



**Committee:** E&C  
**Committee Review:** Completed  
**Staff:** Nicole Rodriguez-Hernandez, Legislative Analyst  
Essie McGuire, Senior Legislative Analyst  
**Purpose:** Final action – vote expected  
**Keywords:** #MCPS

AGENDA ITEM #5L  
October 12, 2021  
**Action**

## SUBJECT

Resolution to Approve Categorical Transfers of \$67,700,000 for the Montgomery County Public Schools FY21 Operating Budget, and Categorical Transfers of \$1,700,000 for the FY21 Grant Funds in the Provision for Future Supported Projects

## EXPECTED ATTENDEES

None

## COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

The Committee (3-0) recommends approval of both categorical transfer requests.

## DESCRIPTION/ISSUE

The County Council will consider action to approve categorical transfers of \$67,700,000 for the Montgomery County Public Schools (MCPS) FY21 Operating Budget, and \$1,700,000 for the MCPS FY21 Grant Funds, Provision for Future Supported Projects.

## SUMMARY OF KEY DISCUSSION POINTS

- The Board of Education approved the operating budget categorical transfers on September 9, 2021, and the grant fund categorical transfers on June 29, 2021. A draft resolution for the Council's consideration is attached at ©1-3, and the Board's requests are attached at ©4-13.
- The Education & Culture Committee held a worksession on October 4, 2021.

### **This report contains:**

Draft Resolution	©1-3
Board of Education Requests (June 29 and September 9, 2021)	©4-13
October 4, 2021 E&C Staff Report	©14-17

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Resolution No.: \_\_\_\_\_  
 Introduced: September 21, 2021  
 Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
 FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: County Council

**SUBJECT:** Categorical Transfer, FY21 Operating Budget  
 Montgomery County Public Schools, \$67,700,000  
 and  
 Categorical Transfer, FY21 Operating Budget  
 Montgomery County Public Schools, Grant Funds, \$1,700,000

**Background**

1. Section 5-105 of the Education Article of the Annotated Code of Maryland provides for transfers among major categories of the Operating Budget of the Montgomery County Public Schools only with the approval of the County Council.
2. The County Council received the Board of Education’s action on September 14, 2021, requesting a transfer among state categories as follows:

<u>Category</u>	<u>Description</u>	<u>To</u>	<u>From</u>
3	Instructional Salaries		\$62,000,000
4	Textbooks and Instructional Supplies	\$35,700,000	
5	Other Instructional Costs	\$6,500,000	
9	Student Transportation		\$5,700,000
12	Fixed Charges	\$25,500,000	
	Total	\$67,700,000	\$67,700,000

3. The County Council received the Board of Education’s action of June 29, 2021, requesting a transfer of grant funds among state categories as follows:

<u>Category</u>	<u>Description</u>	<u>To</u>	<u>From</u>
4	Instructional Supplies		\$300,000
5	Other Instructional Costs		\$500,000
6	Special Education	\$1,300,000	
7	Student Personnel Services	\$100,000	
10	Operation of Plant		\$600,000
12	Fixed Charges	\$300,000	
14	Community Services		\$300,000
	Total	\$1,700,000	\$1,700,000

4. The Board of Education has requested authorization to make an FY21 categorical transfer to align budgeted appropriations with actual expenditures. This request would offset deficits in Category 4, Textbooks and Instructional Supplies; Category 5, Other Instructional Costs; and Category 12, Fixed Charges, by transferring a surplus from Category 3, Instructional Salaries and Category 9, Student Transportation.
5. The deficit in Category 4, Textbooks and Instructional Supplies, is due to a need for technology, curriculum roll-out and other supplies such as personal protection equipment as a result of the COVID-19 pandemic.
6. The deficit in Category 5, Other Instructional Costs, is a result of expenditures for new curriculum, contractual services expenses for social emotional learning, school furniture, and graduation expenses.
7. The deficit in Category 12, Fixed Charges, is due to additional contributions to the MCPS Employees Group Insurance Fund and the MCPS Pension Fund.
8. The Board of Education has also requested authorization to make an FY21 categorical transfer of grant funds to align budgeted appropriations with actual expenditures in seven categories as outlined above. The appropriate categories for grant expenditures must be anticipated in the budget, and transfers are necessary to reflect actual expenditure requirements of the grants projects when they differ from the budgeted projections.
9. In addition to the requested categorical transfers, it is important to note the Board of Education acted on an FY21 operating budget that included tentative adjustments for several State Categories, thus differing from the County Council's approved budget. The Council was aware of the atypical changes that were the result of unforeseen extenuating circumstances and unanticipated relief funding related to the COVID-19 health pandemic.

<b>Category</b>	<b>Council FY21 Approved 05/21/2020</b>	<b>BOE Tentative Changes</b>	<b>BOE FY21 Action 06/11/2020</b>
1	\$ 59,618,921	\$ (2,471,276)	\$ 57,147,645
2	\$ 157,556,988	\$ (1,103,483)	\$ 156,453,505
3	\$ 1,072,129,446	\$ 37,857,004	\$ 1,109,986,450
4	\$ 35,757,821	\$ (3,939,839)	\$ 31,817,982
5	\$ 22,112,380	\$ (1,060,161)	\$ 21,052,219
6	\$ 375,247,185	\$ 24,664	\$ 375,271,849
7	\$ 16,159,669	\$ (350,000)	\$ 15,809,669
8	\$ 2,383,056	\$ (1,600)	\$ 2,381,456
9	\$ 119,715,284	\$ (2,000,000)	\$ 117,715,284
10	\$ 148,397,575	\$ (2,603,646)	\$ 145,793,929
11	\$ 43,089,669	\$ (400,000)	\$ 42,689,669
12	\$ 619,645,920	\$ (23,939,171)	\$ 595,706,749
14	\$ 995,221	\$ (12,492)	\$ 982,729
<b>Total</b>	<b>\$ 2,672,809,135</b>	<b>\$ -</b>	<b>\$ 2,672,809,135</b>

**Action**

The County Council for Montgomery County, Maryland approves the following resolution:

The FY21 Operating Budget of the Montgomery County Public Schools is hereby amended, and a transfer of appropriation is approved as follows:

<u>Category</u>	<u>Description</u>	<u>To</u>	<u>From</u>
3	Instructional Salaries		\$62,000,000
4	Textbooks and Instructional Supplies	\$35,700,000	
5	Other Instructional Costs	\$6,500,000	
9	Student Transportation		\$5,700,000
12	Fixed Charges	\$25,500,000	
	Total	\$67,700,000	\$67,700,000

A transfer of grant funds is approved as follows:

<u>Category</u>	<u>Description</u>	<u>To</u>	<u>From</u>
4	Instructional Supplies		\$300,000
5	Other Instructional Costs		\$500,000
6	Special Education	\$1,300,000	
7	Student Personnel Services	\$100,000	
10	Operation of Plant		\$600,000
12	Fixed Charges	\$300,000	
14	Community Services		\$300,000
	Total	\$1,700,000	\$1,700,000

This is a correct copy of Council action.

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Selena Mendy Singleton  
Clerk of the Council

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 14, 2021

MEMORANDUM

To: The Honorable Marc Elrich, County Executive  
The Honorable Tom Hucker, President,  
Montgomery County Council

From: Monifa B. McKnight, Interim Superintendent of Schools 

Subject: Transmittal of Board of Education Agenda Item #10.7

Fiscal Year 2021 Operating Budget End-of-Year Categorical Transfer

BOE Meeting Date:	August 24, 2021
Amount:	\$67,700,000
Type of Action:	Categorical Transfer

MBM:ESD:RR

Attachment


Copy to:  
Mr. Reilly  
Montgomery County Office of Management and Budget

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 24, 2021

MEMORANDUM

To: Members of the Board of Education

From: Monifa B. McKnight, Interim Superintendent of Schools 

Subject: Fiscal Year 2021 Operating Budget End-of-Year Categorical Summary and Transfer

Each year, Montgomery County Public Schools (MCPS) is required to request transfers among state categories, if necessary, to align the budgeted appropriation with actual expenditures. Categorical transfers are subject to approval by the Montgomery County Council. For Fiscal Year (FY) 2021, there are categorical transfers among five state categories for a total of \$67,700,000. This represents 2.6 percent of the authorized expenditures for the FY 2021 operating budget.

The current projection is that the FY 2021 MCPS Operating Budget ended the year with an expenditure surplus of \$29,272,852. This is a decrease of \$14,148 since the April 30, 2021, report to the Board of Education. It is important to remember that this amount is preliminary and not final until the books are closed for the fiscal year. At this time, there are surpluses in Category 1, Administration; Category 2, Mid-level Administration; Category 3, Instructional Salaries; Category 6, Special Education; Category 7, Student Personnel Services; Category 9, Student Transportation; Category 10, Operation of Plant and Equipment; Category 11, Maintenance of Plant; and Category 14, Community Services. The following categories are projected to end the year with a deficit: Category 4, Textbooks and Instructional Supplies, Category 5, Other Instructional Costs, and Category 12, Fixed Charges.

As of June 30, 2021, total revenue was \$3,587,000 less than our revised budgeted amount for FY 2021. The revenue deficit increased by \$162,000 compared to the amount reflected in the April 30, 2021, Monthly Financial Report (Resolution No. 226-21).

The MCPS Operating Budget appropriation approved by the Board on June 11, 2020, for FY 2021 totaled \$2,756,257,059 (Resolution No. 277-20). This was an increase of \$75,682,286 (2.8 percent) more than the final FY 2020 Operating Budget of \$2,680,574,773. The FY 2021 appropriation included \$25,000,000 of MCPS fund balance used for the FY 2021 Operating Budget. As a result of savings realized at the end of FY 2020 along with the use of fund balance

to fund the FY 2021 Operating Budget, the beginning fund balance in FY 2021 was \$3,014,609. Factors impacting the amount of carryforward in FY 2021 included higher than anticipated savings from lapse and turnover of positions in FY 2020 as we paid careful attention to when and how vacant positions were filled to ensure efficiency.

As previously mentioned, budgeted revenues for FY 2021 are projected to have a deficit of \$3,587,000. Expenses reflect a surplus of \$29,272,852. In order to reconcile the calculated budgetary fund balance with the audited, Generally Accepted Accounting Principles unassigned fund balance, a line was added in beginning in FY 2020 to the end-of-year fund balance calculation. When this “FY 2021 Non-spendable Fund Balance Reserve Adjustment” of \$1,514,609 is considered, the resulting FY 2021 end-of-year available fund balance is calculated to be \$27,185,852. The actual amount will be determined in the coming weeks. On May 27, 2021, the County Council approved the use of \$25,000,000 from the MCPS fund balance to fund the FY 2022 MCPS Operating Budget. The current projected FY 2021 end-of-year balance of \$27,185,852 minus the use of \$25,000,000 to fund the FY 2022 Operating Budget results in a beginning FY 2022 fund balance of \$2,185,852 as reflected in the following table.

	<b>As of June 2021</b>
FY 2020 End-of-Year Fund Balance	\$28,014,609
Amount Used to Fund FY 2021 Operating Budget	(25,000,000)
Beginning FY 2021 Fund Balance	3,014,609
FY 2021 Revenue Deficit	(3,587,000)
FY 2021 Expenditure Surplus	29,272,852
FY 2021 Non-spendable Fund Balance Reserve Adjustment	(1,514,609)
FY 2021 End-of-Year Available Fund Balance as of 6/30/2021	27,185,852
Amount Used to Fund FY 2022 Operating Budget	(25,000,000)
Beginning FY 2022 Fund Balance	2,185,852

During FY 2021, MCPS had to contend with the impact of the Novel Coronavirus SARS-CoV-2 (COVID-19) pandemic throughout the district from teaching and learning to operations and school support. The ongoing pandemic necessitated a continuity of learning budget for MCPS in FY 2021. This educational approach required increased expenditures and in different areas than previously planned. The continuity of learning plan included not only the need for more extensive summer instruction but student instruction and enrichment in non-traditional school hours in the 2020–2021 school year as well as other strategies to sustain student achievement. The plan also provided professional development and technology initiatives for remote learning with the latter requiring both internet access and devices for students, teachers, and staff.

In addition, prior to the start of FY 2021 and during the fiscal year, MCPS was awarded funding from three major pieces of federal legislation that are available for a period beyond the end of FY 2021, to assist school districts in responding to the impact of the COVID-19 pandemic. MCPS has received or will receive more than \$422.0 million in federal funding related to the pandemic. As a result, total expenditures in the FY 2021 Operating Budget by state category

year were different than anticipated at the start of the year as MCPS was addressing unprecedented challenges from the pandemic. Consequently, categorical transfers are required to align actual expenditures among state categories.

During the past fiscal year, staff closely monitored revenues and expenditures. This financial monitoring process is comprehensive and detailed. Primary and secondary account managers reviewed each of their accounts on a monthly basis and reported expenditure projections for the remainder of the fiscal year. Staff from the Office of Finance analyzes these projections using quantitative models and reviews previous expenditure patterns as related to changing circumstances. The MCPS financial system commonly known as “the Hub” provided data that enabled staff to monitor, control, and report on expenditures.

The Board received detailed monthly financial status reports throughout FY 2021. Monthly, beginning in November 2020, these reports were part of the Board’s consent agenda. These reports subsequently were transmitted to the county executive, the county’s Office of Management and Budget, and the County Council. Overall, final FY 2021 expenditures are consistent with the trends indicated in the monthly reports. The following summary presents the end-of-year results for revenue and expenditures and how they differ from the appropriation.

### **Revenue**

In FY 2021, MCPS experienced a deficit of \$3,587,000 in revenue compared to the budgeted amount. The principal reasons for the net decrease in revenue included a reduction of \$1,700,000 from state revenue for non-public school placement of students, a decrease of \$500,000 in bank interest, a reduction of revenue totaling about \$700,000 from the outdoor education program, and a decrease of \$800,000 from revenue for summer school. These were offset by approximately \$100,000 in revenue increases in a variety other income categories.

### **Categorical Expenditures**

The current projection for the FY 2021 expenditure surplus is \$29,272,852, which is 1.1 percent of budgeted expenditures. An explanation of the results by state category follows.

Category 1, Administration, reflects a projected surplus of \$505,564. This is \$205,564 more than the amount reported in the April 30, 2021, financial report. The projected surplus is a result of position salary savings. Savings in Category 1 are 0.8 percent of budgeted expenditures.

Category 2, Mid-level Administration, reflects a projected surplus of \$1,364,307. This is a decrease of \$535,693 from the amount reported in the April 30, 2021, financial report. Most of this decrease is due to additional expenditures for student commencement activities. However, the majority of the total projected surplus is the result of lapse and turnover savings. Overall savings in Category 2 are 0.9 percent of budgeted expenditures.



Category 3, Instructional Salaries, reflects a projected end-of-year surplus of \$64,592,193, which is \$4,092,193 more than the projected surplus reported in the April 30, 2021, financial report. Most of this surplus is the result of savings in position salaries due to salary lapse from positions not filled during the year. There is additional savings in non-position accounts due to a spending decrease for temporary part-time salaries, including professional and support services part-time salaries, and substitute teachers. Savings in Category 3 are 6.0 percent of budgeted expenditures.

Category 4, Textbooks and Instructional Supplies, reflects a projected end-of-year deficit of \$35,389,229. This is \$160,771 less than the deficit reported to the Board in the April 30, 2021, financial report. The overall deficit is based on expenditures for technology, curriculum roll-out, and other supplies such as personal protection equipment related to the COVID-19 pandemic. The deficit in Category 4 is 82.4 percent of budgeted expenditures.

Category 5, Other Instructional Costs, reflects a projected end-of-year deficit of \$6,327,939, which is \$3,877,939 more than the amount projected in the April 30, 2021 financial report. This deficit is the result of expenditures for new curriculum, contractual services expenses for social emotional learning, school furniture, and graduation expenses. The deficit in Category 5 is 36.5 percent of budgeted expenditures.

Category 6, Special Education, reflects a projected end-of-year surplus of \$5,486,844, which is \$513,156 less than the surplus reported on the April 30, 2021, financial report. The overall surplus is a result of salary lapse and turnover in addition to an increase in savings related to students placed in non-public schools withdrawing from MCPS due to the pandemic. Savings in Category 6 are 1.6 percent of budgeted expenditures.

Category 7, Student Personnel Services, reflects a projected end-of-year surplus of \$1,082,831. This is an increase of \$232,831 in the surplus reflected in the April 30, 2021, financial report. The overall surplus is the result of savings in non-position accounts due to a spending decrease for temporary part-time salaries, including professional and supporting services part-time salaries, and professional development stipends. The surplus in Category 7 is 8.3 percent of budgeted expenditures.

Category 9, Student Transportation, reflects a projected end-of-year surplus of \$12,670,370. This is \$879,630 less than the amount projected in the April 30, 2021, financial report. The difference between the category's projection in the April 2021 report and the final year-end deficit primarily is due to increased spending for diesel fuel during the fourth quarter as fuel prices increased to \$2.17 per gallon, \$0.22 more than the budgeted rate. Overall, the category's position and non-position salary accounts combined resulted in a surplus of approximately \$7,600,000 for the year. While fuel prices increased in the last quarter of FY 2021, there was an overall savings of approximately \$4,000,000 due to schools operating virtually for the majority of the fiscal year. Savings in Category 9 are 10.8 percent of budgeted expenditures.

Category 10, Operation of Plant and Equipment, reflects a projected end-of-year surplus of \$4,599,575. This is \$400,425 less than the amount projected in the April 30, 2021, financial report. The majority of the surplus in Category 10 was due to utility savings of approximately \$8,700,000 as energy conservation methods were set in place during the year while students were not in school buildings. The savings in utilities were offset by a deficit of \$5,300,000 for materials and supplies due to purchasing of portable air cleaners in schools for COVID-19 related needs. In addition, there were savings in position and non-position salary accounts combined totaling \$550,000, and savings of approximately \$450,000 in furniture and equipment. Savings in Category 10 are 3.1 percent of budgeted expenditures.

Category 11, Maintenance of Plant and Equipment, reflects a projected end-of-year surplus of \$5,611,998. This is \$3,111,998 more than the amount projected in the April 30, 2021, financial report. Of this amount, approximately \$3,700,000 in savings was related to position and non-position salary accounts combined and approximately \$1,900,000 of savings in contractual services and supplies. While supplies and contractual services yielded a significant surplus during the year, high priority work orders continued to be addressed related to heating, ventilation, and air conditioning services in schools, and roof inspections at schools and buildings. Savings in Category 11 are 12.3 percent of budgeted expenditures.

Category 12, Fixed Charges, reflects an end-of-year deficit of \$25,006,036. This is \$1,693,036 more than the deficit projected in the April 30, 2021, financial report. The category's overall deficit is due to an action taken to allocate additional contributions to the MCPS Employees Group Insurance Trust Fund totaling \$22,000,000 and to the MCPS Pension fund totaling \$3,000,000. The additional one-time allocation to the Trust Fund will provide much needed relief as deferred health care claims resulting from the COVID-19 pandemic during FY 2021 will emerge at a much higher rate during FY 2022. With the expectation of higher claims, expenditures combined with the additional investments in the Trust Fund in FY 2021, MCPS projects the fund balance of both the active and retired employees within the MCPS Employees Group Insurance Trust Fund to end FY 2022 between \$23,000,000 and \$27,000,000.

Finally, Category 14, Community Services, projected end-of-year surplus is \$82,374 due to programmatic changes. This is \$82,374 more than the amount projected in the April 30, 2021, financial report. The savings in Category 14 are 20.5 percent of budgeted expenditures.

I recommend the Board of Education approve the following resolution regarding categorical transfers:

WHEREAS, Category 4, Textbooks and Instructional Supplies, reflected a deficit as of June 30, 2021, due to a deficit related to technology, curriculum roll-out and other supplies such as personal protection equipment as a result of the COVID-19 pandemic; and

WHEREAS, Category 5, Other Instructional Costs, reflected a deficit as of June 30, 2021, as a result of expenditures for new curriculum, contractual services expenses for social emotional learning, school furniture, and graduation expenses; and

WHEREAS, Category 12, Fixed Charges, reflected a deficit as of June 30, 2021, primarily due to additional contributions to the MCPS Employees Group Insurance Fund and the MCPS Pension Fund; and

WHEREAS, The required funds are available for transfer from Category 3, Instructional Salaries, and Category 9, Student Transportation; now therefore be it

Resolved, That the superintendent of schools be authorized, subject to the approval of the County Council, to effect the following categorical transfer:

<u>Category</u>	<u>Description</u>	<u>To</u>	<u>From</u>
3	Instructional Salaries		\$ 62,000,000
9	Student Transportation		5,700,000
4	Textbooks and Instructional Supplies	\$ 35,700,000	
5	Other Instructional Costs	6,500,000	
12	Fixed Charges	<u>25,500,000</u>	
Total		<u>\$ 67,700,000</u>	<u>\$ 67,700,000</u>

and be it further

Resolved, That a copy of this resolution be forwarded to the county executive and the County Council; and be it further

Resolved, That the county executive be requested to recommend approval of the categorical transfers to the County Council.

Attachment

MBM:ESD:RR:tpk

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 16, 2021

MEMORANDUM

To: The Honorable Marc Elrich, County Executive  
The Honorable Tom Hucker, President,  
Montgomery County Council

From: Monifa B. McKnight, Interim Superintendent of Schools



Subject: Transmittal of Board of Education Agenda Item #10.16

Recommended Fiscal Year 2021 Categorical Transfers for the Provision for Future Supported Projects

BOE Meeting Date: June 29, 2021

Amount: \$1,700,000

Type of Action: Approval

MBM:ESD:RR:jp

Attachment

Copy to:

Mr. Reilly


Montgomery County Office of Management and Budget

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

June 29, 2021

MEMORANDUM

To: Members of the Board of Education

From: Monifa B. McKnight, Acting Superintendent of Schools 

Subject: Recommended Fiscal Year 2021 Categorical Transfers for the Provision for Future Supported Projects

**Recommendation in Brief**

Authorization is requested to effect categorical transfers totaling \$1,700,000 within the Provision for Future Supported Projects.

**Background Information**

The current Fiscal Year (FY) 2021 Operating Budget, approved by the Board of Education, includes an appropriation of \$10,031,204 for the Provision for Future Supported Projects. The Provision for Future Supported Projects allows the Board of Education to approve grant projects that are identified subsequent to the adoption of the budget without having to request supplemental appropriations for each of the projects from the County Council. The County Council established this provision because it was considered to be the most effective way of handling eligible projects and avoiding the need for a public hearing. The Board of Education will receive additional grants during FY 2021 that are eligible for funding through the Provision for Future Supported Projects.

The categorical breakdown of the \$10,031,204 budgeted for the Provision for Future Supported Projects was based on staff's assessment of likely grant projects and amounts. Actual revenue and expenditure requirements of grant projects require that categorical transfers totaling \$1,700,000 be made in the Provision.

**Support of Board of Education Policy**

The Provision for Future Supported Projects provides spending authorization and is not a program. Board of Education action complies with the requirements defined by the County Council for eligible grant projects received through the Provision.

### Relationship to Ongoing Program

It is anticipated that categorical requirements of the grant projects will differ from what was anticipated when the FY 2021 budget was developed. The categorical transfers are necessary to accommodate additional eligible projects.

### Recommended Resolution

WHEREAS, The current Fiscal Year 2021 Operating Budget adopted by the Board of Education includes \$10,031,204 for the Provision for Future Supported Projects; and

WHEREAS, The Board of Education will receive additional projects that are eligible for funding through the Provision for Future Supported Projects during Fiscal Year 2021; and

WHEREAS, Actual revenue and expenditure requirements of grant projects require that categorical transfers be made in the Provision for Future Supported Projects; now therefore be it

Resolved, That the superintendent of schools be authorized to effect categorical transfers totaling \$1,700,000 within the Provision for Future Supported Projects, in accordance with the County Council provision for transfers, as follows:

	Category	From	To
4	Instructional Supplies		\$300,000
5	Other Instructional Costs		\$500,000
6	Special Education	\$1,300,000	
7	Student Personnel Services	\$100,000	
10	Operation of Plant		\$600,000
12	Fixed Charges	\$300,000	
14	Community Services		\$300,000
	<u>Total</u>	<u>\$1,700,000</u>	<u>\$1,700,000</u>

and be it further

Resolved, That a copy of this resolution be forwarded to the county executive and County Council; and be it further

Resolved, That the county executive be requested to recommend approval of this resolution to the County Council.

MBM:DKM:jp

**M E M O R A N D U M**

September 30, 2021

TO: Education and Culture Committee

FROM: Nicole Rodríguez-Hernández, Legislative Analyst  
Essie McGuire, Senior Legislative Analyst

SUBJECT: **Worksession – FY21 MCPS Operating Budget and Grant Funds Categorical Transfer Requests**

PURPOSE: Review and make recommendation to full Council

**Expected Participants:**

Ivón Alfonso-Windsor, Supervisor, Budget Unit, Office of Finance, MCPS  
Thomas Klausung, Executive Director, Office of Finance, MCPS

The Education and Culture Committee will consider a resolution (©1-3) to approve categorical transfers of \$67,700,000 for the MCPS FY21 Operating Budget and \$1,700,000 for FY21 Grant Funds as requested by the Board of Education. The FY21 Year-End Financial Report and categorical transfer request was presented to the Board of Education on August 24, 2021 (©4-10). The Board approved the categorical transfer of grant funds on June 29, 2021 (©11-13).

**Categorical Transfers**

The Board of Education approved the operating budget categorical transfers on August 24, 2021, and the categorical transfer of grant funds on June 29, 2021.

**Operating Fund. ©1-7**

The table below shows the year-end balance for each category and each category's total as a percent of the total current fund appropriation. Every category ended the year in surplus except for Category 4, Textbooks and Instructional Supplies; Category 5, Other Instructional Costs; and Category 12, Fixed Charges. The Board's categorical transfer request shifts \$62.0 million from Category 3, Instructional Salaries, and \$5.7 million from Category 9, Student Transportation to fill the deficits in Categories 4, 5, and 12.

**MCPS FY21 Budget Appropriation and Year-End Balance by State Category**

State Budget Category	BOE FY21 Budget Action 6/11/2020	FY21 Year-End Balance	
		\$'s Surplus or Deficit	% of Total Appropriation
1, Administration	\$57,147,645	\$505,564	2.14%
2, Mid-Level Administration	\$156,453,505	\$1,364,307	5.85%
3, Instructional Salaries	\$1,109,986,450	\$64,592,193	41.53%
4, Textbooks and Instructional Supplies	\$31,817,982	(\$35,389,229)	1.19%
5, Other Instructional Supplies	\$21,052,219	(\$6,327,939)	0.79%
6, Special Education	\$375,271,849	\$5,486,844	14.04%
7, Student Personnel Services	\$15,809,669	\$1,082,831	0.59%
8, Health Services	\$2,381,456	-	0.09%
9, Student Transportation	\$117,715,284	\$12,670,370	4.40%
10, Operation of Plant and Equipment	\$145,793,929	\$4,599,575	5.45%
11, Maintenance of Plant and Equipment	\$42,689,669	\$5,611,998	1.60%
12, Fixed Charges	\$595,706,749	(\$25,006,036)	22.29%
14, Community Services	\$982,729	\$82,374	0.04%
Total	\$2,672,809,135	\$29,272,852	

**COVID-19 Impact.** As a result of the COVID-19 pandemic, the Board of Education acted on an FY21 operating budget that included tentative adjustments for several State Categories, thus differing from the County Council's approved budget. While categorical transfers occur throughout the fiscal year, it is important to note it is not typical for them to occur in the time between the Council's approved budget at the end of May and the Board's approved budget in the beginning of June. However, the Council was aware of the atypical changes, specifically as a result of the increased expenditures in the new continuity of learning approach, extensive summer instruction, additional student instruction and enrichment in non-traditional school hours, and professional development and technology initiatives for remote learning. In addition, MCPS received substantial relief funding (approximately \$422.0 million) related to the pandemic. The table below provides a comparison of the Council's approved budget (5/21/2020), the BOE tentative adjustments, and the BOE's 6/11/2020 action.

Category	Council FY21 Approved 05/21/2020	BOE Tentative Changes	BOE FY21 Action 06/11/2020
1	\$ 59,618,921	\$ (2,471,276)	\$ 57,147,645
2	\$ 157,556,988	\$ (1,103,483)	\$ 156,453,505
3	\$ 1,072,129,446	\$ 37,857,004	\$ 1,109,986,450
4	\$ 35,757,821	\$ (3,939,839)	\$ 31,817,982
5	\$ 22,112,380	\$ (1,060,161)	\$ 21,052,219
6	\$ 375,247,185	\$ 24,664	\$ 375,271,849
7	\$ 16,159,669	\$ (350,000)	\$ 15,809,669
8	\$ 2,383,056	\$ (1,600)	\$ 2,381,456
9	\$ 119,715,284	\$ (2,000,000)	\$ 117,715,284
10	\$ 148,397,575	\$ (2,603,646)	\$ 145,793,929
11	\$ 43,089,669	\$ (400,000)	\$ 42,689,669
12	\$ 619,645,920	\$ (23,939,171)	\$ 595,706,749
14	\$ 995,221	\$ (12,492)	\$ 982,729
<b>Total</b>	\$ 2,672,809,135	\$ -	\$ 2,672,809,135



**Deficits.** As mentioned previously, three categories resulted in an end-of-year deficit.

The deficit in Category 4, Textbooks and Instructional Supplies, is due to expenditures for technology, curriculum roll-out, and other supplies related to the pandemic (E.g., personal protection equipment).

The deficit in Category 5, Other Instructional Costs, is the result of expenditures for new curriculum, contractual services expenses for social-emotional learning, school furniture, and graduation expenses.

The deficit in Category 12, Fixed Charges, is overall due to an action taken to allocate additional contribution to the MCPS Employees Group Insurance Trust Fund and the MCPS Pension fund. The additional funding addressed the costs associated with the deferred health care claims resulting from the pandemic.

**Surpluses.** The majority of surpluses are primarily the result of position, non-position, and lapse and turnover savings from salaries. However, the COVID-19 health pandemic also had an impact on FY21 end-of-year balances. Below is a summary of its impact on end-of-year surpluses.

- Category 6, Special Education: Increased savings related to students placed in non-public school withdrawing from MCPS due to the pandemic, in addition to salary lapse and turnover savings.
- Category 9, Student Transportation: Decreased bus fuel costs due to schools operating virtually for the majority of the year, in addition to savings in non-position salary accounts.
- Category 10, Operation of Plant and Equipment: Utilized energy conservation methods while students weren't in school buildings resulted in significant utility savings.
- Category 11, Maintenance of Plant: Decreased operations and facility usage resulted in a decrease in spending for contractual services and maintenance supplies.
- Category 14, Community Services: Savings related to programmatic changes.

**Fund Balance.** As of June 2021, MCPS projects that the beginning FY22 fund balance will be \$2,185,852. This is a result of a projected ending FY21 fund balance of \$27,185,852 minus the use of \$25,000,000 to fund the FY22 Operating Budget. More information can be found on ©6.

### **Grant Fund. ©11-13**

The Provision for Future Supported Projects allows MCPS to access Federal and State grant funds throughout the year that meet certain conditions. No County funds may be required for any grant funded through this provision. The budgeted categorical allocation of anticipated Federal and State grants is an estimate based on available information. This transfer is necessary to align the year's actual budget expenditures with the actual requirements of grant projects. On June 29, the Board approved a categorical transfer in Provision for Future Supported Projects of \$1.7 million.

**Council staff recommends approval of \$67,700,000 in requested categorical transfers for the FY21 operating budget and \$1,700,000 in requested categorical transfers for the FY21 grant funding in the Provision for Future Supported Projects as requested by the Board of Education.**

This report contains:

Draft Resolution

End-of-Year Categorical Transfer Memorandum

Grant Fund Transfer Memorandum

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