

Frederick County: Starving its Public Schools

Executive Summary

Frederick County has enjoyed solid economic growth over the last two decades. Its growth in employment and personal income has exceeded most of its neighbors, including Carroll, Washington, Montgomery and Fairfax counties as well as the D.C. area average and the State of Maryland. That growth has brought rising property tax collections and income tax revenues to the county's general fund.

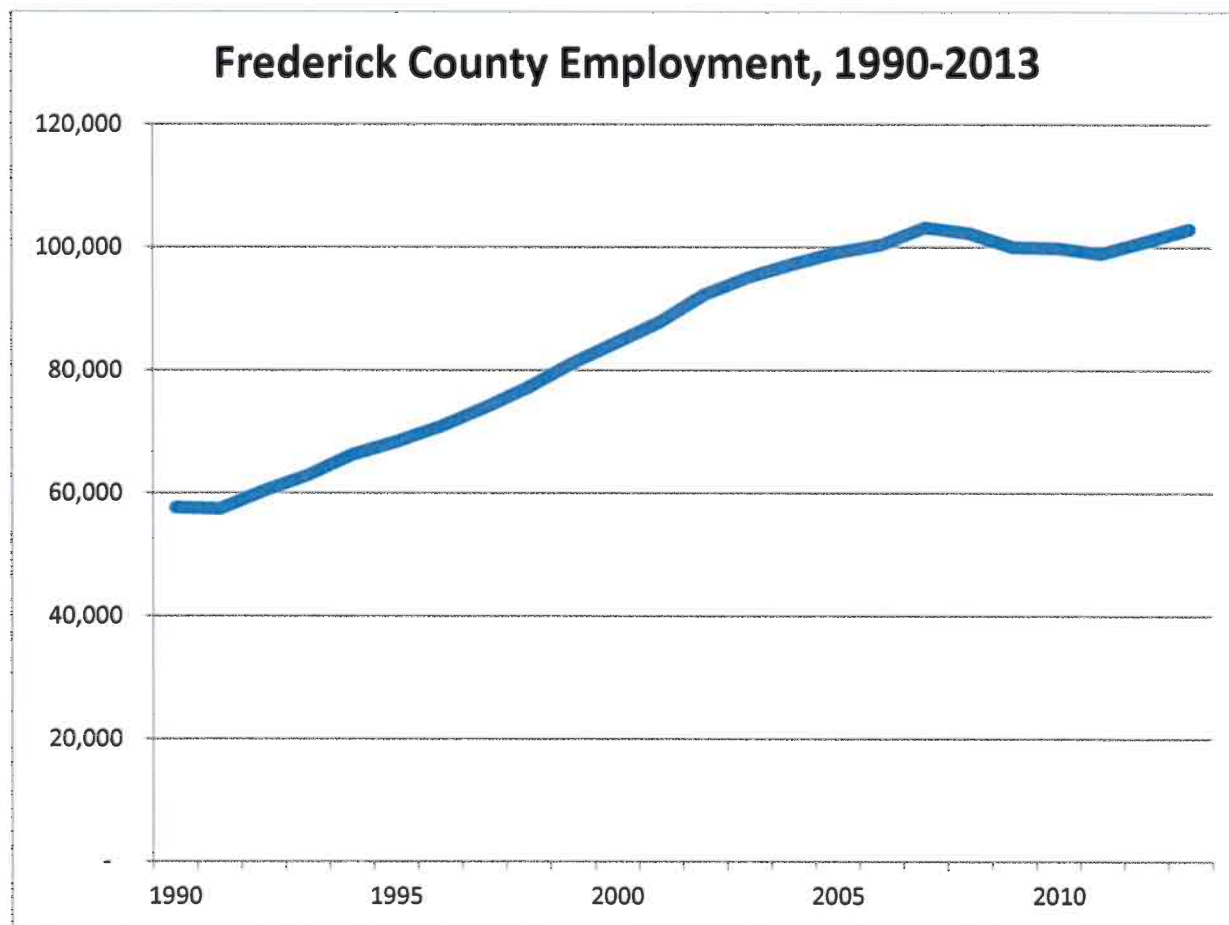
But the county has not been investing its new revenues in its public schools. Between Fiscal Year 2010 and Fiscal Year 2015, the county's general fund has grown by \$83 million. Over the same period, its local appropriation for public schools grew by just \$2 million. Many county departments have received double-digit funding increases over the last five years while the local budget for public schools has increased by just one percent. State aid, not local funding, is now responsible for driving any increases to school funding.

Unlike Frederick County, most counties in Maryland are now increasing their local per-pupil funding for schools. Among them are nine jurisdictions with Republican majorities on their County Councils or Commissions: Queen Anne's, Garrett, St. Mary's, Cecil, Calvert, Worcester, Carroll, Wicomico and Harford.

One of the consequences of starving local school funding is that the county is not competitive for hiring new teachers. Out of twenty-four school districts in Central and Southern Maryland and the Washington D.C. region, Frederick ranks second-to-last in beginning teacher salaries.

Failure to invest in public schools will have a broad-based negative impact on the county. Over 200 academic studies link the quality of public schools to workforce productivity, economic competitiveness, the ability to attract and retain employers and residential real estate values. Frederick County must invest in its schools to keep up with the rest of its region or its economic fortunes will decline.

I. Frederick County has had robust economic growth.



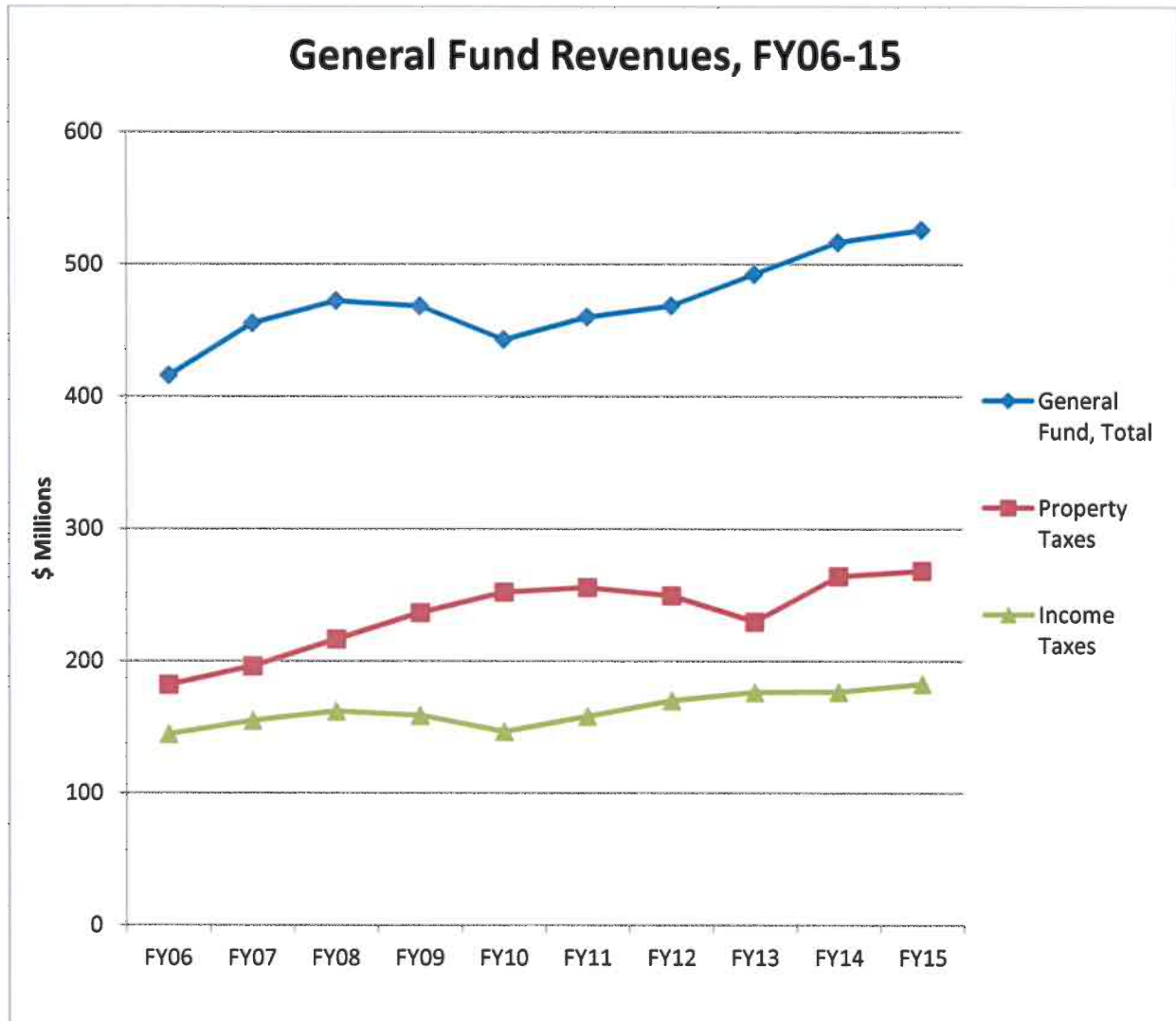
Frederick County has enjoyed substantial economic growth over the last two decades. Between 1990 and 2013, its employment base has grown from 57,588 to 102,911 – an increase of 79%.¹ This exceeds the growth rates of Carroll County (52%), Fairfax County (46%), Washington County (24%), Montgomery County (17%), the D.C. area average (27%)² and the State of Maryland (16%) in these same years.

The total personal income of Frederick County residents has risen by 276% to \$11.7 billion over this period. This exceeds personal income growth in Fairfax County (215%), Carroll County (207%), Montgomery County (199%), Washington County (185%), the D.C. area (226%) and the State of Maryland (188%) in these same years.

¹ Source for employment and personal income data: U.S. Bureau of Economic Analysis.

² D.C. area average includes data for D.C., Frederick, Montgomery, Prince George's, Howard, Charles and Calvert Counties in Maryland and Fairfax, Arlington, Prince William, Fauquier and Loudoun Counties and Alexandria City in Virginia.

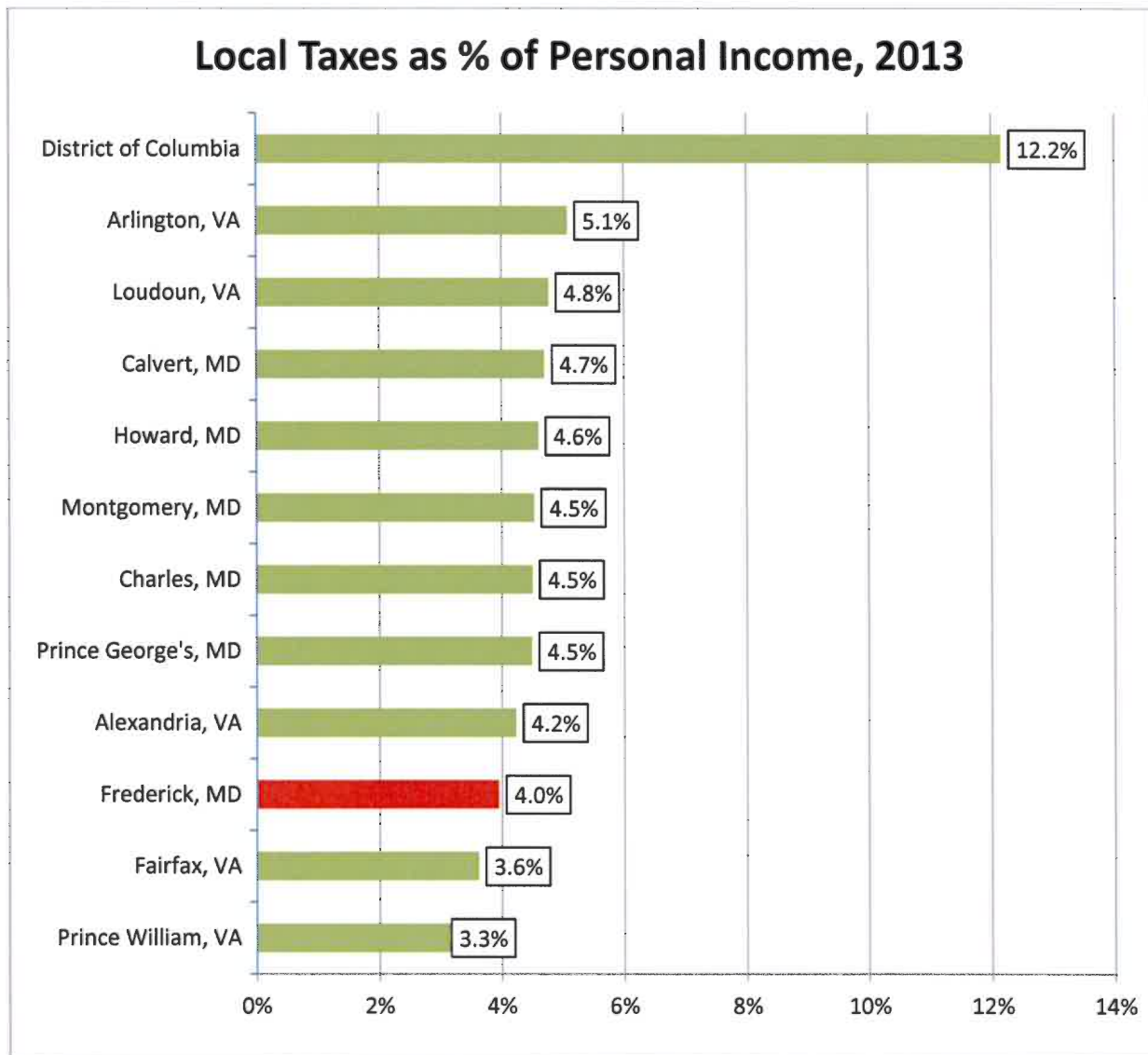
II. Economic growth has led to increased tax revenues.



Long-term economic growth has pumped up Frederick County's general fund.³ Income taxes have grown from \$144 million to \$183 million since FY06, an increase of 27%. Property taxes went up from \$182 million to \$268 million, an increase of 48%. And total revenues for the general fund grew from \$416 million to \$526 million, an increase of 26%. The county had a slow period between FY08 and FY12 but it has recovered since then.

³ Source of budget data: Frederick County approved budgets.

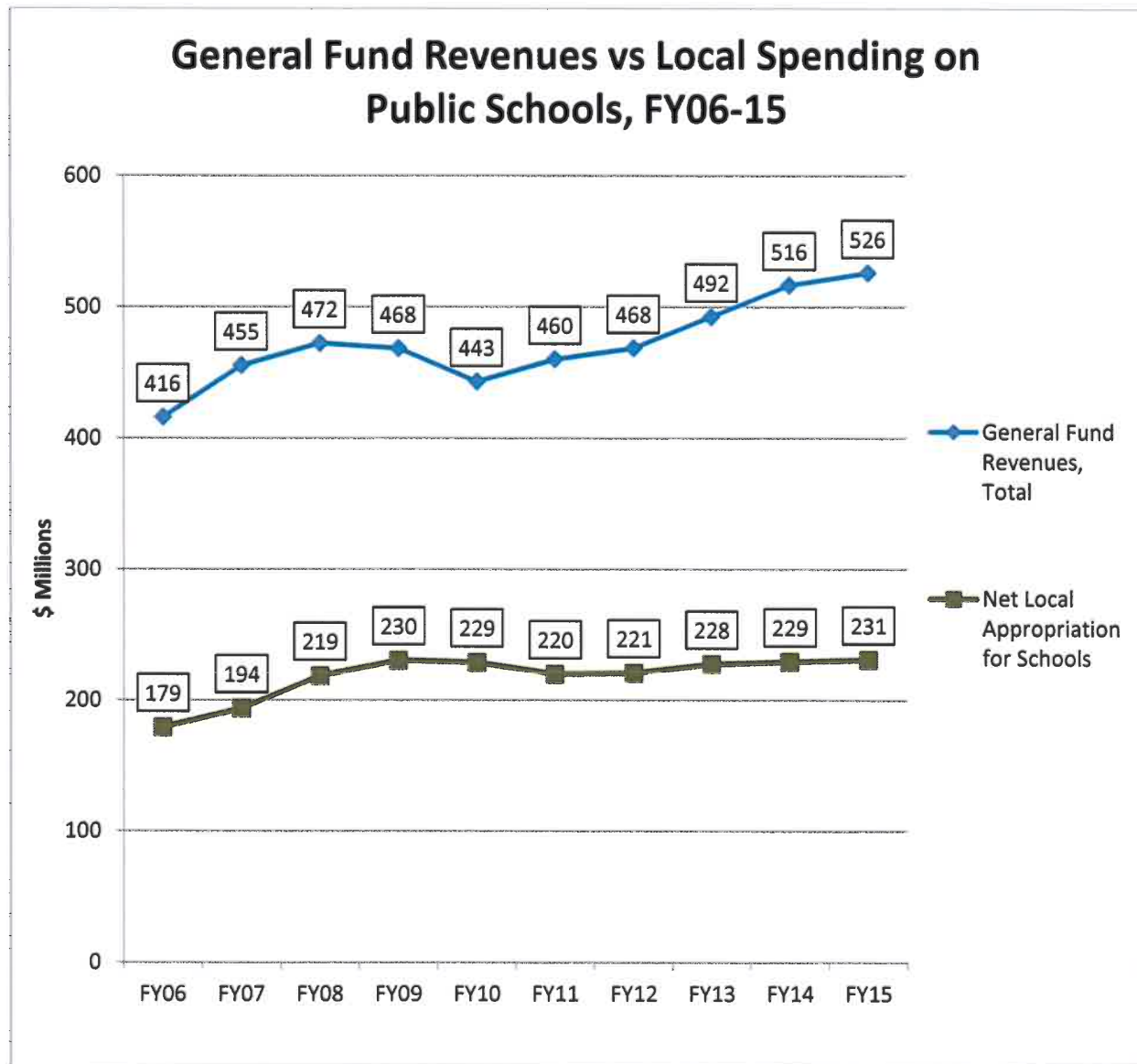
III. Relative to the Washington, D.C. metro area, Frederick County is a low-tax jurisdiction.



Relative to the rest of the Washington, D.C. metro area, Frederick County is not a high-tax jurisdiction in terms of local taxes. The above chart compares local taxes as a percent of personal income for twelve jurisdictions in the Washington region in 2013.⁴ Frederick County ranks ten of twelve on this measure.

⁴ Personal income is defined as the sum of wages and salaries, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. Sources for local taxes: Maryland General Assembly, D.C. approved budget, Virginia county annual financial reports. Source for personal income: U.S. Bureau of Economic Analysis.

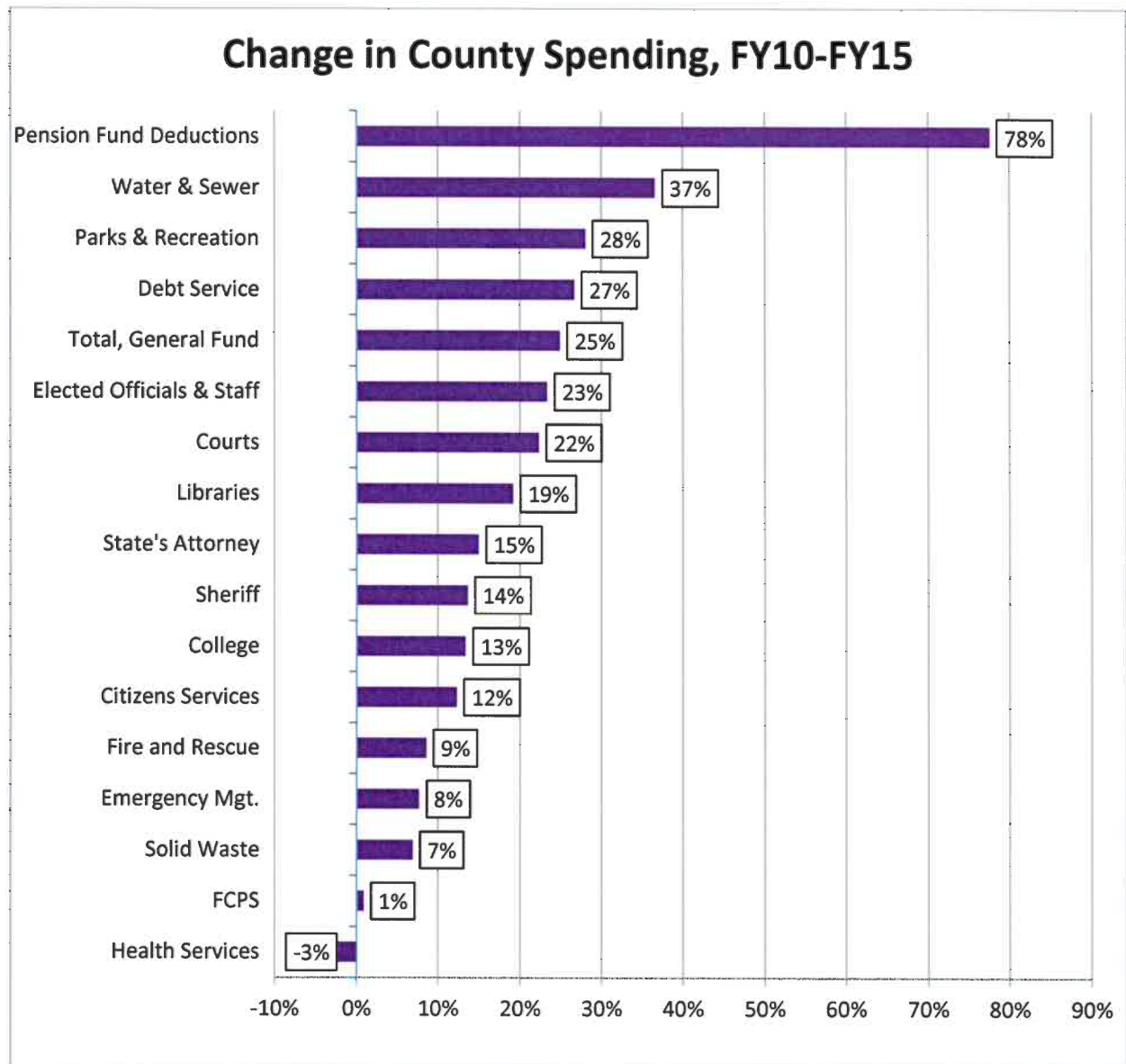
IV. Local tax revenues are growing but local school funding is not.



After bottoming out in FY10, Frederick County's general fund revenues have grown from \$443 million to \$526 million, an increase of \$83 million. Over the same period of time, Frederick County's spending on its public schools' operating budget grew by just \$2 million.⁵ **Even though the public schools account for nearly half the county's general fund spending, they have received just 3% of the county's increase in tax revenues over the past five years.**

⁵ Sources: Frederick County approved operating budgets, Maryland State Department of Education.

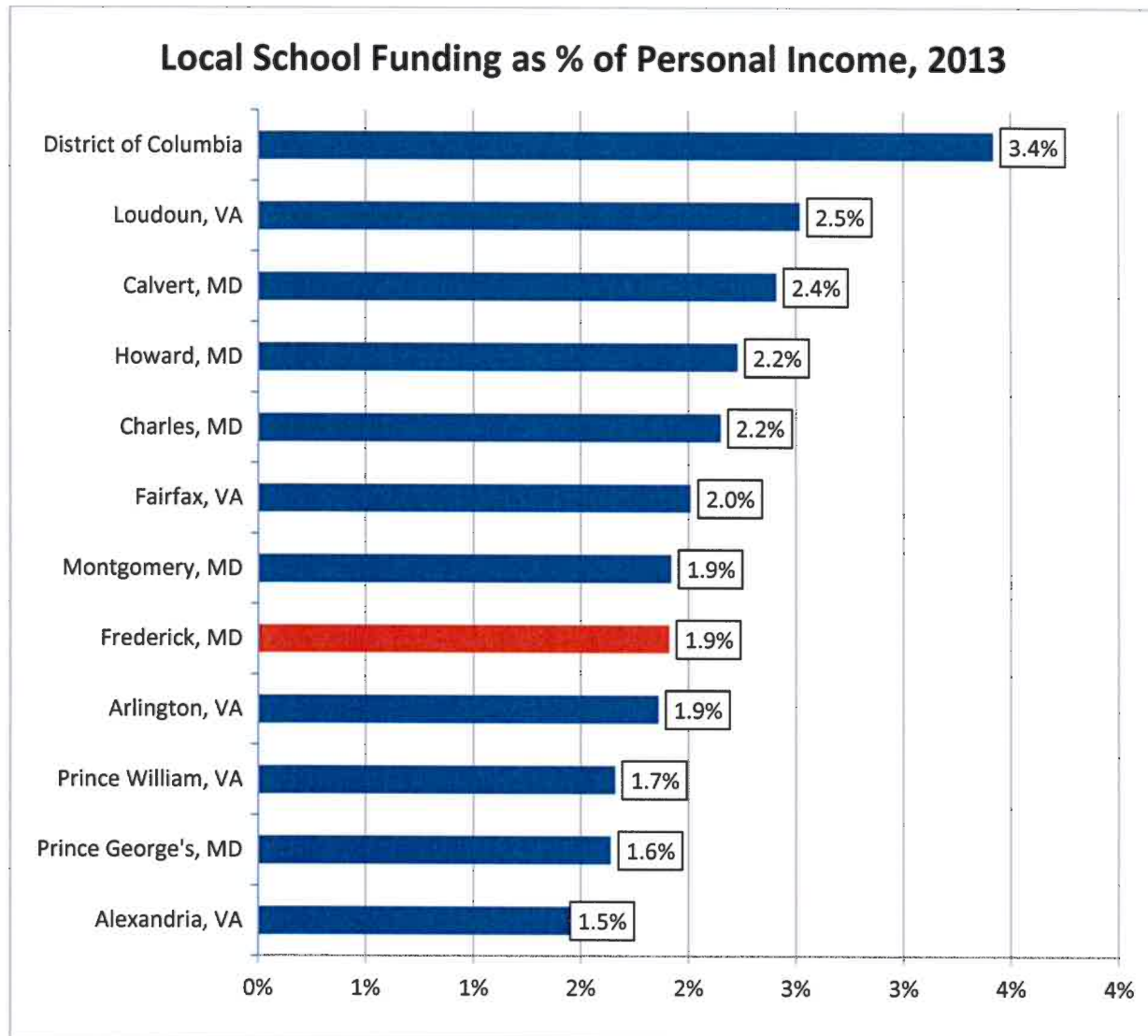
V. The Public Schools are one of the slowest-growing parts of the county budget.



Over the last five years, county spending for all agencies has gone up by 25%. But county spending on public schools has only gone up by 1%.⁶ Almost every major category of county spending has gone up faster.

⁶ This excludes state aid for public schools and refers only to the county's local net appropriation for FCPS. Sources: Frederick County approved operating budgets, Maryland State Department of Education.

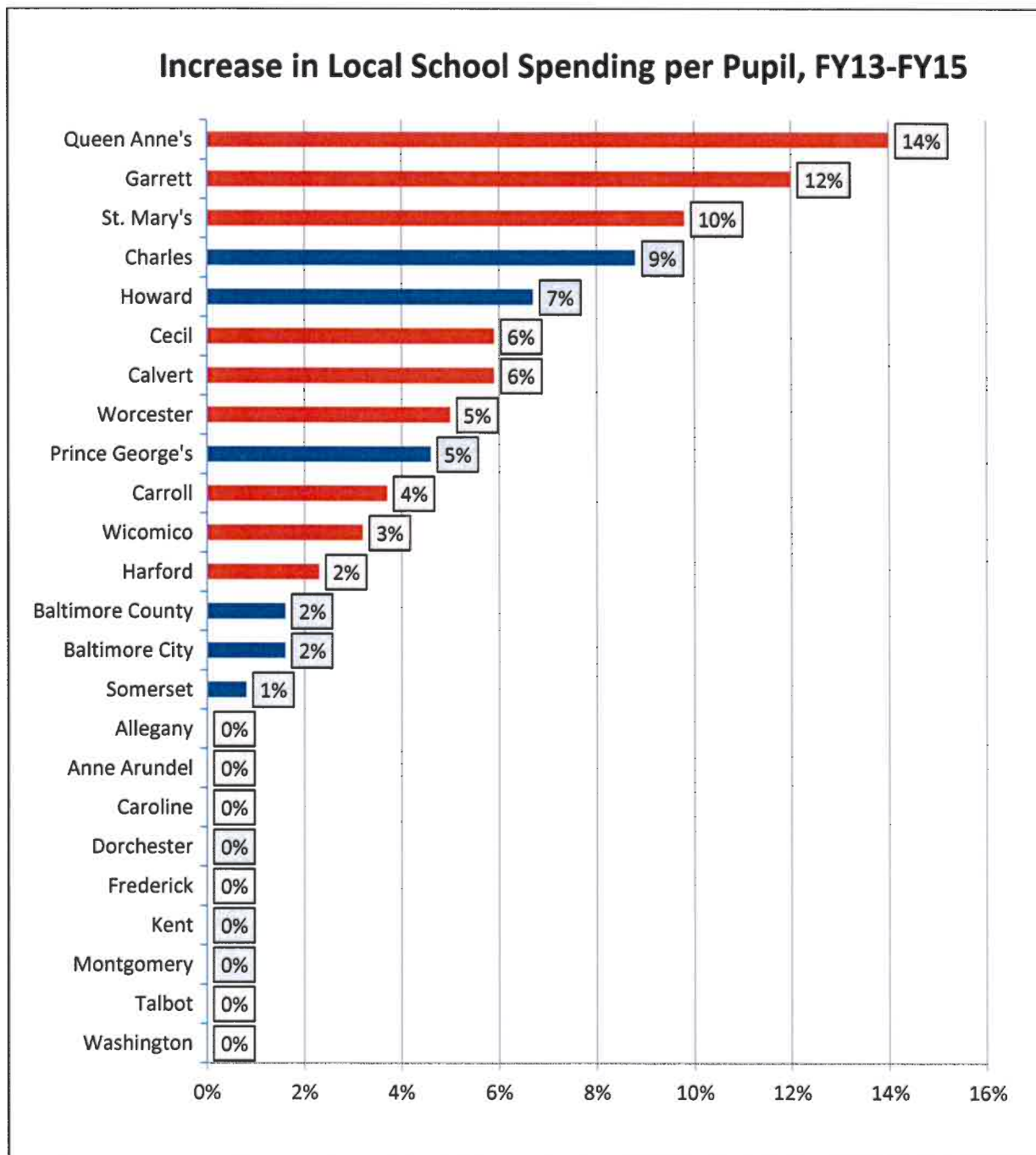
VI. Frederick County trails most Washington, D.C. area jurisdictions on local school funding.



Relative to the rest of the Washington, DC metro area, Frederick County is not a leader in local funding for its schools. The above chart compares local school operating budget appropriations as a percent of personal income for twelve jurisdictions in the Washington region in 2013.⁷ Frederick County ranks eight of twelve on this measure.

⁷ Personal income is defined as the sum of wages and salaries, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. Sources for local school funding: Maryland State Department of Education, D.C. approved budget, Washington Area Boards of Education. Source for personal income: U.S. Bureau of Economic Analysis.

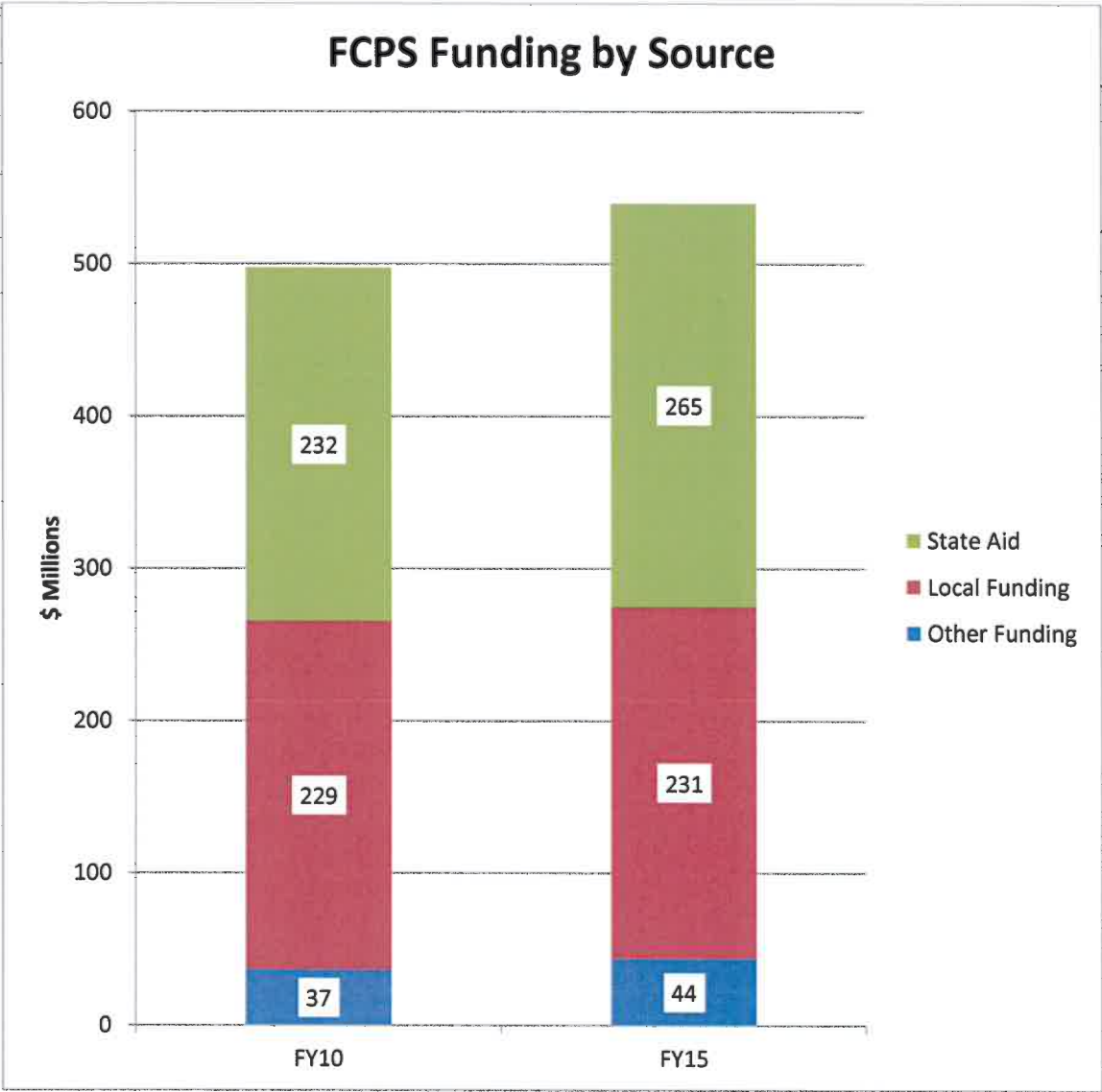
VII. Most counties in Maryland are exceeding the state's Maintenance of Effort standard on school spending. Frederick is not.



Frederick is one of nine counties in Maryland that have not gone over the state's Maintenance of Effort standard for local school spending since state law was changed in FY13.⁸ Most counties that have exceeded the minimum have Republican majorities on their councils or commissions (shown in red).

⁸ Source: Maryland State Department of Education.

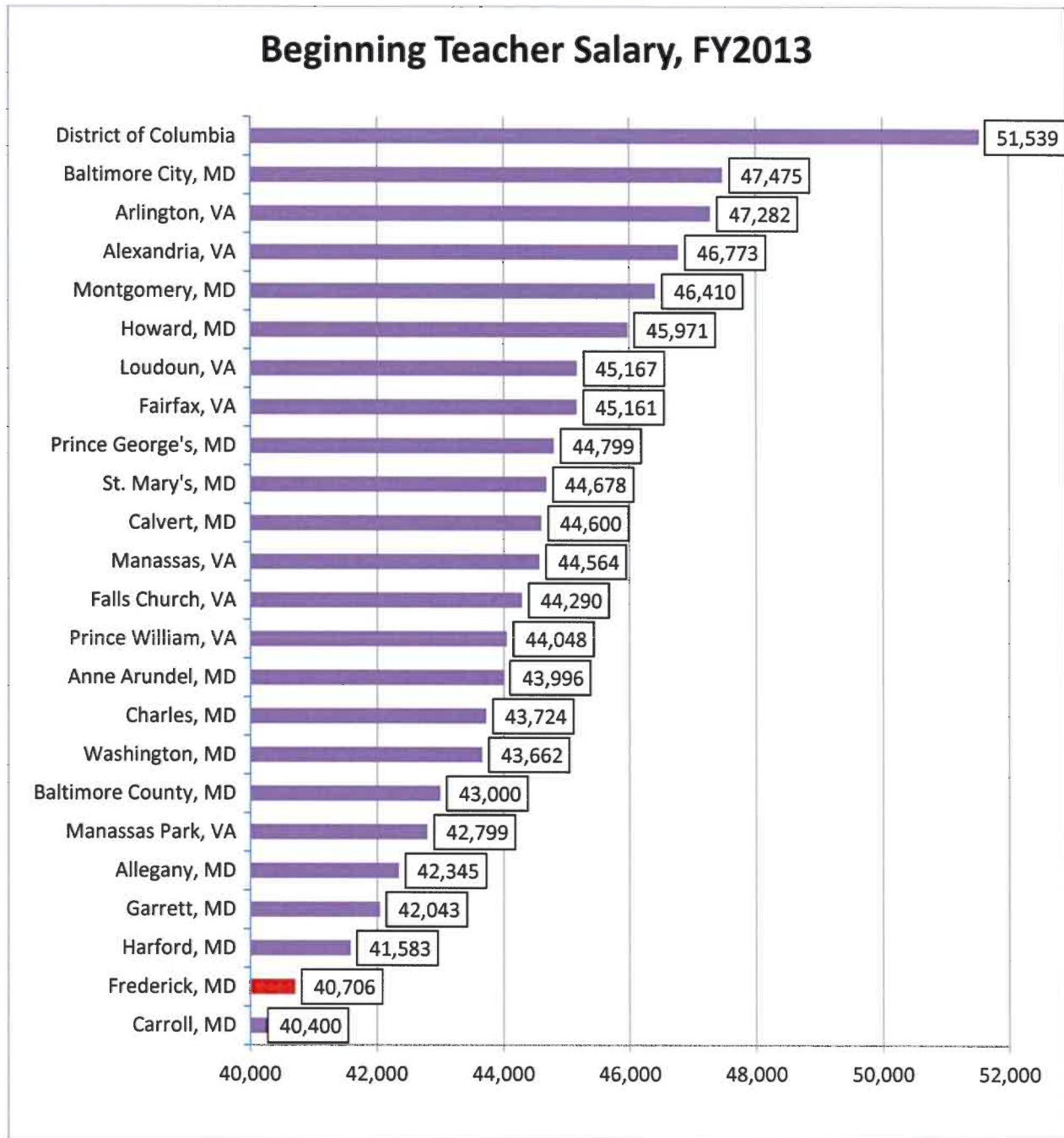
VIII. State Aid is driving increases in Frederick County school budgets.



While county funding for local schools has been virtually unchanged for five years, state aid for public schools has gone up from \$232 million to \$265 million, an increase of 14%.⁹

⁹ Sources: Frederick County Public Schools approved budgets, Maryland State Department of Education.

IX. Frederick County's beginning teacher salary is one of the lowest in the region.



Frederick County is one of the lowest-paying jurisdictions in the region for beginning teachers. Out of twenty-four school districts in Central and Southern Maryland and the Washington D.C. region, Frederick ranks second-to-last in beginning teacher salaries.¹⁰

¹⁰ Sources: DC Public Schools, Washington Area Boards of Education and Maryland State Department of Education.

X. Public schools are critical for economic development.

High quality public schools are one of the most critical factors in determining economic development. A compilation of over two hundred academic studies on schools and local economies¹¹ found the following.

- “There is a clear consensus among researchers that education enhances productivity. Research indicates that quality public schools can help make states and localities more economically competitive. Public schools indisputably influence residential property values. Emerging evidence suggests that the quality, size, and shape of school facilities themselves affect economic development.”
- “Paul Gottlieb and Michael Fogarty, in a report for the Case Western Reserve Center for Regional Economic Issues (1999) on the education levels of the nation’s largest metropolitan areas, confirm that a highly educated workforce improves the economic performance of metropolitan regions. The authors suggest that employers draw workers from both outside their region and inside their region, and that regions should not only make themselves more attractive in order to draw skilled workers from outside their area, but also invest in human capital, stress high school preparation and increase matriculation rates locally.”
- “One of the studies finding the strongest correlation between spending and economic development is by Teresa Garcia-Mila and Therese McGuire, ‘The Contribution of Publicly Provided Inputs to States’ Economics,’ in *Regional Science and Urban Economics* (1992). This study considers data over a fourteen-year period for the 48 contiguous states. It uses both education spending and median years of schooling as measures and finds that both are statistically significant and positively impact gross state product.”
- “The available evidence suggests that businesses seek an existing educated workforce—or, increasingly, the ability to draw such a workforce to their chosen location (Wolkowitz 2003, Deal 2002, Burnson 2000, Venable 2000, Karakaya and Canel 1998, Segedy 1997, Gottlieb 1995). Schools may play a part in both finding and attracting qualified workers. The need for businesses to draw from an *existing* educated workforce often presumes the need for quality local public schools. In drawing *new* workers to an area, however, public schools are also important as a consideration in assessing the quality of life in the area.”
- “While the influence of public schools on state and local development may be difficult to precisely gauge, one aspect of local development is clear—a host of academic studies argue that school quality has a direct and positive influence on residential property values. Research shows that, holding all else constant, homes in high-performing school districts sell for higher prices than homes in low-performing school districts (Kane, Staiger and Samms 2003, Barrow and Rouse 2002, Hilber and Mayer 2002, Downes and Zabel 2002, Figlio and Lucas 2001, Bogart and Cromwell 2000, Clark and Herrin 2000, Black 1999, Brasington 1999, Hayes and Taylor 1996). The impact can measure in the thousands of dollars and increase home values as much as fourteen percent (Figlio and Lucas 2001, Bogart and Cromwell 2000, Black 1999). In addition, as

¹¹ Weiss, Jonathan D. (2004) *Public Schools and Economic Development, What the Research Shows*. KnowledgeWorks Foundation, Cincinnati, Ohio. http://www.mea.org/tef/pdf/public_schools_development.pdf

indicated earlier, increased school spending has been linked to significant increases in real estate values (Barrow and Rouse, 2002, Dee 2000, Black 1999), and several studies have shown that people are more willing to live in a neighborhood with good schools even if it means paying higher taxes (Bogart and Cromwell 2000, Hayes and Taylor 1996). The studies consider a variety of factors in analyzing school quality and its impact on property values, ranging from school spending and student/teacher ratio to achievement test scores and individual improvement over time. The researchers differ on which exact factors contribute to a "quality" school, and therefore which school characteristics increase property values. Nevertheless, the link between public schools and property values has been demonstrated in neighborhoods of high and low income ranges, in urban and suburban areas, and for homebuyers with and without children."

- "Recent public opinion surveys confirm the importance of public schools to home buyers. In a survey conducted by the National Association of Realtors (2002), the quality of public schools, along with the safety of the neighborhoods, were ranked as the two most important factors considered in where people choose to live. This finding is also reflected in one of the group's mottos: 'Realtors don't just sell houses and buildings. We sell neighborhoods.'"

The data is clear: if Frederick County continues to starve its public schools, it could very well starve its own economic development prospects as well.