



Prince George's County Public Schools  
14201 School Lane • Upper Marlboro, Maryland 20772 • [www.pgcps.org](http://www.pgcps.org)

April 9, 2009



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Mr. James H. DeGraffenreidt, Jr.  
President  
Members, Maryland State Board of Education  
200 West Baltimore Street  
Baltimore, MD 21201-2595

Dear Mr. DeGraffenreidt:

This information is provided in response and opposition to the March 24, 2009, waiver of maintenance of effort (MOE) request of Prince George's County to the Maryland State Board of Education presented pursuant to the MD. Ann. Code, Educ. Art., §5-202(d)(7). The County requested that the State Board grant a temporary waiver of MOE for FY2010 based on the County's representation that its fiscal condition prevents it from funding the MOE requirement without seriously impairing other County services, including public safety, human resources, environmental programs and other services.

Maryland law requires the County to provide a specific level of funding to support public education. The MD. Ann. Code, Educ. Art., §5-202(d) requires, in relevant part, as follows:

- (d) Eligibility – (1) To be eligible to receive the State share of the foundation program:
  - (i) The county governing body shall levy an annual tax sufficient to provide an amount of revenue for elementary and secondary public education purposes equal to the local share of the foundation program; and
  - (ii) The county governing body shall appropriate local funds to the school operating budget in an amount no less than the product of the county's full-time equivalent enrollment for the current fiscal year and the local appropriation on a per pupil basis for the prior fiscal year.
- (2) Except as provided in paragraph (3) of this subsection, for purposes of this subsection, the local appropriation on a per pupil basis for the prior fiscal year for a county is derived by dividing the county's highest local appropriation to its school operating budget for

the prior fiscal year by the county's full-time equivalent enrollment for the prior fiscal year. For example, the calculation of the foundation aid for fiscal year 2003 shall be based on the highest local appropriation for the school operating budget for a county for fiscal year 2002. Program shifts between a county operating budget and a county school operating budget may not be used to artificially satisfy the requirements of this paragraph.

MD. Ann. Code, Educ. Art., §5-202(d)(i), (ii).

Thus, it is clear that unlike other County services such as public safety, human resources or environmental programs, the County has a statutorily imposed obligation to provide funding at the level stated herein and to provide maintenance of effort to support public education in the County. Despite this statutory obligation, the County is seeking a waiver of its MOE requirement to provide funding of \$609,503,920 for FY 2010. The County has requested a waiver of \$23,628,720 based on a proposed budget contribution of \$585,875,200. However, in its request for the waiver of MOE, the County has not presented sufficient information to demonstrate that its current fiscal condition significantly impedes its ability to fund the MOE requirement. A grant of the County's MOE requirement will create dire consequences for the school system.

**Any reduction of funds to Prince George's County Public Schools (PGCPS) would impede our ability to continue to deliver high-quality, academic enrichment to our 128,000-plus students and families.**

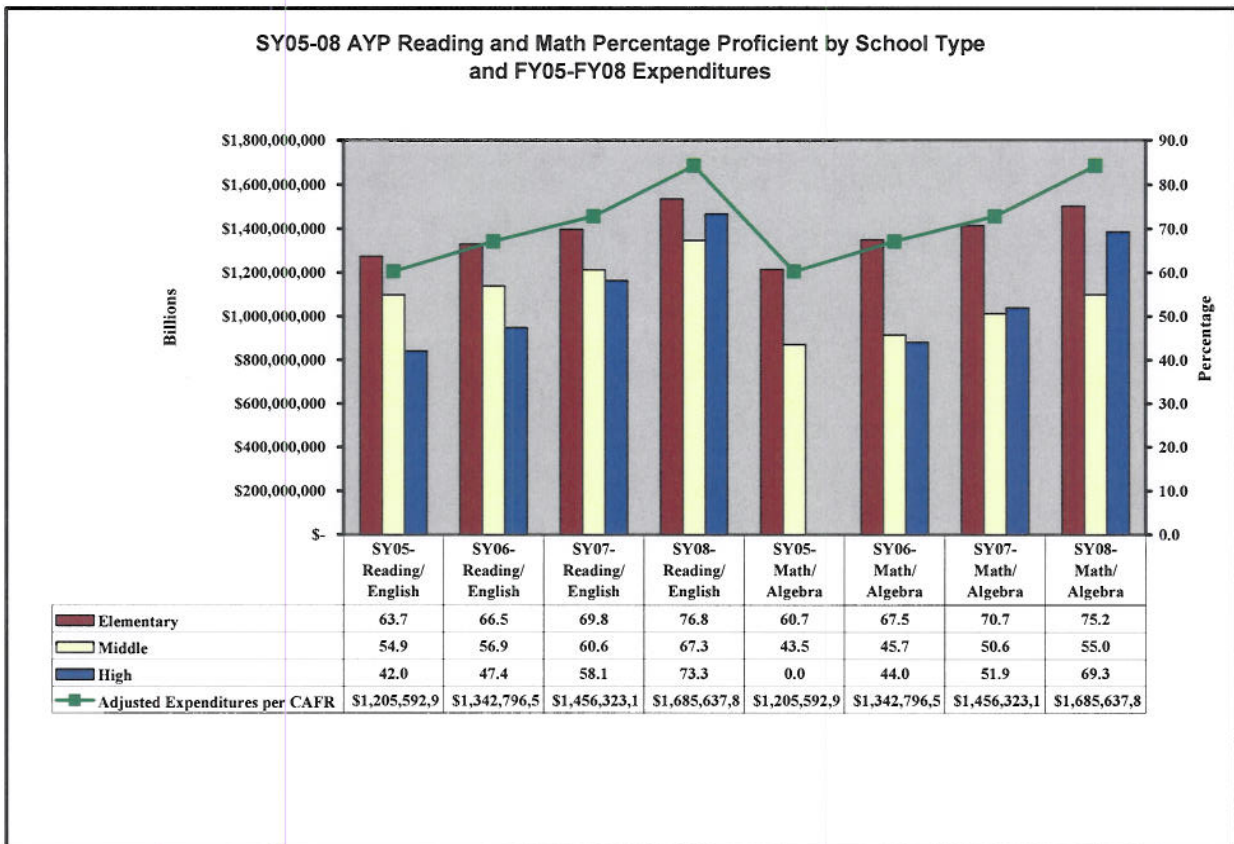
### **Prince George's County Public Schools Student Achievements**

The mission of PGCPS is to close achievement gaps and raise the academic achievement for all students in PGCPS by ensuring equitable access to a high quality education that guarantees every child graduates college-and work-ready. Pursuant to its mission, PGCPS has made tremendous gains over the past two years including the following:

#### **Record Number of Schools Exiting School Improvement in Two Consecutive Years**

- The chart below depicts PGCPS's Adequate Yearly Progress (AYP) proficiency results for School Year 2005 through School Year 2008. A record 14 elementary schools exited School Improvement status this year by meeting all state and federal mandates for AYP for two years in a row. In addition, for the second year in a row, the number of schools that exited School Improvement reached double-digits with this year's total topping the previous high of 11 elementary schools last year. More than 50 schools had 80 percent or more students scoring proficient or advancing in reading in 2008, compared with just over 20 schools at that level in 2007. **The investments made in the County to improve teaching and learning are paying off, and our students are demonstrating these returns by achieving at high levels.**





- For the first time since the passage of No Child Left Behind (NCLB), PGCPS attained AYP as a system. **PGCPS fully anticipates reaching AYP for a second year and exiting Corrective Action as a school system.**

**2008 Maryland School Performance Recognition Program**

- Forty Prince George’s County Public Schools were recognized for student achievement through the Maryland State Department of Education’s (MSDE) 2008 Maryland School Performance Recognition Program. The program honors schools for their performance on the 2008 Maryland School Assessment (MSA) or the High School Assessment (HSA), and for improving the performance of special populations of students for the past two years.

**Significant Student Gains in Advanced Placement**

- More PGCPS students are gaining access to college-level coursework and succeeding at rates of improvement that are faster than state and national averages, according to Advanced Placement (AP) data released recently by the College Board.
- The College Board reported a 44.2% increase in the number of AP test-takers, and a 46.9% increase in the number of AP exams taken by students from PGCPS in 2008 compared to 2007. PGCPS students posted greater gains than their peers in Maryland overall (a 10.1% increase in test-takers, and a 9.6% increase in exams taken) and nationally (8.6% increase in test-takers, and 8.7% in exams taken).

- PGCPS showed a 17% increase in the number of AP test scores of 3, 4, and 5 – more than three times the percent of improvement seen across the State (4.6% increase in passing scores) and nationally (5.7% increase).
- Eleanor Roosevelt High School students earned national recognition by having the largest number of African-American students from the Class of 2008 scoring a 3 or higher on the AP Chemistry exam, according to the AP Report to the Nation.

Based on this data, it is clear that PGCPS is continually improving student academic achievement. If the MOE waiver is approved this would have an adverse impact on the future ability of PGCPS to maintain staffing levels and programs that have led to these systemic gains in student achievement in the County.

#### **Proposed State Senate Budget Cuts:**

In addition to the waiver request, there is a possibility the school system could experience additional cuts if the State Senate Budget Amendments are adopted. These amendments could change by the close of session on April 13<sup>th</sup>. Below are possible implications of the budget amendments to PGCPS:

- The Geographic Cost of Index could be reduced by 40%, which will cost PGCPS \$15.6 million in FY 2010.
- The proposed Senate Budget amendment calls for PGCPS to also lose \$6.2 million due to the changing non-public placements formula, eliminating aging schools, and reducing Head Start contribution.
- If the Senate version of the State budget is approved along with the waiver, PGCPS would lose \$45.4 million or \$4 million more than the system received from the State Fiscal Stabilization Fund in the Economic Stimulus Package.

#### **Spirit of Economic Stimulus**

The Federal Government and the State have made a commitment to fund education during these tough economic times. On February 17, 2009, President Obama signed into law the *American Recovery and Reinvestment Act of 2009*. This law aimed to not only provide supplemental funding that addresses concerns around unemployment, health care and taxes, but also, most significantly, to provide federal funds for struggling state school systems. Of the Act's \$787 billion cost, up to \$141.6 billion will go to education, this amount will be given directly to states and school districts in order to prevent significant state education cuts, stemming the tide of teacher layoffs and cuts in various education services.



PGCPS has received \$41 million in State Fiscal Stabilization Funds and \$30 million in Title I and IDEA funding for FY 2010. However, both Title I and IDEA funding are restricted to those specific populations and cannot be used to supplant what is otherwise paid for by the school system. To receive these funds, states must also meet MOE requirements of the law by showing that 2009 state education budgets at least meet 2006 state education budget levels. If they cannot meet the MOE requirements, states can receive a waiver if they can show that their education budgets are not being disproportionately reduced. We believe that should the County receive a waiver of MOE, this would infringe upon the spirit of the Economic Stimulus Package and its intended impact to support struggling school systems.

### **Alternative Methods for the County to Consider**

In reviewing the County Executive's Proposed Budget, there are areas that the County could re-examine to help fund its MOE requirement. Below are some options the County could utilize and consider to meet its obligation of Maintenance of Effort:

- House Bill 1517, a bill currently pending in the State legislature, will transfer \$30 million in local property tax revenues from the Maryland National Capital Park and Planning Commission to the County in FY 2010. This bill has already passed the House of Delegates with a unanimous vote and is likely to pass the Senate before Sine Die. However, the County has not budgeted for this transfer of additional monies.
- The County has budgeted \$23 million in FY 2010 for Other Post Employment Benefits (OPEB). OPEB are benefits that an employee will begin to receive at the start of retirement. While benefits are currently paid for on a Pay-As-You-Go basis, accounting standards require the liability over the employee's working lifetime to be accrued. Jurisdictions have begun to set aside funds to account for this accrual. However, other jurisdictions including the State of Maryland have reduced their proposed contribution for OPEB in FY 2010.
- The County ended FY 2008 with a fund balance of \$279.2 million, which is 10.6% of the total budget. The County Charter requires a 5% reserve and County policy requires an additional 2%. Thus, considering the current difficult economic conditions, it would be well justified and reasonable for the County to use a portion of the excess fund balance to fund education.
- The County's assessable base is growing faster than most of the other jurisdictions in the State of Maryland. The following table compares Prince George's total 2008 thru 2010 assessable bases to four of the other large Maryland school system, and also the State of Maryland:

(in thousands)							
County	2008 Total Assessable Base	2009 Total Assessable Base	Change from 2008 Total Assessable Base	% Change (From 2008 to 2009)	2010 Total Assessable Base	Change from 2009 Total Assessable Base	% Change (From 2009 to 2010)
Baltimore City	\$ 33,466,445	\$ 34,963,105	\$ 1,496,660	4.47%	\$ 36,242,644	\$ 1,279,539	3.66%
Harford	\$ 26,203,674	\$ 28,436,530	\$ 2,232,856	8.52%	\$ 28,819,631	\$ 383,101	1.35%
Howard	\$ 47,920,571	\$ 46,666,382	\$ (1,254,189)	-2.62%	\$ 46,657,415	\$ (8,967)	-0.02%
Montgomery	\$ 186,930,014	\$ 187,362,965	\$ 432,951	0.23%	\$ 187,890,436	\$ 527,471	0.28%
Prince George's	\$ 88,674,358	\$ 99,076,804	\$ 10,402,446	11.73%	\$ 103,854,047	\$ 4,777,243	4.82%
State of Maryland	\$ 728,198,545	\$ 763,682,563	\$ 35,484,018	4.87%	\$ 786,757,622	\$ 23,075,059	3.02%

- In fact, in FY 2010, the County's wealth grew faster than any jurisdiction in the State. Wealth is used to help distribute State aid to school systems. The theory is that the wealthier a County is the less State aid it receives because the County can afford to give more. Therefore, because Prince George's was wealthier, the school system is receiving less State aid in FY 2010. However, despite its increasing wealth, the County is asking for a MOE waiver, which would preclude the school system from receiving County funds, to which it would, otherwise, be entitled to receive under the law.
- The County uses four funding sources to fund education. Three of these sources are dedicated taxes (Telecommunications, Transfer, and Energy Tax) and the fourth source is General County Sources (Property Tax, Income Tax, etc.). The County was able to exceed MOE over the last four years because of large increases in the Transfer Tax. For instance, from FY 2006 to FY 2008 the County collected \$57 million more dollars than budgeted from the Transfer Tax. This allowed the County to use those funds and reduce the General Source Contribution to the school system.
- In FY 2003, the County Contribution constituted 45% of the Board of Education's budget. The Proposed FY 2010 County Contribution is 36% of the Board of Education's budget, a 9% decrease over this time period. If the waiver is approved, this would bring the overall County Contribution back to pre FY 2006 levels factoring inflation.

**Financial Implications on School System Programs**

- **PGCPS's structural deficit will increase to a total of \$159.6 million in FY 2010 as opposed to a total of \$114 million if the Senate budget cuts and the waiver to MOE are adopted.** The school system has already made drastic cuts to specific programs to eliminate the structural deficit, including the Parent Liaison program, instructional support positions, the elimination of Assistant Principals at small schools and a reduction in the popular AVID and America's Choice programs.
- PGCPS would have to make further programmatic reductions in school-based programs if the waiver is granted. We have significantly reduced central office personnel and eliminated four zones that provide direct support to schools. The Board of Education



also recently adopted the recommendation of the Superintendent to consolidate eight schools. If the waiver is granted, PGCPs will be forced to increase class size, and impose additional layoffs.

- PGCPs also requests clarity from the State around certain MOE provisions in State Law. If the waiver is granted, it is unclear whether that number then becomes the new base for FY 2011 calculation of MOE, or whether the base for FY 2011 be the FY 2009 number. If the base becomes the waiver number in FY 2010, that would further impede the school system's ability to fund programs necessary for student achievement.<sup>1</sup>

### **Additional Potential Sources of Revenue**

- The formula for net taxable income was created by the Thornton Bridge Excellence Act, and this formula is considered an inverse wealth distribution of funding. The formula only includes the federal income tax returns that are submitted by September 1<sup>st</sup> of each year, and does not consider any of the late income tax filers. However, if this formula was revamped to include the late income tax filers, PGCPs could receive an additional \$24.5 million to educate the children of PGCPs.
- The Tax Reform Initiative by Marylanders (TRIM) was established to cap the real property tax rate at \$0.96 for every \$100 assessed value. The County has two ways it could lift the cap on the real property tax rate. The first potential way is to ask the State Legislature to lift the cap; the second way would be to put the question to referendum. The County has not addressed this issue to secure more funding. We encourage the County to explore either option as a means to increase revenues.
- The County's real property tax revenue capacity is not fully realized due to the structure of the County's Homestead Tax Credit. Many jurisdictions in Maryland utilize the full 10% that the credit provides to jurisdictions. Prince George's County's Homestead Tax Credit is subject to the Consumer Price Index and is not to exceed 5%. By not fully realizing the tax credit, Prince George's County stands to lose \$17.5 million in FY 2010. We encourage the County to work with the legislature to increase the tax credit rate to 10%.

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<sup>1</sup> To the extent that Maryland law only allows the State Board to consider grant of a temporary or partial waiver from the requirements of MOE, PGCPs asserts that a grant of any waiver should only be temporary and that the base for FY2011 should be the original MOE funding amount that would have been required for FY2009, in absence of any waiver.

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**Conclusion**

Based on the combination of State and other budget reductions expressed above, we believe the County's MOE waiver should not be approved. A grant of waiver of MOE to the County by the State Board would prevent Prince George's County Board of Education from providing sufficient basic services that support education and students of Prince George's County Public Schools, and would have an enormous adverse impact on the school system's ability to continue programs and staffing levels that have contributed to increases in student academic achievement and other systemic progress accomplished by the school system in recent years.

The County has failed to demonstrate that its current fiscal condition significantly impedes its ability to fund the MOE requirement. The focus of PGCPSS is to graduate every student college- and career-ready, and to have our school system and County recognized as leaders of student achievement within the State and the nation. Thus, if this waiver is approved, PGCPSS's obligation to protect its students' right to adequate educational resources will be impaired.

Accordingly, for the reasons stated herein, the Prince George's County Board of Education, respectfully, requests that the Maryland State Board of Education deny the County's request for temporary waiver of its MOE for FY 2010.

Sincerely,



Verjeana M. Jacobs, Esquire  
Chair, Board of Education



William R. Hite, Ed.D.  
Interim Superintendent of Schools

VMJ:WRH/MES

c: Mr. Jack B. Johnson, County Executive, Prince George's County  
Ms. Marilyn M. Bland, Chair, Prince George's County Council  
Members, Prince George's County Board of Education