

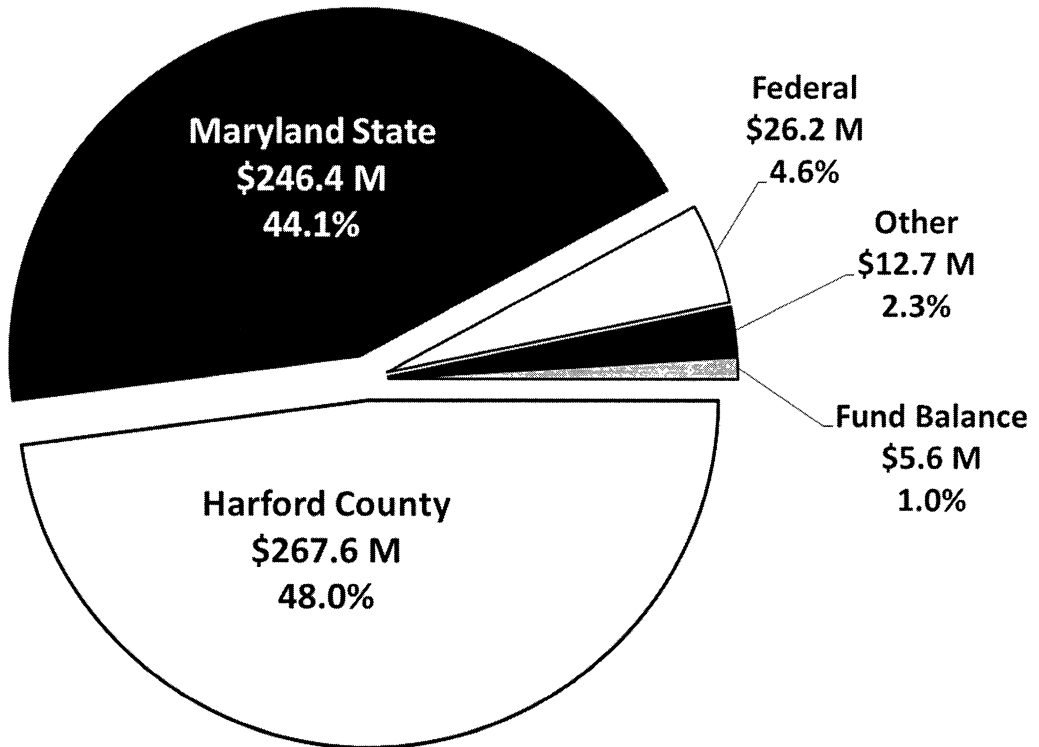
# Revenue

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 2011 through 2013 and budgets for fiscal years 2013 and 2014.

<b>Revenue - All Funds</b>							
Sources	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013 Budget	FY 2014 Budget	Change FY13 - FY14	% Change
Unrestricted Fund	416,290,452	435,605,566	429,811,597	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%
<b>Current Expense Fund</b>	<b>\$ 457,862,260</b>	<b>\$ 464,392,728</b>	<b>\$ 460,457,245</b>	<b>\$ 459,410,510</b>	<b>\$ 452,434,493</b>	<b>\$ (6,976,017)</b>	<b>-1.5%</b>
Food Service	15,108,477	15,678,413	15,538,309	15,147,627	15,615,568	467,941	3.1%
Pension*	34,323,976	33,360,568	26,284,223	30,575,369	27,319,963	(3,255,406)	-10.6%
Debt Service	22,576,521	30,155,642	29,736,815	30,355,614	30,628,653	273,039	0.9%
Capital**	47,666,945	28,383,194	35,158,834	14,911,610	32,471,846	17,560,236	117.8%
<b>Total - All Funds</b>	<b>\$ 577,538,179</b>	<b>\$ 571,970,545</b>	<b>\$ 567,175,426</b>	<b>\$ 550,400,730</b>	<b>\$ 558,470,523</b>	<b>\$ 8,069,793</b>	<b>1.5%</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 2014 Revenue - All Funds By Source \$558.5 Million



# Revenue

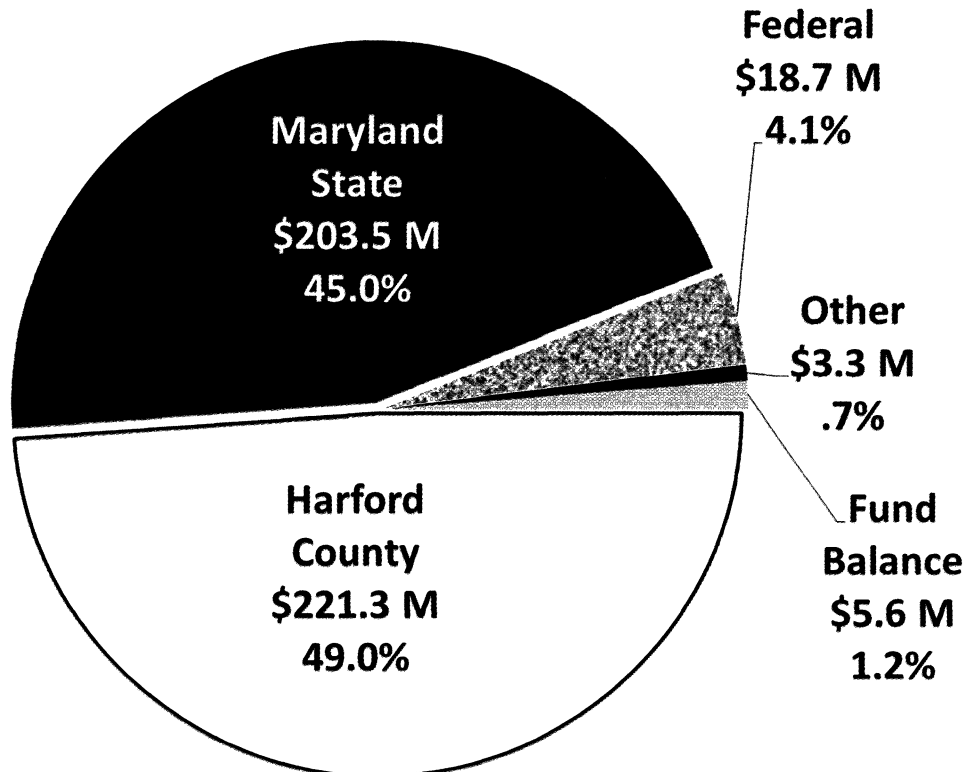
## Current Expense Fund

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 \$7.0 million or -1.5%. Unrestricted Fund revenues for fiscal 2014 are projected to decrease by \$5.4 million or -1.2%. Restricted Fund revenues are projected to decrease by \$1.6 million or -5.5% in fiscal 2014. The fiscal year 2014 Current Expense Fund by revenue source is summarized in the chart below.

Revenue - Current Expense Fund by Source							
Sources	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013 Budget	FY 2014 Budget	Change FY13 - FY14	% Change
Harford County	211,067,388	217,782,344	219,821,368	219,821,368	221,300,729	1,479,361	0.7%
State of Maryland	193,284,422	201,985,029	197,012,274	197,018,533	194,167,270	(2,851,263)	-1.4%
Federal Government	695,554	1,345,207	448,890	650,000	390,000	(260,000)	-40.0%
Other Sources	5,810,374	5,939,543	4,729,065	4,818,196	3,279,272	(1,538,924)	-31.9%
<b>Total - Revenue</b>	<b>\$ 410,857,738</b>	<b>\$ 427,052,123</b>	<b>\$ 422,011,597</b>	<b>\$ 422,308,097</b>	<b>\$ 419,137,271</b>	<b>\$ (3,170,826)</b>	<b>-0.8%</b>
Fund Balance	5,432,714	8,553,443	7,800,000	7,800,000	5,600,000	(2,200,000)	-28.2%
<b>Unrestricted Fund</b>	<b>\$ 416,290,452</b>	<b>\$ 435,605,566</b>	<b>\$ 429,811,597</b>	<b>\$ 430,108,097</b>	<b>\$ 424,737,271</b>	<b>\$ (5,370,826)</b>	<b>-1.2%</b>
Harford County	-	-	-	-	-	-	-
State of Maryland	7,504,140	8,803,518	10,377,695	10,372,949	9,309,093	(1,063,856)	-10.3%
Federal Government	33,975,447	19,693,478	20,053,329	18,748,674	18,304,629	(444,045)	-2.4%
Other Sources	92,221	290,166	214,624	180,790	83,500	(97,290)	-53.8%
<b>Restricted Fund</b>	<b>\$ 41,571,808</b>	<b>\$ 28,787,162</b>	<b>\$ 30,645,648</b>	<b>\$ 29,302,413</b>	<b>\$ 27,697,222</b>	<b>\$ (1,605,191)</b>	<b>-5.5%</b>
<b>Current Expense Fund</b>	<b>\$ 457,862,260</b>	<b>\$ 464,392,728</b>	<b>\$ 460,457,245</b>	<b>\$ 459,410,510</b>	<b>\$ 452,434,493</b>	<b>\$ (6,976,017)</b>	<b>-1.5%</b>

### FY 2014 Current Expense Fund - by Source

**\$452.4 Million**



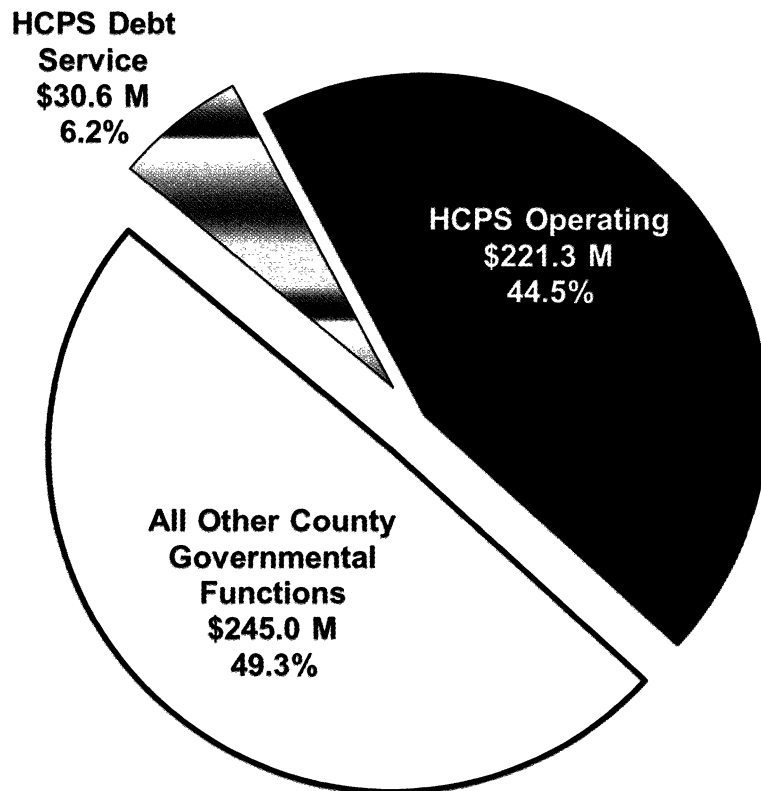
# Revenue

## Harford County Government Support

Harford County Public Schools represents the largest agency Harford County Government supports. When considering the fiscal 2014 General Fund budgeted by Harford County Government, Harford County Public Schools Unrestricted Fund receives 44.5% of the local government's overall support.<sup>1</sup> This does not include funding from the county for Debt Service as appropriated by Harford County which represents 6.2% of the local government's overall support.<sup>2</sup> The County Government funding for HCPS is reflected in the chart below.

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 return over \$7.4 million of 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 during fiscal years FY 2009 to 2011 was \$7,430,467.

### Distribution of Harford County Government FY 2014 General Fund Budget \$496.9 million



<sup>1</sup> Data contained in Harford County Government Approved FY 2014 Operating Budget, page 132.

<sup>2</sup> Data contained in Harford County Government Approved FY 2014 Capital Budget, page 90.

# 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. Harford County Government has funded the school system above the Maintenance of Effort level in FY 2014. The Maintenance of Effort calculation for fiscal 2014 requires no additional funding due to an enrollment decrease of 341 students as of September 30, 2012.

### Harford County Government - Current Expense Fund

	Actual FY2011	Actual FY2012	Actual FY2013	Budget FY 2013	Budget FY 2014	Change FY13 - FY14	
<b>Unrestricted Fund</b>	211,067,388	217,782,344	219,821,368	219,821,368	221,300,729	1,479,361	0.7%
<b>Restricted Fund</b>	0	0	0	0	0	0	0.0%
<b>Current Expense Fund - Total</b>	<b>\$ 211,067,388</b>	<b>\$ 217,782,344</b>	<b>\$ 219,821,368</b>	<b>\$ 219,821,368</b>	<b>\$ 221,300,729</b>	<b>\$ 1,479,361</b>	<b>0.7%</b>
<b>% Current Expense Fund</b>	<b>46.1%</b>	<b>46.9%</b>	<b>47.7%</b>	<b>47.8%</b>	<b>49.0%</b>		

The County Executive and County Council are requested to fund the Unrestricted and Capital Funds for Harford County Public Schools. For fiscal year 2014, Harford County Government will be providing 49.0% or \$221.3 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. The \$1.5 million increase in funding from the Harford County Government for 2014 represents the state mandated shift in teacher pension cost from the State of Maryland to local education authorities (LEA).

The State of Maryland allocates state funding based on student enrollment and an assessment of a county's wealth in relationship to the other counties. The State of Maryland utilizes six variables to measure each county's wealth. The State of Maryland infers wealthier counties will contribute additional funding to the LEA and allows the State of Maryland to redirect state resources to less wealthier counties. The wealth factor is the dynamic force in determining the funding from the state as is detailed on the following page.

# Revenue

## State Revenue

### Maryland State Revenue - Current Expense Fund

Program	Actual FY2011	Actual FY2012	Actual FY2013	Budget FY2013	Budget FY2014	Change FY13 - FY14	
Foundation	140,285,285	143,324,917	140,759,078	140,772,062	137,095,202	(3,676,860)	
Compensatory Education	28,111,071	31,766,354	31,188,983	31,188,983	31,139,458	(49,525)	
Public Transportation Aid	10,805,481	13,229,593	11,987,689	11,987,689	12,030,689	43,000	
Special Education Aid	11,941,879	11,858,771	11,453,398	11,453,398	10,790,464	(662,934)	
Limited English Proficiency	1,787,911	1,674,720	1,503,546	1,503,546	1,467,548	(35,998)	
MSDE - Employees on Loan	352,795	130,674	119,580	118,957	118,957	0	
NTI Adjustment	0	0	0	0	589,164	589,164	
BRFA Grant	0	0	0	0	935,788	935,788	
Supplemental Grant	0	0	0	(6,102)	0	6,102	
<b>Unrestricted - Total</b>	<b>\$ 193,284,422</b>	<b>\$ 201,985,029</b>	<b>\$ 197,012,274</b>	<b>\$ 197,018,533</b>	<b>\$ 194,167,270</b>	<b>\$ (2,851,263)</b>	<b>-1.4%</b>
<b>Restricted - Total</b>	<b>\$ 7,504,140</b>	<b>\$ 8,803,518</b>	<b>\$ 10,377,695</b>	<b>\$ 10,372,949</b>	<b>\$ 9,309,093</b>	<b>\$ (1,063,856)</b>	<b>-10.3%</b>
<b>Current Expense Fund - Total</b>	<b>\$ 200,788,562</b>	<b>\$ 210,788,547</b>	<b>\$ 207,389,969</b>	<b>\$ 207,391,482</b>	<b>\$ 203,476,363</b>	<b>\$ (3,915,119)</b>	<b>-1.9%</b>
<b>% Current Expense Fund</b>	<b>43.9%</b>	<b>45.4%</b>	<b>45.0%</b>	<b>45.1%</b>	<b>45.0%</b>		

Unrestricted state aid decreased by \$2.9 million or -1.4% and restricted state aid decreased by \$1.1 million or -10.3% in fiscal year 2014. To understand the drop in unrestricted state aid from fiscal 2013 to fiscal 2014, one needs to examine the seven major factors used to calculate Local Education Authorities' (LEAs) share of Maryland state aid:

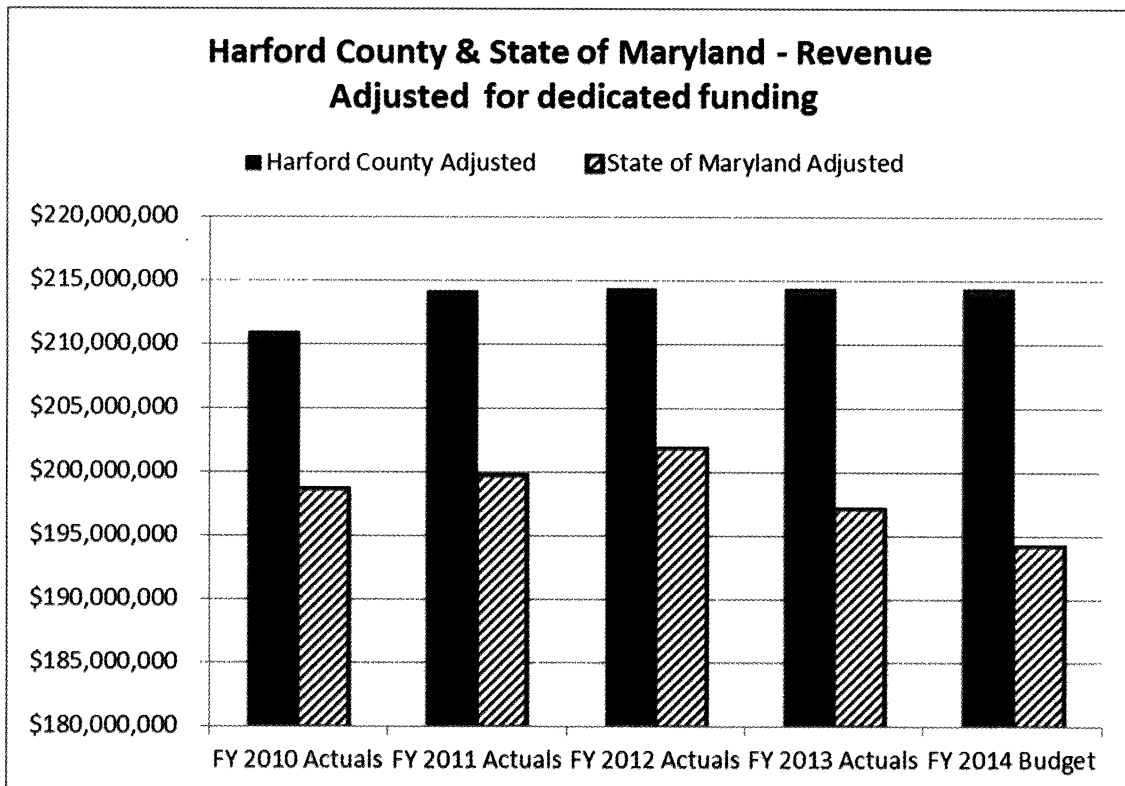
1. **County Wealth** - funding distributed by formulas inversely proportional to local district wealth (personal property, income & real property for railroads, utilities, businesses and individuals).
2. **Enrollment** – funding adjusted based on per pupil formula for changes in enrollment.
3. **Geographic Cost of Education Index** - is a discretionary formula that accounts for differences in the costs of educational resources among the local school systems.
  - 13 of 24 LEAs will share \$131 million of GCEI funding for FY 2014.
  - Harford County does not receive GCEI funding.
4. **Guaranteed Tax Base** - provides additional funding to LEAs with less than 80% of statewide wealth per pupil and a contribution of more than the minimum required local share under the foundation program in the prior fiscal year.
  - 9 of 24 LEAs qualify for the funding for FY 2014.
  - Harford County does not receive GTB funding.
5. **Supplemental Grants** – enacted in a 2007 special legislative session to mitigate the impact of an inflation freeze in the per pupil foundation in fiscal 2009 & 2010.
  - 9 of 24 LEAs receive a share of the \$46.5 million fixed grant.
  - Harford County does not receive a share.
6. **Net Taxable Income** – State education aid formulas that include a local wealth component are to be calculated in September and November. Each local school system receives the greater State aid amount that results from the 2 calculations. This aid will be phased in over a 5 year period beginning in FY 14.
7. **Special Grants** – The 2013 BRFA provides special grants to counties where certain direct education aid decreased by at least 1% and restores 25% of the decrease in aid for affected counties in FY 14.

# Revenue

## Historical Funding of Major Components of Unrestricted Budget

The unrestricted budget for Harford County Public Schools is funded primarily by the State of Maryland and the Harford County Government. The funding from these two sources represents approximately 98% of the fiscal 2014 annual unrestricted budget. From fiscal 2010 to 2014, a number of funding events occurred which were added by the State of Maryland or Harford County for a dedicated purpose. These dedicated events have been adjusted from the annual budget for comparability purposes and outlined below.

- Harford County Government
  - FY 2012 - One time employee bonuses of \$3,476,660. For comparative purposes the \$3,476,660 has been removed in the 2012 Harford County figure below.
  - FY 2013 - Mandated teacher pension contribution per the Maryland Legislature of \$5,529,741. For comparative purposes the \$5,529,741 has been removed in the 2013 Harford County figure below.
  - FY 2014 - Mandated teacher pension contribution per the Maryland Legislature of \$7,009,102. For comparative purposes the \$7,009,102 has been removed in the 2014 Harford County figure below.
- State of Maryland
  - FY 2011 - Job Education Aid funding of \$6,144,622 was added back to the budget. This was funded for one year from the restricted fund budget in fiscal 2010 and returned to the unrestricted budget in fiscal 2011. For comparative purposes the \$6,144,622 has been included in the 2011 State of Maryland figure below.



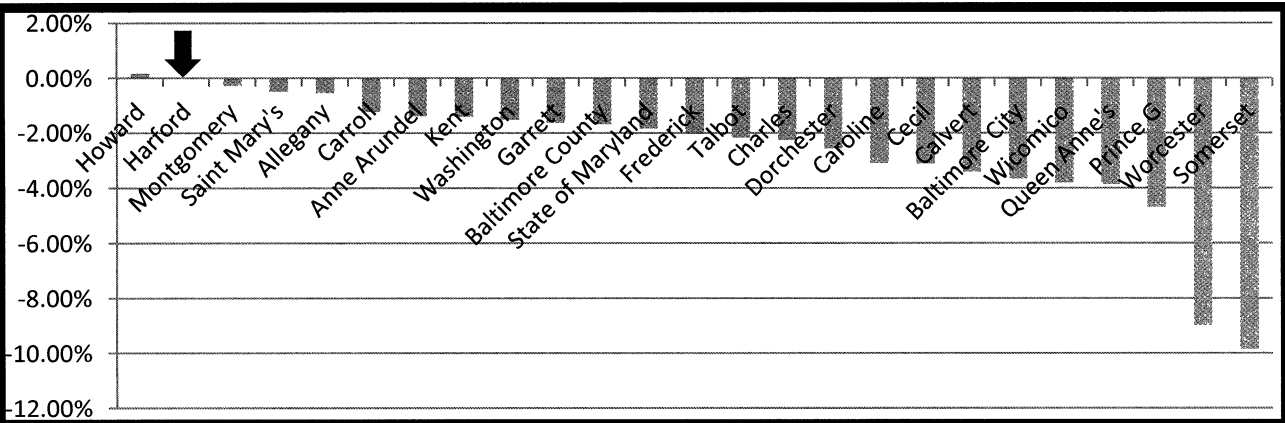
The school system has endured continued increased costs of doing business during this five year period. After adjustments for dedicated events such as one-time bonuses and the shift of teacher pensions, Harford County Government funding has remained flat at approximately \$214.3 million during the period of FY 2011 to 2014. The adjusted State of Maryland funding has decreased to \$194.1 million which is less than the funding level in FY 2010.

# Revenue

## Impact of Wealth Factor on State Funding

Each year Maryland State Education Aid is distributed to LEAs based on a complex formula involving the five primary factors listed on the state revenue page. The primary reason for the sharp decline in state aid this year is due to the change in the total wealth factor used to calculate a county's share of state aid. Only one of the twenty-four LEAs, Howard County, experienced an increase in total county wealth. The other twenty three LEAs experienced a decline in total wealth. However, Harford County experienced the smallest percentage decline at .01%. Somerset County experienced the largest percentage decline at 9.84%. In addition, over the past five years, state-wide total wealth decreased 5% while Harford County's total wealth increased 3%. This downward trend in state funding is clearly documented in the charts found in this section.

% Change in Total Wealth for Calculating FY 2014 State Aid\*



\*Data extracted from MSDE Final Calculation, Fiscal Year 2014 Revenue, June 28, 2013



## Maryland State Aid Per Eligible Student

The following chart illustrates the change in state aid experienced by Harford County Public Schools, on a per student basis, over the past eight years. Viewing aid on a per student basis provides a better picture of state funding fluctuations by removing enrollment from the equation. The bottom line of the chart represents the drop in per student state aid for fiscal year 2014.

State Aid - Per Eligible Student				
Revenue Year	Foundation Aid	Comp. Edu./ FARMs Aid	Special Education Aid	Limited Eng. Proficiency Aid
FY 2007	\$3,510	\$2,504	\$1,916	\$3,282
FY 2008	\$3,938	\$3,063	\$2,396	\$4,058
FY 2009	\$4,007	\$3,155	\$2,391	\$4,155
FY 2010	\$3,893	\$3,083	\$2,314	\$3,951
FY 2011	\$3,721	\$2,970	\$2,214	\$4,018
FY 2012	\$3,813	\$3,169	\$2,292	\$3,959
FY 2013	\$3,761	\$3,113	\$2,164	\$3,826
FY 2014	\$3,697	\$3,025	\$2,077	\$3,669
Reduction in Per Student State Aid FY13 - FY14	(\$65)	(\$89)	(\$87)	(\$157)

# Revenue

## Change in State Aid for Harford County Fiscal 2013 – Fiscal 2014

Harford County experienced the largest dollar decline, \$2.8 million, in state aid of the twenty four Maryland LEAs. As the following chart illustrates, \$3.8 million of the decline is directly attributable to the change in the wealth factor used to allocate state aid to local jurisdictions. Enrollment changes account for a \$.6 million loss of revenue for fiscal year 2014.

Change in State Aid FY13 - FY14	Wealth	Enrollment	Supplemental Funding	Change FY13 - FY14
Foundation Program	(2,416,257)	(1,260,603)		(3,676,860)
Compensatory Education	(887,372)	837,847		(49,525)
Public Transportation Aid	0	43,000		43,000
Special Education Aid	(461,457)	(201,477)		(662,934)
Limited English Proficiency	(61,680)	25,682		(35,998)
Net Taxable Income Adj.	0	0	589,164	589,164
BRFA 5-202(i) Grant	0	0	935,788	935,788
Supplemental Grant	0	0	6,102	6,102
<b>Total Change</b>	<b>\$ (3,826,765)</b>	<b>\$ (555,552)</b>	<b>\$ 1,531,054</b>	<b>\$ (2,851,263)</b>

In fiscal 2014, HCPS ranked eighth in the state for total state support with a range of \$8.8 million to \$919.0 million<sup>3</sup>. State aid is the second largest funding support for the Current Expense Fund. In fiscal 2012, HCPS ranked fifteenth out of twenty four LEAs in per pupil funding<sup>4</sup>. State aid for future years is unknown. The State enacted legislation in the 2013 Legislative session which benefited HCPS. The State added funding for: the Supplemental grant of \$6,102, NTI funding of \$589,164 and the BRFA 5-202(i) grant of \$935,788. The additional funding of \$1,531,054 offset the original projected reduction of \$4.4 million for a net reduction in state aid of \$2.8 million for fiscal 2014. State aid is the second largest source of funding for HCPS.

<sup>3</sup> MSDE Major State Aid Programs, dated June 28, 2013, page 1.

<sup>4</sup> MSDE 2011- 2012 Fact Book, pages 16-17.



# Revenue

## Federal Revenue

Federal aid to the Unrestricted Budget is limited to Impact Aid which is projected to decrease by \$.3 million or -40.0% in fiscal 2014. Federal Impact Aid provides assistance to local school districts with concentrations of children residing on Indian lands, military bases, low-rent housing properties, or other federal properties and, to a lesser extent, concentrations of children who have parents in the uniformed services or employed on eligible federal properties who do not live on federal property. Federal restricted aid decreased by \$.4 million or -2.4% in fiscal 2014. In total federal aid for the Current Expense Fund decreased .7 million or -3.6% in fiscal 2014.

### Federal Revenue - Current Expense Fund

Program	Actual FY2011	Actual FY2012	Actual FY2013	Budget FY 2013	Budget FY 2014	Change FY13 - FY14	
Impact Area Aid/Other	579,687	0	448,890	650,000	390,000	(260,000)	
Other (ERP Subsidy)	115,867	891,978	0	0	0	0	
<b>Unrestricted Fund</b>	<b>\$ 695,554</b>	<b>\$ 891,978</b>	<b>\$ 448,890</b>	<b>\$ 650,000</b>	<b>\$ 390,000</b>	<b>\$ (260,000)</b>	<b>-40.0%</b>
<b>Restricted Fund</b>	<b>\$ 33,975,447</b>	<b>\$ 19,693,478</b>	<b>\$ 20,053,329</b>	<b>\$ 18,748,674</b>	<b>\$ 18,304,629</b>	<b>\$ (444,045)</b>	<b>-2.4%</b>
<b>Current Expense Fund - Total</b>	<b>\$ 34,671,001</b>	<b>\$ 20,585,456</b>	<b>\$ 20,502,219</b>	<b>\$ 19,398,674</b>	<b>\$ 18,694,629</b>	<b>\$ (704,045)</b>	<b>-3.6%</b>
<b>% Current Expense Fund</b>	<b>7.6%</b>	<b>4.4%</b>	<b>4.5%</b>	<b>4.2%</b>	<b>4.1%</b>		

## 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. New for fiscal 2014 is the addition of Athletic and Activity Participation Fees, implemented by the Board, and projected to generate \$.5 million. These fees were initiated as a method of eliminating a projected revenue shortfall in the fiscal 2014 budget. 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.

### Other Revenue - Current Expense Fund

	Actual FY2011	Actual FY2012	Actual FY2013	Budget FY2013	Budget FY2014	Change FY13 - FY14
Tuition - Non-Resident Pupils	42,559	25,907	59,138	25,000	25,000	0
Tuition - Adult. Education (MSDE In-service)	41,414	35,315	30,247	45,000	45,000	0
Tuition - Summer School & PE Classes	182,426	165,652	79,375	96,218	65,439	(30,779)
Transportation Receipts from Field Trips	195,232	217,131	202,485	180,000	391,000	211,000
Interest Income	31,377	25,029	21,541	40,000	40,000	0
Rental of Facilities	2,545	2,545	1,818	2,000	2,000	0
Building Use Fee	345,790	348,477	419,963	410,000	410,000	0
Donations	21,003	4,818	1,830	20,458	20,458	0
CPR Course Fees	3,935	3,203	4,935	1,000	1,000	0
Document/Bid Fees	3,458	0	0	5,000	5,000	0
Enernoc Load Response Energy Rebate	0	100,793	74,719	0	120,000	120,000
HCEA - Employees on Loan	155,974	103,811	89,364	90,000	90,000	0
Refund Health Care Consortium	0	870,642	1,176,061	1,176,061	0	(1,176,061)
Health/Dental - Rebates & Settlements	2,179,309	1,551,956	0	0	0	0
Insurance Dividends	221,455	22,999	38,466	0	0	0
Insurance Recovery	138,077	0	0	0	0	0
Medicare Part D Refunds	817,185	1,000,008	1,098,775	1,098,775	0	(1,098,775)
Other Revenue	26,067	148,856	110,577	20,000	150,000	130,000
Rebates - Other	22,364	8,325	0	32,000	32,000	0
Unspent - Flex & Dependent Care	35,860	84,415	64,753	64,754	0	(64,754)
Gate Receipts	361,892	335,875	423,532	370,430	335,875	(34,555)
Other Interscholastic Receipts	18,041	8,767	17,947	10,000	10,000	0
Finger Printing Receipts	17,925	36,240	46,280	50,000	50,000	0
Garnishment Admin. Charge	1,488	1,532	1,604	1,500	1,500	0
E-Rate	525,000	515,306	547,685	600,000	550,000	(50,000)
Equipment Sale	28,742	27,748	14,803	30,000	30,000	0
Out of County LEA	276,242	294,193	203,167	450,000	350,000	(100,000)
Sports Participation Fees	0	0	0	0	264,500	264,500
Student Activity Fees	0	0	0	0	285,500	285,500
College Readiness Act SB740	0	0	0	0	5,000	5,000
<b>Unrestricted - Total</b>	<b>\$ 5,810,373</b>	<b>\$ 5,939,543</b>	<b>\$ 4,729,065</b>	<b>\$ 4,818,196</b>	<b>\$ 3,279,272</b>	<b>\$ (1,538,924)</b>
<b>Restricted - Total</b>	<b>\$ 92,221</b>	<b>\$ 289,999</b>	<b>\$ 214,624</b>	<b>\$ 180,790</b>	<b>\$ 83,500</b>	<b>\$ (97,290)</b>
<b>Current Expense Fund - Total</b>	<b>\$ 5,902,594</b>	<b>\$ 6,229,542</b>	<b>\$ 4,943,689</b>	<b>\$ 4,998,986</b>	<b>\$ 3,362,772</b>	<b>\$ (1,636,214)</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 \$5.6 million is being used to cover one-time and ongoing expenditures in the fiscal 2014 budget. Actual fund balance activity for fiscal 2011, 2012, 2013 and budgeted fund balance for fiscal year 2014 are reflected in the following table.

<b>Unrestricted Fund Balance</b>				
<b>FUND SOURCES:</b>	<b>Actual FY2011</b>	<b>Actual FY2012</b>	<b>Actual FY2013</b>	<b>Budget FY 2014</b>
<b>Beginning Balance</b>	\$ 16,477,503	\$ 16,789,638	\$ 16,079,127	\$ 13,114,643
<b>Revenue:</b>				
Harford County Government	211,067,388	217,782,344	219,821,368	221,300,729
State of Maryland	193,284,422	201,985,029	197,012,274	194,167,270
Federal Government	695,554	1,345,207	448,890	390,000
Other Sources/Transfers	5,810,374	5,939,543	4,729,065	3,279,272
<b>Total Revenues</b>	<b>\$ 410,857,738</b>	<b>\$ 427,052,123</b>	<b>\$ 422,011,597</b>	<b>\$ 419,137,271</b>
<b>Total Expenditures</b>	<b>\$ 408,767,830</b>	<b>\$ 427,412,634</b>	<b>\$ 424,347,630</b>	<b>\$ 424,737,271</b>
<b>Transfers:</b>				
Health Rate Stabilization Fund	(1,777,773)	(350,000)	0	0
Capital Projects	0	0	(628,451)	0
<b>Ending Balance</b>	<b>\$ 16,789,638</b>	<b>\$ 16,079,127</b>	<b>\$ 13,114,643</b>	<b>\$ 7,514,643</b>
Assigned - Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,166)	(1,225,166)
Assigned - Emergency Fuel Reserve	(915,000)	(915,000)	(915,000)	(915,000)
Assigned - OPEB Contribution	(258,971)	0	0	0
Budgeted Use of Fund Balance	(8,294,472)	(7,800,000)	(5,600,000)	0
<b>Unassigned Fund Balance</b>	<b>\$ 6,096,029</b>	<b>\$ 6,138,961</b>	<b>\$ 5,374,477</b>	<b>\$ 5,374,477</b>
<b>Percentage of FY 2014 Unrestricted Operating Budget</b>				<b>1.2%</b>

With the combined recognition of one time revenues and the implementation of various cost savings measures, HCPS ended fiscal 2013 with the strategic accumulation of \$13.1 million in fund balance at June 30, 2013. Of the \$13.1 million in fund balance, the following amounts have been assigned: \$1.2 million for the Health Insurance Call and \$.9 million as an Emergency Fuel Reserve. In addition, faced with an operating structural deficit entering fiscal 2014 coupled with declining revenue, HCPS appropriated \$5.6 million of fund balance to support the fiscal year 2014 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.

The proposed use of fund balance to support the Unrestricted Operating Budget for fiscal year 2014 is \$5.6 million, a reduction of \$2.2 million from the fiscal year 2013 budget.

# Revenue

## Indirect Cost Recovery

Indirect cost recovery provides the means of allocating administrative expenditures to restricted programs based on a predetermined formula. The application of these principles is based upon the fundamental premise that school systems are responsible for the efficient and effective administration of grants and for ensuring that program funds are expended and accounted for as required. Indirect cost recovery effectively acts as a transfer of eligible business and centralized service support expenditures to the restricted grant program. The eligible services include accounting, audit, budgeting, finance, payroll, personnel and purchasing. This recovery charge is posted to existing grant awards. MSDE establishes the indirect cost recovery rate for all state restricted grants and federal restricted grants that pass through the state government. The adjusted rate established, used by Harford County Public Schools to recover these administrative overhead costs, will be 2.76 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 2014 is \$515,000.

## Other Funds

The Food Service Fund in the amount of \$15.6 million for fiscal 2014 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 \$30.6 million for fiscal 2014 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 in the amount of \$32.5 million for fiscal 2014 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 in the amount \$27.3 million for fiscal 2014 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