

Department of Legislative Services
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2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1176
Appropriations

(Howard County Delegation)

Howard County – Board of Education Budget – Minimum Funding Ho. Co. 10–
26

This bill prohibits the Howard County Executive from submitting and the Howard County Council from approving an annual budget that appropriates funding to the Howard County Board of Education in an amount that is less than 58% of the general fund revenue of the county for the fiscal year. If the Howard County Board of Education requests an amount in the annual budget that is less than 58% of the general fund revenue of the county, the county executive must submit and the county council must approve an annual budget that appropriates funding to the board in the amount requested. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: None.

Local Effect: Howard County expenditures are not necessarily increased under the bill; however, a reallocation of existing expenditures across budget categories will occur. In addition, the bill may result in a redesignation of county revenues between general and special funds, which may affect the overall funding level for the public school system. Under one set of assumptions, local funding for the Howard County Public School System may increase by \$98.4 million in FY 2027 and by \$131.6 million in FY 2031. Local funding for county government operations (public safety, public works, parks and recreation, etc.) may decrease by a commensurate amount. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: Howard County expenditures totaled \$2.7 billion in fiscal 2024. Of this amount, \$1.3 billion was spent by the Howard County Public School System. Major spending categories by the county government include \$157.2 million for police protection, \$141.9 million for fire services, \$107.7 million for transportation services, \$65.3 million for parks and recreation, and \$46.6 million for social services. In addition, debt service expenditures for the county government totaled \$192.2 million.

Additional information on county expenditures by category in fiscal 2024 is available in the [Local Government Finances Report](#) (pages 50 and 80). A copy of the complete audited report and [summary analysis](#) is available on the Department of Legislative Services [website](#).

Maintenance of Effort and Local Share Requirements under State Law

Each year, the county government is required to appropriate funds to the local board of education equivalent to the greater of the *per-pupil* maintenance of effort (MOE) requirement or the local share amount of all wealth-equalized formulas. The *per-pupil* MOE amount is based upon the student enrollment count. The local share of major education aid programs equals the local share of the foundation formula, compensatory education, English learner, special education, comparable wage index, full-day prekindergarten, college and career ready, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. Also, counties that benefit from the compensatory education State funding floor are required to fund the local share of the concentration of poverty grant. Additionally, the State and county governments must pay for Blueprint implementation coordinator salaries in the same proportion as the foundation program; and the county government must pay certain retirement costs for public school teachers and principals.

Local Expenditures: Howard County expenditures are not necessarily increased under the bill; however, a reallocation of existing expenditures across budget categories will occur. In addition, the bill may result in a redesignation of county revenues between general and special funds, which may affect the overall funding level for the public school system.

Effect on Howard County Government Finances

Total expenditures for Howard County are not directly affected by the bill; however, the bill may necessitate a significant shift in the allocation of general fund revenues across budget categories. Specifically, local school system expenditures may increase and county expenditures for other public services or government activities that utilize general funds

may decrease to meet the bill's mandated 58% general fund allocation to the public school system.

As discussed below and based on current trends in the Howard County local appropriation to the public school system and current projected general fund revenues, the county government may need to allocate an additional \$98.4 million to the local school system in fiscal 2027, which may result in a commensurate decrease in funding for other county government programs and activities that use general fund revenues. This funding increase represents approximately 13.9 cents on the county's property tax rate, with each one cent increase generating approximately \$7.1 million in fiscal 2027.

To achieve the public school funding mandate without affecting the current funding level for other public services, the county government may be required to increase local tax rates. However, 58% of any new revenue raised for the general fund must still be appropriated to the local school system. To bypass this requirement, the county government may choose to designate any new or existing revenue source as special funds. This redesignation allows the county government to (1) backfill public services and government activities without the new revenues being diverted to the public school system and (2) reduce the overall level of total general funds generated by the county government thereby reducing the mandated funding amount for the public school system.

General and Special Fund Designations

Several county governments, including Howard County, dedicate certain revenue sources to a special fund. In Howard County, the local transfer tax is dedicated to a special fund for various purposes and 16.5% of the county property tax rate is dedicated to fire and rescue services. As shown in the [Local Government Overview Report](#), other county governments including Montgomery and Prince George's counties dedicate a higher share of their property tax rate to special funds. Should Howard County choose to attribute less tax revenue to the general fund, the county's overall obligation to the school system under the bill likewise decreases. Other revenue streams such as income and recordation taxes are likewise subject to the county government's discretion in budgeting as either general or special funds. As the bill does not alter the ability of Howard County to, at its own discretion, budget revenues across general and special funds, the bill does not, in a meaningful way, constrain the ability of the county executive and county council to set the overall funding level for the public school system.

Information on the amount of revenues generated in Howard County from major local tax sources is available in the [County Revenue Outlook Report](#).

Effect on the Howard County Public School System Finances

Assuming the Howard County government does not redesignate revenues away from the county general fund, Howard County Public School System revenues and expenditures

increase beginning in fiscal 2027 due to the higher minimum education appropriation requirements established by the bill. **Exhibit 1** shows the Howard County Spending Affordability Advisory Committee’s projected general fund revenues (excluding any fund balance) for fiscal 2027 through 2031 and the mandated funding level for the public school system under the bill. The exhibit also shows an estimate of Howard County local school appropriations under current law based on recent trends. Based on these estimates, the Howard County government appropriations to the public school system increase by as much as \$98.4 million in fiscal 2027, rising to \$131.6 million in fiscal 2031.

Exhibit 1
Howard County Local School Appropriations
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Appropriation – Current Law¹	\$846.5	\$868.7	\$913.9	\$938.2	\$959.2
Projected GF Revenue ²	1,629.2	1,690.7	1,755.8	1,819.2	1,880.7
58% of GF Revenue	944.9	980.6	1,018.4	1,055.1	1,090.8
Difference vs. Current Law	\$98.4	\$111.9	\$104.5	\$117.0	\$131.6

GF: General Fund

¹ Estimates account for *per-pupil* appropriation trends, given that Howard County has appropriated considerably more than its minimum requirement in recent years.

² Excluding fund balance.

Source: Howard County Spending Affordability Advisory Committee; Department of Legislative Services

Increases in revenues and expenditures for the local school system are lower to the extent that the Howard County Board of Education requests less than 58% of county general fund revenues in its annual budget request. As future board of education budget requests remain at the discretion of the school board, whether such requests will be less than 58% of general fund revenues is unknown at this time. Howard County Public Schools advises that the board does not currently project budget requests as the details of each budget request depend on trends in expected expenditures and revenues (federal, state, county, and other) that are too complex for the county to meaningfully model. Nevertheless, given recent inflationary pressures on the cost of education and the board’s continued discretion in making requests to the county government for funding, this analysis advises that future year budget requests will likely meet or exceed the 58% of general fund revenue threshold set by the bill.

Exhibit 2 shows, for fiscal 2022 through 2026, a comparison between 58% of general fund operating revenue for the county, the board’s funding request in each year, and the final local appropriation made to the local school system. The board’s budget request did not exceed 58% of county general fund revenues in any of the last five years, although the county’s fiscal 2026 request of \$871.7 million represented approximately 57% of the \$1.5 billion in county revenues estimated in the county’s approved fiscal 2026 operating budget.

Exhibit 2
History of Howard County Local School Appropriations
(\$ in Millions)

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
County GF Revenue¹	\$1,326.3	\$1,433.5	\$1,444.6	\$1,498.7	\$1,532.5
58% of GF Revenue	\$769.3	\$831.4	\$837.9	\$869.2	\$888.8
Board of Education GF Request	670.4	757.4	786.1	769.8	871.7
<i>Request % of GF Revenue</i>	51%	53%	54%	51%	57%
Final Local Appropriation²	640.8	675.6	721.2	766.0	822.7
<i>Appropriation % of GF Revenue</i>	48%	47%	50%	51%	54%

GF: General Fund

¹ Excluding fund balance – FY 2026 amounts are as approved in the operating budget, FY 2025 represents estimated revenues, FY 2024 and earlier are actuals.

² FY 2026 amount includes Chapter 604 of 2025 county obligation to make payments to the Board of Trustees of the State Retirement and Pension System on behalf of public school teachers and principals.

Source: Howard County; Maryland State Department of Education; Department of Legislative Services

This analysis assumes that the bill’s requirement to provide 58% of general fund revenue “for the fiscal year” means 58% of revenue *projected for the year to be funded*. As shown above, this analysis assumes that the fiscal 2027 appropriation considers 58% of the revenue projected to be available in fiscal 2027. To the extent the bill is interpreted to require an earlier baseline year (for instance, calculating 58% of the working budget year or the most recent year for which final actual revenue calculations are available), the upper limit of the bill’s affect on local school system revenues and expenditures may be lower since county revenues have grown in recent years. This analysis also assumes that the mandate applies only to general fund operating expenditures and that the bill neither considered capital funding requests for purposes of the 58% calculation nor has any effect

on local capital funding for the local school system. Lastly, revenue and expenditure increases are dependent on the county government choosing to leave general fund revenues largely untouched and in line with the county Spending Affordability Advisory Committee projections.

Additional Comments: In fiscal 2026, Howard County had the fifth highest total per pupil funding amount for public schools at \$23,088. Of this amount, State funding totaled \$8,338 per pupil (nineteenth highest) and local funding totaled \$14,750 per pupil (third highest). Providing an additional \$98.4 million in local funding will increase the total per pupil amount by approximately \$1,764. This will result in Howard County having the highest total per pupil funding amount in the State and the second highest local per pupil funding amount. The State and local [per pupil funding amounts](#) for fiscal 2026 is available on the Department of Legislative Services [website](#).

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Howard County; Howard County Public Schools; Department of Legislative Services

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