



Angela D. Alsobrooks
County Executive

PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

July 1, 2021

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 2022. I believe it reflects a continuation of the priorities that we laid out during our first year in office as we continue our recovery from the COVID-19 pandemic. The FY 2022 approved operating budget from all sources totals \$4.55 billion, an increase of \$78.5 million or 1.8% over the FY 2021 budget.

This budget supports the vision for investing in our Administration's Proud Priorities of education, safe neighborhoods, economic development, quality of life and environment, healthy communities, and youth development, while also focusing on addressing the challenges that became all too familiar during the height of the COVID-19 pandemic. We must continue to invest in efforts to improve the long-term health of our residents and that is why, with approval from you, we reallocated \$20 million from our public training facility to build a new mental health facility in our County, which will ensure we can treat individuals with mental health and addiction issues with the dignity they deserve while continuing to build a continuum of healthcare to address the needs of our residents.

A top priority for our Administration remains the education of our children. I have said many times that education is the civil rights issue of our time, and 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 \$2.34 billion for the Prince George's County Public School System. This is a \$65.1 million increase over last year. We are also continuing our efforts to ensure that our children attend classes in the facilities that are conducive to learning, breaking ground on nine new schools this year alone.

We are also maintaining efforts to keep our growing communities safe by funding two new police recruitment classes, two correctional officer classes, psychologists to help address the mental health needs of our police officers, and funding for all Deputy Sheriff positions. 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.

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The Office of Information 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 our Administration's priority outcomes and respective performance measures.

Finally, additional funding is provided within the Department of Public Works and Transportation budget to help ease travel throughout the County. The FY 2022 budget includes investments for the purchase of electric buses and charging stations as replacements for the County's aging bus fleet, helping us move forward on our larger goal of transitioning our County fleet to clean energy technologies so we can protect our environment.

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.

FY 2022 Approved Budget - All Funds

The FY 2022 budget for all operating funds is \$4.55 billion, an increase of \$78.5 million or 1.8% over the FY 2021 budget. The General Fund accounts for 83.0% of all spending in FY 2022 and will increase by \$80.2 million or 2.2%. 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 \$64.3 million in FY 2022, an increase of \$3.1 million or 5.1% over the FY 2021 budget.

The County's Enterprise Fund totals \$220.1 million, an increase of 5.7% above the FY 2021 budget. This fund accounts for 4.8% of total FY 2022 spending. The Enterprise Fund supports various water quality programs and meets the State mandates.

Special Revenue Funds account for \$244.6 million or 5.4% of all spending in FY 2022. Spending in this fund is projected to increase by \$5.2 million or 2.2%. The growth is primarily due to an increase in debt service costs.

Grant funding accounts for 5.1% of all spending and is estimated to total \$230.5 million in FY 2022. This is a decrease of -\$22.0 million or -8.7% below the FY 2021 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 2022:

| | FY 2020 ACTUAL | FY 2021 BUDGET | FY 2021 ESTIMATE | FY 2022 APPROVED | CHANGE FY21 - FY22 |
|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| REVENUES | | | | | |
| General Fund | \$ 3,477,353,135 | \$ 3,714,400,900 | \$ 3,727,125,200 | \$ 3,794,635,800 | 2.2% |
| Internal Service Funds | 52,500,052 | 61,232,700 | 60,594,000 | 64,344,400 | 5.1% |
| Enterprise Funds | 179,974,878 | 208,248,400 | 200,370,800 | 220,149,100 | 5.7% |
| Special Revenue Funds | 204,495,548 | 239,396,600 | 218,983,000 | 244,615,000 | 2.2% |
| Grant Program Funds | 215,098,397 | 252,467,700 | 453,893,500 | 230,476,200 | -8.7% |
| TOTAL | \$ 4,129,422,010 | \$ 4,475,746,300 | \$ 4,660,966,500 | \$ 4,554,220,500 | 1.8% |
| EXPENDITURES | | | | | |
| General Fund | \$ 3,481,490,794 | \$ 3,714,400,900 | \$ 3,727,125,200 | \$ 3,794,635,800 | 2.2% |
| Internal Service Funds | 51,866,016 | 61,232,700 | 59,111,400 | 64,344,400 | 5.1% |
| Enterprise Funds | 186,258,720 | 208,248,400 | 196,553,300 | 220,149,100 | 5.7% |
| Special Revenue Funds | 204,769,576 | 239,396,600 | 218,983,000 | 244,615,000 | 2.2% |
| Grant Program Funds | 215,098,397 | 252,467,700 | 453,893,500 | 230,476,200 | -8.7% |
| TOTAL | \$ 4,139,483,503 | \$ 4,475,746,300 | \$ 4,655,666,400 | \$ 4,554,220,500 | 1.8% |

General Fund Revenues

The FY 2022 budget is framed by an economy that has been affected by the global coronavirus pandemic. County revenue estimates were revised upward since the FY 2022 budget was proposed, but the level of growth is still very low. Overall, the FY 2022 General Fund forecast represents an increase of \$80.2 million or 2.2% over the FY 2021 Budget. The FY 2022 General Fund budget includes \$2.18 billion in County Sources and \$1.62 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 2022, County sources are projected to be \$2.18 billion, an increase of \$23.2 million or 1.1% over the FY 2021 budget. These revenues account for 57.4% of the total General Fund revenues for FY 2022.

Real property taxes represent the largest portion of County source funding for government operations. In FY 2022, receipts are projected to total \$912.6 million, an increase of \$30.3 million or 3.4% over the FY 2021 budget. Excluding the revenue dedicated to the school system, the County’s real property tax revenues are projected to increase by \$32.5 million or 3.7% in FY 2022 over the FY 2021 budget.

Personal property tax revenues are projected to be \$73.1 million, a decrease of -\$12.3 million or -14.4% under the FY 2021 approved budget. Excluding the additional revenue assigned to the school system, the County’s personal property tax revenues are projected to decrease by -\$11.8 million or -14.4% in FY 2022.

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Income tax revenues are expected to total \$669.8 million in FY 2022, including the State Income Disparity Grant. This represents an increase of \$44.2 million or 7.1% above the FY 2021 budget. Income tax receipts total \$633.5 million and the Income Disparity grant totals \$36.3 million in FY 2022. The change in income tax revenues is \$34.9 million over the FY 2021 budget or 5.8%. This reflects the impact of federal stimulus programs which have helped to stabilize income by preserving jobs and expanding unemployment compensation. Funding from the State Income Disparity Grant is expected rises by \$9.3 million or 34.6% in FY 2022 based on legislation that increased the County's share of revenue under the formula.

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 2022. This amount is level funded with the FY 2021 approved budget. The FY 2022 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 grow by \$18.4 million or 35.2% in FY 2022 compared to the FY 2021 approved budget. The increase is due to both the popularity of gaming as well as a legislative change that eliminated a "hold harmless" provision that distributed a portion of the County's revenue to other jurisdictions. Beginning in FY 2022 the County is now able to retain all of its allotted gaming revenues for programs within the County.

Intergovernmental revenues are projected to decrease slightly by -\$2.8 million or -6.5% below the FY 2021 budget. The largest change is a decrease in one-time revenue from the Federal Emergency Management Agency to help offset pandemic expenses.

Moreover, the General Fund budget includes approximately \$43.3 million in the use of fund balance in FY 2022. This is a decrease of -\$20.3 million below the FY 2021 approved budget. The County is drawing this amount of reserves due to negative impact of the pandemic on County revenues but is not planning to use any cash reserves to balance future budgets.

General Fund – Outside Sources

Outside-sourced 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 2022, Outside Aid is estimated to total \$1.62 billion, an increase of \$57.1 million over the FY 2021 estimated budget. Outside Aid accounts for 42.6% of total General Fund revenues in FY 2022.

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 2022 SAC recommendation for the FY 2022 General Fund budget is \$3.77 billion.

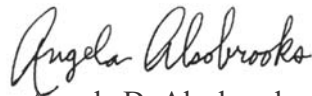
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As introduced, the FY 2022 budget was initially \$46.9 million or 1.2%, above the Committee's recommendation. However, the expected negative effects of the coronavirus pandemic on County revenues caused me to reduce projected revenues and spending by \$101.4 million. At \$3.79 billion, the FY 2022 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 2022 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 2022 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,


Angela D. Alsobrooks
County Executive

