

FY 2009 REVENUE

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

Table 1 - Budget Revenue Comparison

Harford County Public Schools FY2009 APPROVED REVENUE							
Sources of Revenue	Actual FY 2006	Actual FY 2007	Actual FY 2008	Budget FY 2008	Budget FY 2009	Change Budget FY2008 to FY2009	% Change from Budget FY 2008
HARFORD COUNTY GOVT.	\$175,414,800	\$189,414,800	\$199,614,800	\$199,614,800	\$210,914,800	\$11,300,000	5.7%
STATE OF MARYLAND	\$159,765,218	\$179,652,220	\$200,499,048	\$200,556,716	\$204,035,225	\$3,478,509	1.7%
FEDERAL GOVERNMENT	\$410,759	\$442,908	\$339,805	\$286,000	\$350,000	\$64,000	22.4%
OTHER SOURCES	\$2,651,855	\$3,476,763	\$3,975,477	\$2,643,479	\$2,873,178	\$229,699	8.7%
TOTAL REVENUE BEFORE TRANSFERS	\$338,242,632	\$372,986,691	\$404,429,130	\$403,100,995	\$418,173,203	\$15,072,208	3.7%
APPROPRIATED FUND BALANCE	\$2,120,942	\$1,981,418	\$1,913,539	\$1,913,539	\$1,147,400	(\$766,139)	-40.0%
UNRESTRICTED FUNDS	\$340,363,574	\$374,968,109	\$406,342,669	\$405,014,534	\$419,320,603	\$14,306,069	3.5%
RESTRICTED FUNDS	\$23,534,721	\$25,418,136	\$24,282,064	\$24,361,722	\$23,275,522	(\$1,086,200)	-4.5%
TOTAL CURRENT EXPENSE FUND	\$363,898,295	\$400,386,245	\$430,624,733	\$429,376,256	\$442,596,125	\$13,219,869	3.1%
FOOD SERVICE	\$13,000,302	\$13,659,013	\$14,362,248	\$13,881,026	\$13,938,707	\$57,681	0.4%
PENSION*	\$16,388,211	\$17,752,000	\$23,870,733	\$23,870,733	\$26,420,000	\$2,549,267	10.7%
DEBT SERVICE	\$6,911,078	\$7,891,079	\$11,196,145	\$17,886,488	\$16,798,316	(\$1,088,172)	-6.1%
CAPITAL**	\$56,319,994	\$47,942,836	\$101,153,417	\$87,725,980	\$132,930,567	\$45,204,587	51.5%
GRAND TOTAL - ALL FUNDS	\$456,517,880	\$487,631,173	\$581,207,276	\$572,740,483	\$632,683,715	\$59,943,232	10.5%

*Represents the State of Maryland pension contribution only. 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 actual numbers are on a Non-GAAP (Budgetary Basis).

The Current Expense Fund is comprised of Unrestricted and Restricted Funds. The total projected change in the Current Expense Fund as indicated in Table 1 is \$13.2 million. All other Funds are also included in Table 1. The following charts identify the Unrestricted Fund and Restricted Fund Revenues separately.

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Chart 1 – FY 2009 Unrestricted Fund

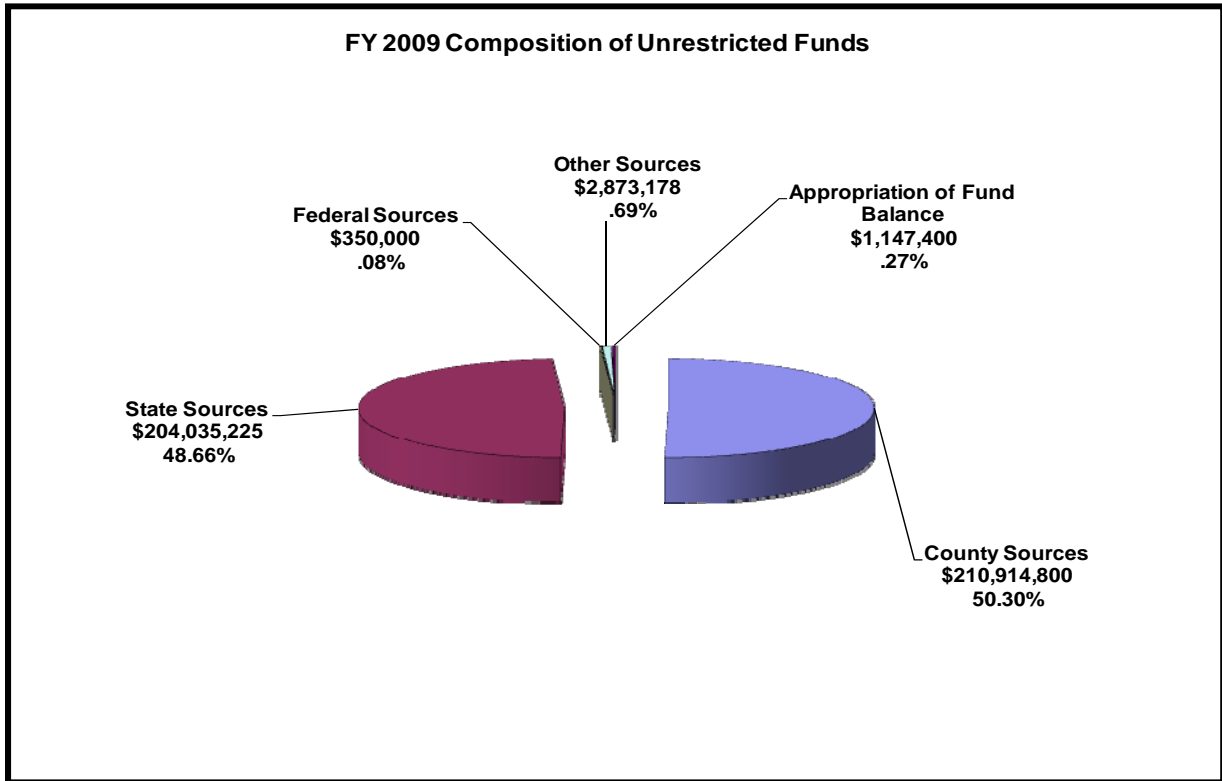
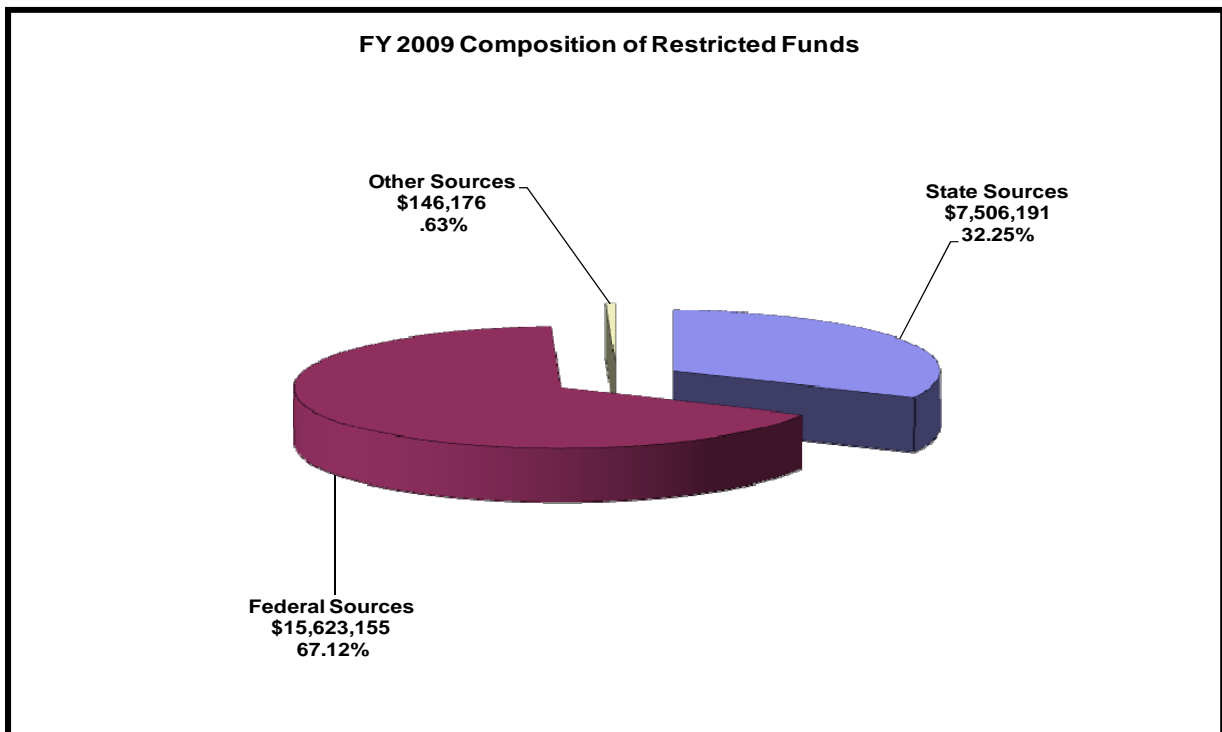


Chart 2 – FY 2009 Restricted Fund



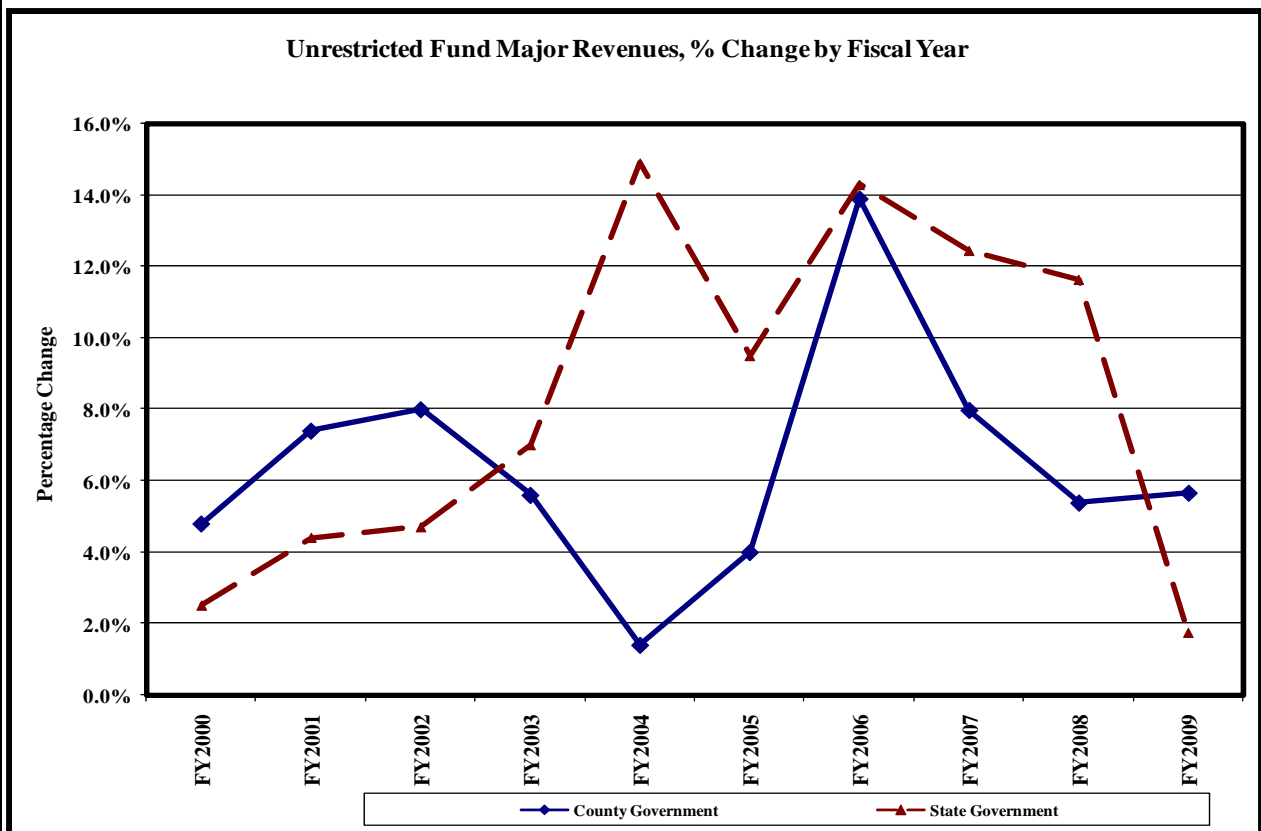
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Funding Levels

The County Executive and County Council approve funding levels for Harford County Public Schools from the County General Fund. Income and property taxes are the primary revenue source for Harford County Government. For FY 2009, Harford County Government is providing 50.3%, or \$210.9 million of the total Unrestricted Fund, after considering revenues from state, federal, and all other sources. These figures do not include Capital Projects or Debt Service funding. The FY 2009 Unrestricted Fund will receive \$204 million or 48.66% in State Revenues and \$350,000 in Federal Revenues. It should be noted that additional state and federal money are received as restricted funds. The Restricted fund will receive \$15.62 million in Federal Revenues, \$7.5 million in State Revenues, and \$146,176 in Other Revenues.

The following chart identifies the percentage change in Unrestricted Fund State support and County Government support over the last ten year period. In 2002, State law changed to provide additional support to Education and released funds previously classified as restricted. In the same two year period, the County percentage of support dropped dramatically before increasing in FY 2005 and FY 2006, then dropping to 8.0% and 5.4% in FY 2007 and FY 2008 respectively. County support as a percentage of the Unrestricted Budget has decreased from a high of 56.1% in FY 2002 to 49.3% in the FY 2008 Budget. County support for FY 2009 has increased to 50.3%.

Chart 3 – Unrestricted Fund Major Revenue Sources



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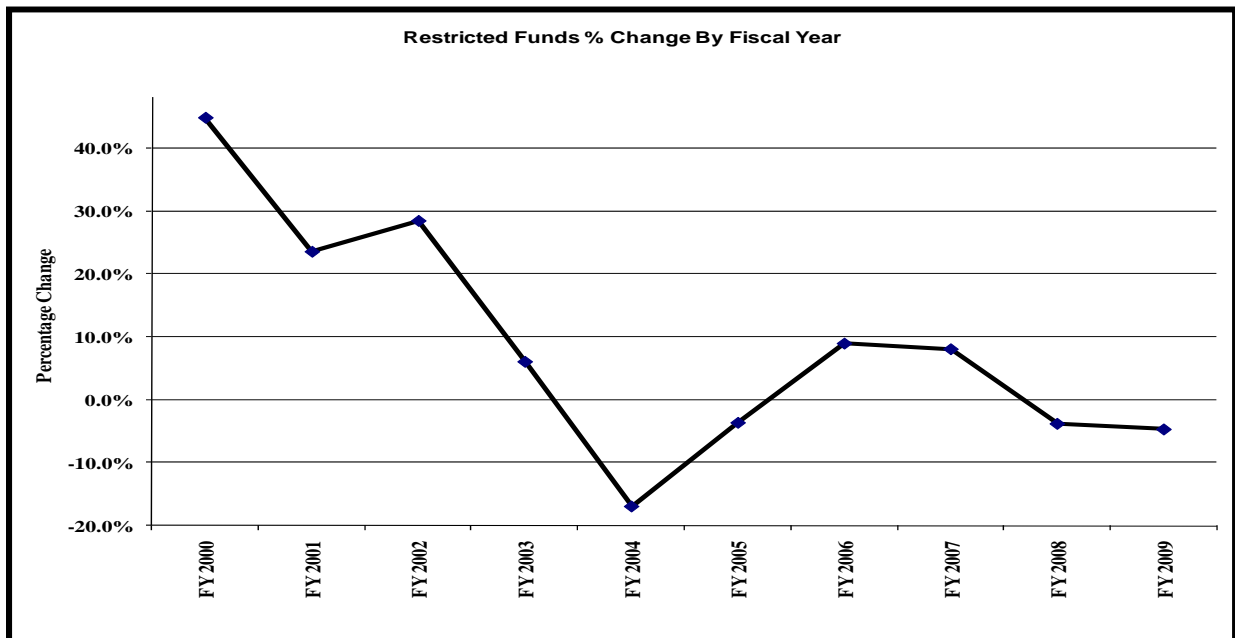
Restricted funds are identified in Table 2. Since FY2004, state grants have fluctuated up and down as the Bridge to Excellence Act released restrictions on some state funding. Released funds have been reclassified as general state aid to the Unrestricted Fund. Federal and State grants have declined since FY 2007.

Table 2

Restricted Programs by Source						
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2008</u>	<u>FY 2009</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
Federal Grants	\$16,626,628	\$18,014,037	\$17,109,726	\$16,608,059	\$16,453,761	\$15,623,155
State Grants	\$4,893,082	\$5,408,018	\$8,135,751	\$7,522,138	\$7,807,961	\$7,506,191
Other Grants	\$85,926	\$112,666	\$172,659	\$151,867	\$100,000	\$146,176
Total	\$21,605,636	\$23,534,721	\$25,418,136	\$24,282,064	\$24,361,722	\$23,275,522

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

Chart 4 – Restricted Fund Revenue Changes



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

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The General Assembly passed a Budget Reconciliation Bill to freeze the Thornton funding for FY 2009 - 2011 Budgets. These measures were proposed to reduce a State revenue structural deficit. As a result, increases in State Aid to the Unrestricted Budget will be a minimum growth of 1% over the next two years.

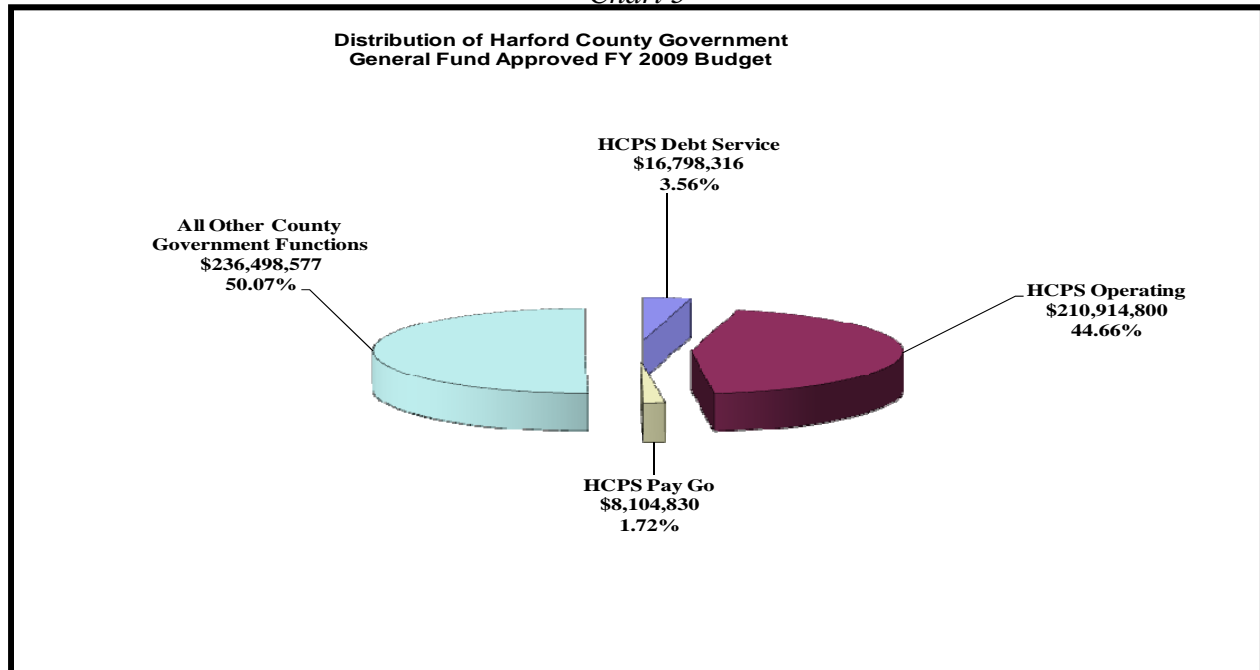
Maintenance of Effort

According to Maryland's Maintenance of Effort law, in order to receive any increase in basic state school aid, each county must appropriate an amount equal to or greater than its prior year per pupil appropriation. The Maintenance of Effort law states that if there is no enrollment growth, local funding can remain the same as that of the previous year in terms of total dollars. If there is enrollment growth, local funding is to remain the same on a per pupil basis. The Maintenance of Effort calculation does not provide for other significant needs. For example, a student with special needs could cost more than twice as much as a regular education student. The calculation does not address inflation, the cost of negotiated agreements and benefits, and funding for quality improvement initiatives. Fortunately, Harford County Government has funded the school system well above the Maintenance of Effort level for several years. Due to the decline in enrollment at the Elementary and Secondary levels for the 2007 and 2008 school years the Maintenance of Effort calculation for FY 2009 is zero.

Harford County Government Support

Harford County Public Schools represents the largest function Harford County Government supports. When considering the General Fund budgeted by Harford County Government, Harford County Public Schools Unrestricted Fund receives 44.66% of the local government's overall support.¹ This does not include support by the County for Debt Service, and Pay As You Go (PAYGO) funds for the capital program as appropriated by Harford County.

Chart 5



¹ Data contained in "Harford County Government Proposed FY 2009 Budget, represents most current available data.

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The county funding for Harford County Public Schools comes from a variety of revenue streams in place by Harford County Government. The main County sources of revenues supporting the Education budget are property taxes and income taxes. Future support of the Education Budget by the County is determined on a year to year basis. The County makes no projections for future budgets for the Education System. The County Government support for the last four years and the Proposed FY 2009 funding level is reflected in the table below:

Table 3

Harford County Government Support to Education						
	Actual FY2006	Actual FY2007	Actual FY2008	Budget FY 2008	Budget FY 2009	% Change from Budget FY 2008
Harford County Government	\$175,414,800	\$189,414,800	\$199,614,800	\$199,614,800	\$210,914,800	\$11,300,000 5.7%
% Current Expense Fund	48.2%	47.3%	46.4%	46.5%	47.7%	

State Support

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 law required an increase in state aid to localities of \$1.3 billion over six years. For the Proposed FY 2009 Budget, state aid is projected to increase only \$3,478,509 for the Unrestricted Fund. The small increase is related to the decrease in enrollment of 465 students and the State freeze of the Thornton formulas for aid to local school systems. The Restricted Fund will decrease by \$301,770 for FY 2009.

The large drop in new State Aid is a result of the 2007 Special Session by the Maryland Assembly in enacting the Governor's request to increase taxes and freeze the inflationary adjustment to the public school education formula for Fiscal Years 2009 through 2011. The following table reflects changes in State Aid to Education under the Bridge to Excellence legislation. State aid under Thornton Legislation would have been approximately \$9,003,000 prior to the Governor's and General Assembly actions during the Special Session.

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Table 4²

Increase in State Aid, Bridge to Excellence Legislation

Actual	Unrestricted Fund	Restricted Fund	Total Increase in State Aid
FY 2003	\$ 7,427,654	\$ 809,908	\$ 8,237,562
FY 2004	\$ 16,454,477	\$ (3,778,347)	\$ 12,676,130
FY 2005	\$ 12,121,928	\$ (1,927,398)	\$ 10,194,530
FY 2006	\$ 19,755,518	\$ 514,936	\$ 20,270,454
FY 2007	\$ 19,947,885	\$ 2,727,733	\$ 22,675,618
FY 2008	\$ 20,587,253	\$ (613,613)	\$ 19,973,640
FY 2009*	\$ 3,536,177	\$ (15,947)	\$ 3,520,230

* Budget

As Table 5 indicates, total budgeted state support for HCPS will increase by 1.5%. Unrestricted state support will increase from \$200.6 million in FY 2008 to \$204 million in FY 2009 while the Restricted Funds will decrease by \$301,770. HCPS ranks sixth in the state for total state support with a range of \$9.44 million to \$883 million for school systems. Since FY 2003, HCPS was ranked 24th in per pupil funding out of 24 school districts in the State of Maryland, however, HCPS rose to 23rd in cost per pupil for FY 2006. According to the State of Maryland Department of Legislative Services³, HCPS for FY 2008 is ranked 17th in total per pupil funding.

Table 5 - State Revenue Current Expense Fund

State Revenue Current Expense Fund							
	Actual FY2006	Actual FY2007	Actual FY2008	Budget FY 2008	Budget FY 2009	% Change from Budget FY 2008	
State of Maryland							
Foundation	\$124,102,300	\$136,960,002	\$152,089,377	\$152,089,377	\$152,882,001	\$792,624	0.5%
Compensatory Education	\$15,035,054	\$19,444,926	\$22,631,875	\$22,631,875	\$24,815,178	\$2,183,303	9.6%
Extended Elementary Education	\$744,006	\$850,293	\$0	\$0	\$0	\$0	0.0%
Pupil Transportation Aid	\$8,903,660	\$9,661,930	\$10,525,092	\$10,525,092	\$10,815,135	\$290,043	2.8%
Special Education Aid	\$9,822,815	\$11,249,900	\$13,196,818	\$13,196,818	\$12,972,384	-\$224,434	-1.7%
Limited English Proficiency	\$845,498	\$1,234,167	\$1,602,977	\$1,602,977	\$2,039,950	\$436,973	27.3%
MSDE - Employees on Loan	\$311,885	\$251,002	\$452,909	\$510,577	\$510,577	\$0	0.0%
Total - State Unrestricted	\$159,765,218	\$179,652,220	\$200,499,048	\$200,556,716	\$204,035,225	\$3,478,509	1.7%
Total - State Restricted	\$5,408,018	\$8,135,751	\$7,522,138	\$7,807,961	\$7,506,191	-\$301,770	-3.9%
Total - State Current Expense Fund	\$165,173,236	\$187,787,971	\$208,021,186	\$208,364,677	\$211,541,416	\$3,176,739	1.5%
% Current Expense Fund	45.4%	46.9%	48.3%	48.5%	47.8%		

² State Aid does not include reimbursements for employees on loan to MSDE.

³ Overview of Maryland Local Governments, Finances and Demographic Information, page 80, published January 2008.

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State Aid is frozen at a cap of a 1% increase in revenue after adjustments for enrollment for FY 2009 - 2011. For FY 2009, the State of Maryland target amount for per pupil Foundation Aid was \$6,694 per student. The target amount was phased in through FY 2008. HCPS receives \$4,007, or 59.9%, of the foundation target amount from the State of Maryland. Maryland contributes an average of \$3,472 or 51.9% of the Foundation Aid target to the school systems statewide.

State aid for future years is unknown. The State of Maryland problem with expenditures exceeding ongoing revenues, commonly referred to as a "Structural Deficit" is projected to continue. The State enacted new revenues and taxes during the Special Session of the Maryland General Assembly in October and November 2007. The State's attempt to reduce expenditures and future state aid to education is a major factor for planning future budgets.

Federal Aid

Federal aid to support the Unrestricted Budget is a very small factor in the overall revenue picture. Future federal aid for the Restricted Program is estimated based on information from the Maryland State Department of Education. Federal Aid will decrease in FY 2009 by \$766,606. While most federal revenue is budgeted as restricted grant funds, federal Impact Aid is unrestricted and has been declining in the past few years. Federal revenue is shown in Table 6.

Table 6 - Federal Revenue Current Expense Fund

Federal Revenue Current Expense Fund							
Federal Government	Actual FY2006	Actual FY2007	Actual FY2008	Budget FY 2008	Budget FY 2009	% Change from Budget FY 2008	
Unrestricted Fund:							
Impact Area Aid	\$287,759	\$349,908	\$339,805	\$286,000	\$350,000	64,000	22.4%
Emergency Impact Aid	\$123,000	\$93,000	\$0				
Total - Federal Unrestricted	\$410,759	\$442,908	\$339,805	\$286,000	\$350,000	64,000	22.4%
Total - Federal Restricted Fund	\$18,014,037	\$17,109,726	\$16,608,059	\$16,453,761	\$15,623,155	(830,606)	-5.0%
Total - Federal Current Expense Fund	\$18,424,796	\$17,552,634	\$16,947,864	\$16,739,761	\$15,973,155	(766,606)	-4.6%
% Current Expense Fund	5.1%	4.4%	3.9%	3.9%	3.6%		

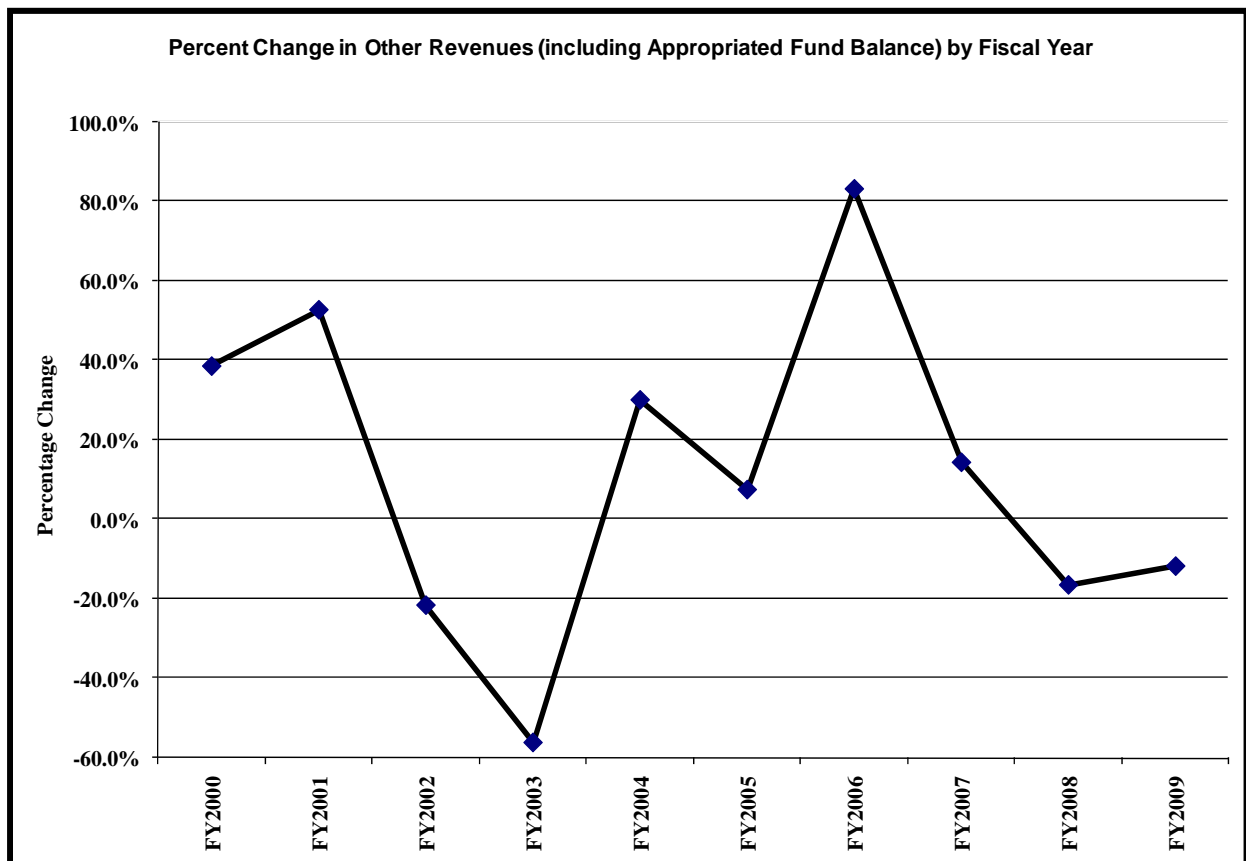
Other Revenues

Other revenues include fees, tuition, building use fees, gate receipts, E-rate funds, interest income and other sources. Harford County Public Schools participates in the federal E-rate program that was established by the Telecommunications Act of 1996. This program is managed through the Federal Communications Commission and provides a fund to discount telecommunication and other technology products and services used by public schools, libraries, and other selected entities. The annual discount for eligible expenditures, which is projected to generate \$300,000, is based on the percentage of students receiving free or reduced lunch prices.

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Interest income is projected at \$675,000 based on current and projected interest rates. Building use fees are projected to total \$420,000. Out of County LEA students will generate \$350,000 and Summer School tuition will generate \$251,786. Gate receipts from athletic events are projected at \$329,842. Revenue generated for transportation costs for field trips is projected at \$180,000. Major shifts in revenues have occurred as a result of changes in interest rates affecting investment earnings and the amount of fund balance available to be appropriated within a given year. Percentage changes in Other Revenues and Appropriated Fund Balance for the last ten years are reflected in the following Chart 7.

Chart 6 Unrestricted Fund - Other Revenues



The details of all Other Revenues excluding Appropriated Fund Balance are reflected in Table 7.

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Table 7 - Unrestricted Revenue from Other Sources

Unrestricted Fund - Other Sources of Revenue					
	Actual FY2006	Actual FY2007	Actual FY2008	Budget FY2008	Budget FY2009
Tuition - Non-Resident Pupils	\$16,635	\$22,519	\$26,109	\$25,000	\$25,000
Tuition - Adult. Education (MSDE Inservice)	\$35,315	\$39,440	\$31,530	\$36,000	\$40,000
Tuition - Summer School	\$235,125	\$216,965	\$214,388	\$215,140	\$251,786
Alternative Education - Online Courses	\$23,485	\$19,721	\$10,725	\$48,000	\$22,000
Tuition - Other/Alternative Education	\$13,000	\$10,413	\$6,570	\$23,000	\$10,000
Parks and Rec Transportation Fees	\$36,437	\$34,438		\$2,000	\$0
Transportation Receipts from Field Trips	\$183,573	\$179,105	\$206,486	\$190,750	\$180,000
Interest Income	\$519,808	\$815,478	\$740,046	\$475,000	\$675,000
Building Use Fee	\$355,515	\$425,177	\$423,823	\$355,000	\$420,000
Harford Glen	\$48,708	\$4,455	\$2,935	\$6,000	\$0
Donations	\$1,981	\$46,129	\$5,117	\$0	\$5,000
Escrow Refund	\$0	\$0	\$0	\$0	\$0
Estate Settlement	\$21,079	\$0	\$0	\$0	\$0
MSDE - Refund DHMH FY07	\$0	\$0	-\$23,968	\$0	\$0
CPR Courses	\$0	\$0	\$1,103	\$0	\$0
Unspent Flex Spending/Dependent Care	\$6,641	\$66,868	\$32,136	\$32,136	\$0
Glatfelter Stumpage	\$0	\$10,315	\$0	\$0	\$0
Health Insurance Rebate	\$0	\$0	\$0	\$0	\$0
Liability Ins. Dividend	\$0	\$136,200	\$46,550	\$46,500	\$85,650
Medicare Part D Refunds	\$0	\$0	\$245,603	\$170,092	\$0
Misc rebates and discounts	\$1,444	\$16,714	\$14,087	\$0	\$3,000
Misc revenue (write-off) from grants	-\$29,771	-\$9,524	-\$2,409	\$0	-\$10,000
Parks and Rec. Office Fees	\$4,000	\$0	\$0	\$0	\$0
Reimbursement RAACS	\$0	\$0	\$13,975	\$0	\$0
Revenues from HCEA - Employees on Loan	\$50,237	\$53,292	\$109,806	\$50,000	\$53,000
Revenues from Johns Hopkins	\$0	\$70,618	\$35,309	\$0	\$0
Sale of Curriculum	\$7,400	\$0	\$1,500	\$3,500	\$0
US Communities Rebate	\$13,345	\$5,990	\$13,577	\$12,000	\$10,000
US Treasury Rebate - Crude Oil	\$8,467	\$0	\$0	\$0	\$0
WC Audit Refund	\$39,291	\$67,655	\$11,582	\$0	\$0
WC Dividend	\$98,850	\$98,457	\$0	\$0	\$0
Gate Receipts	\$322,461	\$329,841	\$305,744	\$322,461	\$329,842
Other Interscholastic Receipts	\$0	\$24,826	\$27,123	\$25,900	\$25,900
Advertising Receipts for Harford Schools	\$34,920	\$36,841	\$60,755	\$31,000	\$37,000
E-Rate	\$212,585	\$307,828	\$500,342	\$214,000	\$300,000
Equipment Sale	\$40,682	\$75,178	\$30,998	\$35,000	\$60,000
Net Insurance Recovery			\$435,463		
Out of County LEA	\$350,642	\$371,824	\$448,473	\$325,000	\$350,000
FEMA Rebate	\$0	\$0	\$0	\$0	\$0
Legal Settlement	\$0	\$0	\$0	\$0	\$0
Total Other Sources	\$2,651,855	\$3,476,763	\$3,975,477	\$2,643,479	\$2,873,178

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

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rate established, used by Harford County Public Schools to recover these administrative overhead costs, is 1.96 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 FY 2009 is \$260,000.

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

Table 8 - Unrestricted Fund Balance Statement⁴

Harford County Public Schools Unrestricted Fund Balance					
FUND SOURCES:	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	FY 2009
Beginning Balance	\$2,327,656	\$4,844,019	\$7,800,907	\$9,940,093	\$10,626,168
Revenue:					
Harford County Government	\$154,047,408	\$175,414,800	\$189,414,800	\$199,614,800	\$210,914,800
State of Maryland	\$139,758,698	\$159,765,218	\$179,652,220	\$200,499,048	\$204,035,225
Federal Government	\$371,033	\$410,759	\$442,908	\$339,805	\$350,000
Other Sources/Transfers	\$2,356,819	\$2,651,855	\$3,476,763	\$3,975,477	\$2,873,178
Total Revenues	\$296,533,958	\$338,242,632	\$372,986,691	\$404,429,130	\$418,173,203
Expenditures	\$294,017,595	\$335,285,744	\$370,727,505	\$400,707,870	\$419,320,603
Transfer to Capital Projects			(120,000)	(3,035,185)	(4,084,000)
Ending Balance	\$4,844,019	\$7,800,907	\$9,940,093	\$10,626,168	\$5,394,768
Designated Health Insurance Call					(1,225,166)
Designation for Emergency Fuel Reserve					(1,000,000)
Undesignated Fund Balance					\$3,169,602

In the FY 2009 Operating Budget, an amount of \$1,147,400 is budgeted as Appropriated Fund Balance to support one time expenditures in the Unrestricted Fund. In addition, an amount of \$4,084,000 is budgeted as a transfer to the Capital Budget. A complete list of the uses of appropriated fund balance for FY 2009 can be found in the Expenditure Section of this budget.

Of the projected \$5,394,768 in available fund balance at June 30, 2008, \$1,225,166 is designated for the Health Insurance Call and \$1,000,000 is designated for an Emergency Fuel Reserve leaving \$3,169,602 available for unexpected events that may arise during the new fiscal year. This represents less than 1% of the approved FY 2009 adopted budget.

⁴ Fund Balance, if any, from Restricted Funds or any other funds are not included in this table.