

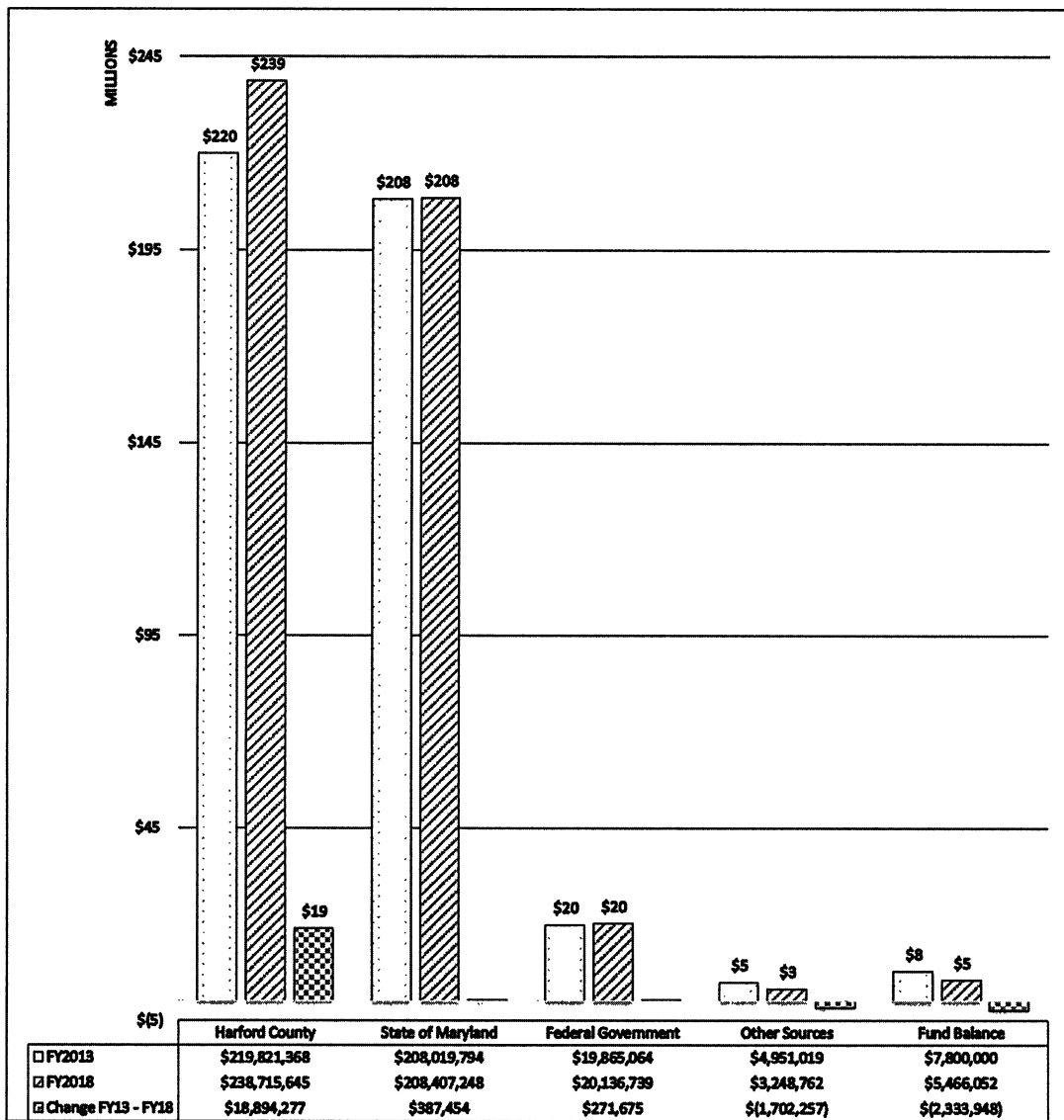
Revenue

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 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 time 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**



Revenue

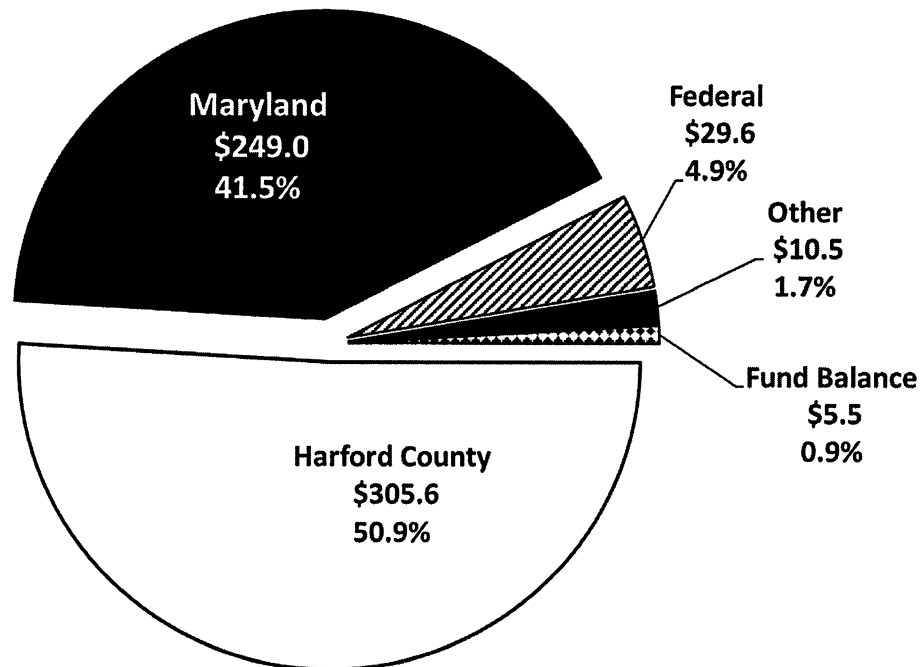
All Funds

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

Revenue - All Funds							
	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Budget	FY 2018 Budget	Change FY17 - FY18	% Change
Unrestricted Fund	\$ 429,213,784	\$ 432,527,403	\$ 440,934,599	\$ 440,396,921	\$ 446,002,060	\$ 5,605,139	1.3%
Restricted Fund	\$ 31,402,459	\$ 29,539,443	\$ 30,351,483	\$ 29,965,484	\$ 29,972,386	\$ 6,902	0.0%
Current Expense Fund	\$ 460,616,243	\$ 462,066,845	\$ 471,286,081	\$ 470,362,405	\$ 475,974,446	\$ 5,612,041	1.2%
Food Service	16,179,122	16,895,399	17,071,204	16,886,709	17,148,763	262,054	1.6%
Debt Service	30,262,220	31,014,737	30,921,157	31,036,964	31,825,571	788,607	2.5%
Capital**	33,669,871	33,285,201	23,576,768	20,348,948	48,615,000	28,266,052	100.5%
Pension*	29,257,412	26,626,689	26,083,972	26,626,689	26,381,727	(244,962)	-0.8%
Total - All Funds	\$ 569,984,868	\$ 569,888,872	\$ 568,939,183	\$ 565,261,715	\$ 599,945,507	\$ 34,683,792	6.1%

*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 2018 Revenue - By Source All Funds - \$600.0 Million



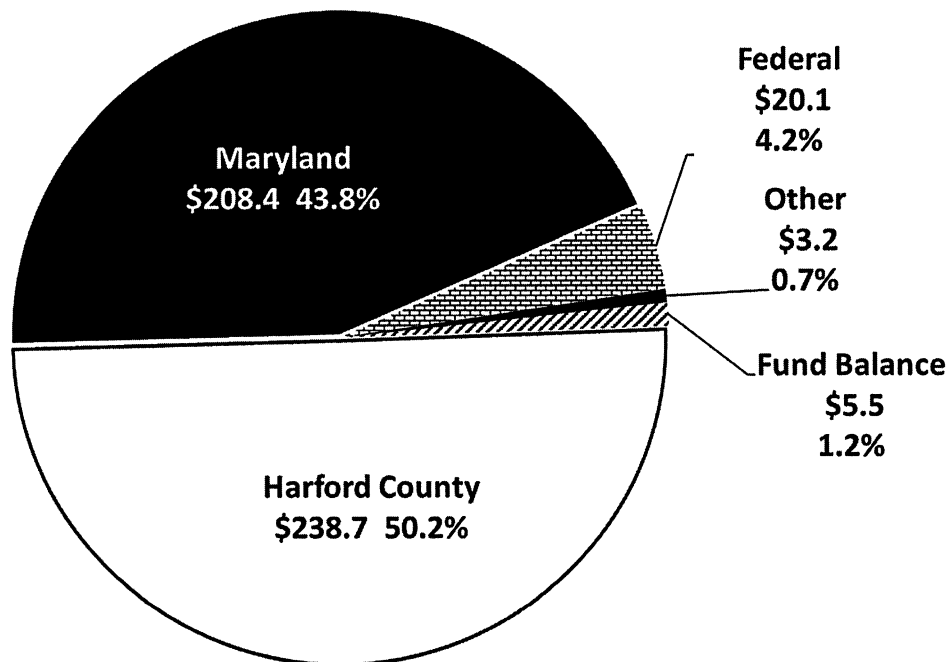
Revenue

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 \$7.1 million or 1.5%. Unrestricted Fund revenues for fiscal 2018 are projected to increase by \$7.1 million or 1.6%. Restricted Fund revenues are projected to increase by \$7,000 in fiscal 2018. The fiscal year 2018 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 2017 Budget	FY 2018 Budget	Change FY17 - FY18	% Change
Harford County	223,667,302	228,208,971	233,534,504	233,534,504	238,715,645	5,181,141	2.2%
State of Maryland	193,925,226	193,999,044	196,211,473	196,035,003	198,271,601	2,236,598	1.1%
Federal Government	433,573	423,240	391,653	390,000	420,000	30,000	7.7%
Other Sources	5,653,808	5,146,148	5,273,223	4,913,668	3,128,762	(1,784,906)	-36.3%
Total - Revenue	\$ 423,679,909	\$ 427,777,403	\$ 435,410,853	\$ 434,873,175	\$ 440,536,008	\$ 5,662,833	1.3%
Fund Balance	5,533,875	4,750,000	5,523,746	5,523,746	5,466,052	(57,694)	-1.0%
Unrestricted Fund	\$ 429,213,784	\$ 432,527,403	\$ 440,934,599	\$ 440,396,921	\$ 446,002,060	\$ 5,605,139	1.3%
Harford County	-	-	-	-	-	-	0.0%
State of Maryland	11,753,863	10,344,837	8,898,221	10,852,778	10,135,647	(717,131)	-6.6%
Federal Government	19,346,190	18,957,778	21,040,936	18,967,893	19,716,739	748,846	3.9%
Other Sources	302,406	236,828	412,325	144,813	120,000	(24,813)	-17.1%
Restricted Fund	\$ 31,402,459	\$ 29,539,443	\$ 30,351,483	\$ 29,965,484	\$ 29,972,386	\$ 6,902	0.0%
Current Expense Fund	\$ 460,616,243	\$ 462,066,845	\$ 471,286,081	\$ 470,362,405	\$ 475,974,446	\$ 5,612,041	1.2%

FY 2018 Current Expense Fund By Source - \$476.0 Million



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 2018 requires no additional funding due to an enrollment decrease of 22 students as of September 30, 2016.

Harford County Government - Current Expense Fund

Fund	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2017	Budget FY2018	Change FY17 - FY18	
Unrestricted Fund	223,667,302	228,208,971	233,534,504	233,534,504	238,715,645	5,181,141	2.3%
Restricted Fund	0	0	0	0	0	0	0.0%
Current Expense Fund - Total	\$ 223,667,302	\$ 228,208,971	\$ 233,534,504	\$ 233,534,504	\$ 238,715,645	\$ 5,181,141	2.3%
% Current Expense Fund	48.6%	49.4%	49.5%	49.8%	50.2%		

For fiscal year 2018, the Harford County Government is providing \$238.7 million or 50.2% 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.

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 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 \$2.2 million, or 1.2%, for fiscal year 2018. Restricted state aid is projected to decrease by \$0.7 million, or 7.1%, in fiscal year 2018. Total state aid in the Current Expense Fund is projected to increase by \$1.5 million, or 0.7%, in fiscal year 2018. The State of Maryland will fund \$208.4 million, or 43.8%, of the Current Expense Fund Budget.

Maryland State Revenue - Current Expense Fund

Program	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2017	Budget FY2018	Change FY17 - FY18	
Foundation	135,734,462	134,816,615	135,401,612	135,401,612	136,064,999	663,387	
Compensatory Education	32,715,145	33,711,240	33,873,424	33,873,424	34,334,568	461,144	
Public Transportation Aid	12,173,716	12,450,747	12,549,134	12,549,134	12,633,675	84,541	
Special Education Aid	10,362,389	10,056,593	10,359,583	10,175,009	10,218,914	43,905	
Limited English Proficiency	1,270,097	1,452,205	1,666,721	1,670,267	1,757,941	87,674	
MSDE - Employees on Loan	0	0	0	0	0	0	
NTI Adjustment	1,669,417	1,511,644	2,360,999	2,360,999	2,905,206	544,207	
BRFA Grant	0	0	0	4,558	0	(4,558)	
Supplemental Grant	0	0	0	0	356,298	356,298	
Unrestricted - Total	\$ 193,925,226	\$ 193,999,044	\$ 196,211,473	\$ 196,035,003	\$ 198,271,601	\$ 2,236,598	1.2%
Restricted - Total	\$ 11,753,863	\$ 10,344,837	\$ 8,898,221	\$ 10,852,778	\$ 10,135,647	\$ (717,131)	-7.1%
Current Expense Fund - Total	\$ 205,679,089	\$ 204,343,881	\$ 205,109,694	\$ 206,887,781	\$ 208,407,248	\$ 1,519,467	0.7%
% Current Expense Fund	44.7%	44.2%	43.5%	44.1%	43.8%		

The formulas used by the State of Maryland to allocate unrestricted funding will be discussed in detail on the following pages.

Revenue

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.

Revenue

Change in State Aid to Harford County from FY 2017 – FY 2018

The chart below shows the total change by program in Maryland State revenue from budgeted FY2017 to budgeted FY2018.

Maryland State Revenue - Current Expense Fund				
Program	Budget FY2017	Budget FY2018	Change FY17 - FY18	
Foundation	135,401,612	136,064,999	663,387	0.5%
Compensatory Education	33,873,424	34,334,568	461,144	1.4%
Public Transportation Aid	12,549,134	12,633,675	84,541	0.7%
Special Education Aid	10,175,009	10,218,914	43,905	0.4%
Limited English Proficiency	1,670,267	1,757,941	87,674	6.0%
MSDE - Employees on Loan	0	0	0	0.0%
NTI Adjustment	2,360,999	2,905,206	544,207	36.0%
BRFA Grant	4,558	0	(4,558)	0.0%
Supplemental Grant	0	356,298	356,298	0.0%
Unrestricted - Total	\$ 196,035,003	\$ 198,271,601	\$ 2,236,598	1.2%
Restricted - Total	\$ 10,852,778	\$ 10,135,647	\$ (717,131)	-6.8%
Current Expense Fund - Total	\$ 206,887,781	\$ 208,407,248	\$ 1,519,467	0.7%
% Current Expense Fund	44.1%	43.8%		

Revenue

Maryland State Aid Per Eligible Student

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

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 increase or decrease in per student state aid from fiscal year 2011 to fiscal year 2018.



State Aid - Per Eligible Student

Revenue Year	Foundation Aid	Comp. Edu./ FARMS Aid	Disabled /SE Transportation Aid	Special Education Aid	Limited Eng. Proficiency Aid
	<i>Per Pupil Aid</i>	<i>Per Pupil Aid</i>	<i>Per Pupil Aid</i>	<i>Per Pupil Aid</i>	<i>Per Pupil Aid</i>
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
FY 2017	\$3,696	\$3,056	\$14,021	\$2,006	\$3,546
FY 2018	\$3,719	\$3,097	\$14,639	\$2,030	\$3,559
Change FY11 - FY18	(\$3)	\$127	\$270	(\$183)	(\$459)

Revenue

Federal Revenue

Federal aid to the Unrestricted Budget is limited to Impact Aid which is projected to remain stable in fiscal year 2018. 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 increase by \$0.8 million in FY2018.

Federal Revenue - Current Expense Fund

Program	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2017	Budget FY2018	Change FY17 - FY18	
Impact Area Aid/Other	433,573	423,240	391,653	390,000	420,000	30,000	7.7%
Unrestricted Fund	\$ 433,573	\$ 423,240	\$ 391,653	390,000	420,000	30,000	7.7%
Restricted Fund	\$ 19,346,190	\$ 18,957,778	\$ 21,040,936	\$ 18,967,893	\$ 19,716,739	748,846	3.8%
Current Expense Fund - Total	\$ 19,779,763	\$ 19,381,018	\$ 21,432,589	\$ 19,357,893	\$ 20,136,739	\$ 778,846	3.8%
% Current Expense Fund	4.3%	4.2%	4.5%	4.1%	4.2%		

Revenue

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 FY2018 other revenue is projected to decrease by \$1.8 million. The details of other revenues, excluding appropriated fund balance, are reflected in the table below.

Other Revenue - Current Expense Fund						
	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2017	Budget FY2018	Change FY17 - FY18
Tuition - Non-Resident Pupils	62,576	66,622	75,441	50,000	75,000	25,000
Tuition - Adult. Education (MSDE In-service)	20,909	22,456	27,792	21,000	21,000	0
Tuition - Summer School & PE Classes	140,180	124,601	142,242	125,000	140,000	15,000
Transportation Receipts from Field Trips	231,636	225,468	217,975	231,000	225,000	(6,000)
Interest Income	7,192	35,579	132,185	10,000	57,500	47,500
Rental of Facilities	0	1,818	1,872	2,000	2,000	0
Building Use Fee	428,772	434,133	462,803	410,000	435,000	25,000
Donations	75,061	2,518	411	20,458	2,500	(17,958)
CPR Course Fees	1,526	933	2,395	1,000	1,000	0
Document/Bid Fees	8,994	2,800	2,900	5,000	3,000	(2,000)
Unspent - Flex & Dependent Care	62,770	28,099	64,935	64,935	25,000	(39,935)
Energy Rebates/Load Response Rebates	185,113	217,941	162,062	185,000	200,000	15,000
HCEA - Employees on Loan	66,609	93,809	101,122	93,815	98,162	4,347
Health/Dental - Rebates & Settlements	246,970	130,111	124,902	124,902	75,000	(49,902)
Insurance Divdends	0	46,444	83,246	0	0	0
Insurance Recovery	134,982	19,453	532,026	0	45,000	45,000
Medicare Part D Refunds	1,197,527	1,236,567	1,275,009	1,275,009	0	(1,275,009)
Other Revenue	(54,451)	(64,795)	25,034	100,000	100,000	0
Rebates - Other	346,037	305,808	436,857	278,949	300,000	21,051
Refund Health Care Consortium	929,320	895,489	0	0	0	0
Gate Receipts	441,659	435,712	440,522	430,000	430,000	0
Other Interscholastic Receipts	16,114	19,035	53,770	15,000	15,000	0
Finger Printing Receipts	57,410	58,946	63,517	58,500	58,500	0
Garnishment Admin. Charge	1,452	1,354	1,592	1,500	1,500	0
E-Rate	471,080	221,221	16,209	500,000	0	(500,000)
Equipment Sale	37,906	9,928	31,026	30,000	30,000	0
Out of County LEA	250,566	252,547	239,748	250,000	250,000	0
Sports Participation Fees	285,900	283,985	514,900	535,600	535,600	0
Student Activity Fees	0	0	32,500	50,000	0	(50,000)
PSAT-Fees	0	37,565	8,230	42,000	0	(42,000)
College Readiness Act SB740	0	0	0	3,000	3,000	0
Unrestricted - Total	\$ 5,653,808	\$ 5,146,148	\$ 5,273,223	\$ 4,913,668	\$ 3,128,762	\$(1,784,906)
Restricted - Total	\$ 302,406	\$ 236,828	\$ 412,325	\$ 144,813	\$ 120,000	\$(24,813)
Current Expense Fund - Total	\$ 5,956,214	\$ 5,382,975	\$ 5,685,549	\$ 5,058,481	\$ 3,248,762	\$(1,809,719)
% Current Expense Fund	1.3%	1.2%	1.2%	1.1%	0.7%	-35.8%

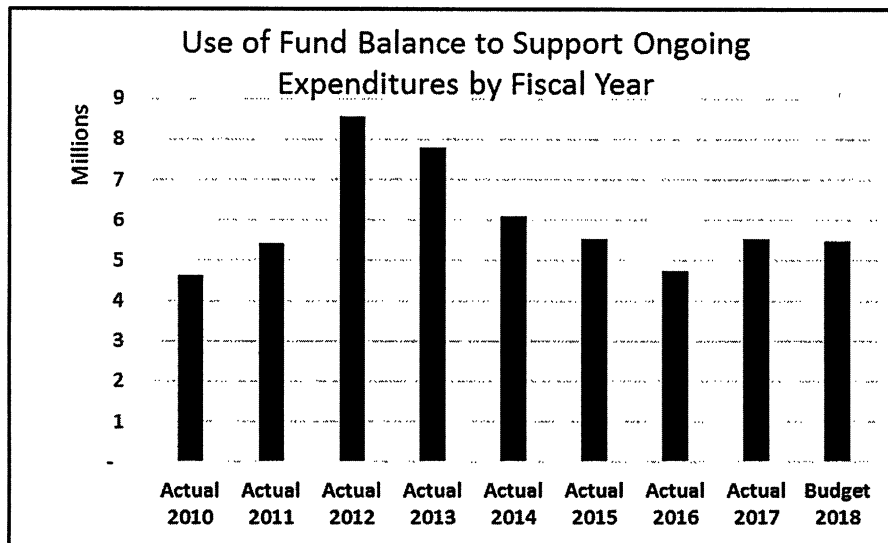
Revenue

Unrestricted Fund Balance

Due to the fiscal constraints facing the school system, as well as the rest of the state and nation, unassigned fund balance revenue of \$5.5 million is being used to cover one-time and ongoing expenditures in the fiscal 2018 budget. Actual fund balance activity for fiscal 2015 through 2017 and budgeted fiscal 2018 are reflected in the following table.

Harford County Public Schools Unrestricted Fund Balance				
FUND SOURCES:	Actual FY 2015	Actual FY 2016	Actual FY 2017	Budget FY 2018
Beginning Balance	\$ 10,455,900	\$ 13,390,111	\$ 16,276,966	\$ 18,533,196
Revenue:				
Harford County Government	223,667,302	228,208,971	233,534,504	238,715,645
State of Maryland	193,925,226	193,999,044	196,211,473	198,271,601
Federal Government	433,573	423,240	391,653	420,000
Other Sources/Transfers	5,653,808	5,150,847	5,273,223	3,128,762
Total Revenues	\$ 423,679,909	\$ 427,782,102	\$ 435,410,853	\$ 440,536,008
Total Expenditures	\$ 420,745,698	\$ 424,895,247	\$ 433,154,622	\$ 446,002,060
Transfers:				
Health Rate Stabilization Fund	0	0	0	0
Capital Projects	0	0	0	0
Ending Balance	\$ 13,390,111	\$ 16,276,966	\$ 18,533,196	\$ 13,067,144
Assigned - Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,165)	(1,225,165)
Assigned - Emergency Fuel Reserve	(415,000)	(415,000)	(1,000,000)	(1,000,000)
Use of Fund Balance	(4,750,000)	(4,750,000)	(5,466,052)	(5,466,052)
Unassigned Fund Balance	\$ 6,999,945	\$ 9,886,800	\$ 10,841,978	\$ 5,375,926

With the combined recognition of one time revenues and the implementation of various cost savings measures, HCPS ended fiscal 2017 with the strategic accumulation of \$18.5 million in fund balance at June 30, 2017. In FY 2017, of the \$18.5 million in fund balance, the following amounts have been assigned: \$1.2 million for the Health Insurance Call and \$1.0 million as an Emergency Fuel Reserve. In addition, faced with an operating structural deficit entering fiscal 2018, HCPS has appropriated \$5.5 million of fund balance to support the fiscal year 2018 Operating 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 2.3% 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 2018 is \$0.5 million

Other Funds

The Food Service Fund in the amount of \$17.1 million for fiscal 2018 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 \$31.8 million for fiscal 2018 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 \$48.6 million for fiscal 2018 includes primarily state and local government funding. Additional detail is provided in the Debt Section of this budget document.

The Pension Fund in the amount \$26.4 million for fiscal 2018 which represents the State of Maryland's contribution to the teacher pension system. Additional detail is provided in the Pension section of this budget document