

Prince George's County Board of Education
14201 School Lane • Upper Marlboro, Maryland 20772 • www.pgcps.org

May 28, 2021

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ADMINISTRATION

Chief Executive Officer

Monica E. Goldson, Ed.D.

Telephone: 301-952-6008

The Honorable Angela 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 #1

Dear County Executive Alsobrooks and Chair Hawkins:

This letter requests approval of an operating budget transfer between major expenditure categories for FY 2021. The transfer realigns 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 Financial Review, approved by the Board of Education on March 25, 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 is a key component of the comprehensive plan to reconcile the FY 2022 Operating Budget.

PGCPS, like all school districts, depends on growth for sustainability. \$1.96 billion or 84.4% of the FY 2022 Proposed Operating Budget is allocated to salaries and employee benefits. These costs are dictated by the multi-year labor contracts and the rising national trends in healthcare costs. Additionally, the costs of two other major expenditure categories, technology and textbooks, are rising well above the normal rate of inflation.

Over the last five years, PGCPS has depended on an average annual increase of \$48.9 million in state revenues and \$29.3 million in county revenues. Understanding that the State and County could not afford this \$78.2 million average during the pandemic, PGCPS has taken unprecedented steps to close the \$110.5 FY 2022 Proposed Operating Budget deficit, including:

1. FY 2022 Centralized Reductions: \$21.4 million
2. FY 2022 Increase of Use of Fund Balance: \$40.2 million (bringing total FY 2022 Use of Fund Balance to \$83.9 million)
3. FY 2022 Increase in Use of Salary Lapse: \$4.0 million
4. FY 2021 Reductions to Repurpose Savings to FY 2022 Pre-Payments: \$44.8 million

Part four of this plan is accomplished through this FY 2021 Financial Review. It requires large-scale cuts in FY 2021 which were achieved through a central office hiring freeze, districtwide overtime freeze, mid-year reductions in school budget allocations, utility savings and additional centralized reductions in areas not required during the pandemic including conference travel and professional development events.

PGCPS redirected these savings to two major areas in FY 2021 that would otherwise have hit the FY 2022 expenditure budget. First, FY 2021 savings were redirected to early payment of the FY 2022 portion of the 2019, 2020 and 2021 equipment lease-purchase agreements (LPA) in addition to the 2011 energy performance management agreement.

Second, PGCPS used remaining FY 2021 savings for a general fund subsidy to the Food and Nutrition Services (FNS) fund. Food and Nutrition runs a separate enterprise fund as required by federal law. The FNS fund takes in federal reimbursements for Free and Reduced Priced meals and additional money from point-of-sale purchases. That money, through strict federal guidelines, then goes to pay all food services workers and to buy the food commodities to make the meals. In normal years, the FNS fund is self-sustaining.

Throughout the pandemic, PGCPS Food and Nutrition staff has continued to distribute much-needed meals to students. However, beginning in March 2020, PGCPS has served fewer meals than typically would have been produced if all students were present for daily in-person instruction. This reduced federal revenues and point-of-sale revenues. Meanwhile, the District continued to pay all employees so expenditures continued at a high level, resulting in a projected \$15.2 million deficit in the FNS fund for FY 2021. Through use of FNS Fund Balance as of June 30, 2020, the necessary operating-fund transfer amount will be \$7.5 million.

The chart below outlines categorical changes form this Financial Review:

EXPENDITURES MAJOR CATEGORIES	FY 2021 Board of Education APPROVED	FY 2021 Financial Review Transfer Request as of 12.31.20			FY 2021 Board of Education REVISED
	(June 20, 2020)	Unrestricted	Restricted	Total Transfer	(March 25, 2021)
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
Expenditures Total	\$ 2,319,506,234	\$ -	\$ -	\$ -	\$ 2,319,506,234

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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 March 25, 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 Office

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, PGCPs 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 are necessary this fiscal year due to the COVID-19 pandemic and the shifting student learning environment.

The Board of Education's unrestricted 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 unrestricted expenditure appropriations between major categories to meet instructional and support service requirements for the school year ending June 30, 2021. Administration will present restricted operating budget revisions later in this fiscal year.

This financial review represents a continuation of the plan to close the FY 2022 operating budget deficit, originally presented by the Chief Executive Officer to the Board of Education on December 10, 2020. Through the central office hiring freeze, the overtime freeze, school discretionary reductions and other centralized reductions, the CEO proposed to save money in FY 2021, with the goal of using the savings toward early lease-purchase payments and a food and nutrition fund supplement. Achieving this in this financial review, the central office hiring freeze will be lifted effective April 1, 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. 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: 5.0 FTE

School(s) Affected: All Schools

Preparation Date: March 11, 2021

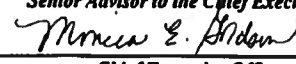
Person Preparing: Michael Herbstman, Chief Financial Officer

Board Agenda Introduction Date (Budget Consent): March 25, 2021

Board Action Date (Budget Consent): March 25, 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 APPROVED <i>(June 20, 2019)</i>	FY 2021 Financial Review Transfer Request as of 12.31.20			FY 2021 Board of Education REVISED <i>(March 25, 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 APPROVED <i>(June 20, 2020)</i>	FY 2021 Financial Review Transfer Request as of 12.31.20			FY 2021 Board of Education REVISED <i>(March 25, 2021)</i>
		Unrestricted	Restricted	Total Transfer	
Administration	\$ 88,810,485	\$ (786,061)	\$ -	\$ (786,061)	\$ 88,024,424
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Community Services	4,775,010	(600,718)	-	(600,718)	4,174,292
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>March 25, 2021</u>
Discussion:	_____
First Reader:	_____
Budget Consent:	<u>March 25, 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		
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.
Budget Reductions Total	(47,443,724)	
Early Payment of Lease Purchase		
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
Early Payment of Lease Purchase Total	33,899,260	
Intra Project Realignment		

Appendix A: Itemized Changes and Narrative Explanations

Sources and Uses of Funds	Amount	Narrative Explanation
Mandatory Costs		
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.
Mandatory Costs Total	6,000,000	
Other Items		
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.
Other Items Total	7,544,464	
Intra Project Realignment	-	Minor transfers within initiatives to align funds categorically.
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	(2,266,185)	(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)
Lapse 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)	-	-	-	(26,995,921)
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)
Early Payment of Lease Purchase	-	-	-	-	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
Mandatory Costs	187,500	187,500	750,000	-	-	500,000	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
Other Items	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
Intra Project Realignment	522,624	487,615	(1,702,717)	654,905	1,724,088	1,264,042	171,186	(1,444,753)	(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	(1,444,753)	(581,331)	(2,007,332)	52,509	859,164	-	-	-	-
Grand Total	(786,061)	(7,186,662)	(5,841,846)	503,727	15,063,879	1,705,778	(2,207,335)	(1,009,008)	(7,752,387)	1,558,628	(2,099,376)	1,856,917	6,794,464	(600,718)	-	-