



Lillian M. Lowery, Ed.D.
State Superintendent of Schools

200 West Baltimore Street • Baltimore, MD 21201 • 410-767-0100 • 410-333-6442 TTY/TDD

December 16, 2013

The Honorable Martin O'Malley
State House
100 State Circle
Annapolis, Maryland 21401

The Honorable Thomas V. Mike Miller
H-107 State House
100 State Circle
Annapolis, Maryland 21401

The Honorable Michael E. Busch
H-101 State House
100 State Circle
Annapolis, Maryland 21401

RE: Maintenance of Effort Report (MSAR #9232)

Dear Governor O'Malley, President Miller and Speaker Busch:

Pursuant to Education Article Section 5-202 (d), the Maryland State Department of Education (MSDE) shall prepare an annual report for local Maintenance of Effort (MOE) on or before December 31 of each year.

The attached report summarizes the MOE requirements for fiscal year 2014. All 24 local school jurisdictions have met the MOE requirement. Should you need additional information regarding MOE, please contact Stephen Brooks, Chief Operating Officer for Finance and Administration, at 410-767-0011 or by email at steve.brooks@msde.state.md.us.

Sincerely,

Lillian M. Lowery, Ed.D.
State Superintendent of Schools

Attachment

C: Stephen Brooks
Renee Spence

Maintenance of Effort
In Maryland Local School Systems Per
Education Article Section 5-202 (d)
Fiscal Year 2014

December 31, 2013

Maryland State Department of Education

Pursuant to Education Article 5-202(d)(13) The Maryland State Department of Education is submitting this report regarding local Maintenance of Effort (MOE) to local public school systems for fiscal year

2014. The statute requires that:

On or before December 31 of each year the Department shall report to the Governor and, in accordance with § 2-1246 of the State Government Article, the General Assembly, on all waiver requests, maintenance of effort calculations made by the Department and the county, the Department's decisions regarding waiver requests, the Department's certification of whether a county has met the requirement, and any other information relating to a county's request for a waiver and the Department's maintenance of effort decisions.

The Department reports that all 24 jurisdictions have now met the MOE requirement for FY 2014. This document provides responses on each of the required reporting items below:

Maintenance of Effort Waiver Requests

Under the authority of the Education Article section 5-202 (d), the Maryland State Board of Education implemented procedures to process local governments' requests for waivers from the State's Maintenance of Effort requirements for fiscal year 2013. These procedures were updated in accordance with the revisions to the process per SB848 of the 2012 regular legislative session. On April 11, 2012, the State Board of Education issued a public release memorandum to County Executives/Administrators, Local Educational Agencies, and Interested Parties regarding the submission timeline and content of the MOE waivers request (see Exhibit 1).

The Maryland State Board of Education did not receive any requests for a Maintenance of Effort Waiver in FY 2014.

Maintenance of Effort Calculations Made by the Department and the County

The Department received Maintenance of Effort certification forms from all jurisdictions. The timing of the submissions varied. Exhibit 2 reflects the timing of MOE certification form submission by jurisdiction.

The Budget Reconciliation and Financing Act of 2012 (BRFA) enacted a phased-in shift of funding for the Teachers' Retirement/Pension system. Concurrent with this shift, Section 18 of the counties to provide additional Maintenance of Effort to local school systems in the amounts specified in the bill. The Department incorporated these required amounts into the calculation process and certification form for the FY 2014 MOE. Exhibit 3 reflects the results of the Department's review of the submitted forms.

MSDE's Certification of Counties' Maintenance of Effort

In accordance with Education Article Section 5-213(c), if the State Superintendent of Schools finds that a county is not complying with the maintenance of local effort provisions of § 5-202(d)(1)(ii) of this subtitle, the State Superintendent shall notify the county of such noncompliance.

Baltimore City

Baltimore City met the MOE requirement through a Supplemental Appropriation. On September 18, 2013, based upon documents submitted by Baltimore City Public Schools and Baltimore City Government, the Department notified the City of insufficient current appropriation, but acknowledged that Baltimore City Public Schools and Baltimore City Government were working on a supplemental appropriation. The City was given to November 30, 2013, to establish a supplemental appropriation of \$2.9 million.

On November 25, 2013, Baltimore City Government appropriated the additional \$2.9 million to the school system operating budget. On December 6, 2013, Baltimore City Public Schools submitted a revised certified MOE certification statement that included the supplemental.

Summary

All 24 jurisdictions have met the required MOE funding level for FY 2014.



Maryland State Board of Education

200 W. BALTIMORE STREET / BALTIMORE, MARYLAND 21201 2595 / (410) 767 0467

TO: County Executives/Administrators
Local Education Agencies
Interested Parties

FROM: **Anthony South Executive Director, Maryland**
DATE: State Board of Education
SUBJECT: April 11, 2012

Submitting Maintenance of Effort (MOE) Waiver Requests: Timeline and
Content of Waiver Request

The Maryland State Board of Education will accept briefs and responses to FY 2013 Maintenance of Effort Waiver Requests in accordance with the following schedule and requirements.

Timeline:

April 16	Counties Submit Waiver Requests
April 23	Local School Systems and Interested Parties Respond
May 2	State Superintendent's Preliminary Assessment Submitted to the State Board of Education
TBD	Public Hearing
May 22	State Board of Education Issues Decisions

Content of Waiver Request Applications:

There are three types of waivers:

- "Impeded Ability" Waiver-Waiver Because County's Ability to Meet MOE Is Impeded.
- "Agreed On" Waiver-Waiver Based on Agreement between County and County Board To Reduce Recurring Costs.
- "Rebasing" Waiver-Waiver to Rebase Because County's Ability to Meet MOE Is Permanently Impeded.

There are different criteria for each waiver type.

- "Agreed On" Waiver Application

The State Board urges counties to utilize this waiver option. 1bis Waiver Application must not exceed 5 pages. The Application must explain:

- (1) the amount of the waiver requested;
- (2) the recurring costs that will be reduced by line item; and
- (3) why funding will remain adequate even with the waiver.

If the county and county board agree on a reduction in recurring costs, the statute mandates that the State Board approve this type of waiver if: (1) the amount of the Agreed On waiver does not exceed the entire amount of the reduction in recurring costs or (2) if the amount of the Agreed On waiver does not reduce the county's education appropriation¹ below the local share of the foundation program. If the reduction in recurring costs includes reduction in personnel or personnel costs, the county must provide proof that the amount of the waiver request was mutually agreed on by the county, county board, and the exclusive employee representative. The application should address those issues.

- "Impeded Ability" Waiver Application

This Waiver Application should not exceed 10 pages of argument plus exhibits explaining clearly and concisely the effect that some or all of the following factors will have on the county's ability to fully fund MOE in the relevant fiscal year:

- (1) External environmental factors such as a loss of a major employer or industry affecting a county or a broad economic downturn affecting more than one county;
- (2) A county's tax base;
- (3) Rate of inflation relative to growth of student population in a county;

- (4) Maintenance of effort requirement to a county's statutory ability to raise revenues;
- (5) A county's history of exceeding the required maintenance of effort amount;
- (6) An agreement between a county and a county board that a waiver should be granted;
- (7) Significant reductions in State Aid to a county and municipalities of the county for the fiscal year for which a waiver is requested;
- (8) The number of waivers a county has received in the past 5 years; and
- (9) The history of compensation adjustment for employees of the county board and county government.
- (10) The county must explain in its application, if granted the requested waiver, how and why education funding will remain adequate.

¹"Education Appropriation" includes any money redirected to a county board under §5-213 or 5-213.1 of Education Article.

- **"Rebasing" Waiver**

A very limited number of counties will be eligible to apply for this type of waiver. A County is eligible to request a Rebasing Waiver if the county has:

- (1) Been granted an "Impeded Ability" waiver; and
- (2) A required county education appropriation for the waiver year that exceeds 100% of the statewide 5-year moving average of education effort⁴ times a county's local wealth.

The application should address the following factors clearly and concisely.

- (1) Whether a county has submitted sufficient evidence that the factors for meeting the Impeded Ability waiver affect a county's ongoing ability to meet the maintenance of effort requirement;
- (2) Whether a county is at its maximum taxing authority under the law;
- (3) Whether a county's education appropriation is commensurate with a county's wealth;
- (4) Whether a county's history of exceeding the required maintenance of effort has made meeting the maintenance of effort requirement in future years unsustainable; and
- (5) Whether a county has received a Rebasing waiver in the past 5 years.

If a Rebasing waiver is granted, there are some restrictions on the amount of the Rebasing waiver. The amount is limited to the lesser of:

- (1) An amount that would result in a county's education effort for the waiver year falling below certain level defined in the Statute; or
- (2) (a) For a county with a 5-year moving average for education effort that is less than or equal to 110% of the statewide 5-year moving average of education effort, 1% of the county's required maintenance of effort requirement;
- (b) For a county with a 5-year moving average of education effort that is more than 110% and less than or equal to 120% of the statewide moving average of education effort, 2% of the county's required maintenance of effort requirement; or
- (c) For a county with a 5-year moving average for education effort that is more than 120% of the 5-year moving statewide average of education effort, 3% of the County's required maintenance of effort requirement.

² "Waiver Year" means the fiscal year for which a waiver from the maintenance of effort requirement is requested.

³ "5-Year Moving Average" means the average of the 5 years before the waiver year.

⁴"Education Effort" means a county's education appropriation divided by the county's wealth.

The waiver application may not exceed 10 pages of argument, plus exhibits. The application must explain how the county meets the eligibility requirements; the effect some or all of the factors on the county's on-going ability to find MOE at the current level, and whether and how the amount of the waiver requested meets the restrictions set forth above.

How to File Briefs and Responses:

An electronic copy of each Brief/Response must be submitted to the Maryland State Board of Education no later than 5:00p.m. on the due date set forth above. In addition to the electronic copy, five hard copies of each Brief/Response are to be mailed or hand delivered to the Maryland State Board of Education for receipt no later than 5:00p.m. the day following the due date indicated above.

The electronic copy is to be sent to tsouth@msde.state.md.us.

Hard copies are to be addressed to:

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

If you have any questions, please e-mail tsouth@msde.state.md.us.

Maryland State Department of Education

Summary of Fiscal Year 2014 Maintenance of Effort Compliance Review

Local Education Agency	Received complete submission	Compliance Determination letter Date	Compliance Status
Allegany	6/11/2013	6/18/2013	Approved
Anne Arundel	6/30/2013	6/18/2013	Approved
Baltimore City	12/6/2013	12/10/2013	Approved
Baltimore	10/29/2013	11/6/2013	Approved
Calvert	6/27/2013	7/5/2013	Approved
Caroline	7/17/2013	7/18/2013	Approved
Carroll	6/28/2013	7/5/2013	Approved
Cecil	7/2/2013	7/5/2013	Approved
Charles	5/9/2013	5/13/2013	Approved
Dorchester	7/1/2013	7/5/2013	Approved
Frederick	6/26/2013	7/5/2013	Approved
Garrett	7/10/2013	7/11/2013	Approved
Harford	8/1/2013	9/5/2013	Approved
Howard	7/9/2013	7/10/2013	Approved
Kent	7/11/2013	7/10/2013	Approved
Montgomery	5/24/2013	5/29/2013	Approved
Prince George's	6/2/2013	7/5/2013	Approved
Queen Anne's	7/16/2013	7/18/2013	Approved
St. Mary's	7/15/2013	7/16/2013	Approved
Somerset	8/1/2013	8/5/2013	Approved
Talbot	6/3/2013	7/16/2013	Approved
Washington	6/7/2013	6/18/2013	Approved
Wicomico	7/10/2013	7/11/2013	Approved
Worcester	9/18/2013	9/19/2013	Approved

Maryland State Department of Education

Compilation of Maintenance of Effort Certification for Fiscal Year 2014

Local Education Agency	Mimimun Share (local wealth x local contribution rate)	Maintenance of Effort Level- Preliminary Calculation	Additional MOE per SB 1301 Section 18	Required Maintenance of Effort Level for FY 2013	Certified Net Local Appropriation
Allegany	\$ 17,688,139	\$ 27,884,291	\$ 1,885,754	\$ 29,770,045	\$ 29,770,045
Anne Arundel	\$ 316,777,326	\$ 581,885,993	\$ 14,568,567	\$ 596,454,560	\$ 596,454,600
Baltimore City					
Baltimore	\$ 354,680,971	\$ 684,805,663	\$ 19,970,922	\$ 704,776,585	\$ 704,776,585
Calvert	\$ 51,592,389	\$ 105,780,509	\$ 3,594,631	\$ 109,375,140	\$ 113,166,429
Caroline	\$ 11,127,206	\$ 12,409,976	\$ 1,006,334	\$ 13,416,310	\$ 13,416,327
Carroll	\$ 81,867,420	\$ 160,924,506	\$ 5,077,441	\$ 166,001,947	\$ 168,330,938
Cecil	\$ 40,888,130	\$ 66,146,654	\$ 3,117,889	\$ 69,264,543	\$ 72,848,292
Charles	\$ 69,987,438	\$ 149,136,226	\$ 4,989,645	\$ 154,125,871	\$ 157,010,300
Dorchester	\$ 11,865,090	\$ 17,527,494	\$ 832,186	\$ 18,359,680	\$ 18,359,680
Frederick	\$ 111,252,725	\$ 221,884,100	\$ 7,470,128	\$ 229,354,228	\$ 229,354,228
Garrett	\$ 16,981,096	\$ 25,199,832	\$ 842,544	\$ 26,042,376	\$ 26,201,544
Harford	\$ 116,148,591	\$ 212,339,142	\$ 7,009,102	\$ 219,348,244	\$ 221,300,729
Howard	\$ 192,964,876	\$ 470,039,145	\$ 12,448,477	\$ 482,487,622	\$ 491,335,979
Kent	\$ 11,088,828	\$ 16,732,210	\$ 464,102	\$ 17,196,312	\$ 17,196,312
Montgomery	\$ 683,470,498	\$ 1,413,738,905	\$ 34,511,689	\$ 1,448,250,594	\$ 1,448,250,594
Prince George's	\$ 327,770,109	\$ 545,637,499	\$ 24,785,979	\$ 570,423,478	\$ 570,441,013
Queen Anne's	\$ 30,502,858	\$ 43,728,297	\$ 1,401,286	\$ 45,129,583	\$ 48,131,684
St. Mary's	\$ 51,523,527	\$ 80,363,758	\$ 3,150,691	\$ 83,514,449	\$ 86,955,723
Somerset	\$ 5,695,571	\$ 8,778,969	\$ 608,570	\$ 9,387,539	\$ 9,387,539
Talbot	\$ 32,738,701	\$ 34,361,679	\$ 796,586	\$ 35,158,265	\$ 35,158,266
Washington	\$ 53,178,514	\$ 90,531,695	\$ 3,921,875	\$ 94,453,570	\$ 94,453,575
Wicomico	\$ 28,426,354	\$ 37,136,374	\$ 2,755,091	\$ 39,891,465	\$ 40,520,465
Worcester	\$ 51,593,675	\$ 72,374,669	\$ 1,611,739	\$ 73,986,408	\$ 75,177,677