



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

June 10, 2021

### MEMORANDUM

TO: Calvin S. Hawkins, II, Chair  
Prince George's County Council

THRU: David H. Van Dyke *DHV*  
County Auditor

FROM: Arian Albear *AA*  
Legislative Budget and Policy Analyst

RE: Board of Education FY 2021 Financial Review #1.

The Board of Education (BOE) requests authority to transfer appropriated funds between major expenditure categories to maintain a balanced budget and ensure fiscal stability through the end of the fiscal year and to reconcile the FY 2022 Operating Budget. The Board approved transmittal of this request in March; however, Legislative Branch staff requested that the transmittal be held until it could be appropriately scheduled for action after the County Council's budget review process. Total revenue and expenditures remain at the County Council Approved level of \$2,319,506,234.

To bridge the Operating Budget deficit for FY 2022, Prince George's County Public Schools (PGCPS) has undertaken steps to close the gap in funding. Among these is the repurposing \$44.8 million in FY 2021 reductions as FY 2022 pre-payments. These early payments support the FY 2022 portion of the 2019, 2020, and 2021 lease-purchase agreements (LPA) to support the purchase of Buses, Textbooks, and Technology in addition to the 2011 Energy Performance Management Agreement.

Additional FY 2021 savings were used to support a pandemic-related deficit in the Food and Nutrition Services (FNS) fund – an otherwise self-sustaining budget category. A projected \$15.2 million deficit in the fund resulted from reduced federal and point-of-sale revenues as a result of distance learning while PGCPS continued to pay all employees.

An analysis of Appendix A and Appendix B indicates that explanations provided for the request appear reasonable and are largely the result of reallocations needed due to the COVID-19 pandemic. If approved, \$27,483,393 in unrestricted funds will be shifted among the following major categories: Administration, Mid-Level Administration, Instructional Salaries, Textbooks & Instructional Materials, Other Instructional Costs, Special Education, Student Personnel Services, Health Services, Student Transportation Services, Operation of Plant, Maintenance of Plant, Fixed Charges, Food Services Subsidy, and Community Services. The overall Operating Budget will remain balanced. Specific details of the transfer request between major expenditure category are detailed within the attached documents labeled Appendix A: Itemized Changes and Narrative Explanations and Appendix B: Sources and Uses of Funds by State Category provided by School System staff.

Exhibit A shows summarized details of the current FY 2021 Board of Education Approved Operating Budget – by revenue and expenditure categories, a summary of the Board of Education transfer request as of December 31, 2020, and the resulting anticipated major expenditure category appropriation totals should the County Council approve this transfer request.

If you require additional information or have questions, please contact me.

### Appendix A: Itemized Changes and Narrative Explanations

Sources and Uses of Funds	Amount	Narrative Explanation
<b>Budget Reductions</b>		
Athletics	(2,617,284)	Programmatic savings due to restrictions on athletics between July 2020 and early-March 2021 as a result of COVID-19.
Lapse Recovery	(26,995,921)	Use of estimated lapse recovery across all departments and schools. These savings are primarily salary and benefits that go unspent throughout the year due to turnover. The available amount was increased by the implementation of the central office hiring freeze in October 2020.
Maintenance & Repair of Vehicles	(5,000,000)	Fuel savings as buses were underutilized during the virtual learning period.
Overtime	(3,000,000)	Overtime savings as the virtual learning environment reduced the utilization of facilities and school buses. Additionally, an overtime freeze was enacted in October 2020 and many employee in-person work schedules were staggered to allow for social distancing.
System-Wide Discretionary	(4,886,162)	Savings in systemic discretionary funds due to distance learning for students and staff during the pandemic. These savings include conference travel, local travel, meeting expenses, catering and other expenditure categories deemed unnecessary during this period.
Utilities	(4,944,357)	Savings in utilities throughout Districtwide facilities due to a combination of virtual learning for students and a portion of staff working from home.
<b>Budget Reductions Total</b>	<b>(47,443,724)</b>	
<b>Early Payment of Lease Purchase</b>		
Forward Funding Close Budget Gap	33,899,260	Supports early payment of the FY 2022 portion of the 2019, 2020 and 2021 lease-purchase agreements (LPA) in addition to the 2011 Energy Performance Management Agreement. The early payments reduce the FY 2022 Operating Budget deficit. These lease-purchase agreements supported the purchase of Buses, Textbooks and Technology in FY 2019, FY 2020 and FY 2021.
<b>Early Payment of Lease Purchase Total</b>	<b>33,899,260</b>	
<b>Intra Project Realignment</b>		

### Appendix A: Itemized Changes and Narrative Explanations

Sources and Uses of Funds	Amount	Narrative Explanation
<b>Mandatory Costs</b>		
Rate Adjustments	3,500,000	Additional funds to support higher than anticipated liability, property and worker's compensation claims. The annual cost to PGCPs is determined by the Prince George's County Plan actuary and was invoiced in March 2021.
Terminal Leave	2,500,000	Funds to support the terminal leave payouts for additional staff retirements.
<b>Mandatory Costs Total</b>	<b>6,000,000</b>	
<b>Other Items</b>		
Food Service Subsidy	6,794,464	Throughout the pandemic, fewer student meals have been served while students were at home, leading to reduced federal revenue and point-of-service sales. As food service employees have been paid throughout the pandemic, the result was a deficit in the Food and Nutrition Services (FNS) Fund estimated at more than \$12 million for FY 2021. This was partially offset by the FNS fund balance built up prior to the pandemic. However, the FNS fund does require this inter-fund transfer from the general fund to continue operations.
Interpreting Services	250,000	Additional funds to support unanticipated systemic expenditures for telephonic interpreting during the pandemic, in order for staff to facilitate outreach and critical communication with families.
Legal Fees	500,000	Additional funds to supplement legal expenditures.
<b>Other Items Total</b>	<b>7,544,464</b>	
Intra Project Realignment	-	Minor transfers within initiatives to align funds categorically.
<b>Intra Project Realignment Total</b>	<b>-</b>	
<b>Grand Total</b>	<b>-</b>	

Appendix B: Sources and Uses of Funds by State Category

Sources and Uses of Funds	01 Administration	02 Mid Level Administration	03 Instructional Salaries	04 Textbooks & Instructional Materials	05 Other Instructional Costs	06 Special Education	07 Student Personnel Services	08 Student Health Services	09 Student Transportation Services	10 Operation of Plant	11 Maintenance of Plant	12 Fixed Charges	13 Food Services Subsidy	14 Community Services	15 Capital Outlay	Grand Total
<b>Budget Reductions</b>	(2,246,185)	(7,861,777)	(4,889,129)	(151,178)	(855,807)	(58,264)	(2,421,021)	373,245	(15,909,679)	(8,299,079)	(2,276,885)	(2,227,247)	-	(600,718)	-	(47,443,724)
Athletics	-	(235,243)	(1,479,332)	(43,543)	(669,384)	(29,782)	-	-	-	(160,000)	-	-	-	-	-	(2,617,284)
Lease Recovery	(2,000,000)	(7,388,008)	(1,000,000)	-	-	200,000	(2,407,113)	200,000	(8,000,000)	(2,500,000)	(2,200,000)	(1,900,800)	-	-	-	(26,995,911)
Maintenance & Repair of Vehicles	-	-	-	-	-	-	-	-	(5,000,000)	-	-	-	-	-	-	(5,000,000)
Overtime	-	-	-	-	-	-	-	-	(1,635,573)	(625,459)	-	(138,250)	-	(600,718)	-	(3,000,000)
System-Wide Discretionary	(266,185)	(238,526)	(2,409,797)	(107,635)	(186,423)	(228,482)	(13,908)	173,245	(1,274,106)	(69,263)	(76,885)	(188,197)	-	-	-	(4,886,162)
Utilities	-	-	-	-	-	-	-	-	-	(4,944,357)	-	-	-	-	-	(4,944,357)
<b>Early Payment of Lease Purchase</b>	-	-	-	-	(14,195,598)	-	-	-	(8,613,623)	(11,090,039)	-	-	-	-	-	(33,899,260)
Forward Funding Close Budget Gap	-	-	-	-	14,195,598	-	-	-	8,613,623	11,090,039	-	-	-	-	-	33,899,260
<b>Mandatory Costs</b>	187,500	187,500	750,000	-	-	900,000	62,500	62,500	125,000	775,000	125,000	3,225,000	-	-	-	6,000,000
Rate Adjustments	-	-	-	-	-	-	-	-	-	650,000	-	2,850,000	-	-	-	3,500,000
Terminal Leave	187,500	187,500	750,000	-	-	500,000	62,500	62,500	125,000	125,000	125,000	375,000	-	-	-	2,500,000
<b>Other Items</b>	770,000	-	-	-	-	-	(20,000)	-	-	-	-	-	6,794,464	-	-	7,544,464
Food Service Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	6,794,464	-	-	6,794,464
Interpreting Services	270,000	-	-	-	-	-	(20,000)	-	-	-	-	-	-	-	-	250,000
Legal Fees	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000
<b>Intra Project Realignment</b>	522,624	487,615	(1,702,717)	654,905	1,724,088	1,264,042	171,186	(1,444,733)	(581,331)	(2,007,332)	52,509	859,164	-	-	-	-
Intra Project Realignment	522,624	487,615	(1,702,717)	654,905	1,724,088	1,264,042	171,186	(1,444,733)	(581,331)	(2,007,332)	52,509	859,164	-	-	-	-
<b>Grand Total</b>	(796,061)	(7,186,662)	(5,841,846)	503,727	15,063,879	1,705,778	(2,207,333)	(1,009,008)	(7,732,387)	1,538,628	(2,098,376)	1,856,917	6,794,464	(600,718)	-	-

**Prince George's County Board of Education**  
**FY 2021 Financial Review Transfer Request #1**  
as of December 31, 2020

Revenue Category	FY 2021 County Council REVISED APPROVED (06-20-2020)	FY 2021 Financial Review Transfer Request (as of 12-31-2020)			FY 2021 County Council REVISED APPROVED Totals (03-25-2021)
		Unrestricted	Restricted	Total Transfer	
Federal Sources	154,414,451	\$ -	\$ -	\$ -	\$ 154,414,451
State Sources	1,287,369,279	-	-	-	\$ 1,287,369,279
Board Sources	18,231,442	-	-	-	\$ 18,231,442
County Sources	815,795,000	-	-	-	\$ 815,795,000
Fund Balance - Prior Year	43,696,062	-	-	-	\$ 43,696,062
<b>Revenue Totals</b>	<b>\$ 2,319,506,234</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,319,506,234</b>

Expenditure Major Category	FY 2021 County Council REVISED APPROVED (06-20-2020)	FY 2021 Financial Review Transfer Request (as of 12-31-2020)			FY 2021 County Council REVISED APPROVED Totals (03-25-2021)
		Unrestricted	Restricted	Total Transfer	
Administration	\$ 88,810,485	\$ (786,061)	\$ -	\$ (786,061)	\$ 88,024,424
Mid-Level Administration	\$ 145,052,729	\$ (7,186,662)	-	(7,186,662)	137,866,067
Instructional Salaries	\$ 787,584,442	\$ (5,841,846)	-	(5,841,846)	781,742,596
Textbooks and Instructional Materials	\$ 21,260,815	\$ 503,727	-	503,727	21,764,542
Other Instructional Costs	\$ 92,650,021	\$ 15,063,879	-	15,063,879	107,713,900
Special Education	\$ 322,436,030	\$ 1,705,778	-	1,705,778	324,141,808
Student Personnel Services	\$ 45,521,577	\$ (2,207,335)	-	(2,207,335)	43,314,242
Health Services	\$ 24,951,102	\$ (1,009,008)	-	(1,009,008)	23,942,094
Student Transportation Services	\$ 111,716,468	\$ (7,752,387)	-	(7,752,387)	103,964,081
Operation of Plant	\$ 142,519,545	\$ 1,558,628	-	1,558,628	144,078,173
Maintenance of Plant	\$ 48,241,782	\$ (2,099,376)	-	(2,099,376)	46,142,406
Fixed Charges	\$ 476,294,339	\$ 1,856,917	-	1,856,917	478,151,256
Food Services Subsidy	\$ 7,416,889	\$ 6,794,464	-	6,794,464	14,211,353
Community Services	\$ 4,775,010	\$ (600,718)	-	(600,718)	4,174,292
Capital Outlay	\$ 275,000	\$ -	-	-	275,000
<b>Expenditure Totals</b>	<b>\$ 2,319,506,234</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,319,506,234</b>