

EDUCATION FINANCIAL SUPERVISORY COMMISSION

Virtual Zoom Meeting Minutes

January 27, 2022

AGENDA	DISCUSSION/TOPIC	ACTION/STATUS												
In Attendance	Arlita Mabini, GDOE Calen Meno, Office of Sen. Nelson Carol Hinkle Sanchez, Parent Representative Franklin Cooper-Nurse, GDOE Joy Bulatao, GDOE Helen Legaspi, GDOE Llewelyn Terlaje, OFB Mary Grace Edrosa, DOA Vincent Duenas, OPA William Taitingfong, BBMR													
I. Call to Order	The Bureau of Budget and Management Research (BBMR) called the meeting to order at 3:01 p.m. on Jan. 27, 2022.													
II. Review and Approval of Minutes														
a. Dec. 16, 2021	The Office of Finance and Budget (OFB) noted that the Dec. 2021 meeting minutes were not ready for the EFSC to review and approve. Office of Public Accountability (OPA) motioned to table the Dec. 2021 meeting minutes until next meeting. Department of Administration (DOA) seconded the motion.	Tabled												
III. Old Business														
a. GDOE Cash Update Report	As of Jan. 27, 2022, the Guam Department of Education (GDOE) reported cash receipts as follows: <table><tr><td>Fund</td><td>Cash Receipts</td></tr><tr><td>GF Operations</td><td>\$56,030,487.00</td></tr><tr><td>GF CHamoru Studies</td><td>\$167,681.00</td></tr><tr><td>GF SSHS Procurement</td><td>\$163,455.00</td></tr><tr><td>GF Textbook</td><td>\$0</td></tr><tr><td>GF Bonuses, Rewards, Incentives Program</td><td>\$326,927.00</td></tr></table>	Fund	Cash Receipts	GF Operations	\$56,030,487.00	GF CHamoru Studies	\$167,681.00	GF SSHS Procurement	\$163,455.00	GF Textbook	\$0	GF Bonuses, Rewards, Incentives Program	\$326,927.00	
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b. DOA Cash Disbursement Report	DOA reported that its report reconciled with the GDOE’s cash report.																															
c. BBMR Appropriations and Allotment Report	<p>As of Jan. 27, 2022, BBMR reported appropriations and allotment releases as follows:</p> <table> <tr> <th>Fund</th> <th>Allot. Release</th> </tr> <tr><td>GF Operations</td><td>\$57,116,533.00</td></tr> <tr><td>GF CHamoru Studies</td><td>\$167,681.00</td></tr> <tr><td>GF SSHS Construction</td><td>\$250,000.00</td></tr> <tr><td>GF Advanced Textbooks</td><td>\$750,000.00</td></tr> <tr><td>GF Bonuses, Rewards, Incentives Program</td><td>\$400,000.00</td></tr> </table>	Fund	Allot. Release	GF Operations	\$57,116,533.00	GF CHamoru Studies	\$167,681.00	GF SSHS Construction	\$250,000.00	GF Advanced Textbooks	\$750,000.00	GF Bonuses, Rewards, Incentives Program	\$400,000.00																			
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d. GDOE Accounts Payable Aging	<p>As of Jan. 27, 2022, GDOE reported the cumulative total balances as follows:</p> <table><tr><td>Days</td><td>Balances</td></tr><tr><td>Current</td><td>\$261,263.27</td></tr><tr><td>30 to 60 days</td><td>\$1,613,382.03</td></tr><tr><td>60 to 90 days</td><td>\$1,430,755.41</td></tr><tr><td>90 days and over</td><td>\$8,296,015.21</td></tr><tr><td>Held Items</td><td>\$0</td></tr><tr><td>Grand Total</td><td>\$11,601,415.92</td></tr></table> <p>BBMR noted that 90 days and over increased significantly from last month’s report. BBMR asked if GDOE was paying some of the invoices. GDOE replied that power</p>	Days	Balances	Current	\$261,263.27	30 to 60 days	\$1,613,382.03	60 to 90 days	\$1,430,755.41	90 days and over	\$8,296,015.21	Held Items	\$0	Grand Total	\$11,601,415.92																	
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	<p>was being incrementally paid weekly or bi-weekly. BBMR noted several small amounts as well (e.g. \$37). GDOE explained that payments depend on DOA's cash release and reimbursements. The goal is to address older debt based on priority and critical contracts and focus on lower amounts thereafter.</p> <p>Parent Representative asked for a breakdown of what could be paid with Federal monies from COVID-19. GDOE replied that there was one for Fiscal Year (FY) 2021, but none and pending approval for FY 2022. BBMR confirmed that grantor approval is necessary for payment.</p> <p>Parent Representative asked if GDOE could inform the EFSC, of the \$11.6 million (M) accounts payable, how much could be paid with Federal funds. GDOE replied that utilities, contractual related to COVID-19, and Child Nutrition Programs (CNP) subsidies for meals. Parent Representative noted that it would mean payment for \$5.4M of utilities. GDOE confirmed and added that, once GDOE receives the approval, the 90 days and over amounts will decrease. GDOE stated that it was trying to request \$16,702,431 for utilities to charge against the American Rescue Plan (ARP) grant and CNP local subsidy and food commodities is ~\$6.8M. GDOE is still waiting for supplies and other contractual services.</p> <p>Parent Representative confirmed the amount of utilities once more and noted that it was not included in the aging report. Parent Representative was concerned that the aging report does not reflect all debt. GDOE replied that the report is from Oct. 2021 to current. Parent Representative stated that since the report only showed ~\$6M in utilities, the remaining \$10M is from FY 2021. The actual debt appears to be significantly higher than reported. GDOE clarified that the \$16.7M was for FY 2022 and was based on a spend memo. GDOE requested from the U.S. Department of Education (ED) to have access to the Education Stabilization Fund and ARP to make</p>	

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IV. Financial Status Designation Report a. November 2021	<p>good on GDOE's current contracts. If approved, GDOE could catch up with its payables and develop an action plan to address its power and other invoices.</p> <p>Parent Representative asked if the 90 days and over includes prior year or only this fiscal year. GDOE replied that some of the vendors are from prior year, but the utilities are from October to current.</p> <p>BBMR asked when GDOE anticipates ED's feedback. GDOE replied that it will bring it up in its conference call with ED next week and will inform the EFSC of ED's disposition. GDOE has been working with its Federal Programs Division for the initial review of the allowability of the requested items. GDOE would like to ensure that it obtains assurance and approval from ED and works with its Third-Party Fiduciary Agent for processing the request.</p> <p>BBMR commented that, if approval is obtained, the 90 days and over for utilities could be removed if the funding could be applied to Oct. 1, 2021. GDOE replied that it would apply the funding as deemed allowable by ED.</p> <p>BBMR reported that for: Overall: C-Watch was placed for Benefits, Power, and Water. Monthly Variance: B-Warning was placed for Benefits and Power. Year-to-Date Variance: B-Warning for Water.</p> <p>Parent Representative motioned to approve the Nov. 2021 Financial Status Designation (FSD) report. OPA seconded the motion.</p>	Approved

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b. December 2021	<p>BBMR reported that for:</p> <p>Overall: C-Watch was placed for Salary, Benefits, Power, and Water.</p> <p>Monthly Variance: B-Warning was placed for Benefits, Contract, Water, Telephone, and Capital Outlay.</p> <p>Year-to-Date Variance: B-Warning for Miscellaneous, Water, and Telephone.</p> <p>BBMR noted that C-watches for the Guam Educational Facilities Fund and Public Library Resources Fund are pending transfer or modifications as there were no appropriations. GDOE confirmed that some were pending offsets and adjusting journal entries. GDOE uses the report as tools for the Guam Education Board (GEB) to take corrective action and bring to their attention the anticipated C-Watches for the listed object classes. It is for the identification of the spend plan and to have a plan of action to address the shortfall of ~\$45M through leveraging Federal funds, cost savings, and austerity measures. GDOE anticipated recurring B-Warnings and C-Watches in the early months. GDOE hopes that it will receive a more stable financial designation as corrections are made, reimbursements are collected, scope of work on essential contracts are reduced, efforts are maximized at the schools, and freeze and cost savings are implemented.</p> <p>DOA asked why there was a large projected shortfall for Salaries and Benefits, if GDOE has a general idea of their costs for these categories. If GDOE's corrective action was to transfer funds from other categories, why could it not budget for the entire year instead of waiting for the C-Watch designations? GDOE understood the question to be increasing the appropriation level for Salaries and Benefits by reducing Contractual. GDOE will work with its Budget Office to determine a resolution and with the BBMR and the EFSC on the adjustments for changes moving forward.</p> <p>DOA noted that the appropriation is lump sum and GDOE has discretion on allocating</p>	<p>GDOE will work with its Budget Office and the BBMR to increase allocation to Salaries and Benefits to cover the entire fiscal year.</p>

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	<p>it to different object classes. GDOE confirmed; and will be working with the EFSC for adjustments to the FSD reports. BBMR added that doing so would reduce the C-Watches on the operations side and withhold funds in Salaries and Benefits for the entire year instead of paying other operating expenses.</p> <p>Parent Representative agreed with DOA. With a set amount, GDOE would only need to consider new hires, increments, and retirement; and be forced to live within their means. Each school will generate their budget with the amount for salaries. Otherwise, funds will be short and GDOE will not be able to pay its hard working employees.</p> <p>GDOE agreed with and thanked the EFSC for their comments. GDOE replied that its first priority is payroll and manages cash to prevent a payless payday. From there, GDOE uses its operational budget to manage critical contracts, supplies, and equipment to sustain operations. GDOE will determine how to best work with the FSD report to get a better financial status. It is a balancing act. The response is the same even if warnings were shifted.</p> <p>Parent Representative stressed that the Legislature considered the schools' budget for salaries when appropriating funds to the GDOE. GDOE could request for supplemental appropriations from the Legislature for repair costs or other contract costs, but should not be for paying employees. GDOE runs the risk of overspending without budget restrictions. It is not a responsible way of handling money.</p> <p>GDOE replied that it does not want to address the shortfall. GDOE explained that the Legislature often does not appropriate the same amount requested. GDOE's former Deputy Superintendent of Finance and Administrative Services, Comptroller, and accountants worked diligently to manage the available funds to sustain operations. GDOE requested \$300M for its budget, was shorted to \$250M with Federal funds, and was appropriated \$200M. GDOE could not return staff already hired with fixed</p>	

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	<p>amount of salaries and benefits and could not reduce fixed costs of utilities and school meals. The perception may be mismanagement of funds, but reality is shortage on actual cash. The situation is exasperated with delays in cash releases and collections and managing with current and limited resources to pay aged payables. GDOE relies heavily on receiving appropriate funding levels up front to ensure that, even with a negative beginning balance, it does not operate on a deficit. GDOE has been late with vendor payments, but tries to pay immediately upon cash receipt.</p> <p>Parent Representative commented that it is understandable, but GDOE is the only government agency without line-item appropriations. Parent Representative asked GDOE if the Legislature should appropriate an amount strictly for salaries. GDOE replied that it was not opposed to the idea of improved control and deferred to the Legislature for a decision. GDOE manages its funds by object class regardless, but is unique with the authority to use and transfer funds between object classes.</p> <p>Parent Representative stated that school was about to end and fiscal year end is around the corner. The current past due amounts will be greater without controls and recorded in another document not reviewed by the EFSC. It is controlling of spending. Parent Representative stated that if there is any agency spending that they would support, it would be for the children.</p> <p>Parent Representative motioned to approve the Dec. 2021 FSD report. DOA seconded the motion. BBMR asked the OFB to submit the approved FSD reports for the EFSC's transmittal to the GEB.</p> <p>BBMR reported that they received GEB Resolution 2022-01 today. The resolution was in response to the EFSC's Oct. 2021 FSD report. BBMR was not sure if all EFSC members should be obtaining a copy of the resolution.</p>	Approved

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V. Next Meeting	OFB proposed for the meeting to be held on Feb. 17, 2022. OFB confirmed with the EFSC on the date.	OFB will send notice of next meeting.
VI. Adjournment	OPA motioned to adjourn the meeting at 4:04 p.m. DOA seconded the motion.	