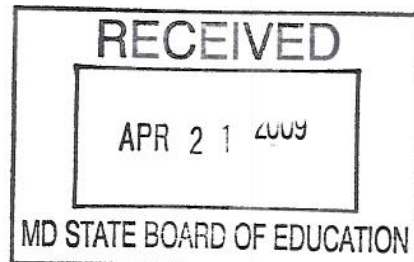


County Executive John R. Leopold  
P.O. Box 2700, Annapolis, MD 21404



April 21, 2009

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

Dear Mr. DeGraffenreidt:

On March 31, Edward R. Reilly, Chairman of the Anne Arundel County Council and I requested a waiver of the State's Maintenance of Effort (MOE) requirements under Section 5-202(d)(1)-(6). Our letter was written on the last day permitted under then existing State law for requests of a waiver for MOE. At that time the General Assembly of the State of Maryland had not passed legislation adopting the State's FY2010 budget, and there was a great deal of uncertainty as to the degree local governments would be impacted by the passage of the State's budget. We felt it important that Anne Arundel County needed to maintain as much budgetary flexibility as possible as I prepared my FY2010 County budget for submission to the County Council on May 1.

Given the uncertainty of the State's final budgetary action, we requested a waiver in Anne Arundel County's MOE of up to \$9 million for FY2010. This was a particularly difficult decision for me, since I have always been an advocate of public education, and I was the lead sponsor of the statute in 1986 that strengthened the maintenance of effort requirement for counties.

Now that the State of Maryland has adopted its FY2010 budget, the impact on local governments is known. While Anne Arundel County has seen a significant reduction in State aid, particularly from a reduction in Highway User Revenue of \$17 million, other contemplated State impacts on local governments that were floated during the budgetary process were not adopted. Therefore, as I put the finishing touches on my proposed FY10 budget, I am now able to fund the Board of Education at the maintenance of effort level.

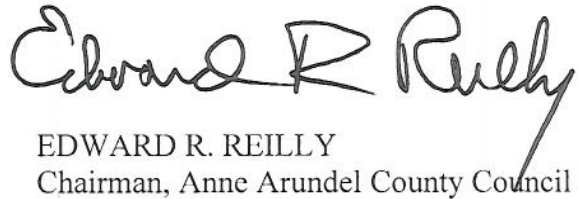
While I am pleased to be able to propose a County budget that funds the Board of Education at the maintenance of effort amount, and therefore rescind the request for a waiver of the MOE for FY2010, this was a very difficult exercise in fiscal management. I am able to do so only upon drawing down the County's Revenue Stabilization Fund by \$16.5 million (about one-third of the fund) in the current fiscal year. Given the extraordinary economic situation facing our country, it is precisely for this situation, that the Revenue Stabilization Fund exists.

For fiscal year 2010, in order to meet the maintenance of effort requirement, and provide minimum funding for essential public safety services, I am forced to temporarily suspend my efforts to pre-fund the long term liability of the retiree health insurance benefit, and make significant reductions in expenditures for the balance of County services. I am optimistic that through continued strong fiscal management the County will be able to weather the current economic storm. I certainly anticipate FY2011 will also be a challenging budgetary year that may require further budgetary reductions for the County. As Anne Arundel County navigates its way through these murky fiscal waters, I will continue to work with the Anne Arundel County School Board and Superintendent Maxwell to maintain the excellence of our County's schools.

Sincerely,



JOHN R. LEOPOLD  
Anne Arundel County Executive



EDWARD R. REILLY  
Chairman, Anne Arundel County Council

cc: Nancy S. Grasmick, Ph.D., State Superintendent of Schools  
Anne Arundel County Council  
Enrique M. Melendez, President, Anne Arundel County Board of Education  
Kevin M. Maxwell, Superintendent, Anne Arundel County Public Schools