



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

April 25, 2018

MEMORANDUM

TO: Mary A. Lehman, Chair
Health, Education and Human Services (HEHS)

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

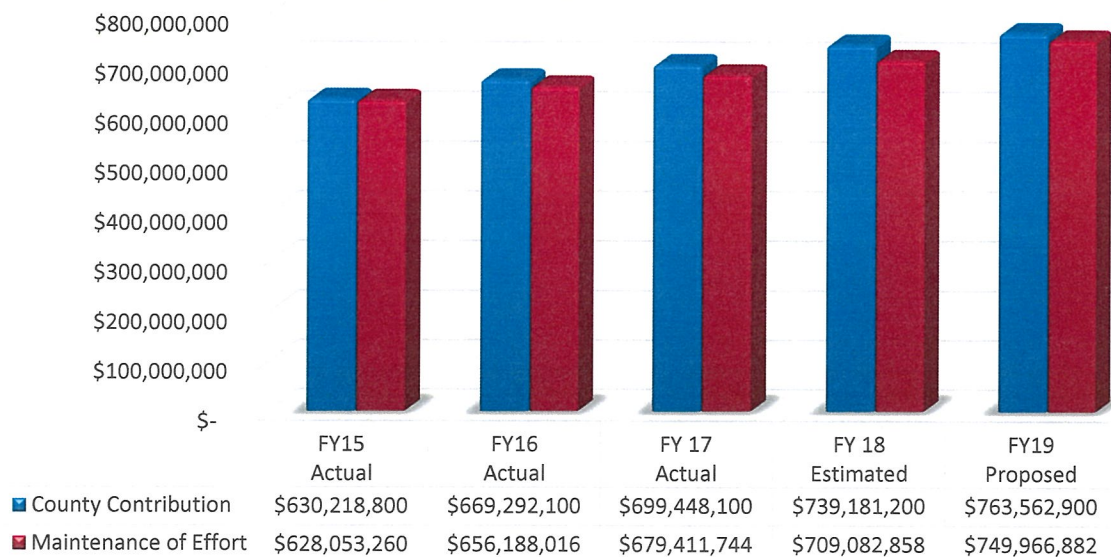
FROM: Inez N. Claggett, Senior Legislative Auditor *INC*

RE: Board of Education
Fiscal Year 2019 Budget Review

Budget Overview

The County Executive's FY 2019 Proposed Budget (the "Proposed Budget") for the Board of Education (the "Board" or "BOE") totals \$2,047,732,000, an increase of \$72,288,500, or 3.7%, over the approved budget for FY 2018. The FY 2019 Maintenance of Effort (MOE) requirement is \$749,966,882. The proposed County contribution to fund the Proposed Budget is \$763,562,900, an increase of \$24,381,700, or 3.3%, over the County's approved contribution for FY 2018. The County's contribution exceeds Maintenance of Effort by \$13,596,018.

County Contribution and Maintenance of Effort History

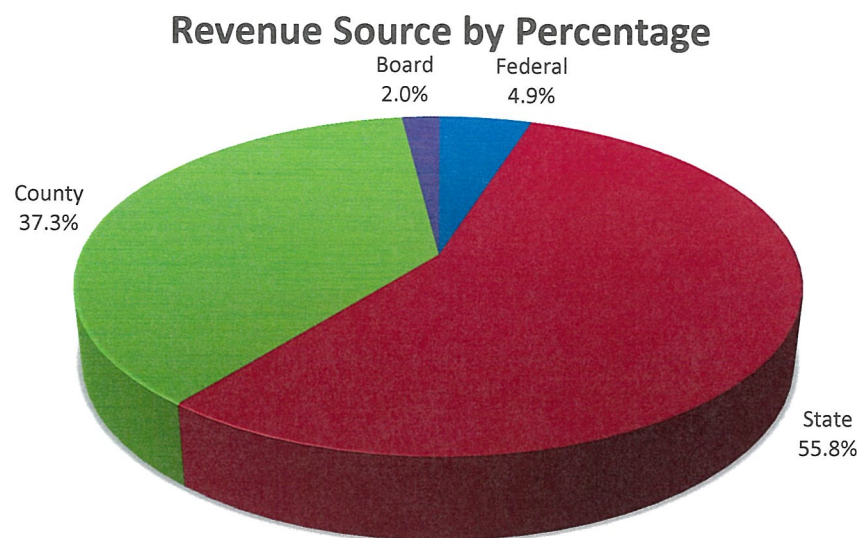


Proposed Budget Revenue

- Total revenue from all funding sources for FY 2019 are proposed to increase \$72,288,500, or 3.7%, over the estimated FY 2018 approved level mainly as a result of the proposed increase in the County's contribution to the Board of Education, anticipated increases in State and Federal Aid, and the Board of Education's use of fund balance.

Change in Revenue, by Source					
Source	FY 2017 Actual	FY 2018 Estimated	FY 2019 Proposed	Amount Change	% Change
<u>Federal Sources:</u>					
Unrestricted Federal Aid	\$ 47,318	\$ 80,026	\$ 80,000	\$ (26)	0.0%
Restricted Federal Aid	83,649,173	89,946,474	100,027,600	\$ 10,081,126	11.2%
Subtotal Federal Sources	83,696,491	90,026,500	100,107,600	\$ 10,081,100	11.2%
<u>State Sources:</u>					
Foundation Program	\$ 522,038,416	\$ 530,518,400	\$ 539,619,300	\$ 9,100,900	1.7%
Geographic Cost of Education Index	41,083,951	42,000,000	43,072,600	\$ 1,072,600	2.6%
Special Education	44,475,150	44,578,000	45,004,800	\$ 426,800	1.0%
Nonpublic Placements	21,321,809	23,863,700	23,863,700	\$ -	0.0%
Transportation Aid	39,510,631	40,693,800	41,559,000	\$ 865,200	2.1%
Compensatory Education	282,241,948	282,089,200	286,430,700	\$ 4,341,500	1.5%
Limited English Proficiency	86,900,405	94,280,500	107,414,800	\$ 13,134,300	13.9%
Net Taxable Income - Adjustment	18,459,850	22,370,100	29,306,100	\$ 6,936,000	31.0%
Guaranteed Tax Base	8,529,659	5,665,300	1,294,300	\$ (4,371,000)	-77.2%
Supplemental Grant and Other State Aid	20,505,652	20,505,700	20,505,700	\$ -	0.0%
Other State Aid	129,124	-	-	\$ -	0.0%
Restricted Grants	3,045,042	4,510,600	4,510,600	\$ -	0.0%
Subtotal State Sources	\$ 1,088,241,637	\$ 1,111,076,300	\$ 1,142,581,600	\$ 31,505,300	2.8%
General County Sources	449,013,395	492,214,200	497,134,800	\$ 4,920,600	1.0%
Real Property/BOE - Tax Increase	32,572,199	34,179,300	36,155,300	\$ 1,976,000	5.8%
Personal Property/BOE - Tax Increase	3,337,403	3,170,400	3,362,200	\$ 191,800	6.0%
Telecommunications Tax	29,305,472	31,051,400	27,834,700	\$ (3,216,700)	-10.4%
Energy Tax	71,865,024	70,372,300	72,356,300	\$ 1,984,000	2.8%
Transfer Tax	113,354,607	108,193,600	126,719,600	\$ 18,526,000	17.1%
Subtotal County Sources	\$ 699,448,100	\$ 739,181,200	\$ 763,562,900	\$ 24,381,700	3.3%
Board Sources	14,580,087	13,159,500	13,479,900	\$ 320,400	2.4%
Use of Fund Balance	-	22,000,000	28,000,000	\$ 6,000,000	27.3%
Board Sources	\$ 14,580,087	\$ 35,159,500	\$ 41,479,900	\$ 6,320,400	18.0%
TOTAL	\$ 1,885,966,315	\$ 1,975,443,500	\$ 2,047,732,000	\$ 72,288,500	3.7%

- Total Federal Aid for FY 2019 is proposed at \$100,107,600, an increase of \$10,081,100, or 11.2%, over the FY 2018 approved budget. The increase occurs as a result of two new federal grants: Title IV and Teacher & School Leader (TSL) Incentive programs. Federal funding comprises 4.9% of the Board's total proposed funding.
- Total State Aid for FY 2019 is anticipated to be \$1,142,581,600, an increase of \$31,505,300, or 2.8%, over the FY 2018 approved level. This increase is mainly due to formula-driven increases in the Foundation and Limited English Proficiency Aid programs. State Aid comprises 55.8% of the Board's total proposed funding.
- The FY 2019 proposed County Contribution to the Board of Education is \$763,562,900, an increase of \$24,381,600, or 3.3% over the FY 2018 approved budget. County source revenue comprises 37.3% of the Board's total proposed funding. This increase will support negotiated collective bargaining commitments, charter school growth, resources for student based budgeting, language immersion programs and international high schools, continuation of the Pathways in Technology (P-Tech) High School programs, the full-day Pre-Kindergarten expansion, and the independent graduation audit.
- General County Source revenue provides the foundation of revenue provided to the Board of Education by the County. All revenue from the County's transfer tax and energy tax are earmarked for the School System. In addition, the net proceeds of the telecommunications tax are dedicated to the School System with a caveat that 10% of the net proceeds be utilized to fund school renovation and systemic replacement projects. The total County Contribution comprises 37.3% of the Board's total proposed funding.
- The Board of Education is proposing to use \$28,000,000 of their total fund balance as a revenue source for FY 2019. This is an increase of \$6,000,000, or 27.3% over the FY 2018 approved level. As of June 30, 2017 the Board of Education's total Fund Balance was \$144,408,632, of which \$23,235,865 was unassigned. *An overview of Fund Balance has been provided as Attachment 1 to this report.*



- During FY 2016 the County Council enacted increases in the Real Property, Personal Property and Telecommunications Tax Rates which are dedicated entirely to the School System.
 - The Real Property Tax Rate increased from \$0.96 per \$100 of assessable real property value, to \$1.00 per \$100 of assessable real property value. For FY 2019, the rate increase is proposed to generate an estimated \$36.2 million in revenue for the School System.
 - The Personal Property Tax Rate increased from \$2.40 per \$100 of assessable value to \$2.50 per \$100 of assessable value. For FY 2019, the rate increase is proposed to generate an estimated \$3.4 million in revenue for the School System.
 - The Telecommunications Tax Rate increased from 8% to 9%, and was budgeted to provide additional revenue for the School System. However, telecommunications tax revenue for FY 2019 is projected to decline by approximately \$3.2 million less than the previous fiscal year's estimated level, as a result of the continued market shift from landlines to wireless services.
- Under Council Bill 33-2015, the County Council required 50% of annual local gaming revenue received by the County from video lottery facilities to be dedicated for public education purposes. For FY 2019 the Board of Education is estimated to receive \$12,218,800 from annual local gaming revenue. These revenues are proposed to fund Board of Education operations, capital improvements, and the School System's vocational, technical and skilled trades programs.

Proposed Budget Expenditures

- FY 2019 total proposed expenditures increase by \$72,288,500, or 3.7%, over the FY 2018 estimated budgeted as a result of anticipated increases in Instructional Salaries, Administration and Other Instructional Costs.
- Expenditures for Instructional Salaries are estimated to increase by \$40,311,916, or 6.0%, when compared to the previous year's estimated budget. The increase is anticipated as a result of anticipated negotiated salary increases, an increase of 115.0 full-time equivalent employees, and additional funds for anticipated future grants.
- The Administration category increases by \$9,492,789, or 15.2%, when compared to the previous year's estimated budget primarily due to funds reserved for negotiation increases for employees within this category and additional funds for anticipated future grants.
- Other Instructional Costs are proposed to increase \$7,349,085, or 9.7%, when compared to the FY 2018 estimated budget as a result of an increase in charter school enrollment, anticipated dual enrollment tuition expenses, anticipated future grants, supplies and materials for the Spanish and Chinese Immersion expansion, and the Ready for Work initiative.
- The most significant dollar decrease in anticipated expenditures occurs within the Fixed Charges category. FY 2019 Fixed Charges expenditures are proposed to decrease by \$4,227,278, or 1.0%, below the prior year's revised approved budget as a result of a realignment of terminal leave to better align expenditures with anticipated affected categories.

Change in Expenditures, by Category					
Category	FY 2017 Actual	FY 2018 Estimated	FY 2019 Proposed	Amount Change	% Change
Administration	\$ 55,245,668	\$ 62,257,611	\$ 71,750,400	\$ 9,492,789	15.2%
Mid-Level Administration	118,218,428	124,535,766	129,343,500	\$ 4,807,734	3.9%
Instructional Salaries	633,184,662	668,958,484	709,270,400	\$ 40,311,916	6.0%
Textbooks and Instructional Materials	17,283,465	18,618,120	18,239,700	\$ (378,420)	-2.0%
Other Instructional Costs	68,684,787	75,755,215	83,104,300	\$ 7,349,085	9.7%
Special Education	268,338,283	273,834,437	279,824,700	\$ 5,990,263	2.2%
Student Personnel Services	18,401,259	20,631,919	22,612,000	\$ 1,980,081	9.6%
Health Services	18,353,417	19,839,795	20,374,700	\$ 534,905	2.7%
Student Transportation Services	102,385,108	106,167,843	107,688,000	\$ 1,520,157	1.4%
Operation of Plant	116,873,092	129,988,227	132,297,400	\$ 2,309,173	1.8%
Maintenance of Plant	42,807,818	39,270,648	40,699,400	\$ 1,428,752	3.6%
Fixed Charges	394,785,976	427,838,978	423,611,700	\$ (4,227,278)	-1.0%
Food Services Subsidy	-	4,326,388	5,365,500	\$ 1,039,112	24.0%
Community Services	2,984,625	3,170,069	3,300,300	\$ 130,231	4.1%
Capital Outlay	-	250,000	250,000	\$ -	0.0%
Totals	\$ 1,857,546,588	\$ 1,975,443,500	\$ 2,047,732,000	\$ 72,288,500	3.7%

Staffing Changes

- Proposed staffing for FY 2019 totals 18,096.89 positions, an increase of 133.80 positions over the estimated FY 2018 level. The most significant increase in the number of positions occurs within the Teacher category as indicated in the chart below.

Operating Staffing, by Position Type			
Positions by Category	Estimated 2018	Proposed 2019	Difference
CEO, Chief, Administrator, Area Assistant			
Superintendent	15.00	15.00	-
Director, Coordinator, Supervisor, Specialist	450.00	458.00	8.00
Principal	218.50	217.50	(1.00)
Assistant Principal	305.00	305.00	-
Teacher	9,513.40	9,624.40	111.00
Therapist	171.21	170.51	(0.70)
Guidance Counselor	360.00	362.00	2.00
Librarian	133.50	134.50	1.00
Psychologist	93.00	93.00	-
Pupil Personnel Worker, School Social Worker	60.00	63.00	3.00
Nurse	233.00	234.00	1.00
Other Professional Staff	296.00	300.00	4.00
Secretaries and Clerk	827.12	827.62	0.50
Bus Driver	1,449.77	1,447.77	(2.00)
Aides - Paraprofessional	2,025.46	2,022.46	(3.00)
Other Staff	1,812.13	1,822.13	10.00
Total Operating Positions	17,963.09	18,096.89	133.80

- The Board's FY 2019 Requested Budget includes \$13,065,514 for carryover compensation costs related to FY 2018. During FY 2019 the Board has committed \$10,807,273 in step increases, \$2,701,328 in COLAs, and \$4,010,853 in Board Certified Stipends to be paid in accordance with ratified negotiated agreements. Negotiations with SEIU and ACE/AFSCME employee unions are currently ongoing as their contracts expire on June 30, 2018. School System staff are anticipating reaching an agreement by the expiration date. A breakdown, by union, of compensation enhancements has been provided in the table below.

FY 2019 Negotiated Compensation Commitments						
Union	Current Contract Ends	FY 2018 Step/COLA Carryover Cost	FY 2019 Step Increase	FY 2019 COLA	FY 2019 Board Certified Stipends	Totals
ASASP II	June 30, 2019	\$ 966,755	\$ -	\$ 1,885,389	\$ 958,000	\$ 3,810,144
ASASP III	June 30, 2019	518,991	-	815,939	1,673,108	3,008,038
SEIU	June 30, 2018	-	*	*	*	-
ACE/AFSCME	June 30, 2018	4,020,631	*	*	*	4,020,631
PGCEA	June 30, 2019	7,559,137	10,807,273	-	1,379,745	19,746,155
Totals		\$ 13,065,514	\$ 10,807,273	\$ 2,701,328	\$ 4,010,853	\$ 30,584,968

*= Not yet settled. Negotiations are in progress.

Cost per Pupil and Enrollment

- For FY 2019 the cost-per-pupil is projected at \$14,723, an increase of \$363 per pupil, over the FY 2018 approved level, for students enrolled in Pre-K through 12th grade. The cost-per-pupil calculation is based on the State formula and excludes equipment, community services and outgoing transfers from total school system costs. The cost-per-pupil will fluctuate based upon the County Council approved budget provided to the Board of Education.
- In FY 2019, the School System is anticipating enrollment of 134,466 full time students (Pre-K through 12th), an increase of 2,144, or 1.6% over the FY 2018 total enrollment. Kindergarten through high school full-time enrollment is projected to total 129,098, an increase of 2,088 students.
- The Pre-School student population is projected to total 5,368, a projected increase of 56 Pre-School students. The number of full-time enrolled students attending a Nonpublic School is anticipated to increase by 18 students, to an estimated total of 854 students. Additional enrollment figures are provided in the Pupil Population chart below.

Pupil Population					
	FY 2017 Actual as of 9/30/2016	FY 2018 Actual as of 9/30/2017	FY 2019 Projected as of 9/30/2017	Change from FY 2018 Actual to FY 2019 Projected Number Percent	
Full-Time					
Kindergarten @ 100%	9,897	9,858	9,751	(107)	-1.1%
Elementary Grades 1 to 6	60,661	61,650	61,846	196	0.3%
Middle School Grades 7 and 8	18,386	18,777	19,357	580	3.1%
High School Grades 9 to 12	36,100	36,725	38,144	1,419	3.9%
Total Regular and Special Education	125,044	127,010	129,098	2,088	1.6%
Pre-school					
Prekindergarten	5,421	4,987	5,016	29	0.6%
Montessori	351	325	352	27	8.3%
Total Pre-school	5,772	5,312	5,368	56	1.1%
Total Pre-K to 12 Enrollment	130,816	132,322	134,466	2,144	1.6%
Nonpublic Schools for Disabled	838	836	854	18	2.2%
Total Full-Time Enrollment	131,654	133,158	135,320	2,162	1.6%
Part-Time					
Summer School:					
Regular Instructional Programs	3,586	6,693	6,693	-	0.0%
Extended School Year Services for Students with Disabilities	2,099	1,975	2,040	65	3.3%
Total Summer School	5,685	8,668	8,733	65	0.7%
Evening High School (1)	310	310	375	65	21.0%
Home and Hospital Teaching	612	530	530	-	0.0%
Total Part-Time	6,607	9,508	9,638	130	1.4%

(1) Some Evening High School student enrollment numbers are also included in grades 9 - 12 full-time.

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School Facilities

- For FY 2019 the School System will have 209 facilities which includes 121 elementary schools, 13 academies, 52 secondary schools, 7 special centers, 11 charter schools and 5 other facilities.
- The FY 2019 to FY 2024 Capital Improvement Program (CIP) proposes \$162,292,000 in funding for various Capital Improvement projects approved by the BOE for FY 2019. A review of the BOE's FY 2019 to FY 2024 Proposed Capital Improvement Program will be provided in a separate report to the County Council's Committee of the Whole on Wednesday, May 9, 2018.

FY 2019 Fiscal Highlights

(Please note – Amounts may not total due to rounding)

- **Base Changes** of \$20.24 million, an increase of 21.3 full-time equivalent (FTE) positions.
- **Mandatory Costs** are expenditures that are required by law and support contract commitments. These costs are anticipated to increase by \$38.6 million and will provide 60.0 FTE positions as summarized below:
 - \$ 8.26 million for charter schools; an increase of 60.0 FTE positions
 - \$29.49 million for negotiated compensation commitments
 - \$ 0.80 million for dual enrollment tuition
- **Costs of Doing Business** are expenditures which provide essential health/safety services and maintains the existing workforce. These costs are anticipated to increase by \$9.4 million and will provide 13.50 FTE positions, as summarized below:
 - \$ 9.07 million for Student Based Budgeting (SBB), an increase of 11.5 FTE positions
 - \$ 0.32 million for the Youth Career Connect Grant, an increase of 2.0 FTE positions
- The School System reduced and **redirected resources** for a net decrease of \$7.4 million from programs and services on a system wide basis to fund increases in the mandatory/costs of doing business and to fund organizational improvements increases:
 - \$ 7.40 million Redirected Resources
- **Program Continuations** reflect expenditures that provide for phased in program implementations. These expenditures are anticipated to increase \$5.1 million and will provide 45.0 FTE positions, as summarized below:
 - \$ 3.33 million for Academic Programs, an increase of 32.0 FTE positions
 - \$ 0.29 million for Arts Integration, an increase of 1.0 FTE positions
 - \$ 0.51 million for P-Tech Schools and 3-D Scholars, an increase of 4.0 FTE positions
 - \$ 0.99 million for Prekindergarten expansion, an increase of 8.0 FTE positions
- The School System anticipates expenditures totaling \$6.4 million, providing for 32.0 additional FTE positions for **organizational improvements** as summarized below:
 - Focus Area 1: Academic Excellence –
 - \$ 0.90 million for Alternative Education Supports, an increase of 6.0 FTE positions
 - \$ 0.50 million for the Teacher Academy, an increase of 3.0 FTE positions
 - \$ 1.30 million for Community Schools, an increase of 7.0 FTE positions
 - \$ 0.20 million for Healthy Start Breakfast
 - \$ 0.20 million for Higher Achievement
 - \$ 0.48 million for Guidance Software
 - \$ 0.03 million for Restorative Practices
 - \$ 0.29 million for Special Education Staffing, an increase of 2.0 FTE positions

- Focus Area 2: High-Performing Workforce –
 - \$ 0.54 million for Peer Assistance and Review Teachers, an increase of 5.0 FTE positions
- Focus Area 3: Safe and Supportive Environments –
 - \$ 1.00 million for Security Staffing and Equipment, an increase of 6.0 FTE positions
 - \$ 0.45 million for Student Transportation
 - \$ 0.22 million for Pest Control, an increase of 3.0 FTE positions
- Focus Area 5: Organizational Effectiveness –
 - \$ 0.25 million for Graduation Audit

Additional Information

- Further information regarding various subjects is provided in the Board of Education's response to budget review questions found under Tab A of the HEHS Committee binder. Attachment 2 of this report provides an index, by subject matter, of the Board of Education's responses to the budget review questions.

**Fund Balance Analysis
As of March 2018**

Category	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Nonspendable:				
Inventories	\$ 5,257,361	\$ -	\$ 343,401	\$ 5,600,762
Prepaid Expenses	111,210	-	-	111,210
<i>Total Nonspendable</i>	<u>\$ 5,368,571</u>	<u>\$ -</u>	<u>\$ 343,401</u>	<u>\$ 5,711,972</u>
Restricted:				
For Grant Programs	\$ 95,385	\$ -	\$ -	\$ 95,385
For Capital Projects	-	1,596,144	-	1,596,144
For Community Services	-	-	5,091,764	5,091,764
<i>Total Restricted:</i>	<u>\$ 95,385</u>	<u>\$ 1,596,144</u>	<u>\$ 5,091,764</u>	<u>\$ 6,783,293</u>
Committed:				
Use in FY18 Operating Budget	\$ 22,000,000	\$ -	\$ -	\$ 22,000,000
<i>Total Committed</i>	<u>\$ 22,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,000,000</u>
Assigned to:				
Risk Management and General Liability	40,000,000	-	-	40,000,000
Future One-time Expenditure Items	25,000,000	-	-	25,000,000
Special Projects Fund	53,227	-	-	53,227
	<u>\$ 65,053,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,053,227</u>
Encumbrances	21,624,275	-	-	21,624,275
<i>Total Assigned</i>	<u>\$ 86,677,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,677,502</u>
Unassigned	<u>\$ 22,469,682</u>	<u>\$ (1,479,425)</u>	<u>\$ 2,245,608</u>	<u>\$ 23,235,865</u>
Total Fund Balance as of June 30, 2017	\$ 136,611,140	\$ 116,719	\$ 7,680,773	\$ 144,408,632
FY17 Nonspendable Balance - expended in FY18	\$ (5,368,571)	\$ -	\$ (343,401)	\$ (5,711,972)
FY17 Restricted Balance - expended in FY18	(95,385)	(1,596,144)	(5,091,764)	(6,783,293)
FY17 Encumbrances Balance - expended in FY18	(21,624,275)	-	-	(21,624,275)
FY17 Committed Balance - appropriated in FY18	(22,000,000)	-	-	(22,000,000)
Proposed for Use in FY19 Operating Budget	<u>(28,000,000)</u>	<u>-</u>	<u>-</u>	<u>(28,000,000)</u>
Estimated Remaining Fund Balance as of March 2018	<u>\$ 59,522,909</u>	<u>\$ (1,596,144)</u>	<u>\$ (5,435,165)</u>	<u>\$ 60,289,092</u>

**BOARD OF EDUCATION FY 2019 BUDGET REVIEW
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