



February 17, 2021

MEMORANDUM

To: Members of the Board of Education

From: Michael J. Martirano, Ed.D.
Superintendent

Subject: Potential FY 2022 Budget Reductions

The purpose of this memorandum is to respond to the Board's motion requesting potential budget reductions.

The Superintendent's Proposed FY 2022 budget includes a request to Howard County Government for \$22.1 million above the FY 2021 funding level. My recommendation continues to be that the Board honor the obligations and commitments to our staff, address the severe understaffing in special education, and maintain class sizes by advocating for the budget I have proposed.

Enrollment Decline and Proposed State Budget

As we developed my recommendation to the Board, we projected that the enrollment decline due to the pandemic posed a possible \$24.7 million decline in funding for HCPSS and that the sun-setting of state grant funds would result in an additional decline of \$8.6 million. While we do not know what the final state legislation will look like, based on Governor's budget, which is a starting point for the General Assembly, school districts will be held harmless for the enrollment decline and the sunset of the grant funds through SB1030. Further, the budget legislation requires that local counties not just hold districts harmless for the enrollment decline, instead, increase funding above FY2021 levels in order to receive the proposed state funding increases beyond the formula.

If the assumption is made that the county will hold us to FY 2021 levels or worse yet, reduce our funding for FY 2022 by \$17.7M (based on MOE enrollment decline) that would mean cutting a total of \$46.7M from the budget because the state hold harmless funding and funding increase is contingent on counties increasing their funding. Any reduction scenario to increase class sizes or cut essential academic programs will likely lead to a reduction in staff. The Governor and the Democratic legislative leaders have all indicated that the state will hold the districts harmless in state aid and provide increases, and the county has not indicated anything to the contrary that they will cut our funding or keep us at FY 2021 levels. It would be disingenuous to our

employees, stakeholders and the county and state if we began discussing drastic cut scenarios absent of any indication that a significant decline in even current levels of funding is expected.

Prior Year Reductions

Over the last three years, HCPSS has made significant reductions in programs, staffing and eliminated central office positions and offices. A list of these prior year cuts was provided to the Board.

Board Motion

The Board approved a motion to *“direct the Superintendent to examine cuts to close gaps if we do not receive expected funding from the state and/or the county and to provide the information to the Board.”*

Please note that any reductions that do not impact our current level of service to students and staff that I could recommend are already included within my recommended budget. With precision, the budget I have presented already includes reductions and realignments and incorporates savings from increased salary lapse.

If the Board wishes to pursue further reductions to the budget, I would recommend that we first assume some funding above FY 2021 levels from County Government. Based on just the increase from FY 2020 to FY 2021 and looking at prior year increases, an assumption of \$10 to \$17 million would be a reasonable assumption. Using this range, the table below summarizes the amount of budget reductions into three scenarios.

Superintendent Proposed	\$22.1 million	
	New County Revenue	Cuts to Balance
Scenario A	\$17.0 million	\$(5.1 million)
Scenario B	\$13.5 million	\$(8.6 million)
Scenario C	\$10.0 million	\$(12.1 million)

The Board could consider eliminating or reducing the items that are driving expenditure growth. These items are listed in the Factors Influencing the Budget section beginning on page 17 of the Budget Book, itemized on page 35, and listed below. However, I want to clearly state that I do not recommend any reductions and recommend that the Board advocate at the state and county levels for additional increases in funding to meet our obligations and maintain current service and staffing levels for our students.

- \$4.1 million for support enrollment related expenditures for general education
- \$5.4 million for special education
- \$500,000 for early intervention on reading
- \$6.6 million placeholder for compensation increases
- \$1.2 million to strengthen cybersecurity capability

- \$1.0 million toward building up the funds for the replacement schedule to sustain a 1:1 student device Ratio
- \$328,000 for 5 technology positions to provide critically needed student and staff technology support
- \$150,000 for security
- \$70,000 for 1 new nurse position
- \$50,000 for a partially grant funded social worker position

Further, the Board could review the list of prior year proposed cuts to assess areas where the Board wishes to further reduce staffing. The Board may review memos from the FY 2020 and FY 2021 budget deliberation processes which provide additional reductions that the Board could consider. In addition, for the Board's information, a class size increase of one across all levels would save approximately \$6.9 million and impact 112.1 FTE.

Recommendation

Based on the confluence of the enrollment decline, the impact of reductions in the FY 2021 budget, and other pandemic related pressures, any reduction to my recommended budget is expected to impact staffing or service levels, or a combination. I would again recommend that we revisit the conversation for any reductions at such time when we know definitively what our FY 2022 appropriation from the County and State will be. At that time, the Board will be able to consider potential reductions and explore a partial use of the unassigned fund balance to avoid drastic cuts.

This iterative process begins with the Board articulating its need to the County and then advocating for that budget with the county executive and council. Our recommendation remains that the board carry forward this budget which maintains current service and support levels for all staff and students and that the Board develop an articulated engagement strategy with elected officials to advocate vigorously for the funding needed for our students.

Please contact Jahantab Siddiqui, Chief Administrative Officer, with any questions.

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 Board of Education Office