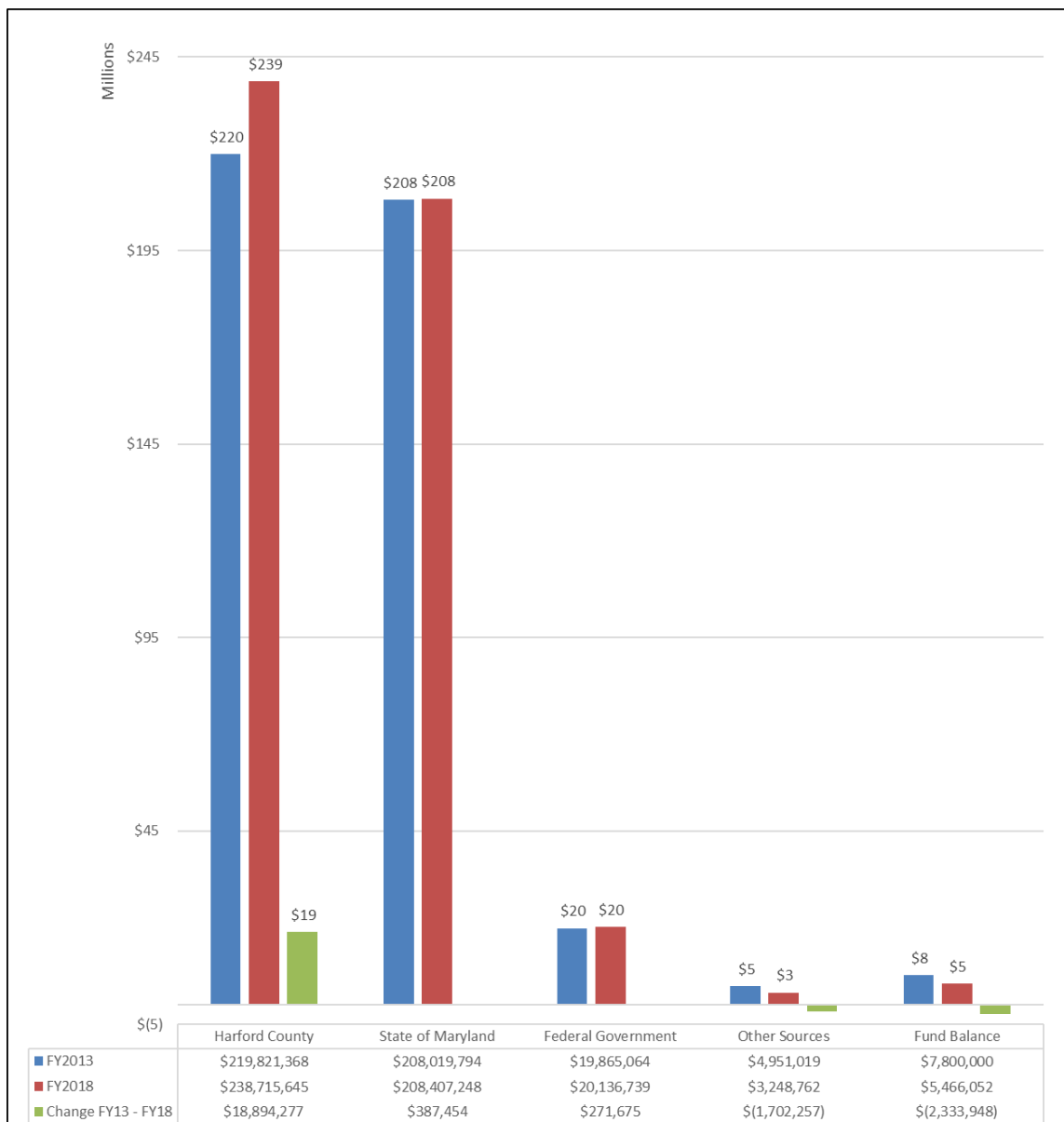


Revenue

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 actual revenue streams from fiscal year 2013 – fiscal year 2018. During this period funding from Harford County increased by \$18.9 million or an average of \$3.8 million per year, while Maryland State funding only increased \$0.4 million. Funding from the Federal government and other sources have remained relatively constant at approximately \$20.0 million and \$5.0 million, respectively. During this period, HCPS has relied on an average of \$5.9 million of fund balance to support ongoing operating expenditures.

**Change in HCPS Current Expense Budget – Revenue
FY2013 – FY2018**

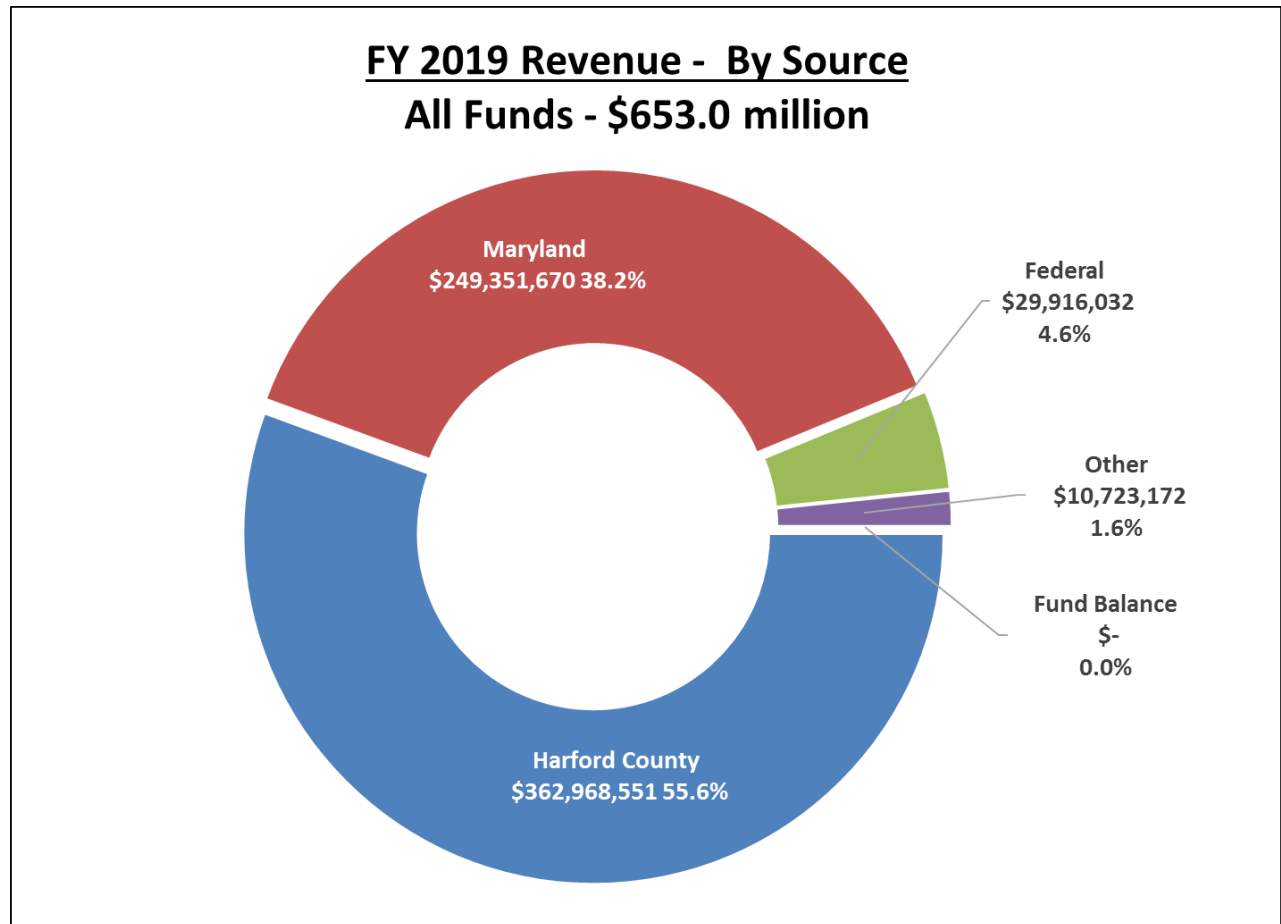


All Funds

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 2015 through 2017 and budgeted revenue for fiscal years 2018 and 2019.

Revenue - All Funds							
Unrestricted Fund	\$ 429,213,784	\$ 432,527,403	\$ 440,934,599	\$ 446,002,060	\$ 466,142,023	\$ 20,139,963	4.5%
Restricted Fund	\$ 31,402,459	\$ 29,539,443	\$ 30,351,483	\$ 29,972,386	\$ 29,308,408	\$ (663,978)	-2.2%
Current Expense Fund	\$ 460,616,243	\$ 462,066,845	\$ 471,286,081	\$ 475,974,446	\$ 495,450,431	\$ 19,475,985	4.1%
Food Service	16,179,122	16,895,399	17,071,204	17,148,763	17,619,542	470,779	2.7%
Debt Service	30,262,220	31,014,737	30,921,157	31,825,571	30,969,867	(855,704)	-2.7%
Capital**	33,669,871	33,285,201	23,576,768	48,615,000	82,537,858	33,922,858	69.8%
Pension*	29,257,412	26,626,689	26,083,972	26,381,727	26,381,727	-	0.0%
Total - All Funds	\$ 569,984,868	\$ 569,888,872	\$ 568,939,183	\$ 599,945,507	\$ 652,959,425	\$ 53,013,918	8.8%

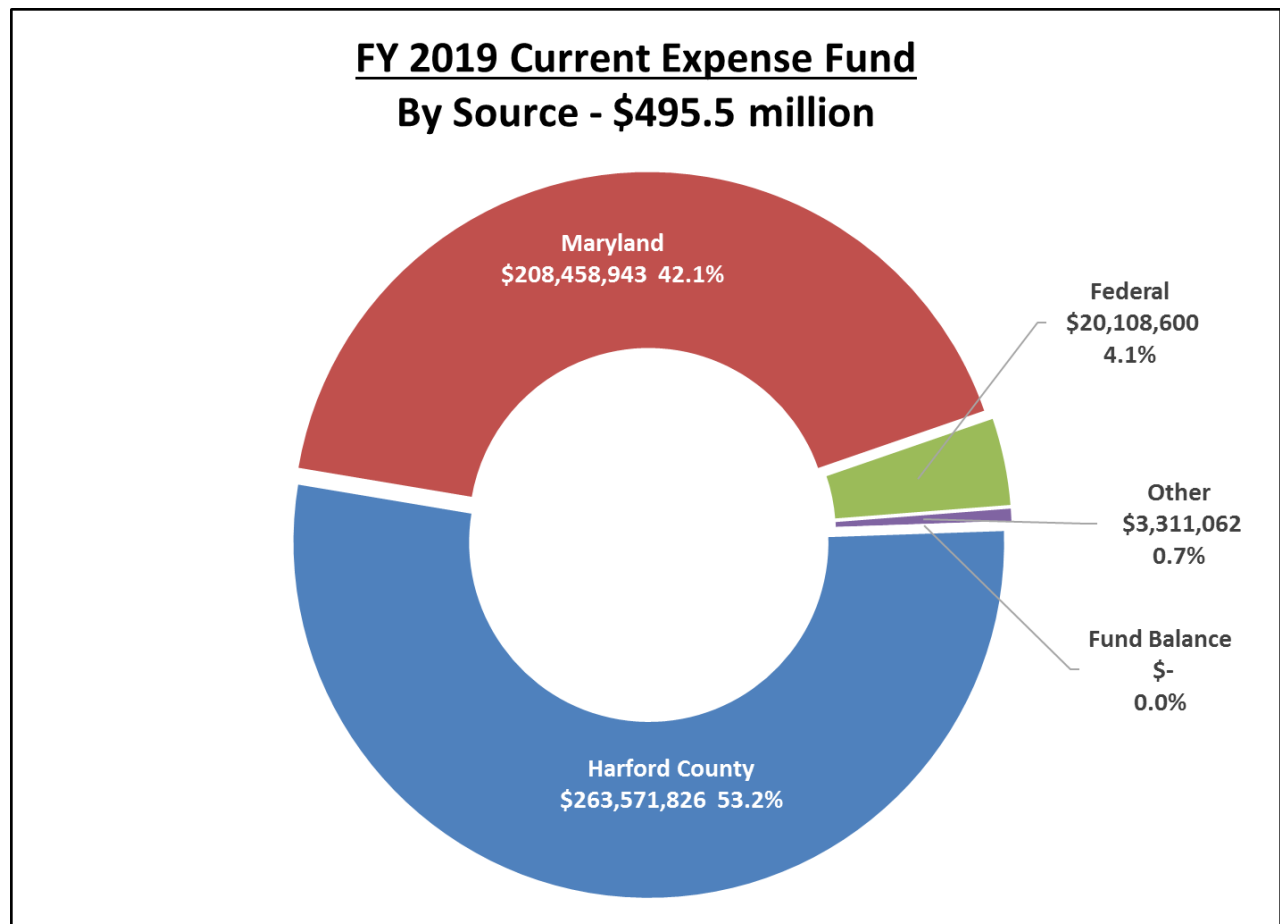
*Represents the State of Maryland pension contribution. Local contribution is included in the Unrestricted Fund, Restricted Fund, and Food Service Fund.
 **Actual numbers for Capital Revenues are on a GAAP Basis, whereas all other numbers are on a Non-GAAP (Budgetary Basis)



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 \$19.5 million, or 4.1%. Unrestricted Fund revenues for fiscal 2019 are projected to increase by \$20.1 million, or 4.5%. Restricted Fund revenues are projected to decrease by \$0.7 million, or 2.2% in fiscal 2019. The fiscal year 2019 Current Expense Fund by revenue source is summarized in the chart below.

Revenue - Current Expense Fund - By Source							
	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Budget	FY 2019 Budget	Change FY18 - FY19	% Change
Harford County	223,667,302	228,208,971	233,534,504	238,715,645	263,571,826	24,856,181	10.4%
State of Maryland	193,925,226	193,999,044	196,211,473	198,271,601	198,976,035	704,434	0.4%
Federal Government	433,573	423,240	391,653	420,000	420,000	-	0.0%
Other Sources	5,653,808	5,146,148	5,273,223	3,128,762	3,174,162	45,400	1.5%
Total - Revenue	\$ 423,679,909	\$ 427,777,403	\$ 435,410,853	\$ 440,536,008	\$ 466,142,023	\$ 25,606,015	5.8%
Fund Balance	5,533,875	4,750,000	5,523,746	5,466,052	-	(5,466,052)	-100.0%
Unrestricted Fund	\$ 429,213,784	\$ 432,527,403	\$ 440,934,599	\$ 446,002,060	\$ 466,142,023	\$ 20,139,963	4.5%
State of Maryland	11,753,863	10,344,837	8,898,221	10,135,647	9,482,908	(652,739)	-6.4%
Federal Government	19,346,190	18,957,778	21,040,936	19,716,739	19,688,600	(28,139)	-0.1%
Other Sources	302,406	236,828	412,325	120,000	136,900	16,900	14.1%
Restricted Fund	\$ 31,402,459	\$ 29,539,443	\$ 30,351,483	\$ 29,972,386	\$ 29,308,408	\$ (663,978)	-2.2%
Current Expense Fund	\$ 460,616,243	\$ 462,066,845	\$ 471,286,081	\$ 475,974,446	\$ 495,450,431	\$ 19,475,985	4.1%



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 2017 and FY2018. The Maintenance of Effort calculation for fiscal 2019 requires additional funding of \$1.8 million due to an enrollment increase of 283 funding eligible students as of September 30, 2017.

Harford County Government - Current Expense Fund							
Fund	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2018	Budget FY2019	Change FY18 - FY19	
Unrestricted Fund	223,667,302	228,208,971	233,534,504	238,715,645	263,571,826	24,856,181	10.4%
Current Expense Fund - Total	\$ 223,667,302	\$ 228,208,971	\$ 233,534,504	\$ 238,715,645	\$ 263,571,826	\$ 24,856,181	10.4%
% Current Expense Fund	48.6%	49.4%	49.6%	50.2%	53.2%		

For fiscal year 2019, the Harford County Government is providing \$263.6 million, or 53.2%, 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.

State Revenue

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 wealthy counties. The wealth factor is the dynamic force in determining the funding from the state as detailed in this section.

Unrestricted state aid is projected to increase by \$0.7 million, or 0.4%, for fiscal year 2019. Restricted state aid is projected to decrease by \$0.7 million, or 6.4%, in fiscal year 2019. Total state aid in the Current Expense Fund is projected to increase by \$52,000, or 0.0%, in fiscal year 2019. The State of Maryland will fund \$208.5 million, or 42.1%, of the Current Expense Fund Budget.

Maryland State Revenue - Current Expense Fund							
Program	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2018	Budget FY2019	Change FY18 - FY19	
Foundation	135,734,462	134,816,615	135,401,612	136,064,999	137,090,421	1,025,422	0.8%
Compensatory Education	32,715,145	33,711,240	33,873,424	34,334,568	33,901,129	(433,439)	-1.3%
Public Transportation Aid	12,173,716	12,450,747	12,549,134	12,633,675	12,804,709	171,034	1.4%
Special Education Aid	10,362,389	10,056,593	10,359,583	10,218,914	10,032,119	(186,795)	-1.8%
Limited English Proficiency	1,270,097	1,452,205	1,666,721	1,757,941	2,220,557	462,616	26.3%
NTI Adjustment	1,669,417	1,511,644	2,360,999	2,905,206	2,927,100	21,894	0.8%
Supplemental Grant	-	-	-	356,298	-	(356,298)	-100.0%
Unrestricted - Total	\$ 193,925,226	\$ 193,999,044	\$ 196,211,473	\$ 198,271,601	\$ 198,976,035	\$ 704,434	0.4%
Restricted - Total	\$ 11,753,863	\$ 10,344,837	\$ 8,898,221	\$ 10,135,647	\$ 9,482,908	\$ (652,739)	-6.4%
Current Expense Fund - Total	\$ 205,679,089	\$ 204,343,881	\$ 205,109,694	\$ 208,407,248	\$ 208,458,943	\$ 51,695	0.0%
% Current Expense Fund	44.7%	44.2%	43.5%	43.8%	42.1%		

How is Unrestricted State Aid Calculated?

(Based on most current information at time of publication).

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 qualified for \$139.1 million in funding in FY2018.
 - 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 qualified for \$50.3 million in funding for FY 2018.
 - 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 will 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 receive the greater State aid amount that results from the two calculations. This aid was originally scheduled to phase in over a five-year period, beginning in FY 2014.
 - 18 of 24 LEAs will benefit from the NTI adjustment in FY 2018 including Harford County.
 - Harford County received \$2.9 million in FY 2018.
7. **Declining Enrollment Grant** – Provides a grant to LEA’s who are experiencing declining enrollment per HB684 enacted in the 2017 Legislative Session.
 - 10 of 24 LEAs will benefit from the Declining Enrollment Grant in FY 2018 including Harford County.
 - Harford County received \$0.4 million in FY 2018.

Federal Revenue

Federal aid to the Unrestricted Budget is limited to Impact Aid which is projected to remain stable in fiscal year 2019. 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 aid to the Restricted Fund represents all Federal Grants, both direct and through MSDE. Total Federal aid is expected to remain stable in FY2019.

Federal Revenue - Current Expense Fund							
Program	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2018	Budget FY2019	Change FY18 - FY19	
Impact Area Aid/Other	433,573	423,240	391,653	420,000	420,000	-	0.0%
Unrestricted Fund	\$ 433,573	\$ 423,240	\$ 391,653	420,000	420,000	-	0.0%
Restricted Fund	\$ 19,346,190	\$ 18,957,778	\$ 21,040,936	\$ 19,716,739	\$ 19,688,600	(28,139)	-0.1%
Current Expense Fund - Total	\$ 19,779,763	\$ 19,381,018	\$ 21,432,589	\$ 20,136,739	\$ 20,108,600	\$ (28,139)	-0.1%
% Current Expense Fund	4.3%	4.2%	4.5%	4.2%	4.1%		

Other Revenue

In the Unrestricted Fund Budget, other revenues include fees, tuition, building use fees, gate receipts, 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 FY2019 other revenue is projected to increase by \$45,000. The details of other revenues are reflected in the table below.

Other Revenue - Current Expense Fund						
	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2018	Budget FY2019	Change FY18 - FY19
Tuition - Non-Resident Pupils	62,576	66,622	75,441	75,000	75,000	-
Tuition - Adult. Education (MSDE In-service)	20,909	22,456	27,792	21,000	22,000	1,000
Tuition - Summer School & PE Classes	140,180	124,601	142,242	140,000	140,000	-
Transportation Receipts from Field Trips	231,636	225,468	217,975	225,000	225,000	-
Interest Income	7,192	35,579	132,185	57,500	75,000	17,500
Rental of Facilities	-	1,818	1,872	2,000	2,000	-
Building Use Fee	428,772	434,133	462,803	435,000	435,000	-
Donations	75,061	2,518	411	2,500	2,500	-
CPR Course Fees	1,526	933	2,395	1,000	1,500	500
Document/Bid Fees	8,994	2,800	2,900	3,000	3,000	-
Unspent - Flex & Dependent Care	62,770	28,099	64,935	25,000	25,000	-
Energy Rebates/Load Response Rebates	185,113	217,941	162,062	200,000	175,000	(25,000)
HCEA - Employees on Loan	66,609	93,809	101,122	98,162	98,162	-
Health/Dental - Rebates & Settlements	246,970	130,111	124,902	75,000	75,000	-
Insurance Dividends	-	46,444	83,246	-	-	-
Insurance Recovery	134,982	19,453	532,026	45,000	45,000	-
Medicare Part D Refunds	1,197,527	1,236,567	1,275,009	-	-	-
Other Revenue	(54,451)	(64,795)	25,034	100,000	75,000	(25,000)
Rebates - Other	346,037	305,808	436,857	300,000	400,000	100,000
Refund Health Care Consortium	929,320	895,489	-	-	-	-
Gate Receipts	441,659	435,712	440,522	430,000	430,000	-
Other Interscholastic Receipts	16,114	19,035	53,770	15,000	15,000	-
Finger Printing Receipts	57,410	58,946	63,517	58,500	58,500	-
Garnishment Admin. Charge	1,452	1,354	1,592	1,500	1,500	-
E-Rate	471,080	221,221	16,209	-	-	-
Equipment Sale	37,906	9,928	31,026	30,000	30,000	-
Out of County LEA	250,566	252,547	239,748	250,000	250,000	-
Sports Participation Fees	285,900	283,985	514,900	535,600	515,000	(20,600)
Student Activity Fees	-	-	32,500	-	-	-
PSAT-Fees	-	37,565	8,230	-	-	-
College Readiness Act SB740	-	-	-	3,000	-	(3,000)
Unrestricted - Total	5,653,808	5,146,148	5,273,223	3,128,762	3,174,162	45,400
Restricted - Total	302,406	236,828	412,325	120,000	136,900	16,900
Current Expense Fund - Total	5,956,214	5,382,975	5,685,549	3,248,762	3,311,062	62,300
% Current Expense Fund	1.3%	1.2%	1.2%	0.7%	0.7%	

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 2.33% 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 2019 is \$0.5 million.

Other Funds

The Food Service Fund in the amount of \$17.6 million for fiscal 2019 is a self-supporting special revenue fund. Additional detail is provided in the Food Service section of this budget document.

Debt Service funds in the amount of \$31.0 million for fiscal 2019 are managed by the Harford County Government. Additional detail is provided in the Debt Section of this budget document.

The Capital Projects Fund in the amount of \$82.5 million for fiscal 2019 includes primarily state and local government funding. Additional detail is provided in the Capital Section of this budget document.

The Pension Fund in the amount \$26.4 million for fiscal 2019 that represents the State of Maryland's contribution to the teacher pension system. Additional detail is provided in the Pension section of this budget document.

