3,779,357	3,690,253	3,796,097	3,846,097	50,000	1.3%
Human Resources	79,482,391	84,036,069	93,851,143	96,852,618	102,536,281	5,683,663	5.9%
Operations and Maintenance	67,483,859	66,561,799	67,368,853	70,523,787	72,806,277	2,282,490	3.2%
Safety and Security	877,487	901,954	827,186	1,096,895	1,148,697	51,802	4.7%
Special Education	40,621,052	42,445,974	43,555,046	46,664,283	49,891,702	3,227,419	6.9%
Student Services	14,450,598	15,465,629	16,009,590	17,350,622	18,236,721	886,099	5.1%
Office of Technology & Information	8,582,224	9,168,192	8,320,639	9,217,791	9,474,797	257,006	2.8%
<b>Total - Unrestricted Fund</b>	<b>\$ 433,154,624</b>	<b>\$ 442,862,593</b>	<b>\$ 460,237,073</b>	<b>\$ 478,208,661</b>	<b>\$ 503,149,249</b>	<b>\$ 24,940,588</b>	<b>5.2%</b>
Fund: Restricted							
Restricted Fund	\$ 30,351,483	\$ 29,850,985	\$ 31,667,123	\$ 33,953,364	\$ 38,990,856	\$ 5,037,492	14.8%
Fund: Current Expense							
Food Service	\$ 17,264,329	\$ 17,365,191	\$ 18,050,447	\$ 18,297,419	\$ 18,638,517	\$ 341,098	1.9%
Debt Service	30,921,157	31,825,571	34,075,503	34,703,127	33,199,405	(1,503,722)	-4.3%
Capital	23,576,768	30,518,578	42,382,147	43,726,159	72,205,000	28,478,841	65.1%
Pension	26,083,972	26,381,727	26,749,784	28,548,815	27,643,879	(904,936)	-3.2%
<b>TOTAL - EXPENDITURES</b>	<b>\$ 561,352,333</b>	<b>\$ 578,804,645</b>	<b>\$ 613,162,077</b>	<b>\$ 637,437,545</b>	<b>\$ 693,826,906</b>	<b>\$ 56,389,361</b>	<b>8.8%</b>

## EXECUTIVE SUMMARY

The Board of Education has proposed a fiscal year 2021 Unrestricted Fund budget that is approximately \$24.9 million (5.2%) larger than the approved fiscal year (FY) 2020 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 FY2020, the Harford County Public Schools’ (HCPS) schools’ budget included a reduction of 115.5 positions. For FY2021, the Superintendent and Board of Education have proposed, between restorations, enhancements and mandatory increases, to add 124.2 positions. Restored positions will be distributed, primarily, using the same formulas used for reductions.

Also impacted by the number of employees are Insurance and Benefits costs. The proposed budget includes significant increases for this within Human Resources’ and Fiscal Services’ budgets. Aside from the personnel related costs, the proposed budget is largely unchanged from the adopted FY2020 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.*

### Key Notes

- Total proposed budget is \$693,826,906 (+8.8%)
- County funding requested is \$276,927,778 which has been fully funded by the County Executive
- The request is \$20.5 million (+8.0%) higher than the prior approved budget
- Proposed Capital Projects are \$72,205,000 (+65.1%)
- Funded Capital Projects total \$24,412,000

### Additional Information

Report Version: 01  
 (April 2020)  
 Based on Board of Education’s  
 Proposed Budget

## HCPS MANAGEMENT RESPONSE

Harford County Public Schools agrees with the recommendation and will continue to look for opportunities to include technology within the operating budget.

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## BACKGROUND

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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.

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## SUMMARY OF REVENUES AND EXPENDITURES

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### Revenues

The Board of Education (BoE) primarily receives funding from the County, State and Federal Governments. The County funding request is \$20.5 million (8.0%) higher than the prior year. The County Executive’s proposed budget fully funds the request. County funds are only used to

## Expenditures

support Unrestricted Fund expenditures. Expenditures are discussed later in this analysis.

State funding is projected to increase 3.4% from the FY2020 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 FY2021 budget projects revenue increases of \$195,000 from 'Other – Rebates'. This change reflects historic receipts from the Purchase Card administrator and other contracted vendors. Additionally, Energy Rebates are expected to increase by \$25,000. The remaining Other Revenue categories have budgeted increases totaling \$35,040.

Overall, the proposed Unrestricted budget spending has increased by \$24.9 million or 5.2%. The proposed changes in expenditures are summarized on pages 81-83 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 57.8% of the budget (approximately \$313.6 million). This amount includes approximately \$9.8 million for a Salary and Wage adjustment package. However, the amount budgeted is just an estimate; agreements with bargaining units have not yet been finalized.

Also related to employees, other large increases are related to Benefits. For Health Insurance, an estimated increase of 6.1% will cost an additional \$5.3 million. Dental insurance will increase 6.4%, costing approximately \$249,000 more. HCPS employees participate in pension plans administered by Maryland's State Retirement Agency. The FY2020 local costs (employer's share) will rise 3.8% (approximately \$440,000). Worker's Compensation will increase by approximately \$342,000.

Each year transportation costs increase to cover previously negotiated contractual increases. For FY2021 the increase will be approximately \$1.0 million and includes new transportation for the magnet program Havre de Grace High School and other program expansions. The proposed budget also includes \$105,600 to add cameras to new contractor buses. For the FY2020 budget Transportation Supplies was reduced by approximately \$134,000; \$48,000 has been restored to this account for FY2021. Based on prior years' results this category could be reduced by approximately \$436,000.

In prior years, we noted several expenditure items are budgeted significantly higher or lower than the actual spending, based on prior years’ results. We reviewed each expense category, by department, in the proposed FY2021 Unrestricted budget and found some account groups that were over-budgeted; the total of those variances was approximately 0.3% of the budget or \$1.5 million.

Among those variances:

- Education Services could be reduced in various areas for a total of \$370,000; many items in these accounts are allocated to schools based on the number of students.
- Supplies for Transportation could be reduced, as noted above.
- Contractual Services for the Office of Technology and Information Services can be reduced by about \$290,000.

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 4,584.4 positions, an increase of 124.2 full-time equivalent employees. The cost of the additional positions is approximately \$9.5 million.

For FY2020, positions were reduced and reallocated to schools using teacher-student ratios that were weighted based on each school’s Free and Reduced Meal eligible population. The proposed budget for FY2021 includes the both restored (56.0) and new (61.2), school-based positions. School officials expect to allocate those positions in the same manner as the prior reductions. Most of these additional positions are Teachers, but the budget also funds Counselors, Instructional Coaches, Assistant Principals, Curriculum Specialists Paraeducators, Speech Therapists and other Special Educators.

Other positions, not based in schools, include Bus Drivers and Attendants, a Computer Technician, an Internal Auditor and an Audiovisual Technician.

### CAPITAL IMPROVEMENT PROGRAM

Category	Description	Project Number	FY2021 Total Budget Reque	CE Proposal
	Fund: General			
	Joppatowne High School Limited Renovation	New	\$ 21,006,000	\$ 9,837,000
	Hickory Elementary School Roof Replacement	B204112	2,221,000	2,222,000
	Bel Air MS Roof Replacement	New	7,480,000	7,480,000
Education Facility Program	Special Ed Facility Improvements	B114120	1,131,000	1,131,000
	Textbook/Supplemental Refresh	B064129	1,000,000	
	Technology Education Lab Refresh	B164112	300,000	
	Music Equipment Refresh	B144113	75,000	
	Music Technology Lab	B144114	75,000	
	Band Uniform Refresh		150,000	
	Equipment and Furniture Replacement	B004113	100,000	
	Career & Tech Education Equipment Refresh	B064130	275,000	
Technology Infrastructure	Technology Refresh/ Infrastructure	B154117	8,688,000	1,000,000
	Phone System Replacement	New	4,800,000	
	Enterprise Resource Planning System	New	5,000,000	
Life, Health, Safety and Compliance Measures	Emergency Systems Communications	B004112	583,000	530,000
	Environmental Compliance	B974118	880,000	
	Security Measures	B144134	450,000	
	Domestic Water and Backflow Prevention	B054111	120,000	
	Energy Conservation Measures	B114116	250,000	
Fleet Replacement	Replacement Buses	B024118	4,517,000	1,542,000
	Vehicles and Equipment	New	1,726,000	
Site Improvements	Stormwater Mgmt, Erosion, Sediment Control	B064128	750,000	-
	Septic Facility Code Upgrades	B114126	75,000	
	Paving - Overlay and Maintenance	B064127	1,530,000	
	Paving - New Parking Areas	B064126	416,000	
Facilities Master Plan	Planning Scope Study Major Capital Projects	New	670,000	670,000
Athletic and Recreation Repairs and Improvements	Outdoor Track Reconditioning	B114119	294,000	-
	Athletic Field Repair and Restoration	B034113	100,000	
	Swimming Pool Renovations	B104120	600,000	
	Playground Equipment	B144117	560,000	
Major HVAC Repairs	Major HVAC Repairs	B064145	3,143,000	-
	ADA Improvements	B064143	400,000	
Facility Repair Program	Building Envelope Improvements	B144107	200,000	-
	Floor Covering Replacement	B114117	200,000	
	Folding Partition Replacement		100,000	
	Bleacher Replacement	B094130	100,000	
	Locker Replacement	B094131	150,000	
	Local Only Capital	CEO Annex and Training Areas HVAC	B164109	
<b>Total</b>			<b>\$ 72,205,000</b>	<b>\$ 24,412,000</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 proposed Capital Improvement Plan for FY2021 consists of 38 projects totaling \$72.21 million. The local government funding request is \$58.26 million. The County Executive's proposed funding totals \$24.4 million. The Board of Education requests funding for capital projects it deems priorities through its Capital Improvement Plan. The proposed budget includes a funding request for a Capital Projects Planning Study (\$670,000).


Within the HCPS proposal, the 38 projects are grouped into categories based on their functions. There are 3 large projects that include State funding – Joppatowne High School Renovation, Bel Air Middle School Roof Replacement and Hickory Elementary School Roof Replacement.

The Technology Infrastructure category has \$18.49 million budgeted. \$1.0 million has been funded by the County Executive. 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. The need for further investment has been made clear as the schools respond to with the state-wide closures due to the Coronavirus pandemic. While HCPS has procedures for remote learning in cases of student illness, currently, adequate devices and internet infrastructure were not ready to support remote learning on a large scale. 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 \$6.24 million; \$1.54 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 \$3.11 million. Only the Special Ed Facility Improvements are funded in this category.

Major HVAC Repairs and CEO Annex Upgrades combined will cost \$5.23 million. Site Improvements include lot paving, septic and Stormwater





management projects totaling \$ 2.77 million. Those projects are distinct from Facilities Repair projects totaling \$1.15 million. Life, Health, Safety and Compliance includes 5 projects totaling \$2.28 million. Athletic Facilities Projects total \$1.55 million. None of these projects are funded in the proposed County budget.