Prince George's County
PGCEA
Educators' Association
Affiliate of MSTA and NEA

April 9, 2009

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

Dear Mr. DeGraffenreidt:

Pursuant to Section 13A.02.05.04 of the Maryland School Laws and Regulation, the Prince George's County Educators' Association (PGCEA) is filing a response in opposition to the request for waiver from the Maintenance of Effort (MOE) filed by Prince George's County (County) for fiscal year 2010. PGCEA's response to the waiver request is based on several factors that we will identify in this document.

PGCEA has identified the following areas as critical components to consider when assessing the ability of the County to fund its statutorily imposed requirements under existing State laws. Those areas are:

- Accurate representation of current revenues and expenditures
- County reserves
- Accounting practices
- Damage to academic achievement
- Fiscal effort
- Impact on federal stimulus dollars

Accurate Representation of Current Revenues and Expenditures

Throughout the MOE waiver request, the County does two things: (1) it presents the worst case scenario going forward into the out years; and (2) it continues to compare the proposed 2010 budget to the FY 2009 approved budget that was revised and dramatically reduced due to the actions of CB-51, legislation that was adopted July 23, 2008 that included $45 million in expenditure reductions to the FY 2009 budget. Included in the adjustment was a $14 million reduction from the Board of Education (BOE).

DONALD BRISCOE, *President* 8008 Marlboro Pike • Forestville, Maryland 20747 • (301) 736-2700 • Fax (301) 568-8900 LEWIS ROBINSON, *Executive Director*

A very clear example of failing to recognize the revised budget can be found on page 1, the third paragraph of the County request for waiver. In it, the County proposes to demonstrate the following: "FY 2010 represents an unprecedented $93.3 million or 3.5% decrease from the FY 2009 budget. In other words, we have $93 million less to pay for all County services than we had one year ago." This statement significantly overstates the revenue decrease by failing to appropriately advise the reader of the shortfall since the County revised the budget to $2,642.5 million. This does not represent a shortfall of $93 million between the two fiscal years.

The FY 2009 approved budget revenues were set at $2,673.5 million, which was revised downward by the actions of CB-51. More recently, County projections in its December 2008 Bi-Monthly Financial Report, set new revenue estimates for the General Fund at $2,609.7 million. This amount, when compared to the FY 2010 proposed budget General Fund source revenues of $2,580.1 million, would indicate that the County at that time was projecting actual revenues to be $29.6 million less than the actual revised budget recognizing expenditure reductions. This amount is significantly less than the $93 million described in the County request for waiver. (See PGCEA Addendum 1 A, B.)

While the County does provide significant information on projected revenue shortfalls (all compared to FY 2009 approved not revised budget), it does fail to mention shifts in revenues to the plus side of projections. Page 1, paragraph five of the County request for waiver, indicates that County resource revenues, including the contribution to the BOE, are projected to decrease by $59.2 million. An examination of this claim reveals that revenue from County sources is actually projected to be $3.7 million more in FY 2010 than the FY 2009 revised budget estimate as compared to the "$59.2 million or 3.8% major declines" included in the County request. (See PGCEA Addendum 1 A, B.)

Property taxes increased by $193.5 million, or 41% from FY 2005 to FY 2009. Even though the tax rate is frozen and assessable base growth is limited, revenues will still be adequate and continue to show modest growth, a factor that the County fails to make in its presentation; therefore, not providing a balanced perspective of County revenues. Additionally, the County's real property tax revenue capacity is not fully realized due to the structure of the County's Homestead Tax Credit. The credit, tied to the CPI growth for the 12 months ending June 30, caps the growth of owner-occupied property assessment in the County at 3% in FY 2008 and 3% in FY 2009—**the fifth lowest rate in the State.**

The County has also not included in its presentation information relative to House Bill 1517, a local bill that passed through the House as of this writing, 132-0. The bill is currently in the Senate and we fully expect that it will pass before the close of the legislature. The bill would transfer $65 million in local property tax revenues collected by the Maryland-National Capital Park and Planning Commission (MNCPPC) to Montgomery and Prince George's Counties. **The revenue transferred to the County would increase by $30 million in FY 2010 and by $30**

million in FY 2011. The funds originate from taxes levied against the assessable property in the County and would come from the administration fund, parks fund and the recreation fund. Once the bill has passed the legislature, the funds have not been anticipated in the 2010 general fund revenue projections, and therefore, would be available for support of the MOE. (See PGCEA Addendum 2.)

The current budget shortfall is due in large part to a temporary crisis caused by the national economic slowdown driven by the housing market. While we fully recognize this situation and its impact, we also are aware that many economists are predicting a recovery within another fiscal year, laying the groundwork that this is a temporary crisis and can be handled through some short-term measures as opposed to permanent service cuts, such as the ones that will be required if the County request is granted. The State has also emphasized that State cuts are temporary, with a probable duration of 1 to 2 years.

<u>County Reserves</u>

The County is requesting from the State Board of Education a waiver from MOE based on their inability to find the needed resources to cover the $23.6 million to meet its obligation under the MOE law "without seriously impairing other County services." The County gives itself no credit for steps taken many years ago to address public emergencies, unexpected or unforeseen conditions or occurrences that might arise. Section 806 and 816 of the County Charter establish a "General Fund Contingency Reserve of 5% of the general fund budget and a 2% General fund Operating Reserve."

The proposed relief that the County seeks could easily be addressed by use of a small portion of either of these two reserve funds that would appear established for just such a contingency. The County fund balances as of June 30, 2008 were as follows (See Addendum 3, County 2010 Operating Budget, Page III-16.):

- Operating reserve $ 53,385,776
- Contingency reserve $ 133,396,940
- Undesignated reserve $ 65,020,316

A review of the Comprehensive Annual Financial Reports prepared by the counties and reported to the State of Maryland discloses two points that are worth reviewing from this document. **Prince George's County has the absolute largest amount available and on hand of any subdivision in the State of Maryland in fund balances and "Rainy Day" funds**, including those counties with larger budgets. **Prince George's County retains a higher percentage of its revenues as a part of fund balances than does the State of Maryland**. In recent months, the State has cut deeper into its reserves to fund operating expenses while some counties have chosen other options to support expenses. At the time of this report, the County was retaining an amount equal to 19.7% fund balance as a percentage of general fund revenues compared to the State, which was at 10.3% at that time. (See PGCEA Addendum 4.)

We are also recently aware that counties, such as Anne Arundel and St. Mary's, both recently went to fund balance to help fund similar general fund obligations.

Accounting Practices

PGCEA specifically feels that the County should consider other options to the current schedule of funding Other Post-Employment Benefits (OPEB). This is the first year that the County is funding a multi-year schedule. The County can change the schedule and amortize the unfunded obligations over a longer time horizon. In fact, given current financial considerations, PGCEA would recommend using the maximum allowable period of 30 years as opposed to the planned 10-year phase-in plan. To move from the current pay-go approach to a shorter horizon greatly reduces the amount of revenue available to fund other budget priorities, such as the school system. **The County is setting aside an amount of $22.9 million for its OPEB obligation, almost the exact amount of the MOE waiver request that it is seeking from the State Board**.

The County could revert back to a pay-go system with no effect on the budget, or employ a revised schedule spreading the payments over the longer horizon as suggested. Other jurisdictions including the State of Maryland have reduced their proposed contribution for OPEB in FY 2010 to support other priorities.

Damage to Achievement

There is increasing evidence that the school district is improving and achieving at a pace that has drawn state and national recognition, and additional cuts to the budget will jeopardize the substantial progress being made by the district and its 128,000 students.

- In the past two years, **35 schools have exited "School Improvement**" status after making adequate yearly progress (AYP) for two consecutive years. The number of schools in School Improvement has declined from more than 80 in 2006-2007 to 55 in 2008-2009.

- In December 2008, Doswell E. Brooks Elementary School was named as one of only two National Distinguished Title 1 Schools in the State of Maryland.

- 40 Prince George's County Public Schools (PGCPS) were recognized for the State of Maryland for overall and sub-group improvements on State assessments during 2008.

Indicators of teacher quality have risen significantly over the past couple of years through new programs and the collaborative work of PGCEA with the PGCPS. The district has literally cut in half the percentage of provisional non-certificated teachers that it employs.

- The percentage of core academic subject classes taught by highly qualified teachers improved from 62.1 percent in 2006 to 78.0 percent in 2008, and it is anticipated to top 82 percent in 2009.

- **50 teachers received National Board Certification** in November 2008, bringing the total number of National Board Certified teachers in the district to 133.
- Almost 300 teachers and 30 administrators in 12 buildings are participating in the Financial Incentives Rewards for Supervisors and Teachers (FIRST) Program, an innovative program linking student performance with teacher compensation.

Increased rigor in coursework at all levels is showing significant progress. In 2008, after several years of improvement on State Assessments, our students at every grade level, in all content areas and for all sub-groups, showed improvements. The facts are clear that the pace of our improvements is outstripping that of the State as a whole.

- Participation in Advanced Placement courses increased from 5462 in 2007 to 8443 in 2008, and this year we will see additional improvements in that area.

- The district is also seeing impressive gains in readiness to do grade level work. The most recently released Maryland Model of School Readiness data showed that our kindergarten students had moved to within 2 points of the statewide proficiency level. In 2009, 71% of the County kindergartners were fully ready to start school, up from 36 percent in 2001-2002. Statewide in 2009, 73 percent of kindergartners are fully ready for school.

The district's accomplishments will be severely compromised if the County does not meet its obligation. For years the State and elected officials had chastised the district for not making the level of progress we see today. Why would the State now abandon another generation of children and be party to a proposal that would return the district back to years of academic struggle?

<u>Fiscal Effort</u>

PGCEA believes that it is appropriate for discussion of granting a waiver for MOE to raise the question of whether the County has made a satisfactory local effort in funding the district, and if the County has taken sufficient steps with regard to its fiscal capacity. In this case, fiscal effort refers to the relative extent to which the County has actually utilized the revenue sources available to it—fiscal or revenue capacity. **PGCEA believes that the County is guilty of low tax effort** affecting the long-term fiscal health of the County and contributing to a decline in real support for the district.

While this is not the time to debate the issue of the Tax Reform Initiative by Marylanders (TRIM), it is worth reporting its damage to the school district. The limitation or freezing of the property tax rate imposed by TRIM has a negative impact on the County tax base. Because of TRIM's artificial constraints, significant increases in actual value of taxable property from FY 1987 to FY 2009 were negated by a combination of lower property tax rates and a decreasing assessment ratio. Currently, the County tax rate is fixed at $.960 and the assessable base annual growth is capped at 4%. Primarily because of TRIM constraints, property tax revenues have not kept pace with other County revenues. In fact, while taxes increased by $803.3 million, or 139% from FY 1990 to FY 2008, property taxes only increased by $318.2 million, or 116%, hardly providing its fair share.

We estimate that this decline or capping of property taxes has resulted in the following. From FY 1998 to FY 2008, the BOE share of total expenditures (excluding external sources) decreased from 49% to 40.2 %, a decline of 8.8 percentage points. One percentage point equates to $15.3 million for FY 2008; hence, had the County just maintained the FY 1998 support level, an additional $134.6 million would have been allocated to the BOE for FY 2008.

In addition, **the County has the lowest "Recordation Tax."** The recordation tax rate is imposed on each $500 of the value of the transaction being recorded. The County has the lowest rate in the State at $2.50, as compared to several counties that set the rate at $5.00. **If the County raised the rate just $.50 to $3.00, the second lowest rate in the State, the County would generate an additional $7 to $8 million per year**.

The County has also failed to take advantage of another significant resource and that is the Homestead Tax Credit Percentage. **Currently nine (9) counties take advantage of this resource at a higher percentage than does Prince George's County**. If the County implemented the rate at the 10% allowed by the State, tax revenues generated in FY 2010 would total $17.5 million and as much as $37.3 million in 2011, according to the Maryland Department of Legislative Services.

PGCEA believes that the County has not taken significant or aggressive steps to tax itself or take on the artificial limitations on property taxes. The County must be willing to manage its affairs within its authority before it approaches the State looking to abrogate its responsibility to fund the school district. **The County should not be rewarded for maintaining Low Tax Effort**. (See PGCEA Addendums 5, 6, 7, 8, and 9a.)

Impact on Federal Stimulus Dollars

Our final point for consideration on the part of the State board is the provision referred to as the "maintenance of effort" or MOE required by the Federal Government. For more than 40 years, MOE has been used by State agencies to prevent legislatures from reducing support of education. Built into every MOE provision is the authority for the Secretary to waive the requirement in the event of some exceptional or uncontrollable circumstances affecting the ability of the State to meet MOE requirements. **Our research indicates that such waivers have literally not taken place** -- not with the serious recession of 1982; not as part of the economic downturn of 2002-2003; and not associated with the events of September 11, 2001. None of these established a circumstance egregious enough to support a waiver.

PGCEA is concerned that any agreement to allow a waiver at this time would compromise the funding associated with the State Stabilization Funds provided as part of the American Recovery and Reinvestment Act (ARRA) of 2009. In order to receive grants from the State Stabilization Fund which were to be used through existing State education formulas, states must agree to maintain their respective funding for education. The primary purpose of the fund is to stabilize education funding and prevent cuts from current fiscal year funding levels. The language holds the states and local districts accountable for those funds. In fact, as part of the application process each Governor must include an assurance that the State will maintain the same level of support for elementary, secondary education in the FYs 2009 through 2011, but what of the counties?

Should a county government be allowed to reduce their funding commitment at the same time the State and the local district are being held accountable for their level of funding and commitment? If the counties are, then we have simply engaged in a blatant budget shell game with complete disregard for the intent of the Economic Stimulus provisions. On one hand we receive the funds to avoid severe cuts to programs and staff, and then on the other hand the County reduces funding, placing the district back in the same position with no consideration for the sprit or intent of the federal legislation.

Summary

We urge the members of the State Board of Education to reject the County waiver request and send them back to the drawing board to seek alternative revenue measures or expenditure shifts to fund their statutory obligation. Comparative data about finances with other Maryland localities indicates that the County has not taken advantage of its authority or capacity to tax its citizens to maintain its support for the public schools. At the same time it has allowed the State to take on a greater and greater share of that obligation as it reduced its share toward education.

The county has not demonstrated nor can it that its current fiscal condition significantly impedes its ability to fund MOE, in fact that would be extremely difficult to do given the remaining high level of reserves that the County retains when compared to its neighbors and the State of Maryland.

For the reasons set forth, the Prince George's county educators' Association requests that the Maryland State Board of Education reject the County's request for waiver of its MOE for FY2010.

For the Association,

Lewis Robinson

Lewis A. Robinson
Executive Director

cc: Members of the Maryland State Board of Education
Chair of the Prince George's County Board of Education
Prince George's County Superintendent of Schools
Members of the PGCEA Board of Directors
Members of Prince George's County Council

FY 2010 Proposed General Fund Revenues

Revenues ($ in millions)	FY 2009 Approved	FY 2010 Proposed	$ Change	% Change
County Sources				
Property Taxes	653.7	705.3	51.6	7.9%
Income Taxes	437.2	413.9	-23.3	-5.3%
Transfer & Recordation Taxes	145.9	92.1	-53.8	-36.9%
Telecommunications Taxes	47.3	44.8	-2.4	-5.2%
State Shared Taxes	29.5	26.0	-3.5	-12.0%
Intergovernmental Revenues	31.6	31.8	0.3	0.8%
Other Revenues	193.3	165.4	-27.9	-14.4%
Subtotal - County Sources	1,538.5	1,479.4	-59.2	-3.8%
Outside Aid				
Board of Education	1,064.4	1,031.5	-32.9	-3.1%
Community College	62.4	60.5	-1.9	-3.0%
Library	8.1	8.7	0.7	8.1%
Subtotal - Outside Aid	1,134.9	1,100.8	-34.1	-3.0%
Total	**2,673.5**	**2,580.1**	**-93.3**	**-3.5%**

Note: Numbers may not add due to rounding.

Appendix I

General Fund Revenue Bi-Monthly Review

	FY 2008 Unaudited	FY 2009 Approved Budget	FY 2009 Revised Budget	FY 2009 YTD (as of 11-30-08)	YTD as % of Revised Budget	FY 2009 Estimated	FY 2009 Over/(Under) Revised Budget	% Variance
County Taxes								
Property Tax	609,733,020	653,711,800	653,711,800	470,574,126	72%	659,102,200	5,390,400	1%
Income Tax	423,299,029	437,226,000	419,655,400	124,116,144	30%	432,208,500	12,553,100	3%
Transfer & Recordation	136,725,597	145,920,800	119,830,100	43,350,818	36%	98,575,500	(21,254,600)	-18%
Energy tax	62,747,183	60,306,800	62,723,400	15,046,453	24%	62,747,200	23,800	0%
Telecommunications Tax	47,376,549	47,287,300	47,287,300	16,688,315	35%	45,718,400	(1,568,900)	-3%
Other Local Taxes	22,023,674	20,101,700	20,101,700	5,853,543	29%	19,580,508	(521,200)	-3%
State Shared	28,785,491	29,533,900	29,533,900	4,135,140	14%	27,054,800	(2,479,100)	-8%
Total Taxes	$ 1,330,690,544	$ 1,394,088,300	$ 1,352,843,600	$ 679,764,538	50.2%	$ 1,344,987,100	$ (7,856,500)	-0.6%
County Other Revenues								
Licenses and Permits	20,733,531	23,531,900	20,064,700	5,368,352	26.8%	16,843,300	(3,221,400)	-16.1%
Use of Money and Property	44,513,501	22,941,700	19,653,600	9,465,909	48.2%	20,145,900	492,300	2.5%
Charges for Services	26,819,050	29,718,600	29,718,600	8,131,076	27.4%	26,186,800	(3,531,800)	-11.9%
Intergovernmental	32,258,030	31,570,400	34,570,400	4,847,768	14.0%	33,254,900	(1,315,500)	-3.8%
Miscellaneous	2,579,162	5,318,500	5,318,500	1,032,602	19.4%	2,979,100	(2,339,400)	-44.0%
Other Financing Sources	28,902,698	31,376,200	31,376,200	-	0.0%	31,376,200	-	0.0%
Total Other Revenues	$ 155,805,970	$ 144,457,300	$ 140,702,000	$ 28,845,706	20.5%	$ 130,786,200	$ (9,915,800)	-7.0%
County Source Revenues Total	$ 1,486,496,514	$ 1,538,545,600	$ 1,493,545,600	$ 708,610,244	47.4%	$ 1,475,773,300	$ (17,772,300)	-1.2%
Outside Aid								
Board of Education	1,056,368,300	1,064,447,600	1,078,447,600	-	0.0%	1,064,447,600	(14,000,000)	-1.3%
Community College	55,805,000	62,376,900	62,376,900	-	0.0%	61,456,900	(920,000)	-1.5%
Library	8,506,300	8,083,900	8,083,900	-	0.0%	8,083,900	-	0.0%
Outside Aid Total	$ 1,120,679,600	$ 1,134,908,400	$ 1,148,908,400	$ -	0.0%	$ 1,133,988,400	$ (14,920,000)	-1.3%
General Fund Total	$ 2,607,176,114	$ 2,673,454,000	$ 2,642,454,000	$ 708,610,244	26.8%	$ 2,609,761,700	$ (32,692,300)	-1.2%

* Prince George's County Bi-Monthly Financial Report
November 30, 2008

HB 1517

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1517 (Montgomery County Delegation and Prince George's County Delegation)

Environmental Matters Budget and Taxation

Maryland-National Capital Park and Planning Commission - Disbursement of Funds to Prince George's County and Montgomery County
MC/PG 127-09

This bill transfers $65 million in local property tax revenues collected by the Maryland-National Capital Park and Planning Commission (M-NCPPC) to Montgomery and Prince George's counties.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None.

Local Effect: Montgomery County revenues increase by $5 million in FY 2010. Prince George's County revenues increase by $30 million in FY 2010 and by $30 million in FY 2011. Expenditures for M-NCPPC increase by the same amount.

Transferring property tax revenues from M-NCPPC to Prince George's County may conflict with the intent of the voter-imposed charter limit on county property taxes. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

BUDGETARY FUND BALANCE

	Actual June 30 FY 2008 Balance	Estimated FY 2009 Revenues	Estimated FY 2009 Expenses	Estimated June 30 FY 2009 Balance	Proposed FY 2010 Revenues	Proposed FY 2010 Expenses	Projected June 30 FY 2010 Balance
GENERAL FUND							
Operating Reserve	$ 53,358,776	$ 2,604,664,500	$ 2,639,192,045	$ 52,783,841	$ 2,580,142,000	$ 2,580,142,000	$ 51,602,840
Contingency Reserve	133,396,940			131,959,602			129,007,100
Undesignated Fund Balance	65,020,316			7,505,044			(13,361,453)
TOTAL GENERAL FUND	$ 251,776,032	$ 2,604,664,500	$ 2,639,192,045	$ 192,248,487	$ 2,580,142,000	$ 2,580,142,000	$ 167,248,487
INTERNAL SERVICE FUNDS							
Fleet Management	$ 13,816,374	$ 13,756,374	$ 18,179,400	$ 13,756,374	$ 13,756,374	$ 14,032,000	$ 13,756,374
Information Technology	13,934,053	27,296,500	27,296,500	13,863,653	25,845,800	25,845,800	13,391,853
TOTAL INTERNAL SERVICE FUNDS	$ 27,750,427	$ 41,052,874	$ 45,475,900	$ 27,620,027	$ 39,602,174	$ 39,877,800	$ 27,148,227
ENTERPRISE FUNDS							
Stormwater Management	$ 39,123,324	$ 50,034,200	$ 42,215,300	$ 46,942,224	$ 49,875,600	$ 49,875,600	$ 46,942,224
Solid Waste	11,991,237	106,232,200	106,232,200	479,537	102,347,800	102,347,800	(4,696,563)
TOTAL ENTERPRISE FUNDS	$ 51,114,561	$ 156,266,400	$ 148,447,500	$ 47,421,761	$ 152,223,400	$ 152,223,400	$ 42,245,661
SPECIAL REVENUE FUNDS							
Debt Service	$ 5,902,503	$ 110,293,900	$ 110,293,900	$ 0	$ 114,132,000	$ 114,132,000	$ 0
Drug Enforcement and Education	6,961,225	2,025,000	500,000	$ 8,486,225	2,000,000	2,000,000	$ 4,794,475
Collington Center	1,152,974	5,000	5,000	1,147,974	5,000	5,000	1,142,974
Property Management Services	1,980,654	0	484,600	1,805,654	275,300	275,300	1,705,354
Domestic Violence	159,042	359,400	359,400	159,000	434,400	434,400	159,000
Industrial Development Authority	0	44,800	44,800	0	44,800	44,800	0
TOTAL SPECIAL REVENUE FUNDS	$ 16,156,398	$ 112,728,100	$ 111,687,700	$ 11,598,853	$ 116,891,500	$ 116,891,500	$ 7,801,803
GRANT PROGRAM FUNDS	$ 0	$ 166,430,500	$ 166,430,500	$ 0	$ 181,736,400	$ 181,736,400	$ 0
GRAND TOTAL ALL FUNDS	$ 346,797,418	$ 3,081,142,374	$ 3,111,233,645	$ 278,889,128	$ 3,070,595,474	$ 3,070,871,100	$ 244,444,178

Note - Budgeted revenues may include use of fund balance, therefore the totals may not add across.

Note - The definition of ending balance varies depending on the type of fund.

The following definitions of budgetary fund balance are used by Prince George's County:

General Fund - The Charter-mandated Contingency Reserve (5% of expenditure), plus the Operating Reserve at 2% and undesignated fund balance.

Internal Service Funds - The balance above represents total net assets as shown in the Consolidated Annual Financial Report (CAFR).

Enterprise Funds - The balance shown above represents an ending cash and cash equivalents balance. This balance takes into account net operating revenues and expenditures and increases based on bond proceeds, offset by capital expenditures and by funds that must be held in reserve for future obligations.

Special Revenue Funds - The balance shown above represents fund balance as shown in the CAFR.

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Prince George's County Proposed Operating Budget
March 16, 2009

Exhibit 8.2
County Combined Unreserved General Fund Balances and "Rainy Day" Funds
Fiscal 2006 through 2008
($ in Thousands)

County	FY 2006 Balances	Percent of General Fund	FY 2007 Balances	Percent of General Fund	FY 2008 Balances	Percent of General Fund
Allegany	$10,361.3	14.6%	$11,676.0	15.9%	$11,892.4	15.8%
Anne Arundel	131,394.0	12.5%	148,793.6	13.4%	102,265.6	9.2%
Baltimore City	148,204.0	12.3%	144,207.0	11.5%	126,139.0	9.6%
Baltimore	279,665.0	18.8%	271,422.0	17.2%	257,930.0	15.9%
Calvert	56,039.8	34.3%	54,223.3	27.8%	55,649.1	27.0%
Caroline	6,912.7	17.2%	2,700.4	6.5%	2,721.9	6.5%
Carroll	44,760.5	17.1%	39,089.8	13.8%	45,855.9	14.9%
Cecil	39,472.0	28.8%	34,601.7	23.3%	38,072.1	24.5%
Charles	66,201.5	24.2%	70,845.8	25.8%	52,384.2	18.7%
Dorchester	10,656.8	22.4%	7,457.6	15.4%	7,166.8	13.1%
Frederick	105,743.1	27.4%	97,569.8	23.7%	67,761.9	15.9%
Garrett	25,687.8	41.2%	29,695.4	43.0%	28,062.3	38.6%
Harford	83,364.4	23.1%	91,179.7	23.0%	69,298.1	16.8%
Howard	104,117.0	15.2%	109,084.6	15.2%	93,017.0	12.1%
Kent	2,705.5	7.4%	4,837.2	12.7%	4,887.3	11.8%
Montgomery	389,556.8	16.0%	428,624.8	16.4%	283,995.3	10.9%
Prince George's	244,843.9	17.2%	209,847.8	14.4%	286,898.2	19.7%
Queen Anne's	20,973.0	23.2%	22,084.8	23.1%	11,116.9	11.5%
St. Mary's	45,501.3	27.4%	41,494.5	24.8%	35,946.4	20.3%
Somerset	9,704.9	35.8%	12,722.1	43.1%	10,747.3	33.4%
Talbot	32,673.1	45.7%	38,907.5	48.5%	40,793.5	50.2%
Washington	29,949.1	17.0%	33,971.7	17.2%	35,277.8	17.3%
Wicomico	32,092.8	27.1%	34,014.2	27.5%	34,263.6	27.9%
Worcester	52,027.2	33.5%	49,556.9	30.0%	46,361.5	26.4%
Total	$1,972,607.4	18.0%	$1,988,608.0	17.2%	$1,748,504.0	14.8%
State of Maryland	$2,800,667.0	14.6%	$2,317,445.0	11.6%	$2,182,148.0	10.3%

Notes: The balance figures above comprise: Unreserved Undesignated - fund balance that is not reserved or designated for utilization in a future period; Unreserved Designated - fund balance that is unreserved but designated for utilization in a future period

Source: County Audit Reports, Fiscal 2005 through 2007; additional information concerning rainy day funds obtained from county finance offices

COMPARISON OF PROPERTY TAXES AS A PERCENTAGE OF TOTAL TAXES FY1990 - FY2008 (000,000)

FISCAL	TOTAL	PROPERTY	PROPERTY TAX
1990	$578.8	$274.5	47.4
1991	587.2	293.7	50.0
1992	623.1	314.2	54.8
1993	702.2	347.2	49.4
1994	719.1	361.9	50.3
1995	731.3	370.7	50.7
1996	747.2	379.8	50.8
1997	760.6	386.6	50.8
1998	788.4	393.6	49.9
1999	831.2	402.7	48.4
2000	853.6	411.1	48.2
2001	895.8	416.4	46.5
2002	921.1	429.7	46.7
2003	1,009.9	443.7	43.9
2004	1,072.2	443.2	41.3
2005	1,136.4	468.6	41.3
2006	1,302.9	511.8	39.3
2007	1,328.8	549.2	41.3
2008 (est.)	1,382.1	592.7	42.9

- PGCEA Research

BOARD OF EDUCATION AS A % OF TOTAL GENERAL FUND EXPENDITURES FY1998 TO FY2008 (000,000)

FISCAL YEAR	TOTAL GENERAL FUND EXPENDITURES 1/	BOARD OF EDUCATION 1/	BOARD OF EDUCATION AS A % OF TOTAL
1998	$ 830.0	$ 406.9	49.0
1999	878.9	421.7	48.0
2000	925.4	438.7	47.4
2001	981.9	467.0	47.6
2002	1,002.9	467.8	46.6
2003	1,088.0	511.6	47.0
2004	1,123.7	521.2	46.4
2005	1,152.7	502.2	43.6
2006	1,338.4	539.3	40.3
2007	1,455.1	602.2	41.4
2008	1,532.7	615.8	40.2

1_/ Excluding Non-county Sources

- PGCEA Research

Table 1.1 - FY 2009 County Tax Rates in Brief

	Property Tax Rates (non-municipal)	Income Tax Rates CY08	Income Tax Rates CY09	Recordation Tax	Transfer Tax	Hotel/ Motel Tax	Adm & Amusements
Allegany	0.9829	3.05%	3.05%	$3.25	0.5%	8%	7.5%
Anne Arundel	0.888	2.56%	2.56%	$3.50	1.0%	7%	10%
Baltimore City	2.268	3.05%	3.05%	$5.00	1.5%	7.5%	10%
Baltimore County	1.100	2.83%	2.83%	$2.50	1.5%	10%	10%
Calvert	0.892	2.80%	2.80%	$5.00	-	5%	1%
Caroline	0.870	2.63%	2.63%	$3.30	0.0%	0%	-
Carroll	1.048	3.05%	3.05%	$5.00	-	5%	10%
Cecil	0.960	2.80%	2.80%	$4.10	$10/deed	5%	6%
Charles	1.026	2.90%	2.90%	$5.00	-	5%	10%
Dorchester	0.090	2.62%	2.62%	$5.00	0.8%	5%	1%
Frederick	0.936	2.96%	2.96%	$6.00	-	3%	0.5 - 5%
Garrett	1.000	2.65%	2.65%	$3.50	1.0%	5%	4.5%
Harford	1.082	3.06%	3.06%	$3.30	1.0%	0%	1-10%
Howard	1.014	3.20%	3.20%	$2.50	1.0%	5%	7.5%
Kent	0.972	2.85%	2.85%	$3.30	0.5%	5%	4.5%
Montgomery	0.818	3.20%	3.20%	$3.45	0.25 - 6%	7%	7%
Prince George's	0.960	3.10%	3.20%	$2.50	1.4%	5%	10%
Queen Anne's	0.770	2.85%	2.85%	$4.95	0.5%	5%	5%
St. Mary's	0.857	3.00%	3.00%	$4.00	1.0%	5%	2%
Somerset	0.920	3.15%	3.15%	$3.30	-	5%	4%
Talbot	0.449	2.25%	2.25%	$3.30	1.0%	4%	5%
Washington	0.948	2.80%	2.80%	$3.80	0.5%	6%	3-5%
Wicomico	0.814	3.10%	3.10%	$3.50	-	6%	6%
Worcester	0.700	1.25%	1.25%	$3.30	0.5%	4.5%	3%

The data contained in this chart is presented in more detail in the respective sections of this report.

SOURCE: Maryland Association of Counties, Budget and Tax Rate Survey, November 2008

TABLE 5.3
COUNTY HOMESTEAD PROPERTY TAX CREDIT PERCENTAGES
FISCAL YEARS 2004 THROUGH 2009

SUBDIVISION	Percentage Limitation (maximum allowable assessment increase)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
ALLEGANY	10%	10%	10%	10%	10%	10%
ANNE ARUNDEL	4%	2%	2%	2%	2%	2%
BALTIMORE CITY	4%	4%	4%	4%	4%	4%
BALTIMORE COUNTY	4%	4%	4%	4%	4%	4%
CALVERT	10%	10%	10%	10%	10%	10%
CAROLINE	10%	10%	10%	10%	10%	5%
CARROLL	10%	10%	7%	7%	7%	7%
CECIL	10%	10%	8%	8%	8%	8%
CHARLES	5%	10%	10%	10%	10%	7%
DORCHESTER	10%	10%	5%	5%	5%	5%
FREDERICK	10%	10%	5%	5%	5%	5%
GARRETT	5%	5%	5%	5%	5%	5%
HARFORD	10%	10%	10%	10%	10%	9%
HOWARD	5%	5%	5%	5%	5%	5%
KENT	5%	5%	5%	5%	5%	5%
MONTGOMERY	10%	10%	10%	10%	10%	10%
PRINCE GEORGE'S	3%	2%	3%	3%	3%	3%
QUEEN ANNE'S	10%	10%	5%	5%	5%	5%
ST. MARY'S	5%	5%	5%	5%	5%	5%
SOMERSET	10%	10%	10%	10%	10%	10%
TALBOT	0%	0%	0%	0%	0%	0%
WASHINGTON	10%	10%	10%	10%	10%	5%
WICOMICO	10%	10%	10%	10%	10%	10%
WORCESTER	10%	5%	5%	3%	3%	3%

Data provided by the Maryland State Department of Assessments and Taxation, November 2008

HB 979

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 979 (Prince George's County Delegation)
Ways and Means

Prince George's County - Homestead Tax Credit Percentage
PG 414-09

This bill sets the homestead tax credit percentage in Prince George's County at 10% for taxable years beginning July 1, 2009 and ending June 30, 2011. The bill's provisions apply to county property taxes only.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County property tax revenues increase by $17.5 million in FY 2010 and by $37.3 million in FY 2011. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The homestead tax credit percentage is 5% in Prince George's County. Municipal homestead tax credit percentages range from 1% to 10%.

Background: The homestead tax credit program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or "cap" in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the cap.

A majority of local subdivisions have assessment caps below 10%: 18 counties in fiscal 2008, 19 counties in fiscal 2009, and 20 counties in fiscal 2010. **Exhibit 1** lists the assessment caps for each county. Due to the continuing changes in property assessments, one county (Allegany) lowered their assessment cap in fiscal 2010 and one county (Prince George's) increased their assessment cap in fiscal 2010.

Exhibit 1
Homestead Tax Credit Program – Assessment Caps

County	FY 2008	FY 2009	FY 2010
Allegany	10%	10%	7%
Anne Arundel	2%	2%	2%
Baltimore City	4%	4%	4%
Baltimore	4%	4%	4%
Calvert	10%	10%	10%
Caroline	5%	5%	5%
Carroll	7%	7%	7%
Cecil	8%	8%	8%
Charles	7%	7%	7%
Dorchester	5%	5%	5%
Frederick	5%	5%	5%
Garrett	5%	5%	5%
Harford	10%	9%	9%
Howard	5%	5%	5%
Kent	5%	5%	5%
Montgomery	10%	10%	10%
Prince George's	4%	3%	5%
Queen Anne's	5%	5%	5%
St. Mary's	5%	5%	5%
Somerset	10%	10%	10%
Talbot	0%	0%	0%
Washington	5%	5%	5%
Wicomico	10%	10%	10%
Worcester	3%	3%	3%

Source: State Department of Assessments and Taxation