



Superintendent's Proposed FY22 Operating Budget

Dr .Michael J. Martirano, Superintendent

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Good evening, Board members. This evening I am presenting the Fiscal Year 2022 Proposed Operating Budget to the Board of Education and the community.

I want to begin by recognizing all of our division chiefs, performance managers, and support staff who have worked diligently to prepare the budget document and ensure that their programs align with our strategic priorities.

Thank you to board members for your continued engagement with staff during the budget development process as well as our community stakeholders who serve an important role throughout this process.

I want to commend staff in our Budget office, who have been working around the clock to prepare the budget, under the leadership of Jahantab Siddiqui, Chief Administrative Officer, and Darin Conforti, Executive Director of Budget.

Resilience and Resourcefulness

Often, it is the periods of greatest stress that most inspire creativity and resourcefulness. The planning cycle for our FY22 Budget began when Maryland schools first closed last March due to the rapid spread of COVID-19. Since that point, the pandemic has dominated all aspects of school system operations, instruction and services, and has caused great strain for our students, staff and families. The Howard County Public School System has approached this challenge as an opportunity to adapt instructional processes and ramp up capacity in instructional technology, online instruction protocols and resources, professional readiness, and other tools. As a result, we have deepened our wells of resilience and resourcefulness.

Perhaps most importantly, throughout these difficult months, we have successfully managed the school system within our existing levels of funding, without any need to reduce staff or service levels.

Our work is grounded equity. One of the most painful aspects of the pandemic is the disproportionate impact on students who already struggled with poverty, disabilities, language barriers, family strife and other challenges, who have been at an even greater disadvantage without the supports they had previously received in school. We have strived wherever possible to alleviate the negative impacts on students by addressing basic needs.

Through purposeful budget management – which included stronger oversight of expenditures and placement of budget reservations in certain areas, along with our aggressive pursuit of grant funding – we have been able to adapt and improve in many areas.

- We have provided grab-and-go meals to all HCPSS families at no cost.
- We have adapted in the use of technology to support instruction in a virtual model and are on track to achieve a 1:1 ratio in student learning devices
- We have acquired new online learning platforms to facilitate virtual instruction, and we are reimagining summer school to support students in learning recovery and acceleration through both virtual and in-person options.

Impact of COVID-19 on Budget Planning

I am extremely proud of the of strength, resilience and adaptability that have been evident among our staff and school system over the past 10 months. That said, the pandemic has fundamentally challenged our entire organization in terms of instruction, operations, and finances It has had a significant effect in many areas of our future budget planning, which I will quickly summarize.

- Maintenance of Effort, or MOE, funding formulas, which make up the largest portion of our funding, are directly tied to prior-year enrollment levels. We have experienced a temporary drop in enrollment this year due to the pandemic, which could potentially limit the state and local funding we can expect to receive next year.
- With the support of CARES Act grants from the federal government and the county, we have rapidly and significantly ramped up our capacity in technology and online instruction. These relief funds – which helped us bear the burden of COVID-19 costs and build up a valuable technology infrastructure – are unlikely to be available again on a continuing basis, even though the costs to sustain the added capacity will have to be paid.
- We also recognize that both our county and state face steep fiscal challenges that are greatly exacerbated by the ongoing pandemic. I want to thank County Executive Calvin Ball, and our County Council members, and the Howard County General Assembly representatives for their partnership and collaboration.

Pandemic and Learning Gaps

It is also important to recognize the impact of the pandemic on our students' learning and the additional supports we must provide as students return to classrooms.

Every year, our educators work to address the learning loss that most students experience as a result of the summer break. This year, we must acknowledge and address an even greater loss for many students through a combination of in-school supports, summer learning, and evening school. We must also provide additional counseling and mental health resources to give students a full complement of supports.

This will be a one-time investment related to the pandemic, and has not been built into the budget recommendation. Instead, we will use budget savings through our budget management and grant funds to support this program. This is a similar approach to how we have managed nearly \$30 million in other unbudgeted pandemic-related costs.

Staff is working to develop a robust program to support learning acceleration for all students. This proposal will be shared with the Board over the coming days. The second CARES Act recently passed makes over \$19 million of grant funding available. This second federal stimulus legislation specifically targets Recovery of Learning as a qualifying use of funds. We will aggressively pursue these monies to help us implement this learning acceleration plan.

Maintaining System Stability and Service Levels

That brings me to the details of my proposed FY22 budget. Our primary priorities in developing the budget proposal included:

- Maintaining current service and support levels, staff positions and benefits, and class sizes;
- Preparing HCPSS to welcome all students back for face-to-face learning in school buildings;
- Ensuring the funding necessary to support returning students who may have unenrolled due to the

- pandemic, as well as the additional student growth that the system traditionally experiences; and
- Sustaining the technology infrastructure and the instructional agility that we have developed over the last 10 months.

Totaling \$932.4 million dollars, the proposal represents an increase of \$13.8 million over FY21, which is a 1.5% growth rate.

- It includes funding to support anticipated enrollment growth and to sustain special education service levels.
- It meets the Board's commitments for salaries to support our highly committed and skilled staff.
- It fully funds employee benefits, based on actuarial projections.
- It enhances funding to support mental health and early reading skills.

These investments are essential to maintain and sustain what our system has built up over the years to provide an excellent education and secure the well-being of our students and staff.

My FY22 budget proposal is not aspirational, but aims to judiciously and prudently request the funding needed to keep our system stable and respond to the needs of our students. At the same time, it is important to recognize that the budget reductions made over the last 4 years, and \$70 million in needs that remain unmet, will continue to limit our system's ability to deliver and enhance educational services and supports or to narrow equity gaps.

I also want to emphasize that no use of fund balance is included in the FY 2022 proposal. Fund balance represents one-time monies. Budgeting one-time funds for use in covering recurring costs is inconsistent with sound budgeting principles, and has created structural issues within the budget.

Overview

The budget proposal provides \$4.1 million in funding to accommodate the projected addition of 380 new students next year over our current year budgeted enrollment, while maintaining class sizes within target ratios. Our FY22 enrollment projection includes both students new to the system as well as those we anticipate will return after temporarily exiting the system during the pandemic.

Enrollment carries significant potential implications for the level of FY22 revenue our system may expect to receive from the state and county. Like many other public school districts, this year our system has experienced an unanticipated enrollment decline. Our actual K-12 enrollment for the current school year is almost 56,300 students, which is approximately 1,230 students fewer than last year and 1,800 students below what was budgeted for FY21. The most significant declines reflect a transfer to homeschooling or private schools, which we believe reflect the difficulties inherent to virtual instruction for families. We anticipate that many of these students will return to our schools once school buildings reopen for all students.

As you know, Maintenance of Effort, or MOE, and state aid formulas are calculated using current-year K-12 enrollment. The enrollment decline due to the pandemic poses a possible \$24.7 million decrease in state and county funding. The sunset of state grant funds associated with Kirwan legislation will result in an additional decline of \$8.6 million.

Through our recent discussions with state and local officials, we anticipate that the state will take action to hold school districts harmless from revenue declines due to the temporary enrollment reductions, and that the MOE escalator will be adjusted accordingly. I am pleased that the Governor's proposed FY22 budget is expected to maintain state aid. We will continue to engage in conversations to understand the impact this

may have on MOE.

As you know, staff compensation represents the largest proportion of our budget, at almost 86 percent. The remainder of our budget, representing just over 14 percent, goes to transportation, maintenance, utilities, fixed charges like property and liability insurance, and all other expenses.

In an increasingly competitive market, our compensation package must attract and retain highly qualified staff. The available pool of certified educators is shrinking, and within that pool, only a small percent represent diverse populations. Additionally, while our staff are highly qualified and exceptionally dedicated, they are increasingly strained from the challenges of meeting students' escalating needs and in responding to the pandemic. Our system's largest financial commitment is associated with our investment in staff, in whom we entrust with the profound responsibility for our students' education and care.

My FY22 budget proposal includes a placeholder of \$6.6 million for staff compensation, which includes \$5.8 million for salaries and \$736 thousand for staff and retiree benefits. I want to emphasize that this budget maintains all staff positions.

Special Education

The budget includes \$5.4 million to fund enrollment growth and maintain existing service levels for special education. The added investment includes staff salaries and benefits for 70.7 new positions, nonpublic tuition, contract labor and other costs.

We anticipate growth of 163 new students to be served with school-based special education services, bringing our total to 5,582 students. This represents a low estimate for special education growth, based on a 3-year average.

Special education staffing levels are determined by the service hours needed to address the intensity of needs on the student's IEP and Individualized Family Service Plan. We project the level of necessary staffing using estimates and trends for the number of hours needed to support specific needs, and the number of students to be served. For some students, the student-to-service intensity ratio will be less than 1:1, and for others it will be greater than 1:1.

We are critically understaffed in special education, and must continue to address this understaffing through our budget.

Special Education Funding Growth

Though understaffing remains, this budget moves our system forward in our multi-year goal to increase funding for special education. With this proposal, the funding allocated has increased by over \$38 million over the last five years, from approximately \$99.0 million in FY17 to a proposed \$137.1 million for FY22.

This represents an average annual increase in special education funding of more than 6.7%. Growth in the remainder of the operating budget during this same period of time has averaged 2.3% per year.

Critical Investments

The budget proposal is not aspirational, but it includes modest investments in key areas that are essential to equity and the quality of our instructional program.

The budget allocates funding to increase our support for early reading intervention and universal screening, with new reading positions and staff training. The FY22 budget includes \$500,000 for 4.5 new reading specialist positions and professional learning to increase early intervention on reading skills and address universal screening for reading difficulties and dyslexia, including the highly effective Orton-Gillingham training.

This budget maintains my focus on student well-being and mental health. This priority has become more urgent due to needs that have been exacerbated as a result of the pandemic. A rising proportion of children, as well as adults, are experiencing significant mental distress. This is an equity issue, because the impact is disproportionately heavy among those with limited access to resources in the community.

I want to draw attention to 7 new positions that are included in this budget proposal to provide greater mental health supports to our students. These include:

- A partially grant-supported social worker and a nurse position
- 3 new school psychologist positions,
- A mental health support position for Homewood Center, and
- 1 new middle school counselor position.

These additions will strengthen the complement of supports that we have already been building up over the last several years with the previous addition of 6 social worker positions, and increased collaboration and access to community supports.

Access to technology is essential for online learning, and is an equity issue. At the outset of the pandemic, many of our most vulnerable students and families lacked home access to computers or the internet. With support from grants, we are working toward a 1:1 student-computer ratio this school year. Our focus moving forward must be to protect and sustain these valuable investments. Through the budget proposal:

- We are adding 5 positions in the Technology Services Fund to support our strengthened technology capacity. In the last 10 months, we have acquired nearly 38,000 computers; as a result, the number of computers supported by technology staff has increased to nearly 60,000. These new positions address a critical need to sustain this technology infrastructure and support students and staff.
- Additionally, we are allocating \$1.0 million toward building up funding to prepare for the eventual need to replenish Chromebooks to sustain the 1:1 device ratio. The expected life-cycle for the new computers is 5 years, thus the total cost to refresh all of the computers added over the past year will be approximately \$25 million. It will be prudent to phase-in this funding by \$1 million per year over the next five years.
- Funding is also included to strengthen cybersecurity and add bandwidth for our classrooms to accommodate the 1:1 ratio, and to maintain online instructional software resources.

New Positions

In summary, the budget proposal provides for 137 new positions. This slide provides a summary of how these positions will support our system.

Fully Funding Health Care Obligations

Eliminating the historical health fund deficit has been a top financial priority since I have been Superintendent, and I am proud of the progress we have made despite significant other budgetary pressures. Through budget savings and lower-than-expected health care claims in FY20, we reduced the deficit by over \$20.5 million, from \$39.2 million to \$18.7 million.

As a result, we reversed the adverse independent auditor’s opinion and moved our system closer to sound financial footing. We will continue to apply budgetary savings in FY21 and aggressively target this deficit. We have also begun conversations with County Executive Ball and his team to update the original agreement between the County and the Board to eliminate the deficit.

For the fourth consecutive year, the FY22 proposed budget fully funds the actuarially projected health insurance costs. By continuing to fully fund the Health Fund each year, we will avoid incurring a deficit in the future.

Ongoing Commitment to Equity

The entire budget reflects our system-wide commitment to equity. The budget book again includes the components established last year to clarify the intrinsic connections between each budget program area, our equity goals and specific Strategic Call to Action objectives, including measures of success.

Additionally, the budget proposal maintains class size ratios and pre-kindergarten programs at current levels, and continues to uphold the level of added capability and supports that we have been building during the previous year’s budget cycles. Examples of these prior additions that remain fully in place include:

- The staff positions added last year to accelerate system progress related to diversity, equity and inclusion, including our work to implement restorative practices;
- New liaison positions that were added to improve supports for minority and international students and families;
- Additional nursing and social work positions;
- Our initiatives toward increasing workforce diversity; and
- Our increased collaboration with community providers and agencies to support wellness, mental health and other needs, which have greatly expanded the level of supports available to our students and families.

All of our work reflected in these and many other areas, is going to continue.

FY 2022 Budget Proposal

The budget document reflects continuous improvement changes to communicate the budget more effectively and transparently. Supporting documents provide a list of budget reductions taken during the prior three budget years, and the additional investments necessary to address gaps within our programs.

To support transparency and easy access to the budget, each budget program description includes a “Budget Summary Analysis,” which details the changes for each expenditure category in FY22 compared to the FY21 Budget.

The budget section on the school system website provides a user-friendly source of information on the budget process. The site includes the budget proposal and all related documents, overviews of the budget process and the Health Fund deficit. The page also identifies respective roles for the Superintendent, Board and County; includes a timeline and opportunities for public input; provides answers to frequently asked questions, and more.

The budget website will be updated throughout the budget process. It can be easily located on the school system home page.

Budget Request Timeline

The first phase of the FY22 Operating Budget planning cycle concludes today, with this presentation of my proposal to the Board.

The next phase of the process will be the Board's deliberation. The Board will hold two Public Hearings on February 2nd and 16th, and four public work sessions on January 28th and February 2nd, 4th, 9th, and 16th, with a possible fifth session reserved for February 18th if needed or in case of inclement weather. The first work session will include a discussion and analysis of revenues.

The Board is scheduled to adopt its budget request on February 25th and submit it to the County.

After the County approves its budget, the Board will adopt the final FY22 operating and capital budget, and the FY23-27 Capital Improvement Program on May 27th.

Closing

I know that our Board of Education, county and state leaders share with me a sincere dedication and sense of obligation on behalf of the well-being of Howard County children, families and staff. I look forward to working with the Board as we articulate our request to the County and State, and then working with elected officials on both levels to ensure we receive the funding we need for our students.

Thank you for allowing me the opportunity to present this budget proposal.