



Angela D. Alsobrooks
County Executive

PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

To the Residents, Citizens and Businesses of Prince George's County:

It is my pleasure to work in collaboration with the County Council on the adoption of the approved budget for FY 2021, which took effect on July 1, 2020. I believe it reflects a continuation of the priorities that we laid out during our first year in office. The FY 2021 approved operating budget from all sources totals \$4.48 billion, an increase of \$139.2 million or 3.2% over the FY 2020 budget. This budget supports my vision for investing in my Administration's Proud Priorities of education, safe neighborhoods, economic development, quality of life and environment, healthy communities and youth development.

A top priority for my administration is the education of our children. I have said many times that education is the civil rights issue of our time and that I believe it is both the equalizer for our youth and the elixir for much of what ails our society today. We have a sacred obligation to ensure that our children receive the highest quality education we can provide them and to that end, our approved budget includes \$2.28 billion for the Prince George's County Public School System. This is a \$95.0 million increase over last year.

We are also maintaining efforts to keep our growing communities safe by funding two new police recruitment classes, one Fire/EMS class, two correctional officer classes, resources to fully fund all Deputy Sheriff positions and \$2.6 million to complete the rollout of body worn cameras and related licenses for all patrol officers. Resources are allocated to ensure that we continue to attract the economic development we need to increase our commercial tax base so we can stop balancing our budget on the backs of those we serve.

The Office of Information and Technology budget includes funding for a new Cybersecurity Officer position as well as operating support to complete a security audit of various network systems. It also includes funding allocated for the redesign of the County website. Finally, resources are allocated to implement the new Open Data software which will display and track department operating budgets for my administration's priority outcomes and respective performance measures.

Finally, additional funding is provided within the Department of Public Works and Transportation budget to help to ease travel throughout the County. The FY 2021 budget includes investments for the purchase of electric buses and charging stations as replacements for the County's aging bus fleet.

I believe this budget makes strong investments in core areas that will help our County continue to be a leader in the state and region, while also helping us to build a County that will continue to make all our residents Prince George's Proud.

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FY 2021 Approved Budget - All Funds

The FY 2021 budget for all operating funds is \$4.48 billion, an increase of \$139.2 million or 3.2% over the FY 2020 budget. The General Fund accounts for 83.0% of all spending in FY 2021 and will increase by \$82.4 million or 2.3%. This fund supports the majority of County government services and programs including education, public safety, general government, public works, the environment and other critical services.

The Internal Service Funds total \$61.2 million in FY 2021, an increase of \$8.1 million or 15.3% over the FY 2020 budget.

The County's Enterprise Fund totals \$208.2 million, an increase of 3.2% under the FY 2020 budget. This fund accounts for 4.7% of total FY 2021 spending. The Enterprise Fund supports various water quality programs and meets the State mandates.

Special Revenue Funds account for \$239.4 million or 5.3% of all spending in FY 2021. Spending in this fund is projected to increase by \$24.2 million or 11.3%. The growth is primarily due to an increase in debt service costs.

Grant funding accounts for 5.6% of all spending and is estimated to total \$252.5 million in FY 2021. This is an increase of \$18.0 million or 7.7% above the FY 2020 budget. County agencies will continue to diligently seek new sources of revenues and will likely exceed the budgeted amount before year-end.

The chart below provides a summary of all operating funds in FY 2021:

	FY 2019 ACTUAL	FY 2020 BUDGET	FY 2020 ESTIMATE	FY 2021 APPROVED	CHANGE FY20 - FY21
<u>REVENUES</u>					
General Fund	\$ 3,387,388,536	\$ 3,631,989,800	\$ 3,589,553,000	\$ 3,714,400,900	2.3%
Internal Service Funds	47,176,454	53,111,400	52,638,500	61,232,700	15.3%
Enterprise Funds	172,684,483	201,813,900	198,371,400	208,248,400	3.2%
Special Revenue Funds	187,731,422	215,146,800	209,666,800	239,396,600	11.3%
Grant Program Funds	179,609,902	234,439,600	228,994,700	252,467,700	7.7%
TOTAL	\$ 3,974,590,798	\$ 4,336,501,500	\$ 4,279,224,400	\$ 4,475,746,300	3.2%
<u>EXPENDITURES</u>					
General Fund	\$ 3,336,875,653	\$ 3,631,989,800	\$ 3,615,250,300	\$ 3,714,400,900	2.3%
Internal Service Funds	42,083,705	53,111,400	51,792,000	61,232,700	15.3%
Enterprise Funds	162,147,447	201,813,900	196,453,700	208,248,400	3.2%
Special Revenue Funds	190,830,927	215,146,800	208,989,200	239,396,600	11.3%
Grant Program Funds	179,609,902	234,439,600	228,994,700	252,467,700	7.7%
TOTAL	\$ 3,911,547,634	\$ 4,336,501,500	\$ 4,301,479,900	\$ 4,475,746,300	3.2%

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General Fund Revenues

The FY 2021 budget is framed by an economy that has been affected by the global coronavirus pandemic. County revenue estimates were revised downward since the FY 2021 budget was proposed yet nominal growth is still projected. Overall, the FY 2021 General Fund forecast represents an increase of \$82.4 million or 2.3% over the FY 2020 Budget. The FY 2021 General Fund budget includes \$2.15 billion in County Sources and \$1.56 billion in Outside Sources.

General Fund – County Sources

County sourced revenues – taxes, fees, licenses and permits, service charges, use of money and property, etc. – represent resources used to fund most government programs and services, including the County’s contribution to the Board of Education, Memorial Library System and the Community College. In FY 2021, County sources are projected to be \$2.15 billion, an increase of \$50.7 million or 2.4% over the FY 2020 budget. These revenues account for 58.0% of the total General Fund revenues for FY 2021.

Real property taxes represent the largest portion of County source funding for government operations. In FY 2021, receipts are projected to total \$882.3 million, an increase of \$26.5 million or 3.1% over the FY 2020 budget. Excluding the revenue dedicated to the school system, the County’s real property tax revenues are projected to increase by \$25.4 million or 3.1% in FY 2021 over the FY 2020 budget.

Personal property tax revenues are projected to be \$85.4 million, a decrease of \$4.5 million or -5.0% under the FY 2020 approved budget. Excluding the additional revenue assigned to the school system, the County’s personal property tax revenues are projected to decrease by \$4.5 million or -5.2% in FY 2021.

Income tax revenues are expected to total \$625.6 million in FY 2021, including the State Income Disparity Grant. This represents a decrease of \$38.2 million or -5.8% below the FY 2020 budget. Income tax receipts total \$598.6 million and the Income Disparity grant totals \$27.0 million in FY 2021. The change in income tax revenues is \$28.9 million under the FY 2020 budget or -4.6%. This reflects the impact of the pandemic on unemployment in the County which was at 9.5% in August 2020. Funding from the State Income Disparity Grant is expected to decrease by \$9.2 million or -25.5% in FY 2021 as the State is expected to take action to reduce spending as it also addresses a large revenue deficit.

The County’s real estate market is expected to remain stable in the current economy. As such, the combined receipts from both the Transfer and Recordation taxes are anticipated to total \$174.4 million in FY 2021. This is a decrease of \$6.7 million under the FY 2020 approved budget however level to the FY 2020 estimated budget. The FY 2021 estimate reflects stability in the County’s housing market as home sales have remained strong and the median house price is competitive with adjacent jurisdictions.

Revenue from licenses and permit fees is projected to decrease by \$12.6 million or -19.4% in FY 2021 compared to the FY 2020 approved budget. Minor growth in building and business license permit revenues are offset by the expected loss of Video Lottery Terminal revenue related to the effects of the pandemic.

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Intergovernmental revenues are projected to rise by \$7.7 million or 21.6% above the FY 2020 budget. The largest change is an expected \$10.0 million from the Federal Emergency Management Agency to help offset pandemic expenses.

Moreover, the General Fund budget includes approximately \$63.6 million in the use of fund balance in FY 2021. This is an increase of \$26.7 million of over the FY 2020 approved budget. The County will draw this amount of reserves due to negative impact of the pandemic on County revenues.

General Fund – Outside Sources

Outside source revenues include State Aid and other revenues (e.g. federal aid, fees, charges, tuition) generated by the Board of Education, Community College and Library. In FY 2021, Outside Aid is estimated to total \$1.56 billion, an increase of \$74.1 million over the FY 2020 estimated budget. Outside Aid accounts for 42.0% of total General Fund revenues in FY 2021.

Spending Affordability Committee (SAC) Guidelines

The County's Spending Affordability Committee (SAC) is a truly dedicated citizen committee of exceptional professionals who have been invaluable assets to Prince George's County for many years. The FY 2021 SAC recommendation for the FY 2021 General Fund budget is \$3.77 billion.

As introduced, the FY 2021 budget was initially \$46.9 million or 1.2%, above the Committee's recommendation. However, the expected negative effects of the coronavirus pandemic on County revenues caused me to reduce projected revenues and spending by \$101.4 million. At \$3.71 billion, the FY 2021 approved budget is \$54.5 million, or -1.4%, below the Committee's recommendation.

I unequivocally endorse the Committee's recommendation for the continuation of conservative revenue estimates and the avoidance of using fund balance for ongoing expenditures. Furthermore, the FY 2021 budget complies with its recommendation to preserve the County's General Fund reserves at the Charter-mandated 5.0% and the financial policy-required 2.0%. I share the Committee's recommendation to continue with these important efforts. These practices are essential to us maintaining the County's Triple-A bond rating from the major rating agencies.

In closing, this budget reflects the input, diligence and the insight of many stakeholders, including staff across the County Government and its partners. The FY 2021 budget maintains the critical investments to keep us on a path toward growing the economy, improving our schools, providing safe neighborhoods, maintaining high-quality health and human service levels and protecting our environment. Furthermore, it is a responsible fiscal plan that continues investment in our future and ensures that we will continue to provide a high level of services to County taxpayers.

Sincerely,



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