

## Jerry Jongerius

**From:** Jerry Jongerius [jerryj@duckware.com]

**Sent:** Monday, August 30, 2010 12:18 PM

**To:** FCPS WATCHDOG GROUP (fcpswatchdog@stopterc.com)

**Subject:** FCPS WATCHDOG #2: "Self-Insurance" Rebate: Was it a rebate? Was it an accounting trick? Was it a bonus?

FCPS recently 'found' \$6 million in excess funds within the FCPS "Self-Insurance" fund and the Board of Education recently approved to give \$3 million back to employees as a rebate, and \$3 million back to itself to help fund the 11-12 school year.



*However, by digging into actual FCPS budget documents, (1) the \$3 million back to the school system was just an accounting trick, as the money was first placed into the self-insurance fund just weeks earlier, and (2) the \$3 million back to employees was almost entirely a bonus (using taxpayer money), not a rebate.*

What is the FCPS "Self-Insurance" Fund? According to the [FY10 budget](#):

*"FCPS operates the Self Insurance Fund to provide health, dental, vision and pharmacy services for employees. Claims processing and some administrative services are administered by a third party administrator. The FCPS purchases Stop-loss coverage as a way to reduce risk of the very high insurance claims. A reserve fund is also maintained to offset periods when claims are higher than anticipated."*

Approved FY 2010	
<b>Operating Revenue</b>	
General Fund Contribution	\$46,375,450
Other Funds Contribution	4,205,850
Contribution from Employees	8,660,600
Contribution from Retirees	3,362,500
Medicare Part D Subsidy	475,000
	<b>\$63,079,200</b>
<b>Nonoperating Revenue</b>	
Interest Income	\$75,000
Use of Fund Balance	1,350,800
<b>Total Revenues</b>	<b>\$64,505,000</b>

Looking at [www.fcps.org/budget](http://www.fcps.org/budget), for fiscal year 2010, the fund has an approved Operating Revenue of \$63 million (seen right; up from \$46 million for FY 2006). For every \$100 in revenue into the fund, employees/retirees contribute \$19 in premiums and taxpayers contribute the remaining \$81. So the FCPS self-insurance fund does not operate solely on the premiums collected from employees/retirees, but rather is significantly subsidized and funded by you, the taxpayer.

On June 9, 2010 the Board of Education voted for a fiscal year 2011 self-insurance budget of \$67,715,179, or \$3,210,179 more than the fiscal year 2010 budget [source: [BoE minutes](#) and the document immediately below and seen right].

However, the [FY 2011 budget document for the self-insurance fund](#) includes this very curious line item: An additional "transfer from general fund" of \$2,700,000 (seen right).

On August 11, 2010, the Board of Education ratified the [FCTA agreement](#), which included a clause where approximately \$6 million in 'overpayments' in the self insurance fund would be dispersed. \$3 million to employees/retirees in the form of a rebate, and \$3 million to the Board of Education for future budget needs. Here is part of page 27 from that agreement:

FREDERICK COUNTY PUBLIC SCHOOLS SELF INSURANCE FUND FISCAL YEAR 2011 BUDGET FOR THE PERIOD JULY 1, 2010 - JUNE 30, 2011				
	Actual FY 2009	Board Approved FY 2010	Projected FY 10 Actuals	Budget Recommendation FY 2011
<b>REVENUES</b>				
GENERAL FUND CONTRIBUTION	\$ 46,189,217	\$ 46,375,450	\$ 46,651,667	\$ 46,064,922
FCPS EMPLOYEE CONTRIBUTION	9,182,466	9,138,600	8,287,676	3,766,867
FCPS RETIREE CONTRIBUTION	3,259,846	3,362,500	3,689,788	3,874,879
FOOD SVC, PRINTING & RESTRICTED	3,431,063	3,739,669	3,818,466	4,067,385
MEDICARE PART D SUBSIDY	528,888	475,000	601,200	601,000
INTEREST INCOME	142,444	75,000	42,862	43,000
USE OF FUND BALANCE	0	1,350,800	0	1,847,129
TRANSFER FROM GENERAL FUND	0	0	0	2,700,000
<b>TOTAL</b>	<b>\$ 61,793,924</b>	<b>\$ 64,028,000</b>	<b>\$ 63,779,669</b>	<b>\$ 77,116,179</b>

**ARTICLE XVII - INSURANCE**

For the 10-11 school year, the Board agrees to implement the recommendations of the insurance council to allocate 50% of the 6.0 undesignated insurance surplus for a one-time lump sum rebate to all active employees and retirees over 65 who carried medical/dental insurance January 1, 2010, through June 30, 2010. The allocation to each participant shall be determined based on participation in the plan as identified by the insurance council recognizing a different allocation for active employees and retirees over 65. The parties understand that the remaining 50% shall be allocated to the Board to address identified budget needs for the 11-12 school year.

- A. The Board shall pay for each participating teacher each year 96% of the premium cost of group medical, prescription, and vision unless waived by the teacher. The teacher may elect to add family coverage or same sex domestic partner coverage (see Appendix D for eligibility requirements). The Board contributes each year an amount calculated to equal 66% of that year's premium for the Board's family coverage plan and 71% of that year's premium for the Board's employee + one cover plan. Such insurance shall include but not be limited to, the following benefits:

Whoa! On June 9, 2010 the Board of Education votes/approves a transfer \$2,700,000 **into** the self-insurance fund for FY2011 (for the fiscal year starting July 1, 2010), but then just weeks later, on August 11, 2010, the Board of Education votes (via the FCTA agreement) to **remove** \$3,000,000 from the self-insurance fund giving it to itself, calling it a rebate to be used for the 11-12 school year!? Write a check to yourself for \$10,000 and deposit it into your checking account and then you will understand what is going on here.

So the transfer of funds to the self-insurance fund, and then immediately transfer of money from the fund was nothing more than an accounting trick. So, money to/from the Board is pretty much of a wash. But that still leaves \$3 million being dispersed to employees/retirees. For every \$100 leaving the fund, \$19 is an actual rebate of premiums, but \$81 is taxpayer money, being used as a bonus!

The core issue at hand is not that there was a rebate. The public understands rebates (*you get back part/all of what you paid; not more than you paid in*). The issue is not even that there was a bonus. Many in the public might even agree with the bonus. *Rather, the core issue at hand is that the Board of Education felt it necessary employ an 'accounting trick' to hide the fact that the Board was not truly receiving \$3 million from the insurance fund!*

**re-bate** <sup>1</sup>  (rē'bat')

*n.*

A deduction from an amount to be paid or a return of part of an amount given in payment.

*tr.v.* (rē'bat', rī-bāt') **re-bat·ed, re-bat·ing, re-bates**

1. To deduct or return (an amount) from a payment or bill.
2. To lessen; diminish.

The current Board of Education calls their activities 'transparency in government' for which they should earn an "A" grade. *I call it obfuscation and deception and a total breakdown in the integrity and the 'public trust' of the current Board of Education.*

It is time to elect Board Members that will insist on true transparency within the school system, likely even creating a school system policy (school law) to enforce true transparency, with actual serious consequences for violating the policy.

Go to the [FNP 2010 elections webpage](#) and watch the BoE candidates forum video to help you decide how to vote in the upcoming elections.

*What do you think?*

*If you know of anyone that wants to be added or removed from this distribution list, contact [fcpswatchdog@stoperc.com](mailto:fcpswatchdog@stopperc.com)*