

BOARD OF EDUCATION OF HARFORD COUNTY

INFORMATIONAL REPORT

Decision on Use of Rate Stabilization Surplus

May 20, 2024

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 FY2023 settlement of the Harford County Health Care Consortium occurred in the fall of 2022. A surplus of \$5.2 million was attributable to Harford County Public Schools. This brought our portion of the Rate Stabilization Balance to \$23.5 million. We are required by our Consortium Memorandum of Understanding to leave \$7.3 million in the Rate Stabilization account for future calls. In April 2024 the county transferred the amount in the rate stabilization over the required amount to HCPS in the amount of \$16.1 million.

The \$16.1 million received is recorded as revenue in the current fiscal year and will fall to fund balance at the end of the year. As of March 31, 2024, the projected current year-end fund balance was approximately \$49.6 million, which is approximately 8.1% of the operating budget. Although HCPS recognizes this is a healthy and unprecedented fund balance, it is likely some of these funds will be needed in future years as federal grant funds expire, inflation continues and budgetary constraints exist.

In the event HCPS has a healthcare call, the rate stabilization account will be used to remit these funds. However, per the consortium MOU, HCPS is required to return the balance to the minimum required at the time the call is paid. Due to this requirement, HCPS recommends an assignment of \$5.0 million for a healthcare call.

Superintendent's Recommendation

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