

Introduced	<u>05-05-2025</u>
Public Hearing	<u>05-19-2025</u>
Council Action	<u>05-21-2025</u>
Executive Action	<u>05-21-2025</u>
Effective Date	<u>05-21-2025</u>

County Council of Howard County, Maryland

2025 Legislative Session

Legislative Day No. 7

Bill No. 45 -2025

Introduced by: The Chairperson at the request of the County Executive

Short Title: Use of Excess Surplus Revenue – up to \$14,500,000 – FY26 Operating Budget of the Board of Education- Emergency Act.

Title: AN ACT to modify the restriction on the use of excess surplus revenue pursuant to Section 615B of the Howard County Charter in order to use excess surplus revenue from prior years to further support the Operating Budget request of the Board of Education in the Fiscal Year 2026 budget; providing that this act shall be temporary and shall expire by June 30, 2026; and declaring that this Act is an Emergency Bill necessary to meet an immediate emergency affecting public health, safety or welfare.

Introduced and read first time May 5, 2025. Ordered posted and hearing scheduled.

By order

Michelle Harrod
Michelle Harrod, Administrator

Having been posted and notice of time & place of hearing & title of Bill having been published according to Charter, the Bill was read for a second time at a public hearing on May 19, 2025.

By order

Michelle Harrod
Michelle Harrod, Administrator

This Bill was read the third time on May 21, 2025 and Passed ☐, Passed with amendments ☐, Failed ☐.

By order

Michelle Harrod
Michelle Harrod, Administrator

Sealed with the County Seal and presented to the County Executive for approval this 21 day of May, 2025 at 1⁰⁰ a.m./p.m.

By order

Michelle Harrod
Michelle Harrod, Administrator

Approved by the County Executive May 21, 2025

Calvin Ball
Calvin Ball, County Executive

NOTE: [[text in brackets]] indicates deletions from existing law; TEXT IN SMALL CAPITALS indicates additions to existing law; ~~Strike-out~~ indicates material deleted by amendment; Underlining indicates material added by amendment

1 **WHEREAS**, the County Executive has prepared the Annual Budget and Appropriation
2 Ordinance of Howard County, Fiscal Year 2026 that contains the capital and operating budget
3 for the fiscal year beginning July 1, 2025 and ending June 30, 2026 (FY26 Budget); and
4

5 **WHEREAS**, the FY26 Budget is pending in Council Bill No. 36-2025; and
6

7 **WHEREAS**, the FY26 Budget has been developed under conditions of great uncertainty
8 that have been amplified by major workforce changes at the federal level and funding changes at
9 the state level, including cost shifts of approximately \$8 million to Howard County Government
10 from the State in FY26; and
11

12 **WHEREAS**, the Howard County Public School System (HCPSS) is facing significant
13 funding needs in the FY26 budget related to employee compensation, special education,
14 transportation, fixed costs, and State mandates including implementation of the Blueprint for
15 Maryland's Future; and
16

17 **WHEREAS**, in his proposed FY26 Budget, the County Executive proposed an increase
18 of \$39 million in direct recurring County funding to support the Howard County Public School
19 System (HCPSS), reflecting a 5.1% increase and totaling \$800 million in County funding
20 proposed to HCPSS in FY26; and
21

22 **WHEREAS**, the County Executive proposed an additional \$6.7 million in County
23 funding to cover HCPSS pension liabilities in the FY26 Budget, a cost passed from the State to
24 the County, bringing the total increase in County investment to \$45.7 million for HCPSS
25 expenses in the proposed FY26 Budget, which reflects 64% of all new revenue growth; and
26

27 **WHEREAS**, the Board of Education and Superintendent have identified that additional
28 funds are needed above the County increase of \$45.7 million to avoid reductions in staff and
29 impacts to core educational services in the FY26 Budget; and
30

1 *to allow the use of excess surplus revenue from prior fiscal years in the amount of up to*
2 *\$14,500,000 to further support the County's portion of the Fiscal Year 2026 Operating Budget*
3 *request of the Board of Education.*

4
5 ***Section 2. And Be It Further Enacted*** *by the County Council of Howard County, Maryland*
6 *that, this modification is temporary in nature in that it only applies to the Fiscal Year 2026*
7 *budget, and at the end of Fiscal Year 2026, this Act, with no further action required by the*
8 *County Council, shall be abrogated and of no further force and effect.*

9
10 ***Section 3. And Be It Further Enacted*** *by the County Council of Howard County, Maryland that*
11 *this Act is adopted as an emergency measure to address an immediate emergency affecting*
12 *public health, safety, or welfare and having been passed by two-thirds of its members, this Act*
13 *shall be effective immediately upon its enactment.*

1 **WHEREAS**, in order to avoid reductions in staff and impacts to core educational
2 services, the County Executive intends to further support the County’s portion of the Board of
3 Education’s Operating Budget request; and
4

5 **WHEREAS**, for Fiscal Year 2026, only, the County has determined that excess surplus
6 revenue from prior fiscal years in the amount of up to \$14,500,000 is necessary to further support
7 the Fiscal Year 2026 Operating Budget request of the Board of Education; and
8

9 **WHEREAS**, pursuant to Section 615B of the Howard County Charter, the use of excess
10 surplus revenue is restricted to (1) fund capital projects, (2) reduce existing County debt; and/or
11 (3) fund appropriations in the current expense budget for capital outlay and for non-recurring
12 expenses; and
13

14 **WHEREAS**, Section 615B also provides that the restriction on the use of excess surplus
15 may be modified by an ordinance passed by an affirmative vote of 2/3 of the members of the
16 County Council; and
17

18 **WHEREAS**, the County wishes to temporarily modify the restriction on the use of
19 excess surplus revenue to further support the Fiscal Year 2026 Operating Budget request of the
20 Board of Education; and
21

22 **WHEREAS**, because there may be reductions in staff and impacts to core educational
23 services, pursuant to Section 209(d) of the Howard County Charter, this Emergency Bill is
24 necessary to meet an immediate emergency affecting the public health, safety, and welfare of the
25 County.
26

27 **NOW, THEREFORE,**
28

29 ***Section 1. Be It Enacted** by the County Council of Howard County, Maryland, the restriction on*
30 *the use of excess surplus revenue required by Section 615B of the Charter is temporarily modified*



HOWARD COUNTY OFFICE OF COUNTY EXECUTIVE

3430 Courthouse Drive ■ Ellicott City, Maryland 21043 ■ 410-313-2013 Voice/Relay

Calvin Ball
Howard County Executive
cball@howardcountymd.gov

www.howardcountymd.gov
FAX 410-313-3051

May 12, 2025

Liz Walsh, Chairperson
Howard County Council
3430 Court House Drive
Ellicott City, MD 21043

Dear Chairperson Walsh and Members of the County Council,

Thank you for your continued partnership as we work through the Fiscal Year 2026 (FY26) Operating Budget process for Howard County. Today, I have submitted emergency budget legislation to the Howard County Council to direct up to \$14.5 million in one-time funding from the County's excess surplus revenue toward the Howard County Public School System (HCPSS) Operating Budget. Pursuant to Section 208 of the County Charter, I am respectfully calling the Howard County Council into legislative session on or before May 14, 2025, for the purpose of introducing the emergency legislation to modify County Charter Section 615B to provide additional funding to HCPSS.

This emergency budget legislation will authorize Howard County to draw upon one-time funding in the County's excess surplus revenue to direct toward the FY26 school budget, providing critical resources for the school system to address core staffing and programming needs in the year ahead.

As you are aware, our proposed FY26 Operating Budget provides a historic \$800 million in County funding to HCPSS, contributing to a total HCPSS budget of approximately \$1.2 billion when combined with State and other funding sources. Our proposed budget reflects a 5.1% increase of \$39 million in new recurring county funding for HCPSS, exceeding the state-mandated Maintenance of Effort by approximately \$39.3 million. Furthermore, we are allocating an additional \$6.7 million to educator pension liabilities, a new cost passed on to Howard County from the State this year. In total, we proposed \$45.7 million in new revenue for HCPSS expenses in our budget, representing approximately 64% of all new General Fund revenue growth in FY26.

Despite this record level of investment during a year of great uncertainty at the State and Federal level, HCPSS continues to experience severe budget challenges. During their May 5, 2025, presentation to the Council, HCPSS identified outstanding funding needs of approximately \$29.2 million in order to maintain core services without making reductions or adjustments to programs and staffing. Subsequently, on May 8, 2025, we sent a letter to the Board of Education identifying three strategies to generate savings and additional revenues within the HCPSS Operating Budget.



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Howard County Executive
cball@howardcountymd.gov

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Our emergency budget legislation would authorize Howard County Government to spend one-time funds from the County's excess surplus revenue on recurring HCPSS operating expenses in the FY26 Operating Budget. Per the County Charter, one-time funding is restricted to spending on one-time expenses, such as the infrastructure projects in the Capital Budget, to avoid using one-time money on on-going expenditures that will stay in the base budget in future years. However, Section 615B of the County Charter permits the County Executive and the County Council to modify the restriction on the use of one-time funds through Council legislation.

This emergency authority has only been invoked once in the last two decades for the operating budget, when the County directed \$7.5 million in one-time funds to cover operating expenses during the COVID-19 pandemic. This underscores the significance of this proposed budget action, which is intended to ensure HCPSS can meet core services in the upcoming year.

This week, we will submit a budget amendment appropriating \$14.5 million from the County's excess surplus revenue to the HCPSS Operating Budget. This excess surplus revenue will be drawn from the County's Policy Reserve, which we fully implemented in FY21. Our Policy Reserve sets aside 3% of the budget on top of the Rainy Day Fund as a fiscal strategy to prepare for emergencies and unforeseen fiscal challenges that may arise. Coupled with internal HCPSS savings, our proposal to direct \$14.5 million in one-time County funds is intended to help meet the \$29.2 million funding threshold identified by HCPSS to avoid program and staffing reductions.

We do not take this action lightly. The use of one-time funds to support operating expenses will impact our future FY27 Operating Budget, as this funding will be built into the Operating Budget base and potentially eat into any new revenues realized in our FY27 Operating Budget. However, we believe that this is the most prudent and responsible approach to supporting the FY26 HCPSS budget without making even deeper cuts to core services, operations, and positions supported directly by Howard County Government.

Following the introduction of this emergency legislation, we respectfully request that the Council schedule this legislation for public testimony during your upcoming Legislative Public Hearing on May 19, 2025. Additionally, we request that this emergency legislation be scheduled for a vote at your upcoming May 21, 2025, legislative session, before the Council takes final action on the FY26 Budget.

Thank you for your partnership as we work together to finalize the FY26 Budget and ensure that Howard County remains the very best place to live, work, play, grow, and thrive for all.

Sincerely,

Calvin Ball
Howard County Executive

BY THE COUNCIL

This Bill, having been approved by the Executive and returned to the Council, stands enacted on May 21, 2025.

Michelle R. Harrod
Michelle R. Harrod, Administrator to the County Council

BY THE COUNCIL

This Bill, having been passed by the yeas and nays of two-thirds of the members of the Council notwithstanding the objections of the Executive, stands enacted on _____, 2025.

Michelle R. Harrod, Administrator to the County Council

BY THE COUNCIL

This Bill, having received neither the approval nor the disapproval of the Executive within ten days of its presentation, stands enacted on _____, 2025.

Michelle R. Harrod, Administrator to the County Council

BY THE COUNCIL

This Bill, not having been considered on final reading within the time required by Charter, stands failed for want of consideration on _____, 2025.

Michelle R. Harrod, Administrator to the County Council

BY THE COUNCIL

This Bill, having been disapproved by the Executive and having failed on passage upon consideration by the Council stands failed on _____, 2025.

Michelle R. Harrod, Administrator to the County Council

BY THE COUNCIL

This Bill, the withdrawal of which received a vote of two-thirds (2/3) of the members of the Council, is withdrawn from further consideration on _____, 2025.

Michelle R. Harrod, Administrator to the County Council

Amendment 1 to Amendment 1 to Council Bill No. 45-2025

BY: Deb Jung

**Legislative Day 8
Date: May 21, 2025**

Amendment No. 1 to Amendment 1

(This Amendment to Amendment 1 increases the amount of Pay Go funding that may be used as excess surplus revenue as required by Section 615B of the Howard County Charter)

1 On page 1, line 7, strike “\$1,500,000” and substitute “\$1,850,000”.

2

3 Should this Amendment to Amendment 1 pass, **Amendment 1** to Amendment 2 to CB36-
4 **2025** and **Amendment 1** to Amendment 4 to CR89-2025 would be required to pass in order to
5 reflect corresponding changes in the Howard County Fiscal Year 2026 Operating Budget and to
6 the Capital Improvement program, respectively.

I certify that this is a true copy of

Am 1 to Am 1 CB 45-2025

passed on May 21, 2025

Passed

Michael Howard

Council Administrator

Amendment 1 to Council Bill No. 45-2025

BY: Deb Jung

Legislative Day 8

Date: May 21, 2025

Amendment No. 1

(This amendment allows the use of Pay as You Go funding to further support the County's portion of the Fiscal Year 2026 Operating Budget request by the Board of Education)

1 On the title page, in the first line of the Short Title strike “ – 14,500,000”.

2

3 On page 3, in line 4 insert the following:

4 **“And Be It Further Enacted** by the County Council of Howard County, Maryland, the
5 restriction on the use of excess surplus revenue required by Section 615B of the Charter is
6 temporarily modified to allow the use of Pay as You Go funding in the proposed Fiscal Year
7 2026 Operating Budget in the amount of \$1,500,000 to further support the County's portion of
8 the Fiscal Year 2026 Operating Budget request by the Board of Education.”

9

10 Should this Amendment pass, **Amendment 2 to CB36-2025**, **Amendment 2 to CR92-2025**, and
11 **Amendment 4 to CR89-2025** would be required to pass in order to reflect corresponding
12 changes in the in the Capital Program and Howard County Public School System budget.

I certify that this is a true copy of

Am 1 CB 45-2025

passed on May 21, 2025

Failed

Michelle Harzard

Council Administrator

