

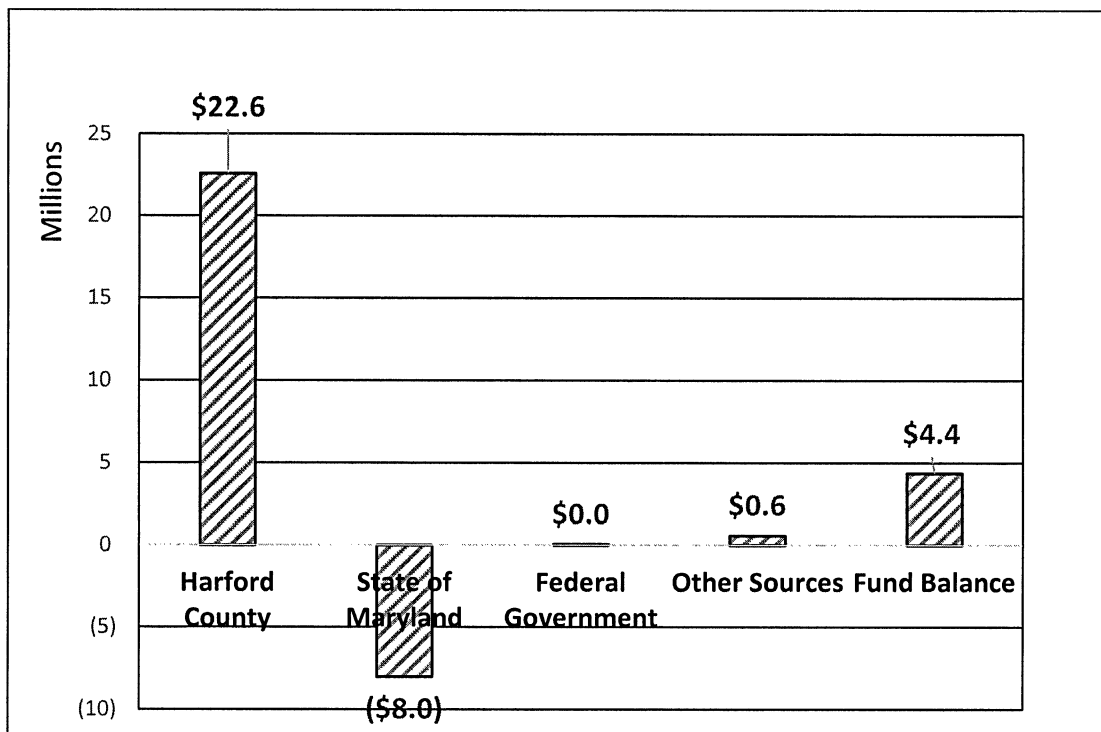
Revenue

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 2017. During this period funding from Harford County increased by \$22.6 million while Maryland State funding declined by \$8.0 million. During this time period, HCPS used an additional \$4.4 million of fund balance to fund ongoing operating expenditures.

**Change in HCPS Operating Budget – Revenue
FY2009 – FY2017**



Revenue

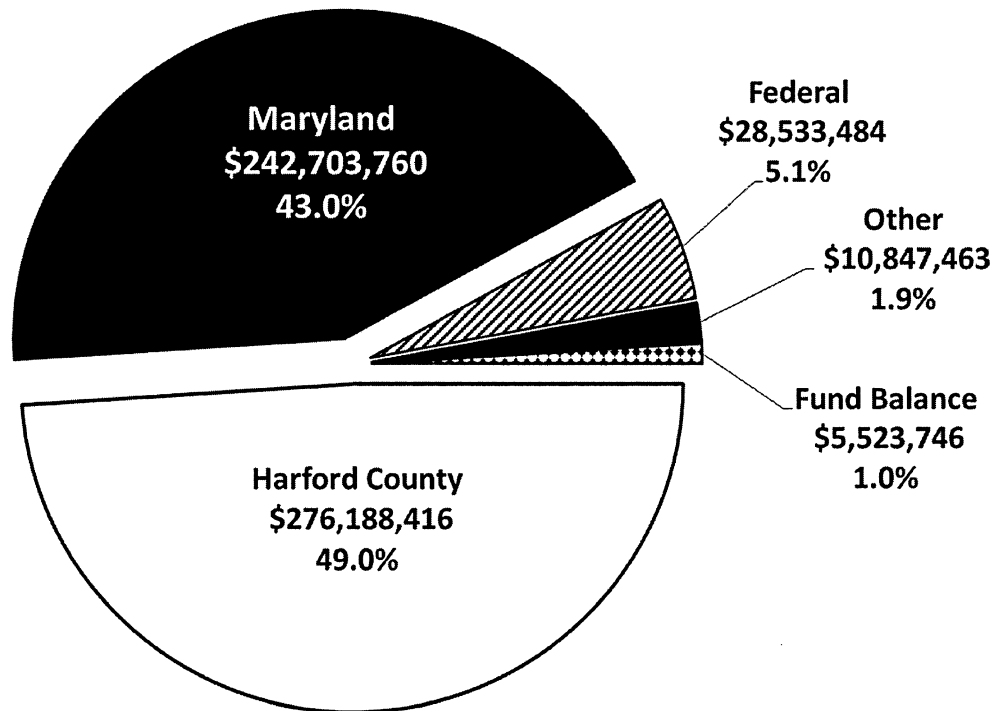
All Funds

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 2014 through 2016 and budgeted revenue for fiscal years 2016 and 2017.

Revenue - All Funds							
	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Budget	FY 2017 Budget	Change FY16 - FY17	% Change
Unrestricted Fund	\$ 425,966,826	\$ 429,213,784	\$ 432,532,102	\$ 433,503,315	\$ 438,932,075	\$ 5,428,760	1.3%
Restricted Fund	\$ 29,727,813	\$ 31,402,459	\$ 29,539,443	\$ 30,444,432	\$ 29,965,484	\$ (478,948)	-1.6%
Current Expense Fund	\$ 455,694,639	\$ 460,616,243	\$ 462,071,545	\$ 463,947,747	\$ 468,897,559	\$ 4,949,812	1.1%
Food Service	15,654,058	16,179,122	16,895,399	16,429,157	16,886,709	457,552	2.8%
Debt Service	30,172,314	30,262,220	31,014,737	31,709,489	31,036,964	(672,525)	-2.1%
Capital**	25,114,629	33,669,871	33,285,201	28,133,000	20,348,948	(7,784,052)	-27.7%
Pension*	29,187,145	29,257,412	26,626,689	29,257,412	26,626,689	(2,630,723)	-9.0%
Total - All Funds	\$ 555,822,785	\$ 569,984,868	\$ 569,893,571	\$ 569,476,805	\$ 563,796,869	\$ (5,679,936)	-1.0%

*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)

FY 2017 Revenue - By Source All Funds - \$563,796,869



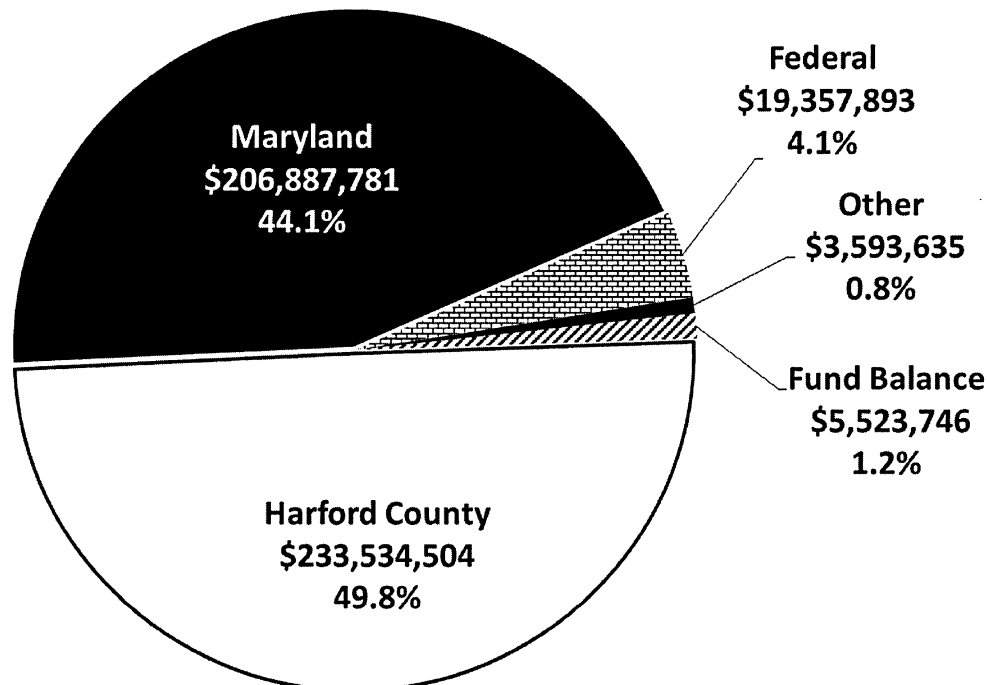
Revenue

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 \$4.9 million or 1.1%. Unrestricted Fund revenues for fiscal 2017 are projected to increase by \$5.43 million or 1.3%. Restricted Fund revenues are projected to decrease by \$.5 or 1.6% in fiscal 2017. The fiscal year 2017 Current Expense Fund by revenue source is summarized in the chart below.

Revenue - Current Expense Fund - By Source							
	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Budget	FY 2017 Budget	Change FY16 - FY17	% Change
Harford County	221,300,729	223,667,302	228,208,971	228,208,971	233,534,504	5,325,533	2.3%
State of Maryland	193,254,185	193,925,226	193,999,044	194,335,044	196,035,003	1,699,959	0.9%
Federal Government	335,713	433,573	423,240	390,000	390,000	0	0.0%
Other Sources	4,976,199	5,653,808	5,150,847	5,819,300	3,448,822	(2,370,478)	-40.7%
Total - Revenue	\$ 419,866,826	\$ 423,679,909	\$ 427,782,102	\$ 428,753,315	\$ 433,408,329	\$ 4,655,014	1.1%
Fund Balance	6,100,000	5,533,875	4,750,000	4,750,000	5,523,746	773,746	16.3%
Unrestricted Fund	\$ 425,966,826	\$ 429,213,784	\$ 432,532,102	\$ 433,503,315	\$ 438,932,075	\$ 5,428,760	1.3%
Harford County	-	-	-	-	-	-	0.0%
State of Maryland	10,539,646	11,753,863	10,344,837	10,163,119	10,852,778	689,659	6.8%
Federal Government	18,888,847	19,346,190	18,957,778	19,873,039	18,967,893	(905,146)	-4.6%
Other Sources	299,320	302,406	236,828	408,274	144,813	(263,461)	-64.5%
Restricted Fund	\$ 29,727,813	\$ 31,402,459	\$ 29,539,443	\$ 30,444,432	\$ 29,965,484	\$ (478,948)	-1.6%
Current Expense Fund	\$ 455,694,639	\$ 460,616,243	\$ 462,071,545	\$ 463,947,747	\$ 468,897,559	\$ 4,949,812	1.1%

FY 2017 Current Expense Fund By Source - \$468,897,559



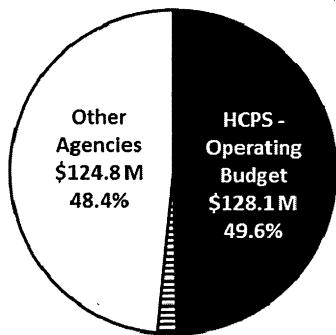
Revenue

Harford County Government Support

Harford County Public Schools represents the largest agency Harford County Government supports. 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. The following charts reflect the distribution of the Harford County Government General Fund in fiscal year 2001 and 2017.

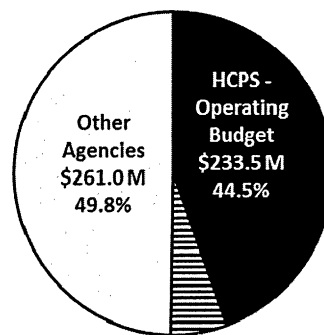
Distribution of Harford County Government General Fund

FY 2001 - \$258.0 M



HCPS - Debt Service, \$5.1 M, 2.0%

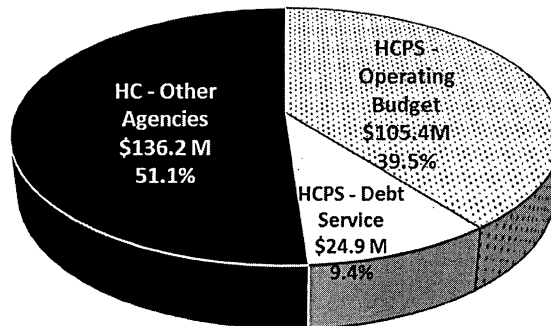
FY 2017 - \$524.6 M



HCPS - Debt Service, \$30.0 M, 5.7%

In fiscal 2001, Harford County Public Schools Unrestricted Fund received its highest percentage of funding at 49.6% 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 5.7% of the local government's overall support.¹ When considering the fiscal 2017 General Fund budgeted by Harford County Government, Harford County Public Schools Unrestricted Fund receives 44.5% of the local government's general fund support.²

Harford County Government Change in General Fund from 2001 to 2017 Distribution of \$266.6 Million of New Funding



¹ Data contained in Harford County Government Approved FY 2017 Capital Budget.

² Data contained in Harford County Government Approved FY 2017 Operating Budget.

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 2016 and FY2017. The Maintenance of Effort calculation for fiscal 2017 required no additional funding due to an enrollment decrease of 92 students as of September 30, 2015.

Harford County Government - Current Expense Fund							
Fund	Actual FY2014	Actual FY2015	Actual FY2016	Budget FY2016	Budget FY2017	Change FY16 - FY17	
Unrestricted Fund	221,300,729	223,667,302	228,208,971	228,208,971	233,534,504	5,325,533	2.3%
Restricted Fund	0	0	0	0	0	0	0.0%
Current Expense Fund - Total	\$ 221,300,729	\$ 223,667,302	\$ 228,208,971	\$ 228,208,971	\$ 233,534,504	\$ 5,325,533	2.3%
% Current Expense Fund	48.6%	48.6%	50.5%	49.4%	50.4%		

For fiscal year 2017, Harford County Government will be providing 50.4% or \$233.5 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 \$5.3 million increase in funding from the Harford County Government for fiscal year 2017 includes funding to offset an employee wage and benefit package valued over \$11 million as well as an increase in cost of doing business of \$2.1 million an increase in employee health care of \$2.9 million and critical needs of \$162,500.

Revenue

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

Maryland State Revenue - Current Expense Fund

Program	Actual FY2014	Actual FY2015	Actual FY2016	Budget FY2016	Budget FY2017	Change FY16 - FY17	
Foundation	137,089,100	135,734,462	134,816,615	134,816,615	135,401,612	584,997	
Compensatory Education	31,139,458	32,715,145	33,711,240	33,711,240	33,873,424	162,184	
Public Transportation Aid	12,030,689	12,173,716	12,450,747	12,450,747	12,549,134	98,387	
Special Education Aid	10,894,812	10,362,389	10,056,593	10,336,593	10,175,009	(161,584)	
Limited English Proficiency	1,467,548	1,270,097	1,452,205	1,452,205	1,670,267	218,062	
MSDE - Employees on Loan	43,415	0	0	56,000	0	(56,000)	
NTI Adjustment	589,164	1,669,417	1,511,644	1,511,644	2,360,999	849,355	
BRFA Grant	0	0	0	0	4,558	4,558	
Unrestricted - Total	\$ 193,254,185	\$ 193,925,226	\$ 193,999,044	\$ 194,335,044	\$ 196,035,003	\$ 1,699,959	0.9%
Restricted - Total	\$ 10,539,646	\$ 11,753,863	\$ 10,344,837	\$ 10,163,119	\$ 10,852,778	\$ 689,659	6.8%
Current Expense Fund - Total	\$ 203,793,831	\$ 205,679,089	\$ 204,343,881	\$ 204,498,163	\$ 206,887,781	\$ 2,389,618	1.2%
% Current Expense Fund	44.7%	44.7%	45.2%	44.3%	44.7%		

State aid is the second largest funding support for the Current Expense Fund. 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 per pupil as comparable to the other 23 Maryland counties. The formulas used by the State of Maryland to allocate unrestricted funding will be discussed in detail on the following pages.

Unrestricted state aid is projected to increase by \$1.7 million or .9% for fiscal year 2017. HCPS ranks eleventh, of the twenty four Maryland LEAs, in new state aid for fiscal year 2017. Restricted state aid is projected to increase by \$.7 million or 6.8% in fiscal year 2017. Total state aid in the Current Expense Fund is projected to increase by \$2.4 million or 1.2% in fiscal year 2017. The State of Maryland will fund \$206.9 million or 44.7% of the Current Expense Fund Budget. For fiscal 2017, HCPS ranks seventh in the state for total state support with a range of \$8.4 million to \$1,063 billion³. State aid for future years is unknown.

³ MSDE Major State Aid Programs, dated January June 10, 2016, page 1.

Revenue

How is Unrestricted State Aid Calculated?

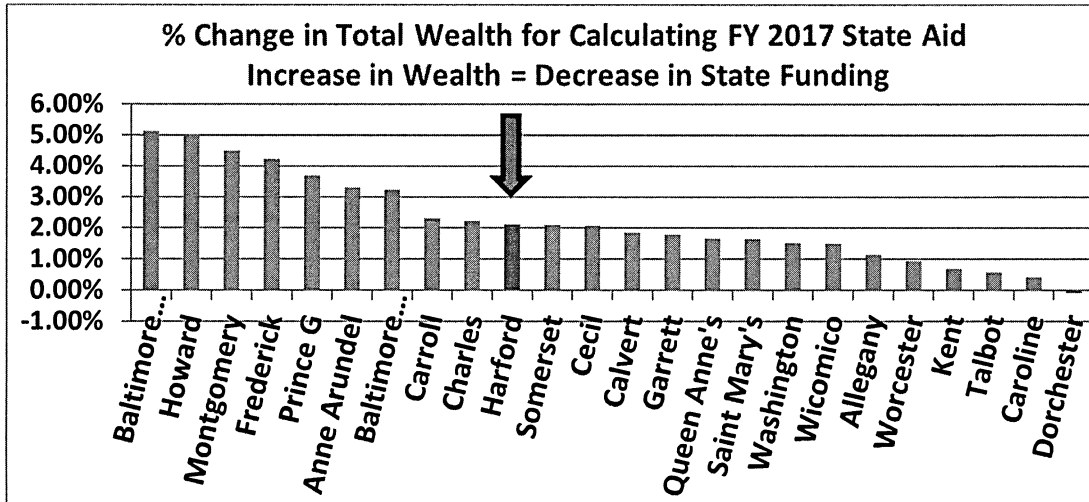
The State of Maryland utilizes two major variables in calculating the funding allocations to school systems. The two primary variables are student enrollment and the county's wealth factor as compared to the other 23 Maryland counties. A change in a county's wealth factor can have a large impact on the 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.
 - *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.
 - *10 of 24 LEAs qualify for \$54.5 million in funding for FY 2017.*
 - *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 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 2016 including Harford County.*
 - *Harford County will receive \$2.36 million in FY 2017.*
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 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. The only recipient in FY 2017 is Kent County.

Revenue

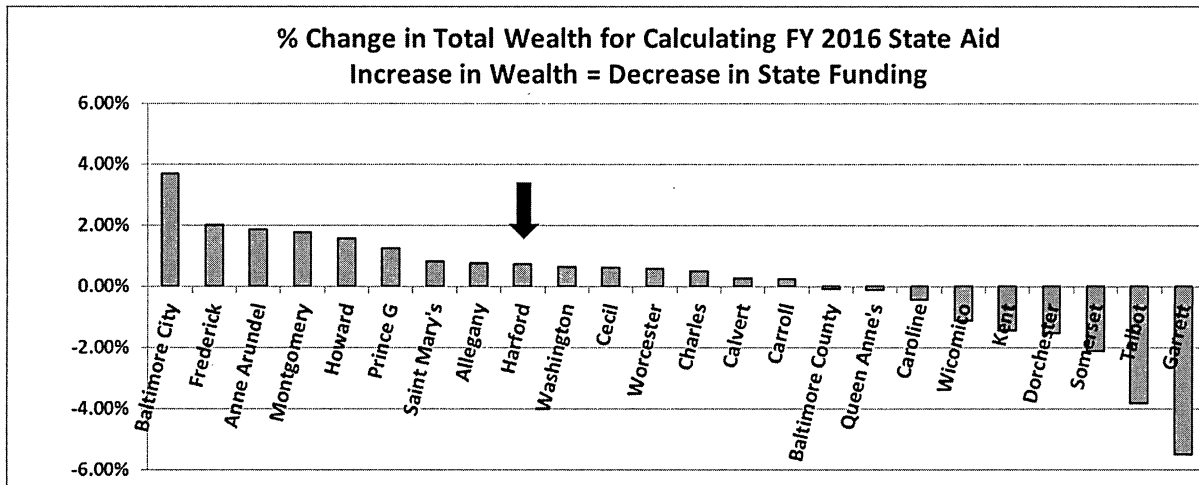
Impact of Wealth Factor on State Funding In Fiscal Year 2017

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 following chart documents the percentage change in total wealth used to allocate fiscal year 2017 state aid to the 23 counties and Baltimore City. Of the twenty four LEAs, Harford County experienced the tenth largest percentage increase in wealth. In fiscal year 2016 Harford County ranked ninth. The drop in ranking resulted in an increase of \$1,699,959 in total unrestricted funding from the State of Maryland.



*Source: MSDE Final State Aid Calculation, Fiscal Year 2017 Revenue, June 10, 2016

As documented in the chart below, in Fiscal Year 2016 Harford county ranked 9th of the 24 LEAs



*Source: MSDE State Aid Calculation, Fiscal Year 2016 Revenue, January 23, 2015

Revenue

Change in State Aid to Harford County from FY 2016 – FY 2017

The chart below shows the total change by program in unrestricted Maryland State revenue from Budgeted FY2016 to Budgeted FY2017.

Program	Budget FY2016	Budget FY2017	Change FY16 - FY17	
Foundation	134,816,615	135,401,612	584,997	0.4%
Compensatory Education	33,711,240	33,873,424	162,184	0.5%
Public Transportation Aid	12,450,747	12,549,134	98,387	0.8%
Special Education Aid	10,336,593	10,175,009	(161,584)	-1.6%
Limited English Proficiency	1,452,205	1,670,267	218,062	15.0%
MSDE - Employees on Loan	56,000	0	(56,000)	
NTI Adjustment	1,511,644	2,360,999	849,355	56.2%
BRFA Grant	0	4,558	4,558	
Unrestricted - Total	\$ 194,335,044	\$ 196,035,003	\$ 1,699,959	0.9%

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 from fiscal year 2009 to fiscal year 2016. The combination of the drop in per pupil state aid, the transfer of teacher pension costs to local education authorities and limited new local funding has resulted in difficult financial times for Harford County Public Schools during this period.



State Aid FY09 to FY16 - Per Eligible Student

<i>Revenue Year</i>	<i>Foundation Aid</i>	<i>Comp. Edu./ FARDS Aid</i>	<i>Disabled /SE Transportation Aid</i>	<i>Special Education Aid</i>	<i>Limited Eng. Proficiency Aid</i>
FY 2009	\$4,007	\$3,155	\$14,344	\$2,391	\$4,155
FY 2010	\$3,893	\$3,083	\$14,596	\$2,314	\$3,951
FY 2011	\$3,721	\$2,970	\$14,369	\$2,214	\$4,018
FY 2012	\$3,813	\$3,169	\$15,461	\$2,292	\$3,959
FY 2013	\$3,761	\$3,113	\$15,271	\$2,164	\$3,826
FY 2014	\$3,697	\$3,025	\$14,530	\$2,077	\$3,669
FY 2015	\$3,663	\$2,982	\$14,172	\$2,029	\$3,558
FY 2016	\$3,669	\$3,011	\$13,652	\$2,043	\$3,533
Decrease Per Pupil Aid FY09 - FY16	(\$338)	(\$144)	(\$692)	(\$348)	(\$621)

Revenue

Federal Revenue

Federal aid to the Unrestricted Budget is limited to Impact Aid which is projected to remain stable in fiscal year 2017. 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 is projected to decrease by \$.9 million or -4.5% in fiscal 2017.

Federal Revenue - Current Expense Fund

Program	Actual FY2014	Actual FY2015	Actual FY2016	Budget FY2016	Budget FY2017	Change FY16 - FY17	
Impact Area Aid/Other	335,713	433,573	423,240	390,000	390,000	0	
Unrestricted Fund	\$ 335,713	\$ 433,573	\$ 423,240	390,000	390,000	0	0.0%
Restricted Fund	\$ 18,888,847	\$ 19,346,190	\$ 18,957,778	\$ 19,873,039	\$ 18,967,893	(905,146)	-4.6%
Current Expense Fund - Total	\$ 19,224,560	\$ 19,779,763	\$ 19,381,018	\$ 20,263,039	\$ 19,357,893	\$ (905,146)	-4.5%
% Current Expense Fund	4.2%	4.3%	4.3%	4.4%	4.2%		

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 2017 other revenue is projected to decrease by \$2.6 million. The details of other revenues, excluding appropriated fund balance, are reflected in the table below.

Other Revenue - Current Expense Fund

	Actual FY2014	Actual FY2015	Actual FY2016	Budget FY2016	Budget FY2017	Change FY16 - FY17
Tuition - Non-Resident Pupils	44,898	62,576	66,622	25,000	50,000	25,000
Tuition - Adult Education (MSDE In-service)	24,868	20,909	22,456	45,000	21,000	(24,000)
Tuition - Summer School & PE Classes	69,210	140,180	124,601	127,889	125,000	(2,889)
Transportation Receipts from Field Trips	194,156	231,636	225,468	391,000	231,000	(160,000)
Interest Income	9,172	7,192	35,579	15,000	10,000	(5,000)
Rental of Facilities	2,273	0	1,818	2,000	2,000	0
Building Use Fee	411,600	428,772	434,133	410,000	410,000	0
Donations	36,018	75,061	2,518	20,458	20,458	0
CPR Course Fees	4,093	1,526	933	1,000	1,000	0
Document/Bid Fees	2,477	8,994	3,300	5,000	5,000	0
Unspent - Flex & Dependent Care	55,446	62,770	28,099	28,099	0	(28,099)
Energy Rebates/Load Response Rebates	163,132	185,113	221,459	304,200	185,000	(119,200)
HCEA - Employees on Loan	84,523	66,609	93,809	90,000	93,815	3,815
Health/Dental - Rebates & Settlements	1,527	246,970	130,111	130,110	0	(130,110)
Insurance Dividends	0	0	46,444	0	0	0
Insurance Recovery	14,869	134,982	24,152	0	0	0
Medicare Part D Refunds	1,247,231	1,197,527	1,236,567	1,236,567	0	(1,236,567)
Other Revenue	83,437	(54,451)	(66,484)	150,000	100,000	(50,000)
Rebates - Other	90,220	346,037	303,479	278,949	278,949	0
Refund Health Care Consortium	915,889	929,320	895,489	895,489	0	(895,489)
Gate Receipts	418,825	441,659	435,712	412,539	430,000	17,461
Other Interscholastic Receipts	14,350	16,114	19,035	10,000	15,000	5,000
Finger Printing Receipts	44,780	57,410	58,946	50,000	58,500	8,500
Garnishment Admin. Charge	1,518	1,452	1,354	1,500	1,500	0
E-Rate	491,176	471,080	221,221	550,000	500,000	(50,000)
Equipment Sale	33,434	37,906	9,928	30,000	30,000	0
Out of County LEA	205,678	250,566	252,547	300,000	250,000	(50,000)
Sports Participation Fees	266,750	285,900	283,985	264,500	535,600	271,100
Student Activity Fees	44,650	0	0	0	50,000	50,000
PSAT-Fees	0	0	37,565	42,000	42,000	0
College Readiness Act SB740	0	0	0	3,000	3,000	0
Unrestricted - Total	\$ 4,976,199	\$ 5,653,808	\$ 5,150,847	\$ 5,819,300	\$ 3,448,822	\$ (2,370,478)
Restricted - Total	\$ 299,320	\$ 302,406	\$ 236,828	\$ 408,274	\$ 144,813	\$ (263,461)
Current Expense Fund - Total	\$ 5,275,519	\$ 5,956,214	\$ 5,387,675	\$ 6,227,574	\$ 3,593,635	\$ (2,633,939)
% Current Expense Fund	1.2%	1.3%	1.2%	1.3%	0.8%	-0.6%

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 \$5.52 million is being used to cover one-time and ongoing expenditures in the fiscal 2017 budget. Actual fund balance activity for fiscal 2014, 2015 and 2016 and budgeted fiscal year 2017 are reflected in the following table.

Harford County Public Schools Unrestricted Fund Balance

FUND SOURCES:	Actual FY 2014	Actual FY 2015	Actual FY 2016	Budget FY 2016	Budget FY 2017
Beginning Balance	\$ 13,114,643	\$ 10,455,900	\$ 13,390,111	\$ 13,390,111	\$ 16,276,966
Revenue:					
Harford County Government	221,300,729	223,667,302	228,208,971	228,208,971	233,534,504
State of Maryland	193,254,185	193,925,226	193,999,044	194,335,044	196,035,003
Federal Government	335,713	433,573	423,240	390,000	390,000
Other Sources/Transfers	4,976,199	5,653,808	5,150,847	5,819,300	3,448,822
Total Revenues	\$ 419,866,826	\$ 423,679,909	\$ 427,782,102	\$ 428,753,315	\$ 433,408,329
Total Expenditures	\$ 422,319,069	\$ 420,745,698	\$ 424,895,247	\$ 433,503,315	\$ 438,932,075
Transfers:					
Health Rate Stabilization Fund	0	0	0	0	0
Capital Projects	(206,500)	0	0	0	0
Ending Balance	\$ 10,455,900	\$ 13,390,111	\$ 16,276,966	\$ 8,640,111	\$ 10,753,220
Assigned - Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,166)	(1,225,166)	(1,225,165)
Assigned - Emergency Fuel Reserve	(415,000)	(415,000)	(415,000)	(415,000)	(1,000,000)
Use of Fund Balance	(5,533,875)	(4,750,000)	(4,750,000)	(4,750,000)	(5,523,476)
Unassigned Fund Balance	\$ 3,281,859	\$ 6,999,945	\$ 9,886,800	\$ 2,249,944	\$ 3,004,578

With the combined recognition of one time revenues and the implementation of various cost savings measures, HCPS ended fiscal 2016 with the strategic accumulation of \$16.3 million in fund balance at June 30, 2016. In FY 2016, of the \$16.3 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 \$1 million as an Emergency Fuel Reserve. In addition, faced with an operating structural deficit entering fiscal 2017, HCPS has appropriated \$5.52 million of fund balance to support the fiscal year 2017 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.

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 2.53 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 2017 is \$560,000.

Other Funds

The Food Service Fund in the amount of \$16.9 million for fiscal 2017 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 \$31.0 million for fiscal 2017 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 \$20.3 million for fiscal 2017 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 \$26.6 million for fiscal 2017 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

