

BOARD OF EDUCATION OF HARFORD COUNTY

INFORMATIONAL REPORT

Decision on Use of Rate Stabilization Surplus

May 22, 2023

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 FY2022 settlement of the Harford County Health Care Consortium occurred in the fall 2022. A surplus of \$5.9 million was attributable to Harford County Public Schools. This brought our portion of the Rate Stabilization Balance to \$27.3 million. We are required by our Consortium Memorandum of Understanding to leave \$7.1 million in the Rate Stabilization account for future calls. We requested a withdrawal of \$10.0 million, which leaves a balance of \$17.3 million in the reserve. This is approximately \$10.0 million above the required amount in order to absorb a call in one or more future years.

The \$10.0 million withdrawn is recorded as revenue in the current fiscal year and will fall to fund balance at the end of the year.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, 2023, the projected current year-end fund balance was approximately \$40.9 million, which is approximately 7.1% 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. It is important to note that fund balance should be used for non-recurring expenditures.

Superintendent's Recommendation

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