

BOARD OF EDUCATION OF HARFORD COUNTY

INFORMATIONAL REPORT

Decision on Use of Rate Stabilization Surplus and Fund Balance

May 16, 2022

Background Information

In May 2021 the Board of Education decided that “Any surplus beyond the funding requirements in the Harford County Health Care Consortium Rate Stabilization accounts will be brought before the Board of Education after each annual reconciliation and settlement. The Superintendent will recommend a spending plan for use of any available funds which will include but not be limited to transferring funds to the MABE OPEB Investment Trust.”

Discussion

The FY2021 settlement of the Harford County Health Care Consortium occurred in December 2021. A surplus of \$18.9 million was attributable to Harford County Public Schools. This brought our portion of the Rate Stabilization Balance to \$36.0 million. We are required by our Consortium MOU to leave \$6.5 million in the Rate Stabilization account for future calls. We requested to withdraw \$15.0 million, which leaves a balance of \$21.0 million. This is \$14.5 million above the required amount in order to absorb a call in one or more future years.

The \$15.0 million was withdrawn and recorded as revenue in the current fiscal year and will fall to fund balance at the end of the year. The current year-end fund balance is approximately \$50.0 million, which is just under 10% of the operating budget. Although HCPS recognizes this is a very healthy and unprecedented fund balance, it is likely some of these funds will be needed in future years as federal grant funds expire and inflation continues.

The superintendent proposes to allocate \$5.0 million of its fund balance to the employee pipeline initiative. Those funds would be spent over the next five years to increase pipelines to expand opportunities to attract and retain quality employees to support our students.

The superintendent also proposes to allocate \$5,250,000 million in capital as follows:

- HCPS Site Improvements - \$800,000
- HCPS Facility Repair Program - \$4,000,000
- Major HVAC - \$450,000

Superintendent's Recommendation

The Superintendent of Schools recommends that the Board of Education approve the use of funds as described.