



Board of Education of Howard County
Meeting Agenda Item

DATE: April 30, 2026

TITLE: FY 2026 Year End Categorical Transfers

PRESENTER(S): M. Brian Hull, Chief Financial Officer and Darin Conforti, Executive Director of Budget

STRATEGIC PLAN ALIGNMENT:

Mission: HCPSS creates an innovative and accountable learning community where we expand opportunities and access, remove barriers, and foster an inclusive environment.

Key Commitment: Ensuring equitable opportunities and access, Creating innovative learning and working environments, and Nurturing an inclusive culture of belonging

Priority Area: Priority 4: Enhance Systemic Planning & Procedures

Goal: Ensure equitable distribution of resources to schools to better meet student needs.

OVERVIEW:

This action item seeks Board approval for the categorical budget transfers necessary to manage the Fiscal Year 2026 General Fund and ensure it concludes the fiscal year in compliance with state budgetary requirements.

In sum, the categorical transfers address the additional funding needs in the following state categories:

- o 02 (Mid-Level Administration)
o 10 (Operation of Plant)
o 12 (Fixed Charges)
o 14 (Community Services) and
o 15 (Capital Outlay)

RECOMMENDATION/FUTURE DIRECTION:

It is recommended that the Board approve the categorical transfer request to be submitted to the County Council for action no later than the legislative session of June 1, 2026.

Submitted by:

Darin Conforti, Executive Director of Budget, Budget Office

Sandra Austin, Coordinator of Budget

Approval/Concurrence:

William J. Barnes Superintendent

Karalee Turner-Little, Ph.D. Deputy Superintendent

M. Brian Hull Chief Financial Officer

## **Summary of Categorical Transfers**

In accordance with Maryland Annotated Code for Education §5-105, the Howard County Public School System (HCPSS) must ensure that expenditures within each state category do not exceed the authority approved by the Board of Education and the County Council.

Each spring, the Budget Office conducts a Cost to Complete (CTC) analysis in collaboration with Divisions and program managers to evaluate year-to-date actuals and project expenditures through June 30.

For FY 2026, the Budget Office has identified:

- Four state categories are projected to need additional budget authority totaling \$2,635,000. The list of the state categories needing additional budget authority are:
  - State category 02 – Mid-Level Administration \$500,000
  - State category 10 – Operation of Plant \$2,000,000
  - State category 14 – Community Services \$125,000
  - State category 15 – Capital Outlay \$10,000
- Staff is recommending that State Category 12 – Fixed Charges receive an additional \$1,000,000 of budget authority.
- Majority of the state categories are projected to have year-end budget savings. Staff is recommending budget authority be transferred from the following state categories to cover the \$3,635,000 of funding needs outlined above:
  - State category 03 – Instructional Salaries and Wages \$2,500,000
  - State category 08 – Student Health Services \$135,000
  - State category 09 – Student Transportation \$1,000,000

## **Details by State Category**

### ***Category 01– Administration***

This category includes costs for activities associated with the general regulations, direction, and control of the school system. No transfers are recommended for this category.

### ***Category 02– Mid-Level Administration***

This category contains instructional support services including central office instructional personnel, professional development, school-based office staff, school administration, media processing, and temporary employee services. Category 02 projects a need for \$500,000 of additional funding. Additional funding is necessary to cover cost differences for the use of pooled positions that were budgeted in State Category 03 to fill Leadership Intern positions in State Category 02.

### ***Category 03 – Instructional Salaries and Wages***

This category funds instructional salaries and wages, including classroom teachers, paraprofessionals, and substitute staff. Savings of \$2.5 million have been identified for transfer to meet needs in Mid-Level Administration, Category 02, Operation of Plant, Category 10, and Fixed Charges, Category 12.

### ***Category 04 – Textbooks and Instructional Supplies***

This category is comprised of expenditures and commitments for textbooks and instructional supplies for all schools. No transfers are recommended for this category.

### ***Category 05 – Other Instructional Costs***

This category is comprised of commitments for contracted services, professional development, and equipment used to support the instructional program. No transfers are recommended for this category.

### ***Category 06 – Special Education***

The Special Education category includes costs associated with the instructional needs of students receiving special education services. No transfers are recommended for this category.

***Category 07 – Student Personnel Services***

The Student Personnel Services category includes programs to improve student attendance and to solve student problems involving the home, school, and community. No transfers are recommended for this category.

***Category 08 – Student Health Services***

The Health Services category provides staffing for school health rooms, maintains student health records, identifies health problems, enforces immunization laws, and provides other services. Savings of \$135,000 have been identified for transfer to meet needs in Community Services, Category 14, and Capital Outlay, Category 15.

***Category 09 – Student Transportation***

The Student Transportation category funds transportation services for all eligible students, including those in general education, special education, specialized programs, and transportation such as student athletics. Savings of \$1.0 million have been identified for transfer to meet needs in Operation of Plant, Category 10.

***Category 10 – Operation of Plant***

This category includes custodial salaries and the cost of utilities. This category projects a need for \$2.0 million in additional funding. The increased funding needs are attributable to:

- Overtime wages for Custodial Services have exceeded the budget for several years with overages historically being covered by salary savings. In FY 2026, the calculation of hours eligible for overtime pay was modified by labor contract language because of an arbitration ruling. The new calculation of hours eligible for overtime pay is further increasing overtime wages requiring a categorical transfer to increase funding.
- Utility expenses are projected to exceed budget due to increasing energy rates.

***Category 11 – Maintenance of Plant***

This category includes the cost of building, grounds, and environmental maintenance. No transfers are recommended for this category.

***Category 12 – Fixed Charges***

This category includes the cost of employee benefits and other fixed charges and costs such as vehicle insurance, retirement contributions, life insurance, workers' compensation contributions from the General Fund, and unemployment insurance. Staff recommend that the school system's two self-insurance funds, the Health Fund and the Worker's Compensation Fund receive additional funding to bolster fund balances for fund liabilities. A \$1.0 million transfer to this category is advised to provide additional funding to the Health Fund (\$700,000) and the Workers' Compensation Fund (\$300,000).

***Category 14 – Community Services***

This category provides for the usage of our facilities by the community, grounds maintenance of school sites for community use, and other school system community services. Category 14 projects a need for \$125,000 of additional funding. This additional funding need is driven by:

- Additional document translation services for our Multilingual families.
- Additional wages for the Jim Rouse Theatre to assist schools in performances.

***Category 15 – Capital Outlay***

The Capital Outlay category includes costs for planning, administration, and oversight of the Capital Budget. Category 15 projects a need for \$10,000. This funding is due to School Planning wages for special projects running over budget and an unanticipated HCEA ESP premium pay associated with virtual work during inclement weather.

The following tables provide the specific Categorical Transfer request that will be submitted to the County Council.

**Table 1- Summary Schedule**

The first column is the current approved budget. The second column shows where budget authority is being transferred between state categories. The last column is the revised approved budget.

Major Category	General Fund Budget	Year-End Categorical Transfer	Revised Appropriation
State Cat 01 - Administration	\$ 14,388,369		\$ 14,388,369
State Cat 02 - Mid-Level Administration	73,840,630	\$ 500,000	74,340,630
State Cat 03 - Instructional Salaries and Wages	440,542,233	(2,500,000)	438,042,233
State Cat 04 - Instructional Textbooks/Supplies	8,010,840		8,010,840
State Cat 05 - Other Instructional Costs	20,021,010		20,021,010
State Cat 06 - Special Education	198,657,991		198,657,991
State Cat 07 - Student Personnel Services	12,388,807		12,388,807
State Cat 08 - Student Health Services	13,379,803	(135,000)	13,244,803
State Cat 09 - Student Transportation	74,313,904	(1,000,000)	73,313,904
State Cat 10 - Operation of Plant	61,226,241	2,000,000	63,226,241
State Cat 11 - Maintenance of Plant	32,633,462		32,633,462
State Cat 12 - Fixed Charges	263,918,156	1,000,000	264,918,156
State Cat 14 - Community Services	1,725,346	125,000	1,850,346
State Cat 15 - Capital Outlay	1,228,351	10,000	1,238,351
<b>Total</b>	<b>\$ 1,216,275,143</b>	<b>\$ -</b>	<b>\$ 1,216,275,143</b>

**Table 2- Detailed Transfer Schedules**

The schedule shows the specific movement of existing budget authority between state categories.

**Categorical Transfer Details**

	From State Category	Expense	To State Category	Expense
1	State Cat 03 - Instructional Salaries and Wages	\$ (500,000)	State Cat 02 - Mid-Level Administration	\$ 500,000
2	State Cat 03 - Instructional Salaries and Wages	(1,000,000)	State Cat 10 - Operation of Plant	1,000,000
3	State Cat 03 - Instructional Salaries and Wages	(1,000,000)	State Cat 12 - Fixed Charges	1,000,000
4	State Cat 08 - Student Health Services	(125,000)	State Cat 14 - Community Services	125,000
5	State Cat 08 - Student Health Services	(10,000)	State Cat 15 - Capital Outlay	10,000
6	State Cat 09 - Student Transportation	(1,000,000)	State Cat 10 - Operation of Plant	1,000,000

## **Cost to Complete and Projected FY 2026 Ending Fund Balance**

Overall, the General Fund is projected to end fiscal year 2026 marginally under budget. Revenues, excluding transfers and the use of fund balance, are expected to exceed budgeted levels slightly, primarily due to favorable investment earnings. Expenditures are projected to be approximately \$10.3 million below budget, or 0.8 percent, indicating that the General Fund will expend roughly 99.2 percent of its total appropriations.

The combination of higher-than-anticipated revenues and lower expenditures suggests that the planned use of fund balance and transfers from the Technology Fund may not be necessary to maintain a balanced budget. Consequently, the unassigned ending fund balance is projected to increase modestly, from the audited June 30, 2025, balance of \$12.5 million to an estimated \$13.9 million by June 30, 2026.

In accordance with Board Policy 4070 – Fund Balance, the target for the unassigned fund balance is 1 percent of annual General Fund expenditures. The projected fiscal year 2026 ending fund balance is estimated at 1.16 percent of expenditures, consistent with the Board’s established reserve target.

The actual year-end fund balance will ultimately depend on final revenue collections and expenditure outcomes. The audited fund balance will be reported in the Fiscal Year 2026 Annual Comprehensive Financial Report (ACFR), scheduled for release on September 30, 2026.

Table 3 on the following page presents the Fiscal Year 2026 Cost-to-Complete projections for the General Fund operating budget.

Table 3:

General Fund (Operating Budget) FY 2026 Cost to Complete Projection

General Fund	Budgetary Basis				
	Actual FY 2025*	Approved FY 2026	Estimated FY 2026*	Projected Actual to Budget FY 2026	Categorical Transfers
<b>SOURCES OF FUNDING</b>					
<b>County Funding</b>					
Subtotal Howard County	\$ 766,000,000	\$ 816,005,000	\$ 816,005,000	\$ -	\$ -
<b>State Funding</b>					
Subtotal State Funds	\$ 353,851,582	\$ 376,173,266	\$ 375,355,205	\$ (818,061)	\$ -
<b>Federal Funding</b>					
Total Federal Funds	\$ 528,283	\$ 410,000	\$ 400,157	\$ (9,843)	\$ -
<b>Other Funding</b>					
Total Other Funds	\$ 13,820,562	\$ 11,543,869	\$ 13,603,961	\$ 2,060,092	\$ -
Use of Fund Balance	-	2,143,008	-	(2,143,008)	
Transfer from Technology Services Fund		7,000,000	-	(7,000,000)	
Transfer from Health Insurance Fund		3,000,000	-	(3,000,000)	
<b>Total Sources of Funds</b>	<b>\$ 1,134,200,427</b>	<b>\$ 1,216,275,143</b>	<b>\$ 1,205,364,323</b>	<b>\$ (10,910,820)</b>	<b>\$ -</b>
General Fund	Actual FY 2025*	Approved FY 2026	Estimated FY 2026*	Actual to Budget FY 2026	Categorical Transfers
<b>USES OF FUNDING</b>					
<b>Categories</b>					
Administration	\$ 14,730,947	\$ 14,388,369	\$ 14,153,176	\$ (235,193)	\$ -
Mid-Level Administration	70,393,127	73,840,630	74,256,244	415,614	500,000
Instructional Salaries and Wages	423,418,905	440,542,233	435,673,125	(4,869,108)	(2,500,000)
Instructional Textbooks/Supplies	6,913,190	8,010,840	7,505,344	(505,496)	-
Other Instructional Costs	17,993,113	20,021,010	18,661,008	(1,360,002)	-
Special Education	182,974,629	198,657,991	198,081,521	(576,470)	-
Student Personnel Services	10,346,426	12,388,807	12,226,260	(162,547)	-
Student Health Services	11,807,384	13,379,803	12,580,543	(799,260)	(135,000)
Student Transportation	70,177,989	74,313,904	72,151,186	(2,162,718)	(1,000,000)
Operation of Plant	55,558,004	61,226,241	62,547,748	1,321,507	2,000,000
Maintenance of Plant	26,206,875	32,633,462	32,009,915	(623,547)	-
Fixed Charges	248,480,252	263,918,156	263,116,644	(801,512)	1,000,000
Community Services	4,155,268	1,725,346	1,822,951	97,605	125,000
Capital Outlay	1,138,283	1,228,351	1,232,489	4,138	10,000
Cancellation of Prior Year Encumbrance:	(1,785,471)	-	-		
<b>Total Uses of Funds</b>	<b>\$ 1,142,508,921</b>	<b>\$ 1,216,275,143</b>	<b>\$ 1,206,018,154</b>	<b>\$ (10,256,989)</b>	<b>\$ -</b>
<b>Sources Over(Under) Uses</b>	<b>\$ (8,308,494)</b>	<b>\$ -</b>	<b>\$ (653,831)</b>		
<b>Fund Balance Summary (Budgetary Basis)</b>					
Beginning Fund Balance	\$ 24,074,721	\$ 8,193,393	\$ 15,766,227		
Sources Over Uses (Use) or Gain of Fund Balance	(8,308,494)	(2,143,008)	(653,831)		
<b>Ending Fund Balance</b>	<b>\$ 15,766,227</b>	<b>\$ 6,050,385</b>	<b>\$ 15,112,396</b>		
<b>Ending Fund Balance Summary (Budgetary Basis)</b>					
Nonspendable Prepaid Expense	\$ 86,590	\$ 89,168	\$ 86,590		
Nonspendable Inventories	509,853	591,147	509,853		
Assigned	2,143,008	-	-		
Unassigned	12,448,840	4,792,134	13,938,017		
GAAP Adjustment - Budgetary Basis	577,936	577,936	577,936		
<b>Total Ending Fund Balance</b>	<b>\$ 15,766,227</b>	<b>\$ 6,050,385</b>	<b>\$ 15,112,396</b>		
<i>*Actual revenues do not include use of fund balance.</i>					
<b>Unassigned Fund Balance as % of Total</b>					
<b>Uses</b>	<b>1.09%</b>	<b>0.39%</b>	<b>1.16%</b>		