CB10-2026 Fiscal Analysis
Introduced: January 5, 2026
Fiscal Manager: Owen Kahn

Legislative Intent: This legislation allows the County to use excess surplus funds from prior fiscal years on funding deferred capital projects in the Howard County Public School System, beginning in FY2028.

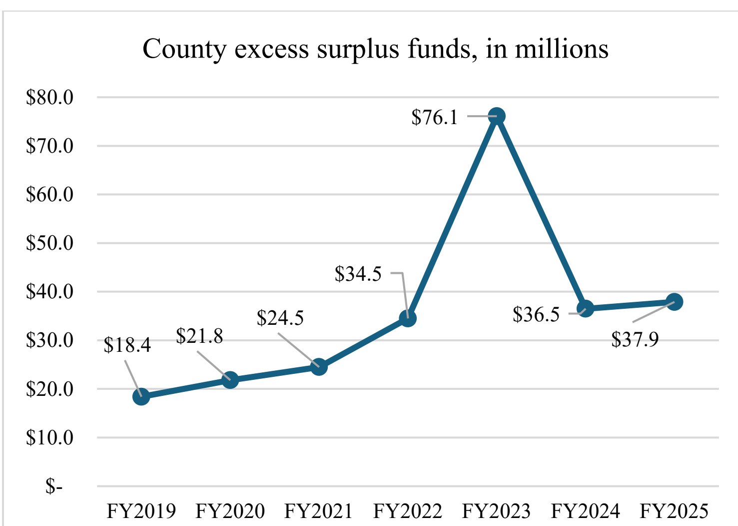
ANALYSIS

Fiscal Impact:

This legislation will allow the County to use excess surplus funds from the FY2027 budget on funding deferred school construction projects beginning in FY2028. The exact amount spent will be determined in the FY2028 budget cycle.

County Excess Surplus Funds

According to the Annual Comprehensive Financial Reports (ACFR), over the last seven fiscal years the County has concluded the budget period with an average of $37.5 million in surplus revenue. Section 615A of the County Charter requires that surplus be contributed to the rainy day fund until that fund is at least 7% of the total general fund expenditures. According to the FY2025 ACFR, the rainy day fund is currently meeting that target of 7%. After contributing to the rainy day fund, Section 615B of the County Charter requires that all remaining surpluses are used to: fund capital projects; reduce current County debt; or fund appropriations in the current budget for capital outlay. The Charter gives the County Council the authority to decide on a different use of these leftover surpluses with a 2/3rds majority vote of the Council.



Adoption of this legislation with a 2/3rds majority of the Council would allow the excess surplus to be spent for deferred maintenance needs of the school system in FY2028. Ther exact amount used on deferred maintenance would be decided in FY2028.

Deferred Maintenance in the Howard County Public School System

According to the Howard County Public School System (HCPSS), there is backlog of school construction and maintenance projects totaling $194 million. Currently, HCPSS's FY2027 capital improvement plan for the school system includes $27 million in State funds and $108 million in local funds.

Estimating potential funds for deferred maintenance in FY2028

The exact amount of excess surplus available for deferred maintenance will be confirmed in the FY2027 ACFR, which will be released in December after the fiscal year concludes. A rough estimate of what excess surplus will be available in FY2028 can be calculated using current budget conditions, but will likely not reflect the real budget conditions in FY 2028. Assuming the FY2027 excess surplus matches the seven year average of $37.5 million, and the rainy day fund does not require any contributions, then all $37.5 million could theoretically be dedicated to deferred maintenance. However, the County has typically used large portions of this excess surplus for other capital projects and operating expenses, such as non-departmental PAYGO expenses and PAYGO contributions to various capital projects. It is unlikely deferred maintenance would receive the totality of the excess surplus.

Budget Implications:

- This legislation will not have an impact on the FY2026 or the FY2027 budget. The excess surplus in the FY2027 budget will determine what amount is available in the FY2028 budget for deferred maintenance.
- According to the Board of Education, any excess revenue used for deferred maintenance will not impact the school system's maintenance of effort calculation because these projects are addressed through the capital budget and do not county towards the per pupil allocation.
- School construction costs have risen drastically in the last ten years. According to the Interagency Commission on School Construction, the cost per square foot of school construction projects has increased from $336 in 2016 to $513 in 2026. In the same period, State aid for local school construction has remained flat at about $300 million statewide, requiring larger local contributions to keep pace with required maintenance and expansion.

Other Notes:

- Similar legislation for FY2027, CB20-2025, was previously approved. The fiscal impact of that legislation is expected in FY2027, which will begin on July 1, 2026.