
The Local Wealth Measure Used in the Education Aid Formulas

**Presentation to the
Maryland Association of Counties**

**Department of Legislative Services
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Overview

- Why do we use wealth in the calculation of education aid formulas?
- Calculation components
 - Net Taxable Income
 - Assessable Property Tax Base
 - Real property
 - Personal property
- Education Effort

Local Wealth Per Pupil

Fiscal 2013

County	Wealth (\$ in Millions)	Full-time Equivalent Enrollment	Wealth Per Pupil
Allegany	\$2,468	8,414.00	\$293,334
Anne Arundel	44,587	74,305.25	600,048
Baltimore City	22,413	78,871.00	284,178
Baltimore	50,068	101,281.75	494,343
Calvert	7,412	16,136.25	459,368
Caroline	1,594	5,221.00	305,212
Carroll	11,504	26,785.75	429,480
Cecil	5,857	15,236.00	384,435
Charles	9,938	25,869.50	384,172
Dorchester	1,690	4,391.00	384,910
Frederick	15,976	39,316.25	406,354
Garrett	2,396	3,942.75	607,653
Harford	16,122	37,426.00	430,762
Howard	26,735	50,481.50	529,592
Kent	1,561	2,041.00	764,790
Montgomery	95,122	142,670.75	666,722
Prince George's	47,729	117,995.25	404,497
Queen Anne's	4,403	7,508.00	586,497
St. Mary's	7,186	16,732.25	429,455
Somerset	877	2,677.00	327,519
Talbot	4,645	4,273.25	1,086,948
Washington	7,494	21,724.50	344,933
Wicomico	4,101	13,911.00	294,809
Worcester	7,868	6,241.00	1,260,728
Total	\$399,745	823,452.00	\$485,451

Wealth Calculation

- Section 5-202(a) of the Education Article establishes the wealth formula
- The sum of:
 - Net taxable income;
 - 100% of the assessed value of the operating real property of public utilities;
 - 40% of all other real property; and
 - 50% of the assessed value of personal property

Net Taxable Income (NTI)

- From second completed calendar year before school year begins
 - *Example:* Tax year 2010 NTI was used for fiscal 2013 (2012-2013 school year) aid calculations
- Calculated based on returns filed by September 1 after the tax year ends
- Comptroller reports the data
- Legislation to change the drawdown date from September 1 to November 1 has been considered frequently in recent years
 - November 1 offers a more complete NTI measure
 - However, it also results in a reallocation of State education aid

2010 NTI: Sept. 1 vs. Nov. 1

County	(\$ in Millions)			Sep 1 to Nov 1 Increase		Change in FY 2013 Aid
	Sep 1, 2011	Nov 1, 2011	Dollars	Percent		
Allegany	\$826.3	\$853.3	\$27.0	3.3%	\$1.2	
Anne Arundel	12,420.0	13,625.4	1,205.4	9.7%	1.9	
Baltimore City	6,886.8	7,467.9	581.1	8.4%	1.9	
Baltimore	15,944.6	17,881.9	1,937.3	12.2%	-4.0	
Calvert	1,959.2	2,058.1	99.0	5.1%	1.2	
Caroline	397.9	407.3	9.4	2.4%	0.7	
Carroll	3,572.2	3,699.7	127.5	3.6%	2.0	
Cecil	1,578.1	1,652.1	74.0	4.7%	1.7	
Charles	2,844.7	2,960.4	115.7	4.1%	3.6	
Dorchester	380.4	397.9	17.6	4.6%	0.5	
Frederick	5,070.2	5,379.3	309.1	6.1%	1.8	
Garrett	372.2	384.7	12.5	3.4%	0.5	
Harford	4,996.4	5,211.3	214.9	4.3%	2.7	
Howard	8,609.3	9,442.2	832.9	9.7%	0.3	
Kent	291.9	336.2	44.3	15.2%	0.1	
Montgomery	27,588.4	34,041.0	6,452.6	23.4%	-22.3	
Prince George's	12,995.9	13,543.9	548.0	4.2%	11.6	
Queen Anne's	973.1	1,069.6	96.5	9.9%	0.3	
St. Mary's	2,126.6	2,207.4	80.8	3.8%	1.3	
Somerset	193.2	199.3	6.0	3.1%	0.4	
Talbot	742.4	966.8	224.4	30.2%	0.0	
Washington	2,123.1	2,203.9	80.8	3.8%	2.9	
Wicomico	1,230.0	1,296.8	66.8	5.4%	1.2	
Worcester	820.2	902.5	82.3	10.0%	0.0	
In-state Total	\$114,943.1	\$128,189.0	\$13,218.9	11.5%	\$11.6	

Real Property

- As of July 1 of the first completed fiscal year before the school year begins
 - *Example:* July 1, 2011 (fiscal 2012) assessable base used for fiscal 2013 (2012-2013 school year) aid calculations
- Most recent valuation estimate made by the State Department of Assessments and Taxation (SDAT) before the annual budget submission
 - November release is used (SDAT puts out estimates in March and November)
- The valuation for State purposes is used
- SDAT webpage:
<http://www.dat.state.md.us/sdatweb/stats/abe.html>

Personal Property

- As of July 1 of the first completed fiscal year before the school year begins
 - *Example:* July 1, 2011 (fiscal 2012) assessable base used for fiscal 2013 (2012-2013 school year) aid calculations
- Most recent valuation estimate made by SDAT before the annual budget submission is used
 - November release is used (SDAT puts out estimates in March and November)
- The State does not assess personal property, so the valuation for *county* purposes is used; some adjustments to the figures for State aid purposes are noted on SDAT's table
- Four counties (Frederick, Kent, Queen Anne's, and Talbot) do not tax business personal property and, therefore, have a \$0 value for that component of personal property
- SDAT webpage: <http://www.dat.state.md.us/sdatweb/stats/abe.html>

Education Effort

- Chapter 6 of 2012 (the maintenance of effort (MOE) bill) defines education effort as “a county’s education appropriation divided by the county’s wealth”
- Counties with high education effort may apply to the State Board of Education for “re-basing waivers” that allow for ongoing reductions of 1%-3% of the required MOE amounts per year
- Beginning in fiscal 2015, the required MOE amount will be increased for a county with below-average education effort in years when the county’s wealth per pupil increases. The required increase will be the lesser of:
 - The county’s increase in per pupil wealth;
 - The State average increase in per pupil wealth; and
 - 2.5%

Fiscal 2012 Education Effort

County	(\$ in Millions)			Education Effort
	Local Wealth	School Appropriation	Education Effort	
Allegany	\$2,468.9	\$28.2	1.14%	
Anne Arundel	46,243.3	556.1	1.20%	
Baltimore City	22,879.3	242.1	1.06%	
Baltimore	51,461.2	668.5	1.30%	
Calvert	7,691.8	109.1	1.42%	
Caroline	1,676.8	12.3	0.73%	
Carroll	11,880.5	163.5	1.38%	
Cecil	6,045.1	67.2	1.11%	
Charles	10,310.6	145.6	1.41%	
Dorchester	1,802.3	16.5	0.91%	
Frederick	16,774.3	220.8	1.32%	
Garrett	2,381.5	24.9	1.04%	
Harford	16,334.2	214.3	1.31%	
Howard	27,296.1	467.6	1.71%	
Kent	1,599.8	16.1	1.01%	
Montgomery	98,061.9	1,370.1	1.40%	
Prince George's	52,395.8	617.5	1.18%	
Queen Anne's	4,443.3	43.5	0.98%	
St. Mary's	7,318.6	77.0	1.05%	
Somerset	911.2	8.7	0.96%	
Talbot	4,776.4	32.4	0.68%	
Washington	7,817.1	89.5	1.15%	
Wicomico	4,319.3	36.2	0.84%	
Worcester	8,060.3	71.9	0.89%	
State	\$414,949.3	\$5,299.7	1.28%	
Simple Average			1.13%	