



April 9, 2009

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

Dear Members of the State Board of Education:

Pursuant to Section 13A.02.05.04 of the Maryland School Laws and Regulations, the Education Association of Charles County (EACC) would like to respond to the request for a waiver of the Maintenance of Effort (MOE) filed by Charles County for Fiscal Year 2010. The total amount of the Maintenance of Effort waiver requested by the county is \$4,447,900 (\$145,093,000 - \$140,645,100). The EACC, which represents almost 2,000 teachers and school administrators in Charles County, strongly opposes this waiver, for the reasons given below.

1) Charles County bases its request for a waiver on its own projections of revenue and expenditures for FY 2010. However, the county has been historically inaccurate in making financial predictions. On the contrary, the county consistently underestimates revenues and overestimates expenditures, thereby acquiring a substantial surplus or fund balance.

An analysis of the county financial documents by RJ Pellicoro and Associates, an independent fiscal consultant firm retained by the EACC, reveals the following: "the county has underestimated General Fund revenues for five of the last seven years, by an average of \$17 million. More recently, the average underestimate was \$25 Million for the last 3 years." (see Charles County Fiscal Review, RJ Pellicoro and Associates, page 3, **Exhibit 1**).

With regard to expenditures, the analysis shows that "the county has overestimated expenditures for five of the seven years through FY 2008, peaking at \$18.6 million for FY 2003 and averaging \$7.3 million annually." (Pellicoro, page 20, **Exhibit 1**). Although the report does show the economic downturn in FY 2008 resulted in \$12.9 million less revenue than projected, yet this loss would have been substantially offset by a reduction in predicted expenditures of \$9.4 million, had the county not chosen to "transfer out" \$16.7 million, \$9.7 million more than originally budgeted for Pay-go capital projects. (Pellicoro note 4, page 20, **Exhibit 1**).