

# Wicomico County, Maryland

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April 16, 2012

Anthony South, Executive Director  
Maryland State Board of Education  
200 West Baltimore Street  
Baltimore, Maryland 21201

RE: FY13 Maintenance of Effort Waiver Request

Dear Mr. South:

In accordance with your letter of April 11, 2012 outlining the timeline for requesting a Maintenance of Effort Waiver Request, Wicomico County hereby submits an "Agreed On" request for waiver of \$6,892,121 from its fiscal year 2011 base of \$43,196,892. This is the last base approved by the State Board of Education under prior waiver legislation. Endorsement by the Wicomico County Board of Education and Interested Parties is expected by the April 23, 2012 deadline.

During the fiscal year 2012 budget season, Wicomico County had submitted a full waiver request package addressing the severe negative impact that the collapse of the housing boom was having on Wicomico County and documenting the stark differentiation between the severity of the recession's effects on Wicomico County compared to the rest of the State. Since that submission all but one of those measures, employment, continued to decline or has stagnated. The County's Net Assessable Real Property Base declined 6.9% for the FY13 tax year from the FY12 base. The decline from FY11 to FY12 was 5.02%. Wicomico County saw a 9% (4,500 jobs) decline in total employment at the low point of the recession in the fall of 2010. Since then, only 29% or 1,300 of those lost jobs have been restored. So, while we withdrew our waiver request for FY12 under the law and circumstances of the time; the economic conditions surrounding that request have not materially improved. We appropriated \$36,196,892 in fiscal year 2012 and we expected that this would be our base for fiscal year 2013.

The MOE legislation introduced in the 2012 General Assembly session in Annapolis substantially changed the computation of MOE. The consequence of the legislation, as introduced, immediately called into question the fiscal viability of Wicomico County, as an ongoing concern, to carry out the normal functions expected of a county government. Prompt

action was taken by our County Council and myself to address this dire situation. Specifically, we introduced legislation that will be voted on April 17, 2012, to increase the County's income tax rate to the maximum of 3.2% as proposed State legislation required; and petitioned State legislative leadership to modify the legislation to permit us to retain the fiscal year 2012 MOE base of \$36,196,892. Language that would have accomplished this was introduced and approved as an amendment to SB0152 Budget Reconciliation and Financing Act (page 23 of amendments [mlis.state.md.us/2012rs/amds/bil\\_0002/sb0152\\_46362301.pdf](http://mlis.state.md.us/2012rs/amds/bil_0002/sb0152_46362301.pdf)). In the event that the Governor calls a special session, we anticipate legislative relief from an otherwise uncorrectable budget shortfall.

This request for an "Agreed On" waiver is based on our Board of Education's diligent and difficult efforts to reshape operations and structurally reduce costs to recognize the substantial and regrettable reductions forced upon them by the economic decline of Wicomico County. Their budget submission for fiscal year 2013 is fully funded at \$172,568,018 with a requested appropriation from Wicomico County of \$36,920,830, which we were going to meet. Under this waiver request, Wicomico County would appropriate \$37,028,709. The table below shows the rationale for this number.

<b>MOE Base</b>	<b>\$</b>	<b>43,196,892</b>
less recurring savings waived	\$	(6,892,121)
<b>New FY12 MOE base</b>	<b>\$</b>	<b>36,304,771</b>
Enrollment Growth - County	\$	206,108
Minimum County MOE appropriation required	\$	36,510,879
Existing additional commitment from County	\$	517,830
<b>Total County FY13 Appropriation</b>	<b>\$</b>	<b>37,028,709</b>
State Government Aid	\$	119,198,665
Federal Government Aid	\$	14,676,992
Other Income	\$	1,471,531
Budgeted use of Prior Year Fund Balance	\$	300,000
<b>Total Revenue under waiver proposal</b>	<b>\$</b>	<b>172,675,897</b>
<b>FY13 Proposed Budget</b>	<b>\$</b>	<b>172,568,018</b>
net increase in available funds	\$	107,879

The waiver requested is based on real operating cost reductions that have been achieved across most expense categories using fiscal year 2010 as baseline (peak spending). Attachment 1 shows the calculation of the savings by category. This exhibit was constructed from the fiscal year 2012 budget by adding the incremental increase required by the growth in total full time equivalent enrollment. Attachment 2 shows the computation of the funding increment from FY12 to FY13. The table below shows the calculation of total savings working backwards from the FY13 total budget request, and then comparing that number to the total actual expenses in fiscal year 2010. The same saving results are demonstrated.

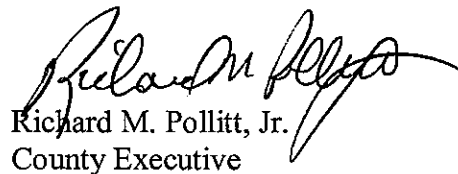
Proposed FY13 Budget	\$	172,568,018
Less Total new County, State, & Federal funds	\$	(3,986,379)
Add back required enrollment increase increment	\$	959,361
<u>FY13 MOE budget excluding real growth</u>	<u>\$</u>	<u>169,541,000</u>
Actual FY10 Expenses	\$	176,433,121
<b>Total Recurring Savings</b>	<b>\$</b>	<b>6,892,121</b>

The County believes that the Superintendent of Schools and the County Board of Education's submission of an executable budget plan for fiscal year 2013 based on the fiscal year 2012 County MOE base of \$36,196,892 is the clearest demonstration that County funding of \$37,028,709 together with State, Federal and Other funding totaling \$172,568,018 will permit the local board of education to adequately fund its 2012-2013 operations. This funding level is 97.8% of the actual peak year expenses of \$176,433,121, in other words, an expenditure decrease of 2.2% over three years from FY10 to FY13.

Finally, it is important to note that no further substantial capital projects for the school system, or any County function, including the funding of Bennett Middle School, can be undertaken in the foreseeable future without permitting Wicomico County to operate from the FY12 MOE base.

The endorsement of this request from our Board of Education and Interested Parties and your approval of this waiver will ensure that Wicomico County government can continue to provide uninterrupted quality services across all its functional areas while continuing to contribute the heaviest portion of our budget in support of public education.

Sincerely,



Richard M. Pollitt, Jr.  
County Executive

Cc: County Council  
Board of Education  
Dr. John Fredericksen  
Wayne Strausburg  
Edgar Baker  
Andrew Mackel

## Wicomico County Board of Education

### FY13 Waiver Request - Computation of Recurring Savings

Category	Actual Expenses FY10	Actual Expenses FY11	Restated Budget FY12	Total Enrollment growth MOE allocated proportionally	Computed Minimum Budget FY13	Savings by Category
Administration	\$ 5,021,810	\$ 4,564,173	\$ 4,558,789	\$ 25,447	\$ 4,584,236	\$ (437,574)
School Management & Support	\$ 11,801,000	\$ 11,582,739	\$ 11,378,155	\$ 64,578	\$ 11,442,733	\$ (358,267)
Instructional Salaries & Wages	\$ 71,132,388	\$ 67,556,984	\$ 67,488,202	\$ 376,657	\$ 67,864,859	\$ (3,267,529)
Textbooks & Instructional Supplies	\$ 4,461,333	\$ 3,735,969	\$ 2,904,896	\$ 20,829	\$ 2,925,725	\$ (1,535,608)
Other Instructional Costs	\$ 2,952,442	\$ 2,547,969	\$ 2,491,924	\$ 14,206	\$ 2,506,130	\$ (446,312)
Special Education	\$ 18,565,837	\$ 17,624,953	\$ 17,401,268	\$ 98,266	\$ 17,499,534	\$ (1,066,303)
Student Personnel Services	\$ 2,239,622	\$ 2,120,656	\$ 2,279,780	\$ 11,823	\$ 2,291,603	\$ 51,981
Student Health Services	\$ 1,451,181	\$ 1,487,423	\$ 1,373,538	\$ 8,293	\$ 1,381,831	\$ (69,350)
Student Transportation Services	\$ 8,195,000	\$ 8,093,901	\$ 8,446,356	\$ 45,127	\$ 8,491,483	\$ 296,483
Operation of Plant	\$ 10,694,602	\$ 10,669,376	\$ 11,245,907	\$ 59,486	\$ 11,305,393	\$ 610,791
Maintenance of Plant	\$ 2,757,013	\$ 2,605,104	\$ 3,174,084	\$ 14,524	\$ 3,188,608	\$ 431,595
Fixed Charges	\$ 30,400,770	\$ 30,083,915	\$ 30,257,276	\$ 167,730	\$ 30,425,006	\$ 24,236
Food Services	\$ 750,000	\$ 750,000	\$ 750,000	\$ 4,182	\$ 754,182	\$ 4,182
Community Services	\$ 203,683	\$ 151,336	\$ 192,087	\$ 844	\$ 192,931	\$ (10,752)
Capital Outlay	\$ 5,806,440	\$ 8,496,133	\$ 4,639,377	\$ 47,369	\$ 4,686,746	\$ (1,119,694)
<b>TOTALS</b>	<b>\$ 176,433,121</b>	<b>\$ 172,070,631</b>	<b>\$ 168,581,639</b>	<b>\$ 959,361</b>	<b>\$ 169,541,000</b>	<b>\$ (6,892,121)</b>

FY08-FY10 page 22 of FY12 WBOE approved budget

FY11-FY13 page 19 of FY13 WBOE proposed budget of March 2012

County Portion	\$ 206,108
State Portion	\$ 753,253

## Computation of Funding Increment from FY12 to FY13

### Full Time Equivalent Enrolment Change

FTE current year 9/30/2011	13,911.00
FTE prior year 9/30/2010	13,832.25
Growth in FTE	78.75

	Total restated budget FY12	County FY12 Appropriation	State Portion
	\$ 168,581,639	\$ 36,196,892	
appropriation by pupil	\$ 12,187.58	\$ 2,616.85	
total new MOE required for FY13	\$ 169,541,000	\$ 36,403,000	
incremental MOE from FY12 to FY13	\$ 959,361	\$ 206,108	\$ 753,253

The incremental increase in MOE attributable to the County is \$206,108. The remaining amount of \$753,253 is allocated to the State for the purposes of computing net new revenue included within the FY13 expense budget proposal. Backing out the expense growth above that required by enrollment growth, permits the computation of what the FY13 expenses would be to meet minimum MOE in FY13. From that, the net savings over expenditures in FY10 can be computed.

## Computation of Net New Funding between FY12 and FY13 Proposed Budget

<u>Total New Funding in FY13 Proposed Budget</u>	<u>\$ 3,986,379</u>
less County portion of MOE	\$ (206,108)
less State portion of MOE	\$ (753,253)
Net New Funding for FY13	<u>\$ 3,027,018</u>