

Executive Summary

Overview of the School System

Public schools were authorized by the State Constitution of 1864 and 1867 and placed upon the Legislature the obligation of establishing "a thorough and efficient system of free public school"¹. The Harford County Public Schools System was founded in 1865. At that time, there were 3,230 children enrolled in 69 one room schools with one teacher per school. The first Superintendent of Schools was appointed in 1902. There have only been nine Superintendents of Schools since 1902.

The Harford County Board of Education was established under the Education Article of the Annotated Code of Maryland to have perpetual existence and be a body politic and corporate of the State of Maryland. It is empowered and required to maintain a reasonably uniform system of public schools designed to provide quality education and equal educational opportunities for all youth. Per Senate Bill 629, effective July 1, 2009, the Board of Education was changed from a fully appointed Board to an elected-appointed Board consisting of six elected members and three members appointed by the Governor of the State of Maryland for four-year terms to be phased in over a period of time. There is also a student representative to the Board who serves a one-year term while a high school senior. This student is elected by the Harford County Regional Association of Student Councils. The Board of Education appoints the Superintendent of Schools for a four year term. The Superintendent acts as the Executive Officer of the Board as well as Secretary and Treasurer. The Superintendent is responsible for the Administration of the Harford County Public School System which consists of fifty-four schools, thirty-three elementary, nine middle, nine comprehensive high, one technical high, a special education school serving students with disabilities, and an Alternative Education Program. There is a 245 acre Harford Glen Outdoor Education Center².

Harford County Public Schools (HCPS) is a fiscally dependent school system with an actual enrollment of 37,868 students in fiscal 2013. When ranked by student enrollment, HCPS ranked 147th largest school system of the 13,629 regular school districts the county when ranked by enrollment³. This places HCPS in the top one percent of school districts by size. HCPS is ranked 8th of the 24 school districts in the State of Maryland. The student body will be served by a projected 5,372 FTE faculty and staff positions for fiscal 2014.

Harford County has 54 public schools and 47 non public schools⁴ located within the County. Citizens in the County have a choice of public or private schools. Approximately 38,000 students attend public schools. The number of students attending private schools is unknown. The April 1, 2010 Census reported 244,826 as the population for Harford County. The 2010 population of Harford County was 244,826⁵ and is projected to increase to 252,477 by 2014⁶. According to the Bureau of Census, the school age population in 2000 was 45,189 of which 39,540 or 87.5% attended public schools. School enrollment was 35,963 in 1994 and reached a peak in 2002 of 40,264 and has declined to 37,868 in 2013.

Harford County Age Distribution 1990 -2010						
Age	Population			Percent Change		
	1990	2000	2010	1990	2000	2010
Under 5	14,761	15,776	14,982	45.4%	6.9%	-5.0%
5 - 19	39,535	50,045	51,694	11.5%	26.6%	3.3%
20 - 44	77,554	78,899	76,162	20.9%	1.7%	-3.5%
45 - 64	35,248	51,710	71,424	31.7%	46.7%	38.1%
65 and Older	15,034	22,160	30,564	60.4%	47.4%	37.9%

¹ "Our Harford Heritage" by C. Milton Wright, copyright 1967.

² Harford County Government, 2012 Budget Document.

³ U.S. Department of Education, National Center for Education Statistics, Common Core of Data(CCD), "Public Elementary/Secondary School Universe Survey," 2009-10, Table 92.

⁴ Maryland State Department of Education Fact Book, 2010 - 2011.

⁵ 2010 U.S. Census, <http://census.maryland.gov>.

⁶ www.harfordbusiness.org

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Economic Climate of Harford County, Maryland

Harford County is located 20 miles north of the City of Baltimore and adjacent to the Chesapeake Bay to the east, is bordered by the south and west by Baltimore County, to the northeast by Cecil County, and to the north by the State of Pennsylvania. The convenient location on the I-95 corridor in northeastern Maryland has made it one of Maryland's most desirable business locations. Harford County, Maryland was formed in 1773, and since 1972 has operated with a charter form of government with home rule. Harford County is governed by a full time County Executive and legislative power is vested in an elected seven member County Council, one member of which is elected as the President of the County Council. The demography of Harford County has changed over the last two decades from a predominantly rural area to a suburban rural mix. The County's land area of 448 square miles is the 11th largest in the State of Maryland. As of June 30, 2010, Harford County reported a population of 244,826⁷. The economic condition and outlook of the County has substantially improved during the past decade. Since 1999 the population of Harford County increased 12.1 percent, which has triggered significant construction activity and growth in the tax base⁸. Construction activity has slowed in the past several years.

Local Economy⁹

There continues to be a tremendous amount of uncertainty regarding the national economy in the immediate and long-term. The federal government has been a positive influence on Maryland and Harford County during the most recent recession. The Base Realignment and Closure (BRAC) process ended in September 2011. Harford County experienced a 2.8 percent increase in employment from June 2010 to June 2011 and wages jumped 8.8 percent from the second quarter of 2010 to the second quarter of 2011. The percent increase in average weekly wages was 5.8 percent greater than the US average for the same period. Harford County's economic outlook into fiscal year 2013 appears stable due to sound fiscal management policies and a history of financial conservatism.

The revenue outlook for fiscal year 2012 remained challenging while preparing the fiscal year 2013 budget. Cuts in State funding to the County, and increased mandates from the State and Federal governments to local jurisdictions played a major influence in the budget revenue estimates. The revenue outlook for fiscal year 2013 is guarded. The County has major concerns about the global economy, the housing market and an unclear picture of both Federal and State finances and their impact on local subdivisions. For a fourth consecutive year, the fiscal year 2013 budget had no pay raises or COLAs for County employees. The County property tax rate did not increase over the fiscal year 2012 rates and for the second time in the County's history fell below the Constant Yield.

The County's largest revenue source remains real property taxes in spite of recent declines in the real estate market. The fiscal year 2012 taxable assessable base resulted in a decrease over the fiscal year 2011 assessable base of 4.6 percent. The assessable base growth rate is expected to decline to a negative 1.3 percent in fiscal year 2013. The reduction in property tax revenue as a result of the declining assessable base will be offset in large part by the reduction in the Homestead Tax Credit. General Fund property tax revenues net of credits are estimated to decrease by 0.5 percent from fiscal year 2012 to fiscal year 2013.

Income tax revenue, the second largest revenue source in the County, which is directly affected by population growth, employment levels and personal income, showed steady growth through fiscal year 2008. Starting in fiscal year 2009 income tax revenues declined. That trend reversed itself in fiscal year 2011 and 2012 with an 8.0 percent increase and 7.6 percent increase of income tax revenue over the prior year using the modified accrual basis of accounting. Modified accrual basis of accounting requires recorded revenue to be received within sixty days of year end. Income tax is budgeted at \$175 million for fiscal year 2013, a 3 percent increase from 2012 actual income tax revenue.

The County must also contend with reductions in revenues tied to the State and affected by Maryland's budget shortfalls. The most significant revenue reductions have been Highway User tax revenue. There has been a 94 percent reduction in Highway User revenue from fiscal year 2009 through fiscal year 2012 with no sign of a recovery to 2009 revenue levels going forward. A Special Session of the Maryland General Assembly in May, 2012 passed legislation shifting 50% of the teacher's pension costs to the local subdivisions for Fiscal Year 2013. The transfer of pension costs will be phased in over a four year period, with Harford County assuming 100 percent of the liability in fiscal year 2016. Harford County's share of teacher's pension liability for fiscal year 2013 is \$5,529,741.

⁷ 2010 U.S. Census, <http://census.maryland.gov>

⁸ Harford County Maryland Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2009", Table 15.

⁹ Harford County Maryland Comprehensive Annual Financial Report for the year ended June 30, 2012, Letter of Transmittal, pages A2 to A4, written by Kathryn Hewitt, County Treasurer.

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Long-term financial planning¹⁰

In spite of the current economic difficulties Harford County is positioned well to handle current and future fiscal challenges because of years of conservative and sound financial management. The County's fiscal strength has been attested to by two of three bond rating agencies with triple "A" ratings for its general obligation (GO) bonds. Moody's Investor Services contacted Harford County in August 2011 to inform the County that the triple "A" rating was assigned a negative outlook following the announcement on August 2nd that the U.S. government's Aaa rating was being assigned a negative outlook. Shortly thereafter, Moody's reaffirmed Harford County's triple "A" rating but continued the assignment of a negative outlook.

Completion of the Department of Defense Base Realignment and Closure (BRAC) 2005 implementation process was officially recognized on September 15, 2011. It brought 1.3 billion dollars in construction and 3 million square feet of laboratory, office and testing space to Aberdeen Proving Ground. APG is now recognized as an Army mega-base for research, development, testing and evaluation and ranks as the third largest workforce center in the State of Maryland. The positive influence of BRAC on Harford's economy may be mitigated in the future.

The fiscal year 2013 budget once again faces fiscal challenges requiring the balancing of financial needs with the available uncertain or shrinking financial resources. Education continues to be a major concern of the County and its residents. The State mandated contribution to teacher pensions will be phased in over a four year period, with the County being responsible for 100 percent of the cost in Fiscal Year 2016. The fiscal year 2013 Maintenance of Effort level decreased as a result of lower enrollment. The required Maintenance of Effort level for FY 13 is \$213,339,616. Harford County provided an additional \$952,011 in funding to Harford County Public Schools over the required Maintenance of Effort.

In spite of the fiscal challenges the fiscal year 2012 operating budget continues its policy of maintaining a reserve of 5.0 percent of the total General and Highway Fund operating budget to preserve its high credit ratings and provide for emergencies. Any excess unassigned fund balance realized at the end of the fiscal year, above the 5.0 percent reserve, can be appropriated into the next fiscal year as one time funding for that fiscal year. In fiscal year 2013 appropriated fund balance in the general fund is \$18.4 million.

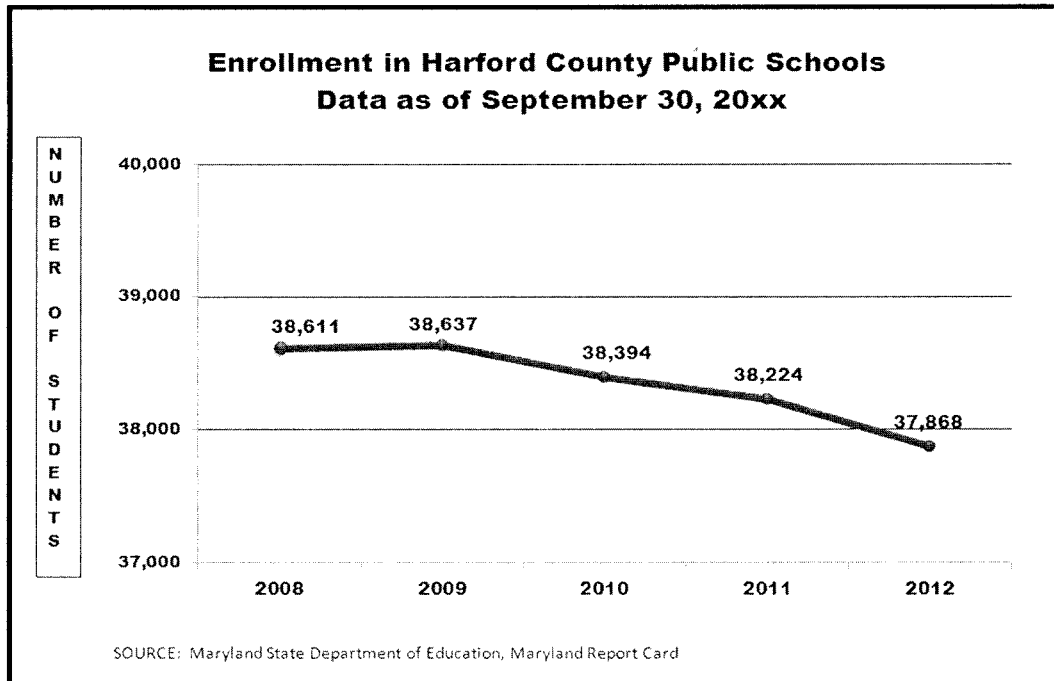
The County continues to invest 100.0 percent of cash held temporarily idle during the year using an equity-in-pooled-cash system, except for bond funds, Firemen's Pension, Agricultural Preservation, Sheriff's Pension, and the Other Post-Employment Benefits (OPEB) trust fund, which are invested separately. For fiscal year 2012 the weighted average yield on investments was 0.23 percent. The total amount of interest earned by the County on investments was \$714,613.

¹⁰ Harford County Maryland Comprehensive Annual Financial Report for the year ended June 30, 2012, Letter of Transmittal, pages A2 to A4, written by Kathryn Hewitt, County Treasurer.

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Demographics of School Enrollment

On September 30, 2008, student enrollment at HCPS was 38,611. As of September 30, 2012, student enrollment totaled 37,868, a decrease of 743 students or 1.92 percent since September 30, 2008. The chart below details the enrollment trends since September 30, 2008.



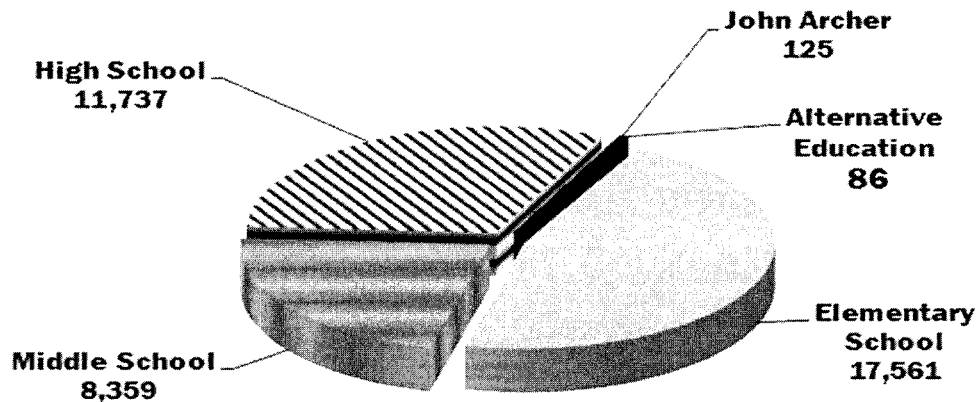
Demographics of the School Population

Enrollment represents the number of students in grades prekindergarten through 12, including ungraded special education students, as counted on September 30th of each year. The Maryland State Department of Education reports this data by grade level/program.

Student Body Distribution by Grade Level/Program as of September 30, 20xx					
	2008	2009	2010	2011	2012
Elementary	17,574	17,607	17,525	17,521	17,561
Middle School	8,892	8,823	8,631	8,607	8,359
High School	11,800	11,984	11,983	11,855	11,737
John Archer	159	147	143	128	125
Alternative Education	107	76	112	113	86
Charter School	79	0	0	0	0
Totals	38,611	38,637	38,394	38,224	37,868

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**Harford County Public Schools
Enrollment by Grade Level on September 30, 2012**



SOURCE: Harford County Public Schools

The Maryland State Department of Education also reports the student demographics by ethnic group. There are now seven racial codes instead of the previous five codes. The changes go beyond just adding categories. The identification of race and ethnicity requires a two part question for determining the code and allows for certain students to identify themselves as more than one racial/ethnic group. The following information reflects the most update data reported by the Maryland State Department of Education.

**Student Body by Racial Composition by Percentage
as of September 30, 20xx**

	2007	2008	2009	2010	2011
American Indian/Alaskan Native	0.58%	0.56%	0.55%	0.40%	0.36%
Asian	2.92%	3.09%	3.29%	3.04%	3.22%
African American	19.90%	20.17%	20.46%	18.09%	17.66%
Hispanic or Latino	3.40%	3.72%	3.88%	5.23%	5.41%
Native Hawaiian/Pacific Islander				0.15%	0.17%
White	73.20%	72.46%	71.82%	68.57%	68.12%
Two or more races				4.53%	5.05%
Total Students	100%	100%	100%	100%	100%

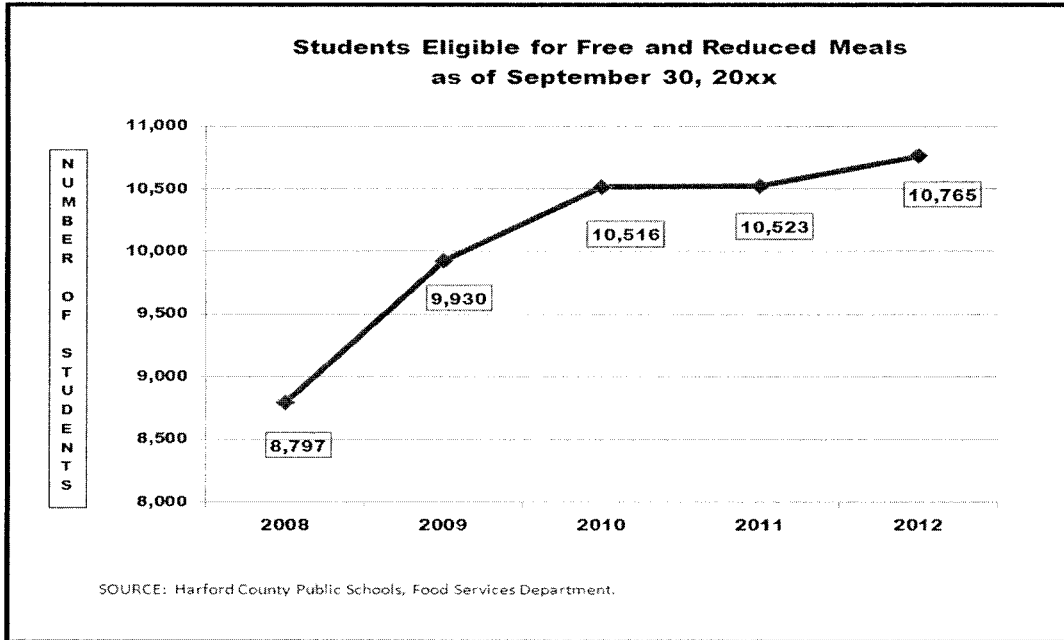
SOURCE: Maryland State Department of Education, 2012 Maryland Report Card

Two of the most important changes in demographics correlating to student achievement are poverty and language proficiency. Both groups of students are considered *Academically at Risk* if they require frequent special instruction and/or support to reach the levels of academic achievement needed in the information age.

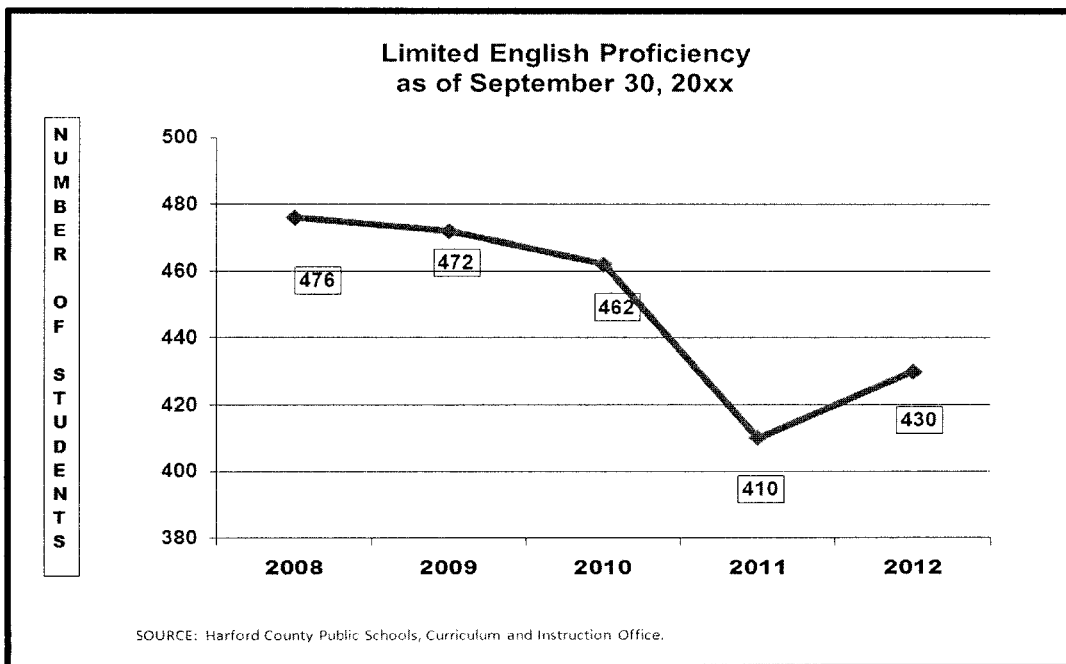
Generally, the most reliable measure of poverty in school systems is the number of students eligible for free and reduced price lunches. Students qualifying for free lunches must not exceed an income level of \$28,655 for a family of four. Students qualifying for reduced price lunches must not exceed an income level of \$40,793 for a family of four.

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The number of students eligible for free and reduced price meals as of September 30, 2012 is 10,765 (includes 401 pre-k students). The Maryland State Department of Education uses an adjusted FaRMs count to calculate State Aid under the Compensatory Education formula. The funding projected for fiscal 2013 is based on the adjusted FaRMs count of 10,295 at a value of \$3,095 per student.

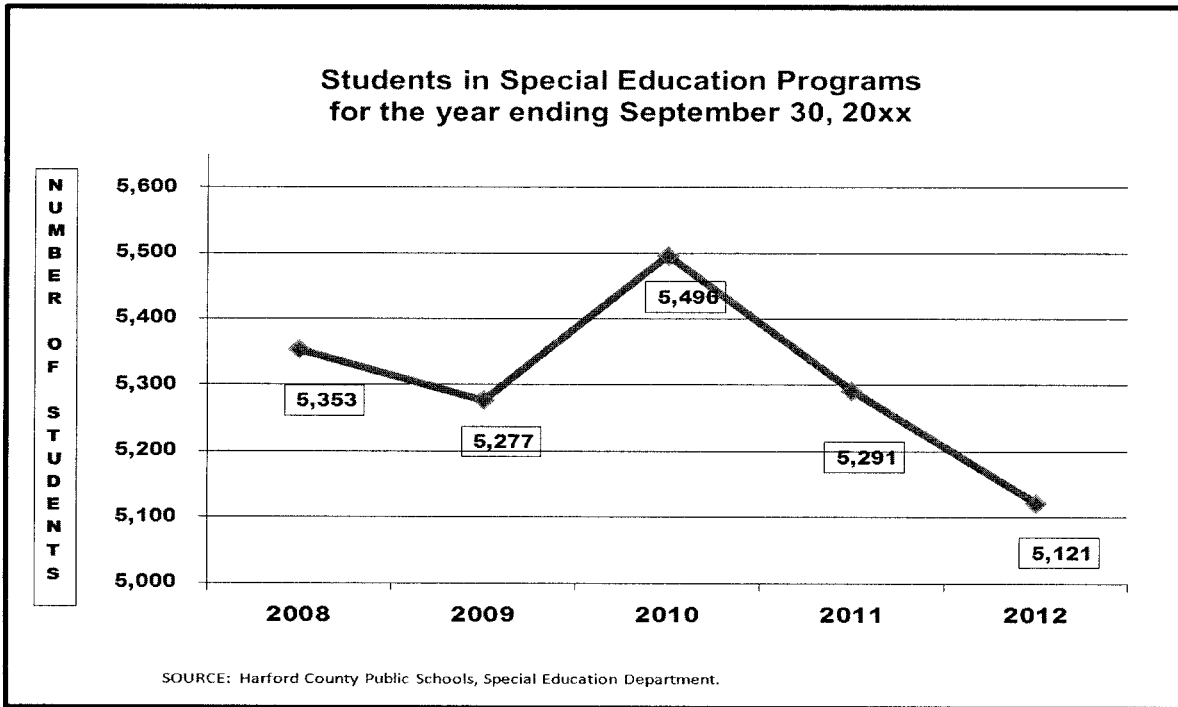


Enrollment of students with limited English-speaking proficiency has remained steady over the past few years. As of September 30, 2012, 430 students were enrolled in limited English proficiency programs, or 1.14% of the total HCPS enrollment.



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Special education programs served 5,291 students (including 187 nonpublic placement students) in fiscal 2012 with an Individual Education Program (IEP). These students range in age from three through twenty one. Students receiving these services were identified through the eligibility criteria established for any of the 14 categories of disabilities established through applicable state and federal regulations. Special Education services are provided in all schools by faculty members and support staff members. This includes those positions funded with unrestricted and restricted funds.



Another demographic feature that has an impact on the classroom is "mobility." Mobility is reported as the number and percentage of students entering or leaving school during the year after the first day of class. This factor requires flexible management and instruction to deal with changes in the school and classroom, particularly given that more students may enter than leave and the turnover may not occur on an equivalent schedule throughout the year. The HCPS mobility statistic is well below the state average for recent years. State statistics indicate average entrance rates of 10.6% and average withdrawal rates of 8.4% for 2012.

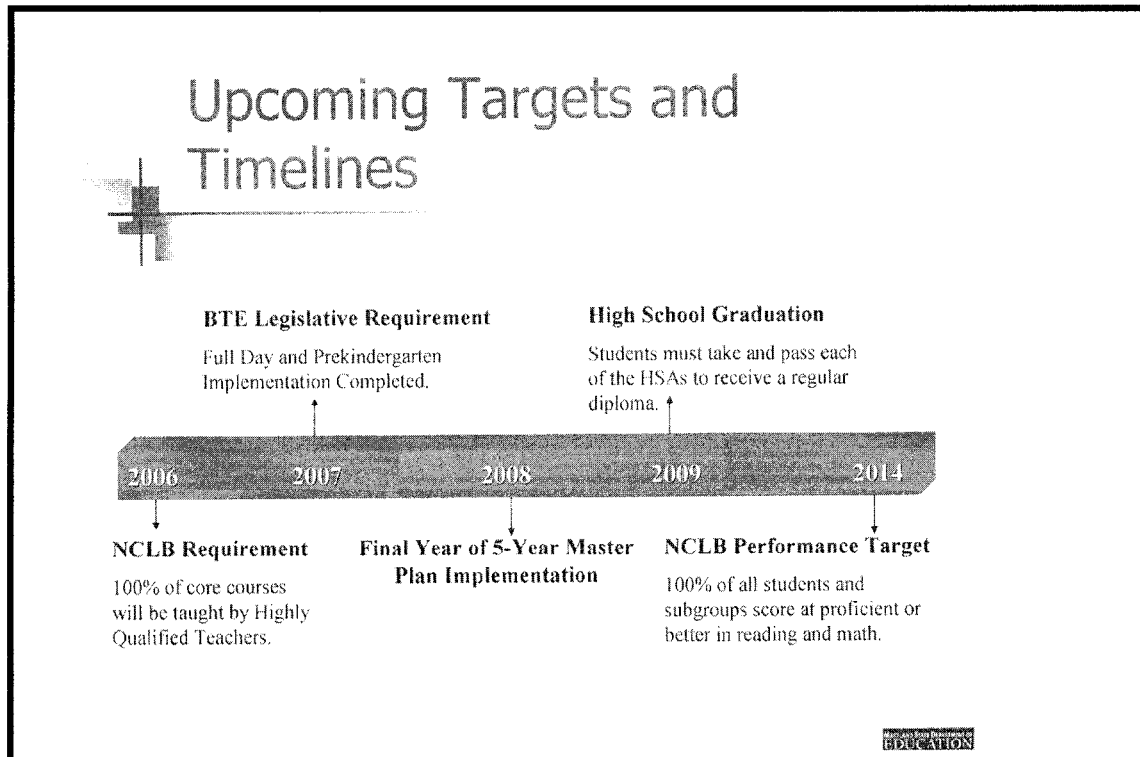
**Student Mobility
for the school year ended June 30**

	2008		2009		2010		2011		2012	
	Entrants	Withdrawals	Entrants	Withdrawals	Entrants	Withdrawals	Entrants	Withdrawals	Entrants	Withdrawals
Total Students	2892	3197	2875	2815	2474	2411	2505	2514	2414	2571
% of Student Enrollment	7.56%	8.36%	7.64%	7.48%	6.57%	6.40%	6.76%	6.79%	6.47%	6.45%

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No Child Left Behind, Federal Legislation and Bridge to Excellence Requirements, Maryland State Legislation

Harford County Public Schools must meet these requirements and the Superintendent and the Board of Education are committed to the Upcoming Targets and Timelines. These are ambitious challenges for which Harford County Public Schools has prepared a Master Plan. The Budget Plan is aligned in accordance with the approved Master Plan. Within the Master Plan section of the budget, goals and objectives are identified to meet these challenges and mandates. The following chart reflects the mandatory legislative requirements from the federal and state governments. The chart below was prepared by the Maryland State Department of Education.



Summary

Throughout the budget development process, the Board and staff have attempted to balance the ambitious vision of Harford County Public Schools with real financial constraints. While this balance is not easy, the Board has developed a budget that will empower Harford County Public Schools to effectively and efficiently strive to carry out the educational mission to provide quality educational services for all students every day. Our ability to provide an ambitious vision is dependent upon State of Maryland and Harford County Government funding.