

Why Anne Arundel County Should Invest More in Public Schools



Teachers Association of Anne Arundel County
March 2021

Executive Summary

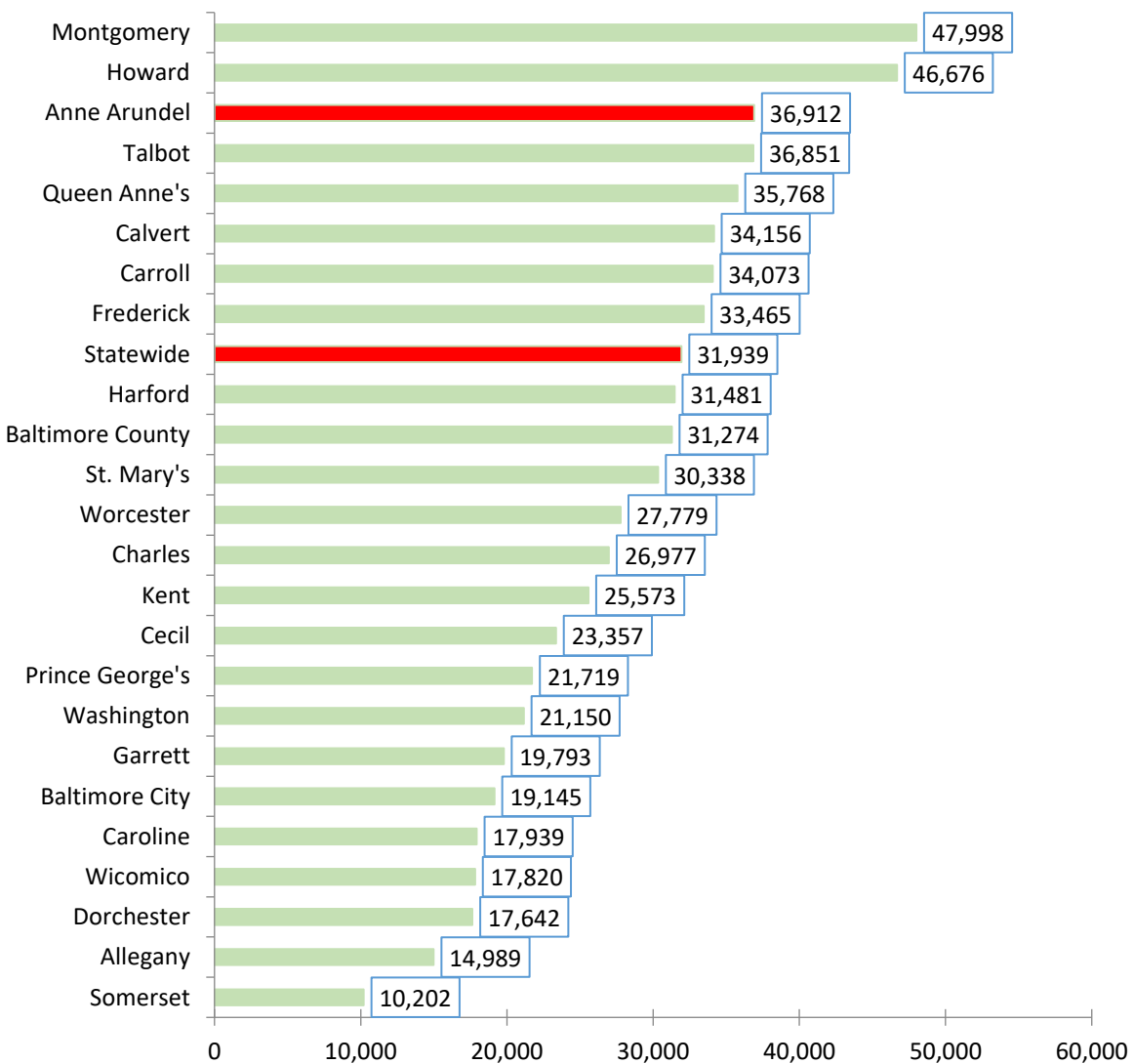
Public schools are critically important assets for all communities, including Anne Arundel County. The county government appropriates more than \$700 million a year in local funds for its schools, supporting more than 80,000 students and 10,000 employees. The county's local contribution per pupil is higher than many other counties in Maryland and county leaders have made progress over the last two years. But Anne Arundel County can and should do even better on school funding for the following reasons.

- The county is one of the wealthiest jurisdictions in Maryland. For the most recent years available, the county ranks third in net taxable income per capita, fifth in growth of net taxable income over the last decade, sixth in assessable base per capita, third in growth of assessable base over the last decade and fifth in wealth per student.
- Despite the above, the county ranks 12th of 24 local jurisdictions in Maryland in the percentage of its local wealth it spends on schools.
- Enrollment in Anne Arundel County Public Schools (AACPS) has grown by 10% over the last decade, the third highest growth rate in Maryland. The percentages of students who are English language learners and who need free and reduced price meals are growing steadily, illustrating rising needs in the schools.
- Despite that, over the last twelve fiscal years, growth in the county's local per pupil contribution fell short of inflation six times. Over the 2010-2021 period, the local per pupil contribution went up by 21% while prices in the Baltimore metro area increased by 19%. That means that the county's local per pupil contribution is barely keeping up with inflation at a time of rising needs.
- Since FY10, the county's local contribution to schools has grown more slowly than its general fund and the unduplicated total of all its funds. Most major functions of county government have seen their budgets grow faster than the county's local contribution to schools.
- In 14 of the last 17 fiscal years, the county received more in general fund revenues than it projected in its approved budgets. On average, even including the three years of shortfall, actual general fund revenues exceeded budgeted revenues by \$31 million a year. None of this extra money was used to increase budgeted general fund appropriations for AACPS.
- As of the end of FY20, the county's fund balances were at or near all-time highs. That means that, at least as of June 30, 2020, the pandemic recession did not significantly damage the county's fund balances.

Anne Arundel County is One of the Wealthiest Counties in Maryland. And it's Getting Wealthier.

By several measures, Anne Arundel County is one of the wealthiest counties in the state. The chart below shows net taxable income per capita in 2019 for each of Maryland's 24 local jurisdictions. Anne Arundel ranks third.

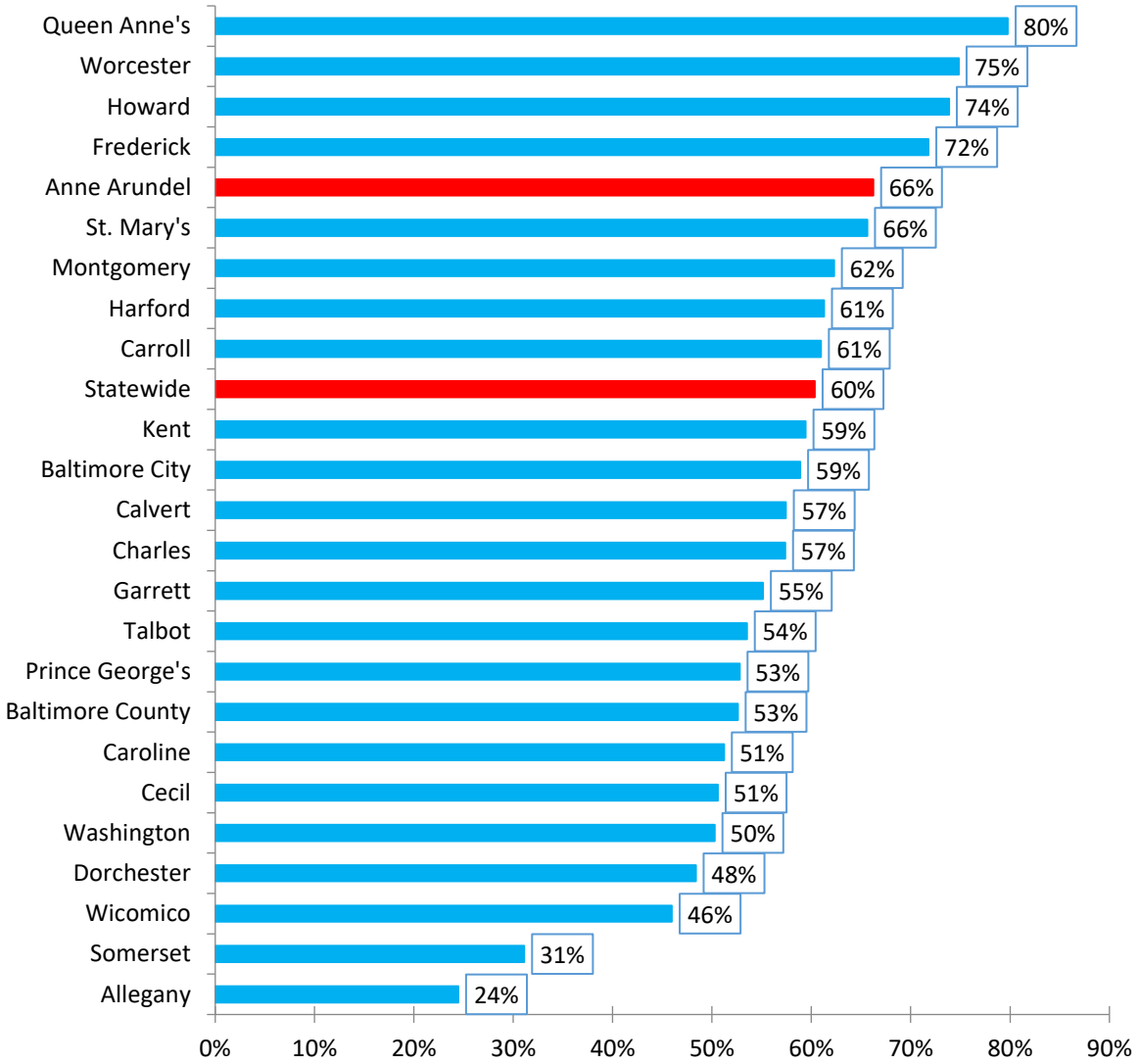
Net Taxable Income Per Capita, 2019



Source: Maryland General Assembly, Department of Legislative Services.

The chart below shows growth in net taxable income from 2009 through 2019 by local jurisdiction. Anne Arundel ranks fifth of 24 jurisdictions.

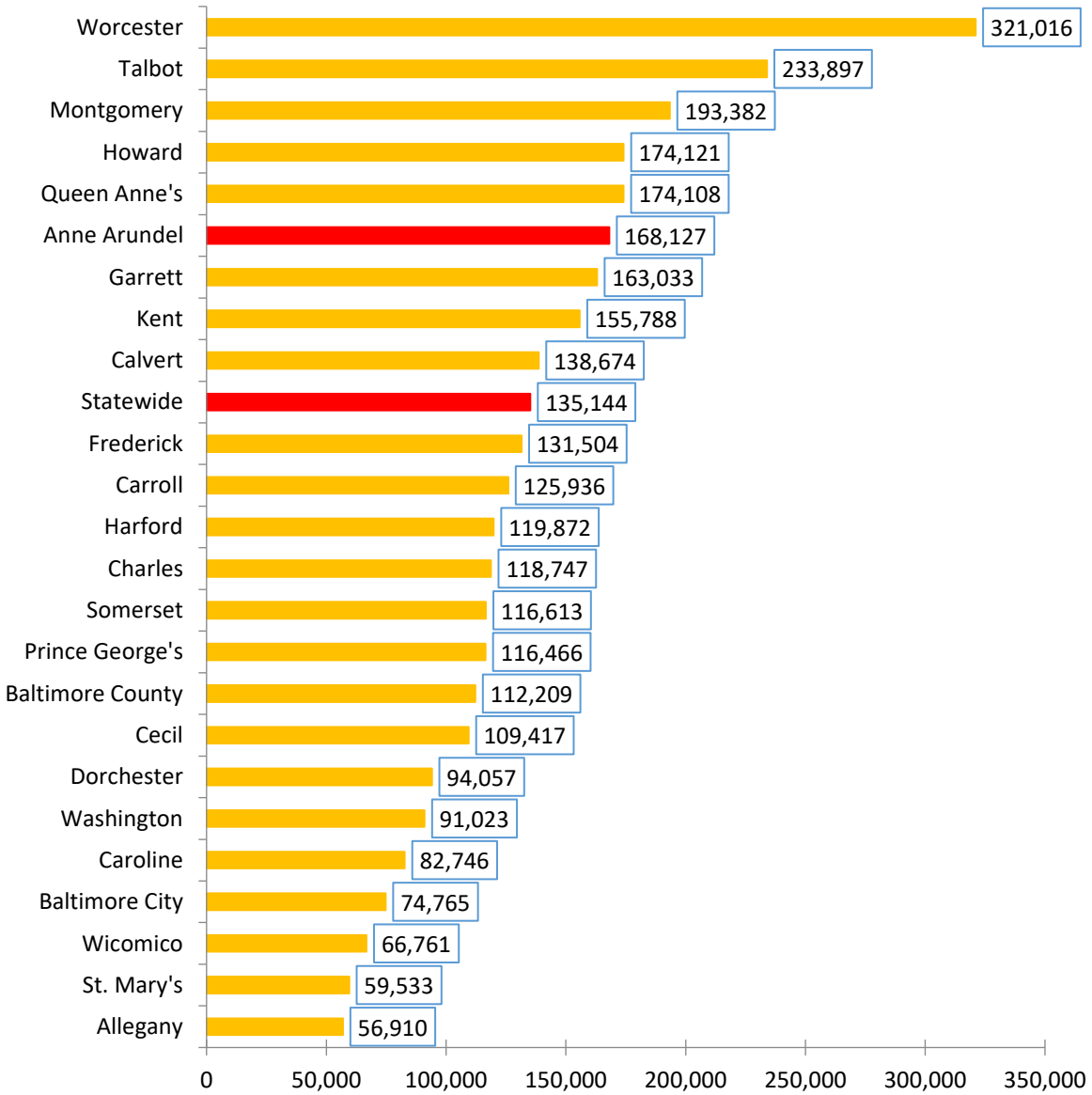
Growth in Net Taxable Income, 2009-2019



Source: Maryland General Assembly, Department of Legislative Services.

The chart below shows assessable base per capita in FY21 by local jurisdiction. Anne Arundel ranks sixth of 24 jurisdictions.

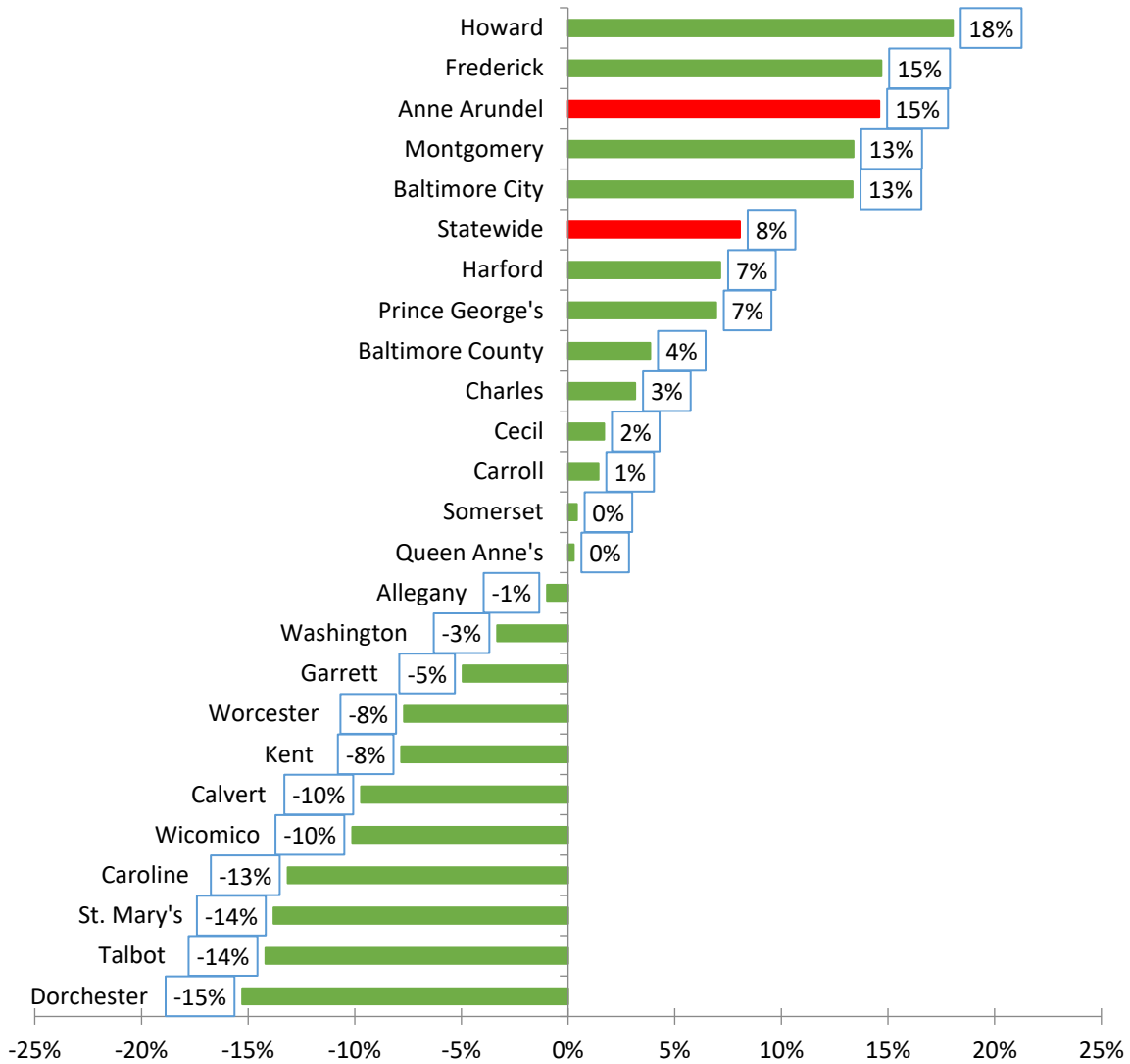
Assessable Base Per Capita, FY21



Source: Maryland General Assembly, Department of Legislative Services.

The chart below shows growth in assessable base between FY11 and FY21 by local jurisdiction. Anne Arundel ranks third of 24 jurisdictions.

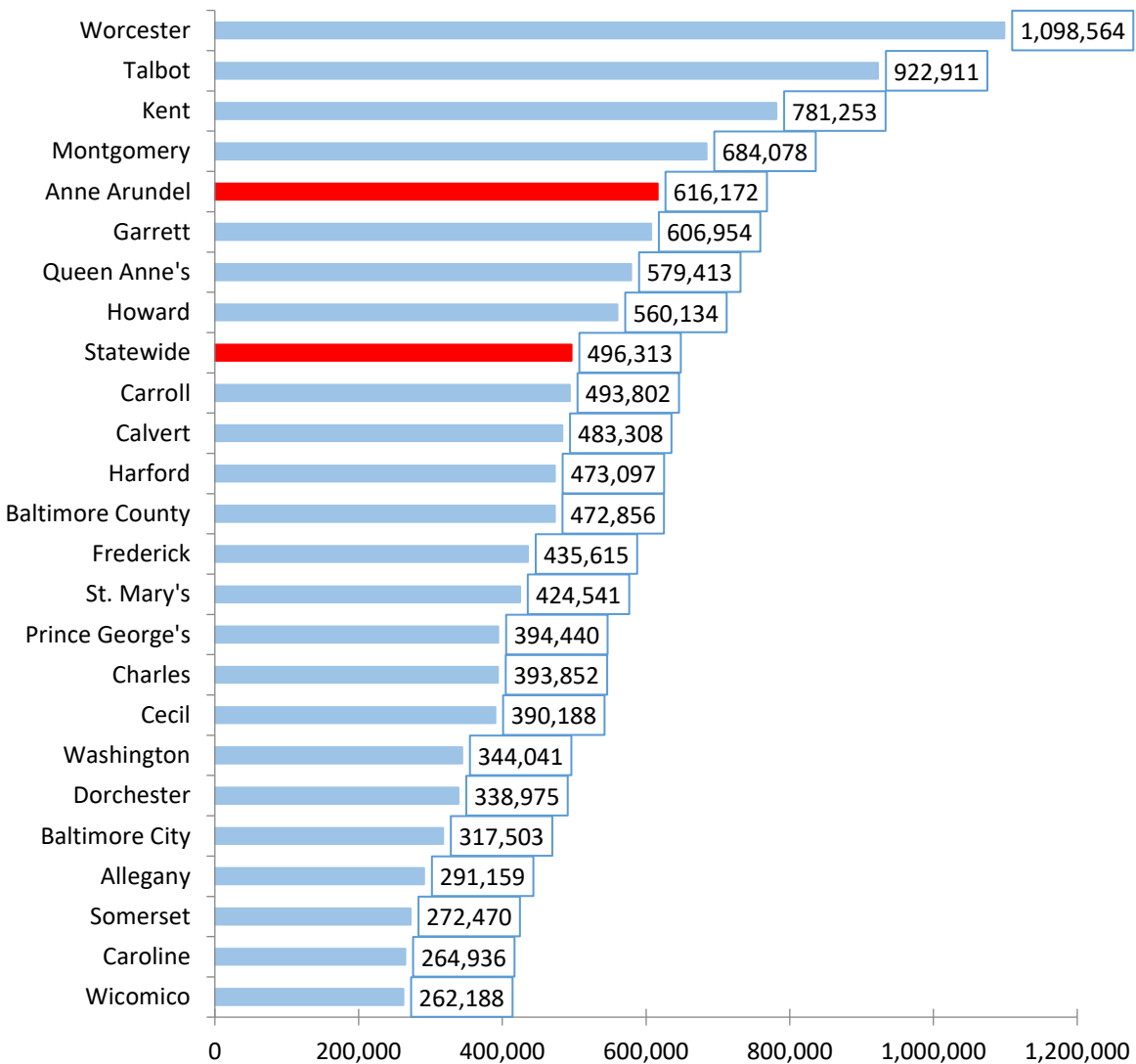
Growth in Assessable Base, FY11-21



Source: Maryland General Assembly, Department of Legislative Services.

The state government defines local wealth as including taxable income, real and public utility property assessments for state purposes and 50% of personal property assessments for county purposes. The chart below shows wealth per student by local jurisdiction in the 2018-2019 school year. Anne Arundel ranks fifth of 24 jurisdictions.

Wealth Per Student, 2018-19 School Year

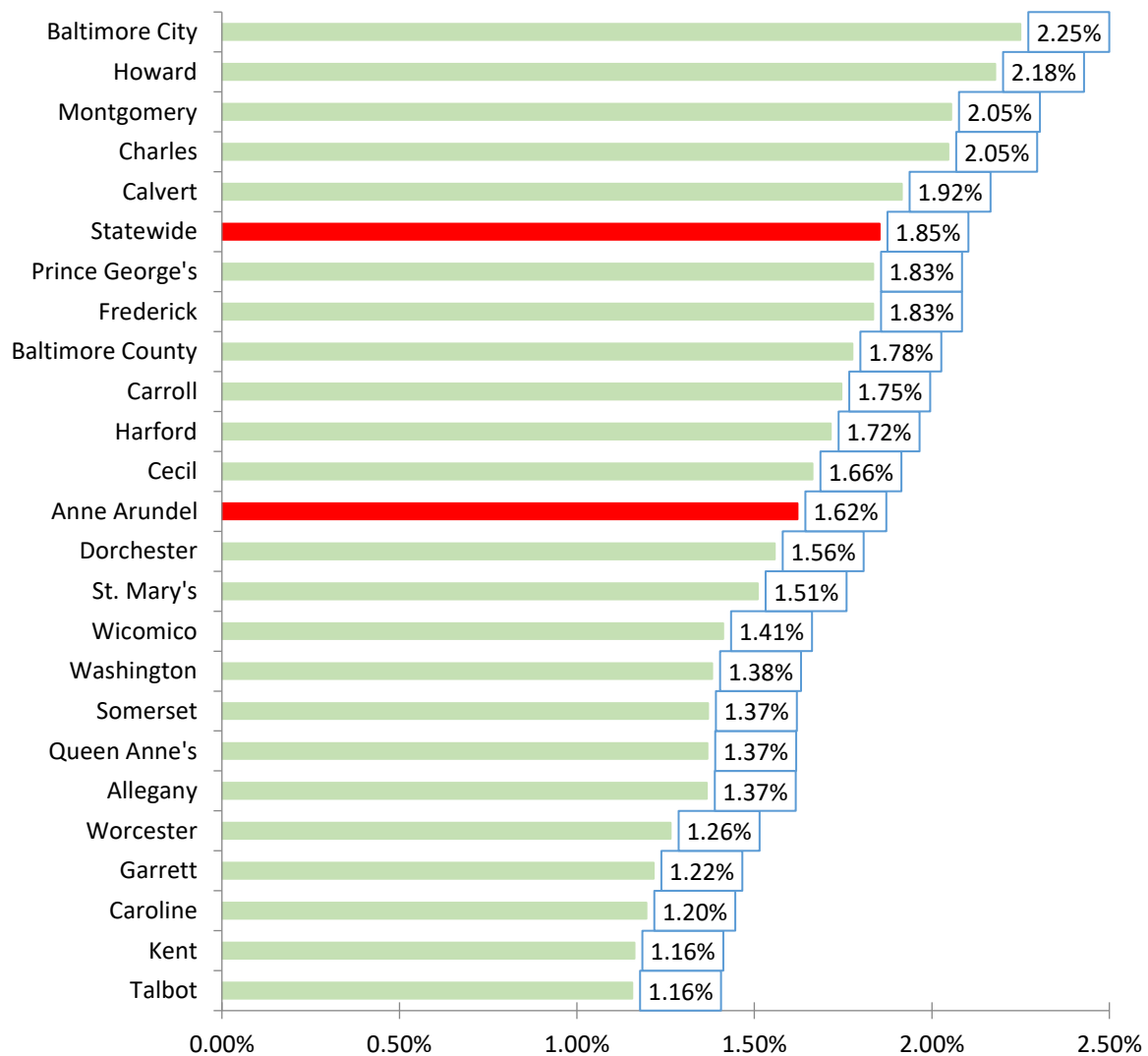


Source: Maryland State Department of Education.

Anne Arundel County May Have Wealth, But the Share of Wealth it Sends to Public Schools is Mediocre.

The state government defines local wealth as including taxable income, real and public utility property assessments for state purposes and 50% of personal property assessments for county purposes. According to the Maryland State Department of Education, Anne Arundel had a wealth level of \$51,015,963,910 in the 2018-19 school year and its combined local appropriations for schools, including current expenses, school construction and debt service, totaled \$827,213,426. This means that the county devoted 1.62% of its local wealth to schools. That ranks 12th of 24 local jurisdictions.

% of Local Wealth Spent on Schools, 2018-19 School Year

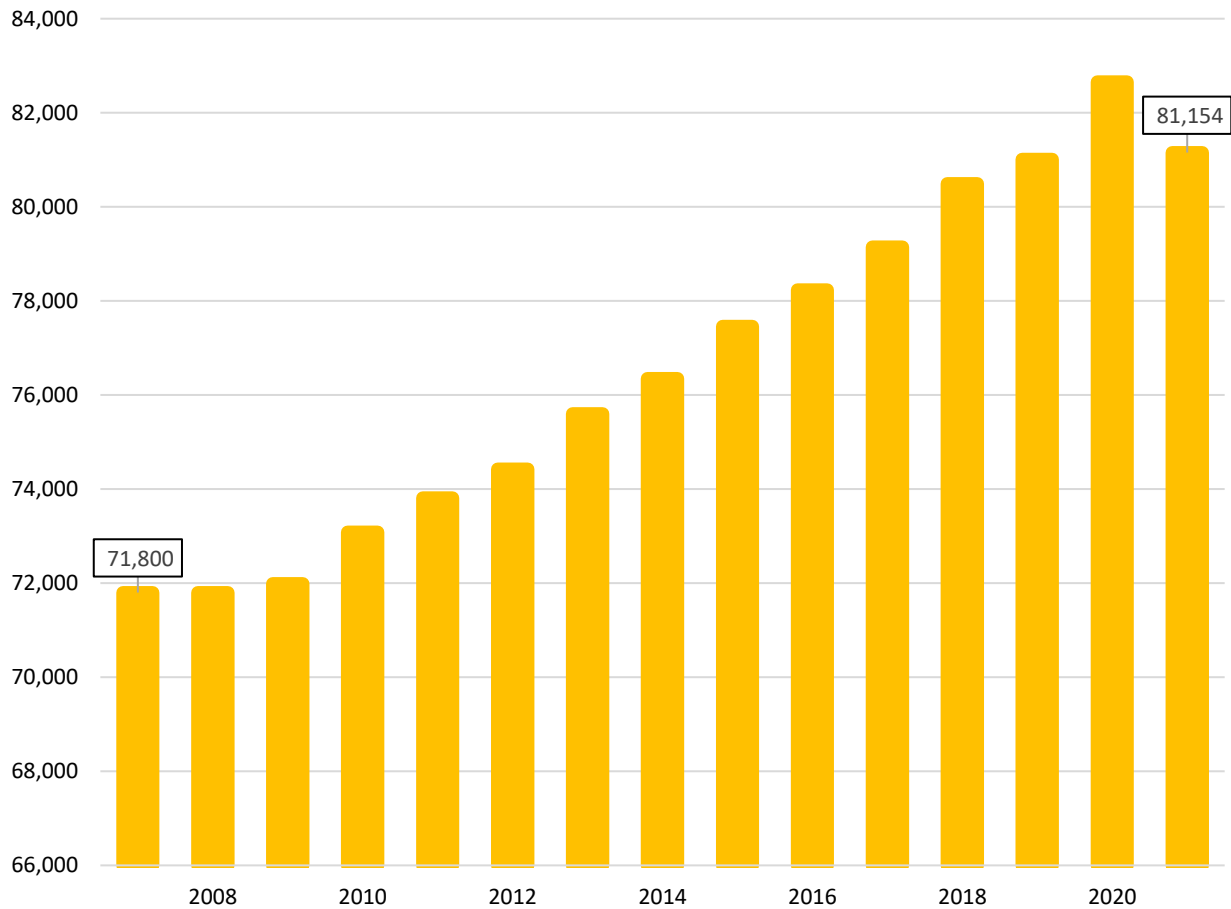


Source: Maryland State Department of Education.

AACPS Enrollment is Growing Rapidly.

AACPS is one of the fastest growing school districts in Maryland. According to the Maryland General Assembly’s Department of Legislative Services, AACPS’s enrollment has grown from 71,800 in FY07 to 81,154 in FY21. Enrollment dropped in FY21 as it did in almost every school district in the state but it could easily rebound as the pandemic winds down.

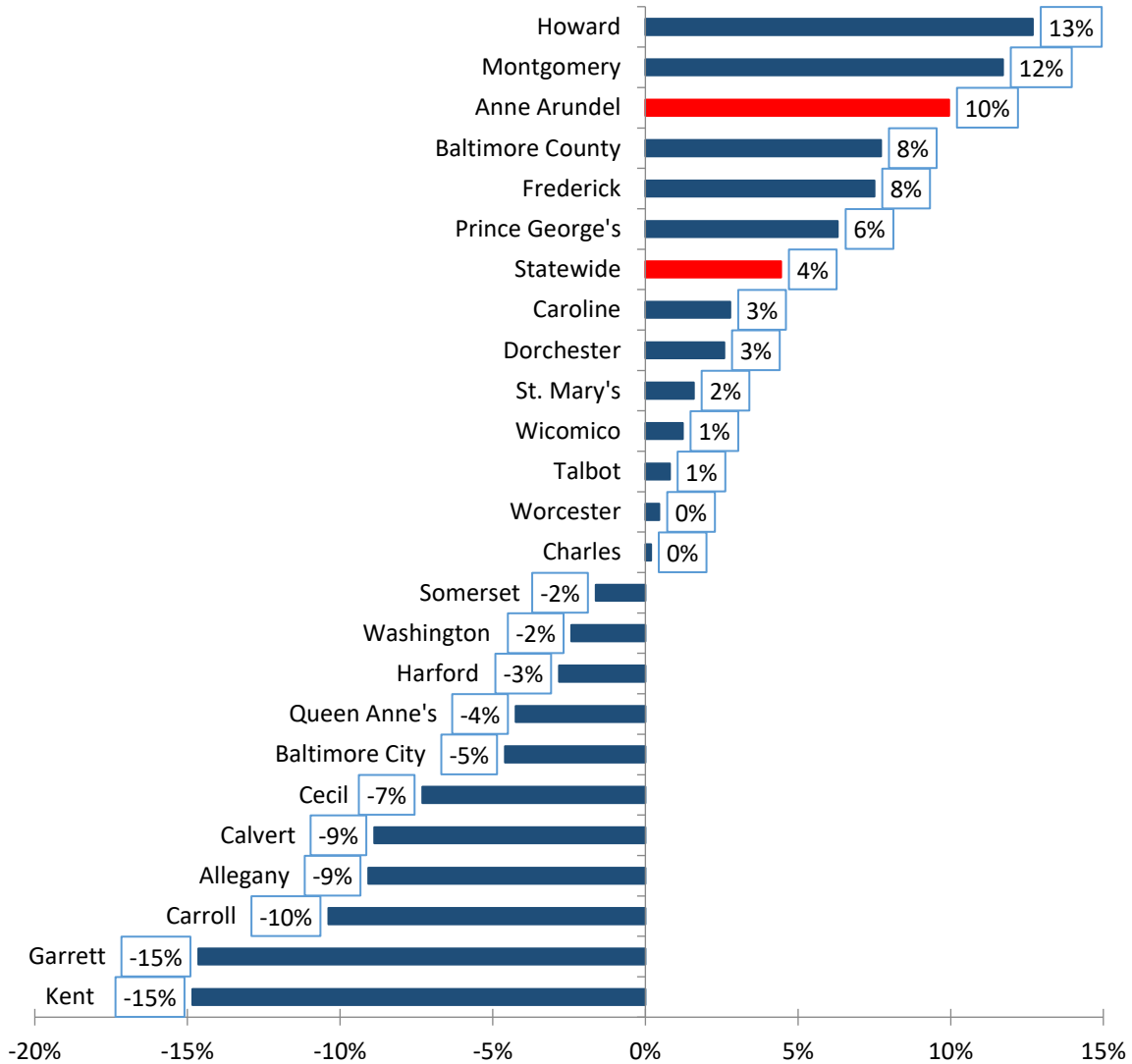
AACPS Enrollment, FY07-21



Source: Maryland General Assembly, Department of Legislative Services.

The table below compares AACPS’s enrollment growth over the last decade with other school districts in Maryland. AACPS’s 10% increase in enrollment from FY11 through FY21 ranks third in the state, behind only Howard and Montgomery counties, and is more than double the state average.

Change in Public Schools Enrollment, FY11-21

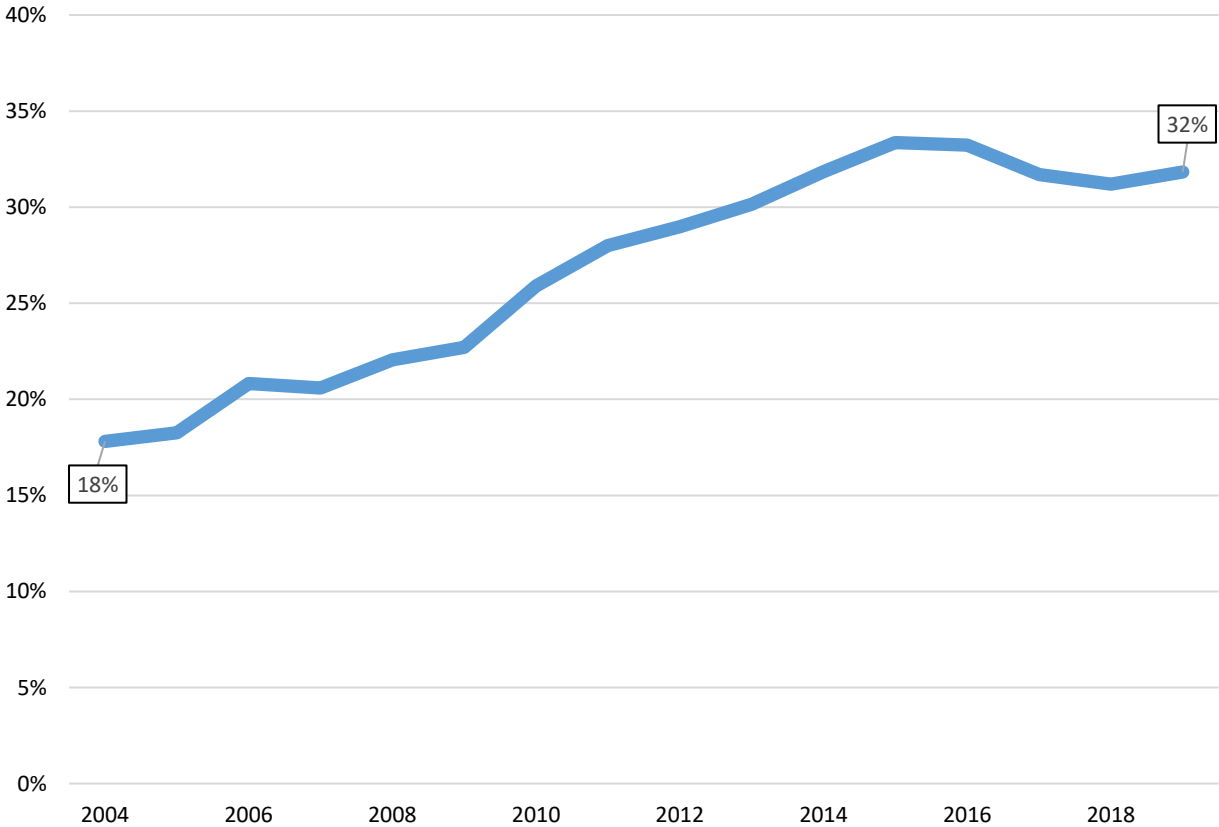


Source: Maryland General Assembly, Department of Legislative Services.

Needs in the Schools are Growing.

Two student populations requiring extra resources are growing in AACPS. One of them is students receiving free and reduced price meals (FARMS). According to the Maryland State Department of Education, FARMS students have grown from 18% of AACPS students in the 2003-04 school year to 32% of AACPS students in the 2018-19 school year.

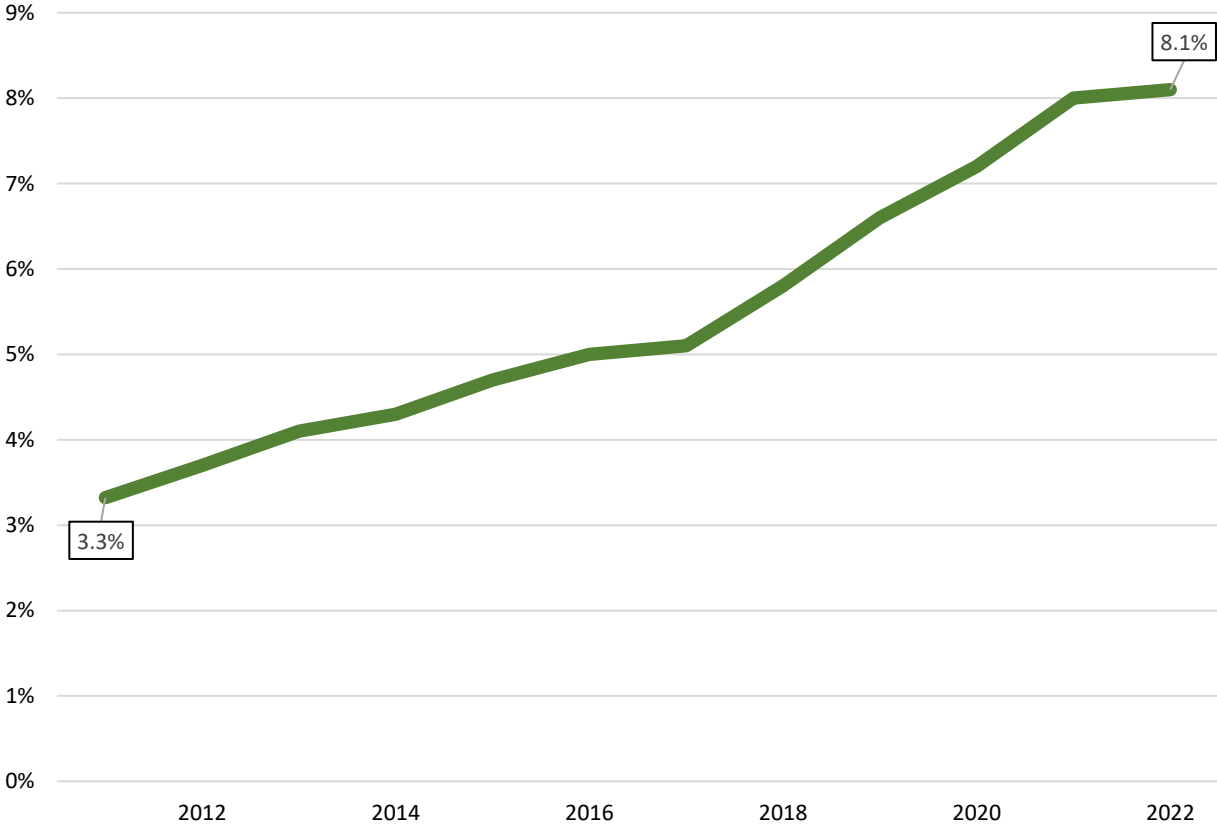
% of AACPS Students Receiving Free and Reduced Price Meals, FY04-19



Source: Maryland State Department of Education.

Also growing are students identified as English learners. According to the Maryland General Assembly’s Department of Legislative Services, these students accounted for 3.3% of AACPS students in FY11 and are projected to account for 8.1% of AACPS students in FY22.

% of AACPS Students Who Are English Language Learners, FY11-22



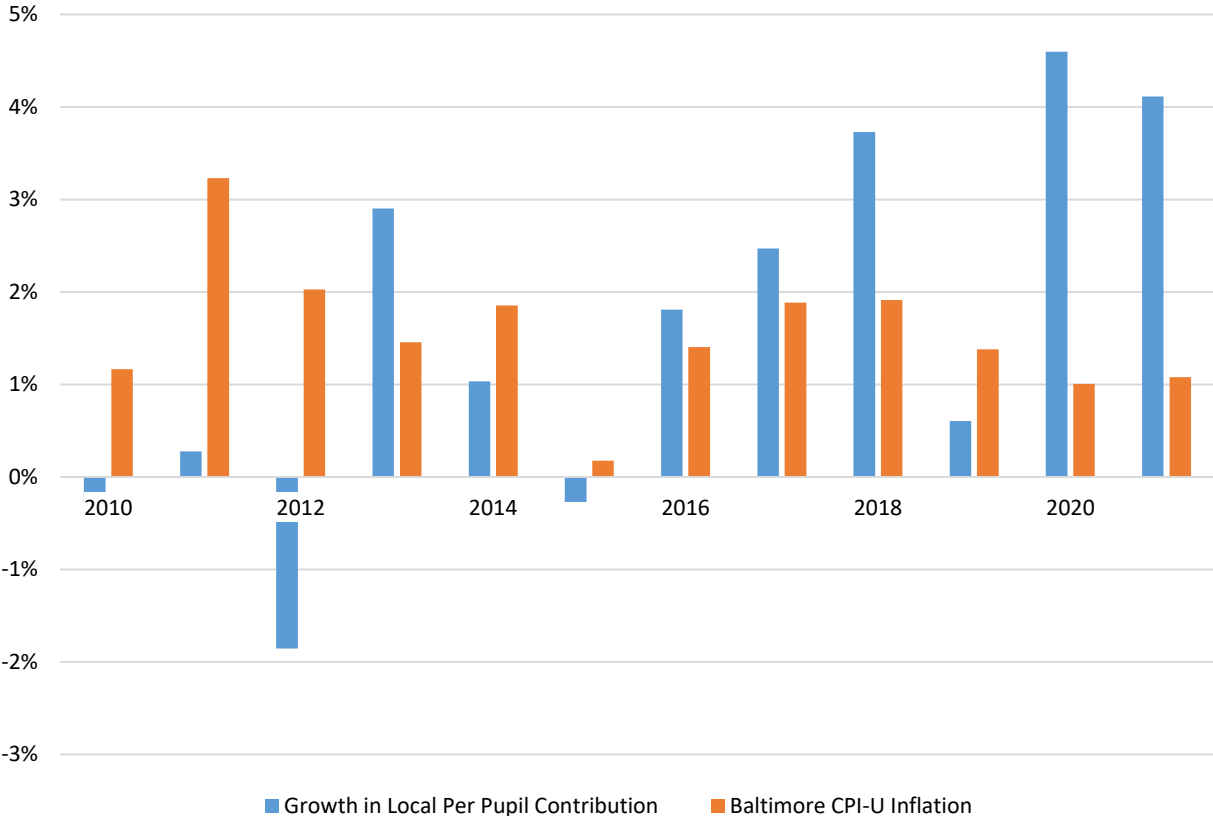
Source: Maryland General Assembly, Department of Legislative Services.

With both FARMS students and English language learners on the rise, AACPS needs more resources per pupil to meet their needs. But for the most part, that’s not happening.

Growth in Local Per Pupil Contributions is Barely Keeping Pace with Inflation.

In the last twelve fiscal years, the growth in Anne Arundel County’s local contribution per pupil fell short of growth in the Baltimore-Columbia-Towson, MD CPI-U six times. Over the entire 2010-2021 period, the local per pupil contribution went up by 21% while prices in the Baltimore metro area increased by 19%. That means that despite the county’s growing wealth and the needs in the school system, its local contribution to public schools has been barely keeping up with inflation.

Growth in Local Per Pupil Contribution vs Inflation, FY10-21



Sources: Maryland General Assembly, Department of Legislative Services; U.S. Bureau of Labor Statistics. 2021 inflation assumed at 1.1%, which was the change between February 2020 and February 2021.

Over the Last Decade, Anne Arundel County's Contribution to the AACPS Operating Budget Has Been Growing More Slowly Than the Total County Budget.

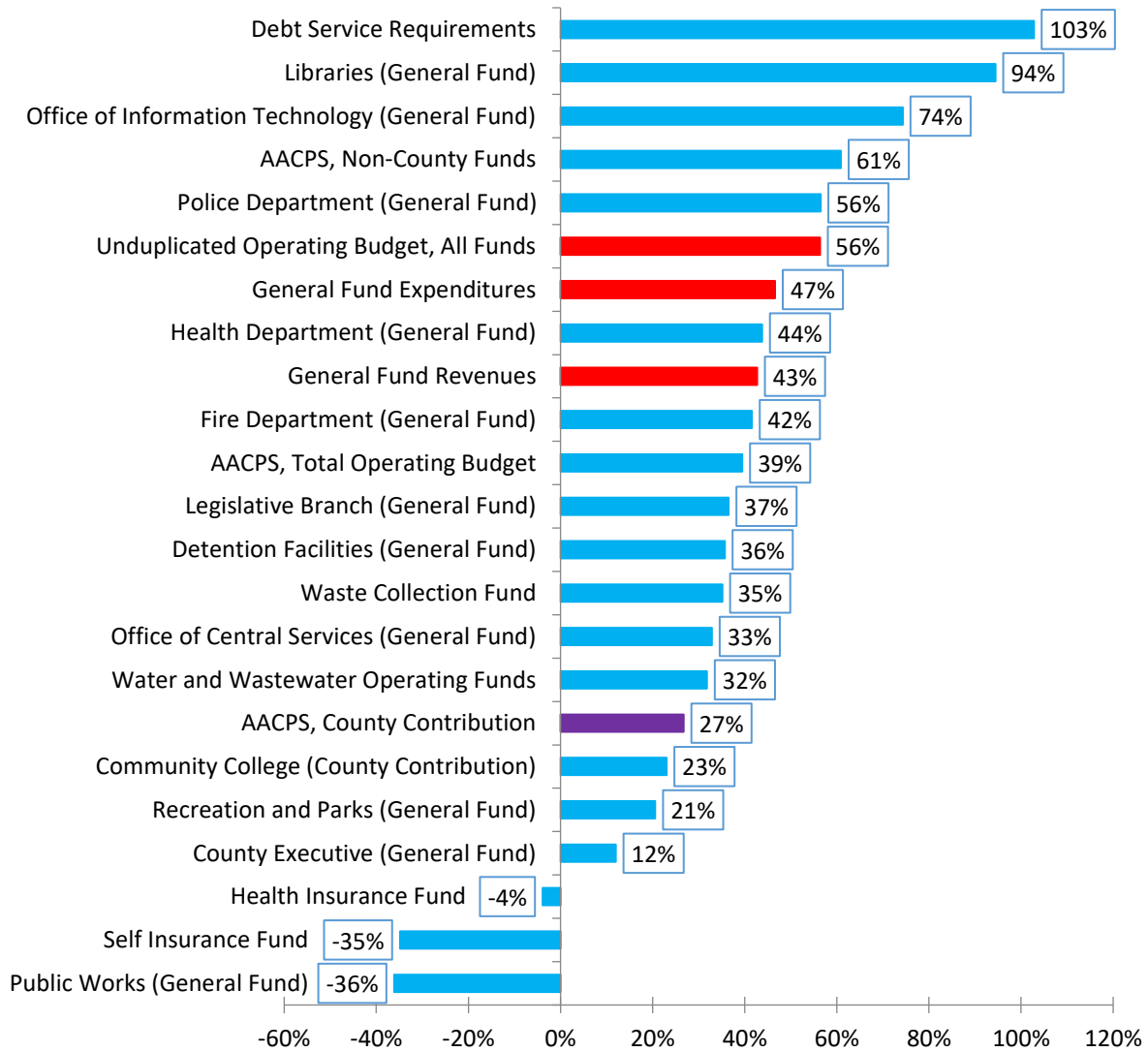
Anne Arundel County funds many things: schools, public safety, Anne Arundel Community College, libraries, parks, recreation and much more. The county's contribution to schools accounts for the majority of AACPS's operating budget. But despite growing enrollment in AACPS and growing needs in the schools, growth in the county's contribution to schools has been lower than the growth in its total budget.

Two measures are used to define total budget. The first is the county's total unduplicated operating budget. This adds together the county's general fund, its enterprise funds (which include waste and wastewater and also a recreation and parks child care fund), its four internal service funds, its sixteen special revenue funds and other funds operated by the county. It then subtracts transfers and other duplicated expenditures to avoid double counting and produces an unduplicated expenditure total. (The county budget publishes approved unduplicated expenditures but not actual unduplicated expenditures.)

Second, we look at growth in the county's general fund. This is the county's primary operating fund and it accounted for 61% of all unduplicated expenditures in the FY21 budget. The general fund pays for most governmental functions and is the source of the county's contribution to AACPS.

The chart below shows growth in major spending categories in the county budget from FY10 (actual spending) to FY21 (the approved budget).

Growth in Expenditures by Department/Agency, FY10-21

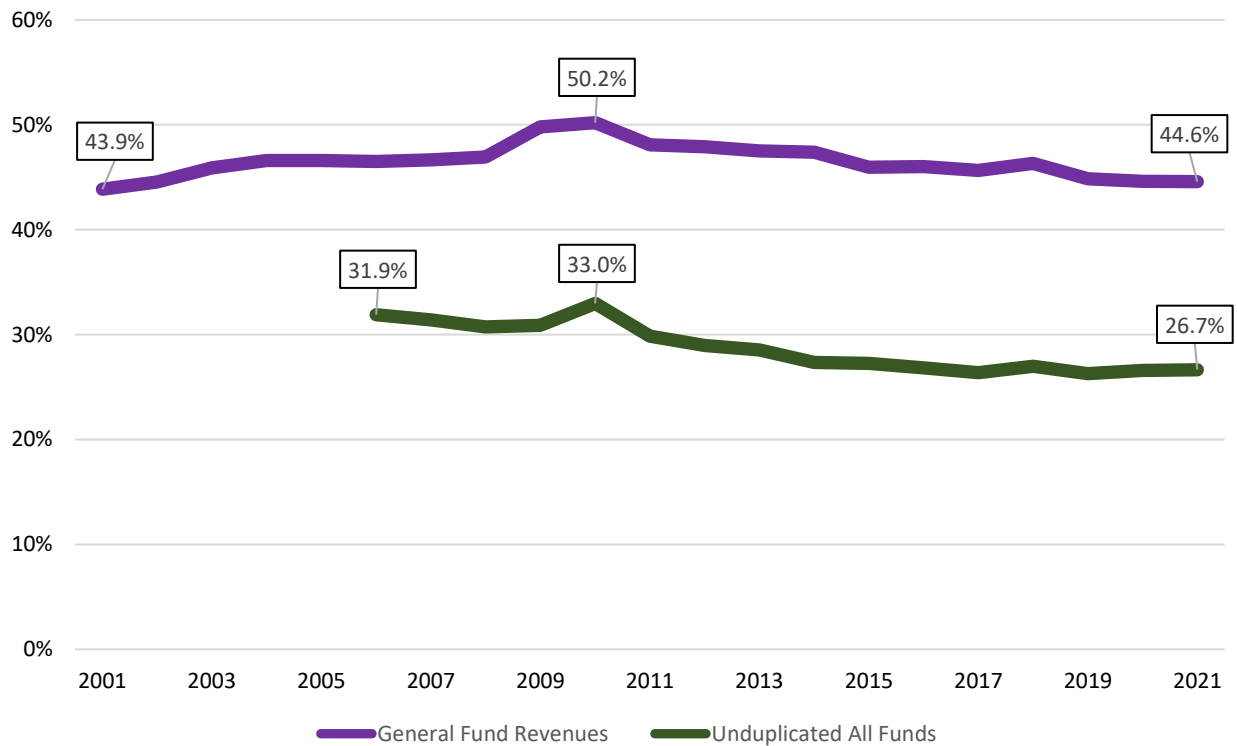


Source: Anne Arundel County budgets. FY10 numbers are actual and FY21 numbers are approved. Unduplicated operating budget, all funds, only available as approved for FY10 and FY21.

Over this period, growth in the county’s contribution to AACPS lagged growth in unduplicated all funds and general fund revenues and expenditures. Growth in other revenues for AACPS, principally state aid and internally generated revenues, was responsible for most of the growth in AACPS’s total budget.

The chart below shows the percentage of unduplicated all funds expenditures and general fund revenues accounted for by the county’s contribution to AACPS since FY01. (Unduplicated all funds is available starting in FY06.) These percentages apply to approved budgets.

County Contribution to Schools % of Unduplicated All Funds and General Fund Revenues, FY01-21



Source: Anne Arundel County budgets.

As a percentage of general fund revenues, the county’s contribution to AACPS peaked at 50.2% in FY10 and was 44.6% in FY21. As a percentage of unduplicated all funds, the county’s contribution to AACPS peaked at 33.0% in FY10 and was 26.7% in FY21. These declines are due to the fact that county spending has increased faster for most other major spending categories than for the county’s contribution to AACPS.

In Most Years, Anne Arundel County Underestimates its General Fund Revenues. That Means More Resources are Available for Schools.

In its comprehensive annual financial reports (CAFRs), Anne Arundel County publishes a “Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.” This statement contains projected general fund revenues and actual general fund revenues. In the 17 CAFRs from FY04 through FY20, actual general fund revenues exceeded revenues projected in final budgets 14 times. In 13 of those 14 years, actual revenues exceeded budgeted revenues by more than \$20 million.

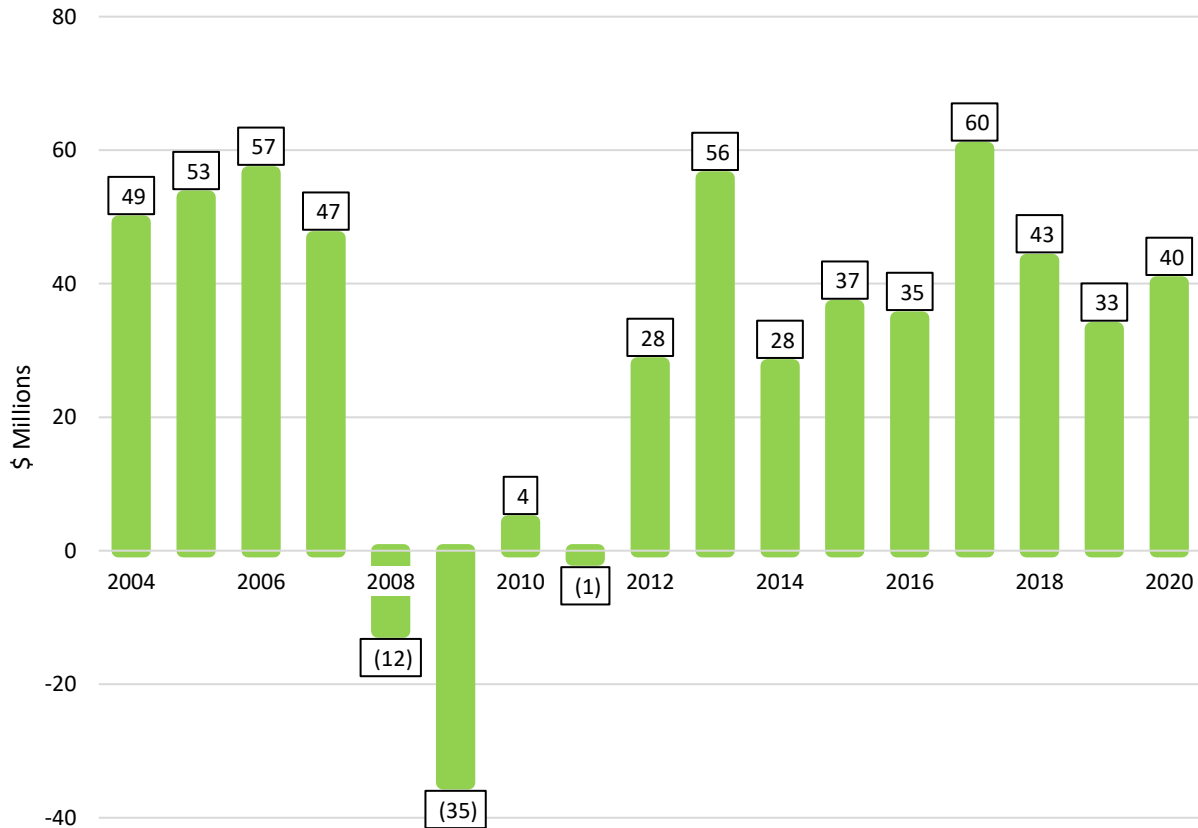
FY20, the most recent CAFR available, provides an example. Below are general fund revenues by major category in both the final budget and actual.

<u>General Fund Revenue Category</u>	<u>Final Budget, FY20</u>	<u>Actual, FY20</u>	<u>Difference</u>
General property taxes	\$747,069,000	\$750,383,091	+\$3,314,091
Local income taxes	564,999,600	606,998,155	+41,998,555
Recordation/transfer taxes	102,000,000	114,907,649	+12,907,649
Interfund recoveries	77,610,100	77,348,408	-261,692
Other general fund revenues	151,593,100	133,735,272	-17,857,828
Total	1,643,271,800	1,683,372,575	+40,100,775

In FY20, Anne Arundel’s general fund received \$40 million more in revenues than was projected in its FY20 budget. This was despite the fact that the economic effects of the COVID pandemic began during FY20’s fourth quarter.

As stated above, FY20 is part of a long-standing pattern. In most years, the county’s general fund receives more revenues than is projected in its approved budgets. The chart below shows actual minus budgeted general fund revenues from FY04 through FY20. Positive numbers occur in years when actual revenues exceeded budgeted revenues. Negative numbers occur in years when actual revenues fell short of budgeted revenues. In 14 of these 17 years, actual general fund revenues exceeded budgeted general fund revenues. On average, even including the three years of shortfall, actual general fund revenues exceeded budgeted revenues by \$31 million a year. County appropriations to schools are made from the general fund.

General Fund Revenues: Actual Minus Final Budget, FY04-20



Source: Anne Arundel County comprehensive annual financial reports.

Despite the fact that the county regularly receives more general fund revenues than are projected in its approved budgets, none of the CAFRs show the county using the extra money to increase its budgeted contribution to AACPS.

In FY20, the County’s Fund Balances Were at or Near All-Time Highs Despite the COVID Pandemic.

Fund balance is the difference between the assets and liabilities of a fund. Fund balances may be carried over from one fiscal year to another. If fund revenues are not sufficient to cover fund expenditures, fund balances may be tapped to cover the difference so long as they are positive.

In FY20, Anne Arundel County had four major governmental funds – the general fund, the grants/special revenue fund, the impact fees/capital projects fund and the general county capital projects fund. It also had 26 smaller non-major governmental funds. The county’s CAFRs report fund balances for all of these funds each year.

Fund balances vary by type. Not all fund balances are subject to the unfettered discretion of county policy makers. The five main categories of fund balance are:

Non-spendable: This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified inventories and prepaid items as non-spendable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

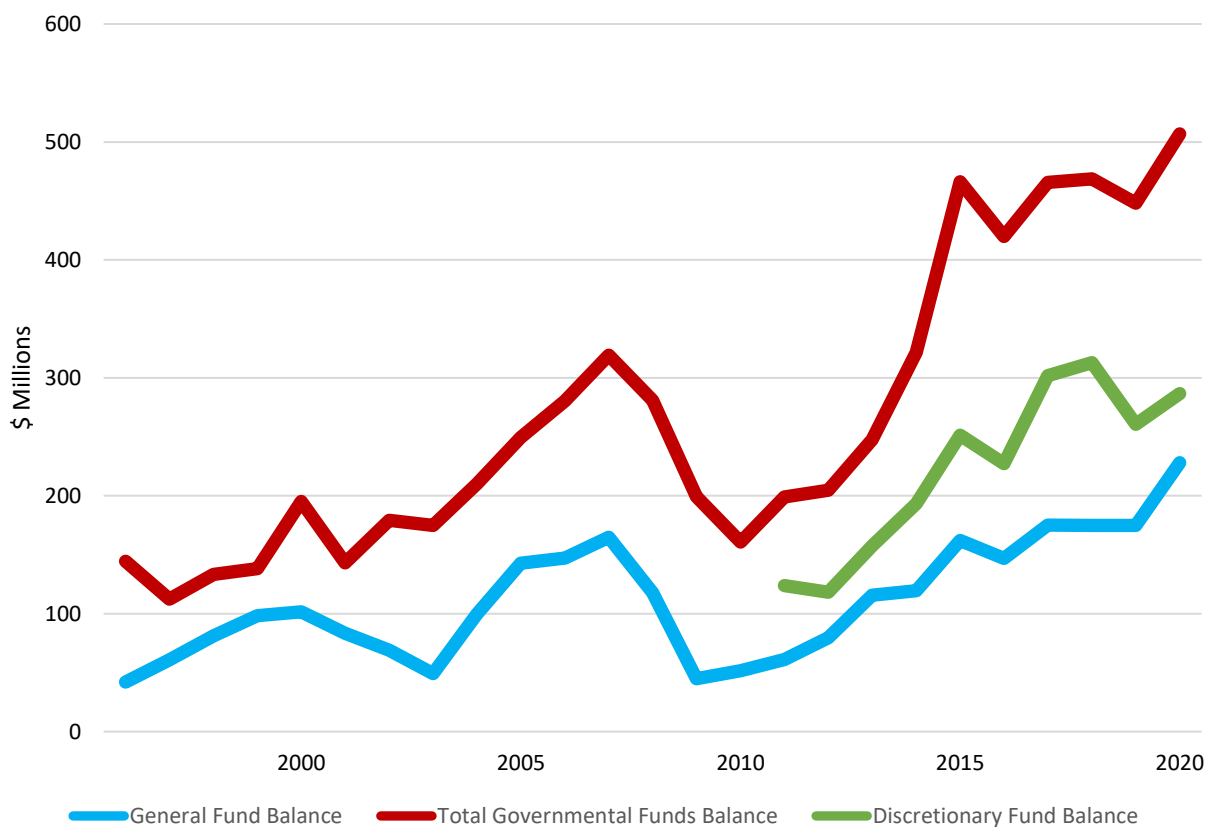
Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County’s highest level of decision making authority through the passing of ordinances. These amounts cannot be used for any other purpose unless the County Council removes or changes the ordinance that was employed when the funds were initially committed.

Assigned: This classification includes amounts that are constrained by the County’s intent to be used for a specific purpose, but are neither restricted nor committed. The policy to assign funds is established through the Annual Budget and Appropriation Ordinance each year which is approved by both the County Council and the County Executive.

Unassigned: Other fund balances that do not fall into the above categories.

The chart below shows three measures of fund balance since FY96: general fund balance, total governmental funds balance (including all major and non-major governmental funds) and discretionary fund balance, which includes all committed, assigned and unassigned governmental funds. The latter three categories are subject to decisions of the county council and/or the county executive, whereas non-spendable and restricted fund balances are subject to constraints. Discretionary balance is only available starting in FY11, when the county began using its current system of classifying fund balance types.

Anne Arundel County Fund Balances, FY96-20



Source: Anne Arundel County comprehensive annual financial reports.

At the end of FY20, the county’s general fund balance was \$228 million and its total governmental funds balance was \$507 million. Both are all-time highs. Its discretionary fund balance – the sum of its committed, assigned and unassigned governmental fund balances – was \$287 million. This is not far off the peak of FY18, when it was \$313 million. What this shows is that the pandemic recession did not significantly damage the county’s fund balances, at least not through the end of FY20.