



**BOARD OF EDUCATION OF HOWARD COUNTY
MEETING AGENDA ITEM**

TITLE: FY 2024 Supplemental Appropriation & Categorical Budget Transfer **DATE:** April 25, 2024

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 supplemental appropriation of additional investment income received and categorical transfer within the General Fund recommended for the Board’s approval proposes to add funding and transfer funds between state categories to address student transportation funding needs.

RECOMMENDATION/FUTURE DIRECTION:

It is recommended that the Board approve the supplemental appropriation and categorical transfer request to be submitted to the County Council by April 25, 2024, for action at its June 3, 2024, legislative session.

SUBMITTED BY:

APPROVAL/CONCURRENCE:

Darin Conforti
Executive Director of Budget

William J. Barnes
Acting Superintendent

Sandra Austin
Budget Coordinator

Karalee Turner-Little, Ph.D.
Deputy Superintendent

Jahantab A. Siddiqui
Chief Administrative Officer

Overview of Categorical Transfer Needed and Supplemental Appropriation of Excess Investment Income

In accordance with Maryland Annotated Code for Education 5-105, HCPSS must ensure that the budgeted expenditure authority for each state category is managed within amounts approved by the Board of Education and the County Council. Each spring, the Budget Office works with each Division and program managers to review year to date actual costs and project costs through June 30th, referred to as the cost to complete (CTC) analysis. The Budget Office has completed the CTC for FY 2024. Overall, the General Fund projects to finish the fiscal year within the total approved budget authority. However, additional budget authority will be needed in State Category 09, Student Transportation to cover cost overruns in Program 6801. A total of \$8.8 million needs to be transferred into Student Transportation.

While the General Fund projects to have sufficient savings in all other state categories to cover the \$8.8 million needed in Student Transportation, it would require reallocating nearly all projected available savings across all state categories. With potential volatility in certain state categories such as Special Education and Fixed Charges, staff does not advise covering the \$8.8 million needed only with savings from other state categories. It could create the risk of a state category exceeding budget authority by June 30. Staff recommends that half of the budget authority needed (\$3.9 million) be transferred from other state categories and the other half be funded with a supplemental appropriation of excess investment income earned in fiscal year 2024.

The budget capacity to do a supplemental appropriation of excess revenues comes from the strong bond market continuing to give higher yields on investment income than budgeted. The FY 2024 budget assumed investment income of \$2.5 million. Year to date, \$5.1 million in investment income has been received and the year-end projection is to receive about \$8.7 million for the fiscal year generating about \$6 million of additional revenues available to appropriate. Staff recommends a supplemental appropriation of \$4.9 million of the projected excess be used to cover the additional expenditure authority needed in Student Transportation. The supplemental appropriation will increase the FY 2024 budget from \$1.104 billion to \$1.109 billion.

Projected FY 2024 Ending Fund Balance

As of June 30, 2024, the unassigned fund balance in the General Fund was about \$10.2 million. Based on cost to complete projections, revenues are coming in above budget and expenditures are coming in below budget with the exception of State Category 09, Student Transportation. As a result, the projected unassigned fund balance is expected to increase. The exact increase will be subject to year-end spending compared to projections, year-end close adjustments, and the annual audit. Staff remain confident that the assumed use of \$10.2 million of fund balance for FY 2025 will be available. At the same time, given the reliance of one-time funds in current FY 2025 budget planning, staff recommends against increasing the amount used beyond \$10.2 million. Increasing the use presents significant budgetary risk for unexpected costs that could occur before year-end and/or unplanned costs that could be incurred after the FY 2025 budget is approved. In addition, greater use of one-time funds to balance the FY 2025 budget will likely add to the starting point budget deficit for FY 2026.

The next sections of the board report provide background information on FY 2024 student transportation costs and detailed information on the categorical transfers by state category.

Transportation Background

FY 2024 has brought several fiscal challenges to the HCPSS Student Transportation budget. While we are working to provide solutions and rebuild contractor relationships, the school system agreed to sign a multi-year settlement agreement with contractors to pay for deadhead mileage. Deadhead mileage refers to the miles between the bus depot and the first bus stop where there are no students on board. This settlement resulted in \$5.4 million of unbudgeted expenses.

The other area that has created significant unbudgeted expenses is in transportation for non-public placements. The number of non-public placements has been steadily increasing over the last five years. The chart below shows the number of HCPSS students in non-public placements over the past four years, as well as a projection for FY 2025.

FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 (Projected)
264 students	279 students	299 students	322 students	343 students

It is important to understand these numbers have increased across all Maryland districts at a similar rate and all LEAs are competing for a limited number of seats. As the demand increases for non-public schools, we are forced to find placements for students farther and farther away from Howard County, which is contributing to rising transportation costs. During the 2022–2023 school year, our total daily mileage for non-public transportation was 1,772 miles. During the 2023–2024 school year, our total daily mileage for non-public transportation is 2,052 miles. This represents a 16 percent increase in just one school year. It is important to note that these placements are what students need and deserve, so the associated costs for transportation are not negotiable. With that said, the Office of Student Transportation is working closely with partners in Special Education to optimize the efficiency of routes and minimize costs where possible.

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. Savings of \$400,000 have been identified for transfer to meet contractual needs in Student Transportation, Category 09.

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. Savings of \$150,000 have been identified for transfer to meet contractual needs in Student Transportation, Category 09.

Category 03 – Instructional Salaries and Wages

This category funds instructional salaries and wages.

Category 04 – Textbooks and Instructional Supplies

This category is comprised of expenditures and commitments for textbooks and instructional supplies for all schools.

Category 05 – Other Instructional Costs

This category is comprised of commitments for contracted services, professional development, and equipment used to support the instructional program. Savings of \$1,400,000 have been identified for transfer to meet contractual needs in Student Transportation, Category 09.

Category 06 – Special Education

The Special Education category includes costs associated with the instructional needs of students receiving special education services.

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. Savings of \$200,000 have been identified for transfer to meet contractual needs in Student Transportation, Category 09.

Category 08 – 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 \$400,000 have been identified for transfer to meet contractual needs in Student Transportation, Category 09.

Category 09 – Student Transportation

The Student Transportation category provides funding for the transportation of students. Due to several factors, this category requires \$8,800,000 to meet contractual obligations.

Category 10 – Operation of Plant

This category includes custodial salaries and the cost of utilities. Savings of \$900,000 have been identified for transfer to meet contractual needs in Student Transportation, Category 09.

Category 11 – Maintenance of Plant

This category includes the cost of building, grounds, and environmental maintenance. Savings of \$200,000 have been identified for transfer to meet contractual needs in Student Transportation, Category 09.

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. Savings from this category are reserved to meet any additional funding needs in the Health or Workers' Compensation Funds.

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. Savings of \$250,000 have been identified for transfer to meet contractual needs in Student Transportation, Category 09.

Category 15 – Capital Outlay

The Capital Outlay category includes costs for planning, administration, and oversight of the Capital Budget.

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

FY 2024 Categorical Transfer Request

Major Category	General Fund Budget	Year-End Categorical Transfer	Supplemental Appropriation	Revised Appropriation
State Cat 01 - Administration	\$ 15,946,385	\$ (400,000)	\$ -	\$ 15,546,385
State Cat 02 - Mid-Level Administration	70,543,148	(150,000)	-	\$ 70,393,148
State Cat 03 - Instructional Salaries & Wages	416,759,697	-	-	\$ 416,759,697
State Cat 04 - Instructional Textbooks & Supplies	9,511,736	-	-	\$ 9,511,736
State Cat 05 - Other Instructional Costs	19,232,827	(1,400,000)	-	\$ 17,832,827
State Cat 06 - Special Education	169,167,514	-	-	\$ 169,167,514
State Cat 07 - Student Personnel Services	10,000,470	(200,000)	-	\$ 9,800,470
State Cat 08 - Student Health Services	12,850,743	(400,000)	-	\$ 12,450,743
State Cat 09 - Student Transportation	59,784,853	3,900,000	4,900,000	\$ 68,584,853
State Cat 10 - Operation of Plant	55,260,568	(900,000)	-	\$ 54,360,568
State Cat 11 - Maintenance of Plant	27,166,238	(200,000)	-	\$ 26,966,238
State Cat 12 - Fixed Charges	232,745,184	-	-	\$ 232,745,184
State Cat 14 - Community Services	4,411,212	(250,000)	-	\$ 4,161,212
State Cat 15 - Capital Outlay	1,195,562	-	-	\$ 1,195,562
Total	\$ 1,104,576,137	\$ -	\$ 4,900,000	\$ 1,109,476,137

From		To	
1	State Cat 01 - Administration	\$ (400,000)	State Cat 09 - Student Transportation \$ 400,000
2	State Cat 02 - Mid-Level Administration	(150,000)	State Cat 09 - Student Transportation 150,000
3	State Cat 05 - Other Instructional Costs	(1,400,000)	State Cat 09 - Student Transportation 1,400,000
4	State Cat 07 - Student Personnel Services	(200,000)	State Cat 09 - Student Transportation 200,000
5	State Cat 08 - Student Health Services	(400,000)	State Cat 09 - Student Transportation 400,000
6	State Cat 10 - Operation of Plant	(900,000)	State Cat 09 - Student Transportation 900,000
7	State Cat 11 - Maintenance of Plant	(200,000)	State Cat 09 - Student Transportation 200,000
8	State Cat 14 - Community Services	(250,000)	State Cat 09 - Student Transportation 250,000
9	Investment Income (Revenue)		State Cat 09 - Student Transportation 4,900,000

Explanations:

1-8 Transfer needed to cover student transportation contractual obligations.

9 Supplemental appropriation of investment income received to cover student transportation contractual obligations.

The chart below shows the FY 2024 General Fund approved budget, the FY 2024 expenditure estimate based on the cost to complete, and a delta or difference to the approved budget.

General Fund	Actual FY 2023*	Approved FY 2024	Estimated FY 2024*
SOURCES OF FUNDING			
Subtotal Howard County	\$ 675,576,796	\$ 721,187,000	\$ 721,187,000
Subtotal State Funds	\$ 324,829,309	\$ 346,004,494	\$ 346,392,982
Total Federal Funds	\$ 482,039	\$ 410,000	\$ 439,817
Total Other Funds	\$ 11,358,770	\$ 9,274,643	\$ 14,971,161
Use of Fund Balance	-	21,000,000	-
Transfer from Technology Services F	-	6,700,000	6,700,000
Total Sources of Funds	\$ 1,012,246,914	\$ 1,104,576,137	\$ 1,089,690,960
USES OF FUNDING			
Categories			
Administration	\$ 14,259,734	\$ 15,946,385	\$ 15,434,117
Mid-Level Administration	64,786,240	70,543,148	70,294,596
Instructional Salaries and Wages	391,452,422	416,759,697	415,582,114
Instructional Textbooks/Supplies	9,576,954	9,511,736	9,459,301
Other Instructional Costs	13,032,370	19,232,827	17,403,556
Special Education	153,306,790	169,167,514	168,241,094
Student Personnel Services	7,698,430	10,000,470	9,638,584
Student Health Services	10,841,093	12,850,743	12,247,886
Student Transportation	47,856,683	59,784,853	68,544,931
Operation of Plant	47,972,079	55,260,568	53,818,276
Maintenance of Plant	28,053,553	27,166,238	26,915,258
Fixed Charges	223,641,174	232,745,184	230,086,594
Community Services	4,995,716	4,411,212	4,138,857
Capital Outlay	997,544	1,195,562	1,089,738
Total Uses of Funds	\$ 1,016,808,212	\$ 1,104,576,137	\$ 1,102,894,902
Sources Over(Under) Uses	\$ (4,561,298)	\$ -	\$ (13,203,942)
Fund Balance Summary (Budgetary Basis)			
Beginning Fund Balance	\$ 37,348,440	\$ 24,129,348	\$ 32,787,142
Sources Over Uses (Use) or Gain of Fund Balance	(4,561,298)	(21,000,000)	(13,203,942)
Ending Fund Balance	\$ 32,787,142	\$ 3,129,348	\$ 19,583,200
Ending Fund Balance Summary (Budgetary Basis)			
Nonspendable Prepaid Expense	\$ 115,964	\$ 190,115	\$ 115,964
Nonspendable Inventories	906,518	852,484	906,518
Unassigned	10,186,597	1,033,245	17,982,655
GAAP Adjustment - Budgetary Basis	578,063	1,053,504	578,063
Total Ending Fund Balance	\$ 32,787,142	\$ 3,129,348	\$ 19,583,200
<i>* Actual revenues do not include use of fund balance.</i>			
Unassigned Fund Balance as % of			
Total Uses	1.00%	0.09%	1.6%