

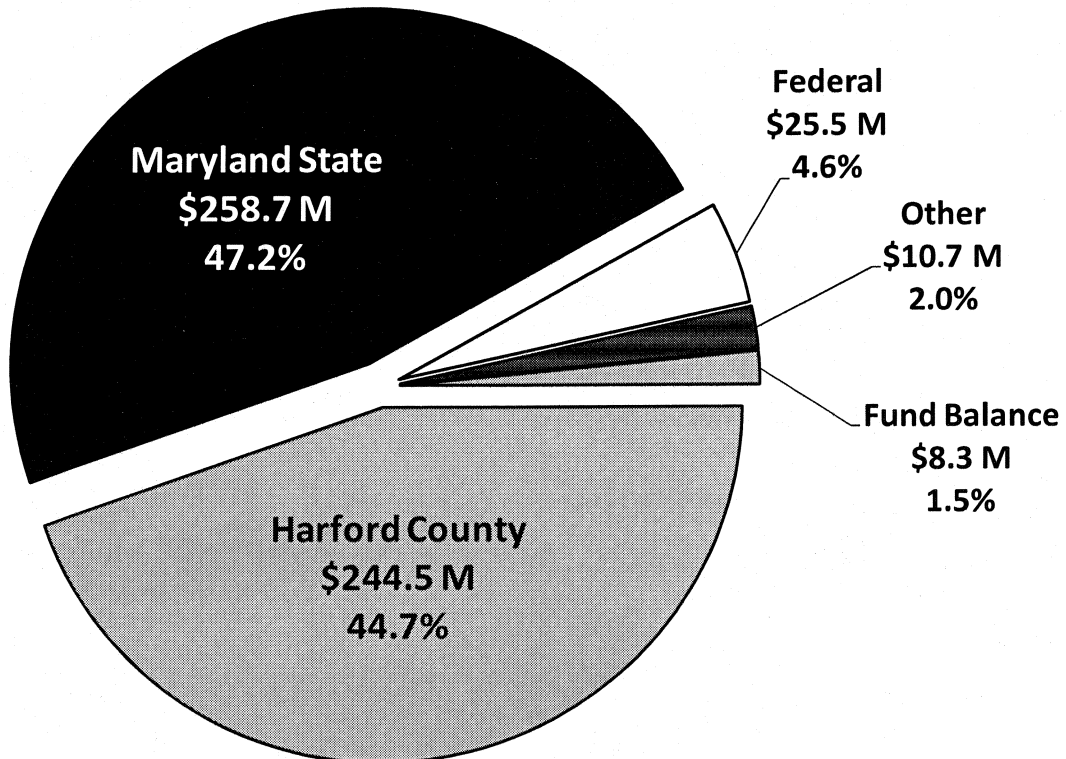
# Revenue

Harford County Public Schools depends primarily upon county and state resources to fund the total budget. We are a revenue dependent school system without taxing power. The table below summarizes actual revenue for fiscal years 2009 through 2011 and budget for fiscal 2011 and 2012.

Revenue - All Funds							
Sources	Actual FY 2009	Actual FY 2010	Actual FY 2011	Budget FY 2011	Budget FY 2012	Change FY11 - FY12	% Change
Unrestricted Fund	\$415,169,293	\$418,841,604	\$416,290,452	\$416,384,100	\$427,532,238	\$11,148,138	2.7%
Restricted Fund	\$24,357,891	\$33,693,057	\$41,571,808	\$43,545,940	\$25,481,116	(\$18,064,824)	-41.5%
<b>Current Expense Fund</b>	<b>\$439,527,184</b>	<b>\$452,534,661</b>	<b>\$457,862,260</b>	<b>\$459,930,040</b>	<b>\$453,013,354</b>	<b>(\$6,916,686)</b>	<b>-1.5%</b>
Food Service	\$14,130,413	\$14,501,801	\$15,108,477	\$14,801,234	\$14,930,553	\$129,319	0.9%
Pension*	\$26,419,617	\$31,578,248	\$34,323,976	\$34,323,976	\$33,360,568	(\$963,408)	-2.8%
Debt Service	\$13,357,222	\$15,861,041	\$22,576,521	\$25,552,328	\$30,155,642	\$4,603,314	18.0%
Capital**	\$109,254,845	\$85,054,404	\$47,763,925	\$34,699,534	\$16,205,845	(\$18,493,689)	-53.3%
<b>Total - All Funds</b>	<b>\$602,689,281</b>	<b>\$599,530,155</b>	<b>\$577,635,159</b>	<b>\$569,307,112</b>	<b>\$547,665,962</b>	<b>(\$21,641,150)</b>	<b>-3.8%</b>

\*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 2012 All Funds - by Source \$547.7 Million



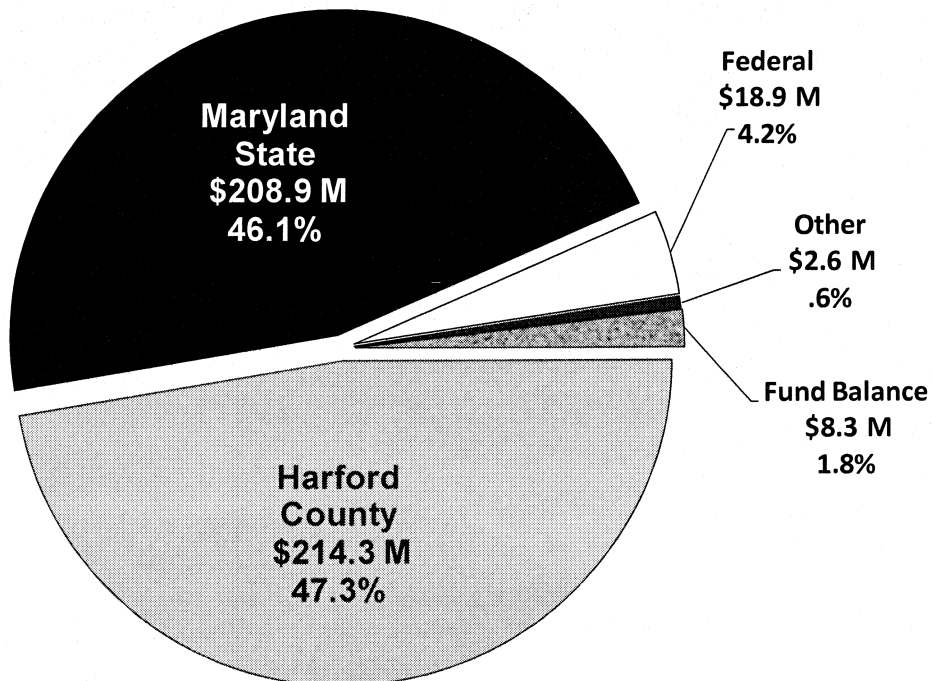
# Revenue

## 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 a decrease of \$6.9 million or -1.5%. Unrestricted Fund revenues for fiscal 2012 are projected to increase by \$11.1 million or 2.7%. Restricted Fund revenues are projected to decrease by \$18.1 million or -41.5% in fiscal 2012. The fiscal year 2012 Current Expense Fund by revenue source is summarized in the chart below.

Revenue - Current Expense Fund							
Sources	Actual FY 2009	Actual FY 2010	Actual FY 2011	Budget FY 2011	Budget FY 2012	Change FY11 - FY12	% Change
Harford County	\$206,978,734	\$210,414,800	\$211,067,388	\$214,061,789	\$214,291,627	\$229,838	0.1%
State of Maryland	\$203,344,836	\$198,524,594	\$193,284,422	\$193,518,639	\$201,731,181	\$8,212,542	4.2%
Federal Government	\$278,693	\$625,283	\$695,554	\$650,000	\$650,000	\$0	0.0%
Other Sources	\$3,419,630	\$4,638,940	\$5,810,374	\$2,720,958	\$2,564,958	(\$156,000)	-5.7%
Fund Balance	\$1,147,400	\$4,637,987	\$5,432,714	\$5,432,714	\$8,294,472	\$2,861,758	52.7%
<b>Unrestricted Fund</b>	<b>\$415,169,293</b>	<b>\$418,841,604</b>	<b>\$416,290,452</b>	<b>\$416,384,100</b>	<b>\$427,532,238</b>	<b>\$11,148,138</b>	<b>2.7%</b>
Harford County	\$0	\$0	\$0	\$0	\$0	\$0	-
State of Maryland	\$7,962,884	\$7,073,416	\$7,504,140	\$7,589,879	\$7,122,937	(\$466,942)	-6.2%
Federal Government	\$16,266,497	\$26,112,719	\$33,975,447	\$35,793,654	\$18,284,329	(\$17,509,325)	-48.9%
Other Sources	\$128,510	\$506,922	\$92,221	\$162,407	\$73,850	(\$88,557)	-54.5%
<b>Restricted Fund</b>	<b>\$24,357,891</b>	<b>\$33,693,057</b>	<b>\$41,571,808</b>	<b>\$43,545,940</b>	<b>\$25,481,116</b>	<b>(\$18,064,824)</b>	<b>-41.5%</b>
<b>Current Expense Fund</b>	<b>\$439,527,184</b>	<b>\$452,534,661</b>	<b>\$457,862,260</b>	<b>\$459,930,040</b>	<b>\$453,013,354</b>	<b>(\$6,916,686)</b>	<b>-1.5%</b>

**FY 2012 Current Expense Fund - by Source**  
**\$453.0 Million**

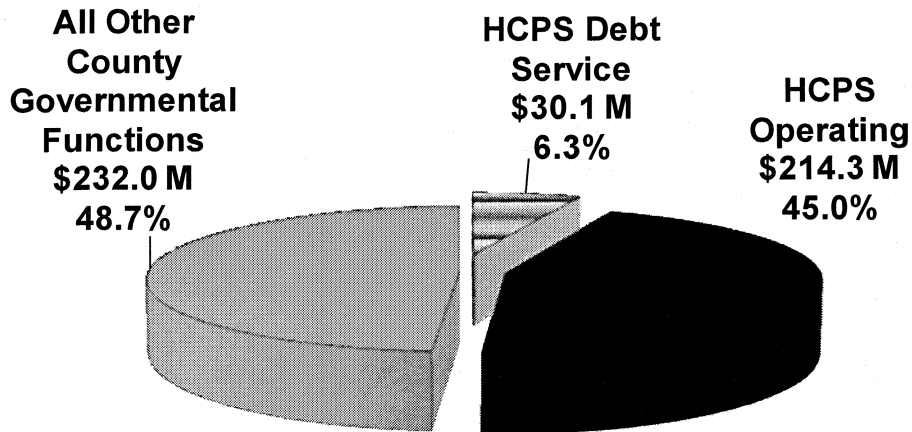


# Revenue

## Harford County Government Support

Harford County Public Schools represents the largest function Harford County Government supports. When considering the FY 2012 General Fund budgeted by Harford County Government, Harford County Public Schools Unrestricted Fund receives 45.0% of the local government's overall support.<sup>1</sup> This does not include support by the County for Debt Service as appropriated by Harford County. The County Government support for HCPS is reflected in the chart below.

### Distribution of Harford County Government FY 2012 General Fund Budget \$476.4 million

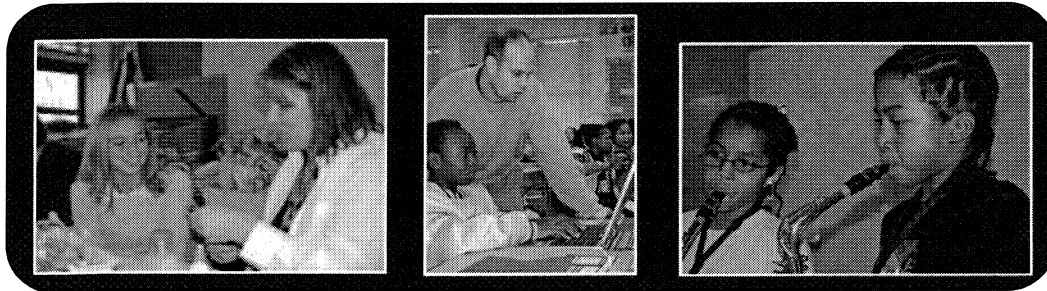


The county funding for Harford County Public Schools comes from a variety of revenue streams in place by Harford County Government. The main County sources of revenues supporting the education budget are property taxes and income taxes. Support for the education budget by the County is determined on a year to year basis. The County makes no projections for future budgets for the education system. Since 2009, due to financial constraints, the County has requested HCPS to return over \$7.4 million of budget revenue (\$3,936,066 for fiscal 2009, \$500,000 for fiscal 2010 and \$2,994,401 for fiscal 2011). Total lost operating revenues from the County equals \$7,430,467.

<sup>1</sup> Data contained in Harford County Government Approved FY 2012 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, and funding for quality improvement initiatives. Fortunately, in nine of the past ten years, Harford County Government has funded the school system above the Maintenance of Effort level. The Maintenance of Effort calculation for fiscal 2012 is \$0 due to an enrollment decrease of 108 students as of September 30, 2010.

Harford County Government - Current Expense Fund							
	Actual FY2009	Actual FY2010	Actual FY2011	Budget FY 2011	Budget FY 2012	Change FY11 - FY12	
Unrestricted - Total	\$206,978,734	\$210,414,800	\$211,067,388	\$214,061,789	\$214,291,627	\$229,838	0.1%
Restricted - Total	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Current Expense Fund - Total	\$206,978,734	\$210,414,800	\$211,067,388	\$214,061,789	\$214,291,627	\$229,838	0.1%
% Current Expense Fund	47.1%	46.5%	46.1%	46.5%	47.3%		

The County Executive and County Council are requested to fund the Unrestricted and Capital Funds for Harford County Public Schools. For fiscal year 2012, Harford County Government will be providing 47.3% or \$214.3 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.

# Revenue

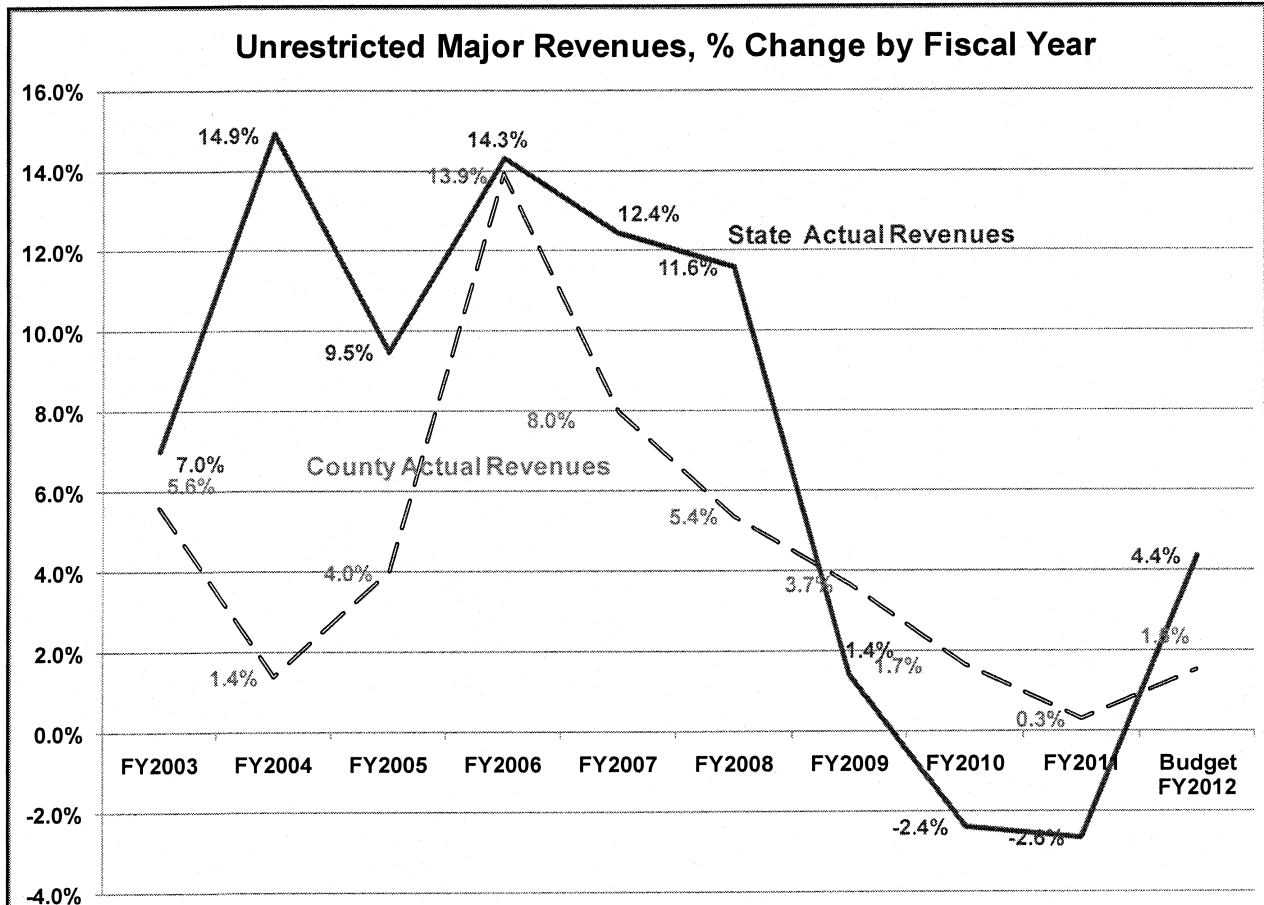
## State Funding History – Bridge to Excellence

The State of Maryland adopted the (Thornton Legislation) 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.

Under the 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. The original legislation required an increase in state aid to local education agencies of \$1.3 billion from fiscal 2004 to fiscal 2009. However, in 2007 this legislation and ensuing funding formulas were amended resulting in a significant reduction to the original projected funding figures. This will be discussed in more detail in the Amendments to Bridge to Excellence section.

In 2002, State law changed to provide additional support to education and released funds previously classified as restricted. In fiscal 2004 and 2005, the State of Maryland moved approximately \$8.0 million of restricted revenue (grants) into unrestricted state aid as part of the change in the law in 2002. In that same two year period, the County percentage of support dropped dramatically before increasing in fiscal 2005 and 2006, then dropping to 3.7% in fiscal 2009 and decreasing to .3% in fiscal 2011. The chart on the following page identifies the percentage change in unrestricted State support and County Government support over the last ten year period.



# Revenue

## Amendments to Bridge to Excellence

As mentioned earlier, the Governor of the State of Maryland called a Special Session of the Maryland General Assembly in October and November 2007. During the Special Session, increases in taxes were considered and approved. In addition, the General Assembly passed a Budget Reconciliation Bill to alter the Thornton funding for the fiscal 2009 through the fiscal 2012 budget. These measures were proposed to reduce a state revenue structural deficit. As a result of the 2007 Special Session of the General Assembly and the Governor's request to change the Thornton funding formulas, HCPS lost \$9,003,000 in new state aid formula funding for fiscal 2009. This reduction continued in fiscal 2010 and 2011. Total reduction of state aid revenue, as a result of the amended legislation, is \$27,009,000.

The following table details the actual change in state aid since the inception of the Bridge to Excellence Legislation in FY 2003.

<b>Change in State Aid, Bridge to Excellence Legislation</b>			
<b>Actual</b>	<b>Unrestricted Fund</b>	<b>Restricted Fund</b>	<b>Total Increase or Decrease in State Aid</b>
<b>FY 2003</b>	\$ 7,291,204	\$ 809,908	\$ 8,101,112
<b>FY 2004</b>	\$ 16,590,927	\$ (3,778,347)	\$ 12,812,580
<b>FY 2005</b>	\$ 12,121,928	\$ (1,927,398)	\$ 10,194,530
<b>FY 2006</b>	\$ 20,006,520	\$ 514,936	\$ 20,521,456
<b>FY 2007</b>	\$ 19,887,002	\$ 2,627,976	\$ 22,514,978
<b>FY 2008</b>	\$ 20,846,828	\$ (513,856)	\$ 20,332,972
<b>FY 2009</b>	\$ 2,845,788	\$ 440,746	\$ 3,286,534
<b>FY 2010</b>	(\$4,820,242)	\$ (889,468)	\$ (5,709,710)
<b>FY 2011</b>	(\$5,240,172)	\$ 430,724	\$ (4,809,448)
<b>FY 2012*</b>	\$8,446,759	\$ (381,203)	\$ 8,065,556

\*Budget

In fiscal year 2011, Maryland State unrestricted aid was reduced by \$6.1 million (representing 80% of the Federal Education Jobs Grant) and reclassified as restricted federal aid. In fiscal year 2012, the State of Maryland returned the \$6.1 million to the Unrestricted Operating Fund.

# Revenue

## State Revenues

Unrestricted state aid is projected to increase \$8.2 million in fiscal year 2012. As previously stated, this increase includes the return of \$6.1 million of state funding classified as restricted federal aid in 2011. Restricted state aid is projected to decrease in fiscal 2012 by \$466,942 or -6.2%. In total, State of Maryland aid in the Current Expense Fund is projected to increase \$7.7 million in fiscal year 2012.

Maryland State Revenue - Current Expense Fund							
Program	Actual FY2009	Actual FY2010	Actual FY2011	Budget FY2011	Budget FY2012	Change FY11 - FY12	
Foundation	\$152,882,001	\$146,644,783	\$140,285,285	\$140,291,387	\$143,444,719	\$3,153,332	
Compensatory Education	\$24,815,178	\$25,933,668	\$28,111,071	\$28,111,071	\$31,766,354	\$3,655,283	
Public Transportation Aid	\$10,815,135	\$10,815,679	\$10,805,481	\$10,805,481	\$11,858,771	\$1,053,290	
Special Education Aid	\$12,361,384	\$12,384,621	\$11,941,879	\$12,181,574	\$12,645,402	\$463,828	
Limited English Proficiency	\$2,039,950	\$1,880,829	\$1,787,911	\$1,787,911	\$1,674,720	(\$113,191)	
MSDE - Employees on Loan	\$431,188	\$360,258	\$352,795	\$347,317	\$347,317	\$0	
Supplemental Grant	\$0	\$504,756	\$0	(\$6,102)	(\$6,102)	\$0	
<b>Unrestricted - Total</b>	<b>\$203,344,836</b>	<b>\$198,524,594</b>	<b>\$193,284,422</b>	<b>\$193,518,639</b>	<b>\$201,731,181</b>	<b>\$8,212,542</b>	<b>4.2%</b>
<b>Restricted - Total</b>	<b>\$7,962,884</b>	<b>\$7,073,416</b>	<b>\$7,504,140</b>	<b>\$7,589,879</b>	<b>\$7,122,937</b>	<b>(\$466,942)</b>	<b>-6.2%</b>
<b>Current Expense Fund - Total</b>	<b>\$211,307,720</b>	<b>\$205,598,010</b>	<b>\$200,788,562</b>	<b>\$201,108,518</b>	<b>\$208,854,118</b>	<b>\$7,745,600</b>	<b>3.9%</b>
	48.1%	45.4%	43.9%	43.7%	46.1%		

HCPS in FY 2012 ranked eighth in the state for total state support with a range of \$8.9 million to \$846.6 million for school systems for fiscal 2012. State aid is the second largest funding support for the Current Expense Fund.

From fiscal 2002 to 2005, HCPS was ranked 24<sup>th</sup> in per pupil funding out of 24 school districts in the State of Maryland. In fiscal 2008 HCPS rose to 16<sup>th</sup>, only to fall to 18<sup>th</sup> in funding in fiscal 2009 and 2010. Fiscal year 2011 data was not available at the time of publication.

State aid for future years is unknown. The problem with expenditures exceeding ongoing revenues, commonly referred to as a "structural deficit" is projected to continue in the State of Maryland. The State enacted legislation to create new revenues and taxes during the Special Session of the Maryland General Assembly in 2007 to reduce the structural deficit. Since state aid is the second largest source of funding for HCPS, the State's attempt to reduce expenditures and future state education aid is a major factor in planning future budgets.

# Revenue

## Federal Revenues

Federal aid to the Unrestricted Budget is limited to Impact Aid which currently represents less than .1% of unrestricted revenues. 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.

<b>Federal Revenue - Current Expense Fund</b>							
	Actual FY2009	Actual FY2010	Actual FY2011	Budget FY 2011	Budget FY 2012	Change FY11 - FY12	
Unrestricted - Total	\$278,693	\$625,283	\$695,554	\$650,000	\$650,000	\$0	0.0%
Restricted - Total	\$16,266,497	\$26,112,719	\$33,975,447	\$35,793,654	\$18,284,329	-\$17,509,325	-48.9%
<b>Current Expense Fund - Total</b>	<b>\$16,545,190</b>	<b>\$26,738,002</b>	<b>\$34,671,001</b>	<b>\$36,443,654</b>	<b>\$18,934,329</b>	<b>-\$17,509,325</b>	<b>-48.0%</b>
<b>% Current Expense Fund</b>	<b>3.8%</b>	<b>5.9%</b>	<b>7.6%</b>	<b>7.9%</b>	<b>4.2%</b>		

Prior to fiscal 2010, restricted federal aid accounted for slightly less than 4% of the Current Expense Fund. However, in fiscal 2010 federal aid increased substantially due to the funding of the American Recovery and Reinvestment Act (ARRA) of 2009. Nationally \$39.5 billion was allocated to states over two years as part of the ARRA funding in 2009. The State of Maryland received approximately \$720 million over the two year period. As shown above, actual federal restricted aid to Harford County Public Schools increased from \$16.3 million in fiscal 2009 to almost \$34 million in fiscal 2011.

The American Recovery and Reinvestment Act funds comprise \$8.7 million of the fiscal 2010 budget and \$10.6 million of the fiscal 2011 budget. ARRA funds were awarded as restricted grants and fall into one of several categories; State Fiscal Stabilization, Title 1, and Individuals with Disabilities Act. The overall goal of ARRA funds was to stimulate the economy in the short term and invest in education and other public services to ensure the long term health of our nation. More information on ARRA funds and other grants can be found in the restricted section of this book. The funding cliff for federal aid occurred on June 30, 2011 resulting in a drop of \$17,509,325 in federal revenues.



# Revenue

## 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. The details of other revenues, excluding Appropriated Fund Balance, are reflected in the table below.

<b>Other Revenue - Current Expense Fund</b>						
	Actual FY2009	Actual FY2010	Actual FY2011	Budget FY2011	Budget FY2012	Change FY11 - FY12
Alternative Education - Online Courses	13,823	-	-	-	-	-
Building Use Fee	401,848	321,198	338,022	420,000	400,000	(20,000)
CPR Course Fees	971	1,501	3,935	1,000	1,000	-
Document/Bid Fees	19,525	2,300	3,458	10,000	5,000	(5,000)
Donations	13,838	67,727	21,003	18,461	20,458	1,997
Equipment Sale	17,364	28,970	28,742	30,000	30,000	-
E-Rate	574,715	601,854	525,000	575,000	600,000	25,000
Finger Printing Receipts	-	-	17,925	-	50,000	50,000
Garnishment Admin. Charge	-	1,392	1,488	-	1,500	1,500
Gate Receipts	325,602	343,003	361,892	329,842	343,000	13,158
Harford Glen	7,012	14,830	7,768	-	10,000	10,000
HCEA - Employees on Loan	90,278	52,750	155,974	90,035	90,000	(35)
Health/Dental - Rebates & Settlements	31,065	1,291,592	2,179,309	-	-	-
Insurance Dividends	167,281	100,984	221,455	94,506	-	(94,506)
Insurance Recovery	-	-	138,077	-	-	-
Interest Income	142,026	25,826	31,377	150,000	40,000	(110,000)
Medicare Part D Refunds	537,644	706,097	817,185	-	-	-
Other Interscholastic Receipts	10,817	12,175	18,041	25,900	10,000	(15,900)
Other Revenue	69,855	43,360	26,067	(8,000)	20,000	28,000
Out of County LEA	381,245	426,974	276,242	450,000	450,000	-
Rebates - Other	29,509	32,337	22,364	35,000	32,000	(3,000)
Rebates - Utilities	-	-	115,013	-	-	-
Rental of Facilities	2,000	2,000	2,545	-	2,000	2,000
Transportation Receipts from Field Trips	195,510	177,491	195,232	180,000	180,000	-
Tuition - Adult. Education (MSDE In-service)	56,166	46,727	41,414	40,000	45,000	5,000
Tuition - Non-Resident Pupils	34,715	26,445	42,559	25,000	25,000	-
Tuition - Other/Alternative Education	3,581	-	-	-	-	-
Tuition - Summer School	235,669	255,349	182,426	254,214	210,000	(44,214)
Unspent - Flex & Dependent Care	53,543	56,057	35,860	-	-	-
<b>Unrestricted - Total</b>	<b>\$3,419,630</b>	<b>\$4,638,940</b>	<b>\$5,810,374</b>	<b>\$2,720,958</b>	<b>\$2,564,958</b>	<b>(\$156,000)</b>
<b>Restricted - Total</b>	<b>\$128,510</b>	<b>\$506,922</b>	<b>\$92,221</b>	<b>\$162,407</b>	<b>\$73,850</b>	<b>(\$88,557)</b>
<b>Current Expense Fund - Total</b>	<b>\$3,548,140</b>	<b>\$5,145,862</b>	<b>\$5,902,595</b>	<b>\$2,883,365</b>	<b>\$2,638,808</b>	<b>(\$244,557)</b>
<b>% Current Expense Fund</b>	<b>0.8%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>0.6%</b>	<b>0.6%</b>	

# 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 \$8.3 million is being used to cover one-time and ongoing expenditures in the fiscal 2012 budget. A table is included in the expenditure section identifying all items supported by the fund balance transfer. Actual fund balance for fiscal 2009 through 2011 and budgeted fund balance for fiscal 2012 are reflected in the following table.

<b>Unrestricted Fund Balance</b>				
FUND SOURCES:	Actual FY 2009	Actual FY 2010	Actual FY 2011	Budget FY 2012
<b>Beginning Balance</b>	<b>\$10,626,169</b>	<b>\$11,475,851</b>	<b>\$16,477,503</b>	<b>\$16,789,638</b>
<b>Revenue:</b>				
Harford County Government	\$206,978,734	\$210,414,800	\$211,067,388	\$214,291,627
State of Maryland	\$203,344,836	\$198,524,594	\$193,284,422	\$201,731,181
Federal Government	\$278,693	\$625,283	\$695,554	\$650,000
Other Sources/Transfers	\$3,419,630	\$4,638,940	\$5,810,374	\$2,564,958
<b>Total Revenues</b>	<b>\$414,021,893</b>	<b>\$414,203,617</b>	<b>\$410,857,738</b>	<b>\$419,237,766</b>
<b>Total Expenditures</b>	<b>\$408,788,211</b>	<b>\$409,201,965</b>	<b>\$408,767,830</b>	<b>\$427,532,238</b>
<b>Transfers:</b>				
Health Rate Stabilization Fund			(1,777,773)	
Capital Projects	(4,384,000)	\$0	\$0	\$0
<b>Ending Balance</b>	<b>\$11,475,851</b>	<b>\$16,477,503</b>	<b>\$16,789,638</b>	<b>\$8,495,166</b>
Assigned - Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,166)	(1,225,166)
Assigned - Emergency Fuel Reserve	(1,000,000)	(1,000,000)	(915,000)	(915,000)
Assigned - OPEB Contribution			(258,971)	(258,971)
Budgeted - Use of FB for Next Fiscal Year	(4,637,987)	(5,432,714)	(8,294,472)	
<b>Projected Unassigned Fund Balance</b>	<b>\$4,612,698</b>	<b>\$8,819,623</b>	<b>\$6,096,029</b>	<b>\$6,096,029</b>
<b>Percentage of FY 2012 Unrestricted Operating Budget</b>				<b>1.43%</b>

The combined recognition of one time revenues and implementation of various cost savings measures, HCPS ended fiscal 2011 with the strategic accumulation of \$16.8 million in fund balance at June 30, 2011. Of the \$16.8 million in fund balance the following amounts have been assigned, \$1.2 million for the Health Insurance Call, \$.9 million as an Emergency Fuel Reserve and \$.3 million for OPEB contribution. In addition, \$8.3 M will be used to fund the fiscal 2012 Operating Budget. The unassigned fund balance of \$6.1 million represents 1.4% of the total Unrestricted Fund Budget for fiscal year 2012.

Faced with an operating structural deficit over \$8 million entering FY 2012 and stagnate revenue projections, HCPS will use \$8.3 million of fund balance to balance the fiscal year 2012 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 and ease the funding cliff caused by the expiration of ARRA funding.

# Revenue

## Indirect Cost Recovery

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

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

The total indirect cost recovery projected for fiscal 2012 is \$465,000.

## Other Funds

The Food Service Fund is \$14.9 million for fiscal 2012. The Food Service Fund is a self-supporting special revenue fund. Additional detail is provided in the Food Service section, located in Tab 22, of this budget document.

Debt Service funds in the amount of \$30.2 million are managed by the Harford County Government. Additional detail is provided in the Debt Section, located in Tab 23, of this budget document.

The Capital Projects Fund of \$16.2 million includes primarily state and local government funding. Additional detail is provided in the Debt Section, located in Tab 24, of this budget document.

The Pension Fund is \$33.4 million which represents the State of Maryland's contribution to the teacher pension system. Additional detail is provided in the Pension section, located in Tab 25, of this budget document

