

Office of the County Auditor
Auditor's Analysis

Council Resolution No. 163-2021

Introduced: November 1, 2021

Auditor: Michael A. Martin

Fiscal Impact:

This legislation will not result in any fiscal impact to the County in Fiscal Year 2022. However, it is providing the Howard County Public School System (HCPSS) the right to use fund balance to cover recurring expenditures. As a result, subsequent operating budget requests from the HCPSS will include these recurring expenditures and will result in increased County General Fund appropriations.

This resolution increases the Board of Education's total FY 2022 General Fund budget by \$15,000,000 but has no impact on the County's FY 2022 budget or expenditures. The County's General Fund Appropriation to the HCPSS remains at \$640,800,000.

The net effect to the FY 2022 Board of Education Operating Budget is noted in **Attachment A**. We have confirmed the validity of the transfer amounts by tying them to the categorical budget summary that the Board voted on at their meeting on October 5, 2021.

Purpose:

The purpose of Council Resolution 163-2021 is to approve the County Executive's request to authorize the Howard County Board of Education to use \$15,000,000 of unassigned fund balance to support salary and wage expenditure increases.

Other Comments:

There was a placeholder of \$6.6 million budgeted representing a 1 percent cost-of-living adjustment in the FY 2022 Board of Education's Operating Budget to support anticipated costs of labor negotiations. The use of Fund Balance requested through this resolution represents a cost in addition to this amount, so the true total cost of increases in school system employees' salary and wages is \$21.6 million.

According to information provided by the HCPSS, labor negotiations will be sent to the Public-School Labor Relations Board (PSLRB) should this request to utilize Fund Balance be denied by the County Council.

During the Board of Education’s meeting on October 5, 2021, the Budget Director indicated a Fund Balance Policy will be presented in November 2021, which will provide expanded guidance on the management of fiscal conditions as well as the use of Unassigned Fund Balance.

The HCPSS provided our office with the chart below, which summarizes the costs attributable to each bargaining unit and unrepresented employees (AMT) for the total \$21.6 million associated with the labor negotiations. *Our Office has an open inquiry for the aggregate percentage increase in salary and wages for each employee group represented in the below table.*

	FY22 Revised Approved Budget Salary Marker	Estimated Amounts for \$15M Supplemental			FY22 Total Estimated Cost
		Salary	Wages	Supplemental Totals	
AFSCME	\$ 292,170	\$ 746,480	\$ 382,630	\$ 1,129,110	\$ 1,421,280
AMT	81,604	174,195	-	174,195	255,799
HCASA (HCAA)	371,944	774,090	-	774,090	1,146,034
HCASA (NCS) <i>(New Bargaining Unit and Schedules)</i>	102,818	237,535	48,190	285,725	388,543
HCEA*	4,172,039	5,366,381	4,304,080	9,670,461	13,842,500
HCEAESP	797,444	1,455,029	126,390	1,581,419	2,378,863
Total	\$ 5,818,019	\$ 8,753,710	\$ 4,861,290	\$ 13,615,000	\$ 19,433,019
Fixed Charges					
FICA	\$ 445,078			633,000	1,078,078
Pension	290,857			752,000	1,042,857
Grand Total	\$ 6,553,954			\$ 15,000,000	\$ 21,553,954

* Increased per diem for substitute wages is grouped under HCEA for presentation purposes only.

Attachment A: Net Effect of Changes

Category	Approved Budget	Revised Budget (CR110-2021)	Transfer Inc./(Dec.)	Revised Budget (CR163-2021)
Administration	\$10,786,504	\$13,819,356	\$500,000	\$14,319,356
Mid-Level Administration	61,429,652	64,154,001	1,610,000	\$65,764,001
Instruction	381,303,098	375,248,028	7,250,000	\$382,498,028
Special Education	137,063,338	137,486,830	2,500,000	\$139,986,830
Student Personnel Services	5,779,600	7,423,344	135,000	\$7,558,344
Student Health Services	9,660,081	9,587,831	175,000	\$9,762,831
Student Transportation	42,015,000	46,186,782	35,000	\$46,221,782
Operation of Plant	38,629,000	43,242,414	500,000	\$43,742,414
Maintenance of Plant	25,781,000	27,117,205	865,000	\$27,982,205
Fixed Charges	212,593,000	212,775,362	1,385,000	\$214,160,362
Community Services	4,623,600	4,623,038	30,000	\$4,653,038
Capital Outlay	981,729	981,411	15,000	\$996,411
Total General Fund Budget	\$930,645,602	\$942,645,602	\$15,000,000	\$957,645,602
School Construction	90,464,000	90,464,000	0	\$90,464,000
Food and Nutrition	16,937,099	16,937,099	0	\$16,937,099
Print Services	2,482,014	2,482,014	0	\$2,482,014
Information & Network Technology	16,030,233	15,030,233	0	\$15,030,233
Health	180,840,669	179,035,849	0	\$179,035,849
Worker's Compensation	2,816,500	2,816,500	0	\$2,816,500
Grants	50,000,000	108,506,702	0	\$108,506,702
Glenelg Wastewater Treatment Plant	242,912	242,912	0	\$242,912
Jim Rouse Theater	135,240	135,240	0	\$135,240
Total Restricted Funds	\$359,948,667	\$415,650,549	\$0	\$415,650,549
Debt Service	52,123,590	52,123,590	0	\$52,123,590
OPEB	6,735,000	6,735,000	0	\$6,735,000
Total Other Expenses	\$58,858,590	\$58,858,590	\$0	\$58,858,590
Grand Total	\$1,349,452,859	\$1,417,154,741	\$15,000,000	\$1,432,154,741