

Dr. Martirano's Remarks at BOE Worksession
February 21, 2018

Thank you Board for the opportunity to say a few words before we begin this afternoon.

I want to begin this evening with some facts. First and foremost, I want to state, clearly, that we entered this school year with a 22.2 million dollar deficit. This deficit is compounded by the fact that the budget funding this school year will continue to grow the debt...if unmitigated, by another 28 million. Let me say that again: we will close business on June 30 with nearly \$50M in deficit and will continue adding to it unless we do something immediately.

Continuing with facts. I have proposed to you a \$850M budget...a budget that reflects many tough decisions by program managers to help contain future costs to address our debt. This budget is also in line with the fiscal realities we face in the County and takes into account the funds available to us. The budget advances programmatic priorities, however, it would also continue to grow our debt if left unaltered.

There is not an easy solution. There is no excess revenue at the county that we are currently unaware of. There are no budgeting tricks that will turn this around. Any decision that we make that fixes the problem is going to be a difficult one. The county does not have unlimited dollars to tap into. Just today, the Baltimore Sun posted an article detailing a Howard County government hiring freeze and 2 percent mid-year budget cut. We know that the county will have 19 million dollars in revenue growth for FY19 and that our MOE is 10.2 million. That doesn't leave a lot of money needed by other county agencies to help makeup for our poor budgeting practices of the past.

The first priority must be to stop the bleeding immediately. This gaping wound will not be resolved with a couple of aspirin. Until we contribute the required 85% to the health fund, the deficit will continue to grow. We are operating in a structural imbalance and we can not make a decision that contributes to the mounting deficit. To accomplish this, we must find 19 million dollars in savings in the FY19 budget. This means that the 850 million dollar number we are working with to fund the system is, in reality, should be 831 million with the \$19 million going to fully fund our required health deficit. This will freeze the growing deficit and fix this structural issue for good.

Based on the Board's recommendation, I provided you with a memo that detailed up to 22 million dollars worth of possible cost savings. It's what I consider a draconian solution, but one that guarantees that we start FY19 on July 1 on sound financial footing to ensure a prosperous, sustainable future. What I can't do is begin my first year as Superintendent by contributing to the debt acquired before my arrival.

The second priority is to begin to pay back the deficit acquired to date. As I stated earlier, we know that we were operating in FY2017 with a 22.2 million dollar deficit. We also are projecting that FY2018 will add approximately 28 million dollars in additional deficit. However, we can not make decisions based on the FY2018 number because we

won't know it's accuracy until the auditors have completed their work later this year. All we are sure of is that we currently operate with 22 million dollars of debt and that number will be larger after this year. But, if we fulfill priority number 1 - to immediately stop the bleed - the deficit will level off after FY2018 and we can begin to pay it back. We have three sources of revenue that I have identified. The first being the cost-cutting measures that we are currently undertaking. The second is any additional money we may receive from the state. The third is working collaboratively with the county to eliminate the remainder of debt.

By advancing a good-faith and responsible approach to stop the deficit from growing and eliminating the root cause of this problem, I would confidently be able to ask the County Council and County Executive to provide additional one-time funding, perhaps even over a two-year period, to eliminate the 22 million dollars of debt from FY2017. Once the FY18 actual deficit amount is determined, following the audit, we will request the county's assistance next year to implement a similar multi-year plan to eliminate the deficit.

There is also a time sensitive issue related to our decisions and affecting school scheduling, registration, and staffing. Our Chief School Management and Instructional Leadership Officer is meeting with school staff beginning tomorrow to begin the process of staffing. Our Chief Human Resources and Leadership Development Officer will be working with staff to manage the surplus processes, the transfer processes, and, the very important process of securing our new hires. The longer that we take finalizing a budget, the longer the delay in these processes. And, if we have to cut programs and positions in the end anyway, then all of the staff impacted will have fewer choices at their disposal based on the compressed timeline.

I would like to close by restating my recommendations to the Board. First, we must reallocate 19 million dollars from our budget to the health fund in order to immediately halt the growing debt. Second, we will collaborate with the county to help us chip away at the acquired debt over a two-year period. I also advise against the practice of asking for an unreasonable amount of money and repeating the missteps of the past several years. Instead, we must live in the reality of today.

The decisions that we make now will set the legacy of this Board in how we made the hard choices to secure the future of the School system. Together, we must show leadership and the willingness to make the hard choices in order to create long-term sustainability and protect the futures of our students and staff.

Thank you for the time that you have afforded me tonight and the efforts you have taken through this process. This concludes my remarks.