

# Wicomico County, Maryland

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RICHARD M. POLLITT, JR.  
COUNTY EXECUTIVE

March 31, 2009

THEODORE E. SHEA, II  
DIRECTOR OF ADMINISTRATION

EDGAR A. BAKER, JR.  
COUNTY ATTORNEY

JAMES V. FINERAN  
PUBLIC INFORMATION OFFICER

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

Dear Mr. South:

Wicomico County requests a waiver from the Maintenance of Effort requirements of the Education Article, Section 5-202 for fiscal year 2010 in the amount of \$2,000,000. The waiver would consist of the local Board of Education's request for \$577,000 incremental increase in the maintenance of effort and a reduction to the Board's appropriation in the amount of \$1,423,000 to offset a portion of the State's cuts, including the income tax cut. In support of this request, the county offers the following information.

In fiscal year 2009, the County appropriated \$50,204,655 to the Board of Education for operating expenses. In order to comply with the Maintenance of Effort requirements for fiscal year 2010, an additional appropriation of \$577,056 would be required. While we would like to hold funding flat at the same amount for fiscal year 2010, given the current financial climate, it may be necessary to reduce the appropriation to the Board of Education to \$48,781,655.

The County's unreserved and undesignated fund balance at the end of fiscal year 2008 was \$15,137,474. Of that, \$9,187,028 is appropriated for use in fiscal year 2009, leaving a fund balance of \$5,590,446. Income tax revenues this year are below this same point last year, not even factoring in the over-distributions we are currently receiving and the downward correction that the Comptroller's Office has told us to expect in June. Other sources of revenue such as interest income and those items associated with the collapsed housing market (building permits, impact fees, etc) are also down. If revenues continue to under-perform in fiscal year 2009, the fund balance at the end of the year could be even less than projected.

To prepare for fiscal year 2010, Wicomico County has already implemented a hiring freeze, instructed departments to postpone non-critical infrastructure improvements, and told Department Directors to slash their department's total fiscal year 2010 budget request (including both expenditures and salaries) by 10%.

Revenue projections for fiscal year 2010 are down. Note that Wicomico County has a statutory prohibition on raising revenues from real property taxes to the lesser of 2% or the CPI-U as of December 31st (revenue cap). The CPI-U was 0.1%. Even factoring in the increase in assessments and income from new construction (exempt from the cap), gross property tax revenue for fiscal year 2010 is projected to be \$436,000 LESS than in fiscal year 2009. This is partly due to State law that mandates the calculation of the tax rate of personal property as 2.5 times the real property tax rate. As the revenue cap drives down the real property tax rate, personal property revenue also decreases.

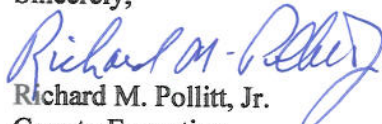
Other sources of revenue are also down. Our fiscal year general fund budget for fiscal year 2009 was \$129.5 million, including the \$9.2 million carry-forward. Projected revenues for fiscal year 2010 are about \$117.7 million, with no carry-forward yet projected. Departmental requests for fiscal year 2010 are about \$128.5 million, even with the 10% cut noted above. Note that our starting point for carry-forward is down from \$15.1 million to \$5.6 million, giving us even less with which to work. Also note that any carry-forward used this year will not be available next year, when we expect conditions to be worse due to lagging income tax revenues. Therefore, we have to be extremely conservative this year in order to have anything at all available next year.

According to officials at our Board of Education, the estimated fiscal impact from the Federal Fiscal Stabilization Act and the American Recovery and Reinvestment Act of 2009 is \$3.8 million each year for 2 years. The funds are restricted to Title 1 (\$2 million), Special Education (\$1.7 million), and Education Technology (about \$92,000). The Board has not yet received guidance on how these funds can be spent, but expects that they will not be permitted to supplant existing revenue streams. Therefore, based on this initial estimated information, we do not believe that FFSA and ARRA funds will have an affect on maintenance of effort.

The County's projected expenditure plan for fiscal year 2010 is not yet completed. Currently, expenditure requests (including cuts) exceed projected revenues by \$11.4 million. As noted above, departments presented budgets with 10% cuts. As County Executive, I am currently evaluating those budgets and determining what other cuts I can make to align projected revenues, including the use of fund balance in a carry-forward, with departmental needs. Items currently under consideration for additional cuts include OPEB, pension contributions, eliminating a County match on our 457(b) plan, changing health care benefits, furloughs, additional departmental cuts, and refinancing bonds to decrease debt service. There will be no merit raises for County employees in fiscal year 2010. Revenue enhancements under consideration include an increase in the recordation tax rate and implementing a 0.5% transfer tax; however, both of these revenues are dependent on the housing market, and therefore problematic. Also under consideration is using part of our rainy day fund, but as indicated above, once used, we have no way to replace it.

We notified the Wicomico County Board of Education of this request for waiver, asking that they respond with an expression of support or opposition. However, after meeting in special session this morning, the Board declined to take a position. A majority of the Wicomico County Council has also authorized the presentation of this request for waiver. Accordingly, on behalf of Wicomico County, I respectfully request that a waiver of the Maintenance of Effort requirement be granted for fiscal year 2010 in the amount of \$2,000,000.

Sincerely,

  
Richard M. Pollitt, Jr.  
County Executive

Attachments: FY 2009 Budget  
Wicomico County's Audit Financial Statements (last 3 years)