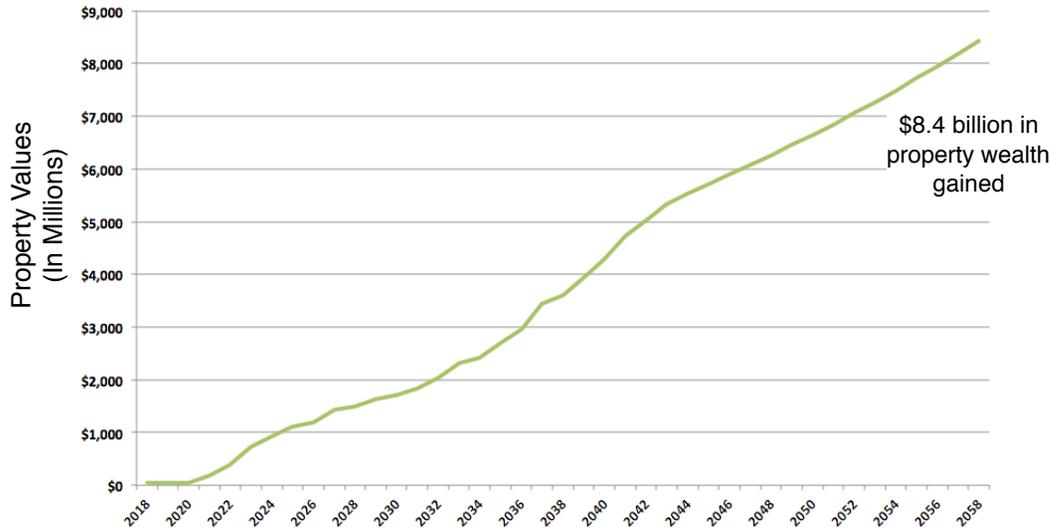
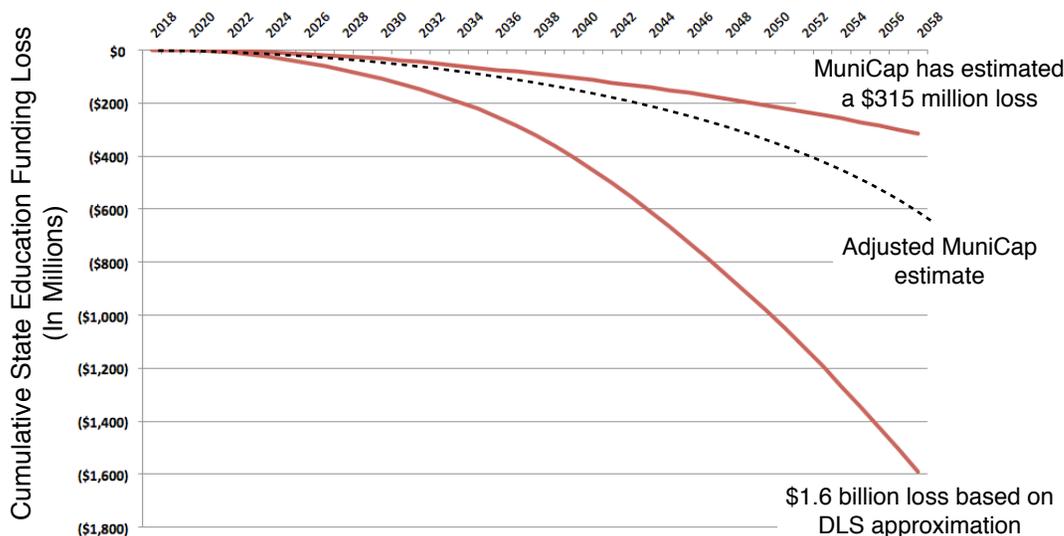


Unless Action is Taken, Baltimore City Schools Could Lose Up to \$1.6 Billion In State Education Funding Due to the Port Covington Development

As Port Covington Property Values Dramatically Increase Over the 40-Year TIF...



City Schools Could Lose Significant Amounts of State Education Aid



State education funding is directly proportional to a jurisdiction's wealth; a wealthy county receives less State education aid compared to a low-wealth county. As a low-wealth county becomes wealthier, it loses State education aid because there is an expectation that the locality can now afford to provide more money to its school system. However, if a locality uses Tax Increment Financing (TIF) to fund an economic development project, much of the tax revenue generated from those projects will be tied up in paying off the TIF bonds and may not be available to cover state funding reductions to schools.

The first chart shows Sagamore's projections of property value increases of Port Covington based on its proposed timeline of development. Over the 40-year TIF period, Port Covington's property values are projected to reach \$8.4 billion, which will significantly increase Baltimore's assessed wealth.

The second chart shows three scenarios of the cumulative reduction in State education funding over the 40-year timeline of the Port Covington TIF. The \$1.6 billion projected loss was calculated based on the Department of Legislative Service's (DLS) estimation that Baltimore has lost approximately \$1 million in State education aid for every \$100 million gained in wealth over the last two years.

The low estimate of loss is taken from MuniCap's analysis. However, MuniCap's methodology is flawed since it only considered one part of the State education funding formula (Foundation) when estimating the impact of Port Covington's property value gains on State education funding for City Schools. Three other parts of the education funding formula (Compensatory Education, Special Education, and Limited English Proficiency), which are also affected by wealth, are as large as the Foundation program when added together. Thus, MuniCap's analysis at best captures half of the projected State funding loss. The dotted line represents an estimation of the projected loss, using MuniCap's methodology.

Funding lost each year will not be regained. In other words, previous yearly losses get added to future years. The City Council and State legislature must act to ensure that property wealth from Port Covington does not count toward the City's wealth in the State education aid formula. Otherwise, Baltimore's children and schools will lose funding.