



May 26, 2021

MEMORANDUM

To: Members of the Board of Education

From: Michael J. Martirano, Ed.D.  
Superintendent

Subject: Fiscal Year 2022 Operating Budget Recommendation

The purpose of this memorandum is to provide the Board a recommendation for budget adoption, consistent with the additional funding adopted by the County Council earlier today and based on the scenario provided to the Board on Thursday, May 20, 2021 (attached).

I want to first thank the County Executive and County Council for working collaboratively with us to find additional funding in their budget to help us meet the needs of the school system without compromising our existing service and support levels.

Last week, I presented a scenario to the Board which used \$12 million of our \$13.1 million unassigned fund balance and projected additional funding from the county to balance the budget with an assumption of \$6.5 million of additional funds through amendments. The Council adopted budget represents a total of \$8 million in funds added through amendments.

I am recommending that the Board adopt the recommended plan with two amendments:

1. Reduce the reliance on the unassigned fund balance by \$1.5 million
2. Change the complement of student well-being support positions by adding 3.0 School Counselors, 2.0 Social Workers and 1.0 Pupil Personnel Worker.

**Summary of Priorities Advanced Through This Recommendation**

This recommendation prioritizes and provides funding for maintaining existing services and avoids any increase in class size or any reduction in force to balance the budget. This was developed with a focus on maintaining our priority to take care of our children and the staff who take care of them. This recommendation maintains the Board's priorities of special education, the Digital Education Center, student support positions, and staff compensation increases. It eliminates certain new positions, including those for enrollment growth but increases the complement of pooled positions, which will help us manage any fluctuations in enrollment during the school year. In addition, this recommendation supports our focus on student mental health and well-being.

It is important to highlight that despite the significant budget reductions, this budget will advance many of our shared priorities, including:

- 70.7 positions for Special Education and funding for nonpublic placement and compensatory services
- 5.0 positions to increase supports for students, including social workers, pupil personnel workers, and counselors
- 5.0 positions to sustain our technology infrastructure
- 27.0 pooled positions to support enrollment changes and fluctuations while maintaining class sizes
- Fund compensation increases for all staff
- Fund 12.0 positions and support costs to advance the Digital Education Center
- Fund 4.5 positions, and DIBELS training to enhance reading instruction and dyslexia supports
- Fully fund actuarial projected health insurance costs for the 4<sup>th</sup> consecutive year

We continue to await further guidance regarding the use of ESSER III funds and state grants that may help complement or support some of our planned initiatives for FY2022. The planned use for these funds will be presented to Board when the information is received from the state.

In the last two years, HCPSS has greatly strengthened budget management in our school system using budget reserves, budgetary controls, and more comprehensive reporting on costs and the budget. These actions have been instrumental in helping to guide HCPSS through this period of constant change and will be necessary for the coming fiscal year as we target a return to regular in-person instruction. The Division of Administration will continue the practice of reviewing all major expenditures, including those related to COVID-19 and any federal and state grants to ensure compliance with regulation and fidelity to the Board approved budget.

### **FY 2022 Budget Adoption Timeline**

Following the Board's preliminary decisions today regarding the recommended use of fund balance and adoption strategy, the Board is scheduled to adopt the FY2022 budget tomorrow, Thursday, May 26, at 3:00pm. Following the Board's adoption, staff will submit a supplemental funding appropriation request to amend the categorical allocation, appropriate the fund balance to balance the budget, make the corresponding adjustments in other funds, and augment the grants fund for ESSER III and anticipated state restricted funds. Staff have been in contact with county staff who are prepared to help us move the supplemental request and adjustment to categorical allocations.

We have staff available during today's work session to address any questions the Board may have as you consider my recommendation.

Copy to: Executive Staff  
Board of Education Office

Attachment: May 20, 2021 Budget Reconciliation Memo



May 20, 2020

MEMORANDUM

To: Members of the Board of Education

From: Michael J. Martirano, Ed.D.  
Superintendent

Subject: Fiscal Year 2022 Operating Budget Reconciliation Scenario

The purpose of this memorandum is to provide a potential path forward for the Board to adopt the FY 2022 HCPSS Operating Budget. This plan incorporates the \$4 million in additional funding proposed by the County Executive and proposes to use \$12 million of the \$13.1 million in unassigned fund balance available as supplemental funding. In addition, staff have reviewed amendments filed by County Council members and incorporated an assumption of \$2.5 million in additional county funds, for a total increase of \$9 million of county revenue above FY 2021.

Any additional increases in revenues beyond these assumptions could help to reduce the reliance on the use of fund balance or could be used to restore eliminations recommended in this scenario. This path forward incorporates shifts of certain costs to expected state and federal grants. This memo also outlines the remaining steps for FY 2022 budget adoption.

The scenario maintains the Board's priority of funding special education, the Digital Education Center, enhances students supports, and staff compensation increases. The plan eliminates certain new positions, including those for enrollment growth but increases the complement of pooled positions, which will help us manage any fluctuations in enrollment during the school year. In addition, this scenario supports our focus on student mental health and well-being by advancing a smaller complement of student supports positions.

**Overview of the FY 2021 Budget to Date**

The Board submitted its FY 2022 Operating Budget Request to the County Executive in early March. The FY 2022 Requested Budget totaled \$960.3 million, a \$41.6 million, or a 4.5 percent increase over FY 2021. Net the one-time costs of \$18.7 million, the budget sought \$941.6 million for ongoing operations, or a 2.5 percent increase year over year.

The County Executive released his Proposed FY 2022 Budget for HCPSS on April 19, 2021, which recommended total funding of \$922.6 million, including an increase of \$2.5 million above Maintenance of Effort and one-time funding of \$10 million to help eliminate the health fund deficit. The County Executive's Proposed Budget does allocate the funding by state category. However, it is important to note that these categorical funding levels were proposed as placeholders and are subject to change based on final Board adoption. The following table summarizes the County Executive's Proposed Budget at the revenue and expenditure levels compared to the BOE's request.

**Table 1: Summary of County Executive Proposed FY 2022 Budget**

	<b>BOE Requested</b>	<b>County Executive Proposed</b>	<b>Difference</b>
<b>Revenues</b>			
County Operating	\$651.7M	\$622.8M	\$(28.9)M
County One-Time	\$18.7M	\$10.0M	\$(8.7)M
State	\$282.5M	\$282.5M	-
Other	\$7.4M	\$7.4M	-
<b>TOTAL REVENUES</b>	<b>\$960.3M</b>	<b>\$922.6M</b>	<b>\$(37.6)M</b>
<b>Expenditures</b>			
Operating	\$941.6M	\$912.6M	\$(28.9)M
Health Deficit One-Time	\$18.7M	\$10.0M	\$(8.7)M
<b>TOTAL EXPENDITURES</b>	<b>\$960.3M</b>	<b>\$922.6M</b>	<b>\$(37.6)M</b>

There is a \$37.6 million difference between the Board requested and County Executive Proposed. Of the total difference, \$28.9 million is for the recurring operating expenditures and \$8.7million applies to the one-time health fund deficit funding.

On May 17<sup>th</sup>, Dr. Ball sent the Board a letter indicating that he will be increasing his proposed funding by \$4.0 million for FY 2022. Together with the \$2.5 million from the Council would add a total \$6.5 million to the County Executive’s original recommended budget. With this additional funding the amount of funding above-MOE is \$9.0 million and the county operating funding shown in Table 1 increases to \$629.3 million. This total assumption has driven the development of the scenario detailed in this memo.

### **FY 2022 Budget Adoption Scenario**

With the increased funding from the county, the recurring savings needed to balance the budget is lowered to \$31.1 million. Please note that this scenario assumes at least \$6.5 million of new revenue through amendments proposed by the County Executive and County Council. If additional state or county revenue is realized, or some county revenue amendments fail, the Board may consider additional use of remaining fund balance, or reduce some new expenditures included in the scenario that will not have an impact on current service levels.

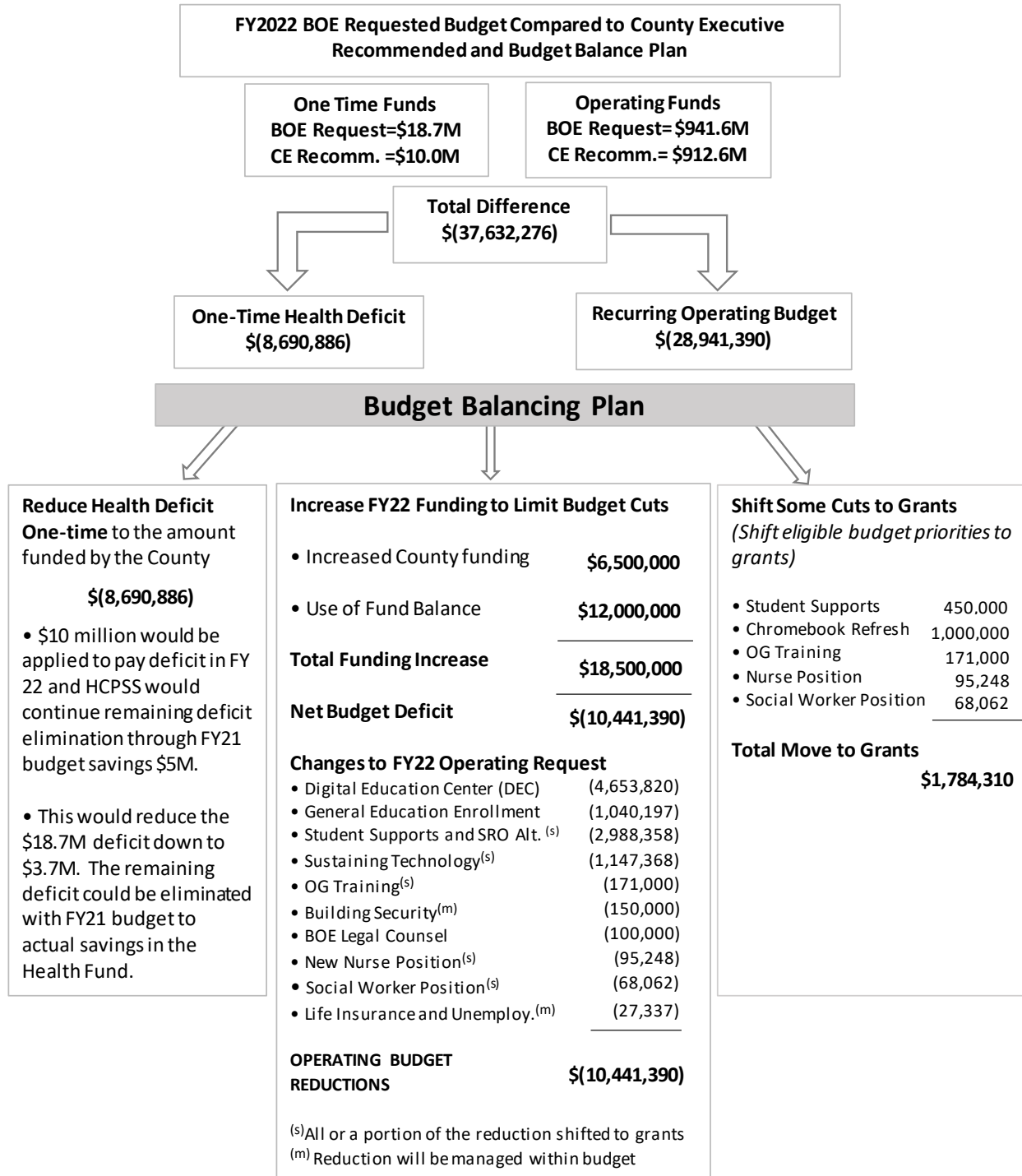
Given prior year budget reductions, including class sizes and cuts to programs and services, this adoption scenario includes no reduction or elimination of current service and program levels for our students and staff. The plan takes into consideration the use of federal relief and state grant funding and the need for flexibility to respond to an uncertain enrollment outlook. The approach also ensures financial obligations such as health insurance costs are fully funded, momentum to erase the health fund deficit is not slowed, and critical staffing needs for Special Education are addressed.

The plan takes a three-step approach to eliminate the funding deficit and balance the FY 2022 budget.

1. Reduce the one-time funding requested to address the health fund deficit by \$8.7 million.
2. Utilize \$12 million of unassigned fund balance to minimize budget reductions and maintain service levels. The use of fund balance combined with the additional \$6.5 million of funding from the County would lower the amount of budget reductions needed to \$10.4 million.
3. Reduce operating expenditures by \$10.4 million with priority given to maintaining existing service levels.

This scenario maintains certain Board priorities by shifting some of the \$10.4 million in budget cuts on to federal and state grants. While we have not received Maryland State Department of Education (MSDE) guidance for the use of Elementary and Secondary School Emergency Relief Act (ESSER-III), staff has identified \$1.8 million of budget priorities that may be eligible to for ESSER III and/or restricted state funding. The following diagram illustrates the scenario.

**Diagram: FY 2022 Budget Balancing Scenario**



## **Details of Operating Budget Reductions and Grant Funds Shifts**

This scenario includes eliminations and shifts of \$10.4 million in new expenditures:

### Digital Education Center (\$4.7 million elimination)

The Board Requested Budget included \$6.2 million in new funding to establish a digital education center (DEC). Through this scenario, new funding in the operating budget would cover the administrative staff, counselors, a limited number of instructional positions, wages, and non-personnel costs. A total of 12.0 positions to stand-up the DEC would be funded, approximately \$1.6 million. Additional teacher and other support staff for the DEC would be realigned from existing staff based on the student enrollment shifts from ‘brick and mortar’ to the digital school.

### Enrollment Commitments (\$1.0 million elimination)

The Board Requested Budget included nearly \$4.0 million and net new staffing of 54.3 position to fund enrollment commitments. These estimates were based on preliminary enrollment projections done by the Office of School Planning (OSP) in November 2020, which estimated new enrollment of 380 students above the FY 2021 budgeted enrollment for grades K-12. In February 2021, OSP updated the enrollment projection for next school year which shows an increase of 66 new students.

Enrollment projections for next year have greater uncertainty than previously experienced due to the unknowns surrounding the pandemic and re-enrollment. Considering these factors, this recommendation reduces the amount requested for enrollment growth by \$1 million and uses \$2 million in new funding to support 27.0 pooled positions. These positions will provide the flexibility to address enrollment fluctuations throughout the school year and help ensure class sizes remain at the current levels. In addition, about \$1 million will be added in Categories 3 and 6 to support staffing related costs that may be necessary but not covered by grant funding to support the expansion of summer school.

### School Resource Officer (SRO) option 2 costs (\$2.2 million elimination)

This option would have maintained SROs while adding a complement of mental health therapists and alternative education teachers. A total of 22.0 positions were requested including 18.0 mental health therapists and 4.0 alternative education teachers.

### Sustaining Technology Infrastructure (\$1.0 million shift to grant, \$147,400 elimination)

The Board Requested Budget contained a request of \$1 million to begin funding the costs of life-cycle replacement of Chromebooks in the coming years. This cost can be shifted to grant funds. The \$147,400 elimination is an adjustment for the lower contract costs negotiated to increase broadband capacity.

### Other New Position Requests (\$100,000 elimination/163,300 shift to grant)

The Board Requested Budget included funding for a new legal counsel position, a new nurse position, and a social worker position being shifted from a grant. The nurse and social worker positions would be eligible for grant funding, and staff recommends that these positions be shifted to grant funding for FY 2022. The legal counsel position would not be eligible for grant funding.

### Enhanced Efforts in Reading Instruction and Dyslexia Training (\$171,000 shift to grant)

The Board Requested Budget prioritized new funding to implement the Ready to Read Act including DIBELS training, 4.5 reading specialists, and additional funds for staff to be trained in the Orton-Gillingham (OG) method for dyslexia. This recommendation shifts \$171,000 for OG training to a grant. The other priorities would remain in the FY 2022 operating budget.

### Enhanced Student Supports (\$750,000 elimination/possible shift to grant)

The Board added new staffing positions for student supports including 5.0 social worker positions, 5.0 counselor positions, and 2.0 pupil personnel workers. This recommendation funds 6.0 new positions (2.0 social workers, 2.0 counselors, and 2.0 pupil personnel workers). Opportunities to enhance mental health

supports are eligible expenditures through grant funds, and staff will pursue these grants to support additional student support positions once additional information becomes available.

Additional Reductions to the Operating Budget \$(177,337 elimination)

Additional reductions would include \$150,000 to the Security budget for overtime costs; \$17,337 to the life insurance budget; and \$10,000 to the unemployment budget. These costs will be managed within existing funding levels through budget management.

Table 2 summarizes these recommendations beginning with the BOE Request then showing the changes to the request and the revised FY 2022 amount. The grants column shows which priorities could be funded by being shifted to grants such as the ESSER III grant and/or state grants. The final column reflects the net amount reduced from the original BOE requested budget. These budget reductions will also impact the Health Fund, Technology Services Fund, and Grants Fund. The corresponding changes needed in those funds will be reflected in the score sheets.

**Table 2: Summary of FY 2022 Budget Reduction Plan**

**SUMMARY OF FY 2022 RECOMMENDED REDUCTIONS and SHIFTS**

FY 22 BUDGET MAJOR OPERATING BUDGET PRIORITIES	BOE FY22 Request	Reductions Recommended to Balance FY22 Budget	Revised FY 2022 Adopted Amount	Shift to ESSER & State Grants	Net Amount Reduced from FY 2022 Budget
<b>One-time Health Fund deficit elimination</b>	<b>18,690,886</b>	<b>\$ (8,690,886)</b>	<b>10,000,000</b>		<b>(8,690,886)</b>
<b>Operating Budget Changes</b>					
Compensation Increases -Attracting and Retaining High-Quality Teachers and Staff	6,553,954	-	6,553,954	-	-
Digital Education Center (DEC)	6,229,432	(4,653,820)	1,575,612	-	(4,653,820)
Funding Commitments for Special Education Enrollment & Service Levels	5,357,451	-	5,357,451	-	-
Funding Commitments for General Education Enrollment	4,030,577	(1,040,197)	2,990,380	-	(1,040,197)
Meeting Financial Commitments to Health Insurance	3,693,285	-	3,693,285	-	-
Enhanced Supports for Students and SRO Alternative	3,438,339	(2,988,358)	449,981	650,000	(2,338,358)
Sustaining Technology Infrastructure and Cybersecurity Safeguards	3,279,433	(1,147,368)	2,132,065	1,000,000	(147,368)
Enhanced Efforts in Reading Instruction and Dyslexia Training	896,272	(171,000)	725,272	171,000	-
Increase funding for Workers Compensation Fund	462,425	-	462,425	-	-
Increase for MABE insurance premiums	379,282	-	379,282	-	-
Shift of 2.2 Grant funded position to the Operating Fund	274,016	-	274,016	-	-
Increase for County water/sewage maintenance fee	211,852	-	211,852	-	-
Building Security Commitments	150,000	(150,000)	-	-	(150,000)
Increase to life insurance	142,000	(17,337)	124,663	-	(17,337)
Other non-enrollment increases	200,551	-	200,551	-	-
High School Athletics HUDL Streaming Service	100,000	-	100,000	-	-
Transfer Lobby Guard maintenance from Technology Fund	77,500	-	77,500	-	-
Board of Education in-house 1.0 Legal Counsel	75,419	(75,419)	-	-	(75,419)
Addition of a 1.0 Nurse	69,972	(69,972)	-	69,972	-
Sustaining 1.0 Social Worker from Horizon Grant	50,000	(50,000)	-	50,000	-
Benefits for Nurse, Grant shifted positions & Social Worker	43,338	(43,338)	-	43,338	-
Student Transportation routing software	37,022	-	37,022	-	-
Benefits for New Legal Counsel	24,581	(24,581)	-	-	(24,581)
Increase for Risk Management contracted services	17,743	-	17,743	-	-
Increase unemployment claims	10,000	(10,000)	-	-	(10,000)
Sunset of Teachers for Tomorrow program	(17,090)	-	(17,090)	-	-
Adjustment for retirement administration fees	(241,877)	-	(241,877)	-	-
Elimination of the COVID-19 contingency reserve	(3,000,000)	-	(3,000,000)	-	-
Year over Year Budgeted Salary Cost Reduction	(9,648,194)	-	(9,648,194)	-	-
<b>BOE Requested Total</b>	<b>41,588,169</b>	<b>\$ (19,132,276)</b>	<b>\$ 22,455,893</b>	<b>\$ 1,984,310</b>	<b>\$ (17,147,966)</b>

**Summary of Reductions**

Health Fund Deficit	(8,690,886)
Operating Budget	\$ (10,441,390)
<b>Combined Total</b>	<b>(19,132,276)</b>

## FY 2022 Supplemental Funding Appropriation

The budget balancing plan requires the use of \$12 million in unassigned fund balance to meet recurring operating expenses in FY 2022. The General Fund began the fiscal year with \$13.1 million in unassigned fund balance, all of which is available for the Board’s use to offset reductions to the critical investments needed to fully support our students and staff and adhere to legislative mandates such as the Ready to Learn Act. While this possible adoption path increases the use of fund balance from the \$8 million used in FY 2021 up to the \$12 million level used in FY 2020, budgetary savings in the current year create the opportunity to use fund balance without putting future financial stability at risk. The use of fund balance would be necessary to ensure staffing and other supports are firmly in place as we bring nearly 60,000 students back to our buildings to provide 5-day instruction in our schools.

## FY 2022 Budget Adoption Scenario Categorical Allocations

Based on this scenario, the FY 2022 Adopted Budget would total \$941.1million, which is a \$22.5 million, or a 2.4 percent increase over the FY 2021 Operating Budget. Included in the total request is \$10.0 million in one-time costs to eliminate the remaining Health Fund deficit. Net the one-time costs, the budget would be \$931.1 million for ongoing operations, or a 1.4 percent increase year over year. Table 3 summarizes the FY 2022 Adopted Budget based on the budget scenario presented in this budget.

**Table 3: Summary of FY 2022 Adopted Budget Based on Budget Scenario**

OPERATING BUDGET GENERAL FUND	Revised Approved FY 2021	Board Requested FY 2022	Adopted Budget Changes	FY 2022 Adopted	Adopted Year over Year \$\$ Change	Adopted Year over Year %Change
<b>SOURCES OF FUNDING</b>						
Howard County Funding	\$ 620,300,000	\$ 651,741,390	\$ (22,441,390)	\$ 629,300,000	\$ 9,000,000	1.5%
One-Time County-Health Deficit	-	18,690,886	(8,690,886)	10,000,000	10,000,000	-
<b>Howard County Total</b>	<b>\$ 620,300,000</b>	<b>\$ 670,432,276</b>	<b>\$ (31,132,276)</b>	<b>\$ 639,300,000</b>	<b>\$ 19,000,000</b>	<b>3.1%</b>
State Funds	282,654,202	282,485,531	-	282,485,531	(168,671)	-0.1%
Federal Funds	660,000	410,000	-	410,000	(250,000)	-37.9%
Other Funds	7,075,507	6,950,071	-	6,950,071	(125,436)	-1.8%
Use of Fund Balance	8,000,000	-	12,000,000	12,000,000	4,000,000	50.0%
<b>Total Sources of Funds</b>	<b>\$ 918,689,709</b>	<b>\$ 960,277,878</b>	<b>\$ (19,132,276)</b>	<b>\$ 941,145,602</b>	<b>\$ 22,455,893</b>	<b>2.4%</b>
<b>USES OF FUNDING</b>						
<b>Categories</b>						
Administration	\$ 13,343,612	\$ 13,956,658	\$ (137,302)	\$ 13,819,356	\$ 475,744	3.6%
Mid-Level Administration	63,057,189	64,491,531	(337,530)	64,154,001	1,096,812	1.7%
Instructional Salaries and Wages	360,800,857	366,773,007	(6,427,270)	360,345,737	(455,120)	-0.1%
Instructional Textbooks/Supplies	9,391,029	9,510,216	(112,300)	9,397,916	6,887	0.1%
Other Instructional Costs	4,874,092	5,019,875	(171,500)	4,848,375	(25,717)	-0.5%
Special Education	132,179,019	137,063,338	423,492	137,486,830	5,307,811	4.0%
Student Personnel Services	4,279,587	7,393,189	(375,845)	7,017,344	2,737,757	64.0%
Student Health Services	10,203,710	9,660,081	(72,250)	9,587,831	(615,879)	-6.0%
Student Transportation	46,744,275	46,235,289	(48,507)	46,186,782	(557,493)	-1.2%
Operation of Plant	43,417,150	43,546,845	(304,431)	43,242,414	(174,736)	-0.4%
Maintenance of Plant	26,624,171	27,476,711	(359,506)	27,117,205	493,034	1.9%
Fixed Charges	196,399,386	223,545,809	(11,208,447)	212,337,362	15,937,976	8.1%
Community Services	6,462,524	4,623,600	(562)	4,623,038	(1,839,486)	-28.5%
Capital Outlay	913,108	981,729	(318)	981,411	68,303	7.5%
<b>Total Uses of Funds</b>	<b>\$ 918,689,709</b>	<b>\$ 960,277,878</b>	<b>\$ (19,132,276)</b>	<b>\$ 941,145,602</b>	<b>\$ 22,455,893</b>	<b>2.4%</b>



## **Summary of Priorities Advanced Through This Scenario**

This plan prioritizes and provides funding for maintaining existing services and avoids any increase in class size or any reduction in force to balance the budget. This option was developed with a focus on maintaining our priority to take care of our children and the staff who take care of them. It is important to highlight that despite the significant budget reductions, this budget will advance many of our shared priorities, including:

- 70.7 positions for Special Education and funding for nonpublic placement and compensatory services
- 6.0 positions to increase supports for students, including social workers, pupil personnel workers, and counselors
- 5.0 positions to sustain our technology infrastructure
- 27.0 pooled positions to support enrollment changes and fluctuations while maintaining class sizes
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- Fund 4.5 positions, and DIBELS training to enhance reading instruction and dyslexia supports
- Fully fund actuarial projected health insurance costs for the 4<sup>th</sup> consecutive year

HCPSS continues to await further guidance regarding the use of ESSER III funds and state grants that may help complement or support some of our planned initiatives for FY2022. The planned use for these funds will be presented to Board when the information is received from the state. The priority of use of any new funding would decrease the reliance on the fund balance in FY 2022.

In the last two years, HCPSS has greatly strengthened budget management in our school system using budget reserves, budgetary controls, and more comprehensive reporting on costs and the budget. These actions have been instrumental in helping to guide HCPSS through this period of constant change and will be necessary for the coming fiscal year as we target a return to regular in-person instruction. The Division of Administration will continue the practice of reviewing all major expenditures, including those related to COVID-19 and any federal and state grants to ensure compliance with regulation and fidelity to the Board approved budget.

### **FY 2022 Budget Adoption Timeline**

The following is a list of scheduled meetings related to the budget. In consultation with Board leadership, staff is working with the Board office to schedule a work session for the Board following the May 26 adoption by the County Council. This timeline will be updated once that work session is schedule.

- Friday, May 21, 10:00am: County Council work session on Proposed Amendments
- Wednesday, May 26 10:00am: County Council Adoption of the FY 2022 budget
- Wednesday, May 26 4:30pm: Board of Education work session
- Thursday, May 27 3:00pm: Final Board Adoption of the FY 2022 Operating and Capital budgets

In the meantime, staff will be reaching out to Board members to schedule individual opportunities to discuss this scenario and the remaining process related to the budget. If you have any questions, please contact Jahantab Siddiqui, Chief Administrative Officer.

Copy to: Executive Staff  
Board of Education Office