



BOARD OF EDUCATION OF HOWARD COUNTY
MEETING AGENDA ITEM

TITLE: FY 2021 Categorical Budget Transfer **DATE:** April 29, 2021

PRESENTER(S): Darin Conforti and Sandra Austin

Strategic Call To Action Alignment:

Responsive and Efficient Operations: Operations and practices are responsive, transparent, fiscally responsible, and accountable, with students at the heart of all decisions.

OVERVIEW:


The year-end categorical transfer recommended for the Board's approval proposes to transfer funds between state categories to address two areas of funding need.

The following FY 2021 General Fund categorical transfers are recommended, including:


- Transfer of available budget authority from the COVID-19 budget reserve in Other Instructional Costs (Category 05), Student Transportation (Category 09), and Operation of Plant (Category 10) to provide funds for critically needed one-time projects and deferred maintenance needs in Maintenance of Plant (Category 11).
- Transfer of available budget authority from Student Transportation (Category 09) to Fixed Charges (Category 12) to continue paying down the Health Fund deficit.

RECOMMENDATION/FUTURE DIRECTION: It is recommended that the Board approve the categorical transfer request to be submitted to the County Council by April 29, 2021, for action at its June 7, 2021, legislative session.

SUBMITTED BY:



Darin Conforti
Executive Director, Budget




Sandra Austin
Budget Manager

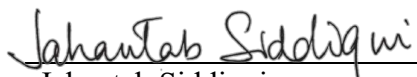
APPROVAL/CONCURRENCE:



Michael J. Martirano, Ed.D.
Superintendent



Karalee Turner-Little
Deputy Superintendent



Jahantab Siddiqui
Chief Administrative Officer

Review of FY2021 Expenditures

Staff have reviewed FY2021 expenditures to-date and worked with performance managers to estimate remaining expenditures for the fiscal year. Based on these projections, we expect state categories to complete the fiscal year within or below budget, enabling the system to use some of these savings. The availability of budget savings is an opportunity to address critical one-time needs such as one-time projects, deferred maintenance needs, and the health fund deficit. Therefore, it is recommended budget savings be transferred into Maintenance of Plant (Category 11) for deferred maintenance and other critical projects and into Fixed Charges (Category 12) for paying down of the health fund deficit. Actual total end-of-year savings will be reported in the FY 2021 Comprehensive Annual Financial Report as part of the year-end closeout. Based on our preliminary projections, even with the proposed use of savings through this categorical transfer, we anticipate there will be additional budget savings that will fall to the unassigned fund balance in the General Fund, which will become available for the Board to use in the future. The current unassigned fund balance as reported in the FY 2020 Comprehensive Annual Financial Report is \$13.1 million.

The FY 2021 Operating Budget included \$3,000,000 in budget reserve accounts for unplanned COVID-19 expenditures. Year to date, it has not been necessary to access the COVID-19 reserve due to the inflow of federal relief funds. In FY 2021, HCPSS has received nearly \$15 million in grant funds for COVID-19 response costs mostly from the CARES- Technology Grant, CARES-Tutoring Grant, and County CARES Grant. In addition, HCPSS is slated to receive an additional \$63 million in funding from Emergency Secondary School Education Relief Funds (ESSER) II and ESSER III. As a result, the COVID-19 reserve funds are available to be strategically applied to deferred maintenance and one-time costs to support the system.

It is recommended that the Board transfer \$2,250,000 of the COVID-19 reserve from Other Instructional Costs (Category 05), Student Transportation (Category 09), and Operation of Plant (Category 10) into Maintenance of Plant (Category 11). There is also a \$750,000 COVID-19 reserve in Student Health (Category 08). It is advisable to leave this reserve in Category 08 to address any additional personal protective equipment (PPE) or related health safety costs for the remainder of the fiscal year or to pre-purchase materials for FY 2022.

The additional \$2,225,000 of funds transferred into Maintenance of Plant will allow critical one-time projects and deferred maintenance needs to be addressed. Staff are currently developing a priority list of projects to use the funds and that list will be provided to the Board. The projects will need to be encumbered before fiscal year-end.

It is recommended that \$2,500,000 of available budget savings be transferred to Fixed Charges (Category 12) to continue the pay down of the remaining Health Fund deficit. Savings would be transferred from Student Transportation (Category 09), which has experienced significant budget savings due to decreased transportation route costs while remaining in virtual instruction until March and the transportation contract amendment previously approved by the Board. As of June 30, 2020, the remaining deficit in the Health Fund is approximately \$18.7 million. In the FY 2022 Requested Budget, the Board requested one-time funding from the county to eliminate the deficit. The County Executive's Proposed FY22 Budget includes \$10 million one-time funds for the deficit. The categorical transfer provides the Superintendent fiscal capacity to continue the progress of eliminating the deficit with FY 2021 year-end savings.

Categorical Expenditures

The categorical transfer request for FY 2021 includes transferring \$2,250,000 in projected budget savings from the COVID-19 budget reserves in Categories 05, 09, and 10 to Category 11, and transferring \$2,500,000 in savings from Student Transportation to Fixed Charges. The total amount of budget authority requested to be transferred is \$4,750,000, which equals 0.52 percent of budgeted expenditures. An explanation by state category follows:

Category 1 – Administration

This category includes costs for activities associated with the general regulations, direction, and control of the school system. This category is expected to utilize its budgeted funds.

Category 2 – 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. This category is expected to utilize its budgeted funds.

Category 3 – Instructional Salaries and Wages

This category funds instructional salaries and wages. This category is expected to utilize its budgeted funds.

Category 4 – Textbooks and Instructional Supplies

This category is comprised of expenditures and commitments for textbooks and instructional supplies for all schools. This category is expected to utilize its budgeted funds.

Category 5 – Other Instructional Costs

This category is comprised of commitments for contracted services, professional development, and equipment used to support the instructional program. A COVID-19 budget reserve of \$750,000 was built into the budget to support distance learning requirements. Due to the unanticipated federal grant funding, cost to complete estimates project the reserve will not be needed.

Category 6 – Special Education

The Special Education category includes costs associated with the instructional needs of students receiving special education services. This category is projected to utilize its budgeted funds.

Category 7 – 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. This category is expected to utilize its budgeted funds.

Category 8 – Health Services

The Student Health Services category provides staffing for school health rooms, maintains student health records, identifies health problems, enforces immunization laws, and provides other services. This category is expected to utilize its budgeted funds.

Category 9 – Student Transportation

The Student Transportation category provides funding for the transportation of students. A COVID-19 budget reserve of \$750,000 was built into the budget to support the potential for increased bus needs because of social distancing requirements. Due to remaining in virtual instruction until March and the amendment to transportation contracts based on the reduced transportation needs during distance learning, this reserve will not need to be not utilized for transportation.

Category 10 – Operation of Plant

This category includes custodial salaries and the cost of utilities. A COVID-19 budget reserve of \$750,000 was built into the budget to support distance learning requirements and public health safety protocols. Due to the unanticipated federal grant funding, cost to complete estimates project the reserve will not be needed.

Category 11 – Maintenance of Plant

This category includes costs of building, grounds, and environmental maintenance. This categorical request includes \$2,25,000 of additional budget be added to this category to address critical one-time projects and other deferred maintenance needs.

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. A transfer of \$2,500,000 to this category will be applied to continuing the pay-down of the remaining Health Fund deficit.

Category 14 – Community Services

This category provides for the usage of our facilities by the community, transportation for some parochial students in Howard County, grounds maintenance of school sites for community use, and other school system community services. This category is expected to utilize its budgeted funds.

Category 15 – Capital Outlay

The Capital Outlay category includes costs for planning, administration, and oversight of the Capital Budget. This category is expected to utilize its budgeted funds.

The following chart provides the Categorical Transfer request that will be submitted to the County Council.

FY 2021 Categorical Transfer Request

Major Category	General Fund Budget	Year-End Transfer	Revised Appropriation
Category 01 Administration	\$ 13,343,612	\$ -	\$ 13,343,612
Category 02 Mid-Level Administration	63,057,189	-	63,057,189
Category 03 Instructional Salaries and Wages	360,800,857	-	360,800,857
Category 04 Instructional Textbooks/Supplies	9,391,029	-	9,391,029
Category 05 Other Instructional Costs	4,874,092	(750,000)	4,124,092
Category 06 Special Education	132,179,019	-	132,179,019
Category 07 Student Personnel Services	4,279,587	-	4,279,587
Category 08 Student Health Services	10,203,710	-	10,203,710
Category 09 Student Transportation Services	46,744,275	(3,250,000)	43,494,275
Category 10 Operation of Plant	43,417,150	(750,000)	42,667,150
Category 11 Maintenance of Plant	26,624,171	2,250,000	28,874,171
Category 12 Fixed Charges	196,399,386	2,500,000	198,899,386
Category 13 Food Services	-	-	-
Category 14 Community Services	6,462,524	-	6,462,524
Category 15 Capital Outlay	913,108	-	913,108
Total	\$ 918,689,709	\$ -	\$ 918,689,709

Individual Transfers

From		To	
1	Category 05 Other Instructional Costs	\$ (750,000)	Category 11 Maintenance of Plant
2	Category 09 Student Transportation Services	(750,000)	Category 11 Maintenance of Plant
3	Category 10 Operation of Plant	(750,000)	Category 11 Maintenance of Plant
4	Category 09 Student Transportation Services	(2,500,000)	Category 12 Fixed Charges
			\$ 750,000
			750,000
			750,000
			2,500,000

Explanations:

- 1-3 Transfer needed to fund necessary one-time Maintenance of Plant projects.
- 4 Transfer to Fixed Charges to offset the Health Fund deficit.

HCPSS
FY 2021 Categorical Transfer Request Details

State Category 05 - Other Instructional Costs

Description	Amount	Program
Reduction of COVID-19 Budget Reserve	-750,000	0304-Chief Academic Officer
Subtotal State Category 05	-750,000	

Comments: Reduction in COVID-19 budget reserve to fund critical operations projects.

State Category 09 - Student Transportation Services

Description	Amount	Program
Reduction of COVID-19 Budget Reserve	-750,000	0201-Chief Operating Officer
Reduction in Contracted Services	-2,500,000	6801-Student Transportation
Subtotal State Category 09	-3,250,000	

Comments: Reduction in COVID-19 budget reserve to fund critical operations projects and a shift in student transportation contracted savings to reduce the Health Fund deficit.

State Category 10 - Operation of Plant

Description	Amount	Program
Reduction of COVID-19 Budget Reserve	-750,000	0201-Chief Operating Officer
Subtotal State Category 10	-750,000	

Comments: Reduction in COVID-19 budget reserve to fund critical operations projects and eliminate student debit in the Food & Nutrition Services Fund.

State Category 11 - Maintenance of Plant

Description	Amount	Program
Increase in Contracted Services	2,250,000	7602-Building Maintenance
Subtotal State Category 11	2,250,000	

Comments: Transfer into State Category 11 for critical operations projects.

State Category 12 - Fixed Charges

Description	Amount	Program
Increase in Other Charges	2,500,000	8001-Fixed Charges
Subtotal State Category 12	2,500,000	

Comments: Transfer into State Category 12 to reduce the Health Fund deficit.