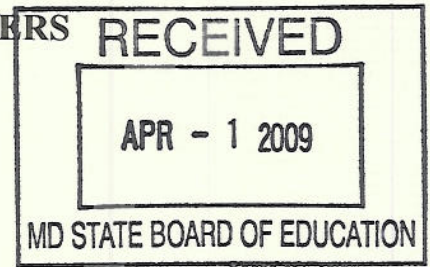




**CALVERT COUNTY
BOARD OF COUNTY COMMISSIONERS**

Courthouse, 175 Main Street
Prince Frederick, Maryland 20678
Phone: (410) 535-1600 • (301) 855-1243



Board of Commissioners
Gerald W. Clark
Linda L. Kelley
Wilson H. Parran
Susan Shaw
Barbara A. Stinnett

March 31, 2009

Honorable Dr. Nancy Grasmick,
State Superintendent of Schools
200 West Baltimore Street
Baltimore, Maryland 21201

Dear Honorable Dr. Grasmick:

The County Commissioners of Calvert County, in accordance with section 13.A.02.05.04 of the State code, respectfully request a waiver from the Maintenance of Effort (MOE) for public school funding for the fiscal year beginning July 1, 2009 and ending June 30, 2010. This waiver request is based on the uncertainty of pending state cuts to the counties and the expected continuation of declining revenues for the fiscal year 2010. As you may be already aware, there are several bills before the legislator that could have a significant fiscal impact on county budgets. These potential cuts along with our declining revenues may impact our ability to fund key functions of local county government. The deadline for the waiver request is April 1, 2009 and the state budget will not be adopted until April 6, 2009. Upon adoption of the state budget, each county will need to factor in the effects of the legislation into their budgets and how the budget will be balanced. Due to the uncertainty and potential severity of the State reductions, we feel we must make this request to keep as many options open to the County as possible. Therefore, we request your approval of a waiver from the MOE funding for Calvert County Government.

The FY2009 budgeted funding to the schools is \$100,656,137. Due to an existing funding formula agreement, the FY 2010 appropriations for public school operations is estimated to be \$103,615,515. This formula agreement has served the County well however, in times such as these we may need to invoke the contingency clause contained within that agreement. That is, this agreement includes a sixty day termination clause should the revenues of the County or the Board of Education be drastically reduced. Again, due to the erosion of the revenue base and the potential additional State reductions we may need to consider going to MOE and with your approval reduce beyond the MOE level of funding. The required funding per the MOE for Fiscal Year 2010 is \$98,875,663, a decrease of \$1,780,474. This is due to a reduction in student enrollment. Enrollment decreased by 300 students from 16,960 to 16,660, September 30, 2007 to September 30, 2008, respectively.

We began seeing the erosion of several of our revenue line items in this fiscal year, particularly income tax and recordation tax. In response, the County FY 2009 operating budgets have been reduced by 2% and we are currently on a “mission critical” spending plan as we are currently projecting a \$6 million operating deficit. That is, if the expenditure is not necessary to meet a primary goal or objective, it is not to be incurred. This deficit as well as any additional revenue shortfalls will likely be absorbed by the Fund Balance.

The projected FY2010 General Fund expenditures exceed the current revenue estimate by approximately \$4 million. 50% of these budgeted expenditures are for the Board of Education. Next year’s budget does not include COLA or step increases for County employees nor does it include funding for any new initiatives or programs. Additionally, we have deferred over \$150 million in planned capital projects to beyond FY 2016 to reduce pressures on the operating budget for pay go and debt service.

The County is planning on lower revenue growth in the next five years. Income taxes and property taxes account for nearly 90% of our total revenue. The income tax revenue growth rate is at a historical low and property assessments are expected to remain flat for at least the intermediate term.

The County has consistently exceeded the MOE requirement since adopting a funding formula agreement with the Board of Education. This agreement provides the Board of Education with MOE, CPI increases (limited to 3.5%) and a 1.25% increase for new initiatives. This agreement has been in effect since FY2005 and has provided our Board of Education with millions more each year than the mandatory MOE.

Calvert County currently has a Fund Balance that totals \$68.2 million. The vast majority is reserved or designated for particular purposes such as, to cover purchasing obligations, long term receivables, Other Post Employment Benefits (OPEB), and as set by resolution \$17.7 million or 8% of the County’s annual budget to protect the County’s good bond rating. There is a portion representing \$21.6 million that is designated as the Reserve for Future Capital Projects/Rainy Day Fund. Current projections indicate that we will use approximately \$13.4 million of reserves to cover the short fall in revenues for FY 2009 and FY 2010.

Many of our county residents have already been negatively impacted by the national economy. Some have seen their homes go to foreclosure others have lost their jobs. During a time of economic uncertainty for all residents our County Commissioners believe now is not the time to increase costs and they are strongly against raising taxes and creating an additional burden for our citizens.

The Calvert County Government has placed education as its top priority. As we have demonstrated above, our commitment has been backed by significant funding increases over the last several years. However, in light of the unpredictable nature of State budget cuts and or funding mandates, and due to the State deadline for filing a waiver request by April 1 (before

State budget information is known), Calvert County respectfully requests a waiver from the Maintenance of Effort for FY2010.

Best regards,

A handwritten signature in black ink, appearing to read "Wilson Parran". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

Wilson H. Parran, President