



HARFORD COUNTY, MARYLAND  
Office of the County Auditor

**Harford County Public Schools Proposed Budget  
for Fiscal Year 2019**

**FISCAL IMPACT NOTE**

**March, 2018**

Prepared by the Office of the County Auditor  
Harford County, Maryland  
Inquires may be directed to (410) 638-3161

**TABLE OF CONTENTS**

EXECUTIVE SUMMARY .....	3
SUMMARY OF RECOMMENDATIONS .....	4
HCPS MANAGEMENT RESPONSE.....	5
SUMMARY OF REVENUES AND EXPENDITURES .....	6
POSITIONS.....	8
PENSION AND OTHER POST-EMPLOYMENT BENEFITS .....	9
CAPITAL IMPROVEMENT PROGRAM.....	10

### Summary of Board of Education Proposed FY2019 Budget

	2016 FY Actual	2017 FY Actual	2018 FY Budget	2019 FY Budget	Change	Percent Change
<b>Revenue</b>						
Unrestricted Funding Sources						
Harford County	\$ 228,208,971	\$ 233,534,504	\$ 238,715,645	\$ 263,671,826	\$ 24,956,181	10.5%
State of Maryland	193,999,044	196,211,473	198,271,601	198,976,035	704,434	0.4%
Federal Government	423,240	391,653	420,000	420,000	-	0.0%
Other	5,146,148	5,273,223	3,128,762	3,174,162	45,400	1.5%
Fund Balance	4,750,000	5,523,746	5,466,052		(5,466,052)	-100.0%
<b>Total - Unrestricted Revenue</b>	<b>\$ 432,527,403</b>	<b>\$ 440,934,599</b>	<b>\$ 446,002,060</b>	<b>\$ 466,242,023</b>	<b>\$ 20,239,963</b>	<b>4.5%</b>
Restricted Funding Sources						
State of Maryland	\$ 10,344,837	\$ 8,898,221	\$ 10,135,647	\$ 9,482,908	\$ (652,739)	-6.4%
Federal Government	18,957,778	21,040,936	19,716,739	19,688,600	(28,139)	-0.1%
Other	236,828	412,325	120,000	136,900	16,900	14.1%
<b>Total - Restricted Revenue</b>	<b>\$ 29,539,443</b>	<b>\$ 30,351,482</b>	<b>\$ 29,972,386</b>	<b>\$ 29,308,408</b>	<b>\$ (663,978)</b>	<b>-2.2%</b>
<b>TOTAL - REVENUE</b>	<b>\$ 462,066,846</b>	<b>\$ 471,286,081</b>	<b>\$ 475,974,446</b>	<b>\$ 495,550,431</b>	<b>\$ 19,575,985</b>	<b>4.1%</b>
<b>Expenditures</b>						
Fund: Unrestricted						
Board of Education	\$ 629,338	\$ 567,527	\$ 641,799	\$ 649,213	\$ 7,414	1.2%
Business Services	34,881,745	34,198,345	36,047,372	37,721,460	1,674,088	4.6%
Curriculum and Instruction	5,749,068	5,931,839	6,190,333	6,390,979	200,646	3.2%
Education Services	172,216,622	175,800,623	179,409,938	186,021,120	6,611,182	3.7%
Executive Administration	1,531,827	1,470,449	1,565,413	1,710,590	145,177	9.3%
Extra Curricular Activities	3,537,524	3,688,230	3,763,304	3,812,536	49,232	1.3%
Human Resources	76,852,968	79,482,391	82,110,457	87,948,681	5,838,224	7.1%
Operations and Maintenance	64,844,761	67,483,859	67,744,115	69,994,230	2,250,115	3.3%
Safety and Security	899,420	877,487	901,251	909,101	7,850	0.9%
Special Education	40,604,926	40,621,052	42,459,149	44,910,901	2,451,752	5.8%
Student Services	14,111,726	14,450,598	15,667,191	16,666,708	999,517	6.4%
Office of Technology & Information	9,035,322	8,582,224	9,501,738	9,506,504	4,766	0.1%
<b>Total - Unrestricted Fund</b>	<b>\$ 424,895,247</b>	<b>\$ 433,154,624</b>	<b>\$ 446,002,060</b>	<b>\$ 466,242,023</b>	<b>\$ 20,239,963</b>	<b>4.5%</b>
Fund: Restricted						
Restricted Fund	\$ 29,539,443	\$ 30,351,483	\$ 29,972,386	\$ 29,308,408	\$ (663,978)	-2.2%
Fund: Current Expense						
Food Service	\$ 16,761,751	\$ 17,264,329	\$ 17,148,763	\$ 17,619,542	\$ 470,779	2.7%
Debt Service	31,014,737	30,921,157	31,825,571	30,969,867	(855,704)	-2.7%
Capital	33,285,201	23,576,768	48,615,000	82,537,858	33,922,858	69.8%
Pension	26,626,689	26,083,972	26,381,727	26,381,727	-	0.0%
<b>TOTAL - EXPENDITURES</b>	<b>\$ 562,123,068</b>	<b>\$ 561,352,333</b>	<b>\$ 599,945,507</b>	<b>\$ 653,059,425</b>	<b>\$ 53,113,918</b>	<b>8.9%</b>
<b>Statistics</b>						
Current Expense Fund Employees	4,953.2	4,893.9	4,861.0	4,873.0	12.0	0.2%
Enrollment	37,451	37,426	37,780	37,780	-	0.0%

## EXECUTIVE SUMMARY

### Key Notes

- Total proposed budget is \$653,059,425 (+8.9%)
- County funding requested is \$263,671,826 (+10.5%)
- Proposed wage adjustments totaling \$15.5 million
- Proposed Capital Projects are \$82,537,858 (+69.8%)
- County Executive’s proposed funding is not yet known
- Funded Capital Projects are not yet known

The Board of Education has proposed a fiscal year 2019 Unrestricted Fund budget that is approximately \$20.2 million (4.5%) larger than the approved fiscal year (FY) 2018 budget. As in the prior two years, the largest increases are in the areas of Salary and Wages. There are also significant increases for Insurance Costs (in Human Resources). Capital Projects have increased substantially within the Restricted Fund budgets. The County funding requested has increased by \$25.0 million or 10.5%.

Each year, Harford County Public Schools’ (HCPS) Superintendent prepares a proposed budget that is amended and approved by the Board of Education prior to submitting a funding request to the County Executive. HCPS additionally prepares a detailed budget book that includes many details to support the annual funding request. The County Executive recommends the amount of County funding in the annual appropriation ordinance. The County Council may amend the County Executive’s proposed school funding upward, but may not reduce the proposed amount. It is relevant to note that the County Executive’s budget includes the projected revenue, which cannot be changed by the County Council. The requirement for a balanced budget means that increases to the school budget must be funded by reductions in other County departments by the County Council or an increase in revenue by the County Executive. Further, the annual budget appropriation authorizes current expense funding to the Board of Education in the State mandated reporting categories, but does not provide any further restrictions on how the money may be spent.

The budget prepared by HCPS is an incremental budget – it provides explanations for changes from the prior year budget and assumes that the prior year budget amounts are acceptable. In part, the State’s requirement for funding at the Maintenance of Effort level encourages this approach to budgeting. However, after a number of years, the base being used may not remain relevant because of changes in student needs, State and Federal mandates and the cost of doing business. The schools continue to make adjustments between categories to better reflect how funds will be used. We strongly recommend that the schools prepare a zero-based budget to demonstrate the specific programs, services and staffing levels that are needed. Such a budget, while probably not feasible in the short-term, would highlight current unmet needs. *This recommendation remains from the prior year.*

Last year the schools implemented a citizen’s budget advisory board to provide input on the budget beginning with the FY2019 budget. The group did not issue a formal report, but has recommended that the schools consider utilizing an efficiency consultant. We have noted in the

past, and continue to emphasize, that the Schools have many administrative functions that are similar to those of the County government. We encourage School and County officials to continue to take steps towards identifying and implementing shared efficiency improvements.

This analysis addresses the budget’s summary sections: Revenue, Expenditures, Positions and Priorities. Where appropriate, recommendations for further evaluation have been noted. Throughout this analysis, we refer to the section numbers in the Board of Education’s Proposed FY2019 Budget. Information used in this analysis was provided by the HCPS Budget and Finance personnel. In preparing this document, we inquired of members of HCPS management and the Board of Education to clarify our understanding of the subject and to initiate conversations about overall fiscal efficiency.

This fiscal impact note is not intended to substitute for reading HCPS’ budget book. Rather, it is intended to complement and summarize that information and provide recommendations for consideration in the budget approval process. Our focus is on the financial costs of operating the school system; we defer to the school officials for their expertise and experience with best practices for educating students.

**We strongly encourage all readers of this analysis to also read the proposed budget in full**, giving particular attention to chapters 1 through 8, as they describe the HCPS background, objectives, results and approach to developing the budget.

### SUMMARY OF RECOMMENDATIONS

- We strongly recommend that the schools prepare a zero-based budget to demonstrate the specific programs, services and staffing levels that are needed. (See page 3) *Remains from prior year.*
- School and County officials should consider including technology refresh costs in the operating budget, rather than in the capital budget. (See page 11) *Remains from prior year.*

This prior recommendation is being addressed and will be closed.

- We encourage School and County officials to continue to take steps towards identifying and implementing shared efficiency improvements. (See page 4)

HCPS’ Management response is on the following page.

#### Additional Information

Report Version: 01  
 (March 2018)  
 Based on Board of Education’s  
 Proposed Budget

Dear Ms. Brooks,

March 8, 2018

Re: Response to Harford County Public Schools Proposed Budget Fiscal Year 2019—Fiscal Impact Note

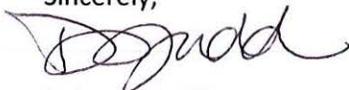
Thank you for providing Harford County Public Schools with a draft copy of the “Harford County Public Schools Proposed Budget for Fiscal Year 2019 – Fiscal Impact Note” prepared by the Office of the County Auditor. We acknowledge, with gratitude, the in-depth analysis and recommendations provided throughout the report. We appreciated the opportunity to meet personally with you to discuss in detail the Board of Education’s Proposed Budget for Fiscal Year 2019.

In response to the recommendation that *“the schools prepare a zero based budget to demonstrate the specific programs, services and staffing levels that are needed”*, we would like to emphasize that we utilize a comprehensive priority based approach to budgeting, not an incremental approach. We reallocate resources, including staff and funds, based on current and projected programmatic needs. Each year as part of the annual budget process, all aspects of the HCPS budget are examined in detail by budget managers to ensure optimal utilization of all resources. Annually, employee staffing is assessed, evaluated and assigned based on an analysis of enrollment changes, student and school needs, program requirements and assignments throughout the school system. Based on the limited growth in new resources since fiscal 2008, the need to reassess and repurpose all resources has been essential for the school system to function. The justification for previously budgeted funds is provided in the Accomplishments portion of each tabbed section of the budget book. If we truly used a zero-based budget approach, our budget request would increase significantly.

We fully support your recommendation that *“School and County officials should consider including technology refresh costs in the operating budget, rather than the capital budget”*. The investment in technology is not a one-time expense; it is an ongoing, recurring and expensive undertaking. However, the 21<sup>st</sup> Century classroom demands and deserves the newest and best technology we can provide. We are open to discussions to include technology funding in subsequent year’s operating submissions.

In response to the variance chart shown on page six projecting HCPS will have a \$5.1 million dollar variance in FY19 is not accurate. We feel the chart does not take into account the fact that we have reduced the original budgets in many of these categories and should see a much smaller overall variance and variance by category. We would reference the December 31, 2017 Quarterly Report presented to the HCPS Board of Education on February 26, 2018 that shows we are projecting a variance of \$306,000 in all expense categories and excess revenues over expenditures of \$2.0 million.

Sincerely,



Deborah Judd  
Assistant Superintendent for Business Services  
Harford County Public Schools

---

## SUMMARY OF REVENUES AND EXPENDITURES

---

### Revenues

The Board of Education (BoE) primarily receives funding from the County, State and Federal Governments. The County funding request is approximately \$25.0 million (10.5%) higher than the prior year. County funds are only used to support Unrestricted Fund expenditures. Expenditures are discussed later in this analysis.

State funding is projected to increase slightly (0.4%) from the FY2018 budget. State funding is adjusted based upon comparative wealth factors between counties. The wealth factor is only one component of determining State funding. The School’s budget for state funding is based upon early projections. Increases or decreases may become apparent as the State’s budget process progresses through April.

‘Other revenue’ includes a wide variety of sources. Of note, the proposed FY2019 budget projects revenue increases totaling \$17,500 from Interest Income, Healthcare, Medicare and other benefit Rebates, while Energy Rebates and Other Revenue are expected to decrease by \$25,000 each.

### Expenditures

Overall, the proposed Unrestricted budget spending has increased by \$20.2 million or 4.5%. The proposed budget summarizes the changes in expenditures as on page 190 of the Board of Education Proposed Budget.

Wages and Benefits are, by far, the majority of the increase, adding approximately \$21.2 million to the budget. \$15.5 million of that amount is related to a negotiated wage/salary package that includes a 2% cost of living adjustment and two pay steps for eligible employees. The remaining increase in this category reflects an estimated 7.5% increase in health insurance rates that will cost \$5.5 million.

The Cost of Doing Business increases approximately \$2.9 million in addition to the Wage and Benefit increases noted above. The most significant changes are related to new positions, facilities costs, transportation and various insurance costs. The increases are partially offset by Base Budget Adjustments that net to a reduction of \$858,906. Items included are generally personnel transfers between departments and reallocation of expenses.

In prior years, we noted several detailed line items are routinely budgeted significantly higher or lower than the actual spending, based on prior years’ results. The schools perform transfers between accounts to ensure that no account is overspent in a fiscal year. For FY2012 through FY2017, we found that while the net annual variance was 1.1% below budget, the average difference at the State Category level showed actual spending averaged 1.8% lower than the budget, prior to year-end budget transfers. This implies that some small categories have significant variances that should be considered, but also that some large budget lines may have small percentage variances that represent large dollar amounts. We continue to note that these numbers have gotten closer to one another over time meaning that the budget estimates are becoming more accurate. The table below summarizes the schools’ Unrestricted Fund results for the last two completed fiscal years. The ‘Application of Variance’ column, totaling negative \$5.08 million, represents the amount that would be unspent in FY2019 based on the prior years’ results. (A positive number in this table means that the schools spent more than budgeted.)

Unrestricted Funds	2019	Average PY Variance	Application of Variance	2017		2016	
	FY Budget			Actual-Budget	Actual-Budget		
Administrative Services	\$ 11,074,924	-3.6%	\$ (403,255)	\$ (595,260)	-5.6%	\$ (305,529)	-2.9%
Mid-Level Administration	27,780,744	-1.0%	(273,780)	41,040	0.2%	(214,972)	-0.9%
Instructional Salaries	170,257,496	-1.1%	(1,856,325)	(2,391,517)	-1.5%	(2,836,251)	-1.8%
Textbooks & Classroom Supplies	6,980,835	-3.8%	(268,355)	(340,341)	-4.8%	(463,669)	-6.4%
Other Instructional Costs	2,730,086	24.3%	662,895	2,096,321	74.3%	2,020,575	72.3%
Special Education	44,999,127	-1.1%	(492,985)	(1,366,568)	-3.2%	(597,974)	-1.4%
Student Services	1,992,571	-1.2%	(23,324)	(26,704)	-1.5%	238	0.0%
Health Services	3,983,763	-2.7%	(108,473)	(67,156)	-2.0%	(36,354)	-1.1%
Student Transportation	31,962,663	-1.8%	(559,953)	(981,470)	-3.1%	(1,193,091)	-3.9%
Operation of Plant	28,022,710	-3.8%	(1,064,000)	(1,353,576)	-4.6%	(2,924,318)	-9.7%
Maintenance of Plant	14,928,660	-1.0%	(146,341)	(556,026)	-4.1%	198,826	1.5%
Fixed Charges	120,360,285	-0.3%	(379,781)	(190,623)	-0.2%	92,810	0.1%
Community Services	548,216	-15.4%	(84,544)	(37,202)	-7.0%	(56,860)	-10.8%
Capital Outlay	619,943	-13.0%	(80,723)	(8,371)	-1.5%	(1,235)	-0.2%
<b>TOTAL</b>	<b>\$ 466,242,023</b>		<b>\$ (5,078,945)</b>	<b>\$ (5,777,453)</b>	<b>-1.3%</b>	<b>\$ (6,317,804)</b>	<b>-1.5%</b>

We reviewed each expense category by department in the proposed Unrestricted budget and identified a number of items that were over- or under-budgeted when compared to the prior 6 years’ results and the FY2018 budget. The differences were largely explained by proposed wage adjustments and employee benefit changes. The table below summarizes the categories, by department, with significant variances in the Unrestricted Fund that were not fully explained by the above reasons. The total of those amounts suggests potential areas for

reduction or adjustment in the FY2019 budget and is summarized below. (Positive figures in the table below represent categories that could be adjusted downward.)

	<b>Total of Significant Variances</b>	<b>Total Category Budget</b>	<b>% of Line Item</b>
<b>Curriculum and Instruction</b>	<b>14,172</b>	<b>6,390,979</b>	16.3%
Mid-Level Administration	14,172	86,953	16.3%
<b>Education Services</b>	<b>344,606</b>	<b>186,021,120</b>	
Mid-Level Administration	31,825	379,232	8.4%
Other Instructional Costs	148,376	748,355	19.8%
Textbooks and Class Supplies	164,405	243,463	67.5%
<b>Executive Administration</b>	<b>9,013</b>	<b>1,710,590</b>	
Administrative Services	9,013	24,000	37.6%
<b>Extra-Curricular Activities</b>	<b>68,332</b>	<b>3,812,536</b>	
Textbooks and Class Supplies	68,332	129,684	52.7%
<b>Human Resources</b>	<b>739,293</b>	<b>87,948,681</b>	
Fixed Charges	739,293	85,382,020	0.9%
<b>Operations and Maintenance</b>	<b>165,563</b>	<b>69,994,230</b>	
Maintenance of Plant	165,563	757,119	21.9%
<b>OTIS</b>	<b>205,689</b>	<b>9,506,504</b>	
Maintenance of Plant	47,398	294,259	16.1%
Textbooks and Class Supplies	158,291	1,555,888	10.2%
<b>Special Education</b>	<b>66,439</b>	<b>44,910,901</b>	
Special Education	66,439	330,191	20.1%
<b>Grand Total</b>	<b>\$ 1,613,107</b>	<b>\$ 410,295,541</b>	<b>0.39%</b>

**POSITIONS**

The proposed budget includes 4,873.0 unrestricted, current expense fund positions, a net increase of 12 full-time equivalent employees.

New positions include: 31 Special Education staff including Teachers, Paraeducators, Bus Drivers and Bus Attendants, 2 Computer Technicians, 1 Elementary School Counselor, 1 Pupil Personnel Worker and 1 Administrative Support Technician. The increases are partially offset by the elimination 23.0 Inclusion Helper positions.

**PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

	2016	2017	2018	2019	Change	Percent Change
	FY Actual	FY Actual	FY Budget	FY Budget		
<b>Fund: Pension</b>						
State of Maryland Contribution	\$ 26,626,689	\$ 27,773,812	\$ 26,381,727	\$ 26,381,727	\$ -	0.0%
HCPS Funds to Teachers' Plan	8,448,709	8,084,494	8,946,243	9,150,334	204,091	2.3%
HCPS Funds to Employees' Plan	2,749,421	2,088,496	2,102,842	2,118,000	15,158	0.7%
Restricted Fund Contribution	1,860,687	2,020,486	1,950,000	1,950,000	-	0.0%
<b>Total</b>	<b>\$39,685,506</b>	<b>\$39,967,288</b>	<b>\$39,380,812</b>	<b>\$39,600,061</b>	<b>\$ 219,249</b>	<b>0.6%</b>
<b>Fund: OPEB</b>						
Annual OPEB Cost	59,695,000	67,040,000	62,010,000	65,010,000	3,000,000	4.8%
Contributions to Plan Payments	(25,939,000)	(24,018,000)				
Expected Plan Payments			(24,320,000)	(25,500,000)	(1,180,000)	0.0%
<b>Increase in OPEB Liability</b>	<b>33,756,000</b>	<b>43,022,000</b>	<b>37,690,000</b>	<b>39,510,000</b>	<b>1,820,000</b>	<b>4.8%</b>

HCPS employees participate in pension plans administered by Maryland’s State Retirement Agency. The FY2019 local costs (employer’s share) will increase by \$0.22 million (0.6%).

When employees retire, a portion of their health and dental costs are paid by HCPS. Those costs are paid by the Other Post-Employment Benefits (OPEB) trust which is funded to help pay for future costs. The Annual Required Contribution (ARC) is the actuarial estimate of how much the employer should contribute today to fund future costs plus an amount that is needed to catch up for earlier unfunded years. In prior years, HCPS has not funded its entire ARC. This contributes to a growing future liability. The 06/30/2017 Net OPEB Liability was approximately \$951.7 million, while the plan’s assets were approximately 4.61% of that amount. The proposed budget does not include OPEB projections or expected funding for the upcoming year. In prior years, the school system has used their healthcare consortium and Medicare Part D rebates to fund OPEB contributions; however, it is not certain that these surpluses will be available in FY2019. *The table above reflects our estimate of contributions to the plan.*

School officials have indicated in prior years that they have considered Post-Employment Health Plans, but noted that the future obligation would not be reduced without a reduction in employee benefits. We agree with their assessment, but note that the current practice of large benefits and partial funding is not sustainable. Recently, officials have taken steps to adjust the post-retirement healthcare subsidy based upon the length of the employee’s service. Going forward, longer term employees will receive a greater retirement healthcare benefit than short-term employees. This is a positive step. School officials will need to continue to consider how to best structure benefit plans to balance full-funding and maintaining an attractive benefit package for employees.

### CAPITAL IMPROVEMENT PROGRAM

Description	State Reques	Local Reques	FY2019 Total Budget Reque	Total Project Cost	Percent Comple
Fund: General					
Special Ed Facility Improvements		1,086,000	1,086,000	2,486,000	8.0%
Havre de Grace HS Replacement	11,544,000	32,287,000	43,831,000	105,206,000	40.4%
Technology Refresh		14,772,000	14,772,000	112,627,371	23.0%
Bel Air ES HVAC/Open Space	568,000	-	568,000	7,560,000	92.5%
Fire Alarm & ER Communications		104,000	104,000	1,732,000	65.0%
Fallston MS Chiller Replacement	554,000	446,000	1,000,000	1,000,000	0.0%
Replacement Buses		4,240,000	4,240,000	21,683,994	61.3%
Aberdeen MS Roof Replacement	1,445,000	1,219,000	2,664,000	2,664,000	0.0%
Environmental Compliance		880,000	880,000	4,621,263	63.6%
Stormwater Mgmt, Erosion, Sediment Control		840,000	840,000	3,465,000	22.4%
Major HVAC Repairs		2,185,000	2,185,000	21,086,226	41.8%
Replacement (Maint.) Vehicles & Equip.		1,500,000	1,500,000	16,084,396	34.7%
ADA Improvements		300,000	300,000	1,800,000	33.3%
Septic Facility Code Upgrades		75,000	75,000	5,360,592	91.6%
Domestic Water and Backflow Prevention		1,090,000	1,090,000	3,320,000	18.1%
Security Measures		325,000	325,000	13,140,000	13.2%
Technology Education Lab Refresh		240,000	240,000	2,500,000	65.0%
Outdoor Track Reconditioning		234,000	234,000	1,204,000	40.4%
Paving - Overlay and Maintenance		985,000	985,000	5,766,370	37.4%
Athletic Field Repair and Restoration		100,000	100,000	6,235,000	7.8%
Swimming Pool Renovations		283,858	283,858	2,279,858	13.2%
Equipment and Furniture Replacement		100,000	100,000	2,255,000	73.4%
Textbook/Supplemental Refresh		1,000,000	1,000,000	9,931,644	47.1%
Folding Partition Replacement		100,000	100,000	600,000	0.0%
Paving - New Parking Areas		400,000	400,000	800,000	0.0%
Playground Equipment		500,000	500,000	6,899,241	56.5%
CEO Annex and Training Areas HVAC		1,860,000	1,860,000	1,860,000	0.0%
Floor Covering Replacement		200,000	200,000	1,350,000	11.1%
Career & Tech Education Equipment Refresh		250,000	250,000	1,500,000	50.0%
Bleacher Replacement		100,000	100,000	1,100,000	45.5%
Energy Conservation Measures		250,000	250,000	2,000,000	25.0%
Locker Replacement		150,000	150,000	1,230,000	35.0%
Music Equipment Refresh		75,000	75,000	1,075,000	58.1%
Music Technology Lab		100,000	100,000	877,557	39.3%
Band Uniform Refresh		150,000	150,000	702,340	10.3%
<b>Total</b>	<b>\$ 14,111,000</b>	<b>\$ 68,426,858</b>	<b>\$ 82,537,858</b>	<b>\$ 374,002,852</b>	<b>36.0%</b>

**Recommended Actions**

- School and County officials should consider including technology refresh costs in the operating budget, rather than in the capital budget.

Prioritization of capital projects should be recommended by subject matter experts and approved by those in leadership. As a result, budget analysis of the capital projects is limited to general descriptions, current and prior appropriations and background information. The overall appropriateness of the Capital Improvement Program, including projected future funding, has not been assessed.

The Board of Education requests funding for capital projects it deems priorities through its Capital Improvement Plan. The proposed Capital Improvement Plan for FY2019 consists of 35 projects totaling \$82,537,858. The local government funding request is \$68,426,858.

Overwhelmingly, the largest capital project request is for the Havre de Grace Middle/ High School replacement project. The 2019 requested funding is approximately \$32.3 million.

Technology Refresh has \$14.8 million budgeted. As in prior years, this project remains a key concern for school officials because it addresses infrastructure needs as well as classroom teaching needs and state-required testing needs. The purchases funded by the Technology Refresh project are in the capital budget, but are more accurately classified as operating expenses because they represent the ongoing cost of maintaining the hardware and software used in classrooms and by administrators. We continue to recommend School and County officials consider including technology refresh costs in the operating budget, rather than in the capital budget.

Many other capital projects are generic (Fire Alarm and ER Communications, Paving, Replacement Buses, Textbook/Supplemental Refresh, Playground Equipment, etc.) and address needs that exist in multiple locations. These projects have been planned to address 1 or 2 schools each year. Buses are replaced every 12 years as required by the State Department of Education and other vehicles are replaced, as needed, using the American Public Works Association standards.

School officials have noted that limited funding for the general/maintenance projects over several years has required the delay of some maintenance. Over time, these delays may lead to the failure of building systems and equipment that will require costly replacements.