



May 8, 2019
MEMORANDUM

To: Members of the Board of Education

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

Subject: FY2020 Operating Budget Revenue Clarification and Potential Savings Items

The purpose of this memorandum is to provide you a copy of my prepared remarks as well as back-up information for today's budget work session:

"Our students, staff and families deserve our best efforts to define needs and align our budget to meeting those needs. Before we begin, I want to ensure that our staff and our community know that no definitive decisions have been made about the budget at this point in the process.

Today's discussion will get us one step closer to deciding what we present to the County Council next week. Unfortunately, our first opportunity to discuss the operating budget with the County Council had to be postponed to next week on May 15. Prior to this work session, the County Council will hold a public hearing on the proposed budget on Monday, May 13 at 1:00pm. In the interim, we have reached out to County Council members and offered to meet in advance, so we can prepare for the May 15th work session.

Following the work session to discuss the proposed budget and our system's needs, the County Council will continue its deliberation, considering the information we present and any amendments they or the County Executive may propose. This discussion will occur at a County Council meeting on May 24. Once the County Council adopts the budget on May 29, the Board will come back together to adopt the FY2020 Budget for HCPSS and make any final decisions and determinations. The final Board meeting on the budget is tentatively scheduled for May 30 at 9:00am.

There has been a lot of discussion about the school system's budget recently, and it is important that we share factual information about revenues and how they can be used as clearly as possible. Some of the numbers that have been publicized are confusing, so I would like to provide to the Board a breakdown of the various revenue sources identified in the budget proposed by the County Executive.

Previously, we had provided you a revenue summary, which is included as an attachment in your packet today under the title "Summary of Operating Budget Changes FY19-20."

Breakdown of Revenues

County Revenue: The County Executive's proposed budget provides a total of \$15.8M in new county revenue to fund salary increases:

- \$10.7M is mandated by the state's Maintenance of Effort formula to hire staff and provide transportation for 850 new students.
Impact: HCPSS will not have funds to hire the additional educators and paraeducators or provide the transportation needed for new students

- \$5.1M is the amount above this enrollment related increase.
Impact: No progress on the HCPSS priorities of student well-being, restorative practices, diversity, equity and inclusion

State Revenue: The County Executive's proposed budget provides a total of \$24.7M, which includes \$15.9M in state formula funding and \$8.7M in state revenue through Kirwan Commission legislation, appropriated by the County to fund salary increases. Background information from MSDE about Kirwan Commission funding is provided as an attachment.

- \$4.4M of Kirwan Commission funds can be used for teacher salary increases (not including related benefit cost increases).
Impact: Use of these funds is consistent with state mandate
- \$4.3M of Kirwan Commission funds, as mandated by law, must be used for special education, Pre-K and other specific expenses.
Impact: HCPSS is required to report the status of these funds to the Maryland General Assembly by December 2019 and will be non-compliant if funds are not spend in accordance with law

Use of HCPSS Fund Balance: The County Executive's proposed budget assumes using all of HCPSS' \$10M in fund balance, achieved through HCPSS Central Office reorganization and efficiencies in FY2018, to fund salary increases. These efficiencies were reflected in the leaner FY2019 budget.

- \$10M General Fund Balance is for contingencies and should not be considered as revenue or used for recurring expenses. This money is included in the "miscellaneous revenues" identified by the County.
Impact: Use of funds on recurring expenses will result in an automatic \$10M deficit for the FY2021 HCPSS budget and will need to be offset through new revenues. We do not expect to generate the same amount of savings in each of the current or future fiscal years, as the HCPSS budget is now much leaner than in FY2018.

While the combined revenues, in dollars, appear to be enough to cover the cost of negotiated salary increases, in reality, some of these revenues cannot be used for this expense. We cannot state that we have sufficient funding to pay for negotiated salary increases.

Budget Shortfall

When we met last week to discuss the proposed budget and the size of the shortfall, the Board directed me to provide a range of options for possible savings in order to meet the Board's obligations. As you will see on the Potential Savings Options chart in your packet, the budget, as proposed, presents us with a \$37.9 million shortfall if you consider the County's proposal that we use one-time funds for recurring expenses. Board members have expressed unease with using these dollars for recurring expenses as that is not a sustainable use for those funds. In fact, decisions of the past to use one-time funds for recurring expenses is in part what has put us in this position today, with many obligations, and quite frankly, expectations from the community to continue programs and activities that many of our neighboring jurisdictions do not provide precisely because of these funding challenges.

Potential Savings as Requested by BOE

In the Potential Savings Options chart, you will find a list of possible ways to provide savings to offset this \$37.9 million shortfall. There are many potential ways to address this shortfall, each one with its own set of impacts, which staff members are prepared to discuss with you.

We've dug deep and identified over \$6 million in efficiencies from a Central Office that has already undergone a significant reduction over the last two years. Additionally, the list includes programs we can scale back to realize savings while not totally eliminating them.

Since the discussion at the Board meeting last week about potential class size increases, there has been much community discussion. Yes, an increase in class size by 1 or 2 is on this list because that is one possible lever to provide savings, but I want our staff and community to understand that no decision has been made. When it became apparent that increasing class size could be an option, I directed staff to prepare alternate plans for possible changes as this type of change requires extensive planning and coordination. It would be unfair to our employees to wait until early June to begin a process that at that point would drag well into the summer. All of our conversations have stressed that this is only a possibility but that we needed to be transparent as we developed these contingent plans.

As you review the list of potential savings, you will note that there is a way forward to offset the shortfall without a significant class size increase. None of these options are easy or without drawbacks, including the one that would increase the Health Fund deficit that we have worked hard to contain over the last two years.

Recommendation

Board members, my recommendation continues to be that while we take the time to understand the impact of these potential savings, we must continue to advocate on behalf of our school system and our needs. I hope this document serves as a starting point for Board members to consider your own proposals for savings as we prepare to meet with the County Council.

I want to emphasize to the Board that throughout this process, we have been discussing revenue numbers and dollars needed for obligations and working from the FY19 budget. As such, there are no additional positions or programs that will advance unless the County Council restores funding for them. As we enter the next few weeks of discussions with the County Council, I would like us to bring the conversation back to our students and their needs. I want to direct your attention to the HCPSS FY2020 Budget Summary document we prepared. This document summarizes the dollars and impact of these critical needs. These needs are the ones we identified together and should continue to advocate for restoration of funds, including the critical priority areas of Restorative Practices; Diversity, Equity and Inclusion; Student Mental Health and Well-Being; Special Education; Supports for our minority and international families; and Deferred maintenance.”

Attachments:

1. Summary of Operating Budget Changes FY19-20 (Revenue Breakdown)
2. Kirwan Commission Information from DLS
3. Potential Savings List
4. Class Size Options
5. FY2020 Budget Summary (One-Pager)

cc: Executive Staff
Board of Education Office

Summary of Operating Budget Changes FY19-FY20

Howard County Public School System

FY 2019 Operating Budget Revenue (All funding sources: County, State and Others)	\$ 862,386,006	
FY 2020 Operating Budget Revenue Increase	15,861,119	\$ 605,200,000
FY 2020 State Revenue	15,951,151	265,711,822
FY 2020 Kirwan Funding (State)	8,731,593	8,731,593
FY 2020 Other Revenue (includes HCPSS fund balance of \$10M)	5,511,428	17,697,882
One time Funding - FY 2019 (Nonrecurring dollars)	(11,100,000)	-
Total Revenue FY 2020	897,341,297	897,341,297

Total FY 2020 Operating Budget Revenue	\$ 897,341,297	\$ 897,341,297
Total New Revenue	\$ 34,955,291	\$ 34,955,291

FY 2020 Salary Expenditures

Prior Year Step Increase (Per FY 2019 negotiated agreement)	(6,733,135)	(6,733,135)
Salaries @3% (FY 2020 negotiated agreement) *	(19,266,651)	(19,266,651)
Kirwan Commission additional State funding for teachers **	(4,389,463)	(4,389,463)

Subtotal Revenue Remaining	\$ 4,566,042	\$ 4,566,042
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Additional Kirwan Fund

Special Education	(2,737,587)	(2,737,587)
Transitional Supplemental Instruction	(804,970)	(804,970)
Mental Health Coordinator	(83,333)	(83,333)
Supplemental Pre-K	(717,240)	(717,240)

Balance to Support Health Fund

222,912 222,912

Additional Obligations

Other salaries for non teachers (Me too language)	(3,100,000)	(3,100,000)
Health Fund	(7,000,000)	(7,000,000)
New Enrollment SY 2019/2020 (Staffing and transportation) ***	(11,500,000)	(11,500,000)
NonPublic Placement - Special Education	(3,800,000)	(3,800,000)
Other items****	(2,500,000)	(2,500,000)

Total Additional Obligations	\$ (27,900,000)	\$ (27,900,000)
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* To meet the eligibility criteria for the Kirwan Commission funding of teachers' salaries.

** Kirwan Commission - SB 1030 funding for teachers' salaries over the 3% level

*** Staffing for enrollment growth of 850 new students (\$10.3M) and transportation cost for the students (\$1.2M)

**** Materials of instruction (MOI) and operations of plant



Kirwan Commission Information from Department of Legislative Services (DLS)
May 7, 2019

In an effort to better understand the intent of additional funding that may be provided to the Howard County Public School System through the Kirwan Commission, the following questions were presented to the Maryland State Department of Education. The responses received from MSDE are provided for clarification.

1. SB1030 provides additional state aid (\$75M statewide and \$4.4M in Howard County) as incentive for above 3% teachers' salaries, and requires that the school system provide "documentation that a total salary increase for teachers of at least 3% over the current fiscal year was funded in fiscal year 2020". Can the 3% "funded" requirement be met by combining County funding and State funding (governor's proposal) before Kirwan legislation?

Response:

Yes

2. SB1030 includes additional state aid such as: incentive funding to teachers' salaries beyond 3% (\$4.4M in Howard County), special education (\$2.7M in Howard County). Will these funding stay in the base and continue in FY 2021 and beyond, or rather, will they be one-time non-recurring funding? This question is important as COLA and increment funding in collective bargaining agreements stay in the base.

Response:

The categorical funds in SB 1030 are mandated in both FY2200 and 2021, and are intended to remain in the base in future years as well.

3. SB1030 mentions incentive funding to teachers' salaries beyond 3% in FY 2020 and FY 2021. If the county school system has a 2-year collective bargaining agreements with, say, 4% growth each year, will the Kirwan legislation provide incentive salary grants (\$4.4M in Howard County) in FY 2020 and beyond as on-going aid, and additional incentive on top of the original \$4.4 million in FY 2021 for the second year's teachers' salary growth?

Response:

SB1030 only provides an incentive for one "round" of salary increases – beginning in either FY2020 or, if a county does not qualify in FY 2020 but does in FY 2021, then in FY 2021. But the intent in next year's legislation is to build on the salary incentive grants for FY 2021 and beyond.

4. Do you have any recommendations regarding whether these above Kirwan aid can be included in county school General Fund or need to be put into Grant Fund? Or rather, is it up to local governments?

Response:

This question of whether the SB1030 funds should be budgeted as unrestricted or restricted funds came up at the May 5, 2019, CFO meeting. Since the bill requires LEAs to report on how the State funds are allocated and used to implement Commission recommendations, there will be a need to track the use of the funds which suggests restricted funds. The only exception is the teacher salary funds since they are clearly (with documentation provided) going toward salaries and are more "general" funds.

5. Any other clarification you could provide regarding local match requirement in FY 2020, FY 2021 or beyond, and permanent vs one-time nature of the Kirwan funding?

Response:

Per SB 1030, the only local "match" requirement is the permanent 3% teacher salary increase in FY2020 (or FY2021). As I noted above, SB 1030 does mandate the categorical funding in FY 2020 and 2021, and mandates at least \$370 million – and up to \$500 million – for FY2022.

Revenues Currently Available for The Blueprint for Maryland's Future

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>
Education Trust Fund (ETF) Lockbox	\$ 100,750,000	\$ 225,750,000	\$ 350,750,000
The Blueprint for Maryland's Future Fund	134,500,000	65,500,000	
Additional ETF	15,766,919	15,981,861	16,199,559
Teacher Induction, Retention and Advancement Pilot Program unused funds	4,000,000	4,000,000	4,000,000
Corporate Filing Fees		36,000,000	
Marketplace facilitators/out-of-state vendors		TBD	TBD
Total	\$ 255,016,919	\$ 347,231,861	\$ 370,949,559

Notes:

- 1) \$24.25 million of the first \$125 million ETF Lockbox allocation is not available for The Blueprint for Maryland's Future because it is being used to fund a portion of the 2018 Kirwan initiatives
- 2) FY 21 and 22 ETF revenues assume the full additional ETF Lockbox amount is used to implement The Blueprint for Maryland's Future
- 3) Sales tax revenues from marketplace facilitators and out-of-state vendors that exceed \$100 million annually beginning in FY 20 are dedicated to The Blueprint Fund, contingent on enactment of SB 728

SB 1030 Spending Priorities for The Blueprint

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>
Prekindergarten	\$ 31,677,733	\$ 53,580,852	\$ 53,580,852
Teacher Salary Incentive	75,000,001	75,000,001	75,000,001
Concentration of Poverty Grants	54,620,597	58,850,758	58,850,758
Transitional Supplemental Instruction	23,000,000	23,000,000	23,000,000
Special Education	65,468,588	65,468,588	65,468,588
Mental Health Coordinators	1,999,992	1,999,992	1,999,992
Teacher collaboratives	2,500,000	2,500,000	2,500,000
Outreach/training	250,000	250,000	250,000
MSDE IT System	500,000	150,000	150,000
Declining enrollment grants		16,655,611	16,655,611
The Blueprint for Maryland's Future Fund		58,000,000	73,000,000
Subtotal	255,016,911	355,455,802	370,455,802
The Blueprint Fund contingent on revenues		TBD	130,000,000
Total	255,016,911	355,455,802	500,455,802
Inspector General for Education Office	689,137	767,162	792,560
Grand Total	\$ 255,706,048	\$ 356,222,964	\$ 501,248,362

Notes:

- 1) FY 20 funding for the Inspector General for Education is in the budget contingent on enactment of SB 1030 and the Governor's release or transfer of FY 20 funding restricted in the budget for SB 1030 priorities
- 2) FY 21 and 22 The Blueprint Fund revenues are contingent on enactment of SB 728. Up to \$95 million of those available revenues in FY 21 may be used to provide additional special education funding
- 3) FY 22 amounts assume level funding for programs; funding above \$370 million is contingent on additional available revenues enacted in the 2019 or 2020 sessions (including SB 728 of 2019)

**SB 1030 The Blueprint for Maryland's Future
FY 2020 Allocations**

<u>County</u>	<u>special ed</u>	<u>concentration of poverty</u>	<u>PreK</u>	<u>TSI</u>	<u>Teacher Salaries</u>	<u>Mental Hlth coordinator</u>	<u>Total</u>
Allegany	1,296,278	497,666	142,390	254,620	992,058	83,333	3,266,345
Anne Arundel	4,170,349	497,666	2,191,160	1,201,303	5,417,212	83,333	13,561,023
Baltimore City	9,735,179	32,348,290	-	4,106,651	8,432,994	83,333	54,706,447
Baltimore	8,465,089	995,332	593,139	2,639,455	9,846,034	83,333	22,622,382
Calvert	955,841	-	-	271,549	1,493,954	83,333	2,804,677
Caroline	602,311	497,666	1,489,556	274,271	706,381	83,333	3,653,518
Carroll	1,662,902	-	160,154	428,955	2,255,287	83,333	4,590,631
Cecil	1,623,621	497,666	-	440,613	1,552,837	83,333	4,198,070
Charles	2,239,026	-	1,162,379	772,300	2,819,158	83,333	7,076,196
Dorchester	373,171	1,492,998	1,036,765	248,272	525,025	83,333	3,759,564
Frederick	2,965,727	497,666	243,557	855,705	4,073,708	83,333	8,719,696
Garrett	170,218	497,666	-	84,599	268,492	83,333	1,104,308
Harford	2,893,712	746,499	842,173	629,850	3,460,022	83,333	8,655,589
Howard	2,736,587	-	717,240	804,970	4,389,463	83,333	8,731,593
Kent	124,390	-	-	47,683	55,218	83,333	310,624
Montgomery	9,132,868	1,990,664	2,373,070	2,735,361	8,109,168	83,333	24,424,464
Prince George's	10,114,897	11,197,485	14,026,871	4,819,614	13,386,052	83,333	53,628,252
Queen Anne's	392,812	-	217,248	133,820	544,458	83,333	1,371,671
St. Mary's	1,191,528	-	481,591	457,721	1,710,662	83,333	3,924,835
Somerset	412,452	995,332	-	111,326	340,287	83,333	1,942,730
Talbot	229,140	-	145,604	93,315	114,126	83,333	665,518
Washington	1,931,323	248,833	3,844,773	828,151	2,520,132	83,333	9,456,545
Wicomico	1,689,090	1,492,998	2,008,976	680,937	1,821,795	83,333	7,777,129
Worcester	360,077	-	1,087	78,959	165,478	83,333	688,934
Unallocated							3,376,170
Total	65,468,588	54,494,427	31,677,733	23,000,000	75,000,001	1,999,992	255,016,911

Note: Unallocated includes \$250,000 for outreach and training; \$126,170 for MSDE Community School Coordinator; and \$2.5 million for teacher collaboratives

**SB 1030 The Blueprint for Maryland's Future
FY 2021 Allocations**

<u>County</u>	<u>special ed</u>	<u>concentration of poverty</u>	<u>PreK</u>	<u>TSI</u>	<u>Teacher Salaries</u>	<u>Mental Hlth coordinator</u>	<u>Declining Enrollment</u>	<u>Total</u>
Allegany	1,296,278	1,244,165	146,626	254,620	992,058	83,333	65,758	4,082,838
Anne Arundel	4,170,349	1,741,831	2,277,734	1,201,303	5,417,212	83,333	0	14,891,762
Baltimore City	9,735,179	31,601,791	19,203,044	4,106,651	8,432,994	83,333	14,223,540	87,386,532
Baltimore	8,465,089	995,332	616,297	2,639,455	9,846,034	83,333	0	22,645,540
Calvert	955,841	0	-	271,549	1,493,954	83,333	0	2,804,677
Caroline	602,311	497,666	1,537,126	274,271	706,381	83,333	0	3,701,088
Carroll	1,662,902	0	161,205	428,955	2,255,287	83,333	1,534,888	6,126,570
Cecil	1,623,621	497,666	-	440,613	1,552,837	83,333	625,133	4,823,203
Charles	2,239,026	0	1,195,349	772,300	2,819,158	83,333	0	7,109,166
Dorchester	373,171	1,492,998	1,084,105	248,272	525,025	83,333	0	3,806,904
Frederick	2,965,727	746,499	248,885	855,705	4,073,708	83,333	0	8,973,857
Garrett	170,218	497,666	536,186	84,599	268,492	83,333	54,630	1,695,124
Harford	2,893,712	746,499	872,634	629,850	3,460,022	83,333	0	8,686,050
Howard	2,736,587	0	750,624	804,970	4,389,463	83,333	0	8,764,977
Kent	124,390	0	147,891	47,683	55,218	83,333	151,662	610,177
Montgomery	9,132,868	2,488,330	2,461,570	2,735,361	8,109,168	83,333	0	25,010,630
Prince George's	10,114,897	11,446,318	14,305,068	4,819,614	13,386,052	83,333	0	54,155,282
Queen Anne's	392,812	0	224,998	133,820	544,458	83,333	0	1,379,421
St. Mary's	1,191,528	248,833	497,952	457,721	1,710,662	83,333	0	4,190,029
Somerset	412,452	1,492,998	1,128,451	111,326	340,287	83,333	0	3,568,847
Talbot	229,140	0	149,243	93,315	114,126	83,333	0	669,157
Washington	1,931,323	995,332	3,972,562	828,151	2,520,132	83,333	0	10,330,833
Wicomico	1,689,090	1,990,664	2,062,187	680,937	1,821,795	83,333	0	8,328,006
Worcester	360,077	0	1,114	78,959	165,478	83,333	0	688,961
Unallocated								61,026,170
Total	65,468,588	58,724,588	53,580,852	23,000,000	75,000,001	1,999,992	16,655,611	355,455,802

Note: Unallocated includes \$250,000 for outreach and training; \$126,170 for MSDE Community School Coordinator; and \$2.5 million for teacher collaboratives and \$58 million mandated appropriation to The Blueprint for Maryland's Future Fund

	FY20	FY21
ALLEGANY	2	5
ANNE ARUNDEL	2	7
BALTIMORE CITY	124	127
BALTIMORE COUNTY	4	4
CALVERT	0	0
CAROLINE	2	2
CARROLL	0	0
CECIL	2	2
CHARLES	0	0
DORCHESTER	6	6
FREDERICK	2	3
GARRETT	2	2
HARFORD	3	3
HOWARD	0	0
KENT	0	0
MONTGOMERY	8	10
PRINCE GEORGES	45	46
QUEEN ANNES	0	0
SOMERSET	4	6
ST. MARY'S	0	1
TALBOT	0	0
WASHINGTON	1	4
WICOMICO	6	8
WORCESTER	0	0
Grand Total	213	236

**School Construction
FY 2020**

General Funds	Governor	Final	Difference
Healthy School Facilities Fund	\$30.0	\$30.0	\$0.0
Public School Safety Improvements	10.0	10.0	\$0.0
Nonpublic School Safety Improvements	3.5	3.5	\$0.0
Public School Construction Program - Revenue Stabilization Account	0.0	90.0	\$90.0
Public School Construction Program - Dedicated Purpose Account*	0.0	37.0	\$37.0
General Fund Subtotal:	\$43.5	\$170.5	\$127.0
Special Funds			
Building Opportunity Fund - Education Trust Fund	\$45.0	\$0.0	-\$45.0
Local Share of School Construction Costs Revolving Loan Fund	20.0	0.0	-\$20.0
Special Fund Subtotal:	\$65.0	\$0.0	-\$65.0
GO Bonds			
Public School Construction Program	\$280.0	\$251.8	-\$28.2
Supplemental Capital Grant Program	40.0	68.2	\$28.2
Aging Schools Program	6.1	6.1	\$0.0
Nonpublic Aging Schools Program	3.5	4.0	\$0.5
GO Bond Fund Subtotal:	\$329.6	\$330.1	\$0.5
Total	\$438.1	\$500.6	\$62.5

* \$9.285 million restricted for forward funded projects that can only be reimbursed with PAYGO funds

Class Size Options								
Class Size Increase	0.5		1		1.5		2	
	Teachers	Savings	Teachers	Savings	Teachers	Savings	Teachers	Savings
K (current max 24)	N/A	\$0	15	\$900,000	N/A	\$0	22	\$1,320,000
1 & 2 (current max 25)	N/A	\$0	18	\$1,080,000	N/A	\$0	32	\$1,920,000
3 - 5 (current max 31)	N/A	\$0	8	\$480,000	N/A	\$0	25	\$1,500,000
Related Arts: ART	N/A	\$0	2.4	\$144,000	N/A	\$0	4.4	\$264,000
Related Arts: MUSIC	N/A	\$0	2.4	\$144,000	N/A	\$0	4.4	\$264,000
Related Arts: PE	N/A	\$0	2.2	\$132,000	N/A	\$0	4.2	\$252,000
Related Arts: MEDIA	N/A	\$0	3.2	\$192,000	N/A	\$0	4.4	\$264,000
Related Arts: TECH	N/A	\$0	2.4	\$144,000	N/A	\$0	4.2	\$252,000
MS (current ratio 1:21)	15	\$900,000	29.7	\$1,782,000	43.6	\$2,616,000	56.7	\$3,402,000
HS (current ratio 1.4:28)	16.1	\$966,000	31.5	\$1,890,000	46	\$2,760,000	60.4	\$3,624,000
Teacher Total	31.1	\$1,866,000	114.8	\$6,888,000	89.6	\$5,376,000	217.7	\$13,062,000
Paraeducators (Elementary Only)			3	\$81,000			8	\$216,000
Total	31.1	\$1,866,000	117.8	\$6,969,000	89.6	\$5,376,000	225.7	\$13,278,000

Potential Cuts / Savings from May 8, 2019 Work Session

Description	Impact	Amount	Dr. M's Proposal
Shortfall	Based on the County Executive Budget, excluding Fund Balance.	\$ (37,900,000)	\$ (37,900,000)
Fund Balance	FY 2020 Proposed Budget includes the use of \$10M from the Fund Balance. Using a one-time revenue to fund recurring cost is not fiscally prudent because it means the school system will start FY 2021 Budget with a negative \$10M that must be filled by savings of equal amount at the end of FY 2019.	10,000,000	10,000,000
Total Shortfall including Fund Balance Use		\$ (27,900,000)	\$ (27,900,000)
Central Office (Non School Based)	Spending Freeze / Hiring Freeze / Lapse Salaries / Turnover / Cuts There will be a central office spending and hiring freeze. Positions currently vacant will not be filled and spending will be limited to essential expenditures only. Consideration will be given to impact on schools and safety of our students and operations. This also includes elimination of some Central Office positions.	6,500,000	6,500,000
Fixed Charges	Health Fund If the healthcare cost will not be fully funded for employees in FY 2020, the impact will be an increase in the deficit from \$37M to \$44M.	7,000,000	7,000,000
Business and Technology	Information Technology Reduction will delay implementation timeline for Technology Security and other projects with adverse effect on all students and staff. Impact will also reduce the amount of computers purchased for New Educator Orientations (NEOs). Reduction will delay the implementation of the Telecommunication project.	1,100,000	1,100,000
Communication, Community & Workforce Engagement	Print Services Efficiencies Eliminate (move online) printed calendars, student folders, postcards, guides, literary magazines, HR/Recruitment materials, W-2s and other systemwide forms and flyers	150,000	150,000
Operations	Utilities This will be closely monitored to make sure that any increases over projected amount is addressed quickly through potential savings from other areas, including categorical transfers.	1,000,000	1,000,000
Kirwan Commission Funding	Mental Health Coordinator		83,333

Potential Cuts / Savings from May 8, 2019 Work Session

Description	Impact	Amount	Dr. M's Proposal
Curriculum and Instruction	Academics - Curriculum & Instruction		
	Reduction of elementary technology teachers from 62.2 to 42.0	1,111,000	1,111,000
	Increase of elementary media specialists by 3.7.	(203,500)	(203,500)
	<p>The time students spend in technology instruction will be reduced from 60 minutes a week to 30 minutes a week. Technology instruction is important to the school system and will continue to be a fundamental part of classroom instruction, as well as, in the related arts block through the 30 minutes a week instruction. In order to preserve the elementary school teacher planning time - the technology instruction will be reduced from 60 minutes a week to 30 minutes a week and the time in Media will be increased from 45 minutes to 60 minutes a week. Impacts on student performance and preservation of the teacher planning time in elementary schools were critical considerations. Classroom teacher planning time would remain at 60 minutes per day, a decrease of 15 minutes a week.</p>		
	Reduction of elementary instrumental music teachers from 52 to 26	1,430,000	
	<p>We will reduce the instruction in this area and the changes at the elementary level would be as follows:</p>		
	<ol style="list-style-type: none"> 1. Strings instruction will now start in Grade 4 as opposed to Grade 3. 2. Sectionals would need to be grouped by instrument family, for example rather than having 4th grade trumpets, we will have a sectional for 4th grade brass instruments. 3. Some elementary instrumental music teachers currently specialize in either band or strings. This would no longer be possible. 		
	Reduction of G/T teachers - elementary from 79.5 to 42; middle from 60 to 20	4,502,500	
	Elementary Impact:		
	<p>In almost all schools, grade 4 and 5 G/T math would be delivered by grade level teachers. So, rather than having 4 classes of 28 homeroom students going to 5 math classes of an average of 22.4, the students would stay as 4 classes for math. Schools will still have designated resources for Gifted & Talented programming and the allocation of the remaining 42 positions would take into account enrollment and the number of students eligible for GT programming. This will allow us to continue to offer CEUs and Seminars to students. However, the number of students served by the program would most likely decrease.</p>		
	Middle Impact:		
	<p>Currently each middle school is assigned 3 positions from the Gifted and Talented budget. One position is designated for GT research and seminars. Two of the positions to support GT classes. In this option the staffing is reduced by 2 positions per school. The schools will staff the same classes using their allocated staffing. This will cause an increase in average class sizes in middle schools.</p>		

Potential Cuts / Savings from May 8, 2019 Work Session

Description	Impact	Amount	Dr. M's Proposal
SMIL	Reduction of Elementary Paraeducators from 216 to 132	2,016,000	
Academics - Curriculum & Instruction	Increase Kindergarten Paraeducators from 84.5 to 97 The average school would be reduced from 5 paraeducators to support Grades 1 through 5 to 3. One school may choose to have 1 paraeducator in Grade 1, Grade 2 and Grade 3, therefore phasing out the paraeducator support that students require less of as they get older. Another school may choose to have 1 paraeducator in Grade 1 and then the remaining 2 to support the other 4 grades. We also then proposed that the additional positions required to support our Kindergarten students be added back (12.5). This meets the commitment we made to provide 1 paraeducator for every 2 Kindergarten teachers.	(300,000)	
Academics - Curriculum & Instruction	Elimination of Middle School Math Paraeducators (15 positions) Math classes will still be supported through the MISTs and through special education paraeducators who may be present in math classes for students who have needs in math.	360,000	
Academics - Curriculum & Instruction	Elimination of Middle School Reading Paraeducators (5 positions) Reading instruction will continue to be supported by the Reading Specialists, special education teachers and general education teachers in the middle school setting.	120,000	
Business & Technology	Fixed charge savings (FICA, Pension) from Academics - C&I and SMIL FICA 7.65%, Pension 4.47% for teachers	1,080,619	
	Fixed charge savings (FICA, Pension) from Academics - C&I and SMIL FICA 7.65%, Pension 4.47% for elementary technology teachers		114,800
	Subtotal of Curriculum & Instruction	10,116,619	1,022,300
Pool Positions	Reducing the pool position from 40 to 35. The reduction of five will still allow for SMIL staff to allocate additional teachers based on increases in enrollments.	350,000	350,000
Class Size	Increase class size by either 1 or 2 (by 1 = \$6.96M and 2 = \$13.3M) This will lead to surplusing of teachers and increasing our current ratio. Please see attached sheet for specific potential savings for different class size increase scenarios.	13,278,000	
Total Potential Cuts/Savings		\$ 39,494,619	\$ 17,205,633
			\$ (10,694,367)

FY 2020 Savings Plan from Central Office		
Description		Amount
Central Office		
Hiring Freeze (Eliminate) - 3 FTEs currently vacant		
Office of Budget and Finance - Assistant Accounting Manager	0206 Accounting (0206)	132,009
Office of Superintendent -Strategic Alignment and Analytics Coordinator	0102 Office of the Superintendent (0102)	140,215
Capital Planning and Operations - Administrative Assistant	0207 Capital Planning and Operations (0207)	83,375
Subtotal		\$355,599
Spending Freeze - Supplies and Materials		
50% on supplies accounts		211,000
Subtotal		\$211,000
Lapse salaries/Turnover		
7.0 Positions will not be filled in the first half of FY20 - impact on school operations and student safety will be evaluated		369,500
Subtotal		\$369,500
District-wide		
Spending Freeze - Supplies and Materials		
25% all supplies accounts		3,600,000
Subtotal		\$3,600,000
Lapse salaries/Turnover		
19.0 non-instructional Positions will not be filled in the first half of FY20 - impact on school operations and student safety will be evaluated.		520,000
Turnover in all programs will be increased - non instructional		1,400,000
Subtotal		\$1,920,000
Grand Total		\$6,456,099



HCPSS FY 2020 Budget

The Board's budget request represents an increase of \$52.3 M in county funding and a one-time ask of \$37 M to eliminate the health fund deficit. This request addresses the Board's **obligations** and begins to address some of the **needs** articulated in the Superintendent's originally proposed budget, scaled over several years. In addition to the requested funds, the budget incorporates \$283.4 M in state and federal appropriation and other funding. The request for county funds includes \$10.8 M for Maintenance of Effort based on a state formula to support enrollment growth from last year.

Why MOE Funding is Not Enough

Maintenance of Effort (MOE) would only provide a \$10.8 M increase which cannot support our FY 2020 enrollment growth, the Board's commitments or address our needs. This level of funding will require the Board to make significant cuts and decisions that will impact the financial stability of the school system, including:

- Staffing remaining at FY 2018 levels
- Addition of \$11.1 M to the health care deficit already at -\$37 M
- Class size increase across all levels
- Reduction of \$11.1 M through program reductions and staff cuts

What Are the Board's "Obligations"?

The Board of Education's FY 2020 obligations include \$32.7 M for negotiated salary increases, \$11.1 M to fully fund benefits and health fund requirements and \$10.7 M in staff and resources for expected enrollment growth.

What Needs Will Be Addressed Beyond Obligations?

Special Education

\$5.8 M for 144.7 positions to account for student growth and needs, including teachers, paraeducators, speech pathologists and occupational therapists to begin a 10-year process that aligns staffing to current formulas.

Mental Health and Well-Being

\$2.7 M for 34 positions, including school social workers, psychologists, counselors, nurses and others to begin a 6-year process to support growing numbers of students and staff affected by mental health, social-emotional and behavioral issues.

Restorative and Inclusive Supports

\$425,000 for 3 positions to accelerate implementation to institutionalize restorative practices and equity work into the curriculum and culture giving our work more permanency and making it more sustainable.

Program Innovation and Technologies for the 21st Century Workforce

\$2.8 M to provide equity in classroom technologies and enhance learning and career options.

Addressing Deferred Maintenance

\$8.1 M for essential upgrades and maintenance of school buildings, grounds, vehicles and facilities showing the impact of long and heavy use.

Supports for Families

\$520,000 to expand supports for minority and international students and those impacted by poverty.

Balancing Capacity and Changing Start Times

\$1.1 M for software to improve transportation routing and a redistricting consultant to support comprehensive boundary line adjustments and adjust start times.

FY 2020 Operating Budget Public Input Opportunities

March 5 - 7:00 p.m. County Executive Public Hearing on FY 2020 Budget

April 24 - 7:00 p.m. County Council Public Hearing on Board of Education's Requested Budget

April 25 - 7:00 p.m. Board of Education Public Hearing on Requested Budget

For complete information about the budget and to testify at upcoming public hearings, visit:

www.hcpss.org/budgets