

Prince George's County Board of Education
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May 28, 2021

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ADMINISTRATION

Chief Executive Officer

Monica E. Goldson, Ed.D.

Telephone: 301-952-6008

The Honorable Angela D. Alsobrooks
County Executive, Prince George's County

The Honorable Calvin S. Hawkins II
Chair, Prince George's County Council
County Administration Building
14741 Governor Oden Bowie Drive
Upper Marlboro, Maryland 20772

RE: FY 2021 Financial Review #2

Dear County Executive Alsobrooks and Chair Hawkins:

This letter requests approval of a second set of operating budget transfers between major expenditure categories for FY 2021. These transfers realign categories within the FY 2021 Board of Education Approved Budget. Total revenue and expenditures remain at the Board of Education Approved Budget level of \$2,319,506,234.

This second FY 2021 Financial Review, approved by the Board of Education on May 12, 2021, includes budget realignments and transfers between existing major state categories. It serves two purposes. First, it maintains a balanced budget and ensures fiscal stability through June 30, 2021. Second, it further assists in the comprehensive plan to reconcile the FY 2022 Operating Budget.

In further support of the plan to close the \$110.5 million FY 2022 Proposed Operating Budget deficit, this FY 2021 Financial Review includes additional salary lapse, utility savings and centralized reductions in areas not required during the pandemic.

Consistent with our earlier approach from the March 25, 2021, Financial Review, PGCPS redirected these savings primarily to support two key areas in FY 2021 that would otherwise have a significant impact on the FY 2022 expenditure budget. The first area that these savings will be used towards is an early payment of the FY 2022 portion of the Other Post Employee Benefits (OPEB) annual contribution. The second area is for a general fund subsidy totaling \$8.4 million to the Food and Nutrition Services (FNS) fund. This is in addition to the \$6.8 million general fund subsidy outlined in the March 25, 2021 Financial Review. Together, these two amounts will fully offset the projected \$15.2 million deficit in the FNS fund for FY 2021.

The chart on the next page delineates the categorical changes from this second FY 2021 Financial Review:

EXPENDITURES MAJOR CATEGORIES	FY 2021 Board of Education REVISED <i>(March 25, 2021)</i>	FY 2021 Financial Review Transfer Request as of 03.31.21			FY 2021 Board of Education REVISED <i>(MAY 12, 2021)</i>
		Unrestricted	Restricted	Total Transfer	
Administration	\$ 88,024,424	\$ (979,762)	\$(15,738,344)	\$(16,718,106)	\$ 71,306,318
Mid-Level Administration	137,866,067	3,488,175	(1,710,000)	1,778,175	139,644,242
Instructional Salaries	781,742,596	(3,474,651)	(7,148,030)	(10,622,681)	771,119,915
Textbooks and Instructional Materials	21,764,542	604,800	21,844,571	22,449,371	44,213,913
Other Instructional Costs	107,713,900	(1,357,983)	23,518,799	22,160,816	129,874,716
Special Education	324,141,808	(6,326,100)	-	(6,326,100)	317,815,708
Student Personnel Services	43,314,242	(1,155,768)	(10,400,000)	(11,555,768)	31,758,474
Health Services	23,942,094	(1,190,287)	333,415	(856,872)	23,085,222
Student Transportation Services	103,964,081	(2,785,081)	(2,095,415)	(4,880,496)	99,083,585
Operation of Plant	144,078,173	(2,107,109)	(2,045,000)	(4,152,109)	139,926,064
Maintenance of Plant	46,142,406	4,000,000	1,181,420	5,181,420	51,323,826
Fixed Charges	478,151,256	5,838,485	(7,421,416)	(1,582,931)	476,568,325
Food Services Subsidy	14,211,353	7,870,191	(320,000)	7,550,191	21,761,544
Community Services	4,174,292	(2,424,910)	-	(2,424,910)	1,749,382
Capital Outlay	275,000	-	-	-	275,000
Expenditures Total	\$ 2,319,506,234	\$ -	\$ -	\$ -	\$ 2,319,506,234

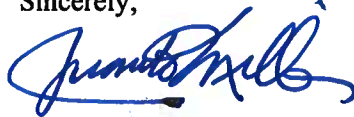
The full details of these transfers are outlined in:

- Appendix A: Itemized Changes and Narrative Explanations; and
- Appendix B: Sources and Uses of Funds by State Category.

In order to reconcile the FY 2021 budget needs and help close the FY 2022 projected budget deficit, County Council approval of this Financial Review is respectfully requested.

Note that this item was originally approved by the Board of Education on May 12, 2021. It was held at the request of County Council staff until May 28, 2021, to better align with the County Council meeting agenda.

Sincerely,



Juanita Miller, Ed.D.
 Chair, Board of Education



Monica E. Goldson, Ed.D.
 Chief Executive Officer

Attachments

- c: Members, Board of Education
 Members, County Council
 Ms. Tara Jackson
 Mr. David H. Van Dyke
 Mr. Stanley Earley
 Mr. William Hunt
 Mr. Arian Albear
 Members, PGCPSS Executive Cabinet

Board Action Summary

An Outline of the Chief Executive Officer's Recommendation to the Board of Education

New Program: Yes No

Modified Program: Yes No

Subject: Fiscal Year 2021 Financial Review and Categorical Changes

Abstract and Highlights: Administration regularly monitors the financial condition of the school system throughout the fiscal year and recommends periodic adjustments to meet evolving needs of the District and ensure fiscal stability. Extraordinary changes across major state categories continue to be necessary this fiscal year due to the COVID-19 pandemic and the shifting student learning environment.

The Board of Education's operating budget for FY 2021 does not require any revenue changes. Overall, expenditures are projected to stay within the current appropriation level. However, administration recommends adjustments of existing expenditure appropriations between major categories to meet instructional and support service requirements for the school year ending June 30, 2021.

The Public School Laws of Maryland require Board of Education and County Council approval of transfers between major categories. The resolution attached approves the recommended FY 2021 transfers between major categories and authorizes the Chief Executive Officer to request County Council approval of the transfers. Board of Education approval of the resolution is recommended.

In addition to the resolution, two documents are attached to this board action summary:

- Appendix A: Itemized Changes and Narrative Explanations
- Appendix B: Sources and Uses of Funds by State Category

Budget Implications: None (All changes net to \$0)

Staffing Implications: 0.0

School(s) Affected: All Schools

Preparation Date: May 5, 2021

Person Preparing: Michael Herbstman, Chief Financial Officer

Board Agenda Introduction Date (Budget Consent): May 12, 2021

Board Action Date (Budget Consent): May 12, 2021

Endorsed:
Chief Financial Officer

Endorsed:
Senior Advisor to the Chief Executive Officer

Approved:
Chief Executive Officer

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
Upper Marlboro, Maryland 20772**

RESOLUTION

WHEREAS, the financial condition of the school system is regularly monitored throughout the fiscal year with adjustments made periodically to meet evolving needs of the school system and ensure fiscal stability; and

WHEREAS, a review of the financial condition of the school system indicates that expenditures are expected to meet current appropriated revenues; and

WHEREAS, no change in appropriation is requested; and

WHEREAS, the Public School Laws of Maryland require Board of Education and County Council approval of transfers between major categories;

THEREFORE, BE IT RESOLVED, that the Board of Education of Prince George's County approves the recommended FY 2021 transfers between major categories identified in the Financial Review; and

FINALLY, BE IT RESOLVED, that the Board of Education authorizes the Chief Executive Officer to request County Council approval of transfers between major categories identified in the Financial Review, as summarized in the tables below.

REVENUE	FY 2021 Board of Education Revised <i>(March 25, 2021)</i>	FY 2021 Financial Review Transfer Request as of 03.31.21			FY 2021 Board of Education REVISED <i>(MAY 12, 2021)</i>
		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
Revenue Total	\$ 2,319,506,234	\$ -	\$ -	\$ -	\$ 2,319,506,234

EXPENDITURES MAJOR CATEGORIES	FY 2021 Board of Education REVISED <i>(March 25, 2021)</i>	FY 2021 Financial Review Transfer Request as of 03.31.21			FY 2021 Board of Education REVISED <i>(MAY 12, 2021)</i>
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Administration	\$ 88,024,424	\$ (979,762)	\$ (15,738,344)	\$ (16,718,106)	\$ 71,306,318
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Community Services	4,174,292	(2,424,910)	-	(2,424,910)	1,749,382
Capital Outlay	275,000	-	-	-	275,000
Expenditures Total	\$ 2,319,506,234	\$ -	\$ -	\$ -	\$ 2,319,506,234

Submitted by:	<u>Dr. Monica Goldson, Chief Executive Officer</u>
Prepared by:	<u>Michael Herbstman, Chief Financial Officer</u>
Agenda Date:	<u>May 12, 2021</u>
Discussion:	_____
First Reader:	_____
Budget Consent Agenda:	<u>May 12, 2021</u>
Emergency:	_____
Amended:	_____
Deferred:	_____
Tabled:	_____
Approved by the Board:	_____

Appendix A: Itemized Changes and Narrative Explanations

Sources and Uses of Funds	Amount	Narrative Explanation
Budget Reductions		
Lapse Recovery	(4,640,974)	Use of estimated lapse recovery across all departments and schools. These savings are primarily salary and wages that go unspent throughout the year due to turnover. These are additional amounts available due to the implementation of the central office hiring freeze from October to March.
Overtime	(230,000)	Overtime savings due to reduced utilization of facilities for community use during the pandemic.
Part-Time Salaries	(5,350,000)	Systemic part-time savings due to distance learning. This savings is primarily in the areas of substitutes and dedicated aides.
Rate Adjustments	(9,000,000)	Reversal of additional funds requested in the prior Financial Review as well as a savings due to lower than anticipated expenditures for county contributions for Workmen's Compensation.
System-Wide Discretionary	(8,054,434)	Savings in systemic discretionary funds due to distance learning for students and staff during the pandemic. These savings include student activity transportation, private duty nurses and other expenditure categories deemed unnecessary during this period.
Utilities	(1,000,000)	Savings in utilities throughout Districtwide facilities due to a combination of virtual learning for students and staff working from home. This represents additional savings from the 3rd quarter of the fiscal year.
Budget Reductions Total	(28,275,408)	
Early Payment of Other Post Employee Benefits		
Other Post Employee Benefits (OPEB)	15,000,000	Early payment of the FY 2022 portion of the annual contribution toward OPEB. With this early payment, the intent is not to make any additional contributions to OPEB in FY 2022.
Early Payment of Lease Purchase Total	15,000,000	
Mandatory Costs		
Building Maintenance	3,500,000	Additional funds to support day to day operations and emergency spending requirements for contracted services, asbestos abatement and building repairs.
Mandatory Costs Total	3,500,000	
Other Items		

Appendix A: Itemized Changes and Narrative Explanations

Sources and Uses of Funds	Amount	Narrative Explanation
Food Service Subsidy	8,400,000	Additional funds to support Food and Nutrition Services due to fewer student meals being served over the pandemic. This inter-fund transfer from the general fund is needed to support continued operations and maintain stability in the fund. This \$8.4 million transfer along with the \$6.8 million contribution in the March 25, 2020 Financial Review, constitute the full \$15.2 million Food and Nutrition Fund Subsidy included in the FY 2022 CEO's Proposed Operating Budget.
Summer School	1,375,408	Additional funds to support summer school training, instructional materials and software for elementary and middle school students.
Other Items Total	9,775,408	
Intra Project Realignment		
Unrestricted Program Realignment	-	Minor transfers within initiatives to align funds categorically.
Restricted Program Realignment	-	Categorical realignment of restricted funding to account for changes in the type of grants received during the pandemic.
Intra Project Realignment Total	-	
Grand Total	-	

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
Budget Reductions	(979,762)	3,654,881	(3,413,171)		(1,662,294)	(6,326,100)	(1,039,792)	(1,193,081)	(2,785,081)	(2,111,088)	500,000	(9,965,201)	(529,809)	(2,424,910)	-	(28,275,408)
Lapse Recovery		5,272,582	(6,072,674)			(150,743)	(301,066)	(63,426)	(932,241)	(1,097,204)	500,000		(436,574)	(1,359,628)	-	(4,640,974)
Overtime														(230,000)	-	(230,000)
Part-Time Salaries			(3,150,000)			(2,200,000)										(5,350,000)
Rate Adjustments												(9,000,000)				(9,000,000)
System-Wide Discretionary	(979,762)	(1,617,701)	5,809,503		(1,662,294)	(3,975,357)	(738,726)	(1,129,655)	(1,852,840)	(13,884)		(965,201)	(93,235)	(835,282)		(8,054,434)
Utilities										(1,000,000)						(1,000,000)
Forward Funded Items												15,000,000				15,000,000
Other Post Employee Benefits (OPEB)												15,000,000				15,000,000
Intra Project Realignment	(15,738,344)	(1,876,706)	(7,881,510)	21,849,371	23,781,862	-	(10,515,976)	336,209	(2,095,415)	(2,041,021)	1,181,420	(6,679,890)	(320,000)	-	-	-
Unrestricted Program Realignment		(166,706)	(733,480)	4,800	263,063		(115,976)	2,794		3,979		741,526				-
Restricted Program Realignment	(15,738,344)	(1,710,000)	(7,148,030)	21,844,571	23,518,799	-	(10,400,000)	333,415	(2,095,415)	(2,045,000)	1,181,420	(7,421,416)	(320,000)	-	-	-
Mandatory Costs											3,500,000					3,500,000
Building Maintenance											3,500,000					3,500,000
Other Items			672,000	600,000	41,248							62,160	8,400,000			9,775,408
Food Service Subsidy													8,400,000			8,400,000
Summer School Materials			672,000	600,000	41,248							62,160				1,375,408
Grand Total	(16,718,106)	1,778,175	(10,622,681)	22,449,371	22,160,816	(6,326,100)	(11,555,768)	(856,872)	(4,880,496)	(4,152,109)	5,181,420	(1,582,931)	7,550,191	(2,424,910)	-	-