

Expenditures

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. The stark budget realities faced by Harford County Public Schools since fiscal year 2009 must be examined in order to understand how the fiscal 2014 budget was developed. The process of reducing expenditures actually began in fiscal 2009 when Harford County Government requested a “give back” of \$3.9 million in funding. In addition to the \$3.9 million returned in fiscal year 2009, HCPS returned \$.5 million in fiscal year 2010 and another \$3.0 million in fiscal year 2011. In the three year period, HCPS returned a total of \$7.4 million of budgeted funds to the County Government as requested.

Since fiscal year 2010, Harford County Public Schools operating costs have increased \$55.8 million. In the same time period, revenue decreased \$9.1 million for a net budgetary shortfall of \$64.9 million. The primary increase in expenditures represented costs deemed necessary to provide mandated services, meet contractual obligations and to maintain the integrity of the instructional programs. In fiscal 2013, HCPS employees received their first salary increase since July 1, 2008. With decreasing revenue, the Unrestricted Fund budget required innovative thinking in order to cover the additional costs. In response to this challenge, all areas of the budget were examined with an emphasis on preserving critical programs related to student achievement, creating greater efficiencies in all operating areas, and making difficult decisions on cost reductions that would least impact students. The following table reflects the additional expenditures and the solutions required to balance the Unrestricted Budget for fiscal years 2010 through 2014.

Balancing the Unrestricted Operating Budget FY 2010 – 2014

<u>Cost Increases:</u>	(In millions)
Salary Increases with fixed charges	\$ 10.0
Teacher Pension from State of Maryland	6.8
Health Insurance	23.0
One Time OPEB Payment in FY12	0.7
Red Pump Elementary/Other Capital Projects	1.5
Special Education	3.7
Transportation (Drivers/Attendants, Other)	3.6
Other Costs	5.4
Magnet Programs	1.1
Total Cost Increases	\$ 55.8
Decrease (Increase) in Revenue	\$ 9.1
Total - Budget Shortfall	\$ 64.9

<u>Resolutions/Cost Savings Measures:</u>	(In millions)
Turnover Savings	\$ 10.9
Health Plan Design Changes	5.4
Reversals One Time Expenditures	12.1
Reduction of Utility Rates & Savings	2.3
Other Cost Avoidance	13.1
Transfer of Expenditures to Restricted	4.5
Reduction of Positions*	12.1
Total Cost Saving Measures	\$ 60.4
Increased Use of Fund Balance	\$ 4.50
Total - Budget Resolution	\$ 64.9

*Includes a total of 240 positions eliminated from FY10 - FY14

Expenditures

The budget shortfall during fiscal years 2010 to 2014 was resolved by eliminating over 240 positions reducing expenditures by \$12.1 million, salary savings from employee turnover of \$10.9 million, cost reductions of \$25.3 million and the removal of non-recurring costs of \$12.1 million. Even with the implementation of these cost saving measures totaling \$60.4 million, an additional \$4.5 million of fund balance was required to balance the Unrestricted Operating Budget from fiscal year 2010 through 2014. In fiscal year 2014, a total of \$5.6 million of fund balance was required to support ongoing operating expenditures.

Use of Fund Balance to Reconcile the Unrestricted Operating Budget

FY 2009 Budget	\$1,100,000
Increase Use of Fund Balance FY09 - FY14	\$4,500,000
FY 2014 Budget	\$5,600,000

Budget Development Process

The following budget strategies were central to the development of the fiscal year 2014 Operating Budget:



<u>2014 Budget Strategies</u>	
❖	<i>Preserve the integrity of the instructional programs</i>
❖	<i>Maintain a competitive salary structure</i>

During the fiscal 2014 budget development cycle, budget managers were asked to examine their accounts in terms of inflation and non-discretionary cost increases.

Inflation and Non-Discretionary Cost Increase - Building the budget requires making assumptions about cost growth in areas of spending that are not directly tied to funding decisions regarding educational policies, collective bargaining commitments, or enrollment. These include transportation, facilities management, employee benefits, and contracted educational services. Each one of these areas has been examined and adjusted to reflect the variables that drive fixed costs. The factors considered include:

- Current year forecasted spending
- Inflation/cost of living
- Anticipated increases in the rate structure for medical insurance premiums
- Historical spending and growth rates for operations, transportation, and contracted services
- Utility cost increases – fuel for buildings and vehicles

Base Budget Adjustments - Budget managers were then asked to review current funding levels and, whenever possible, work to realign current dollars to meet changing program and service requirements. Base Budget Adjustments are simply a realignment of current funds with no additional financial impact. These adjustments are reflected throughout the document in the column entitled "FY 2014 Base Budget".

Salary/Wages –The Board of Education's Proposed Budget for fiscal year 2014, released in January 2013, included a salary/wage package increase of \$7.7 million for Harford County Public School employees. As a result of no step increases or Cost of Living Adjustments (COLA) for three of the past four years, it was the intent of the Board of Education to avoid falling further behind in regard to employee wages. However, new funding was not adequate to cover the proposed wage increase. **The proposed wage package was subsequently removed from the final budget approved by the Board of Education for fiscal year 2014.**

In following the logic of distinguishing changes by how they were approved in the budget, each program outlines the changes by the same categories:

- Base Budget Adjustments
- Wage/Benefit changes for Active and Retired Employees
- Cost of Doing Business

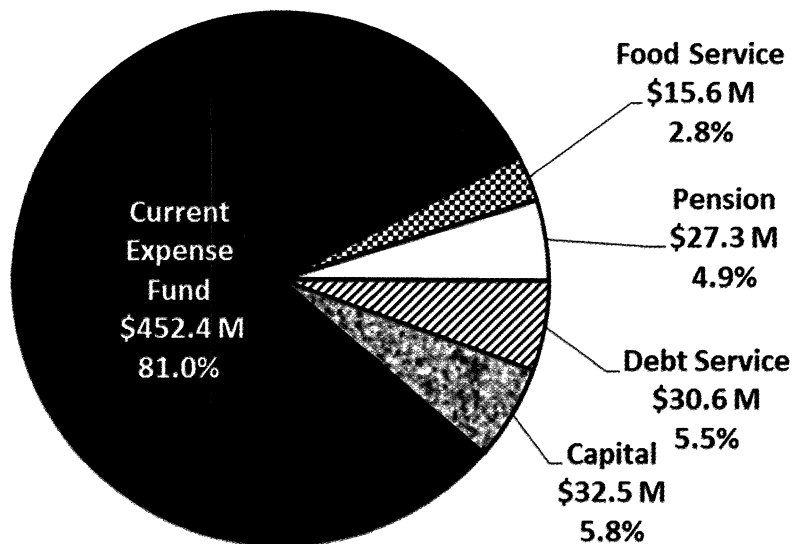
Expenditures

All Funds

Total expenditures by fund for Harford County Public Schools are summarized below. The combination of the Unrestricted Fund and Restricted Fund, generally referred to as the Current Expense Fund or Operating Budget, totals \$452.4 million for fiscal 2014. The Operating Budget will be discussed in greater detail in this section of the budget book. The Food Service Fund is a self-supporting special revenue fund. The Food Service Fund is \$15.6 million for fiscal 2014. Additional detail is provided in the Food Service section located in Tab 22 of this document. The Pension Fund is \$27.3 million which represents the State of Maryland's contribution to the teacher pension system. HCPS pension cost is included in the Unrestricted, Restricted, and Food Service Funds. More detail on the Pension Fund is provided in the Pension section located in Tab 25 of this document. Debt Service funds in the estimated amount of \$30.6 million are managed by the Harford County Government and additional detail is provided in Tab 23. The Capital Projects Fund totaling \$32.5 million includes primarily state and local government funding. The Capital Budget Summary is contained in Tab 24 near the end of this budget book.

Expenditures - All Funds						
	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013 Budget	FY 2014 Budget	FY13 - FY14 Budget Chg.
Unrestricted Fund	408,767,830	427,412,633	424,347,633	430,108,097	424,737,271	(5,370,826)
Restricted Fund	41,571,808	28,787,162	30,645,648	29,302,413	27,697,222	(1,605,191)
Current Expense Fund	\$ 450,339,638	\$ 456,199,795	\$ 454,993,281	\$ 459,410,510	\$ 452,434,493	\$ (6,976,017)
Food Service	15,002,160	15,201,306	15,413,941	15,147,627	15,615,568	467,941
Pension	34,323,976	33,360,568	26,284,223	30,575,369	27,319,963	(3,255,406)
Debt Service	22,576,521	30,155,642	29,736,815	30,355,614	30,628,653	273,039
Capital	47,763,925	26,758,294	37,191,795	14,911,610	32,471,846	17,560,236
Total - All Funds	\$ 570,006,220	\$ 561,675,605	\$ 563,620,055	\$ 550,400,730	\$ 558,470,523	\$ 8,069,793

FY 2014 Expenditures - All Funds \$558.5 Million



Expenditures

Current Expense Fund (Unrestricted and Restricted Funds) – By Program

The Current Expense Fund is comprised of the Unrestricted Fund, usually referred to as the Operating Budget, and the Restricted Fund. Restricted Funds are primarily the state and federal government, which require the money be spent on specific programs. Hence, the term "restricted" is used to classify these programs. Unrestricted Fund expenditures for fiscal 2014 decreased \$5.4 million and Restricted Fund expenditures decreased by \$1.6 million in fiscal 2014. The total Current Expense Fund Budget for fiscal 2014 is \$452.4 million, a decrease of \$7.0 million or -1.5% from fiscal 2013. The fiscal 2014 Current Expense Fund is summarized below by program area:

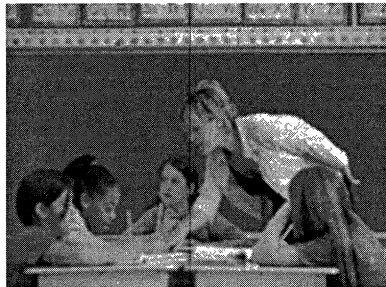
Expenditures - Current Expense Fund								
Tab	Program	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013 Budget	FY 2014 Budget	FY13 - FY14 Budget Chg.	% Chg.
9	Board of Education	447,576	556,993	591,173	640,182	611,002	(29,180)	
	Board of Education Services	107,213	200,953	230,006	267,871	244,807	(23,064)	
	Internal Audit Services	140,333	154,649	154,986	160,206	158,285	(1,921)	
	Legal Services	200,030	201,391	206,181	212,105	207,910	(4,195)	
10	Business Services	26,485,047	27,346,682	31,805,847	32,401,977	33,679,975	1,277,998	
	Fiscal Services	25,461,615	26,334,212	30,897,144	31,461,776	32,797,281	1,335,505	
	Purchasing	1,023,432	1,012,470	908,703	940,201	882,694	(57,507)	
11	Curriculum and Instruction	4,929,490	4,843,375	4,530,466	4,688,315	4,675,024	(13,291)	
	Curriculum Dev and Implementation	3,111,432	3,183,490	2,883,851	2,958,669	3,004,203	45,534	
	Office of Accountability	716,342	631,935	766,518	763,370	774,711	11,341	
	Professional Development	1,101,716	1,027,950	880,097	966,276	896,110	(70,166)	
12	Education Services	183,887,861	182,395,787	179,073,760	181,071,472	174,841,558	(6,229,914)	
	Career and Technology Programs	9,070,862	8,703,825	8,416,038	8,589,133	8,582,042	(7,091)	
	Gifted and Talented Program	1,420,725	1,450,073	1,548,646	1,704,274	1,691,204	(13,070)	
	Intervention Services	2,183,868	1,803,801	1,262,520	1,255,608	1,373,264	117,656	
	Magnet and Signature Programs	1,736,699	2,021,810	2,079,803	1,886,703	1,767,930	(118,773)	
	Office of Elem/Mid/High Schools	717,106	702,975	705,233	733,938	591,825	(142,113)	
	Other Special Programs	2,732,548	2,795,545	2,860,781	2,955,497	2,981,497	26,000	
	Regular Programs	158,264,537	157,263,497	155,329,614	156,925,961	150,876,465	(6,049,496)	
	School Library Media Program	7,000,726	6,893,066	6,279,536	6,349,733	6,288,706	(61,027)	
	Summer School	760,790	761,195	591,589	670,625	688,625	18,000	
13	Executive Administration	1,924,128	1,877,329	1,843,491	1,900,138	1,654,512	(245,626)	
	Communications	403,639	446,629	401,688	464,846	440,496	(24,350)	
	Community Engagement	255,960	201,011	204,419	202,328	170,938	(31,390)	
	Executive Administration Office	1,264,529	1,229,689	1,237,384	1,232,964	1,043,078	(189,886)	
14	Extra Curricular Activities	3,493,516	3,562,271	3,544,901	3,618,784	3,577,129	(41,655)	
	Interscholastic Athletics	2,720,190	2,751,722	2,792,037	2,765,110	2,730,555	(34,555)	
	Student Activities	773,326	810,549	752,864	853,674	846,574	(7,100)	
15	Human Resources	58,638,107	74,095,164	72,027,693	72,972,018	72,884,034	(87,984)	
16	Operations and Maintenance	65,620,449	67,667,330	66,984,483	68,273,290	68,293,551	20,261	
	Facilities Management	21,290,643	21,774,525	21,478,610	21,956,094	21,817,012	(139,082)	
	Planning and Construction	887,101	813,109	818,624	846,700	857,195	10,495	
	Transportation	29,332,691	31,031,105	31,218,016	31,596,366	31,443,916	(152,450)	
	Utility Resource Management	14,110,014	14,048,591	13,469,233	13,874,130	14,175,428	301,298	
17	Safety and Security	1,091,462	1,119,507	876,245	924,137	924,541	404	
18	Special Education	39,541,189	40,244,566	39,912,925	39,913,958	40,027,993	114,035	
19	Student Services	14,418,538	14,648,178	14,343,587	14,677,614	14,462,080	(215,534)	
	Health Services	3,193,276	3,295,627	3,283,239	3,395,532	3,360,035	(35,497)	
	Psychological Services	2,255,381	2,336,691	2,303,721	2,370,022	2,325,230	(44,792)	
	Pupil Personnel Services	1,608,766	1,613,772	1,623,005	1,691,081	1,665,167	(25,914)	
	School Counseling Services	7,361,115	7,402,088	7,133,622	7,220,979	7,111,648	(109,331)	
20	Office of Technology and Information	8,290,467	9,055,451	8,813,062	9,026,212	9,105,872	79,660	
	Unrestricted Fund	408,767,830	427,412,633	424,347,633	430,108,097	424,737,271	(5,370,826)	-1.2%
	Restricted Fund	41,571,808	28,787,162	30,645,648	29,302,413	27,697,222	(1,605,191)	-5.5%
	Current Expense Fund	\$ 450,339,638	\$ 456,199,795	\$ 454,993,281	\$ 459,410,510	\$ 452,434,493	\$ (6,976,017)	-1.5%

Expenditures

Current Expense Fund By Maryland State Reporting Category

The following tables reflect Current Expense Fund expenditures by object class and state reporting category, the method of reporting that is required by the Maryland State Department of Education:

Current Expense Fund - By State Category									
SUMMARY BY CATEGORY	Unrestricted			Restricted			Current Expense		
	FY 2014			FY 2014			FY 2014		
	Amount	%	FTE	Amount	%	FTE	Amount	%	FTE
Administrative Services	10,625,308	2.5%	120.2	515,000	1.9%	0.0	11,140,308	2.5%	120.2
Mid-Level Administration	24,682,371	5.8%	337.8	614,804	2.2%	12.0	25,297,175	5.6%	349.8
Instructional Salaries	158,456,792	37.3%	2,646.6	3,894,965	14.1%	49.7	162,351,757	35.9%	2,696.3
Textbooks & Classroom Supplies	6,964,548	1.6%	0.0	685,471	2.5%	0.0	7,650,019	1.7%	0.0
Other Instructional Costs	2,527,987	0.6%	0.0	1,419,312	5.1%	0.0	3,947,299	0.9%	0.0
Special Education	40,103,957	9.4%	902.0	15,870,115	57.3%	144.2	55,974,072	12.4%	1,046.2
Student Services	1,665,167	0.4%	20.5	0	0.0%	0.0	1,665,167	0.4%	20.5
Health Services	3,360,035	0.8%	71.5	0	0.0%	0.0	3,360,035	0.7%	71.5
Student Transportation	31,315,615	7.4%	217.4	0	0.0%	0.0	31,315,615	6.9%	217.4
Operation of Plant	29,467,584	6.9%	345.3	0	0.0%	0.0	29,467,584	6.5%	345.3
Maintenance of Plant	12,678,317	3.0%	125.5	0	0.0%	0.0	12,678,317	2.8%	125.5
Fixed Charges	102,309,040	24.1%	0.0	4,580,376	16.5%	0.0	106,889,416	23.6%	0.0
Community Services	530,550	0.1%	1.6	0	0.0%	0.0	530,550	0.1%	1.6
Capital Outlay	50,000	0.0%	0.0	117,179	0.4%	0.0	167,179	0.0%	0.0
TOTAL	\$424,737,271	100.0%	4,788.4	\$27,697,222	100.0%	205.9	\$452,434,493	100.0%	4,994.3

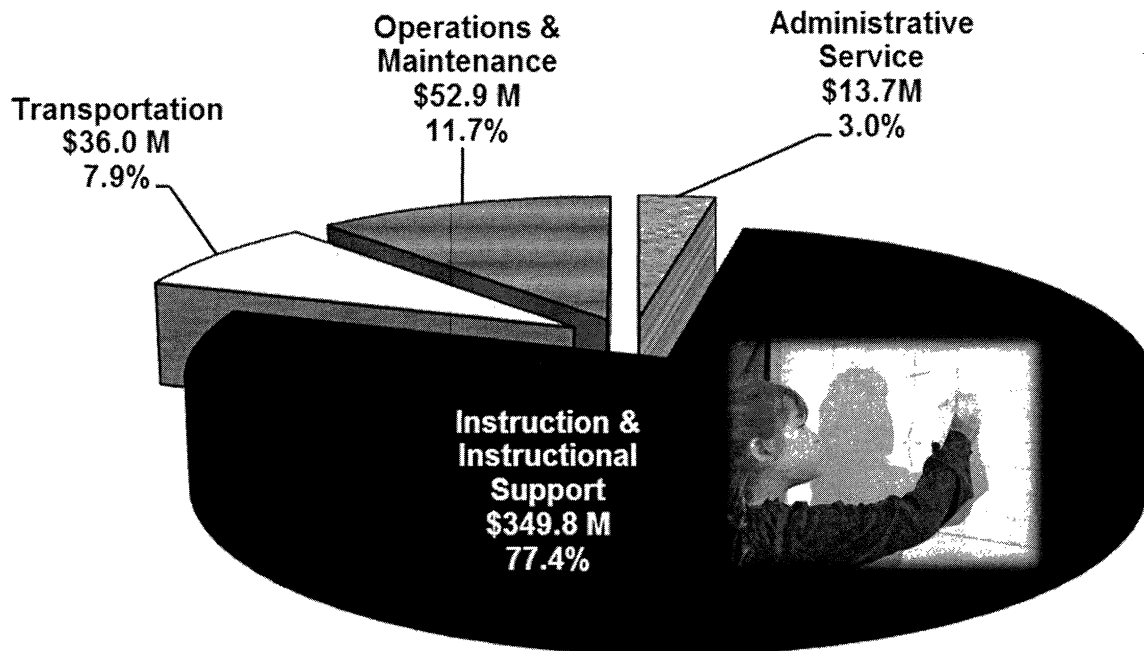


Current Expense Fund - By Object Class									
SUMMARY BY OBJECT	Unrestricted			Restricted			Current Expense		
	FY 2014			FY 2014			FY 2014		
	Amount	%	FTE	Amount	%	FTE	Amount	%	FTE
Salary and Wages	252,381,723	59.4%	4,788.4	12,667,741	45.7%	205.9	265,049,464	58.6%	4,994.3
Contracted Services	39,995,728	9.4%		8,220,508	29.7%		48,216,236	10.7%	
Supplies and Materials	12,917,488	3.0%		811,469	2.9%		13,728,957	3.0%	
Other Charges	118,733,115	28.0%		5,430,778	19.6%		124,163,893	27.4%	
Equipment	1,224,217	0.3%		51,726	0.2%		1,275,943	0.3%	
Transfers	(515,000)	-0.1%		515,000	1.9%		0	0.0%	
TOTAL	\$424,737,271	100.0%	4,788.4	\$27,697,222	100.0%	205.9	\$452,434,493	100.0%	4,994.3

Expenditures

Where the money goes...

FY 2014 Current Expense Fund **\$452.4 Million**



Expenditures

Summary of Unrestricted Operating Budget Changes FY 2013 – FY 2014

Positions 4,900.9	FY 2013 Unrestricted Budget - Revised	Funding \$ 430,108,097
	Reversal FY13 One Time Expenditures:	(2,339,590)
	Salary & Benefits:	
	Salary	-
	Net Pension	1,303,533
	Turnover	(2,877,558)
	Net Health/Dental Insurance Adjustment	3,792,800
		2,218,775
	Cost of Doing Business Adjustments:	-
	CDB - Instructional/Special Education	568,445
	CDB - Insurance	430,077
	CDB - Transportation	714,550
	CDB - Operations/Administration	394,365
		2,107,437
	Cost Saving Measures:	
(107.3)	Instructional/Special Education	(5,815,232)
	Transportation	(890,000)
(5.3)	Operations/Administration	(652,216)
		(7,357,448)
(112.6)	Total Change FY13 - FY14	\$ (5,370,826)
4,788.3	FY 2014 Unrestricted Budget - Approved	\$ 424,737,271

Position Reductions Fiscal Year 2014	
Position	FTE
Classroom Teachers	(78.5)
Guidance Counselors	(2.5)
Paraeducators - Regular Program	(6.3)
Inclusion Helpers	(15.0)
Total Instructional /Instructional Support Positions	(102.3)
Clerical - School Based	(5.0)
Clerical - Central Office	(2.0)
Supervisor - Magnet Programs	(1.0)
Coordinator - Curriculum & Instruction	(0.3)
Executive Director - Middle School Performance	(1.0)
Distribution Center Associate	(1.0)
Total Other Positions	(10.3)
Total Unrestricted	(112.6)

Revenue	FY13 Budget	FY14 Budget	Change
Local	219,821,368	221,300,729	1,479,361
State	197,018,533	194,167,270	(2,851,263)
Federal	650,000	390,000	(260,000)
Other Sources	4,818,196	3,279,272	(1,538,924)
Fund Balance	7,800,000	5,600,000	(2,200,000)
Total Revenue	\$ 430,108,097	\$ 424,737,271	\$ (5,370,826)

Expenditures

Salary and Benefits - The Board of Education's Proposed Budget for fiscal year 2014, released in January 2013, included a salary/wage package increase of \$7.7 million for Harford County Public School employees. The proposed wage package reflected the Board of Education's goal of maintaining a competitive salary structure within the market, especially with our neighboring counties. However, new funding was not adequate to cover the proposed wage increase. The proposed wage package was subsequently removed from the final budget approved by the Board of Education for fiscal year 2014. Even with the removal of the wage package, 112.6 positions were eliminated in order to redirect available funding to balance the fiscal year 2014 Unrestricted Budget.

With no step increase or Cost of Living Adjustments (COLA) funded in fiscal year 2014, maintaining a competitive salary structure within the market remains a primary concern. The following charts provides a comparison of the five year salary progression of a new teacher in the 2008 – 2009 school year and a teacher with ten years of experience in Harford County, Cecil County and Baltimore County, Maryland.

Teacher who began their career in the 2008 – 2009 school year...

	Harford	Cecil	Baltimore
1 st Year 2008-2009	\$41,171	\$41,674	\$42,000
2 nd Year 2009-2010	\$41,171	\$42,820	\$43,335
3 rd Year 2010-2011	\$41,171	\$44,290	\$43,985
4 th Year 2011-2012	\$41,171	\$45,732	\$44,755
5 th Year 2012-2013	\$42,829	\$46,603	\$45,538
6 th Year 2013-2014	\$42,829	\$48,893	\$46,211

Teacher with a Masters degree & 10 years experience in the 2008 – 2009 school year...

	Harford	Cecil	Baltimore
10 th Year 2008-2009	\$56,988	\$55,659	\$53,508
11 th Year 2009-2010	\$56,988	\$57,760	\$56,959
12 th Year 2010-2011	\$56,988	\$60,452	\$58,810
13 th Year 2011-2012	\$56,988	\$62,150	\$60,722
14 th Year 2012-2013	\$59,289	\$64,643	\$62,695
15 th Year 2013-2014	\$59,289	\$67,693	\$63,792

By law, the Board is required to negotiate with each of the five bargaining units in Harford County to establish salary, wages and other working conditions. The Board collaborated with the bargaining units to reach such an agreement. Employees and community members are directed to visit the Board's Collective Bargaining webpage page on the school system website (www.hcps.org) for updates and information regarding negotiations.

Expenditures

Rising Health & Dental Care Costs

Harford County Public Schools provides health and dental care coverage to 4,500 employees and 2,800 retirees. Like all businesses, especially labor intensive school districts, HCPS has experienced significant increases in the cost of providing health care benefits. **In the past ten years**, the cost of providing health care insurance to employees and retirees has risen from \$27 million in fiscal year 2003 to over \$65 million in fiscal 2013, **an increase of 137%**. During this same period the cost of providing dental care insurance to employees and retirees has risen from \$2.1 million in fiscal year 2003 to over \$3.9 million in fiscal 2013, **an increase of 94%**. For fiscal year 2014, health and dental care insurance rates increased by 3%. In total, \$3.8 million was added to the FY 2014 budget to fund the 3% rate increase for health/dental care and the projected cost associated with new enrollees/retirees.

Employee Pension - Prior to fiscal 2013 the State of Maryland funded all teacher pension contributions for the twenty four school districts. The State of Maryland addressed their ongoing structural deficit by sharing teacher pension costs with the counties. The cost sharing was structured over a four year implementation period beginning in fiscal 2013. For fiscal year 2014 the net pension increase to the Unrestricted Operating Budget for all employees totaled \$1.3 million. Harford County Government fully funded the pension increase.

Turnover Savings - Savings, due to the retirement of long tenured employees leaving the system and being replaced by entry level employees, totaled nearly \$2.9 million for fiscal year 2014. This savings was used to offset the \$3.8 million increase in health and dental insurance discussed above.

Cost of Doing Business - Cost of Doing Business adjustments for fiscal year 2014 total \$2,107,437 as detailed in the chart below:

Cost of Doing Business Adjustments

Line	Description	FTE	Total
CDB - Instructional/Special Education:			
1	Non- Public Placement		550,000
2	Reduce interscholastic supplies based on drop in gate receipts 2011-2012		(34,555)
3	Tuition - College Readiness and Completion Act		35,000
4	Summer School PE (budget neutral)		18,000
Total - Instructional/Special Education		0.0	568,445
CDB - Insurance:			
5	Property insurance adjustment		87,161
6	Liability insurance adjustment		58,324
7	Workers compensation adjustment		284,592
Total - Insurance		0.0	430,077
CDB - Transportation:			
8	Increase PVA for 38 replacement buses		295,300
9	Reimbursable Field Trips (budget alignment)		19,250
10	Bus service - McKinney-Vento Act/Mandate (transportation of homeless students)		200,000
11	Increase fuel for special needs buses		200,000
Total - Transportation		0.0	714,550
CDB - Operations/Administration Other:			
12	Interest on refinancing of A.A. Roberty Building		59,376
13	Interest on 2012 energy performance contract		308,945
14	Electricity reduction projected FY 2014		(308,945)
15	Sun Trust lease payment performance contract phase I & II		160,979
16	Maintenance contract - Johnson Controls phase I & II		10,319
17	Annual maintenance agreement online module for tracking work orders		13,000
18	Stage rigging inspections and repairs		25,000
19	Rental of office space & parking for facilities office		27,000
20	Annual contract for Eschool Mall		35,500
21	Software maintenance contracts - annual increase		20,000
22	Hardware maintenance contracts (wi-fi & network components)		34,400
23	Medical testing services for employees		8,791
Total - Operations/Administration		0.0	394,365
TOTAL		0.0	\$ 2,107,437

Expenditures

Cost Saving Measures - In order to balance the fiscal year 2014 Unrestricted Operating Budget, the HCPS Board of Education implemented cost saving measures totaling \$7.4 million. A total of 112.6 full time equivalent positions were eliminated at a savings of \$6.2 million. Transportation changes included adding four elementary schools to the fourth tier busing schedule, moving magnet program transportation to a depot stop system, consolidating bus stops for middle and high school students and removing transportation exemptions for approximately 1,045 students in the non-service area per HCPS transportation policy at a combined cost savings of \$890,000.

Cost Saving Measures Implemented

Line	Description	FTE	Total
Instructional/Special Education:			
1	Reduce professional staff development		(95,000)
2	Eliminate 15.0 inclusion helper positions	(15.0)	(412,515)
3	Eliminate 2.5 counseling positions	(2.5)	(151,148)
4	Eliminate 5.0 secondary clerical positions	(5.0)	(204,045)
5	Eliminate 6.3 elementary paraeducators	(6.3)	(196,755)
6	Eliminate 78.5 teaching positions	(78.5)	(4,755,769)
Total - Instructional/Special Education		(107.3)	\$ (5,815,232)
Transportation:			
7	Remove bus service exemptions granted in prior years		(50,000)
8	Countywide consolidated bus stops for middle and high school students		(225,000)
9	Consolidated/depot stops for Magnet Programs and 4th tier bus service at four additional elementary schools		(615,000)
Total - Transportation		0.0	\$ (890,000)
Operations/Administration Other:			
10	Utility savings associated with implementation of a four day summer work week		(120,000)
11	Elimination of 5.3 central office positions	(5.3)	(517,216)
12	Reduction Board of Education conference expenditures		(15,000)
Total - Operations/Administration		(5.3)	\$ (652,216)
TOTAL		(112.6)	\$ (7,357,448)

Expenditures

Restricted Fund Expenditures

The Board of Education is projecting \$27,697,222 in restricted funding for fiscal 2014. This is a decrease of 5.5% or \$1.6 million from fiscal 2013. Restricted funding will support 205.9 full time equivalent positions and numerous programs. The sources of these funds are primarily the federal and state government, which require the money to be spent on specific programs. Hence, the term "restricted" is used to classify these funds. Special Education or IDEA funding represents the largest portion of restricted funding. The table below summarizes restricted funding by major categories:

Restricted Fund Categories	FY 2013		FY 2014	
	Amount	FTEs	Amount	FTEs
American Recovery and Reinvestment Act (ARRA)	1,131,294	6.2	569,830	6.2
Career and Technology Programs	443,988	-	443,988	-
Master Plan/Bridge to Excellence	5,838,506	47.0	6,182,786	53.0
Special Education	19,424,059	154.2	19,496,294	144.2
Special Programs	2,464,566	2.5	1,004,324	2.5
Total	\$29,302,413	209.9	\$27,697,222	205.9

Fiscal 2014 will be the final year for the Race to the Top grant which is the only remaining ARRA funded grant. In fiscal 2010, the American Recovery and Reinvestment Act (ARRA) was passed with the goal of stimulating our economy in the short term and investing in education and other public services to ensure the long term health of our nation. ARRA had three primary sources of funding: IDEA ARRA, Title I, Part A ARRA and State Fiscal Stabilization Funds (SFSF). Most ARRA funding expired June, 2011.

Details for the Restricted Funds fiscal 2014 budget and individual grants are in the Restricted Section of this Budget Book, Tab 21.



Expenditures

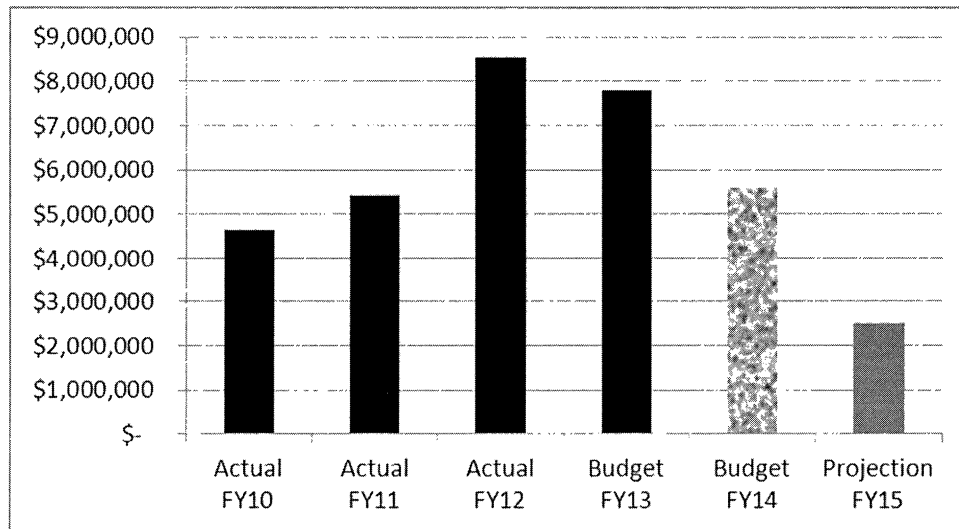
Long Term Budgetary Issue Facing HCPS

**Structural Deficit – Ongoing expenditures exceed revenue;
Use of one time money to fund ongoing expenditures.**

During fiscal years 2010 through 2014, the system faced: increased operating costs of \$55.8 million and reduced revenue of \$9.1 million. The cumulative budget shortfall of \$64.9 million related to these revenue and expense changes. HCPS identified the following fiscal areas to offset the budget shortfall of \$64.9 million: system wide cost reductions totaling \$25.3 million, elimination of 217 positions for a saving of \$12.1 million and turnover savings of \$10.9 million, removal of non-recurring costs of \$12.1 million and an increased contribution from fund balance of \$4.5 million.

The use of fund balance to support ongoing operations peaked in fiscal year 2012 at \$8.5 million. The fiscal year 2014 budget reduces the use of fund balance to \$5.6 million. We are optimistic that improved economic conditions will allow for additional support from Harford County Government and eliminate the use of fund balance to support ongoing operations by fiscal year 2016.

Use of Fund Balance to Support Ongoing Expenditures by Fiscal Year



The long term structural deficit issue can only be addressed by:

- **Increase Revenues, and/or**
- **Permanent Reductions to Ongoing Expenditures**

Summary of Fiscal 2014 Unrestricted Operating Changes

The following table "Summary of Fiscal Year 2014 Unrestricted Operating Budget Changes" reflects expenditure changes by program. Changes are identified in the expenditure categories of: Wages & Benefits, Base Budget Adjustments and Cost of Doing Business.

HARFORD COUNTY PUBLIC SCHOOLS
Summary of Fiscal 2014 Unrestricted Operating Budget Changes

Fiscal 2013 Adjusted Unrestricted Operating Budget **\$ 430,108,097**

Program	Wages & Benefits	Base Budget Adjustments	Net Cost Reductions	Fiscal 2014 Budget
Board of Education				
Board Services				
Salary and Wage Adjustments	2,136			2,136
Reduction in consulting expenses		(6,800)		(6,800)
Reduction in Institutes, Conferences, & Meetings			(15,000)	(15,000)
Reduction in books & periodicals		(400)		(400)
Reduction miscellaneous expenses		(3,000)		(3,000)
Board Services	2,136	(10,200)	(15,000)	(23,064)
Legal Services				
Salary and Wage Adjustments	(4,195)			(4,195)
Legal Services	(4,195)	-	-	(4,195)
Internal Audit Services				
Salary and Wage Adjustments	(1,921)			(1,921)
Reduce other salaries		(30)		(30)
Reduction in postage/courier expenses		(100)		(100)
Reduction in professional library expense		(200)		(200)
Increase mileage reimbursement expenses		150		150
Increase institutes, conferences & meetings		180		180
Internal Audit Services	(1,921)	-	-	(1,921)
Total Board of Education	(\$3,980)	(\$10,200)	(\$15,000)	(\$29,180)
Business Services				
Fiscal Services				
Increase in clerical overtime		700		700
Increase other contracted services		2,500		2,500
Reduction in consulting expenses		(27,100)		(27,100)
Reduction in copier rental		(500)		(500)
Reduction in office supplies		(1,000)		(1,000)
Reduction in printing supplies		(1,250)		(1,250)
Increase in courier service		50		50
Increase in books & periodicals		300		300
Increase in certifications		3,200		3,200
Increase in computer equipment		1,000		1,000
Increase in office furniture		500		500
Interest on refinancing of building		21,600	59,376	80,976
Transfer to property insurance		(17,565)		(17,565)
Increase in liability insurance			58,324	58,324
Change in workers compensation insurance	(7,842)	(50,000)	255,494	197,652
Reduction in Social Security due to position eliminations	(202,755)		(363,060)	(565,815)
Reversal of one time transfer of funds to dental insurance		300,000		300,000
Retirement increase - Teacher's Plan	1,479,361			1,479,361
Retirement increase - Other	(175,828)			(175,828)
Fiscal Services	1,092,936	232,435	10,134	1,335,505
Purchasing				
Salary and Wage Adjustments	(23,953)			(23,953)
Eliminate a 1.0 FTE Distribution Associate			(33,554)	(33,554)
Increase in other contracted services		1,412		1,412
Decrease in copier machine rentals		(200)		(200)
Increase in other supplies		1,000		1,000
Decrease in office supplies		(1,632)		(1,632)
Increase in printing expenses		800		800
Reduction in courier expense		(25)		(25)
Decrease in books & periodicals		(150)		(150)
Decrease in mileage reimbursement		(300)		(300)
Decrease in other equipment		(405)		(405)
Decrease in computer equipment		(500)		(500)
Purchasing	(23,953)	-	(33,554)	(57,507)
Total Business Services	\$1,068,983	\$232,435	(\$23,420)	\$1,277,998

HARFORD COUNTY PUBLIC SCHOOLS
Summary of Fiscal 2014 Unrestricted Operating Budget Changes

Fiscal 2013 Adjusted Unrestricted Operating Budget **\$ 430,108,097**

Program	Wages & Benefits	Base Budget Adjustments	Net Cost Reductions	Fiscal 2014 Budget
<u>Curriculum & Instruction</u>				
<u>Curriculum Development</u>				
Salary and Wage Adjustments	(52,836)		19,982	-32,854
Reversal of FY13 transfer to gifted and talented		11,000		11,000
Reduction in professional development			(20,736)	(20,736)
Executive Director of Curriculum offset by elimination of Associate Superintendent of Curriculum			125,428	125,428
Eliminate .25 FTE Coordinator of Intervention			(27,304)	(27,304)
Transfer other salaries to the Office of Accountability		(10,000)		(10,000)
Curriculum Development	(52,836)	1,000	97,370	45,534
<u>Professional Development</u>				
Salary and Wage Adjustments	(5,166)			-5,166
Reduction in professional development			(65,000)	(65,000)
Professional Development	(5,166)	-	(65,000)	(70,166)
<u>Office of Accountability</u>				
Salary and Wage Adjustments	1,341			1,341
Other salaries expense transferred Curriculum		10,000		10,000
Office of Accountability	1,341	10,000	-	11,341
Total Curriculum and Instruction	(\$56,661)	\$11,000	\$32,370	(\$13,291)
<u>Education Services</u>				
<u>Office of Elementary, Middle & High School Performance</u>				
Salary and Wage Adjustments	3,454			3,454
Remove Executive Director of Middle Schools position for the 2013-2014 school year			(145,567)	(145,567)
Total Office of Elem, Mid & High School	3,454	-	(145,567)	(142,113)
<u>Regular Programs</u>				
Salary and Wage Adjustments	(2,236,854)			(2,236,854)
Reversal of year end transfer to student services		50,000		50,000
Eliminate 5.0 School Based Clerical positions			(133,573)	(133,573)
Eliminate 6.3 Regular Program Paraeducators			(112,708)	(112,708)
Eliminate 78.5 Regular Teaching positions			(3,518,213)	(3,518,213)
Transfer textbooks & supplies funding to equipment		(30,000)		(30,000)
Reversal of FY13 transfer to technology		30,000		30,000
Reduce mileage reimbursement to fund middle school software needs		(22,000)		(22,000)
Reversal of FY13 transfer to gifted and talented		9,170		9,170
Reversal of FY13 transfer to career & technology		3,000		3,000
Increase other equipment		15,000		15,000
Increase instructional equipment		15,000		15,000
Transfer funds to Intervention for AVID Program		(121,256)		(121,256)
Regular Programs	(2,236,854)	(51,086)	(3,764,494)	(6,052,434)
<u>Career & Technology</u>				
Salary and Wage Adjustments	(1,153)			(1,153)
Reversal of FY13 transfer for Institutes, Conferences, & Meetings		(3,000)		(3,000)
Career & Technology	(1,153)	(3,000)	-	(4,153)
<u>School Library Media Programs</u>				
Salary and Wage Adjustments	(19,259)			(19,259)
Eliminate 2.0 FTE Book Processing Center clerical staff			(41,768)	(41,768)
Increase institutes, conferences & meetings		1,000		1,000
Reduce other equipment		(1,000)		(1,000)
School Library Media Programs	(19,259)	-	(41,768)	(61,027)

HARFORD COUNTY PUBLIC SCHOOLS
Summary of Fiscal 2014 Unrestricted Operating Budget Changes

Fiscal 2013 Adjusted Unrestricted Operating Budget				\$ 430,108,097
Program	Wages & Benefits	Base Budget Adjustments	Net Cost Reductions	Fiscal 2014 Budget
<u>Gifted & Talented</u>				
Reversal of FY13 transfer for other salaries related to SAT/AP		(11,000)		(11,000)
Reversal of FY13 transfer for SAT materials		7,100		7,100
Reversal of FY13 transfer for Conf/meeting		(9,170)		(9,170)
<i>Gifted & Talented</i>	-	(13,070)	-	(13,070)
<u>Intervention Services</u>				
Salary and Wage Adjustments	(3,600)			(3,600)
Other salaries expense transferred from regular programs for AVID program		96,000		96,000
Consultant fees for AVID program offset in regular programs		14,000		14,000
Institutes, Conf & Meetings expense for AVID program offset in regular programs		11,256		11,256
<i>Intervention Services</i>	(3,600)	121,256	-	117,656
<u>Magnet & Signature Programs</u>				
Salary and Wage Adjustments	(773)			(773)
Reduce IB professional development			(2,000)	(2,000)
Eliminate 1.0 Supervisor of Magnet Programs			(116,000)	(116,000)
<i>Magnet & Signature Programs</i>	(773)	-	(118,000)	(118,773)
<u>Summer School</u>				
Summer School Physical Education (revenue neutral)			18,000	18,000
<i>Summer School</i>	-	-	18,000	18,000
<u>Other Special Programs</u>				
Salary and Wage Adjustments	(9,000)			(9,000)
College Readiness-Contracted Instruction (revenue neutral)			35,000	35,000
<i>Other Special Programs</i>	(9,000)	-	35,000	26,000
Total Education Services				
	(2,267,185)	54,100	(4,016,829)	(6,229,914)
<u>Executive Administration</u>				
<u>Executive Administration Office</u>				
Salary and Wage Adjustments	(25,782)			(25,782)
Reclassify Associate Supt. Position and move to Curriculum & Instruction			(166,345)	(166,345)
Reduction in temporary help		(212)		(212)
Increase in clerical overtime		82		82
Increase in printing expenses		100		100
Increase in mileage reimbursement		771		771
Increase in professional dues		1,000		1,000
Increase in institutes, conferences & meetings		500		500
<i>Executive Administration Office</i>	(25,782)	2,241	(166,345)	(189,886)
<u>Community Engagement</u>				
Salary and Wage Adjustments	1,404			1,404
Reclassify Director of Community Engagement to Supervisor			(32,794)	(32,794)
<i>Community Engagement Office</i>	1,404	-	(32,794)	(31,390)
<u>Communications</u>				
Reduction in clerical overtime		(515)		(515)
Increase in technical overtime		515		515
Reduction in office supplies		(2,000)		(2,000)
Reduction in audio/visual supplies		(1,850)		(1,850)
Transfer costs for employee recognition dinner to Human Resources		(20,500)		(20,500)
<i>Communications</i>	-	(24,350)	-	(24,350)
Total Executive Administration				
	(\$24,378)	(\$22,109)	(\$199,139)	(\$245,626)

HARFORD COUNTY PUBLIC SCHOOLS
Summary of Fiscal 2014 Unrestricted Operating Budget Changes

Fiscal 2013 Adjusted Unrestricted Operating Budget				\$ 430,108,097
Program	Wages & Benefits	Base Budget Adjustments	Net Cost Reductions	Fiscal 2014 Budget
Extra-Curricular Activities				
<i>Student Activities</i>				
Reversal of FY13 transfer from gifted and talented		(7,100)		(7,100)
<i>Student Activities</i>	-	(7,100)	-	(7,100)
<i>Interscholastic Athletics</i>				
Reduction in expense due to reduction in gate receipts			(34,555)	(34,555)
<i>Interscholastic Athletics</i>	-	-	(34,555)	(34,555)
Total Extra-Curricular	\$0	(\$7,100)	(\$34,555)	(\$41,655)
Human Resources				
Salary and Wage Adjustments	19,382			19,382
Medical testing services for employees (Base budget amount transferred from BOE)		7,209	8,791	16,000
Expense for employee recognition dinner transferred from Communications		21,250		21,250
Unemployment compensation increase		50,000		50,000
College Credit Reimbursement increase		100,000		100,000
Life insurance reduction	(6,543)		(11,729)	(18,272)
Health Insurance	3,680,000	(1,126,061)	(1,253,582)	1,300,357
Reversal of OPEB transfer in FY13		(1,163,529)		(1,163,529)
Dental Insurance changes	112,800	(450,000)	(75,972)	(413,172)
Total Human Resources	\$3,805,639	(\$2,561,131)	(\$1,332,492)	(\$87,984)
Operations & Maintenance				
<i>Transportation</i>				
Increase in PVA for 48 replacement buses			295,300	295,300
Costs related to transporting homeless students (McKinney-Vento Act)			200,000	200,000
Reduction in Repairs/Maint Vehicles		(1,000)		-1,000
Increase in other supplies		5,000		5,000
Increase in Alt Ed daytime transportation		35,000		35,000
Reduction in training supplies		(4,000)		-4,000
Reduction in other contracted services		(15,000)		-15,000
Increase in medical services expense		1,000		1,000
Increase in bus fleet repairs		20,000		20,000
Increase in other supplies		2,000		2,000
Increase in other supplies		65,000		65,000
Reduction in Alt Ed evening expense		(20,000)		-20,000
Increase in other equipment		1,000		1,000
Reduction in other contracted services		(45,000)		-45,000
Reduction in contracted vehicle maintenance		(6,000)		(6,000)
Reduction in vehicle maintenance supplies		(15,000)		(15,000)
Increase in fuel costs for special needs buses			200,000	200,000
Increase in reimbursable student field trips			19,250	19,250
Remove bus service exemptions granted in prior years			(50,000)	(50,000)
Savings from implementing consolidated bus stops for middle/high schools			(225,000)	(225,000)
Savings by implementing consolidate/depot stops for Magnet programs and 4th tier bus service at additional elementary schools			(615,000)	(615,000)
Transportation	-	23,000	(175,450)	(152,450)

HARFORD COUNTY PUBLIC SCHOOLS
Summary of Fiscal 2014 Unrestricted Operating Budget Changes

Fiscal 2013 Adjusted Unrestricted Operating Budget				\$ 430,108,097
Program	Wages & Benefits	Base Budget Adjustments	Net Cost Reductions	Fiscal 2014 Budget
<i>Facilities Management</i>				
Salary and Wage Adjustments	(35,808)			(35,808)
Rental of office space and parking for facilities			27,000	27,000
Reversal of year end transfer from utilities		(250,000)		(250,000)
Increase in community service rent		1,758		1,758
Increase in property insurance			87,161	87,161
Transfer funds from liability insurance to property insurance		17,565		17,565
Additional expense for stage rigging inspections and repairs			25,000	25,000
Annual maintenance agreement for tracking work orders			13,000	13,000
Science equipment contracted service increase		350		350
Decrease in science supplies		(350)		(350)
Decrease in community service custodial overtime		(1,758)		(1,758)
Reduction in grounds equipment supplies		(40,000)		(40,000)
Increase in grounds equipment		17,000		17,000
<i>Facilities Management</i>	(35,808)	(255,435)	152,161	(139,082)
<i>Utility Resource Management</i>				
Johnson Controls Maint Contract Phase I & II			10,319	10,319
Sun Trust lease pymt, performance contract Phase I & II			160,979	160,979
Reversal of year end transfer to facilities		250,000		250,000
Reduction electricity usage/expenditures			(308,945)	(308,945)
Utility savings from implementing four day summer work week			(120,000)	(120,000)
Interest on energy performance contract			308,945	308,945
<i>Utility Resource Management</i>	-	250,000	51,298	301,298
<i>Planning and Construction</i>				
Salary and Wage Adjustments	10,495			10,495
<i>Planning and Construction</i>	10,495	-	-	10,495
Total Operations & Maintenance				
	(\$25,313)	\$17,565	\$28,009	\$20,261
<i>Safety and Security</i>				
Salary and Wage Adjustments	(3,446)			(3,446)
Increase in phone notification system contract-offset in Communications		3,850		3,850
Increase in maint/mech/tech overtime		10,000		10,000
Reduction in fines/violations		(1,000)		(1,000)
Increase in other equipment		20,000		20,000
Reduction in security systems		(29,600)		(29,600)
Increase in books & periodicals		600		600
Total Safety and Security	(3,446)	3,850	-	404

HARFORD COUNTY PUBLIC SCHOOLS
Summary of Fiscal 2014 Unrestricted Operating Budget Changes

Fiscal 2013 Adjusted Unrestricted Operating Budget **\$ 430,108,097**

Program	Wages & Benefits	Base Budget Adjustments	Net Cost Reductions	Fiscal 2014 Budget
Special Education				
Salary and Wage Adjustments	(219,155)			(219,155)
Eliminated 15.0 Inclusion Helper positions			(216,810)	(216,810)
Reversal of year end transfer that reduced funding for Inclusion Helpers		400,000		400,000
Reversal of year end transfer that reduced funding in home school teaching account		100,000		100,000
Reversal of year end transfer that reduced funding in related services account		100,000		100,000
Reversal of year end transfer that increased non public funding		(600,000)		(600,000)
Transfer library/media expense to materials of instruction		(22,410)		(22,410)
Transfer paper, toner, ink expense to materials of instruction		(8,002)		(8,002)
Transfer textbooks expense to materials of instruction		(27,429)		(27,429)
Materials of Instruction expense from textbooks and paper accounts		57,841		57,841
Increase in Non Public Placement costs			550,000	550,000
Total Special Education	(219,155)	-	333,190	114,035
Student Services				
School Counseling				
Salary and Wage Adjustments	2,714			2,714
Eliminate 2.5 FTE Guidance Counselors			(112,045)	(112,045)
Increase in expenses for microfilming/imaging		300		300
Reduction in mileage reimbursement		(300)		-300
Total School Counseling	2,714	-	(112,045)	(109,331)
Psychological Services				
Salary and Wage Adjustments	(1,789)			-1,789
Transfer a 1.0 FTE clerical position to Pupil Personnel Services		(43,003)		-43,003
Transfer funds from summer services to cover the conversion of three Psychologists from 10 month to 11 month		(18,000)		-18,000
Additional cost to increase 3.0 FTE Psychologists from 10 month to 11 month		18,000		18,000
Total Psychological Services	(1,789)	(43,003)	-	(44,792)
Pupil Personnel Services				
Salary and Wage Adjustments	(18,917)			(18,917)
Transfer a 1.0 FTE clerical position from Psychological Services		43,003		43,003
Reversal of year end transfer to PPW account		(50,000)		(50,000)
Total Pupil Personnel Services	(18,917)	(6,997)	-	(25,914)
Health Services				
Salary and Wage Adjustments	(35,497)			-35,497
Total Health Services	(35,497)	-	-	(35,497)
Total Student Services	(\$53,489)	(\$50,000)	(\$112,045)	(\$215,534)

HARFORD COUNTY PUBLIC SCHOOLS
Summary of Fiscal 2014 Unrestricted Operating Budget Changes

Fiscal 2013 Adjusted Unrestricted Operating Budget				\$ 430,108,097
Program	Wages & Benefits	Base Budget Adjustments	Net Cost Reductions	Fiscal 2014 Budget
Office of Technology & Information				
Salary and Wage Adjustments	(2,240)			-2,240
Annual contract for Eschool Mall			35,500	35,500
Reversal of FY13 transfer to computer equipment		(30,000)		(30,000)
Decrease in computer repairs expense		(3,000)		(3,000)
Increase in instructional computer equipment		3,000		3,000
Decrease in safety & security contracted service		(5,000)		(5,000)
Increase in business machines expense		5,000		5,000
Reversal of year end transfer to computer supplies		(65,000)		(65,000)
Reversal of year end transfer from computer contracted services		65,000		65,000
Hardware maintenance contracts (Wi-Fi & network components)			34,400	34,400
Software maintenance annual increase			20,000	20,000
Software maintenance contracts expense transferred from regular programs		22,000		22,000
Total Office of Technology & Information	(2,240)	(\$8,000)	\$89,900	\$79,660
Change	\$2,218,775	(\$2,339,590)	(\$5,250,011)	(\$5,370,826)
Fiscal 2014 Unrestricted Operating Budget				\$424,737,271