

**Council Resolution 74-2026 Fiscal Analysis**

**Introduced:** May 4, 2026

**Fiscal Manager:** Owen Kahn

**Legislative Intent:** This legislation approves the Board of Education’s end-of-year categorical transfer to ensure actual expenditures do not exceed the approved budget authority within each of the State defined categories.

**ANALYSIS**

**Fiscal Impact:**

<b>State Category</b>	<b>Year-End Categorical Transfer</b>
02 Mid-Level Administration	\$500,000
03 Instructional Salaries & Wages	(\$2,500,000)
08 Health Services	(\$135,000)
09 Student Transportation	(\$1,000,000)
10 Operation of Plant	\$2,000,000
12 Fixed Charges	\$1,000,000
14 Community Services	\$125,000
15 Capital Outlay	\$10,000
<b><u>Net</u></b>	<b><u>\$0</u></b>

This legislation only approves a categorical transfer within the HCPSS operating budget and has no impact on the total HCPSS operating budget, which remains at \$1.216 billion for FY2026.

This legislation is introduced annually at the end of the fiscal year to comply with State budgetary mandates that the school system’s actual expenditures do not exceed the approved budget authority. There are 15 State categories, covering expenditures such as instructional salaries, special education, transportation, and fixed charges. At the end of the fiscal year, any categories that come in “under budget” transfers the excess funds to categories that came in “over budget”. If the school system’s overall expenditures exceeded the total spending authority, additional funds must be requested from the County.

In FY2027, no additional County funds are required, and all transfers are funded through savings in other categories. Overall, the school General Fund is projected to end FY2026 by spending 99.2% of its total approved budget. According to HCPSS, this is due to slightly below expected expenditures and favorable investment earnings. Using a \$7 million transfer from the Technology Fund’s fund balance was planned in the event that expenditures exceeded revenues, but that transfer is no longer necessary.

*Categories that ended FY2026 under budget*

- 03 Instructional Salaries & Wages: \$2.5 million in savings. According to HCPSS, savings were achieved through vacancies, decreased turnover, and other budgetary savings.
- 08 Health Services: \$135,000 in savings.
- 09 Student Transportation: \$1.0 million in savings. According to HCPSS, in the past this category has typically come in over budget. The increased costs of bus driver contracts have typically driven up the price. In FY2027, savings of \$1 million were achieved through fixed routes and other changes in services.

*Categories that ended FY2026 over budget*

- 02 Mid-Level Administration: \$500,000 needed from transfers. According to HCPSS, the transfer is needed in part to cover the cost of Leadership Intern positions.
- 10 Operation of Plant: \$2.0 million needed from transfers. According to HCPSS, overtime wages for custodial services has exceeded the approved budget for several fiscal years. In FY2026, an increased need for snow removal services contributed to overtime costs. Additionally, utility expenses increased with energy rates.
- 12 Fixed Charges: \$1.0 million needed from transfers. HCPSS is proposing using this transfer to redirect \$700,000 to the school Health Fund and \$300,000 to the school Workers' Compensation Fund. These are restricted funds and the subsequent transfers are not approved by this legislation. The Health Fund has experienced shortfalls, and the Council recently approved [CR41-2026](#) to transfer an additional \$3 million into the Health Fund from the school system's unassigned fund balance. According to HCPSS, the additional \$700,000 will supplement the Health Fund's reserves.
- 14 Community Services: \$125,000 needed from transfers. According to HCPSS, additional funding is needed for additional translation services and wages for the Jim Rouse Theater.
- 15 Capital Outlay: \$10,000 needed from transfers. According to HCPSS, school planning for special projects ran over budget and there was an unanticipated Howard County Education Association Educational Support Professionals premium pay associated with virtual work during inclement weather.

HCPSS noted that this is one of the few fiscal years that the special education category did not require additional spending authority.

**Budget Implications:**

- This legislation will not impact the proposed FY2027 proposed HCPSS operating budget.

- Supplemental appropriations had been requested by HCPSS in FY2025, FY2024, FY2021. FY2023 was the most recent year in which a supplemental appropriation was not requested.
- [HCPSS Policy 4070](#) sets a target of maintaining 1% of the General Fund total in an unassigned fund balance. The operating budget has missed this goal during the last several fiscal years. According to HCPSS, the target will be met in FY2026 with an estimated at 1.16% of the General Fund.

**Other Notes:**

- The Board of Education approved these transfers on April 30, 2026.