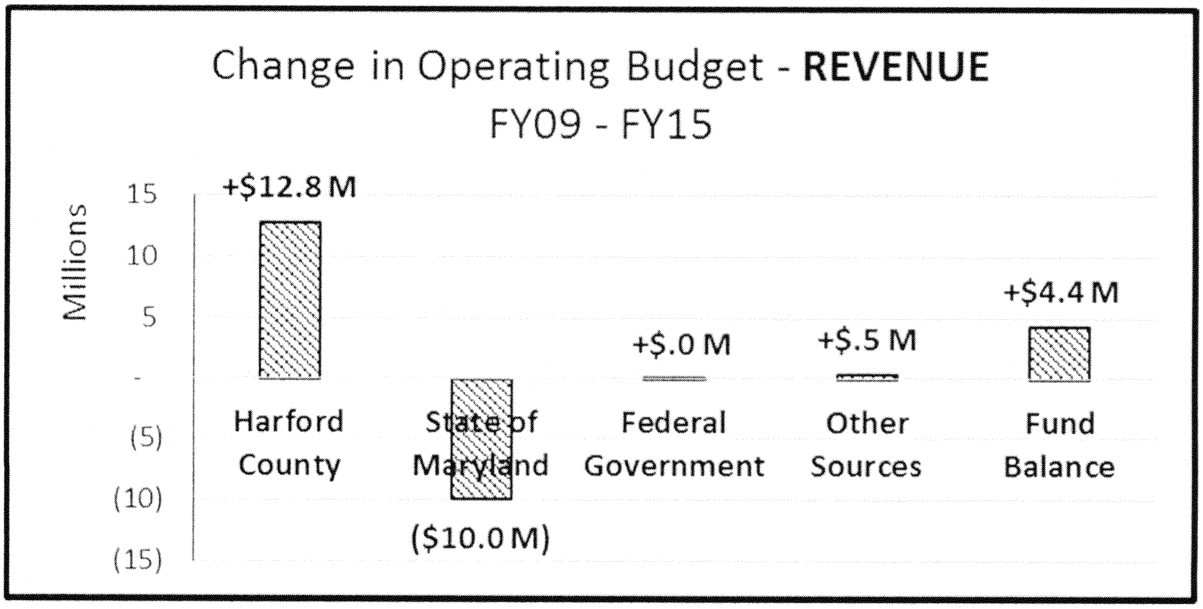
Revenue

Budget Development History

The difficult economic times of the past several years have had a significant impact on state and local funding for school systems across the nation. Harford County Public Schools has worked tirelessly to develop a fiscally responsible budget. As experienced in recent years, HCPS continues to face ongoing budget challenges as revenue has failed to keep pace with system demands, legal mandates and cost drivers such as pension and health care for employees and retirees. In addition, HCPS has an ongoing structural deficit created by spending one-time year-end funds (fund balance) for ongoing expenditures.

The following chart details the relatively stagnate nature of revenue streams from fiscal year 2009 – fiscal year 2015. During this period funding from Harford County increased by $12.8 million while Maryland State funding declined by $10.0 million. It is important to keep in mind $8.9 million of the $12.8 million increase in local funding was dedicated to employee pension costs transferred from the State of Maryland. During this time period, HCPS used an additional $4.4 million of fund balance to fund ongoing operating expenditures



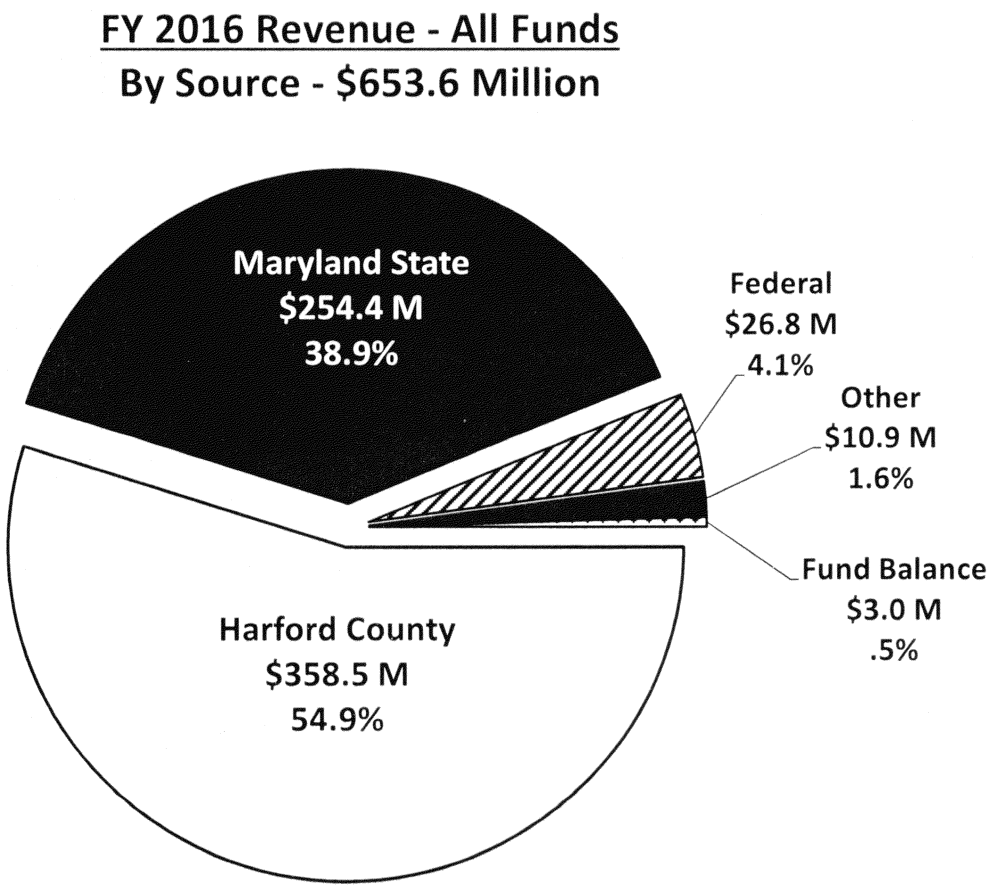
Revenue

Harford County Public Schools depends primarily upon county and state resources to fund the total budget. We are a revenue dependent school system without taxing power. The table below summarizes actual revenue for fiscal years 2013 and 2014 and budgets for fiscal years 2014 through 2016.

Revenue - All Funds

Sources	FY 2013 Actual	FY 2014 Actual	FY 2014 Budget	FY 2015 Budget	FY 2016 Budget	Change FY15 - FY16	% Change
Unrestricted Fund	$ 429,811,597	$ 425,966,826	$ 427,455,753	$ 426,971,288	$ 450,960,740	$ 23,989,452	5.6%
Restricted Fund	$ 30,645,648	$ 29,727,813	$ 30,348,015	$ 30,383,380	$ 30,506,274	$ 122,894	0.4%
Current Expense Fund	**$ 460,457,245**	**$ 455,694,639**	**$ 457,803,768**	**$ 457,354,668**	**$ 481,467,014**	**$ 24,112,346**	
Food Service	15,358,309	15,654,058	15,615,568	15,778,740	16,288,745	510,005	
Debt Service	29,736,815	30,172,314	30,628,653	30,642,263	30,309,486	(332,777)	
Capital**	35,158,834	25,114,629	32,471,846	33,626,000	96,308,000	62,682,000	
Pension*	26,284,223	29,187,145	29,187,145	29,257,412	29,257,412	0	
Total - All Funds	**$ 566,995,426**	**$ 555,822,785**	**$ 565,706,980**	**$ 566,659,083**	**$ 653,630,657**	**$ 86,971,574**	

*Represents the State of Maryland pension contribution. Local contribution is included in the Unrestricted Fund, Restricted Fund, and Food Service Fund.
**Actual numbers for Capital Revenues are on a GAAP Basis, whereas all other numbers are on a Non-GAAP (Budgetary Basis)



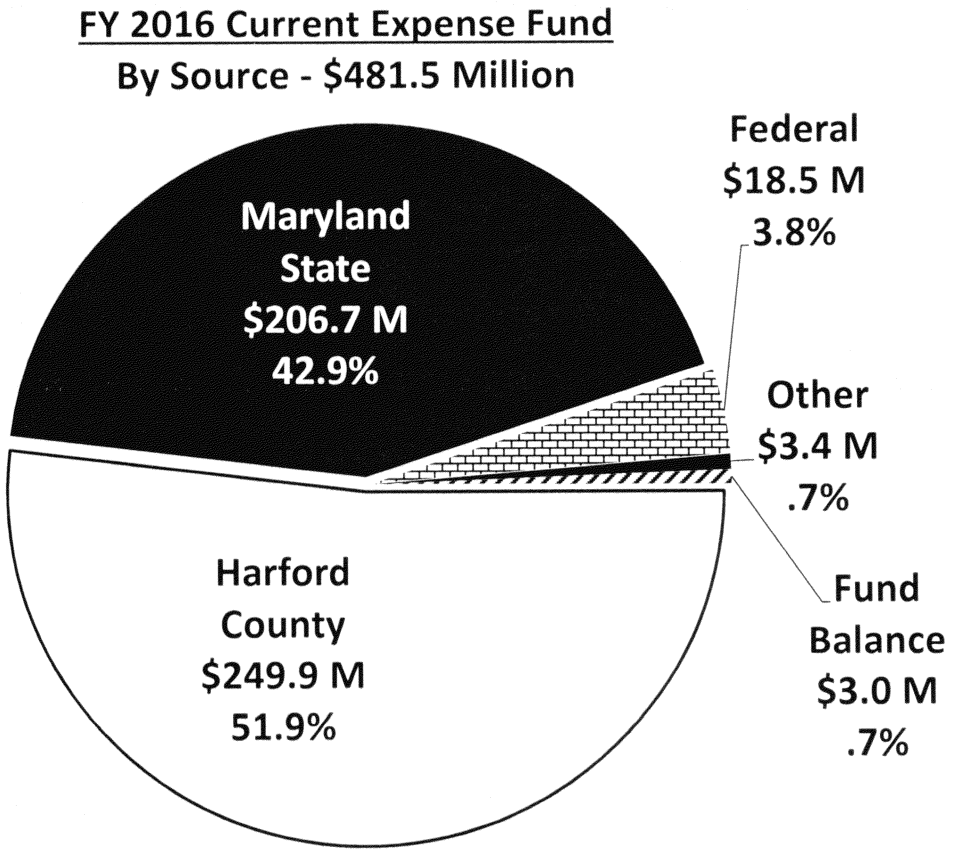
Revenue

Current Expense Fund

The Current Expense Fund is comprised of the Unrestricted Fund, usually referred to as the general operating budget, and the Restricted Fund as detailed below. The total change in the Current Expense Fund is an increase of $24.1 million or 5.3%. Unrestricted Fund revenues for fiscal 2016 are projected to increase by $24.0 million or 5.6%. Restricted Fund revenues are projected to increase by $.1 million or .4% in fiscal 2016. The fiscal year 2016 Current Expense Fund by revenue source is summarized in the chart below.

Revenue - Current Expense Fund - By Source

Sources	FY 2013 Actual	FY 2014 Actual	FY 2014 Budget	FY 2015 Budget	FY 2016 Budget	Change FY15 - FY16	% Change
Harford County	219,821,368	221,300,729	221,300,729	223,667,302	249,941,479	26,274,177	11.7%
State of Maryland	197,012,274	193,254,185	194,167,270	194,044,183	194,451,825	407,642	0.2%
Federal Government	448,890	335,713	390,000	390,000	390,000	0	0.0%
Other Sources	4,729,065	4,976,199	5,497,754	3,335,928	3,177,436	(158,492)	-4.8%
Total - Revenue	**$ 422,011,597**	**$ 419,866,826**	**$ 421,355,753**	**$ 421,437,413**	**$ 447,960,740**	**$ 26,523,327**	6.3%
Fund Balance	7,800,000	6,100,000	6,100,000	5,533,875	3,000,000	(2,533,875)	-45.8%
Unrestricted Fund	**$ 429,811,597**	**$ 425,966,826**	**$ 427,455,753**	**$ 426,971,288**	**$ 450,960,740**	**$ 23,989,452**	**5.6%**
Harford County	-	-	-	-	-	-	
State of Maryland	11,007,520	10,539,646	10,862,564	11,243,533	12,249,000	1,005,467	8.9%
Federal Government	19,416,174	18,888,847	19,031,168	18,931,334	18,047,774	(883,560)	-4.7%
Other Sources	221,954	299,320	454,283	208,513	209,500	987	0.5%
Restricted Fund	**$ 30,645,648**	**$ 29,727,813**	**$ 30,348,015**	**$ 30,383,380**	**$ 30,506,274**	**$ 122,894**	**0.4%**
Current Expense Fund	**$ 460,457,245**	**$ 455,694,639**	**$ 457,803,768**	**$ 457,354,668**	**$ 481,467,014**	**$ 24,112,346**	**5.3%**

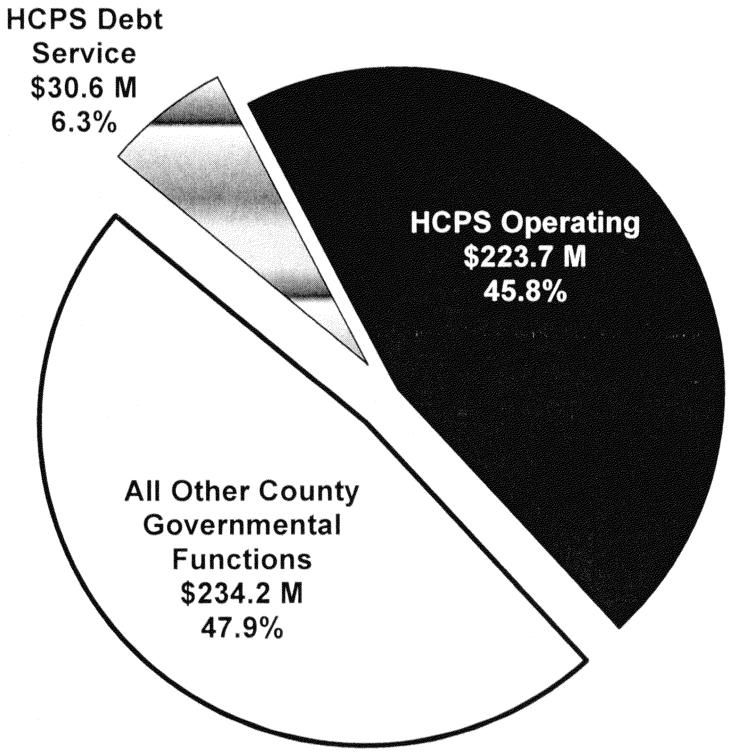


Revenue

Harford County Government Support

Harford County Public Schools represents the largest agency Harford County Government supports. When considering the fiscal 2015 General Fund budgeted by Harford County Government, Harford County Public Schools Unrestricted Fund receives 45.8% of the local government's general fund support.[1] In fiscal 2001, Harford County Public Schools Unrestricted Fund received its highest percentage of funding at 49.7% of the local government's general fund support. This does not include funding from the county for Debt Service as appropriated by Harford County which represents 6.3% of the local government's overall support.[2] The County Government funding for HCPS is reflected in the chart below.

Distribution of Harford County Government
FY 2015 General Fund Budget
$488.5 million



The county funding for Harford County Public Schools comes from a variety of revenue streams in place by Harford County Government. The main county sources of revenues supporting the education budget are property taxes and income taxes. Support for the education budget by the county is determined on a year to year basis. The county makes no projections for future budgets for the education system

[1] Data contained in Harford County Government Approved FY 2014 Operating Budget, page 132.
[2] Data contained in Harford County Government Approved FY 2014 Capital Budget, page 90.

Revenue

Maintenance of Effort

According to Maryland's Maintenance of Effort law, in order to receive any increase in basic state school aid, each county must appropriate an amount equal to or greater than its prior year per pupil appropriation. The Maintenance of Effort law states that if there is no enrollment growth, local funding can remain the same as that of the previous year in terms of total dollars. If there is enrollment growth, local funding is to remain the same on a per pupil basis. The Maintenance of Effort calculation does not provide for other significant needs. For example, a student with special needs could cost more than twice as much as a regular education student. The calculation does not address inflation, the cost of negotiated agreements and benefits, Pre-Kindergarten students, Non Public Placement students and funding for quality improvement initiatives. Harford County Government funded the school system above the Maintenance of Effort level in FY 2015. The Maintenance of Effort calculation for fiscal 2016 requires no additional funding due to an enrollment decrease of 317 students as of September 30, 2014.

Harford County Government - Current Expense Fund

Fund	Actual FY2013	Actual FY2014	Budget FY 2014	Budget FY2015	Budget FY2016	Change FY15 - FY16	
Unrestricted Fund	219,821,368	221,300,729	221,300,729	223,667,302	249,941,479	26,274,177	11.7%
Restricted Fund	0	0	0	0	0	0	0.0%
Current Expense Fund - Total	**$ 219,821,368**	**$ 221,300,729**	**$ 221,300,729**	**$ 223,667,302**	**$ 249,941,479**	**$ 26,274,177**	**11.7%**
% Current Expense Fund	47.7%	48.6%	48.3%	48.9%	51.9%		

The County Executive and County Council are requested to fund the Unrestricted and Capital Funds for Harford County Public Schools. For fiscal year 2016, Harford County Government will be providing 51.9% or $249.9 million of the total Current Expense Fund Budget, after considering revenues from state, federal, and all other sources. These figures do not include Capital Projects or Debt Service funding. The $26.3 million requested increase in funding from the Harford County Government for fiscal year 2016 includes the $1.3 million increase in the State of Maryland mandated shift in teacher pension cost from the State of Maryland to local education authorities (LEA).

The State of Maryland allocates state funding based on student enrollment and an assessment of a county's wealth in relationship to the other counties. The State of Maryland utilizes six variables to measure each county's wealth. The State of Maryland infers wealthier counties will contribute additional funding to the LEA and allows the State of Maryland to redirect state resources to less wealthier counties. The wealth factor is the dynamic force in determining the funding from the state as detailed in the following section.

Revenue

State Revenue

Maryland State Revenue - Current Expense Fund							
Program	Actual FY2013	Actual FY2014	Budget FY2014	Budget FY2015	Budget FY2016	Change FY15 - FY16	
Foundation	140,759,078	137,089,100	137,095,202	135,734,462	134,574,190	(1,160,272)	
Compensatory Education	31,188,983	31,139,458	31,139,458	32,715,145	33,392,113	676,968	
Public Transportation Aid	11,987,689	12,030,689	12,030,689	12,173,716	12,924,830	751,114	
Special Education Aid	11,453,398	10,894,812	10,790,464	10,362,389	10,362,389	0	
Limited English Proficiency	1,503,546	1,467,548	1,467,548	1,270,097	1,472,886	202,789	
MSDE - Employees on Loan	119,580	43,415	118,957	118,957	56,000	(62,957)	
NTI Adjustment	0	589,164	589,164	1,669,417	1,669,417	0	
BRFA Grant	0	0	935,788	0		0	
Unrestricted - Total	**$ 197,012,274**	**$ 193,254,185**	**$ 194,167,270**	**$ 194,044,183**	**$ 194,451,825**	**$ 407,642**	**0.2%**
Restricted - Total	**$ 11,007,520**	**$ 10,539,646**	**$ 10,862,564**	**$ 11,243,533**	**$ 12,249,000**	**$ 1,005,467**	**8.9%**
Current Expense Fund - Total	**$ 208,019,794**	**$ 203,793,831**	**$ 205,029,834**	**$ 205,287,716**	**$ 206,700,825**	**$ 1,413,109**	**0.7%**
% Current Expense Fund	45.2%	44.7%	44.8%	44.9%	42.9%		

The State of Maryland has not released funding figures for fiscal year 2016 at the time this budget was prepared. The State of Maryland utilizes two major variables in calculating the funding allocations to school systems. The two primary variables are student enrollment and the county's wealth factor as comparable to the other 23 Maryland counties. The Unrestricted state aid projected in the chart above for fiscal year 2016 is based on actual per pupil funding received in fiscal year 2015 multiplied by the change in the current year's enrollment. As of the publication date of this budget, MSDE has not released the revised county wealth calculations for fiscal year 2016. As a result, the revenue projections reflected in the chart above are preliminary. Actual Maryland State revenue allocations for fiscal year 2016 will be released before the end of January 2015.

For fiscal 2015, HCPS ranks eighth in the state for total state support with a range of $8.5 million to $976.5 million[3]. State aid is the second largest funding support for the Current Expense Fund. In fiscal 2013, HCPS ranked fourteenth out of twenty four LEAs in State Foundation funding per pupil[4]. State aid for future years is unknown.

[3] MSDE Major State Aid Programs, dated June 27, 2014, page 1.
[4] MSDE 2012- 2013 Fact Book, pages 25.

Revenue

How is Unrestricted State Aid Calculated?

The State of Maryland utilizes two major variables in calculating the funding allocations to school systems. The two primary variables are student enrollment and the county's wealth factor as compared to the other 23 Maryland counties. A change in a county's wealth factor can have a large impact on the State of Maryland's funding allocations. To fully understand how state aid is allocated to the Local Education Authorities' (LEA) one needs to examine the eight major factors used to calculate and distribute Maryland State aid:

1. **County Wealth** - funding distributed by formulas inversely proportional to local district wealth (personal property, income & real property for railroads, utilities, businesses and individuals).

2. **Enrollment –** funding adjusted based on per pupil formula for changes in enrollment.

3. **Geographic Cost of Education Index** - is a discretionary formula that accounts for differences in the costs of educational resources among the local school systems.
   - *13 of 24 LEAs will share $132.6 million of GCEI funding for FY 2015.*
   - *Harford County does not receive GCEI funding.*

4. **Guaranteed Tax Base** - provides additional funding to LEAs with less than 80% of statewide wealth per pupil and a contribution of more than the minimum required local share under the foundation program in the prior fiscal year.
   - *9 of 24 LEAs qualify for $59.4 million in funding for FY 2015.*
   - *Harford County does not receive GTB funding.*

5. **Supplemental Grants** – enacted in a 2007 special legislative session to mitigate the impact of an inflation freeze in the per pupil foundation in fiscal 2009 & 2010.
   - *9 of 24 LEAs receive a share of the $46.6 million fixed grant.*
   - *Harford County does not receive a share.*

6. **Net Taxable Income** – State education aid formulas that include a local wealth component are to be calculated in September and November. Some school systems will receives the greater State aid amount that results from the 2 calculations. This aid will be phased in over a 5 year period beginning in FY 2014.
   - *18 of 24 LEAs will benefit from the NTI adjustment in FY 2015 including Harford County.*

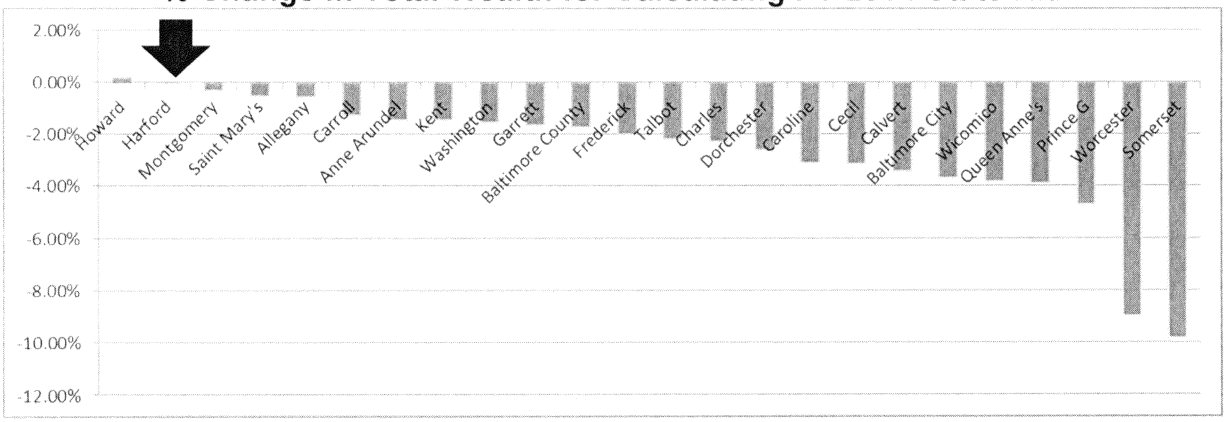
7. **Special Grants** – The 2013 BRFA authorized special grants to counties where certain direct education aid decreased by at least 1% and restores 25% of the decrease in aid for affected counties in FY 2014. Although authorized by the state legislature, this grant was not funded by the Governor.

8. **SB 534 / HB814** – Provides a grant in fiscal 2015 through 2017 to LEAs if (1) FTE enrollment is less than 5,000, (2) FTE enrollment in the current fiscal year is less than the prior fiscal year, and (3)"total direct educational aid" in the current fiscal year is less than the prior fiscal year by more than 1%. The grant must equal 50% of the decrease in total direct educational aid.

Impact of Wealth Factor on State Funding In Fiscal Year 2014 & 2015

Each year Maryland State education aid is distributed to LEAs based on a complex formula involving the eight primary factors listed on the prior page. The primary reason for the decline in state aid for Harford County since fiscal year 2013 is the change in the wealth factor used to calculate a county's share of aid. The following charts document the impact the wealth factor has on the allocation of state aid to the 23 counties and Baltimore City.

% Change in Total Wealth for Calculating FY 2014 State Aid*



Source: MSDE Final State Aid Calculation, Fiscal Year 2014 Revenue, June 28, 2013

As documented in the chart above, only one of the twenty-four LEAs, Howard County, experienced an increase in total county wealth. The other twenty three LEAs experienced a decline in total wealth. However, Harford County experienced the smallest percentage decline at .01%. Somerset County experienced the largest percentage decline at 9.84%.

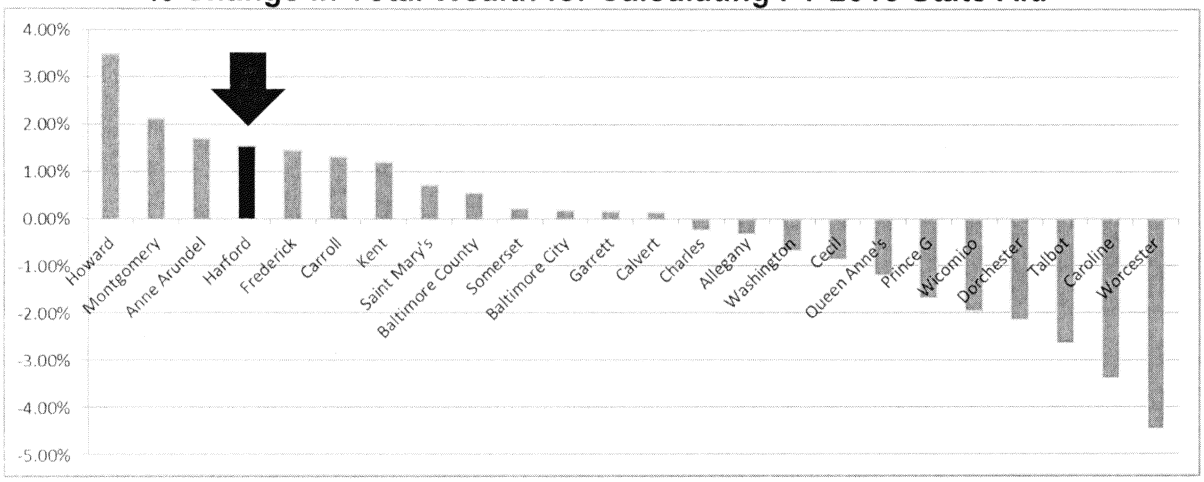
Although Harford County's wealth factor remained relatively constant, the drop in the wealth factor of the other LEAs resulted in a sharp reallocation of state funding for fiscal year 2014. In fact, Harford County experienced the largest dollar decline, $3.8 million, in state aid of the twenty four Maryland LEAs. As the following chart illustrates, the decline is directly attributable to the change in the wealth factor used to allocate state aid to local jurisdictions. Enrollment changes account for a $.6 million loss of revenue in fiscal year 2014.

Change in State Aid to Harford County from FY 2013 – FY 2014

State Aid	Wealth/ Funding Level	Enrollment	Supplemental Funding	Change FY13 - FY14
Foundation Program	(2,416,257)	(1,260,603)		(3,676,860)
Compensatory Education	(887,372)	837,847		(49,525)
Public Transportation Aid	0	43,000		43,000
Special Education Aid	(461,457)	(201,477)		(662,934)
Limited English Proficiency	(61,680)	25,682		(35,998)
Net Taxable Income Adj	0	0	589,164	589,164
BRFA 5-202(i) Grant	0	0	0	0
Supplemental Grant	0	0	6,102	6,102
Total Change	$ (3,826,766)	$ (555,551)	$ 595,266	$ (3,787,051)

Revenue

% Change in Total Wealth for Calculating FY 2015 State Aid*



Source: MSDE Final State Aid Calculation, Fiscal Year 2015 Revenue, June 27, 2014

The chart above reflects the change in the wealth factor used to calculate and allocate state aid for fiscal year 2015 to each of the twenty four LEAs in Maryland. Of the twenty four LEAs, Harford County experienced the fourth largest increase in wealth.

For fiscal year 2015, Unrestricted funding from the State of Maryland will decrease by $123,087. The following chart details the amount of the change that can be attributed to the wealth factor calculation and the change attributed to enrollment changes.

Change in State Aid to Harford County from FY 2014 – FY 2015

State Aid	Wealth/ Funding Level	Enrollment	Supplemental Funding	Change FY14 - FY15
Foundation Program	($1,249,837)	($110,903)		($1,360,740)
Compensatory Education	(465,997)	2,041,684		$1,575,687
Public Transportation Aid	(307,397)	450,424		$143,027
Special Education Aid	(247,368)	(180,707)		($428,075)
Limited English Proficiency	(39,690)	(157,761)		($197,451)
Net Taxable Income Adj.			1,080,253	$1,080,253
BRFA 5-202(i) Grant			(935,788)	($935,788)
Total Change	**$ (2,310,289)**	**$ 2,042,737**	**$ 144,465**	**$ (123,087)**

The reallocation of state funding for fiscal year 2015, based on the change in each county's wealth, resulted in a decrease of $2.3 million in state aid for Harford County. State funding increased by a total of $2.0 million due to changes in the HCPS enrollment figures used to compute state aid. Due to a slight drop in HCPS overall enrollment, a decrease of 30 students for the 2013 - 2014 school year, Foundation Aid for fiscal year 2015 decreased by $110,903. However, State Compensatory Education Aid increased by over $2.0 million in fiscal year 2015 due to a sharp increase in the number of students eligible for Free and Reduced Meals (FARMS). An additional 675 students qualified for FARMS aid during the 2013 - 2014 school year.

Revenue

Maryland State Aid Per Eligible Student

The following chart illustrates the change in state aid experienced by Harford County Public Schools, on a per student basis, over the past eight years. Viewing aid on a per student basis provides a better picture of state funding fluctuations by removing enrollment from the equation. The bottom line of the chart represents the drop in per student state aid for fiscal year 2015.

State Aid - Per Eligible Student

Revenue Year	Foundation Aid		Comp. Edu./ FARMS Aid		Disabled /SE Transportation Aid		Special Education Aid		Limited Eng. Proficiency Aid	
	Enrollment	Per Pupil Aid	Enrollment	Per Pupil Aid	Enrollment	Per Pupil Aid	Enrollment	Per Pupil Aid	Enrollment	Per Pupil Aid
FY 2009	38,152	$4,007	7,866	$3,155	754	$14,344	5,170	$2,391	491	$4,155
FY 2010	37,670	$3,893	8,413	$3,083	741	$14,596	5,353	$2,314	476	$3,951
FY 2011	37,697	$3,721	9,464	$2,970	752	$14,369	5,277	$2,214	445	$4,018
FY 2012	37,590	$3,813	10,024	$3,169	767	$15,461	5,516	$2,292	423	$3,959
FY 2013	37,426	$3,761	10,018	$3,113	785	$15,271	5,292	$2,164	393	$3,826
FY 2014	37,085	$3,697	10,295	$3,025	828	$14,530	5,195	$2,077	400	$3,669
FY 2015	37,055	$3,663	10,970	$2,982	859	$14,172	5,108	$2,029	357	$3,558
Change FY14 - FY15	(30)	($34)	675	($42)	31	($358)	(87)	($48)	(43)	($111)

Revenue

Federal Revenue

Federal aid to the Unrestricted Budget is limited to Impact Aid which is projected to remain stable in fiscal year 2016. Federal Impact Aid provides assistance to local school districts with concentrations of children residing on Indian lands, military bases, low-rent housing properties, or other federal properties and, to a lesser extent, concentrations of children who have parents in the uniformed services or employed on eligible federal properties who do not live on federal property. Federal restricted aid will decrease by $.9 million or -4.7% in fiscal 2016. In total federal aid for the Current Expense Fund will decrease $.9 million or -4.5% in fiscal 2016.

Federal Revenue - Current Expense Fund

Program	Actual FY2013	Actual FY2014	Budget FY 2014	Budget FY2015	Budget FY2016	Change FY15 - FY16	
Impact Area Aid/Other	448,890	335,713	390,000	390,000	390,000	0	
Other (ERP Subsidy)	0	0	0	0		0	
Unrestricted Fund	**$ 448,890**	**$ 335,713**	**$ 390,000**	**390,000**	**390,000**	**0**	**0.0%**
Restricted Fund	**$ 19,416,174**	**$ 18,888,847**	**$ 19,031,168**	**$ 18,931,334**	**$ 18,047,774**	**(883,560)**	**-4.7%**
Current Expense Fund - Total	**$ 19,865,064**	**$ 19,224,560**	**$ 19,421,168**	**$ 19,321,334**	**$ 18,437,774**	**$ (883,560)**	**-4.5%**
% Current Expense Fund	4.3%	4.2%	4.2%	4.2%	3.8%		

Other Revenue

In the Unrestricted Fund Budget, other revenues include fees, tuition, building use fees, gate receipts, E-rate funds, interest income and other sources. In the Restricted Budget, other sources include small local grants and donations. In the total Current Expense Fund Budget, other revenue sources account for slightly less than one percent of the overall budget resources. In FY 2016 projected revenue for summer tuition, gate receipts and out of county LEA have been decreased, based on actual revenue collections. The details of other revenues, excluding appropriated fund balance, are reflected in the table below.

Other Revenue - Current Expense Fund

	Actual FY2013	Actual FY2014	Budget FY2014	Budget FY2015	Budget FY2016	Change FY15 - FY16
Tuition - Non-Resident Pupils	59,138	44,898	25,000	25,000	25,000	0
Tuition - Adult. Education (MSDE In-service)	30,247	24,868	45,000	45,000	45,000	0
Tuition - Summer School & PE Classes	79,375	69,210	65,439	214,939	117,439	(97,500)
Transportation Receipts from Field Trips	202,485	194,156	391,000	391,000	391,000	0
Interest Income	21,541	9,172	40,000	40,000	40,000	0
Rental of Facilities	1,818	2,273	2,000	2,000	2,000	0
Building Use Fee	419,963	411,600	410,000	410,000	410,000	0
Donations	1,830	36,018	20,458	20,458	20,458	0
CPR Course Fees	4,935	4,093	1,000	1,000	1,000	0
Document/Bid Fees	0	2,477	5,000	5,000	5,000	0
Energy Rebates/Load Response Rebates	74,719	163,132	120,000	225,000	225,000	0
HCEA - Employees on Loan	89,364	84,523	90,000	90,000	90,000	0
Refund Health Care Consortium	1,176,061	915,889	915,889	0	0	0
Health/Dental - Rebates & Settlements	0	1,527	0	0	0	0
Insurance Dividends	38,466	0	0	0	0	0
Insurance Recovery	0	14,869	0	0	0	0
Medicare Part D Refunds	1,098,775	1,247,231	1,247,231	0	0	0
Other Revenue	110,577	83,437	150,000	150,000	150,000	0
Rebates - Other	0	90,220	32,000	32,000	32,000	0
Unspent - Flex & Dependent Care	64,753	55,446	55,362	0	0	0
Gate Receipts	423,532	418,825	335,875	423,531	412,539	(10,992)
Other Interscholastic Receipts	17,947	14,350	10,000	10,000	10,000	0
Finger Printing Receipts	46,280	44,780	50,000	50,000	50,000	0
Garnishment Admin. Charge	1,604	1,518	1,500	1,500	1,500	0
E-Rate	547,685	491,176	550,000	550,000	550,000	0
Equipment Sale	14,803	33,434	30,000	30,000	30,000	0
Out of County LEA	203,167	205,678	350,000	350,000	300,000	(50,000)
Sports Participation Fees	0	266,750	264,500	264,500	264,500	0
Student Activity Fees	0	44,650	285,500	0	0	0
College Readiness Act SB740	0		5,000	5,000	5,000	0
Unrestricted - Total	**$ 4,729,065**	**$ 4,976,199**	**$ 5,497,754**	**$ 3,335,928**	**$ 3,177,436**	**$ (158,492)**
Restricted - Total	**$ 221,954**	**$ 299,320**	**$ 454,283**	**$ 208,513**	**$ 209,500**	987
Current Expense Fund - Total	**$ 4,951,019**	**$ 5,275,519**	**$ 5,952,037**	**$ 3,544,441**	**$ 3,386,936**	**$ (157,505)**
% Current Expense Fund	1.1%	1.1%	1.3%	0.8%	0.7%		

Revenue

Unrestricted Fund Balance

Due to the fiscal constraints facing the school system, as well as the rest of the state and nation, undesignated fund balance revenue of $3.0 million is being used to cover one-time and ongoing expenditures in the fiscal 2016 budget. Actual fund balance activity for fiscal 2013 to 2014 and budgeted fund balance for fiscal years 2015 and 2016 are reflected in the following table.

Harford County Public Schools
Unrestricted Fund Balance

FUND SOURCES:	Actual FY2013	Actual FY 2014	Budget FY 2015	Budget FY 2016
Beginning Balance	**$ 16,079,127**	**$ 13,114,643**	**$ 10,455,900**	**$ 4,922,025**
Revenue:				
Harford County Government	219,821,368	221,300,729	223,667,302	249,941,479
State of Maryland	197,012,274	193,254,185	194,044,183	194,451,825
Federal Government	448,890	335,713	390,000	390,000
Other Sources/Transfers	4,729,065	4,976,199	3,335,928	3,177,436
Total Revenues	**$ 422,011,597**	**$ 419,866,826**	**$ 421,437,413**	**$ 447,960,740**
Total Expenditures	**$ 424,347,630**	**$ 422,319,069**	**$ 426,971,288**	**$ 450,960,740**
Transfers:				
Health Rate Stabilization Fund	0	0	0	0
Capital Projects	(628,451)	(206,500)	0	0
Ending Balance	**$ 13,114,643**	**$ 10,455,900**	**$ 4,922,025**	**$ 1,922,025**
Assigned - Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,166)	(1,225,166)
Assigned - Emergency Fuel Reserve	(915,000)	(415,000)	(415,000)	(415,000)
Use of Fund Balance	(5,600,000)	(5,533,875)		
Unassigned Fund Balance	**$ 5,374,477**	**$ 3,281,859**	**$ 3,281,859**	**$ 281,859**
Percentage of FY 2016 Unrestricted Operating Budget				**0.6%**

With the combined recognition of one time revenues and the implementation of various cost savings measures, HCPS ended fiscal 2014 with the strategic accumulation of $10.5 million in fund balance at June 30, 2014. In FY 2015, of the $10.5 million in fund balance, the following amounts have been assigned: $5.5 million for ongoing operations, $1.2 million for the Health Insurance Call and $.4 million as an Emergency Fuel Reserve. In addition, faced with an operating structural deficit entering fiscal 2016, HCPS has appropriated $3.0 million of fund balance to support the fiscal year 2016 Operating Budget. It is the intention of Harford County Public Schools to use the accumulated fund balance to provide short-term relief during these difficult economic times.

The proposed use of fund balance to support the Unrestricted Operating Budget for fiscal year 2016 is $3.0 million, a reduction of 2.5 million from the fiscal year 2015 budget.

Revenue

Indirect Cost Recovery

Indirect cost recovery provides the means of allocating administrative expenditures to restricted programs based on a predetermined formula. The application of these principles is based upon the fundamental premise that school systems are responsible for the efficient and effective administration of grants and for ensuring that program funds are expended and accounted for as required. Indirect cost recovery effectively acts as a transfer of eligible business and centralized service support expenditures to the restricted grant program. The eligible services include accounting, audit, budgeting, finance, payroll, personnel and purchasing. This recovery charge is posted to existing grant awards. MSDE establishes the indirect cost recovery rate for all state restricted grants and federal restricted grants that pass through the state government. The adjusted rate established, used by Harford County Public Schools to recover these administrative overhead costs, will be 2.76 percent of the total grant funds expended. Indirect cost recovery rates on other grants are negotiated with the grantor. Not every grant features indirect cost recovery eligibility. Such eligibility is dependent upon approval in the grant award. The accumulated indirect cost recovery supports the following positions:

- 1.0 FTE Grant Accountant
- 1.0 FTE Human Resource Specialist
- 1.0 FTE Payroll Clerk

The total indirect cost recovery projected for fiscal 2016 is $515,000.

Other Funds

The Food Service Fund in the amount of $16.3 million for fiscal 2016 is a self-supporting special revenue fund. Additional detail is provided in the Food Service section, located in Tab 23, of this budget document.

Debt Service funds in the amount of $30.3 million for fiscal 2016 are managed by the Harford County Government. Additional detail is provided in the Debt Section, located in Tab 24, of this budget document.

The Capital Projects Fund in the amount of $96.3 million for fiscal 2016 includes primarily state and local government funding. Additional detail is provided in the Debt Section, located in Tab 25, of this budget document.

The Pension Fund in the amount $29.3 million for fiscal 2016 which represents the State of Maryland's contribution to the teacher pension system. Additional detail is provided in the Pension section, located in Tab 26, of this budget document