



April 25, 2024

MEMORANDUM

To: Members of the Board of Education

From: William J. Barnes, Acting Superintendent

Subject: Next Steps in the Budget Process

The purpose of this memorandum is to provide members of the Board with an update on the County Executive's FY25 Proposed Budget and outline the next steps in the budget process.

**Updates from April 23<sup>rd</sup> Memo**

This memo provided three updates to the memo issued on April 23<sup>rd</sup>.

- This update provides more specific information on the County funding level based on the county budget resolution. The \$47.0 million above MOE amount was a rounded-up number. This version provides the specific Above-MOE amount. It is a change of \$24,487. Updated numbers are underlined.
- The memo also provides a table summarizing the pathway options for balancing the budget.
- May 16, 2024, Public Hearing has been added to the Budget Calendar.

**County Executive Proposed FY 2025 Budget for HCPSS**

On April 15, the County Executive introduced his proposed budget for HCPSS. His proposed total budget for HCPSS is \$1.139 billion. His recommended level of new county funding to support the budget is \$46,975,513 in above maintenance of effort (MOE) plus \$5.0 million of one-time (non-recurring) funding for a total of \$51,975,513.

**County Proposed Funding is \$3.779 Million Less than the Board Request**

The County's proposed budget is slightly less than the Board's Requested Budget. The Board requested a 1.142 billion dollar budget, including a \$55.75 million above-MOE request for new county funding compared to the \$51.975 million proposed, a difference of \$3.779 million.

### **Background on the \$5.0 Million in One-Time Funding**

As outlined, the County Executive's proposed funding includes \$5.0 million of one-time funds. Receiving this funding is subject to Maryland State Department of Education (MSDE) approval. The County and HCPSS have requested, pursuant to COMAR 13A.02.05.03 (2)(f), approval of a nonrecurring cost exclusion for FY 2025 for costs related to the Settlement Agreement that addresses and resolves litigation that had been previously filed against the school system by certain long-standing, local transportation bus contractors.

One of the terms of the settlement agreement requires HCPSS to pay contractors for any mileage and time from the contractor's garage or from the county line that exceeds the minimum amount of mileage or time provided in their Contracts (commonly referred to as deadhead mileage). This requirement is not a part of the underlying multi-year contract awarded to the contractor by HCPSS. It is a unique cost required by the negotiations, which resulted in the Settlement Agreement.

HCPSS and the County mutually agree the payments satisfy the terms of the agreement and are a unique one-time expenditure. The cost for these extra mileage payments is variable and could be as much as \$5.4 million. The County has agreed to consider up to \$5.0 million for one-time funding in its FY 2025 budget.

We expect MSDE to make its decision on the \$5.0 million by the end of the month. Should MSDE deny it, the gap between the BOE request and the CE Proposed would increase, and we would return to the Board for further discussion and planning to address it.

### **Budget Balancing**

As it stands right now, balancing the Board's requested budget would require \$3.78 million in budget changes to bring the Board's request in line with the County funding. However, before discussing strategies for the Board to consider for final budget balancing, other considerations are mentioned in the County Executive's budget proposal that could affect budget balancing. In presenting the budget, the County Executive states that funding is provided for:

- Elementary School Gifted and Talented programs (GT)
- 3rd-grade strings
- The Howard County Conservancy
- The Summer School Black Student Achievement Program (BSAP), and

- The Mathematics Engineering and Science Achievement Program (MESA)

The board requested a budget that includes the conservancy position, summer school BSAP program, and partial funding for 3rd grade strings and GT educators, previously slated for removal in the superintendent's initial budget. However, 11 elementary GT and nine 3rd grade strings positions, as well as those in MESA, remain unaccounted for. Should the board opt to include these positions, an additional estimated \$1.8 million would be required.

Additionally, other changes need to be incorporated into the final budget due to new information received since the Board adopted a request. These include increases for updated information for NBC pay at low-performing schools, increased testing costs, and removing proposed budget reductions to transportation contracts that have been subsequently identified as commitments. The dollar impact for these adjustments ranges between \$550,000 to \$600,000. In addition, the Maryland State Department of Education (MSDE) will provide updated state aid estimates in early May, which could shift the final revenue amounts from the state.

Factoring in the additional GT, 3<sup>rd</sup> grade strings, MESA, and the other changes, the current estimate of a May balanced budget is approximately \$6.1 million. To address the estimated \$6.1 million budget gap for May, the Board could consider the following strategies:

- Based on the latest actuarial information, lower the projected cost increase for Health Insurance by \$1.5 million
- Maximize the use of ESSER III funds to cover \$1.4 million of costs for:
  - Chromebooks
  - DIBELS
  - Common Lit
  - Summer school wages
- Based on updated cost trends, including current year utility costs, lower the estimated increase in next year's utility cost by \$1.1 million
- Lower the technology services fund charge backs to the General Fund by \$1.1 million utilizing the available net position in the fund
- Based on updated information from the State of Maryland Retirement System, lower the projected cost increase for pensions by \$500,000
- Based on trend analysis, adjust the Intergovernmental funds transfer for Medicaid by \$250,000
- Shift certain start-up costs for Guilford Park High School to the capital improvement program in the amount of \$127,300; and
- Add anticipated reimbursements from the County for the Teacher Loan Repayment program, \$75,000.

The table below summarizes the strategies.

## Summary of Budget Balancing Strategies

*Preliminary estimates. Numbers will be refined.*

<b>Shift FY25 Costs to ESSER III</b>	
Shift Tech Costs to ESSER III	\$ 800,000
ESSER- DIBELS Cost for FY25	246,700
ESSER- Common Lit Cost for FY25	152,000
3326 Wages Summer Shift to ESSER	200,000
<b>Subtotal ESSER III Cost Shifts</b>	<b>1,398,700</b>
<b>Lower the Cost Increases for FY25 Budget Additions</b>	
Decrease the \$18.6M Increase for Health Insurance	1,500,000
Reduce the FY25 Utility Cost Increase	1,100,000
Tech Fund Transfer for FY25/Reduce Chargebacks	1,100,000
Decrease Pension Budget	500,000
<b>Subtotal Lowering FY25 Budget Additions</b>	<b>4,200,000</b>
<b>Increase FY25 Revenues</b>	
Medicaid Reimbursements	250,000
County Reimbursements	75,000
<b>Subtotal Revenue Increases</b>	<b>325,000</b>
<b>Shift Costs to Capital Improvement Fund (CIP)</b>	
GPHS Start-up costs for Athletics	127,280
<b>Subtotal CIP Shifts</b>	<b>127,280</b>
<b>Total Budget Balancing Strategies</b>	<b>\$ 6,050,980</b>

In total, these strategies would make it possible to close the \$6.1 million gap should the Board approve. Over the coming weeks, staff will refine these strategies based on Board direction and update any amounts or other changes for new information received.

### Next Steps

One month remains before the final budget is adopted on May 23. On April 25, the Board has scheduled a budget work session to begin final budget deliberation. Staff will be available to answer Board questions and discuss budget strategies to meet the Board's final budget goals.

Many difficult decisions have already been made through collaboration, transparent communication, and hard work. The school system's relationship with the County has been reinvigorated around our shared interest in providing our students with the best educational system possible. We believe that through the intensive work we did with the county budget staff, the senior advisor for education, and the county executive directly, we were able to secure a

much greater amount of county funding than we had initially anticipated. Below is the budget calendar schedule that takes us to the May 23 adoption.

### Budget Calendar

April 24, 2024 6:00 p.m.	County Council Public Hearing on Board of Education’s Requested Operating and Capital Budgets
April 25, 2024 7:00 p.m.	Board of Education Work Session on Board of Education’s Requested Operating and Capital Budgets
May 1, 2023 10:00 a.m.–2:30 p.m.	County Council Work Session on Board of Education’s Requested Operating and Capital Budgets
May 2, 2024 7:00 p.m.	Board of Education’s Public Hearing on Board of Education’s Requested Operating and Capital Budgets
May 7, 2024 1:00 pm	Board of Education Work Session on Board of Education’s Requested Operating and Capital Budgets (if needed)
May 9, 2024 9:30 a.m.	County Council Public Hearing on Board of Education’s Requested Operating and Capital Budgets
May 13, 2024 1:00 p.m.	Board of Education Work Session on Board of Education’s Requested Operating and Capital Budgets (if needed)
May 15, 2024 10:00 a.m.–2:30 p.m.	County Council Work Session – Pending Issues
May 16, 2024 1:00 p.m. 7:00 p.m.	Board of Education Work Session on Board of Education’s Requested Operating and Capital Budgets (if needed) Board of Education’s Public Hearing on Board of Education’s Requested Operating and Capital Budgets
May 17, 2024 10:00 a.m.–2:30 p.m.	County Council Work Session – Budget Amendments and Pending Issues
May 22, 2024 12:00 p.m.	County Council Adoption of HCPSS Operating Budget
May 23, 2024 4:00 p.m.	Board of Education Adoption of FY 2025 Operating Budget as Adopted by the County Council

Should you have any questions, please contact Darin Conforti, Executive Director of Budget.

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Board of Education Office

## Summary of Budget Balancing Strategies

*Preliminary estimates. Numbers will be refined.*

### **Shift FY25 Costs to ESSER III**

Shift Tech Costs to ESSER III	\$	800,000
ESSER- DIBELS Cost for FY25		246,700
ESSER- Common Lit Cost for FY25		152,000
3326 Wages Summer Shift to ESSER		200,000
<b>Subtotal ESSER III Cost Shifts</b>		<b>1,398,700</b>

### **Lower the Cost Increases for FY25 Budget Additions**

Decrease the \$18.6M Increase for Health Insurance		1,500,000
Reduce the FY25 Utility Cost Increase		1,100,000
Tech Fund Transfer for FY25/Reduce Chargebacks		1,100,000
Decrease Pension Budget		500,000
<b>Subtotal Lowering FY25 Budget Additions</b>		<b>4,200,000</b>

### **Increase FY25 Revenues**

Medicaid Reimbursements		250,000
County Reimbursements		75,000
<b>Subtotal Revenue Increases</b>		<b>325,000</b>

### **Shift Costs to Capital Improvement Fund (CIP)**

GPHS Start-up costs for Athletics		127,280
<b>Subtotal CIP Shifts</b>		<b>127,280</b>

<b>Total Budget Balancing Strategies</b>	<b>\$</b>	<b>6,050,980</b>
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