

County Executive John R. Leopold
P.O. Box 2700, Annapolis, MD 21404

March 31, 2009

James H. DeGraffenreidt, Jr.
President
Maryland State Board of Education
200 West Baltimore Street
Baltimore, Maryland 21201

Dear Mr. DeGraffenreidt:

Pursuant to Section 5-202(d)(7) of the State Education Article, Anne Arundel County is requesting a waiver from the State's Maintenance of Effort (MOE) requirements as defined under Section 5-202(d)(1)-(6). The basis for this request is that the County's fiscal condition prevents us from funding the MOE requirement without seriously impairing other County services including public safety, social and health services to the most vulnerable residents, post-secondary education, library, and other vital, locally funded public programs.

As defined under the Education Article, the County's local funding obligation for K-12 Public Education in FY10 would be \$553,127,000 in order to maintain per pupil spending at \$7,510. It is anticipated that the County's Proposed FY10 Operating Budget will include County funding of \$544,127,000. Therefore, we are requesting the difference of \$9,000,000 to be waived from the amount required under the Education Article.

This is the first time that Anne Arundel County has, on its own, requested such a waiver. With the exception of FY92 when Maryland permitted a State-wide waiver of the MOE requirements, Anne Arundel County has not only met the MOE requirement, but significantly exceeded it. In the last ten years since FY99, Anne Arundel County has increased its contribution to K-12 Education by over \$263 million. This represented a 91.3% increase in County funding and an average annual increase of 6.7 percent. During the same period when County funding increased by over 91% percent, student enrollment actually declined by 0.2 percent. This represents a substantial and ongoing local commitment to investing this County's taxpayer funds in educating our children.

Furthermore, the County's Approved FY2009 Capital Improvements Program (CIP) provided unprecedented levels of local funding for school construction, renovation, information technology, and other capital improvements in support of K-12 public education. When compared to the level of funding provided in the Approved FY2007 CIP, the final year of the previous Administration, this level of funding represented an increase of nearly \$9 million per year, or a 16.8% increase in just two years. The FY2010 Proposed CIP is expected to increase County funding by another \$13 million per year, resulting in a 41% increase in the level of County funding over just a three year period of time.

In addition to the County's direct contribution to AACPS, the County Government also funds over \$15.6 million to operate programs in support of the Public School's mission including:

- School Safety:
 - Providing Crossing Guards and Police Officers as School Resource Officers at a cost of \$3.7 million
- School Health:
 - Providing nurses, health room staff, and flu mist vaccine at a locally funded cost of \$11.9 million

In developing the County's FY10 operating budget, Anne Arundel County is faced with closing a budgetary shortfall of nearly \$150 million. The causes of this serious shortfall are the national economic recession and the continuing international crisis in credit markets. Since May of 2008, when the County Council approved the FY09 operating budget, the County has revised its FY09 and FY10 revenue projections downward by \$125 million due to reductions in income tax, transfer and recordation taxes, investment income, and State Highway User Aid. This revenue loss is over 11 percent of our total, annual, tax supported revenues.

Attached please find a copy of the County's latest review of economic indicators, but some pertinent facts are provided below which indicate how the recession has impacted Anne Arundel County residents and led to this sharp decrease in revenues:

- Anne Arundel County's unemployment rate has doubled, from 2.9 percent in December 2007 to 5.9% in January 2009
 - The highest rate of unemployment since it was 6.2% in June 1993
- As of January 2009, seasonally adjusted Anne Arundel County employment has decreased for nine straight months
- Home sales have declined:
 - 31 percent in 2008
 - 17 percent in 2007
 - 16 percent in 2006
- Average home sale prices have declined by 5.3 percent in 2008
- The most recent residential assessment fell by 6.5 percent

The above cited economic factors have dramatically affected the County's revenue collections particularly for income tax, transfer and recordation taxes, and investment income.

To close the budgetary deficit cited above, produce a balanced budget, and fund essential services including K-12 Education, the County has already made significant budgetary reductions in FY09 and anticipates proposing a number of additional significant budgetary reductions for FY10. It is important to note that aside from this waiver request, all of these reductions have been borne by Anne Arundel County Government alone. In short, while K-12 Education received 51% of the County's General Fund appropriation in FY09, all but \$9 million of the anticipated \$125 million revenue shortfall in FY10 will fall upon the non K-12 Education activities of the General Fund, which include the vital public safety services provided by our first responders.

The reductions to County Government include the following:

- Mid-year reductions of \$29 million in FY09

- Reductions of \$115 million are expected to be proposed for FY10
 - This equates to nearly one-quarter of the portion of the FY09 Approved Budget remaining after excluding that part of the budget devoted to AACPS, the Community College, and debt service
- Elimination of over 100 positions is expected
 - The absence of layoffs is a testament to the proactive steps taken involving a strict hiring freeze that has generated vacancies in these positions, in lieu of layoffs
- Renegotiation of all existing labor contracts in County Government resulting in the elimination of all general wage adjustments for all employees
- Reductions in the area of public safety will also be made:
 - A total of 37 uniformed Police positions will be eliminated, and the recruit class planned for FY2010 has been cancelled
 - Similarly, the Fire recruit class scheduled for FY2010 has been cancelled and there will be an increased reliance on volunteers
 - The Police Department's aviation unit will be grounded in FY2010
- Elimination of the pre-funding for retirees health insurance, including:
 - The planned increase of \$10 million for FY10
 - The elimination of the budgeted contribution of \$15 million in FY09
- Reduction of \$47 million in current revenue funding to the capital budget
 - Despite this massive reduction in "pay-as-you-go" funding to the capital budget, the County still expects to increase the level of local funding support for school construction and realize the 41% increase in just three years as earlier referenced
- Reduction of over \$33 million in the County's revenue reserve fund
 - A decrease of over two-thirds

If the County were required to fund the additional \$9 million local contribution it would require even deeper reductions in County funded services at a time when the demands for assistance from individuals and families in crisis is steeply increasing.

We do not believe that granting this waiver will adversely affect the quality of our local public schools. The AACPS request for County funding in FY10 is \$597,882,317, an 8.5 increase over FY09. A County funding level of \$544,127,000 would therefore require a reduction of \$53.8 million. The recommended reductions are expected to be as follows:

- No cost of living increases in FY2010, saving \$5.0 million
- No step increases (i.e., merit pay adjustments) in FY2010, saving \$12.8 million
- Control health insurance cost increases as County Government has, saving \$17.4 million
 - Increase from FY08 actual to FY09 estimate of 5% versus 9%
 - Increase from FY09 estimate to FY10 estimate of 0% versus 10%
- No program enhancements, saving \$3.6 million
- Utilization of all remaining AACPS reserves, saving \$5.0 million
 - Undesignated fund balance per 6/30/08 financial statements (\$2.2 million)
 - Budgeted reserves for unanticipated needs (\$2.8 million)
- Reductions in supplemental pay stipends and bonuses, saving \$5.0 million
- Other reductions of approximately \$5.0 million

These reductions can be made without affecting the existing level of pay for all school employees. While these reductions may require a temporary reduction in the number of teachers, the addition of over 500 teachers over the past 4 years should mitigate this impact.

In addition, as you are aware, the State has recently revised downward its own revenue estimates for FY09 and FY10 by over \$1 billion. This has very troubling implications for Anne Arundel County and other subdivisions across the State because of impending reductions in local aid formulas that may be deemed necessary to produce a balanced budget for the State. Further reductions in local aid will also require Anne Arundel County to identify additional service reductions to its residents in order to maintain a balanced and sustainable budget.

Anne Arundel County's ability to raise revenue from additional taxes has two major constraints:

1. Section 710(d) of the Anne Arundel County Charter imposes a property tax revenue cap:

“...revenues derived from taxes on properties existing on the County property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, more than the Consumer Price Index percentage of change, or by 4.5 percent, whichever is the lesser.”

The rate of inflation for purposes of this limitation is 1.0% for FY2010. The County's Charter limitation provides for no waiver of any sort to this restriction. Consequently, this restriction will limit property tax revenue growth for FY2010 to but \$5.0 million, exclusive of new construction. Consistent with County financial policies, it is anticipated that in FY10 the County will again maximize its property tax realization under the property tax revenue limitation Charter provision.

2. While the County's income tax rate, at 2.56%, is currently below the maximum local income tax rate of 3.2% of taxable personal income, we do not support an increase to the income tax rate since it would impose an additional burden on working people during this difficult economic time.

Furthermore, our bond rating agencies note every year that Anne Arundel County does not boast the large cash reserves that other Maryland jurisdictions do. Instead, we rely upon the above noted differential in income tax rates to provide the margin of security necessary to maintain the County's bond rating.

Nevertheless, Anne Arundel County has recently initiated some revenue enhancements. An ambulance transport fee will go into effect on April 1, 2009 and is projected to generate \$8 million annually in the County's Operating Budget. The County's impact fee rate schedule was dramatically increased within the past several months. While the timing of these impact fee rate increases was modified in light of the current economic climate, impact fee bonds have been and will continue to be issued in anticipation of these increased revenues which help support the County's Capital Budget.

Additionally, it should be noted that at the present time of the General Assembly's budgetary deliberations, the State has seen fit to reduce its commitment to K-12 Education, partially justifying its action based on the receipt of federal stimulus funds. Despite the State's action and our requested waiver, the presence of federal stimulus funds may still allow AACPS to have a larger budget in FY10

than in FY09. Aside from the federal stimulus funding distributed through the State to the local education authorities directly, there may be some funding directed by the State to the County. This funding is uncertain but has been factored into the net loss in State Aid figures included in the attached budget update and budget planning presentations.

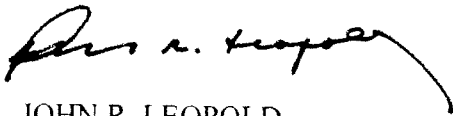
The Anne Arundel County Board of Education has not taken a formal position in support of or in opposition to this MOE Waiver Request.

In closing, we want to stress that education, especially K-12 Education, is one of the most important priorities for the residents of Anne Arundel County. We are very proud of the accomplishments of our Public School system in reducing class size, significantly improving test scores, and preparing our children to be productive, well-educated, and responsible citizens. As cited in the *County's Bridge to Excellence Master Plan* update, AACPS teachers have received:

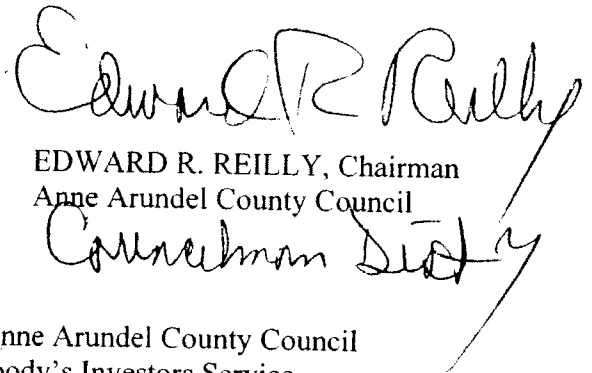
“...three years of generous (6%, 6%, and 5%) cost of living increases, coupled with a salary scale adjustment...which in turn helped AACPS keep highly qualified teachers.”

We realize and are committed to investing the resources necessary to achieve those important results for our County and the State. However, the severity and duration of the current economic recession and the consequent reduction in resources are forcing us to temporarily and reluctantly reduce the County's local contribution. We respectfully urge the State Board of Education to approve this waiver request.

Sincerely,



JOHN R. LEOPOLD
Anne Arundel County Executive



EDWARD R. REILLY, Chairman
Anne Arundel County Council

Attachments:

Budget Update: excerpts from 10/14/08 presentation to Anne Arundel County Council
 Budget Update: excerpts from 3/24/09 presentation to Moody's Investors Service
 FY2009 and FY2010 Budget Balancing Plans
 Section 710 of Anne Arundel County Charter: property tax revenue cap
 Economic Indicators: latest report from Anne Arundel Economic Development Corporation
 Calculations worksheet supporting computations noted in this letter
 Annual Financial Reports are attached and on-line at: <http://www.aacounty.org/Finance/CAFR.cfm>
 Approved Budgets are on-line at: <http://www.aacounty.org/Budget/index.cfm>

Copies:

Anne Arundel County Council
 Enrique M. Melendez, President, Anne Arundel County Board of Education
 Kevin M. Maxwell, Superintendent, Anne Arundel County Public Schools

Attachments

- | | |
|---|------------------|
| 1. Projected Fiscal Condition | 1-6 of 13 |
| 2. Property Tax Limitation | 7 of 13 |
| 3. Economic Indicators | 8-10 of 13 |
| 4. Board of Education Calculation Support | 11-13 of 13 |
| 5. Financial Statements; FY2006 – FY2008 | separate volumes |

Attachment 1

Projected Fiscal Condition

FY 2009 and FY 2010

Budget Overview

County Council

October 14, 2008

FY2010 Revenue

	Estimate	Increase	% Increase
Property Tax	542.4	25.8	5.0
Income Tax	392.9	11.4	3.0
State Shared Revenue	35.8	0.0	0.0
Rec & Transfer	75.0	2.0	2.5
Local Sales Tax	37.3	1.1	3.0
Licenses & Permits	17.2	0.5	3.0
Investment Income	7.3	0.2	3.0
Other	49.2	0.0	0.0
Interfund Reimb.	38.9	2.2	6.0
Total Oper. Revenue	1,196.0	43.2	3.7



Anne Arundel County, Maryland Update Moody's Investors Service

John R. Hammond
Budget Officer
March 24, 2009

FY2009 Revenue

	Budget	Dec 1 Est.	Mar 16 Est.
Property Tax	516.6	516.6	520.6
Income Tax	389.0	381.5	367.5
State Shared Revenue	36.3	35.8	33.7
Recordation & Transfer	83.0	60.0	55.0
Local Sales Tax	35.5	36.2	33.9
Licenses & Permits	18.0	16.7	15.9
Investment Income	8.1	5.1	4.2
Other	50.5	49.2	46.0
Interfund Reimb	<u>36.7</u>	<u>36.7</u>	<u>38.1</u>
Operating Revenue	1,173.7	1,137.8	1,114.8

FY2009 Revised

March 16, 2009

	<u>Budget</u>	<u>Revised</u>
Operating Revenue	1,173.7	1,114.8
Budgeted Expenditures	<u>1,216.3</u>	<u>1,216.3</u>
Difference	-42.7	-101.5
Fund Balance Utilized	<u>42.7</u>	<u>42.7</u>
Difference	0	-58.8

FY2010 Revenue

	<u>FY2010 Dec 1 Est.</u>	<u>FY2010 Mar 16 Est.</u>
Property Tax	539.8	530.6
Income Tax	391.0	362.0
State Shared Revenue	32.2	33.5
Recordation & Transfer	62.0	60.0
Local Sales Tax	37.3	33.4
Licenses & Permits	17.2	15.8
Investment Income	5.3	4.9
Other	55.2	51.7
Interfund Reimb	<u>38.9</u>	<u>38.1</u>
Operating Revenue	1,178.9	1,130.0

FY2010 Baseline Budget

FY2009 Appropriation	1,216.3
Less One-Time Items Funded:	
Additional PayGo Support	-7.9
CAO Contingency and other	-2.2
Add Recurring Items Partially Funded With One-Time Funds:	
Self-Insurance Fund	1.5
Economic Development	0.7
Bond Premium	3.0
Health Insurance	<u>3.0</u>
FY2010 Baseline Budget	1,214.4

FY2010 Built-in Increases

Annualize FY2009 Pay Packages	4.8
Existing Negotiated Increases	5.9
Debt Service	6.8
Pension Contribution	10.0
Retiree Health Ins.	1.0
BOE MOE	2.0
OPEB	10.0
Electricity	0.7
Other	2.3
Non-Personnel Cost of Goods	<u>1.0</u>
Total	44.5

FY2010 Budget

March 16, 2009

Revenue		1,130.0
Baseline Expenditures	1,214.4	
Built-in Increases	<u>44.5</u>	
Total Expenditures		<u>1,258.9</u>
Shortfall		-128.9

Potential FY2010 Shortfall

Baseline Budget Shortfall	128.9
Possible State Cuts	<u>15.0</u>
Budget Shortfall	143.9

FY2009 and FY2010 Budget Balancing Plans

	March 30
FY2009 Shortfall	\$58.8
<u>Funding Plan</u>	
Utilize Undesignated Fund Balance	11.8
Utilize Rainy Day Fund	18.0
Use of Reserves Subtotal	29.8
FY09 Expenditure Savings	6.0
Hiring Freeze	3.0
CAO - Contingency – No Election System	0.4
Freeze Training & Travel	0.1
Freeze Equipment Purchases	2.0
Freeze Computer Replacements	0.8
CAO – Contingency – No New HR System	1.7
Reduce OPEB Contribution to \$0	15.0
Reductions Subtotal	29.0
Total	58.8

	March 30
FY2010 Shortfall	\$143.9
Additional State Cuts since 3/24/09	9.0
Latest Shortfall	\$152.9
<u>Funding Plan</u>	
Utilize Rainy Day Fund	15.4
Health Insurance Fund Balance	8.0
Other Funds' Fund Balance	6.0
Use of Reserves Subtotal	29.4
Mandatory Reductions (2%)	7.9
Reduction Plans (5%-10%)	16.0
PayGo Below Baseline	9.0
PayGo to Bonds	47.6
Reduce OPEB Contribution to \$0	25.0
Bond Premium & Refunding	6.0
Negotiated Contract Reductions	3.0
Contribution to BOE Below MOE	9.0
Reductions Subtotal	123.5
Total	152.9

Attachment 2

Property Tax Limitation

Anne Arundel County Charter Section 710(d)

Sec. 710. Reproduction of budget; effective date; tax levy; appropriations.

(a) **Reproduction of Budget.** The budget as adopted shall be reproduced in sufficient copies for distribution, free of charge, to the press and the head of each office, department or agency of the County government. Copies of the budget shall likewise be given to any interested person on request, provided, however, that in order to discourage waste the County Council may prescribe a charge for each copy of the adopted budget not to exceed the actual cost of its reproduction.

(b) **Effective Date.** The adopted budget shall take effect on the first day of the fiscal year to which it applies.

(c) **Tax Levy and Balanced Budget.**

(1) When the County budget shall have been finally adopted in the Annual Budget and Appropriation Ordinance, the County Council shall thereupon levy and cause to be raised the amount of taxes required by the budget in the manner provided by law so that the budget shall be balanced as to proposed income and expenditures.

(2) Any ordinance adopted under this subsection to levy taxes to balance the budget is exempt from the executive veto.

(3) The effective date of a tax levy bill shall be the first day of the fiscal year to which it applies.

(d) **Property Tax.** From and after July 1, 1993, revenues derived from taxes on properties existing on the County property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, more than the Consumer Price Index percentage of change, or by 4.5 percent, whichever is the lesser.

The Consumer Price Index shall be determined by the preceding January computation by the U.S. Department of Labor.

(Bill No. 72-82; Res. No. 56-92)

Attachment 3

Economic Indicators

Anne Arundel Economic Development Corporation

Economic Indicators : 3rd Quarter 2008

	3rd Quarter 2008	3rd Quarter 2007	Percent (%) Change	Year to Date	Last Year To Date	Percent (%) Change
Commercial Permit Activity						
New AACO Commercial Permits	22	36	-38.9%	96	103	-6.8%
AAR/Misc AACO Commercial Permits	411	443	-7.2%	1,172	1,130	3.7%
Value of All AACO Commercial Permits	\$91,011,000	\$131,320,000	-30.7%	\$400,639,000	\$455,940,000	-12.1%
<i>*AAR - Addition, Alteration, or Repair based on permits valued over \$10,000. Source: BMC Permit Data System; not comparable to permitting data prior to 2006</i>						
Housing						
Existing Home Sales	1,232	1,648	-25.2%	3,544	5,057	-29.9%
Average Home Price – Existing Home Sales	\$392,356	\$421,782	-6.9%	\$401,312	\$418,292	-4.1%
New Residential Bldg Permits Issued (includes multi-family units)	322	310	3.9%	809	1,357	-40.4%
New Residential Bldg Permits Value	\$48,782,356	\$58,697,583	-16.9%	\$136,826,148	\$264,287,679	-48.8%
<i>Source: MD Assn of Realtors; BMC Permit Data System; not comparable to permitting data prior to 2006</i>						
BWI Thurgood Marshall Airport						
Total Passengers	5,334,133	5,779,851	-7.7%	15,721,563	15,889,769	-1.1%
Total Freight (in pounds)	51,740,811	61,565,445	-16.0%	156,122,163	180,087,064	-3.3%
<i>Source: MD Aviation Administration</i>						
Tourism						
Hotel Tax (gross receipts for Anne Arundel Co.) <i>Source: AA Co Finance Office</i>	\$3,823,221	\$4,162,426	-8.5%	\$11,118,979	\$11,399,658	-2.5%

SELECTED NEW, EXPANDING & RELOCATING COMPANIES - 3RD QUARTER 2008

Company	Description	Estimated # of Employees
Northrop Grumman (EXP)	Defense electronics, leased entire building at 1550 West Nursery Rd, Linthicum (open fall 2009)	NA
Patient First (NEW)	Primary care facility, 3rd County facility opening at 7116 Ritchie Hwy, Glen Burnie (open December 2008)	26
Transformational Security (NEW)	Security consulting & engineering services, relocated from Howard County to 901 Mercantile Dr, Hanover (open fall 2008)	12

NEW=new business or new to AACo; REL=relocated within the county; EXP=expansion

Commercial Vacancy Rates

	Average 3rd Quarter 2008	Average 3rd Quarter 2007
Office	12.1%	12.9%
Flex	7.8%	6.6%
Industrial	7.1%	6.8%

Source: CoStar Realty Information, Inc.



Anne Arundel County, MD	Average 3rd Quarter 2008	Average 3rd Quarter 2007
Employment (by residence)		
Anne Arundel County		
Civilian Labor Force	284,116	281,779
Employed	272,543	272,795
Unemployed	11,572	8,984
Unemployment Rate	4.1%	3.2%
Baltimore Metro Area		
Civilian Labor Force	1,418,624	1,405,901
Employed	1,350,699	1,351,947
Unemployed	67,925	53,954
Unemployment Rate	4.8%	3.8%
State of Maryland		
Civilian Labor Force	3,037,821	3,000,832
Employed	2,901,388	2,891,853
Unemployed	136,434	108,979
Unemployment Rate	4.5%	3.6%
United States		
Unemployment Rate	5.9%	4.7%

Source: MD Dept. of Labor, Licensing & Regulation

Employment at Place	Average 1st Quarter 2008	Average 1st Quarter 2007	Percent (%) Change
Quarterly Average Employment	231,277	228,131	1.4%
Number of Establishments	14,926	14,555	2.5%

Source: MD Dept. of Labor, Licensing & Regulation

ACCRA Cost of Living Index	3rd Quarter 2008
Baltimore-Towson MD Metro	123.3
Wash-Arlington-Alexandria DC-VA-MD-WV Metro Div.	137.4
National City Average	100.0

The Council for Community and Economic Research

Real Property Tax Base	Number of Properties	Assessed Value Residential	Assessed Value Commercial	Assessed Value Total (R+C)	Commercial as % of Total
(FY 2008)	<i>incl. agriculture</i>				
Anne Arundel	196,464	\$56,528,116,238	\$11,335,330,739	\$67,863,446,977	16.7%
Baltimore County	277,003	\$53,007,386,607	\$14,716,094,515	\$67,723,481,122	21.7%
Harford	92,146	\$17,990,290,009	\$3,147,508,325	\$21,137,798,334	14.9%
Howard	93,648	\$32,674,557,929	\$7,219,099,636	\$39,893,657,565	18.1%
Montgomery	309,097	\$132,183,793,204	\$30,989,753,577	\$163,173,546,781	19.0%
Prince George's	264,212	\$61,352,172,748	\$16,692,420,779	\$78,044,593,527	21.4%

Note: Property is assessed at 100% valuation, source: Maryland Department of Assessments & Taxation

The Anne Arundel Economic Development Corporation serves as a resource for data about the county, its companies, and its business environment. For additional information, please contact:

Anne Arundel Economic Development Corporation
 2660 Riva Road, Suite 200, Annapolis, MD 21401
 PHONE: (410) 222-7410 | FAX: (410) 222-7415
 e-mail: info@aaedc.org | Website: www.aaedc.org

Sincere efforts have been made to ensure the accuracy of this information, but accuracy cannot be guaranteed.

Context for Economic Indicators : 3rd Quarter 2008

Commercial Permitting

- AAR/Misc. (additions, alterations, or repairs) commercial permits issued in the 3rd quarter 2008 experienced a 7.2% drop when compared to the same time period last year. Year to date numbers result in a 3.7% increase when comparing 2008 to 2007.
- New commercial permits issued dropped 39% when comparing 3rd quarter 2008 to 2007, however year to date numbers reflect little change when comparing 2008 to 2007 with a 6.8% decrease in new Commercial Permits overall.

Residential Permitting

- Average home prices for Existing Home Sales remained relatively stable in 3rd quarter 2008 maintaining an average price of \$392,356, a 6.9% decrease when compared to 3rd quarter 2007.
- Existing home sales were down 25.2% for 3rd quarter 2008 as compared to 3rd quarter 2007 reflecting the downward national trend.
- New Residential Permits issued reflected slight growth in 3rd quarter 2008 with a 3.9% increase when compared to 3rd quarter 2007, however year to date numbers are down 40.4% when compared to last year (permits were issued in 2007 for 900 residential units at Annapolis Towne Centre at Parole).

BWI Passenger Traffic and Hotel Tax

- Total number of passengers for the 3rd quarter decreased 7.7% with 5.3 million passengers passing through the airport. The decrease in passenger traffic for the quarter, as reported by the airport, is attributed to a combination of a slowing economy and increased fuel costs. Passenger traffic for 2008 is overall down only 1.1%.
- Reports from the Maryland Aviation Administration note that additional service cuts have been announced by several BWI carriers for late third and fourth quarters which could lead to further reductions in passenger counts.
- Gross receipts for hotel tax were \$3.8 million, an 8.5% decrease when compared to the same time period last year.

Vacancy Rates

- The 3rd QTR 2008 office vacancy rate at 12.1% experienced a decrease when compared to 3rd QTR 2007 at 12.9%. The decrease reflects the signing of two larger leases, United Association leasing 100,000 square feet at Park Place and Northrop Grumman leasing 160,000 square feet at West Quest Technology Park. The industrial space vacancy rate averaged 7.1% during 3rd quarter 2008 while the flex space vacancy rate averaged 7.8% for the quarter.
- National office vacancy rates averaged 14.1% in 3rd quarter 2008 (*CBRE Office Vacancy Index Report*).

Unemployment Rates

- In 3rd quarter 2008 the Anne Arundel County unemployment rate averaged 4.1%, up almost a full percent from the same period last year. Anne Arundel County continues to sustain a lower unemployment rate as compared to the Baltimore Metropolitan Area at 4.8%, the State at 4.5%, and the US at 5.9%.
- The quarterly average employment was at 231,277 in 3rd quarter 2008, resulting in 3,146 additional people being on the payroll, a 1.4% increase when compared to the same time period last year.

Real Property Tax Base

- In FY 2008, Anne Arundel County ranked 5th among leading jurisdictions in the State for Commercial Property Tax base with the commercial base at 16.7%.
(*The commercial tax base offsets the cost of services needed by residents such as fire, police, and public education*)
- Commercial development coming on-line in the next 25-46 months in the Fort Meade/Odenton area and other County areas as well, will increase the commercial tax base and has the potential of raising the share of Commercial Property Tax Base compared to Residential.

Attachment 4

Board of Education Calculations Support

Anne Arundel County Maryland
Analysis of County Contributions Exceeding State Maintenance of Effort
Fiscal Years FY2000 through FY2009

Highest Total County Appropriation	Appropriated Debt Service	Highest Total County Contribution	Enrollment September 30th	Enrollment Change	Per Student County Contribution	Calculated Maintenance of Effort	Contribution Amount Exceeding MOE	Excess MOE %
FY2009 Adj Budget	584,662,800	33,436,300	551,226,500	73,400	334	\$516,698,590	\$34,527,910	7%
FY2008 Adj Budget	546,974,900	32,627,500	514,347,400	73,066	-499	\$484,942,513	\$29,404,887	6%
FY2007 Adj Budget	517,177,900	28,923,500	488,254,400	73,565	-426	\$446,627,670	\$41,626,730	9%
FY2006 Adj Budget	477,481,300	28,267,300	449,214,000	73,991	-517	\$411,386,008	\$37,827,992	9%
FY2005 Adj Budget	440,665,500	26,405,500	414,260,000	74,508	-279	\$389,142,830	\$25,117,670	6%
FY2004 Adj Budget	416,820,000	26,220,000	390,600,000	74,787	-294	\$382,336,970	\$8,263,030	2%
FY2003 Adj Budget	405,500,000	21,660,000	383,840,000	75,081	590	\$370,492,900	\$13,347,100	4%
FY2002 Adj Budget	387,381,500	19,800,000	367,581,500	74,491	-172	\$341,895,562	\$25,685,938	8%
FY2001 Adj Budget	363,935,000	21,250,000	342,685,000	74,663	566	\$318,499,458	\$24,185,542	8%
FY2000 Adj Budget	335,300,000	19,215,000	316,085,000	74,097	582	\$290,355,618	\$25,729,382	9%
FY1999 Adj Budget	306,429,500	18,354,500	288,075,000	73,515	N.A.	0	288,075,000	N.A.

Sources:

Appropriations: Anne Arundel County Office of the Budget
 Enrollment: Maryland State Department of Education & AACPS

FY1999 Highest	\$288,075,000	73,515
FY2009 Highest	\$551,226,500	73,400
10 yr Increase	\$263,151,500	(115)
	91.3%	-0.2%

FY99 County Contribution \$288,000,000
 Annual growth of 6.7% per year x 1.067¹⁰
 FY09 County Contribution \$551,000,000

Board of Education Funding - Five Year Capital Program
Growth in Average Annual Funding (\$ in millions) - FY07 to FY10

	Program Yr1	Program Yr2	Program Yr3	Program Yr4	Program Yr5	Avg	\$ Increase	% Increase
FY10 Anticipated	107.3	120.6	78.2	92.4	112.4	102.2		
Less: IAC	51.8	17.2	26.5	29.9	26.3			
Less: Textbooks	0.0	0.0	0.0	0.0	0.0			
Add: Off-Site	1.0	1.0	1.0	1.0	1.0			
Total Local Funding	56.5	104.4	52.7	63.5	87.1	72.8	12.7	21.0%
							21.3	41.4%
FY09 Approved	100.0	102.7	104.7	78.9	40.7	85.4		
Less: IAC	14.8	15.8	19.7	7.9	7.9			
Less: Textbooks	13.0	13.0	13.0	13.0	13.0			
Add: Off-Site	1.0	1.0	1.0	1.0	1.0			
Total Local Funding	73.2	74.9	73.0	59.0	20.8	60.2	8.7	16.8%
FY07 Approved	101.0	93.4	70.1	60.3	91.2	83.2		
Less: IAC	23.7	32.4	5.5	15.4	20.2			
Less: Textbooks	13.0	13.0	13.0	13.0	13.0			
Add: Off-Site	0.8	0.8	0.8	0.8	0.8			
Total Local Funding	65.1	48.8	52.4	32.7	58.8	51.5		

FY09 to FY10
 FY07 to FY10

Anne Arundel County, Maryland
Net Increase in Total Budgeted Positions and Teaching Positions
 Anne Arundel County Public Schools
 FY2006- through FY2006

	New Positions		Positions Formerly Grant Funded		Total	
	Teachers	Other	Teachers	Other	Teachers	Other
FY2006	151	78	-	-	151	78
FY2007	176	87	16	17.5	192	104.5
FY2008	107	98	15	14	122	112
FY2009	42	86	-	-	42	86
Total	476	349	31	31.5	507	380.5
				62.5		887.5

AACPS enrollment
* Per MSDE 73,653 30-Sep-08
* Per MSDE 73,400 30-Sep-07
Increase 253

\$584,662,800 Total FY2009 County Appropriation Funds
\$33,435,800 Appropriated Debt Service FY2009
\$551,227,000 Contribution for MOE purposes

73,400 FY2009 Student
\$7,509.90 Contribution Average
253 Enrollment increase
\$1,900,005.87 MOE Increment
\$553,127,005.87 Total MOE

* Source: MSDE Maryland Public School Enrollment. January 08 and 09

Attachment 5

Audited Financial Statements

FY 2006, FY 2007, and FY 2008

(separate attachment for each year)