

# FY 2008 REVENUE

Harford County Public Schools depends primarily upon county and state resources to fund the total budget (Table 1). We are a revenue dependent school system without taxing power. In the Unrestricted Fund Budget, other sources, including federal funds, tuition and fees, and interest, account for less than one percent of the overall budget resources. Undesignated fund balance revenue is being used to cover one-time expenditures in the budget. A table is included in the Expenditure Section identifying all items supported by the fund balance transfer.

*Table 1 - Budget Revenue Comparison*

<b>Harford County Public Schools FY2008 BUDGET - REVENUE</b>								
Sources of Revenue	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Budget FY 2007	Budget FY 2008	Change Budget FY07 to FY08	% Change from Budget FY 2007
HARFORD COUNTY GOVT.	\$148,150,510	\$154,047,408	\$175,414,800	\$189,414,800	\$189,414,800	\$199,614,800	\$10,200,000	5.4%
STATE OF MARYLAND	\$127,636,770	\$139,758,698	\$159,765,218	\$179,652,220	\$180,639,070	\$201,611,672	\$20,972,602	11.6%
FEDERAL GOVERNMENT	\$386,344	\$371,033	\$410,759	\$442,908	\$370,000	\$286,000	(\$84,000)	-22.7%
OTHER SOURCES	\$2,274,353	\$2,356,821	\$2,651,855	\$3,476,763	\$2,422,620	\$2,441,251	\$18,631	0.8%
TOTAL REVENUE BEFORE TRANSFERS	\$278,447,977	\$296,533,960	\$338,242,632	\$372,986,691	\$372,846,490	\$403,953,723	\$31,107,233	8.3%
APPROPRIATED FUND BALANCE	\$150,000	\$248,697	\$2,120,942	\$1,981,418	\$1,981,418	\$1,840,030	(\$141,388)	-7.1%
UNRESTRICTED FUNDS	\$278,597,977	\$296,782,657	\$340,363,574	\$374,968,109	\$374,827,908	\$405,793,753	\$30,965,845	8.3%
RESTRICTED FUNDS	\$22,428,932	\$21,605,636	\$23,534,721	\$25,418,136	\$23,384,947	\$23,511,125	\$126,178	0.5%
TOTAL CURRENT EXPENSE FUND	\$301,026,909	\$318,388,293	\$363,898,295	\$400,386,245	\$398,212,855	\$429,304,878	\$31,092,023	7.8%
FOOD SERVICE	\$11,379,956	\$12,251,667	\$13,000,302	\$13,659,013	\$13,043,975	\$13,881,026	\$837,051	6.4%
PENSION*	\$15,616,081	\$16,172,006	\$16,388,211	\$17,752,000	\$17,752,000	\$23,870,733	\$6,118,733	34.5%
DEBT SERVICE	\$6,037,385	\$6,282,051	\$6,911,078	\$7,891,079	\$12,513,271	\$17,886,488	\$5,373,217	42.9%
CAPITAL	\$20,698,713	\$41,073,071	\$56,319,994	\$47,942,836	\$64,427,209	\$87,725,980	\$23,298,771	36.2%
GRAND TOTAL - ALL FUNDS	\$354,759,044	\$394,167,088	\$456,517,880	\$487,631,173	\$505,949,310	\$572,669,105	\$66,719,795	13.2%

\*Represents the State of Maryland contribution only. Local contribution is included in the Unrestricted and Food Service Funds

The Current Expense Fund is comprised of Unrestricted and Restricted Funds. The total projected change in the Current Expense Fund as indicated in Table 1 is \$31.1 million. All other Funds are also included in Table 1. The following charts identify the Unrestricted Fund and Restricted Fund Revenues separately.

# FY 2008 REVENUE

Chart 1 – FY 2008 Unrestricted Fund

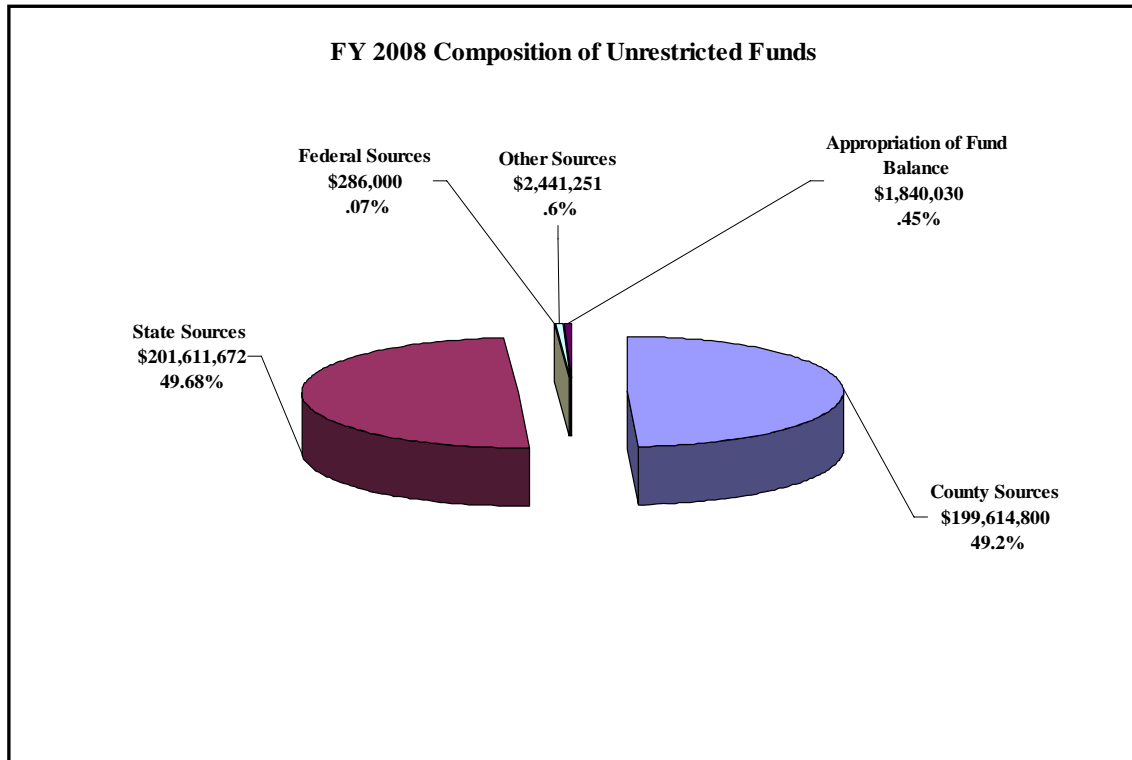
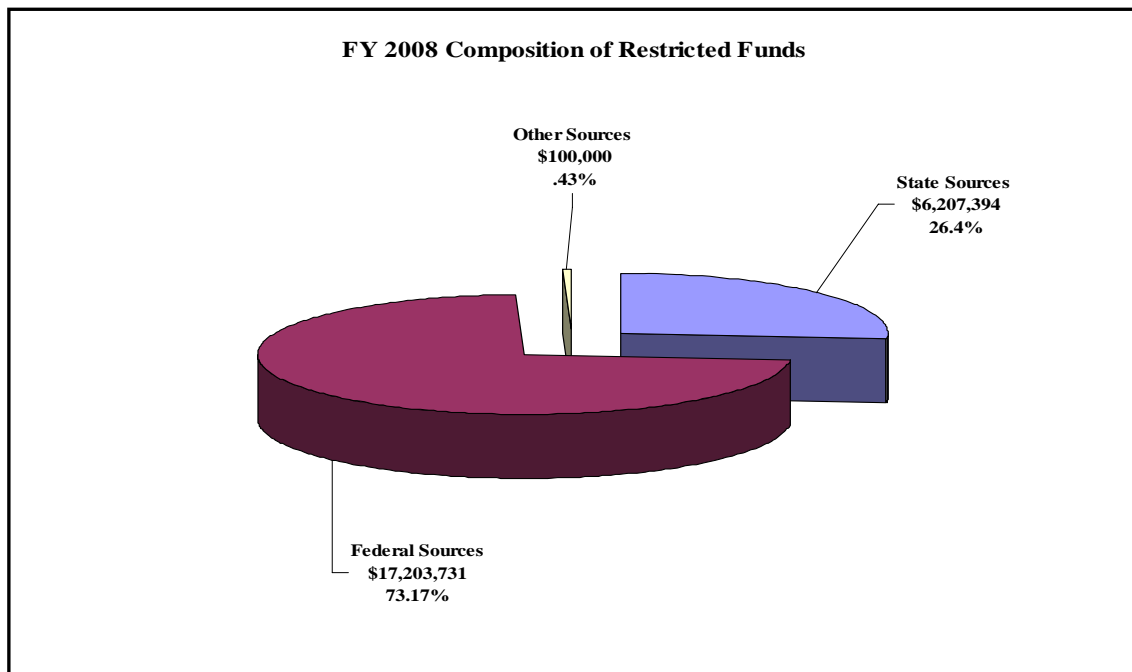


Chart 2 – FY 2008 Restricted Fund



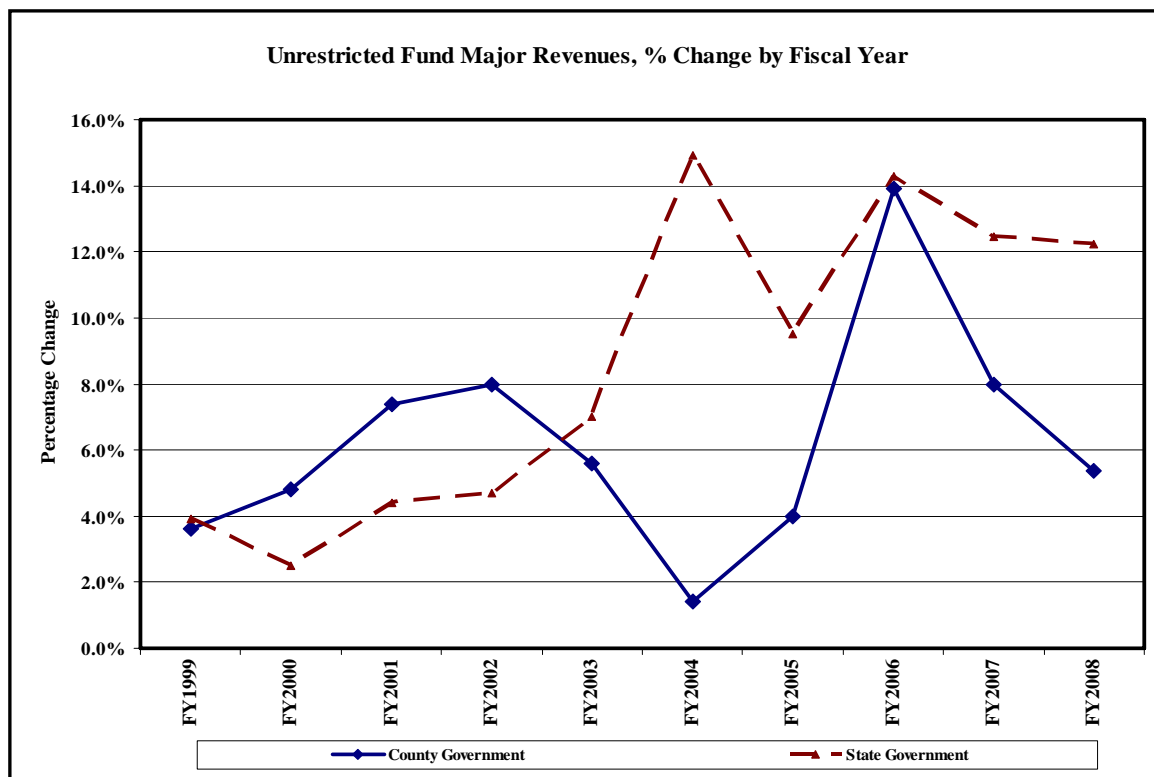
# FY 2008 REVENUE

## Funding Levels for Current Expense Fund

The County Executive and County Council approve funding levels for Harford County Public Schools from the County General Fund. Income and property taxes are the primary revenue source for Harford County Government. For FY 2008, Harford County Government is providing 46.5%, or \$199.6 million of total Current Expense Fund, after considering revenues from state, federal, and all other sources. These figures do not include Capital Projects or Debt Service funding. The FY 2008 Current Expense Fund will receive \$207.8 million or 48.4% in State Revenues and \$17.5 million in Federal Revenues. It should be noted that certain state and federal money are received as restricted funds.

The following chart identifies the percentage change in Unrestricted State support and County Government support over the last ten year period. In 2002, State law changed to provide additional support to Education and released funds previously classified as restricted. In the same two year period, the County percentage of support dropped dramatically before increasing in FY 2005 and FY 2006, then dropping 5.9% and 5.4% in FY 2007 and FY 2008 respectively. County support as a percentage of the Unrestricted Budget has decreased from a high of 56.1% in FY 2002 to 49.2% in the FY 2008 Budget.

*Chart 3 – Unrestricted Fund Major Revenue Sources*



# FY 2008 REVENUE

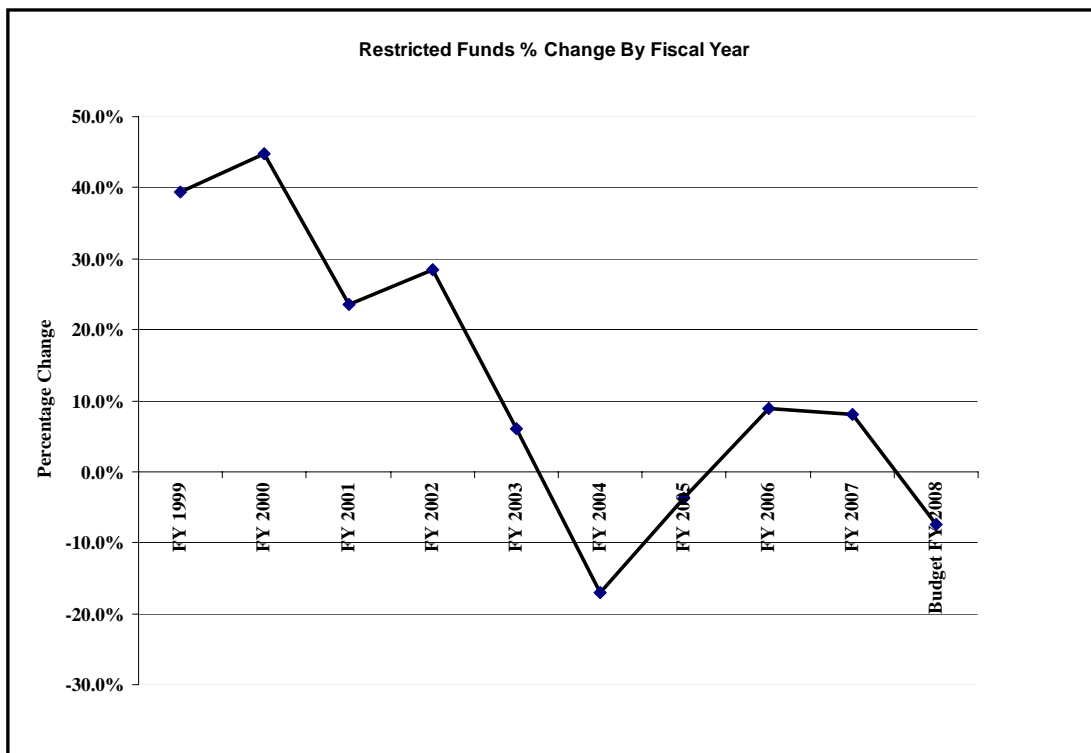
Restricted funds in the Current Expense Fund are identified in Table 2. Since FY2004, state grants have decreased as the Bridge to Excellence Act released restrictions on some state funding. Released funds have been reclassified as general state aid to the Unrestricted Fund. State grants have increased since FY 2007.

*Table 2*

Restricted Programs by Source					
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Federal Grants	\$15,532,446	\$16,626,628	\$18,014,037	\$18,147,918	\$17,203,731
State Grants	\$6,820,480	\$4,893,082	\$5,408,018	\$7,097,559	\$6,207,394
Other Grants	\$76,006	\$85,926	\$112,666	\$172,659	\$100,000
<b>Total</b>	<b>\$22,428,932</b>	<b>\$21,605,636</b>	<b>\$23,534,721</b>	<b>\$25,418,136</b>	<b>\$23,511,125</b>

The percentage change in Restricted Funds over the last ten years is reflected in the following graph:

*Chart 4 – Restricted Fund Revenue Changes*



During this period of time, the State of Maryland moved approximately \$8 million in FY 2004 and FY 2005 Restricted Revenue (grants) into Unrestricted State Aid as part of the change in the law in 2002. As State revenues declined, Federal revenues increased to offset some of the loss of state grants in the Restricted Fund. In FY 2006, with the major reclassifications of restricted funds to unrestricted complete, state restricted funding once again began to increase.

# FY 2008 REVENUE

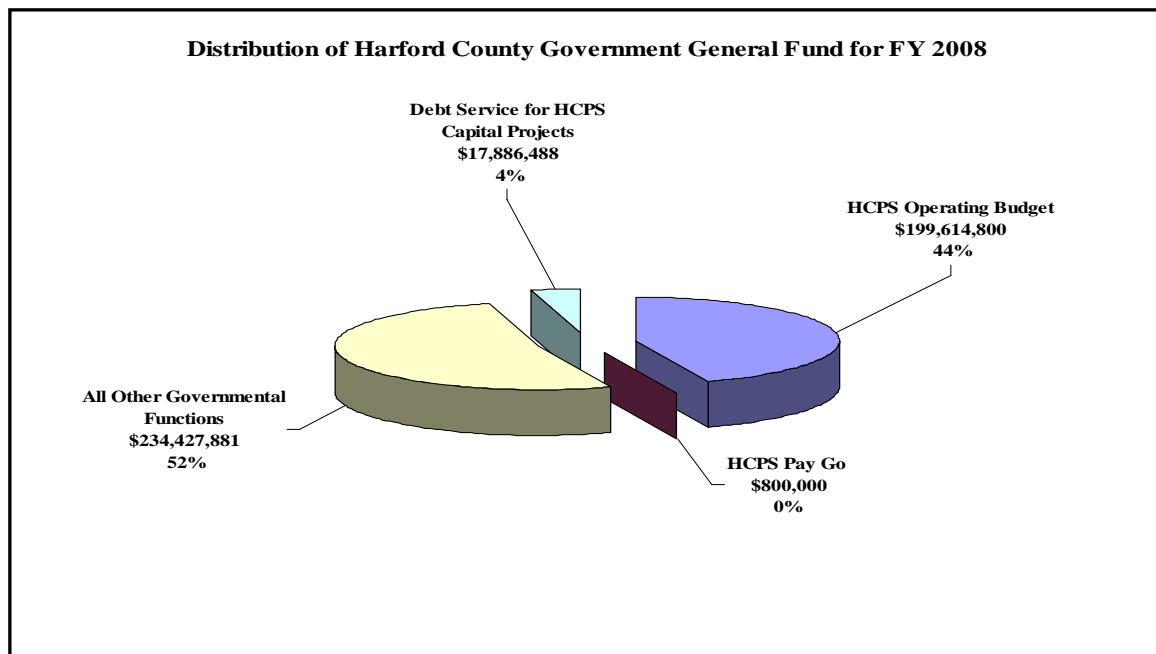
## Maintenance of Effort

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, and funding for quality improvement initiatives. Fortunately, Harford County has funded the school system well above the Maintenance of Effort level for several years. Enrollment decreased for FY 2007 due to the reassignment of military families to other locations from the Aberdeen Proving Ground military installation. As additional military families move to other locations, a temporary decline in enrollment will occur until the civilian families associated with the BRAC realignment move into Harford County. The Maintenance of Effort calculation for FY 2008 is zero due to the decrease in enrollment.

## Harford County Government Support

Harford County Public Schools represents the largest function Harford County Government supports. When considering the General Fund budgeted by Harford County Government, Harford County Public Schools Unrestricted Fund receives 44% of the local government's overall support.<sup>1</sup> This includes support for the school system's Operation Budget, Debt Service, and Pay As You Go (PAYGO) funds for the capital program as appropriated by Harford County.

Chart 5



<sup>1</sup> Data contained in "Harford County Government FY 2008 Budget."

# FY 2008 REVENUE

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. Future support of 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 County government support for the last four years and the FY 2008 funding level is reflected in the table below:

*Table 3*

<b>Harford County Government Support to Education</b>							
	Actual FY2004	Actual FY2005	Actual FY2006	Actual FY2007	Budget FY 2007	Budget FY 2008	% Change from Budget FY 2007
Harford County Government	\$148,150,510	\$154,047,408	\$175,414,800	\$189,414,800	\$189,414,800	\$199,614,800	\$10,200,000 5.4%
% Current Expense Fund	49.2%	48.4%	48.2%	47.3%	47.6%	46.5%	

## State Support

The State of Maryland adopted the Bridge to Excellence in Public Schools Act in 2002. This law has initiated major changes in the state financing of public schools. This legislation and on-going funding is a result of the report from the Commission on Education Finance, Equity, and Excellence (Thornton Commission) established by the state legislature in 1999. The Thornton Commission basically recommended:

- A significant increase in state aid to education to ensure adequacy;
- Additional equalization of funding between school systems; and,
- Additional support for economically disadvantaged students, students with limited English proficiency, and Special Education students.

The new law requires an increase in state aid to localities of \$1.3 billion over six years. In FY 2003, as a result of the Bridge to Excellence legislation, HCPS received an increase of \$1.8 million. In the FY 2008 Budget, state aid will increase by \$20,972,602 in Unrestricted Funds. A decrease in restricted funds from the State will occur in FY 2008 in the amount of \$197,443. In FY 2008 total state aid will increase by \$20,775,159 in the Current Expense Fund.

Under the new legislation, the measure of success of this new flexibility with state aid would not be how funds are distributed, but how well students reach goals of academic success. The new financial structure recognizes that the basis of success for *Students at Risk* for academic failure is a quality teacher in every classroom, adequate materials, and additional help.

As Table 4 indicates, total state support for HCPS will increase by 11.1%. Unrestricted state support will increase from \$179.6 million in FY 2007 to \$201.6 million in FY 2008 while the restricted funds will decrease slightly. HCPS ranks sixth in the state for such state support with a range of \$9.6 million to \$866 million for school systems. Since FY 2003, HCPS has ranked 24<sup>th</sup> in cost per pupil out of 24 school districts in the State of Maryland.

Revenues from MSDE – employees on loan were netted in the expenditure budget prior to FY 2006 and are now shown as projected revenues and expenditures separately.

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Table 4 - State Revenue Current Expense Fund

State Revenue Current Expense Fund								
	Actual FY2004	Actual FY2005	Actual FY2006	Actual FY2007	Budget FY 2007	Budget FY 2008	% Change from Budget FY 2007	
<b>State of Maryland</b>								
Foundation	\$105,582,222	\$111,673,135	\$124,102,300	\$136,960,002	\$136,960,002	\$152,089,377	\$15,129,375	11.0%
Compensatory Education	\$8,668,412	\$10,813,313	\$15,035,054	\$19,444,926	\$19,444,926	\$22,631,875	\$3,186,949	16.4%
Extended Elementary Education		\$794,888	\$744,006	\$850,293	\$850,293	\$0	-\$850,293	-100.0%
Pupil Transportation Aid	\$7,942,954	\$8,278,956	\$8,903,660	\$9,661,930	\$9,676,330	\$10,525,092	\$848,762	8.8%
Special Education Aid	\$5,060,467	\$7,617,402	\$9,822,815	\$11,249,900	\$12,159,864	\$14,251,774	\$2,091,910	18.6%
Limited English Proficie	\$382,715	\$581,004	\$845,498	\$1,234,167	\$1,234,167	\$1,602,977	\$368,810	29.9%
MSDE - Employees on Loan			\$311,885	\$251,002	\$313,488	\$510,577	\$197,089	78.5%
<b>Total - State Unrestricted</b>	<b>\$127,636,770</b>	<b>\$139,758,698</b>	<b>\$159,765,218</b>	<b>\$179,652,220</b>	<b>\$180,639,070</b>	<b>\$201,611,672</b>	<b>\$20,972,602</b>	<b>11.7%</b>
Total - State Restricted	\$6,820,480	\$4,893,082	\$5,408,018	\$7,097,559	\$6,404,837	\$6,207,394	-\$197,443	-2.8%
<b>Total - State Current Expense Fund</b>	<b>\$134,457,250</b>	<b>\$144,651,780</b>	<b>\$165,173,236</b>	<b>\$186,749,779</b>	<b>\$187,043,907</b>	<b>\$207,819,066</b>	<b>\$20,775,159</b>	<b>11.1%</b>
<b>% Current Expense Fund</b>	<b>44.7%</b>	<b>45.4%</b>	<b>45.4%</b>	<b>46.6%</b>	<b>47.0%</b>	<b>48.4%</b>		

The State of Maryland target amount for per pupil Foundation Aid is \$6,694 per student. The target amount is being phased in through FY 2008. HCPS receives \$3,938, or 58.8%, of the foundation target amount from the State of Maryland. Maryland contributes an average of \$3,378 or 50.4% of the Foundation Aid target to the school systems statewide.

State aid for future years is unknown as the State has a \$1.6 billion dollar problem of expenditures exceeding ongoing revenues, commonly referred to as a "Structural Deficit". Until the State enacts new revenues or reduces expenditures, future state aid to education is a questionable factor for planning future budgets.

## Federal Aid

Federal Aid will increase in FY 2008 by \$245,621. While most federal revenue is budgeted as restricted grant funds, federal Impact Aid is unrestricted and has been decreasing in the past few years. Federal revenue is shown in Table 5.

Table 5 - Federal Revenue Current Expense Fund

Federal Revenue Current Expense Fund								
Federal Government	Actual FY2004	Actual FY2005	Actual FY2006	Actual FY2007	Budget FY 2007	Budget FY 2008	% Change from Budget FY 2007	
<b>Unrestricted Fund:</b>								
Impact Area Aid	\$386,344	\$371,033	\$287,759	\$349,908	\$370,000	\$286,000	(84,000)	-24.0%
Emergency Impact Aid			\$123,000	\$93,000				
<b>Total - Federal Unrestricted</b>	<b>\$386,344</b>	<b>\$371,033</b>	<b>\$410,759</b>	<b>\$442,908</b>	<b>\$370,000</b>	<b>\$286,000</b>	<b>(84,000)</b>	<b>-19.0%</b>
Total - Federal Restricted Fund	\$15,532,446	\$16,626,628	\$18,014,037	\$18,147,918	\$16,874,110	\$17,203,731	329,621	1.8%
<b>Total - Federal Current Expense Fund</b>	<b>\$15,918,790</b>	<b>\$16,997,661</b>	<b>\$18,424,796</b>	<b>\$18,590,826</b>	<b>\$17,244,110</b>	<b>\$17,489,731</b>	<b>245,621</b>	<b>1.3%</b>
<b>% Current Expense Fund</b>	<b>5.3%</b>	<b>5.3%</b>	<b>5.1%</b>	<b>4.6%</b>	<b>4.3%</b>	<b>4.1%</b>		

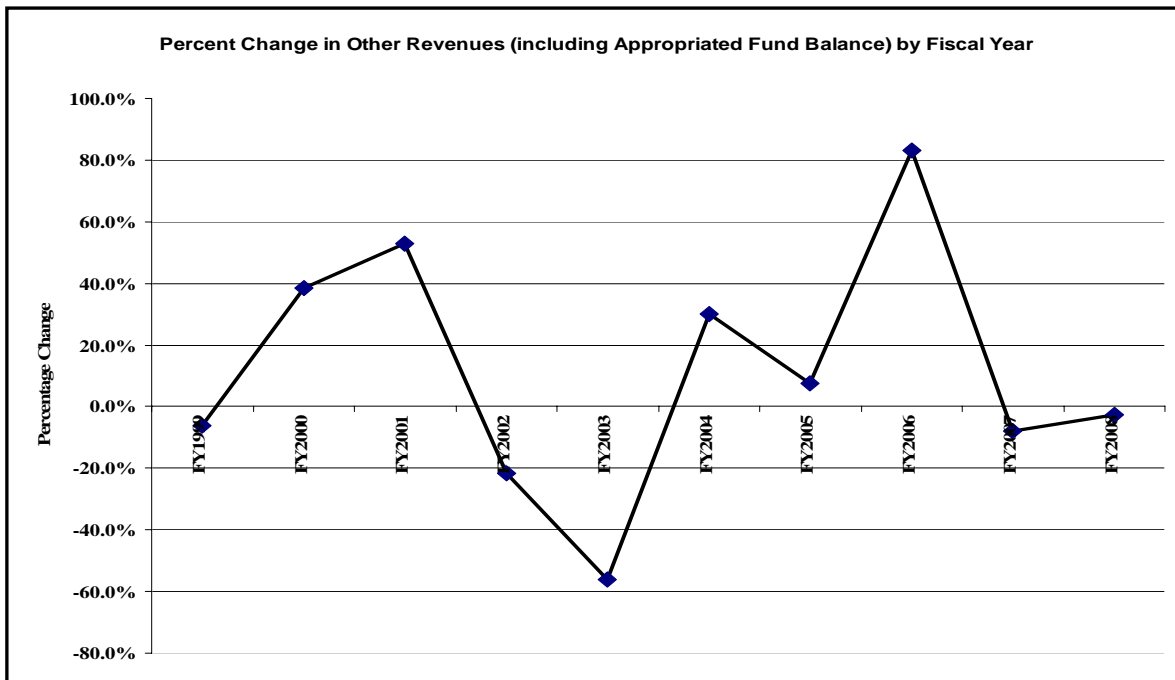
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Federal aid to support the Unrestricted Budget is a very small factor in the overall revenue picture. Future federal aid for the Restricted Program is estimated based on information from the Maryland State Department of Education.

## Other Revenues

Other revenues include fees, tuition, building use fees, gate receipts, E-rate funds, interest income and other sources. Harford County Public Schools participates in the federal E-rate program that was established by the Telecommunications Act of 1996. This program is managed through the Federal Communications Commission and provides a fund to discount telecommunication and other technology products and services used by public schools, libraries, and other selected entities. The annual discount for eligible expenditures, which is projected to generate \$214,000, is based on the percentage of students receiving free or reduced lunch prices. Interest income is projected at \$475,000 based on current and projected interest rates. Building use fees are projected to total \$355,000. Out of County LEA students will generate \$325,000 and Summer School tuition will generate \$215,140. Gate receipts from athletic events are expected to generate \$322,461. Revenue generated for transportation costs for field trips is projected at \$190,750. Major shifts in revenues have occurred as a result of changes in interest rates affecting investment earnings and the amount of fund balance available to be appropriated within a given year. Percentage changes in Other Revenues and Appropriated Fund Balance for the last ten years are reflected in the following Chart 6.

Chart 6 Unrestricted Fund - Other Revenues



The details of all Other Revenues excluding Appropriated Fund Balance are reflected in Table 6.



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*Table 6 - Unrestricted Revenue from Other Sources*

<b>Unrestricted Fund - Other Sources of Revenue</b>						
	Actual FY2004	Actual FY2005	Actual FY2006	Actual FY2007	Budget FY2007	Budget FY2008
Tuition - Non-Resident Pupils	\$10,729	\$23,910	\$16,635	\$22,519	\$42,000	\$25,000
Tuition - Adult. Education (MSDE Inservice)	\$0	\$41,345	\$35,315	\$39,440	\$41,345	\$36,000
Tuition - Summer School	\$226,940	\$228,790	\$235,125	\$216,965	\$236,960	\$215,140
Alternative Education - Online Courses	\$0	\$0	\$23,485	\$19,721	\$20,625	\$48,000
Tuition - Other/Alternative Education	\$21,832	\$22,354	\$13,000	\$10,413	\$23,000	\$23,000
Transportation Receipts from Field Trips	\$0	\$169,265	\$183,573	\$179,105	\$183,750	\$190,750
Parks and Rec Transportation Fees	\$0	\$0	\$36,437	\$34,438	\$2,000	\$2,000
Interest Income	\$103,459	\$269,937	\$519,808	\$815,478	\$420,000	\$475,000
Harford Glen	\$0	\$0	\$48,708	\$4,455	\$47,000	\$6,000
Building Use Fee	\$323,854	\$347,247	\$355,515	\$425,177	\$345,000	\$355,000
Donations	\$5,498	\$0	\$1,981	\$46,129	\$2,625	\$0
Parks and Rec. Office Fees	\$0	\$0	\$4,000	\$0	\$0	\$0
WC Dividend	\$253,920	\$194,765	\$98,850	\$98,457	\$35,000	\$0
WC Audit Refund	\$0	\$0	\$39,291	\$67,655	\$0	\$0
Liability Ins. Dividend	\$99,075	\$99,900	\$0	\$136,200	\$100,000	\$46,500
Health Insurance Rebate	\$5,971	\$155	\$0	\$0	\$0	\$0
Sale of Curriculum	\$1,000	\$3,200	\$7,400	\$0	\$3,500	\$3,500
Escrow Refund	\$148,697	\$62	\$0	\$0	\$0	\$0
Misc revenue (write-off) from grants	\$0	\$51,010	-\$29,771	-\$9,524	\$0	\$0
Misc rebates and discounts	\$0	\$1,779	\$1,444	\$16,714	\$0	\$0
US Communities Rebate	\$0	\$0	\$13,345	\$5,990	\$0	\$12,000
Revenues from HCEA - Employees on Loan	\$17,299	\$0	\$50,237	\$53,292	\$75,000	\$50,000
Revenues from Johns Hopkins	\$0	\$0	\$0	\$70,618	\$0	\$0
Excess Flex Spending/Dependent Care	\$0	\$0	\$6,641	\$66,868	\$0	\$0
Estate Settlement	\$0	\$0	\$21,079	\$0	\$0	\$0
Glatfelter Stumpage	\$0	\$0	\$0	\$10,315	\$0	\$0
US Treasury Rebate - Crude Oil	\$0	\$0	\$8,467	\$0	\$0	\$0
Gate Receipts	\$296,158	\$338,972	\$322,461	\$329,841	\$338,815	\$322,461
Advertising Receipts for Harford Schools	\$0	\$30,629	\$34,920	\$36,841	\$31,000	\$31,000
E-Rate	\$215,030	\$211,143	\$212,585	\$307,828	\$130,000	\$214,000
Equipment Sale	\$24,852	\$13,774	\$40,682	\$75,178	\$20,000	\$35,000
Out of County LEA	\$372,248	\$308,584	\$350,642	\$371,824	\$325,000	\$325,000
Other Interscholastic Receipts	\$0	\$0	\$0	\$24,826	\$0	\$25,900
FEMA Rebate	\$92,791	\$0	\$0	\$0	\$0	\$0
Legal Settlement	\$55,000	\$0	\$0	\$0	\$0	\$0
<b>Total Other Sources</b>	<b>\$2,274,353</b>	<b>\$2,356,821</b>	<b>\$2,651,855</b>	<b>\$3,476,763</b>	<b>\$2,422,620</b>	<b>\$2,441,251</b>

## 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, is 1.8 percent of the total grant funds expended. Indirect cost recovery rates on other grants

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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 Technician
- 1.0 FTE Payroll Clerk

The total Indirect Cost Recovery projected for FY 2008 is \$260,000.

Actual Fund Balance and projected Fund Balance are reflected in the following table.

*Table 7 -Unrestricted Fund Balance Statement*

<b>Harford County Public Schools Operating Budget Fund Statement*</b>					
	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Projected FY 2008
<b>FUND SOURCES:</b>					
<b>Beginning Balance</b>	\$1,155,838	\$2,327,656	\$4,844,019	\$7,800,907	\$9,940,093
<b>Revenue:</b>					
Harford County Government	\$148,150,510	\$154,047,408	\$175,414,800	\$189,414,800	\$199,614,800
State of Maryland	\$127,636,770	\$139,758,698	\$159,765,218	\$179,652,220	\$201,611,672
Federal Government	\$386,344	\$371,033	\$410,759	\$442,908	\$286,000
Other Sources/Transfers	\$2,274,353	\$2,356,819	\$2,651,855	\$3,476,763	\$2,441,251
<b>Total Revenues</b>	<b>\$278,447,977</b>	<b>\$296,533,958</b>	<b>\$338,242,632</b>	<b>\$372,986,691</b>	<b>\$403,953,723</b>
<b>EXPENDITURES</b>					
<b>Transfer to Capital Projects</b>	<b>\$277,176,159</b>	<b>\$294,017,595</b>	<b>\$335,285,744</b>	<b>\$370,727,505</b>	<b>\$405,793,753</b>
	-\$100,000			-\$120,000	-\$2,091,255
<b>ENDING BALANCE</b>	<b>\$2,327,656</b>	<b>\$4,844,019</b>	<b>\$7,800,907</b>	<b>\$9,940,093</b>	<b>\$6,008,808</b>
<b>Designations For Fiscal Year 2008:</b>					
Health Insurance Call					-\$1,225,166
<b>Available for Future Use</b>					<b>\$4,783,642</b>

*\*Unrestricted Fund only.*

In the FY 2008 Operating Budget, an amount of \$1,840,030 is budgeted as Appropriated Fund Balance to support one time expenditures. In addition, an amount of \$2,091,255 is budgeted as a transfer to the Capital Budget. A complete list of the uses of appropriated fund balance for FY 2008 can be found in the Expenditure Section of this budget.

Of the projected \$6,008,808 in total fund balance at June 30, 2008, \$1,225,166 is Designated Fund Balance for the health insurance call and an amount of \$1,014,484 is retained to deal with unexpected events that may arise during the fiscal year. This leaves \$3,769,158 of Fund Balance available for future use, which represents less than 1% of the FY 2008 Unrestricted Fund Budget.