



**Howard
County**
Public School System
Board of Education of Howard County
Meeting Agenda Item

DATE: January 29, 2026

TITLE: Supplemental Appropriation of General Fund Unassigned Fund Balance

PRESENTER(S): M. Brian Hull, Chief Financial Officer and Darin Conforti, Executive Director of Budget

STRATEGIC PLAN ALIGNMENT:

Mission: HCPSS creates an innovative and accountable learning community where we expand opportunities and access, remove barriers, and foster an inclusive environment.

Key Commitment: Ensuring equitable opportunities and access, Creating innovative learning and working environments, and Nurturing an inclusive culture of belonging

Priority Area: Priority 4: Enhance Systemic Planning & Procedures

Goal: Ensure equitable distribution of resources to schools to better meet student needs.

OVERVIEW:

This Board Report seeks approval for a supplemental appropriation of \$3.0 million from the General Fund's unassigned fund balance and a corresponding reduction of \$3.0 million in the budgeted transfer from the Health Fund. The FY 2026 Approved Budget included a planned \$3.0 million transfer from the Health Fund to the General Fund to increase revenues, balance the budget, and mitigate the need for additional budget reductions. However, staff previously cautioned that transferring funds from the Health Fund carried significant risk due to the volatile and unpredictable nature of health insurance costs.

In FY 2025, the Health Fund experienced an operating loss of \$8.6 million, reducing its fund balance from \$18.0 million to \$9.4 million. These cost overruns were driven largely by rapidly escalating prescription drug expenses, particularly for GLP medications, which increased overall prescription costs by approximately 25 percent during calendar year 2025. The compounding growth of these costs prompted staff to implement corrective actions in November, including limiting GLP prescription coverage to diabetes management. Despite these mitigation efforts, the Health Fund remains at high risk of incurring another operating loss in FY 2026.

Given the significantly reduced fund balance and ongoing cost volatility, transferring additional resources from the Health Fund to support General Fund operations would be fiscally imprudent. By contrast, the General Fund concluded FY 2025 with a higher-than-projected unassigned fund balance of \$12.4 million. Accordingly, the fiscally prudent approach to balancing the FY 2026 budget is to utilize available unassigned General Fund balance while preserving Health Fund reserves to manage continued volatility in health insurance costs.

RECOMMENDATION/FUTURE DIRECTION:

Move approval of a supplemental appropriation of General Fund unassigned fund balance in the amount of \$3.0 million and corresponding decrease of the use health fund transfer in the amount of \$3.0 million, and further direct staff to file the supplemental appropriation and budget amendment with the Howard County Council for legislative action.

Submitted**by:**

Darin Conforti, Executive Director of Budget,
Budget Office

Approval/**Concurrence:**

William J. Barnes
Superintendent

Karalee Turner-Little, Ph.D.
Deputy Superintendent

M. Brian Hull
Chief Financial Officer

Background

The FY 2026 Approved Budget included a \$3.0 million transfer of fund balance from the Health Fund to the General Fund to balance the budget and mitigate deeper reductions. While necessary at the time of adoption, this transfer carries inherent risk due to the volatility of health insurance costs.

In FY 2025, the Health Fund experienced an operating loss of \$8.6 million, reducing its fund balance from \$18.0 million to \$9.4 million. These cost overruns were driven primarily by rapidly escalating prescription drug expenses, particularly GLP medications, which increased total prescription costs by approximately 25 percent during calendar year 2025. In response to this compounding cost growth, staff implemented corrective actions in November, including limiting GLP prescription coverage to diabetes management. Despite these mitigation efforts, the Health Fund remains at high risk of incurring another operating loss in FY 2026.

Given the significantly reduced fund balance and continued cost volatility, transferring additional resources from the Health Fund to support General Fund operations would be fiscally imprudent. By contrast, the General Fund concluded FY 2025 with a higher-than-projected unassigned fund balance of \$12.4 million as of June 30, 2025. Accordingly, the fiscally prudent approach to balancing the FY 2026 budget is to utilize available unassigned General Fund balance while preserving Health Fund reserves to manage ongoing health insurance cost volatility.

Therefore, staff recommends that the Board approve a supplemental appropriation of \$3.0 million from the unassigned fund balance of the General Fund and a corresponding reduction of the Health Fund transfer by \$3.0 million. These actions do not change the total revenue or expenditure authority of the FY 2026 General Fund Operating Budget, which remains \$1,216,275,143. The Health Fund budget will be de-augmented by \$3.0 million, increasing its budgeted fund balance by the same amount. As a result, the Health Fund budget will decrease from \$240.3 million to \$237.3 million.

The supplemental appropriation will reduce the General Fund's unassigned fund balance from \$12.4 million to \$9.4 million. The Superintendent's FY 2027 Proposed Operating Budget includes the use of \$3.0 million of fund balance to mitigate further budget reductions and help manage the associated Above-MOE request. Consequently, the net amount available for FY 2027 budget development is approximately \$6.4 million, absent the need for an additional supplemental appropriation related to the year-end categorical transfer process.

Approval of this action would also strengthen the Health Fund's financial position by increasing reserves available to manage cost volatility. The audited unrestricted net position of the Health Fund as of June 30, 2025, was \$9.4 million. Eliminating the transfer to the General Fund would increase the fund's unrestricted net position to approximately \$12.4 million.

The schedules below summarize the proposed changes to General Fund revenues and the corresponding revenue and expenditure changes in the Health Fund.

GENERAL FUND

	Approved FY 2026	Supplemental Action	Revised Approved FY 2026
General Fund Revenues			
Howard County Funding	\$ 816,005,000	-	\$ 816,005,000
State Funding	376,173,266	-	376,173,266.0
Federal Funding	410,000	-	410,000
Other Funding	11,543,869	-	11,543,869
Technology Fund Transfer	7,000,000	-	7,000,000
Health Fund Transfer	3,000,000	(3,000,000)	-
Use of Fund Balance	2,143,008	3,000,000	5,143,008
Total Revenues	\$ 1,216,275,143	\$ -	\$ 1,216,275,143
General Fund Expenditures			
Administration	14,388,369	-	14,388,369
Mid-Level Administration	73,840,630	-	73,840,630
Instructional Salaries and Wages	440,542,233	-	440,542,233
Instructional Textbooks/Supplies	8,010,840	-	8,010,840
Other Instructional Costs	20,021,010	-	20,021,010
Special Education	198,657,991	-	198,657,991
Student Personnel Services	12,388,807	-	12,388,807
Student Health Services	13,379,803	-	13,379,803
Student Transportation	74,313,904	-	74,313,904
Operation of Plant	61,226,241	-	61,226,241
Maintenance of Plant	32,633,462	-	32,633,462
Fixed Charges	263,918,156	-	263,918,156
Community Services	1,725,346	-	1,725,346
Capital Outlay	1,228,351	-	1,228,351
Total Expenditures	\$ 1,216,275,143	\$ -	\$ 1,216,275,143
Unassigned Fund Balance Change			
June 30, 2025 Audited	\$ 12,448,840	(3,000,000)	\$ 9,448,840

HEALTH FUND

	Approved FY 2026	Supplemental Action	Revised Approved FY 2026
Source of Revenue			
Use of Fund Balance	\$ 3,000,000	\$ (3,000,000)	\$ -
Charges for Services	204,450,826	-	204,450,826
Rebates	32,741,049	-	32,741,049
Other Revenue	146,486	-	146,486
Total Revenues	240,338,361	(3,000,000)	237,338,361
Expenditures			
Benefit Credits	2,040,800	-	2,040,800
Administrative Fees	7,405,425	-	7,405,425
Payment of Claims	226,861,759	-	226,861,759
Other Expenses	1,030,377	-	1,030,377
Transfer to General Fund	3,000,000	(3,000,000)	-
Total Expenditures	\$ 240,338,361	\$ (3,000,000)	\$ 237,338,361
Ending Net Position			
June 30, 2025 Audited	\$ 9,420,461	3,000,000	\$ 12,420,461