

Good evening. I am Dr. Janet Wilson, Superintendent of Schools. I would like to welcome you this evening.

Please stand for the Pledge of Allegiance.

Please join me in a moment of silence for two reasons 1) to remember the losses of two teachers one in Nevada and one in Massachusetts who died while performing their duties at their respective schools and 2) to reflect on the significance that the education of our children has in the lives of all of us. I think we can agree that they are the ones impacted the most by our decisions and they get the least say in the matter.

MOMENT OF SILENCE

Because a high quality education is **the most important service** we provide as a community, state and nation, it is incumbent upon us to keep the core mission of educating our students central in all that we think and do going forward. After all we are educating them for their future and not our past.

There is no doubt, with the resources we have, our staff does amazing things. But, as you have heard, the school system is once again preparing for the possibility of another reduction in force, further cuts in programs, and the closure of additional schools due to known and unknown funding projections for FY 2015 or the 2014-2015 school year.

I arrived in Garrett County some 16 months ago on the heels of three school closures in a period of two years, It didn't take long for me to assess that some people were angry and hurt over the closure of schools. The closure of the schools seemed to take on more importance than the fact that people lost their jobs and children suffered academic and extra curricular program losses. What I noticed as I talked to people was that there was a lot of confusion over the circumstances surrounding the funding and quite frankly blame and suspicion that somehow the Board could have responded differently to cumulative cuts in State funding equaling 18.5% with minimal local relief to those cuts and a promise of future losses. The Community seemed to be grappling with a quantity versus quality debate. Do we maintain the schools at the risk of not providing adequate programs and services to our students? An economies of scale question if you will...

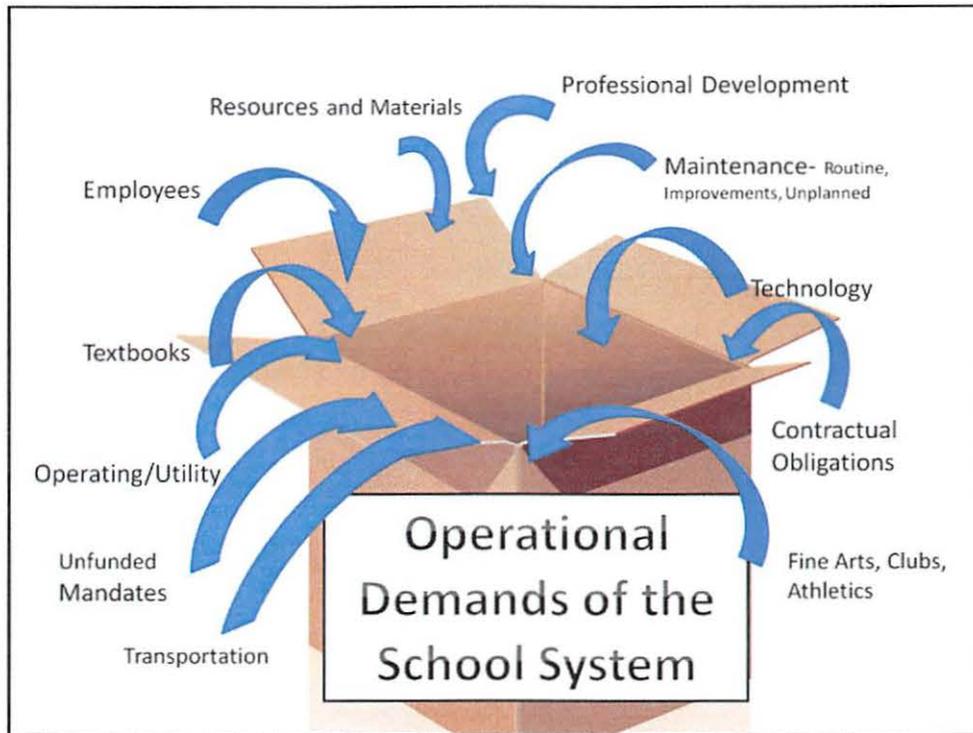
Recently, the State Board weighed in on that very question when they upheld the local Board's decision to deny the Riverside Academy Public Charter application in part based on Garrett County Public Schools financial situation. The State Boards decision agreed there was a "failure to meet the criteria for curriculum, facilities, and other requirements....and the fiscal impactis, indeed, a reality for the GC Board in making decisions for the best interests of the GCPS students-especially in light of the fact that the GC Board, faced with a dramatic decline in student enrollment and state funding....."

Should there be less schools when with it comes an assurance of quality programs and services? In a county with the geography and topography of Garrett County, that's not easily answered.

Garrett County has the second largest land mass and the third lowest student population requiring resources to be spread over a wide geographic area for very few students. Closing schools with a consequence of increased travel time for some students in a county the size of Garrett in the worst of winter weather is a concern.

Quite frankly, the Board and I would like both – quantity and quality

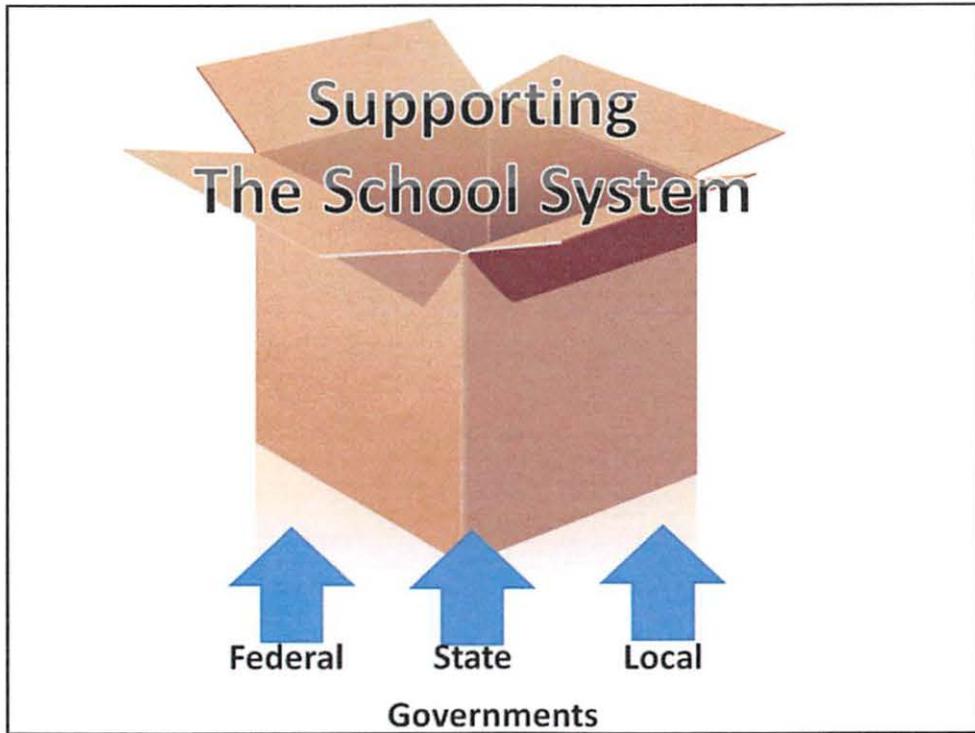
Prior to turning the program over to Mr. Swift I believe it will serve us well going forward if we can develop some common understandings about what is behind us and what is before us.



Like all school systems in Maryland, Garrett County Public Schools, as a State agency, is charged with providing a system of education that meets current reform mandates at the State and National level. The Annotated Code of Maryland and the Federal government set the regulations to which the School System is accountable. School Systems in Maryland are among the most heavily regulated by State and Federal laws and are accountable to test scores, extensive and ongoing state and federal audits (special education, Title I, Title II, legislative, year-end audits, pupil services, etc.), and very strict programmatic rules and required outcomes.

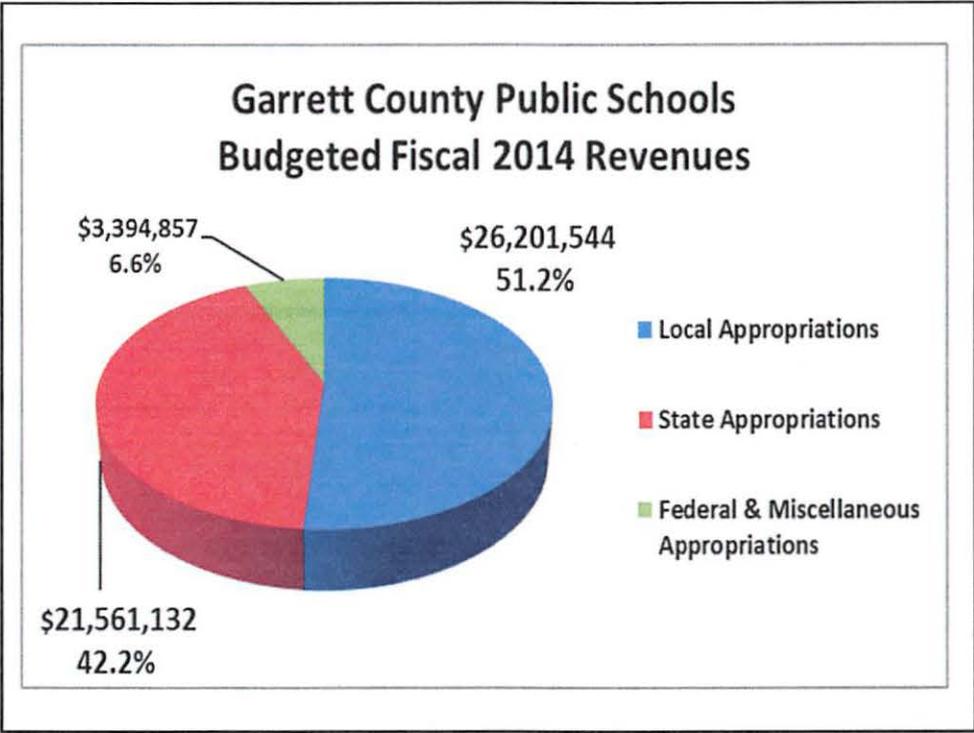
One of the things I've observed in my career is that people tend to view a school system and its operational needs through the eyes of when they were a student themselves.

This is not a very accurate view of the challenges of providing a system of education. Education in a globally competitive society is not a task for the ill-prepared or underfunded. The demographics of our young leaving the area would suggest we need to prepare our students in a manner that provides them the ability to be competitive.



Public Schools in Maryland must operate within the conditions defined by Federal, State, and Local government funding allocations. School systems cannot generate their own funding in Maryland.

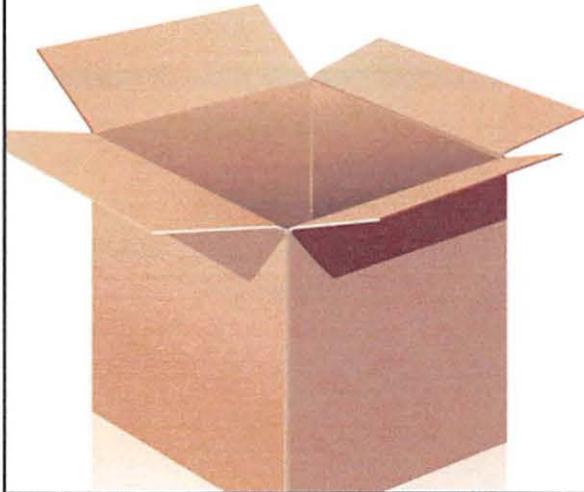
This is very similar to what we face in our household budgets. There is money coming in to support the household budget and if the money gets cut, the budget must change and be reprioritized. We must adapt. When our fiscal resources change, we must change what we are doing. We cannot spend money we do not have nor can we plan on spending money we know will not be available to us in the future. We already know that we have a deficit position in the funding of the next school year. (2014- 2015) We have been trying to plan for that deficit since April of this year.



Over the previous years, due to the changes in Maryland’s funding formula to support public education, the State has reduced its funding to our school system (18.5%) expecting local government to make up the difference. How can this be?

Impacting the State Support:

Wealth Index Equalizer and Loss of Enrollment



FY14 RANKING BY PER PUPIL WEALTH:

- #1 WORCESTER
- #2 TALBOT
- #3 KENT
- #4 MONTGOMERY
- #5 GARRETT

- #21 ALLEGANY

According to Maryland, the Wealth Formula is intended to be a Wealth Equalizer. How so?

Garrett County is considered wealthy when comparing certain variables to averages in those same categories for the State of Maryland. As you can see, Garrett County is the fifth wealth wealthiest County behind Worcester (Ocean City), Talbot, Kent, Montgomery.

While some disagree that Garrett County is wealthy, **it is a Maryland funding reality** that has great consequences for Garrett County and is not likely to change anytime soon. Although there will be a study of the adequacy of the funding formula, that study does not start until Fall of 2014 and is not scheduled to be completed until 2016.

The natural inclination of people is to consider the number of households in poverty or the mean average household income when considering wealth. Maryland looks at other variables when determining the Wealth Formula.

Often people want to compare us with Allegany County. There is no comparison where State aid is concerned, Allegany is the 21st wealthiest county and its state aid is significantly higher. This is an apples and oranges comparison. For example, when Allegany wants to renovate or build new, the state pays 93 cents of every dollar. In Garrett the state share is 50 cents for every dollar spent on renovations or construction.

What is the Wealth Index?

How is it considered a Wealth
Equalizer?

The Wealth Index is set by analyzing Specific Variables and Comparing Garrett's Performance to how the State on the same variables.

What variables are considered?

- Real Property (40%) (e.g. DCL Real property assessments) and Utility Operating Real Property (100%)
- Net Taxable Income(100%)
- Personal Property (50%) (e.g. Business personal property assessments)

How is it intended to work?

- As a Maryland county's wealth per pupil goes up 
- The State aid to that county for education goes down 
- Expectation is that the local government fills in the gap

The Wealth Formula is based on real property, utility operating real property, net taxable income, personal property, in comparison to the average State totals in each of those categories.

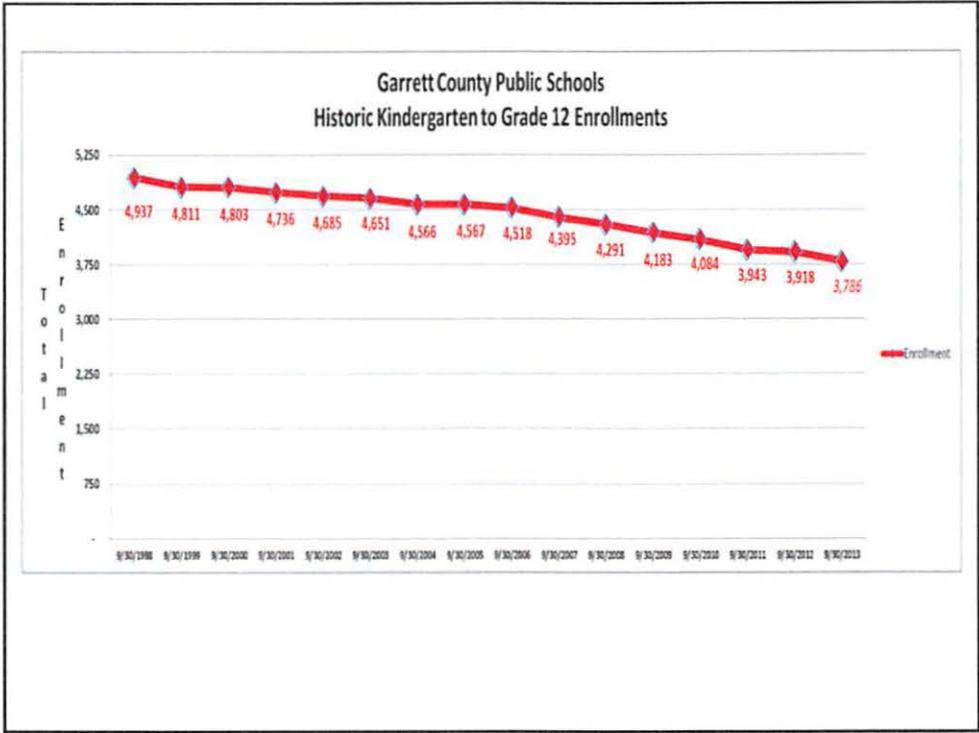
So what does this mean...

As a Maryland county's wealth per pupil goes up, the state aid goes down and the expectation is that local government has the ability to utilize resources from the wealth variables to fill in the gap.

What are the enrollment trends impacting wealth?

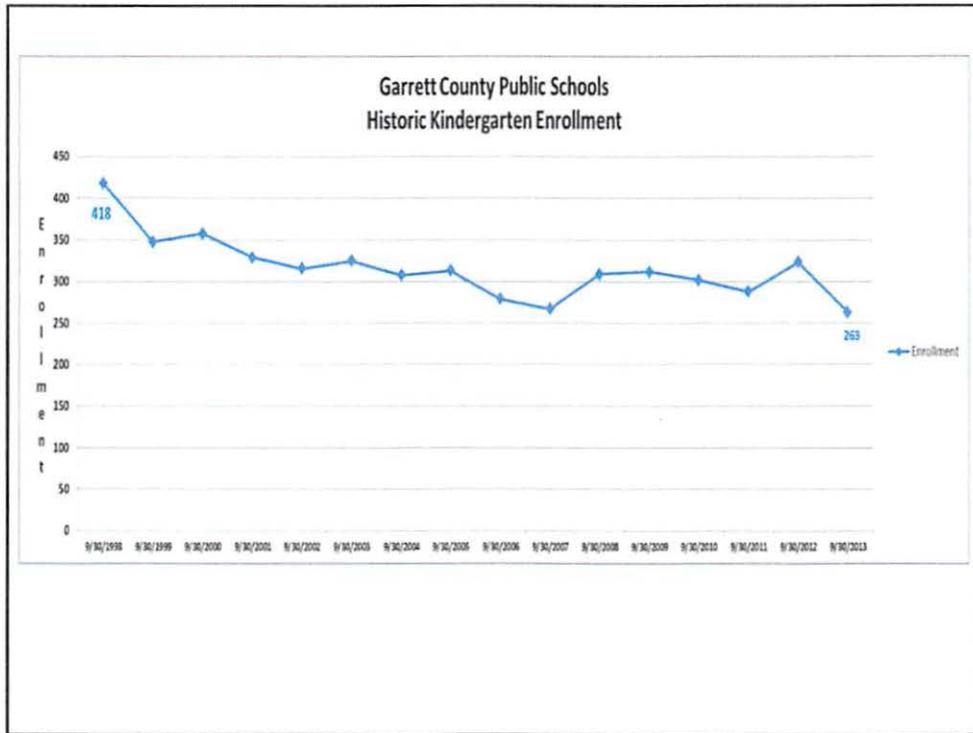
When the wealth variables discussed are combined and then divided by the number of students in Garrett County Public Schools, the wealth per pupil is derived. The overall increase in wealth when considered relative to declining student enrollment makes the wealth per pupil amount higher in Garrett County. We have higher wealth per pupil than the State of Maryland and most other counties.

On the other hand, when compared to the State, the State's wealth has been declining and their enrollment has increased. Therefore, the State wealth per pupil is declining and the gap has continued to widen and funding has continued to decrease as a result. That ratio is critical in the calculation of state aid.



Now take a look at the loss of student enrollment over the past 14 years. This graph shows the declining enrollment since 1998. Garrett County has a shifting demographic of people. Our young families, those of child bearing age are leaving us while older people are retiring here.

Over the last 14 years, we have had an average loss of 82 students per year down 1,151 students since 1998.



This year, Garrett County Public Schools enrolled the smallest kindergarten class in at least fourteen years.

Largest percentage enrollment decline in Maryland 4 of the last 5 years*

- * This year's 3.4% loss in student enrollment is subject to verification now in progress.
- Since 9/30/07, GCPS has lost 609 students
- Closing Bloomington, Kitzmiller, and Dennett Road reduced student seat capacity by 733 seats.
- Even with the closure of 3 schools, it is anticipated that over 1,000 seats will be vacant in our schools based on a State rated capacity of 4,853 and an estimated 9/30/14 enrollment of 3,843 students.

So what is the seat capacity when you consider the schools that still remain open?

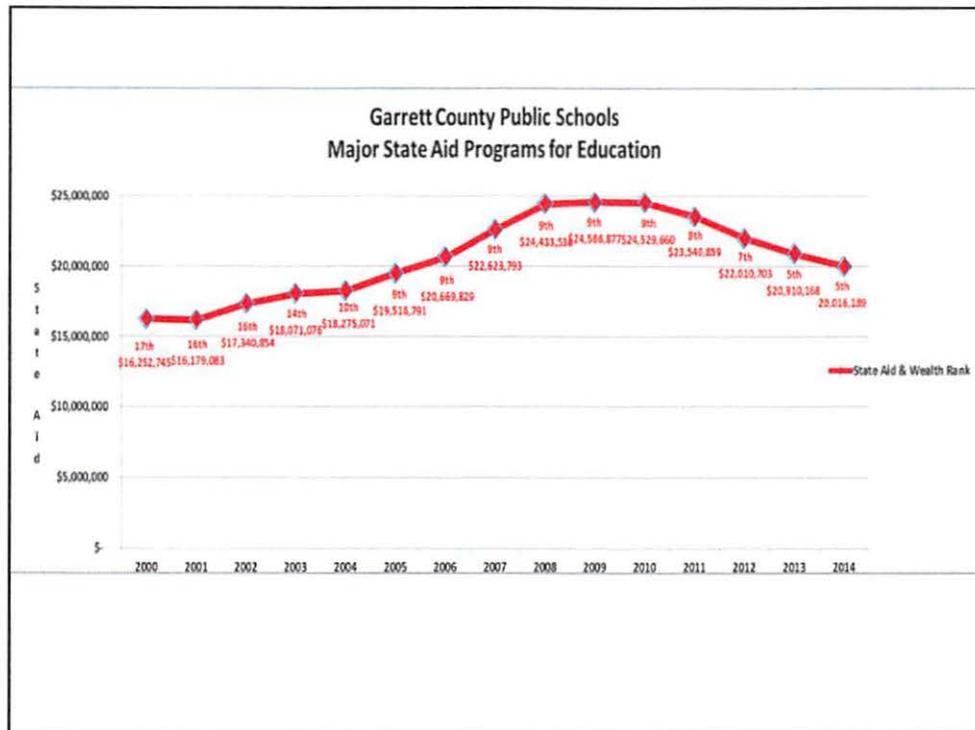
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Let's look at our Wealth Ranking. In the last 14 years, the Wealth of Garrett County has moved from 17th to 5th lessening the State's Aid to Garrett County Public Schools. State funding to Garrett County Public Schools has increased 23.16% since fiscal 2000 while the average increase across the state as a whole was 149.89% for the same period. Garrett County's increase from the State represents the smallest increase in State funding during this time period. Some districts such as Montgomery has received as much as a 303% increase in funding. Their funding moved from slightly more than \$150 million dollars to \$591 million in State funding.

So how has the Wealth Index/Enrollment Declines impacted Garrett County Public Schools?

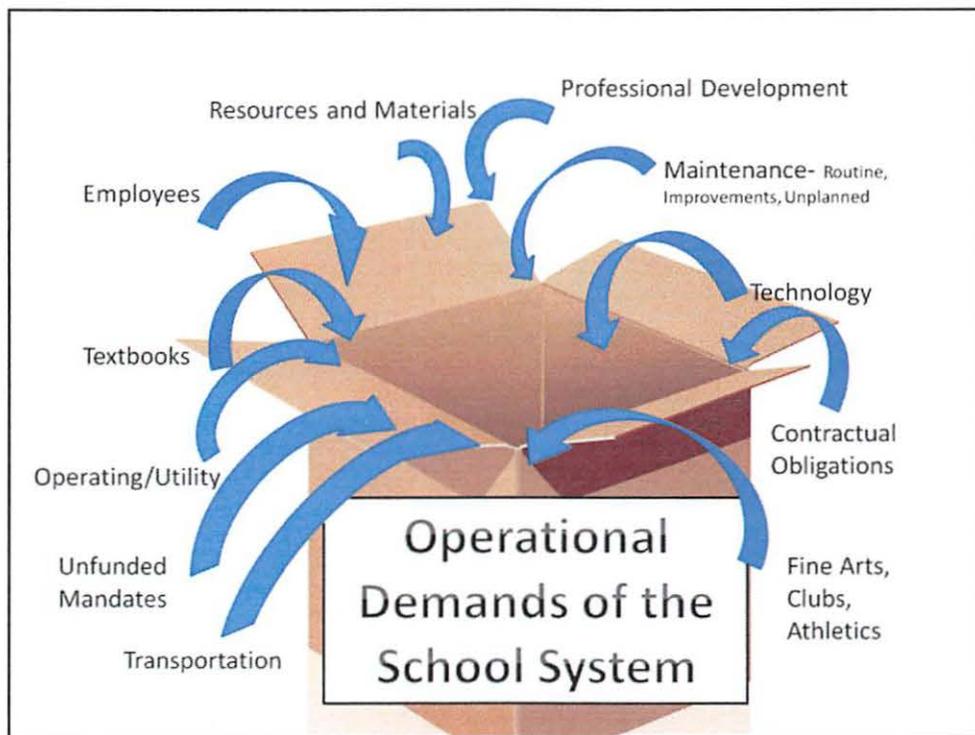
- Maryland's Wealth Index says Garrett is the fifth wealthiest county per pupil based on the variables used to calculate the Wealth Index.
- Resulted in Garrett County Public Schools losing over \$4.5 million dollars in State aid since the 2008-2009 school year.
- Added by Garrett County Government was \$2.2 million dollars from local revenue sources.
- Placed the school system in a deficit position of \$2.3 million dollars.
- Required that extreme measures be taken to live within the conditions/means given by federal, local, and state funding agents.
- Forced the school system to respond by removing staff, programs, closing schools, etc. over the last several years.

What has happened....The system had to respond to/react to the deficit by contracting. The sheer loss of enrollment coupled with the loss of revenue would suggest that the school system had to change shape to operate within its means. The system's operating budget had to be reduced to live within the means provided by the three funding sources – Federal, State, and Local.

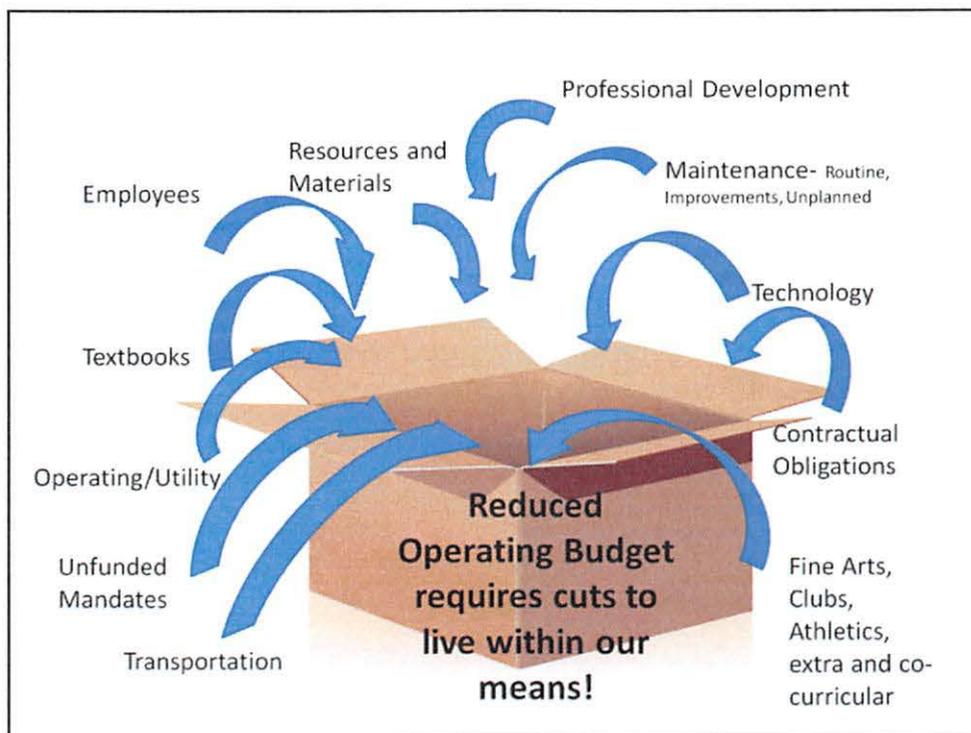
Examples of how the school system has lived within its means so far:

- Reduced the workforce = 88 positions since fiscal 2009
- Reduced and/or eliminated intervention services and gifted and talented staff and other programs
- Reduced fine arts/technology education curriculum delivery in the middle schools
- Eliminated driver education program
- Reduced ability to provide for preventative facility maintenance and planned improvements
- Fell behind in textbook, resource, technology for teaching and learning
- Significantly modified and absorbed bus routes
- Closed three schools
- On and on.....

So, in summary, what is our immediate past? That is not to say that we shouldn't have reduced some of our teaching force. At a one to 20 ratio and the loss of 600 students, one would calculate that the teaching force would need to be reduced by 30 positions. The school system funding is shrinking once again. How will we respond given the dire financial situation we face? Hopefully, the Facilities Engineering study will provide ideas of how to move forward.



So, we went from this....



To this....

Garrett County Public Schools is faced with shrinking revenues once again....

Conditions as we know them at this time:

Federal Funding

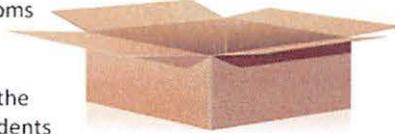
- ??? = Restricted Program funds based on special education/FARMS data which are relatively stable in terms of the dollar amount provided to the school system. However federal sequestration still looms as a concern.

State Funding

- \$1.5 million dollar = estimated losses due to the wealth index and enrollment declines (132 students since last year and 609 since 9/30/07)
- \$700,000 dollars = funds not available that were carried over from the last loss limitation effort

Local Funding

- ??? = local funding commitment is unknown for FY 2015 although the amount was first requested in April



Now it appears that this is on the horizon. The Board must begin planning our children's academic future for 2015 (2014-2015) now by using the financial information available at this time. COMAR requires that the school closure process begin in a timely manner to allow for community input and a decision by April 30.

We must plan for Fiscal 2015 Now (during the school year 2013-2014)

- School systems in Maryland cannot generate revenue
- The Board of Education does not want to eliminate additional staff, programs, or schools
- However.....
- The Board of Education must operate within the fiscal means/conditions set for it by federal, state, and local funding authorities and at the same time provide a quality education
- According to the Code of Maryland, the preparations and decisions necessary to live within our means in FY 2015 must begin very soon.
- Tonight we will hear just one piece of data the Board will consider as we move toward the Advisory Process.