



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

July 7, 2020

MEMORANDUM

TO: Todd M. Turner, Chair
Prince George's County Council

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

FROM: Inez N. Claggett *INIC*
Senior Legislative Budget and Policy Analyst

RE: Board of Education FY 2020 Financial Review and Transfer as of December 31, 2019

The Board of Education (BOE) requests authority to transfer appropriated funds between major expenditure categories to comply with State Law, and requests to reduce the overall Operating Budget due to a reduction in anticipated State revenue. The Board of Education approved transmittal of this request during March, however, due to the County Council's budget review process and the COVID-19 pandemic Legislative Branch staff requested that transmittal of the request be held until it could be appropriately scheduled for action on the County Council's calendar.

During routine monitoring of the financial condition of the Board of Education as of December 31, 2019, School System administration staff identified a need for financial adjustments to the BOE's Operating Budget for fiscal stability and continued compliance with State Law. Resulting analysis from the financial review revealed budget categorical changes requiring County Council approval. These changes included a reduction in anticipated revenue from the State and a shifting of funds to meet evolving needs of the School System.

Subsequent to approval of the FY 2020 Board of Education Operating Budget by the County Council, the State recalculated and reduced the School System's share of funds to be received from Tax Incremental Financing revenue from \$3,061,125 to \$546,785, resulting in a \$2,514,340 reduction in revenue.

School System administration staff further identified a need for budgeted appropriation adjustments to cover increases in anticipated expenditures for distance learning, anticipated spending in areas in which funds have been historically underbudgeted, increases in special education expenditures, and increases in other school supports such as alternative school needs, substitutes, summer school and interpreting and translation services. The increases in budgeted appropriation will be offset by savings from salary lapse, savings from lower than anticipated gas and diesel fuel expenses, retirement expenses, worker's compensation expenses, and utility costs, as well as the early payment of a lease purchase agreement. 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.

Our analysis of Appendix A and Appendix B indicates that explanations provided for the request appear reasonable. If approved, unrestricted funds of \$36,743,863, and restricted funds of \$22,943,645, will be shifted among the following major categories: Administration, Mid-Level Administration, Instructional Salaries, Textbooks and Instructional Materials, Other Instructional Costs, Special Education, Student Personnel Services, Health Services, Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Food Services, and Community Services. The overall Operating Budget will also be reduced by \$2,514,340 and will result in a revised Operating Budget for the Board of Education of \$2,180,608,560.

Exhibit A has been provided by our office to show summarized details of the current FY 2020 County Council Revised Approved Board of Education Budget, a corresponding summary of the Board of Education transfer request as of December 31, 2019, and the resulting anticipated revenue and major expenditure category appropriation totals should this transfer request be approved.

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

Appendix A: Itemized Changes and Narrative Explanations

Budget Reductions

Sources and Uses of Funds	Amount	Narrative Explanation
Lapse Recovery	(35,734,436)	Use of estimated lapse recovery across all departments and schools. These amounts are primarily salary and benefits that go unspent throughout the year due to turnover. In a District this large, even with relatively low employee turnover, lapse accumulates to substantial amounts. Note that additional lapse projection has been added for FY 2021 to tighten the budget, support important initiatives including employee compensation and increase transparency.
Maintenance & Repair of Vehicles (Fuel Costs)	(1,000,000)	Reduction in overall maintenance and repair costs due to decreased gas and diesel fuel rates in FY 2020.
Rate Adjustments – Retirement and Workers’ Compensation	(7,048,028)	Lower than budgeted expenses for Retirement (\$2.0 million) and County Contributions for Worker's Compensation (\$5.0 million) results in savings in this area.
Rate Adjustments – Utilities	(2,749,960)	Reduction in utility budget due to lower than anticipated expenditures because of warmer-than-expected temperatures.
Total Budget Reductions	(46,532,424)	

Distance Learning

Sources and Uses of Funds	Amount	Narrative Explanation
Distance Learning Technology Access	2,000,000	Resources dedicated to ensuring access to technology, broadband connectivity and other distance learning materials. These items will support PGCPs’ distance learning initiative and provide equity across our district effectively eliminating the digital divide between now and the end of the school year.
Total Distance Learning Funding	2,000,000	

Forward-Funding to Close Budget Gap

Sources and Uses of Funds	Amount	Narrative Explanation
Early Payment of Lease Purchase Agreement	(4,793,477)	Supports the early termination of the five-year FY 2017 lease purchase agreement (LPA) by funding the final payment in FY 2020 (June 2020) instead of FY 2021 as originally planned. This early payment will reduce the amount due in FY 2021 and will help to close the projected budget deficit. This LPA supported the purchase of Buses, Textbooks and Technology in FY 2017.
Total Forward-Funding	(4,793,477)	

Funding Historically Underbudgeted Items

Sources and Uses of Funds	Amount	Narrative Explanation
Compensatory Emoluments	121,416	Additional money required to support the current-year obligations for Compensatory Emoluments. This is approximately a 2% increase above the budgeted amount.
Maintenance Supplies & Contracted Services	11,300,000	This area has been consistently underfunded in past years requiring adjustments at Financial Review. This includes amounts for maintenance supplies, temporary buildings, asbestos removal and unfunded emergency requests. This budget has been increased in the FY 2021 Board of Education Requested Budget.
Plant Operations - Underbudgeted Items	200,000	To support additional custodial supplies and equipment.
System-Wide Overtime	9,050,991	Each year, overtime is substantially under-budgeted across the District. Historically, this has required changes through Financial Review. The FY 2021 Proposed and BOE- Requested Budgets both contain system-wide overtime increases to reverse this pattern. Additionally, Administration has formed an overtime Task Force to examine the appropriateness of current overtime usage and recommend changes if necessary.
Transportation - Underbudgeted Items	700,000	Additional funds for temporary office worker and non-discretionary bus aides.
Total Funding Historically Underbudgeted Items	21,372,407	

Special Education Allocation Changes

Sources and Uses of Funds	Amount	Narrative Explanation
Non-Public Tuition & Contracted Services	14,918,318	Additional funding for students with disabilities educated in a non-public setting. Rates have steadily increased each year without the necessary offsetting budgetary modifications.
Special Education Stipends and Differentials	680,518	The PGCEA Contract requires differential pay for specific Special Education Positions. Additional money is required to fully fund this agreement.
Total Special Education Allocation Changes	15,598,836	

Other School Supports

Sources and Uses of Funds	Amount	Narrative Explanation
Alternative Schools	242,000	Additional funds to support substitutes, part-time and discretionary spending for Alternative Schools.
Substitutes	2,178,500	To support systemic substitutes for teacher on personal or sick leave.
Total Special Education Allocation Changes	2,420,500	

Other Items

Sources and Uses of Funds	Amount	Narrative Explanation
Interpreting & Translation	201,593	Additional funds to support contracted services for increased interpreting and translation requests.
Summer School	533,925	Additional funds to support instructional costs associated with Mandatory Summer School and High School Credit Recovery. The reductions in rates in FY 2020 has influenced an increase in participation.
Tax Increment Finance	(3,061,125)	Reduce Tax Incremental Financing revenue to reflect the final FY 2020 State Aid Budgeted levels. Earlier versions of the State Aid Budget estimated the PGCPs appropriation from TIF grants at \$3,061,125. PGCPs Administration's estimate was significantly lower so in the FY 2020 Approved

Sources and Uses of Funds	Amount	Narrative Explanation
		Budget, the expenditure amount was held in a placeholder account within Category #4, pending further confirmation from the State. On July 11, 2019, the State confirmed that there was an error in their calculation and the correct allocation was \$546,785, a reduction of \$2,514,340. In this Financial Review, that \$2,514,340 is reduced from both the Revenue and Expenditure budget. The \$546,785 remains in Category #4 to support the purchase of Textbooks and Instructional Materials.
Chief Executive Officer	158,471	Funding to support the Senior Advisor to the CEO.
Total Funding for Other Items	(2,167,136)	

Totals

Sources and Uses of Funds	Amount	Narrative Explanation
Budget Reductions	(46,532,424)	See above narrative explanations
Distance Learning	2,000,000	
Forward-Funding to Close Budget Gap	4,793,477	
Funding Historically Underbudgeted Items	21,372,407	
Special Education Allocation Changes	15,598,836	
Other School Supports	2,420,500	
Other Items	(2,167,136)	
Intra-Project Realignments	0	
Grand Total	(2,514,340)	

Appendix B: Sources and Uses of Funds by State Category

Sources and Uses of Funds	Category #1 Administration	Category #2 Mid- Level Administration	Category #3 Instructional Salaries & Wages	Category #4 Textbooks & Instructional Materials	Category #5 Other Instructional Costs	Category #6 Special Education	Category #7 Student Personnel Services	Category #8 Student Health Services	Category #9 Student Transportation Services	Category #10 Operation of Plant	Category #11 Maintenance of Plant	Category #12 Fixed Charges	Category #13 Food Service Subsidy	Category #14 Community Services	Grand Total
Budget Reductions	-	-	(26,499,235)	-	-	(5,800,000)	(1,000,000)	-	(750,000)	(2,899,960)	(100,000)	(7,048,028)	(1,443,339)	(991,862)	(46,532,424)
Lapse Recovery	-	-	(26,499,235)	-	-	(5,800,000)	(1,000,000)	-	-	-	-	-	(1,443,339)	(991,862)	(35,734,436)
Maintenance & Repair of Vehicles (Fuel Costs)	-	-	-	-	-	-	-	-	(750,000)	(150,000)	(100,000)	-	-	-	(1,000,000)
Rate Adjustments	-	-	-	-	-	-	-	-	-	(2,749,960)	-	(7,048,028)	-	-	(9,797,988)
Distance Learning	-	-	-	-	2,000,000	-	-	-	-	-	-	-	-	-	2,000,000
Distance Learning Technology Access	-	-	-	-	2,000,000	-	-	-	-	-	-	-	-	-	2,000,000
Forward Funding to Close Budget Gap	-	-	-	-	1,180,844	-	-	-	3,612,633	-	-	-	-	-	4,793,477
Early Payment of Lease Purchase	-	-	-	-	1,180,844	-	-	-	3,612,633	-	-	-	-	-	4,793,477
Funding Historically Underbudgeted Items	-	-	-	-	-	121,416	-	-	6,700,000	2,191,685	12,100,000	-	-	259,306	21,372,407
Compensatory Emoluments	-	-	-	-	-	121,416	-	-	-	-	-	-	-	-	121,416
Maintenance Supplies & Contracted Services	-	-	-	-	-	-	-	-	-	11,300,000	-	-	-	-	11,300,000
Plant Operations - Underbudgeted Items	-	-	-	-	-	-	-	-	-	200,000	-	-	-	-	200,000
System-Wide Overtime	-	-	-	-	-	-	-	-	6,000,000	1,991,685	800,000	-	-	259,306	9,050,991
Transportation - Underbudgeted Items	-	-	-	-	-	-	-	-	700,000	-	-	-	-	-	700,000
Special Ed Allocation Change	-	-	-	-	(300,000)	16,509,705	(410,869)	(200,000)	-	-	-	-	-	-	15,598,836
Non-Public Tuition & Contracted Services	-	-	-	-	(300,000)	15,829,187	(410,869)	(200,000)	-	-	-	-	-	-	14,918,318
Stipends and Differentials	-	-	-	-	-	680,518	-	-	-	-	-	-	-	-	680,518
Other School Supports	(163,465)	(213,712)	4,177,206	5,000	(1,403,529)	3,000	3,000	(90,000)	40,000	25,000	20,000	-	-	18,000	2,420,500
Alternative Schools	-	3,000	120,000	5,000	5,000	3,000	3,000	-	40,000	25,000	20,000	-	-	18,000	242,000
Substitutes	(163,465)	(216,712)	4,057,206	-	(1,408,529)	-	-	(90,000)	-	-	-	-	-	-	2,178,500
Other Items	300,114	-	533,925	(3,061,125)	-	(37,865)	97,815	-	-	-	-	-	-	-	(2,167,136)
Interpreting & Translation	141,643	-	-	-	-	(37,865)	97,815	-	-	-	-	-	-	-	201,593
Summer School	-	-	533,925	-	-	-	-	-	-	-	-	-	-	-	533,925
Tax Increment Finance	-	-	-	(3,061,125)	-	-	-	-	-	-	-	-	-	-	(3,061,125)
Chief Executive Officer	158,471	-	-	-	-	-	-	-	-	-	-	-	-	-	158,471
Intra Project Realignment	(7,110,380)	(854,769)	(3,711,228)	3,275,832	16,273,908	3,962,660	(3,146,006)	(2,084,133)	(612,074)	(2,026,377)	2,111,000	(6,458,406)	-	379,973	-
Intra Project Realignment	(7,110,380)	(854,769)	(3,711,228)	3,275,832	16,273,908	3,962,660	(3,146,006)	(2,084,133)	(612,074)	(2,026,377)	2,111,000	(6,458,406)	-	379,973	-
Grand Total	(6,973,731)	(1,068,481)	(25,499,332)	219,707	17,751,223	14,758,916	(4,456,060)	(2,374,133)	8,990,559	(2,709,652)	14,131,000	(13,506,434)	(1,443,339)	(334,583)	(2,514,340)

**Prince George's County Board of Education
FY 2020 Financial Review Transfer Request
as of December 31, 2019**

Revenue Category	FY 2020 County Council REVISED APPROVED Category Totals	FY 2020 Financial Review Transfer Request as of December 31, 2019	FY 2020 County Council REVISED APPROVED Category Totals
Federal Sources	124,487,300	-	124,487,300
Board Sources	16,293,000	-	16,293,000
Fund Balance	28,000,000	-	28,000,000
State Sources	1,227,873,000	(2,514,340)	1,225,358,660
County Sources	786,469,600	-	786,469,600
Revenue Totals	\$ 2,183,122,900	\$ (2,514,340)	\$ 2,180,608,560

Expenditure Category	FY 2020 County Council REVISED APPROVED Category Totals	FY 2020 Financial Review Transfer Request as of December 31, 2019	FY 2020 County Council REVISED APPROVED Category Totals
Administration	\$ 87,702,853	\$ (6,973,731)	\$ 80,729,122
Mid-Level Administration	\$ 136,984,417	\$ (1,068,481)	\$ 135,915,936
Instructional Salaries	\$ 745,645,412	\$ (23,499,332)	\$ 722,146,080
Textbooks and Instructional Materials	\$ 21,243,729	\$ 219,707	\$ 21,463,436
Other Instructional Costs	\$ 87,423,023	\$ 15,751,223	\$ 103,174,246
Special Education	\$ 301,992,947	\$ 14,758,916	\$ 316,751,863
Student Personnel Services	\$ 31,273,458	\$ (4,456,060)	\$ 26,817,398
Health Services	\$ 23,580,697	\$ (2,374,133)	\$ 21,206,564
Student Transportation Services	\$ 110,755,596	\$ 8,990,559	\$ 119,746,155
Operation of Plant	\$ 138,821,121	\$ (2,709,652)	\$ 136,111,469
Maintenance of Plant	\$ 43,933,355	\$ 14,131,000	\$ 58,064,355
Fixed Charges	\$ 447,417,339	\$ (13,506,434)	\$ 433,910,905
Food Services Subsidy	\$ 2,155,343	\$ (1,443,339)	\$ 712,004
Community Services	\$ 3,868,610	\$ (334,583)	\$ 3,534,027
Capital Outlay	\$ 325,000	\$ -	\$ 325,000
Expenditure Totals	\$ 2,183,122,900	\$ (2,514,340)	\$ 2,180,608,560