

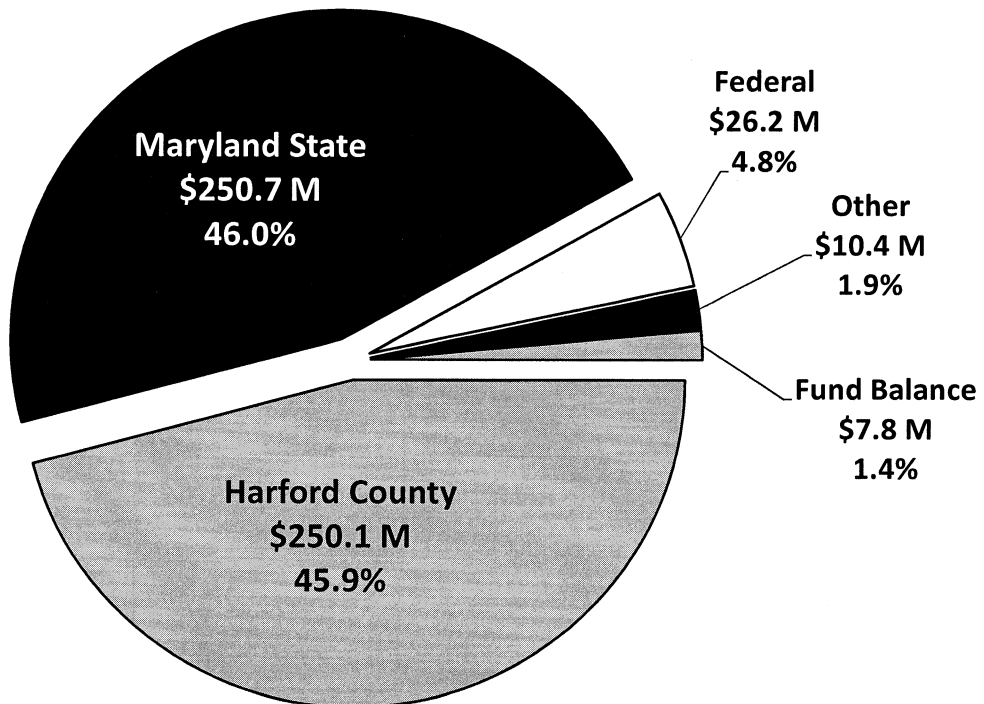
Revenue

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 2010 through 2012 and budgets for fiscal years 2012 and 2013.

Revenue - All Funds							
Sources	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2012 Budget	FY 2013 Budget	Change FY12 - FY13	% Change
Unrestricted Fund	\$ 418,841,604	\$ 416,290,452	\$ 435,605,566	\$ 435,643,868	\$ 427,768,507	\$ (7,875,361)	-1.8%
Restricted Fund	\$ 33,693,057	\$ 41,571,808	\$ 28,787,163	\$ 26,206,659	\$ 26,464,157	\$ 257,498	1.0%
Current Expense Fund	\$ 452,534,661	\$ 457,862,260	\$ 464,392,729	\$ 461,850,527	\$ 454,232,664	\$ (7,617,863)	-1.6%
Food Service	14,501,801	15,108,477	15,678,413	15,120,364	15,147,627	27,263	0.2%
Pension*	31,578,248	34,323,976	33,360,568	33,360,568	30,575,369	(2,785,199)	-8.3%
Debt Service	15,861,041	22,576,521	30,155,642	30,155,642	30,355,614	199,972	0.7%
Capital**	85,054,404	47,763,925	28,383,194	16,205,845	14,911,610	(1,294,235)	-8.0%
Total - All Funds	\$ 599,530,155	\$ 577,635,159	\$ 571,970,546	\$ 556,692,946	\$ 545,222,884	\$ (11,470,062)	-2.1%

*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 2013 Revenue - All Funds By Source \$545.2 Million



Revenue

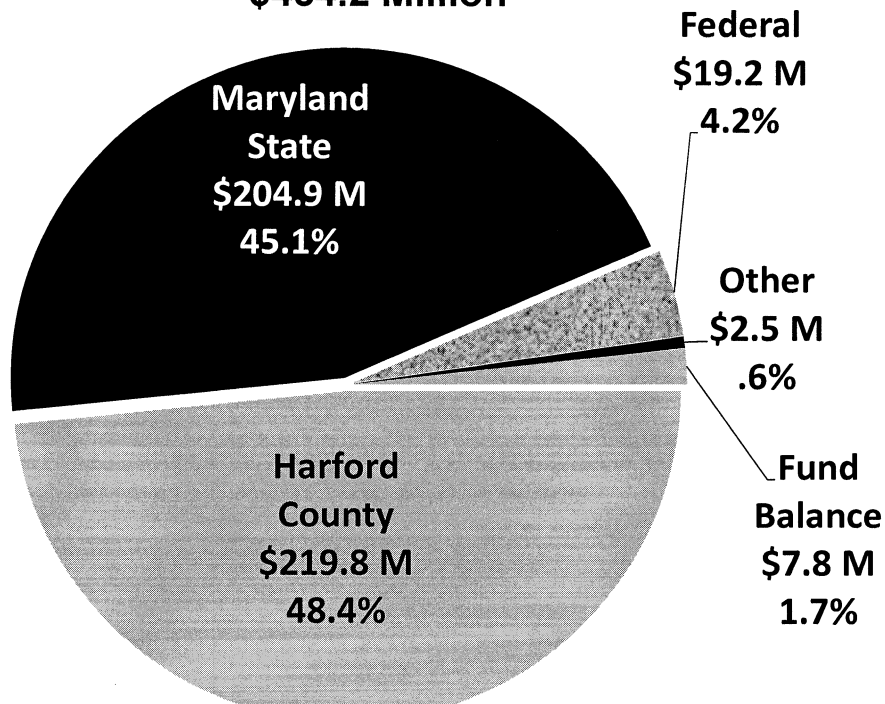
Current Expense Fund

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 \$7.6 million or -1.6%. Unrestricted Fund revenues for fiscal 2013 are projected to decrease by \$7.9 million or -1.8%. Restricted Fund revenues are projected to increase by \$.3 million or 1.0% in fiscal 2013. The fiscal year 2013 Current Expense Fund by revenue source is summarized in the chart below.

Revenue - Current Expense Fund - By Source							
Sources	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2012 Budget	FY 2013 Budget	Change FY12 - FY13	% Change
Harford County	210,414,800	211,067,388	217,782,344	217,768,287	219,821,368	2,053,081	0.9%
State of Maryland	198,524,594	193,284,422	201,985,029	201,731,181	197,018,533	(4,712,648)	-2.3%
Federal Government	625,283	695,554	1,345,207	1,541,977	650,000	(891,977)	-57.8%
Other Sources	4,638,940	5,810,374	5,939,543	6,048,980	2,478,606	(3,570,374)	-59.0%
Total - Revenue	\$ 414,203,617	\$ 410,857,738	\$ 427,052,123	\$ 427,090,425	\$ 419,968,507	\$ (7,121,918)	-1.7%
Fund Balance	4,637,987	5,432,714	8,553,443	8,553,443	7,800,000	(753,443)	-8.8%
Unrestricted Fund	\$ 418,841,604	\$ 416,290,452	\$ 435,605,566	\$ 435,643,868	\$ 427,768,507	\$ (7,875,361)	-1.8%
Harford County	0	0	0	0	0	0	-
State of Maryland	7,073,416	7,504,140	8,832,546	7,777,051	7,842,311	65,260	0.8%
Federal Government	26,112,719	33,975,447	19,664,618	18,346,870	18,576,346	229,476	1.3%
Other Sources	506,922	92,221	289,999	82,738	45,500	-37,238	-45.0%
Restricted Fund	\$ 33,693,057	\$ 41,571,808	\$ 28,787,163	\$ 26,206,659	\$ 26,464,157	\$ 257,498	1.0%
Current Expense Fund	\$ 452,534,661	\$ 457,862,260	\$ 464,392,729	\$ 461,850,527	\$ 454,232,664	\$ (7,617,863)	-1.6%

FY 2013 Current Expense Fund - by Source

\$454.2 Million

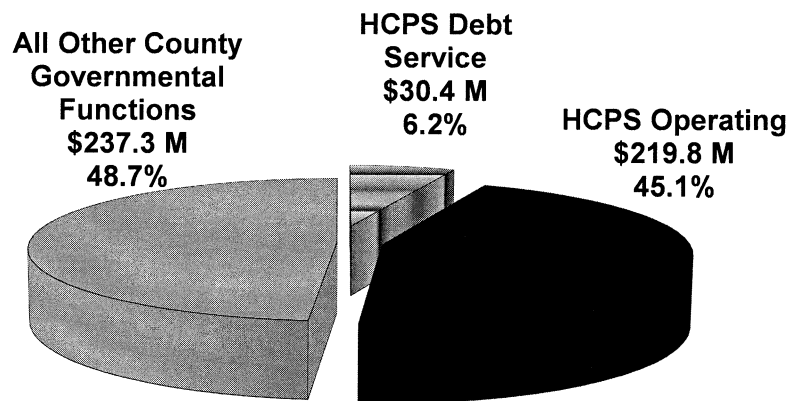


Revenue

Harford County Government Support

Harford County Public Schools represents the largest function Harford County Government supports. When considering the FY 2013 General Fund budgeted by Harford County Government, Harford County Public Schools Unrestricted Fund receives 45.1% of the local government's overall support.¹ This does not include support by the County for Debt Service as appropriated by Harford County. The County Government support for HCPS is reflected in the chart below.

Distribution of Harford County Government FY 2013 General Fund Budget \$487.5 million



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

¹ Data contained in Harford County Government Approved FY 2013 Budget.

Revenue

Maintenance of Effort



According to Maryland's Maintenance of Effort law, in order to receive any increase in basic state school aid, each county must appropriate an amount equal to or greater than its prior year per pupil appropriation. The Maintenance of Effort law states that if there is no enrollment growth, local funding can remain the same as that of the previous year in terms of total dollars. If there is enrollment growth, local funding is to remain the same on a per pupil basis. The Maintenance of Effort calculation does not provide for other significant needs. For example, a student with special needs could cost more than twice as much as a regular education student. The calculation does not address inflation, the cost of negotiated agreements and benefits, and funding for quality improvement initiatives. Fortunately, in nine of the past ten years, Harford County Government has funded the school system above the Maintenance of Effort level. The Maintenance of Effort calculation for fiscal 2013 is \$0 due to an enrollment decrease of 167 students as of September 30, 2011.

Harford County Government - Current Expense Fund

	Actual FY2010	Actual FY2011	Actual FY2012	Budget FY 2012	Budget FY 2013	Change FY12 - FY13	
Unrestricted Fund	210,414,800	211,067,388	217,782,344	217,768,287	219,821,368	2,053,081	1.0%
Restricted Fund	-	-	-	-	-	-	0.0%
Current Expense Fund - Total	\$ 210,414,800	\$ 211,067,388	\$ 217,782,344	\$ 217,768,287	\$ 219,821,368	\$ 2,053,081	1.0%
% Current Expense Fund	46.5%	46.1%	46.9%	47.2%	48.4%		

The County Executive and County Council are requested to fund the Unrestricted and Capital Funds for Harford County Public Schools. For fiscal year 2013, Harford County Government will be providing 48.4% or \$219.8 million of the total Current Expense Fund Budget, after considering revenues from state, federal, and all other sources. These figures do not include Capital Projects or Debt Service funding.

Revenue

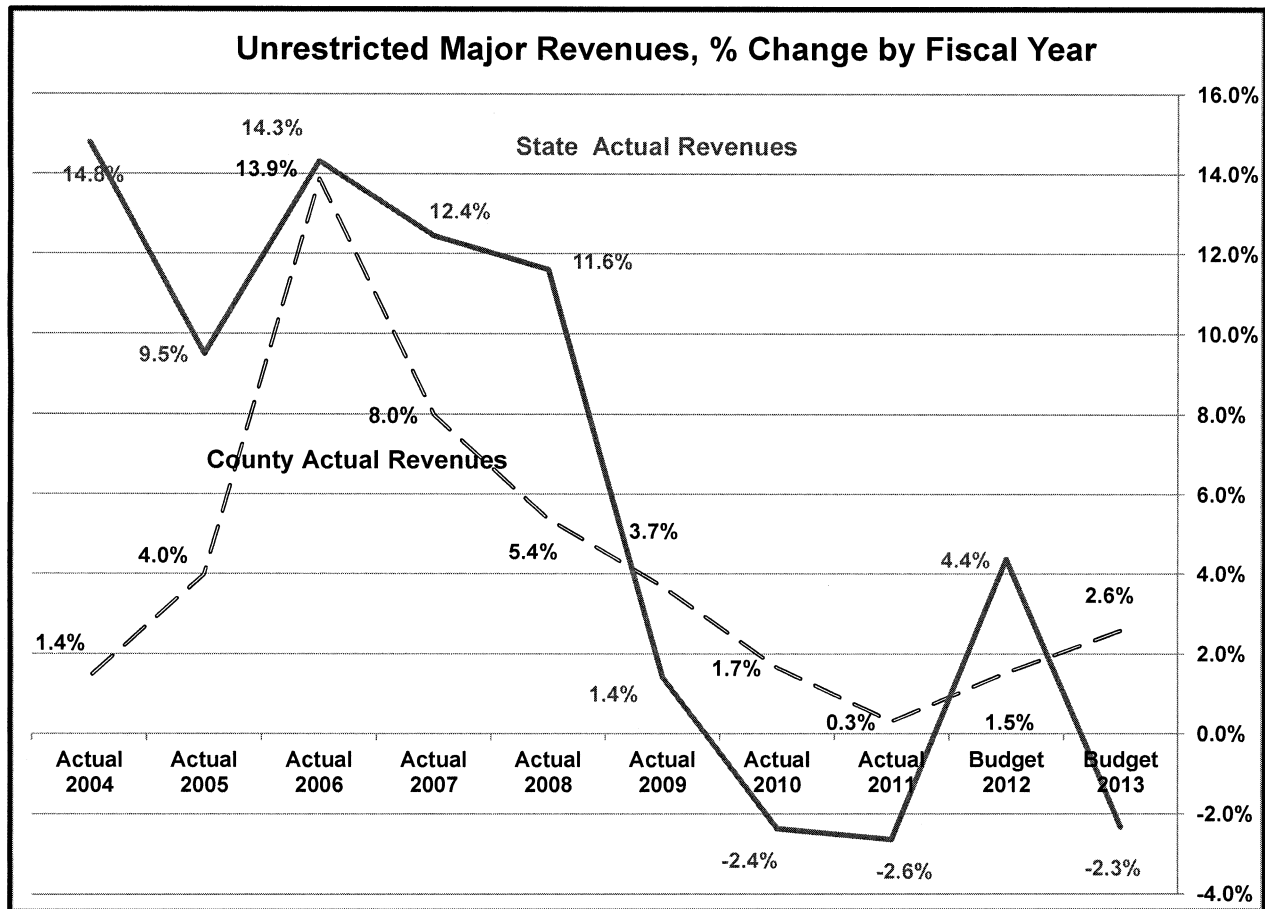
State Funding History – Bridge to Excellence

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

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

Under the legislation, the measure of success of this new flexibility with state aid would not be how funds are distributed, but how well students reach goals of academic success. The new financial structure recognizes that the basis of success for students at risk for academic failure is a quality teacher in every classroom, adequate materials, and additional help. The original legislation required an increase in state aid to local education agencies of \$1.3 billion from fiscal 2004 to fiscal 2009. However, in 2007 this legislation and ensuing funding formulas were amended resulting in a significant reduction to the original projected funding figures

In 2002, State law changed to provide additional support to education and released funds previously classified as restricted. In fiscal 2004 and 2005, the State of Maryland moved approximately \$8.0 million of restricted revenue (grants) into unrestricted state aid as part of the change in the law in 2002. In that same two year period, the County percentage of support dropped dramatically before increasing in fiscal 2005 and 2006, then dropping steadily to .3% in fiscal 2011 and increasing slightly to 1.5% in fiscal 2012. The following chart identifies the percentage change in unrestricted State support and County Government support over the last ten year period.



Revenue

State Revenues

Unrestricted state aid is projected to decrease nearly \$4.7 million or -2.3% in fiscal year 2013. The reduction of state aid is attributable to the decrease in enrollment of 167 students, combined with a State of Maryland freeze of the Thornton formulas for aid to local school systems. Restricted state aid is projected to increase in fiscal 2013 by \$65,260 or .8% in total, State of Maryland aid in the Current Expense Fund is projected to decrease nearly \$4.6 million in fiscal year 2013.

Maryland State Revenue - Current Expense Fund

Program	Actual FY2010	Actual FY2011	Actual FY2012	Budget FY2012	Budget FY2013	Change FY12 - FY13	
Foundation	146,644,783	140,285,285	143,324,917	143,444,719	140,772,062	(2,672,657)	
Compensatory Education	25,933,668	28,111,071	31,766,354	31,766,354	31,188,983	(577,371)	
Public Transportation Aid	10,815,679	10,805,481	13,229,593	11,858,771	11,987,689	128,918	
Special Education Aid	12,384,621	11,941,879	11,858,771	12,645,402	11,453,398	(1,192,004)	
Limited English Proficiency	1,880,829	1,787,911	1,674,720	1,674,720	1,503,546	(171,174)	
MSDE - Employees on Loan	360,258	352,795	130,674	347,317	118,957	(228,360)	
Supplemental Grant	504,756	0		(6,102)	(6,102)	0	
Unrestricted - Total	\$ 198,524,594	\$ 193,284,422	\$ 201,985,029	\$ 201,731,181	\$ 197,018,533	\$ (4,712,648)	-2.3%
Restricted - Total	\$ 7,073,416	\$ 7,504,140	\$ 8,832,546	\$ 7,777,051	\$ 7,842,311	\$ 65,260	0.8%
Current Expense Fund - Total	\$ 205,598,010	\$ 200,788,562	\$ 210,817,575	\$ 209,508,232	\$ 204,860,844	\$ (4,647,388)	-2.2%
% Current Expense Fund	45.4%	43.9%	45.4%	45.4%	45.1%		

In FY 2013, HCPS ranked eighth in the state for total state support with a range of \$9.1 million to \$882.1 million. State aid is the second largest funding support for the Current Expense Fund.

From fiscal 2002 to 2005, HCPS was ranked 24th in per pupil funding out of 24 school districts in the State of Maryland. In fiscal 2008, HCPS rose to 16th, only to fall to 18th in funding in fiscal year 2011.

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

Revenue

Federal Revenues

Federal aid to the Unrestricted Budget is limited to Impact Aid which currently represents less than .1% of unrestricted revenues. Federal Impact Aid provides assistance to local school districts with concentrations of children residing on Indian lands, military bases, low-rent housing properties, or other federal properties and, to a lesser extent, concentrations of children who have parents in the uniformed services or employed on eligible federal properties who do not live on federal property.

Federal Revenue - Current Expense Fund

Program	Actual FY2010	Actual FY2011	Actual FY2012	Budget FY 2012	Budget FY 2013	Change FY12 - FY13	
Impact Area Aid/Other	625,283	579,687	453,229	650,000	650,000	-	
Other (ERP Subsidy)		115,867	891,978	891,977	-	(891,977)	
Unrestricted Fund	\$ 625,283	\$ 695,554	\$ 1,345,207	\$ 1,541,977	\$ 650,000	\$ (891,977)	-57.8%
Restricted Fund	\$ 26,112,719	\$ 33,975,447	\$ 19,664,618	\$ 18,346,870	\$ 18,576,346	\$ 229,476	1.3%
Current Expense Fund - Total	\$ 26,738,002	\$ 34,671,001	\$ 21,009,825	\$ 19,888,847	\$ 19,226,346	\$ (662,501)	-3.3%
% Current Expense Fund	5.9%	7.6%	4.5%	4.3%	4.2%		

Prior to fiscal 2010, restricted federal aid accounted for slightly less than 4% of the Current Expense Fund. However, in fiscal 2010 federal aid increased substantially due to the funding of the American Recovery and Reinvestment Act (ARRA) of 2009. The restricted aid increased as a percentage of the Current Expenses Fund in FY 2010 as 5.9% and 2011 as 7.6%. The restricted federal aid has returned to represent slightly more than 4% of the Current Expense Fund after the ARRA funding was discontinued. Nationally \$39.5 billion was allocated to states over two years as part of the ARRA funding in 2009. The State of Maryland received approximately \$720 million over the two year period

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

Revenue

Other Revenue

In the Unrestricted Fund Budget, other revenues include fees, tuition, building use fees, gate receipts, E-rate funds, interest income and other sources. In the Restricted Budget, other sources include small local grants and donations. In the total Current Expense Fund Budget, other revenue sources account for slightly less than one percent of the overall budget resources. The details of other revenues, excluding Appropriated Fund Balance, are reflected in the table below.

The decrease in the other revenue budget is the result of a number of items which are not budgeted until a final settlement is determined. Settlements are budgeted in the year they are realized and in accordance with HCPS policy, insurance settlements are utilized to fund Other Post Employment Benefit obligations.

Other Revenue - Current Expense Fund						
	Actual FY2010	Actual FY2011	Actual FY2012	Budget FY2012	Budget FY2013	Change FY12 - FY13
Tuition - Non-Resident Pupils	26,445	42,559	25,907	25,000	25,000	-
Tuition - Adult. Education (MSDE In-service)	46,727	41,414	35,315	45,000	45,000	-
Tuition - Summer School	255,349	182,426	165,652	210,000	96,218	(113,782)
Transportation Receipts from Field Trips	177,491	195,232	217,131	180,000	180,000	-
Interest Income	25,826	31,377	25,029	40,000	40,000	-
Rental of Facilities	2,000	2,545	2,545	2,000	2,000	-
Building Use Fee	321,198	338,022	348,477	400,000	400,000	-
Harford Glen	14,830	7,768		10,000	10,000	-
Donations	67,727	21,003	4,818	20,458	20,458	-
CPR Course Fees	1,501	3,935	3,203	1,000	1,000	-
Dependent Care/Flex Settlement			61,416	61,417	-	(61,417)
Document/Bid Fees	2,300	3,458		5,000	5,000	-
Enemoc Load Response Energy rebate			100,793			
HCEA - Employees on Loan	52,750	155,974	103,811	90,000	90,000	-
Refund Health Care Consortium	\$0		870,642	870,642	-	(870,642)
Health/Dental - Rebates & Settlements	1,291,592	2,179,309	1,551,956	1,551,955	-	(1,551,955)
Insurance Dividends	100,984	221,455	22,999	-	-	-
Insurance Recovery	-	138,077		-	-	-
Medicare Part D Refunds	706,097	817,185	1,000,008	1,000,008	-	(1,000,008)
Other Revenue	43,360	26,067	148,856	20,000	20,000	-
Rebates - Other	32,337	22,364	8,325	32,000	32,000	-
Unspent - Flex & Dependent Care	56,057	35,860	22,999	-	-	-
Gate Receipts	343,003	361,892	335,875	343,000	370,430	27,430
Other Interscholastic Receipts	12,175	18,041	8,767	10,000	10,000	-
Finger Printing Receipts	-	17,925	36,240	50,000	50,000	-
Garnishment Admin. Charge	1,392	1,488	1,532	1,500	1,500	-
E-Rate	601,854	525,000	515,306	600,000	600,000	-
Equipment Sale	28,970	28,742	27,748	30,000	30,000	-
Out of County LEA	426,974	276,242	294,193	450,000	450,000	-
Unrestricted - Total	\$4,638,940	\$5,810,374	\$ 5,939,543	\$6,048,980	\$2,478,606	\$ (3,570,374)
Restricted - Total	\$ 506,922	\$ 92,221	\$ 289,999	\$ 82,738	\$ 45,500	\$ (37,238)
Current Expense Fund - Total	\$5,145,862	\$5,902,595	\$ 6,229,542	\$6,131,718	\$2,524,106	\$ (3,607,612)
% Current Expense Fund	1.1%	1.3%	1.3%	1.3%	0.6%	

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 \$7.8 million is being used to cover one-time and ongoing expenditures in the fiscal 2013 budget. Actual fund balance activity for fiscal 2010 through 2012 and budgeted fund balance for fiscal 2013 are reflected in the following table.

Unrestricted Fund Balance				
FUND SOURCES:	Actual FY 2010	Actual FY 2011	Actual FY 2012	Budget FY 2013
Beginning Balance	\$ 11,475,851	\$ 16,477,503	\$ 16,789,638	\$ 16,079,127
Revenue:				
Harford County Government	210,414,800	211,067,388	217,782,344	219,821,368
State of Maryland	198,524,594	193,284,422	201,985,029	197,018,533
Federal Government	625,283	695,554	1,345,207	650,000
Other Sources/Transfers	4,638,940	5,810,374	5,939,543	2,478,606
Total Revenues	\$414,203,617	\$410,857,738	\$427,052,123	\$419,968,507
Total Expenditures	\$409,201,965	\$408,767,830	\$427,412,634	\$427,768,507
Transfers:				
Health Rate Stabilization Fund		(1,777,773)	(350,000)	
Capital Projects	0	0	0	0
Ending Balance	\$ 16,477,503	\$ 16,789,638	\$ 16,079,127	\$ 8,279,127
Assigned - Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,166)	(1,225,166)
Assigned - Emergency Fuel Reserve	(1,000,000)	(915,000)	(915,000)	(915,000)
Assigned - OPEB Contribution		(258,971)		
Budgeted - Use of FB for Next Fiscal Year	(5,432,714)	(8,294,472)	(7,800,000)	
Projected Unassigned Fund Balance	\$ 8,819,623	\$ 6,096,029	\$ 6,138,961	\$ 6,138,961
Percentage of FY 2013 Unrestricted Operating Budget				1.44%

With the combined recognition of one time revenues and the implementation of various cost savings measures, HCPS ended fiscal 2012 with the strategic accumulation of \$16.1 million in fund balance at June 30, 2012. Of the \$16.1 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 of \$7.8 million entering FY 2013 and stagnate revenue projections, HCPS used \$7.8 million of fund balance to balance the fiscal year 2013 Operating Budget. It is the intention of Harford County Public Schools to use the accumulated fund balance to provide short-term relief during these difficult economic times and ease the funding cliff caused by the expiration of ARRA funding.

The proposed use of fund balance to support the Unrestricted Operating Budget for fiscal year 2013 is \$7.8 million, a reduction of \$.5 million from the fiscal year 2012 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 2013 is \$465,000.

Other Funds

The Food Service Fund is \$15.1 million for fiscal 2013. The Food Service Fund is a self-supporting special revenue fund. Additional detail is provided in the Food Service section, located in Tab 22, of this budget document.

Debt Service funds in the amount of \$30.4 million are managed by the Harford County Government. Additional detail is provided in the Debt Section, located in Tab 23, of this budget document.

The Capital Projects Fund of \$14.9 million includes primarily state and local government funding. Additional detail is provided in the Debt Section, located in Tab 24, of this budget document.

The Pension Fund is \$30.6 million which represents the State of Maryland's contribution to the teacher pension system. Additional detail is provided in the Pension section, located in Tab 25, of this budget document