

**Office of the County Auditor**  
**Auditor's Analysis**

**Council Resolution No. 88-2025**

Introduced: May 5, 2025

Auditor: Diane Zagorski-Kelly

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Fiscal Impact:

There is no direct fiscal impact as a result of this legislation. However, approval of this legislation is necessary for the Howard County Public School System (HCPSS) to comply with the balanced budget requirement as outlined in §5.105(a) and 5.105(b)(1)(i) of the Maryland Annotated Code.

The Board of Education's (BOE) FY 2025 Operating budget, (approved by the Council on CR48-2024 and CR105-2024) will be amended to reflect a supplemental appropriation if this legislation is approved. This resolution increases the BOE's total budget by \$5,533,181. This funding is comprised of surplus revenues from State aid, investment income, and summer school tuition for \$3,088,363 and \$2,444,818 of additional unassigned BOE fund balance. However, this resolution has no effect on the County budget or County expenditures. The County General Fund Appropriation remains at \$766,000,000.

The net effect to the BOE's FY 2025 Operating Budget is noted in **Attachment A**. We have confirmed the validity of the transfer amounts by reconciling them with the supplemental appropriation request that was voted on and approved by the BOE at its April 29, 2025, meeting.

Purpose:

The purpose of Council Resolution 88-2025 is to approve a supplemental appropriation of unassigned fund balance in the amount of \$5,533,181 and to approve certain transfers totaling \$3,161,63 between major categories of the Board of Education's FY 2025 Operating Budget.

According to the BOE, these changes are necessary to add funding and transfer funds between state categories to address five state funding categories that are projected to exceed their approved budget authority. The funding will be transferred from the Administration, Instructional Textbooks/Supplies, Student Personnel Services, Student Health Services, Operation of Plant, Maintenance of Plant, and Fixed Charges categories to the Mid-Level Administration, Instructional Salaries and Wages, Other Instructional Costs, Special Education and Student Transportation.

Other Comments:

**Attachment B** provides more information on key areas impacted by these requests.

## Attachment A: Net Effect of Changes

Category	Approved Budget	Transfer Inc./ (Dec)	Supplemental Appropriation	Revised Budget
Administration	\$ 15,228,243	\$ (200,000)	\$ -	\$ 15,028,243
Mid-Level Administration	70,121,095	600,000	-	70,721,095
Instruction Salaries	422,706,169	1,200,000	-	423,906,169
Textbooks & Classroom Supplies	8,253,290	(200,000)	-	8,053,290
Other Instructional Costs	18,941,311	-	84,753	19,026,064
Special Education	180,637,339	1,061,637	603,818	182,302,794
Student Personnel Services	10,909,402	(300,000)	1,538,363	12,147,765
Student Health Services	13,514,147	(1,300,000)	8,981	12,223,128
Student Transportation	67,824,058	300,000	-	68,124,058
Operation of Plant	55,860,193	(300,000)	3,113,295	58,673,488
Maintenance of Plant	26,404,846	-	-	26,404,846
Capital Outlay	249,341,889	(861,637)	183,971	248,664,223
Fixed Charges	4,254,383	-	-	4,254,383
Community Services	1,170,213	-	-	1,170,213
<b>Total</b>	<b>\$ 1,145,166,578</b>	<b>\$ -</b>	<b>\$ 5,533,181</b>	<b>\$ 1,150,699,759</b>

## Attachment B

### Auditor's Review Notes: Board of Education's FY 2025 Operating Budget Transfer and Supplemental Appropriation (CR88-2025)

Please see the following notes based on review of the Board's FY 2025 Operating Budget Transfer and Supplemental Appropriation Request:

#### COVID Relief Grant

- HCPSS advised the FY 2026 Operating budget includes \$4,160,036 of COVID Relief Grant funding, and six full-time positions. All expenditures from expiring COVID grant funds are reflected in the FY 2026 Operating budget.
- The Maryland State Department of Education (MSDE) is coordinating the requests for a late liquidation exception and communicating with USDE. As of April 28, 2025, MSDE does not have a timeline for when Maryland can expect a response to the Superintendents request to obtain an exception for reimbursement and liquidation.

#### Investment Revenue

- HCPSS advised the actual investment income earned through April 1, 2025, is \$6.1 million. With monthly investment earnings averaging close to \$600,000, HCPSS is confident the investment earnings will meet the \$7.5 million projection.

#### Unassigned Fund Balance

- The unassigned fund balance for the past five fiscal years has been provided in the table below:

	FY2020	FY2021	FY2022	FY2023	FY2024
Unassigned Fund Balance, June 30	\$ 13,119,175	\$ 36,812,091	\$ 6,352,729	\$ 10,186,597	\$ 7,623,667
Expenditure	893,698,496	879,585,709	940,297,535	1,016,808,212	1,096,996,694
Unassigned Fund Balance as a Percentage of Annual Expenditure	1.47%	4.19%	0.68%	1.00%	0.69%

Source: HCPSS

- HCPSS Policy 4070 establishes a standard to maintain an unassigned fund balance equal to one percent of total general fund uses. The policy allows the Board to approve exceptions to this standard under certain circumstances and requires funding that goes

below the minimum threshold to be used for non-recruiting expenses, equipment replacement, or other critical one-time needs.

- As of July 30, 2024, the available unassigned fund balance is \$7.6 million, which is below the one percent reserve standard. In order to meet the reserve standard, \$11.5 million would have been needed as July 30, 2024.
- CR88-2025, seeks a \$2.4 million supplemental appropriation from the \$7.6 million available, thus further reducing the fund balance below the policy reserve threshold to approximately 0.2 percent. Budget control measures have been enacted by HCPSS to mitigate further erosion of the fund balance.

## Summer School

- Enrollments for summer school programs offered through HCPSS has been provided below. According to HCPSS, Summer 2024 GT and BSAP were offered to fewer students.

	Innovative Pathways	BSAP Summer Institute	GT Summer Institute	Academic Intervention	Extended School Year	Extended School Year - REEC	Total
Summer 2025*	1009	655	920	810	884	185	<b>4463</b>
Summer 2024	1242	405	685	1409	2008	276	<b>6025</b>
Difference	-233	250	235	-599	-1124	-91	<b>-1562</b>

Source: HCPSS

\* Enrollment as of 4/30/2025

## Pre-K

- A schedule of private providers of Pre-Kindergarten, as provided by MSDE, for FY 2026 is shown below.

Program Name	Student Counts	
	Tier I	Tier II
Community Action Council Howard County - Bauder	45	0
Community Action Council Howard County - Dasher Green	56	0
Community Action Council Howard County - HCC	3	0
Community Action Council Howard County - Old Cedar Lane	38	0
Daniels Family Daycare	5	0
Y of Central Maryland	1	0
<b>Totals</b>	<b>148</b>	<b>0</b>

- According to HCPSS, MSDE has not provided detailed information on providers and enrollment for FY 2025; however, the estimated Tier I enrollment is 202.
- The FY 2025 and FY 2026 State and Local cost share is based on statutory funding formulas and has been provided below:

	FY 2025		FY 2026		Change
<b>Local</b>	\$	1,633,108	\$	1,568,411	\$(64,697)
<b>State</b>	\$	993,498	\$	993,310	\$ (188)
<b>Total Private Provider Amount</b>	<b>\$</b>	<b>2,626,606</b>	<b>\$</b>	<b>2,561,721</b>	<b>\$(64,885)</b>
Local Share as Percent of Total		62.18%		61.22%	-0.95%

Source: HCPSS