

Council Resolution 41-2026 Fiscal Analysis

Introduced: March 2, 2026

Fiscal Manager: Owen Kahn

Legislative Intent: This resolution approves a transfer of \$3 million from the Board of Education General Fund’s unassigned fund balance (Rainy Day Fund) to the Health Fund to cover a potential shortfall caused by rising costs of health insurance.

ANALYSIS

Fiscal Impact:

<u>Howard County Board of Education</u>			
<u>FY2026 Operating Budget</u>			
	<u>June 30, 2025,</u>	<u>CR41-2026</u>	<u>New</u>
	<u>balance</u>	<u>transfers</u>	<u>total</u>
<u>Health Fund</u>	\$9,420,461	<u>\$3,000,000</u>	\$12,420,461
<u>General Fund</u>			
<u>Unassigned Fund Balance</u>	\$12,448,840	(\$3,000,000)	\$9,448,840

The net effect of this resolution on the FY2026 Board of Education’s (BOE) operating budget will be a \$3 million increase in the Health Fund, a \$3 million decrease in the BOE General Fund unassigned fund balance (see Budget Implications below), and no change in the General Fund operating budget.

In FY2025, the BOE’s Health Fund reported an operating loss of \$8.6 million. The fund balance had decreased from \$18 million to \$9.4 million by the end of June 2025. According to the Howard County Public School System (HCPSS), this loss was caused by “rapidly escalating prescription drug expenses.” In particular, GLP medications (weight loss medications) had increased the total prescription costs of the health fund by 25% in 2025. Corrective action was taken by the school system in November 2025 to limit coverage of GLP medications to specific health needs, such as diabetes management. Any prescriptions issued before the change are still covered by the health plan, so the extent of the savings has not yet been calculated. Once existing prescriptions have been tapered off, HCPSS will reassess the standing of the Health Fund.

This resolution proposes augmenting the Health Fund by \$3 million in FY2026. This would be accomplished by cancelling a \$3 million transfer from the Health Fund into the General Fund that was approved by CR92-2025. The additional \$3 million in the Health Fund will raise its fund balance from \$9.4 million to \$12.4 million.

To offset the \$3 million reduction in the General Fund, this resolution proposes using a supplemental \$3 million appropriation from the General Fund’s unassigned fund balance. According to HCPSS, the General Fund concluded FY2025 with a fund balance of \$12.4 million, \$7.6 million higher than the projected \$4.8 million. This resolution would decrease the unassigned fund balance to \$9.4 million. There will be no net impact on the General Fund’s revenues.

Budget Implications:

- [HCPSS Policy 4070](#) sets a target of maintaining 1% of the General Fund total in an unassigned fund balance. The operating budget has missed this goal during the last several fiscal years. The result of this legislation would be an unassigned fund balance of approximately 0.74%.
- This resolution does not affect the County's contribution to the BOE's FY2026 operating budget, which is \$816,005,000 approved by [CR92-2025](#).
- The BOE has submitted their [FY2027 operating budget request](#) for \$265 million in expenditures for the Health Fund, an increase of \$25 million from the FY2026 operating budget. The County Executive will submit a proposed budget to the County Council for approval during the FY2027 budget cycle.

Other Notes:

- This transfer was requested and approved by HCPSS and the BOE.