Can we talk

Protecting Our Schools!

Frederick County Commissioner President, Jan Gardner

by Frederick County Commissioner President, Jan Gardner

When I first ran for county commissioner in 1998, I ran on a platform of addressing school overcrowding. In 1998, schools were extremely overcrowded with system-wide school capacity at 101%. Schools were overcrowded in every corner of the county. No matter how the school system might re-district, there were simply not enough seats for existing students.

The County Commissioners have made incredible progress in addressing school overcrowding over the past ten years, reducing system-wide capacity from 101% to 92% while implementing full day kindergarten during the same time period. Resolving school overcrowding required a multi-faceted approach, including identifying funding streams to accelerate school construction and passing school Adequate Public Facilities Ordinance (APFO) provisions that appropriately time new residential development with the ability of the county to provide needed school seats, or allowing the developer the option to fund and provide the needed school capacity.

The County Commissioners implemented a dedicated stream of revenue from recordation taxes to greatly accelerate school construction. This funding stream accelerated over 20 school projects. Impact fees paid by developers for each new residential home provide $5 to $10 million of funding annually, supporting 10% to 20% of the total annual school construction budget. While impact fees are helpful, they do not fund the majority of school construction and cannot be used to fund renovation projects.

Since the county APFO allows the developer the option to build a new school or school addition to provide capacity needed to support their proposed development, rather than wait for the county to build a school, developers have paid for the addition to Tuscarora High School. A contract also exists for a developer to fund an addition to Crestwood Middle School. These developer funded school projects require no local or state tax dollars and save taxpayers from the burden of providing needed new seats for new development. Frederick County is one of the only counties in the State to have developer funded schools.

Recently, there has been an active debate as to whether the county school provisions requiring adequate public schools concurrent with new development should apply countywide, including within the municipalities. In Frederick County, there are 12 municipalities. Six of the municipalities have adequate public facilities ordinances with school provisions while six municipalities do not. Some municipalities, such as Thurmont, have APFO school provisions similar to the County. Other municipalities, such as the City of Frederick, have meaningless APFO provisions. In the City of Frederick, a development project can proceed after a three year wait even if schools are seriously overcrowded. Some municipalities have no evaluation of school adequacy at all and simply allow schools to become overcrowded without consideration of the impacts to the education of our students or the impact to the taxpayers who are then stuck with the bill to build the needed schools.

The debate about school adequacy is not just about providing adequate space in our schools to accommodate students. There is also an ongoing need to update and renovate older schools. There has been a significant public investment in school facilities. These facilities need to be maintained and renovated to protect this public investment. Students also need updated science labs, computer technology, media or library space and other facilities to ensure the delivery of the full curriculum and a well-rounded education. When schools are overcrowded, renovation is often deferred. Renovating our older schools is equally important as providing needed capacity to ensure equity in educational opportunities.

In the current economic climate, government budgets are constrained and the ability to fund and construct new or renovated schools is limited. Thus, maintaining adequate school space and keeping up with renovations is an ongoing challenge.

In Frederick County and all of Maryland, we have a system of countywide schools. Funding for school construction and operation are funded by the county and the state. Forty years or so ago, the State paid for 100% of school construction. Over-time the majority of the cost of school construction has shifted to the county. Municipalities provide no funding to school construction or school operations and have no fiscal responsibility to provide for public education.

The County Commissioners, out of an interest in protecting the health and welfare of our community, have recently decided by a super-majority vote to apply the county school adequate public facilities ordinance to all property in the county as of June 23, 2009 (the date the ordinance was initiated) even if the property is annexed in the future into a municipality. The intent is to make sure the education of students is not compromised by overcrowding and that needed renovations of older schools are not continually deferred.

We know with certainty that school facilities are an important component of the delivery of a quality education. We know that schools facilities are constrained when enrollments begin to approach 100% of capacity. We know that economically disadvantaged students are disproportionately impacted when schools are over-crowded and there is inadequate space for individual instruction and access to technology/computers, library services, and art and science is limited due to lack of space. We know instructional time is lost when kids have to travel in and out of school from portables requiring coats to go on and off and when school lunchtimes begin early in the morning and end late in the afternoon. We know with certainty that educational opportunities and the health and welfare of our community are impacted when schools are overcrowded and renovations deferred for years.

Even in this context, municipal leaders have decided to sue the county so that development can proceed even when schools are overcrowded, even when renovations of the older schools within the municipalities will have to be deferred, and when there is inadequate money available to provide for the needed schools. It is a truly a sad day when municipal leaders want the power to overcrowd our children's schools while bearing no responsibility to fund or otherwise provide what is needed to ensure a quality education.

Public education is important for the future or our children and for the economic future of our community. Our kids should come first. I encourage citizens to support the county commissioners in protecting our schools from overcrowding, protecting our children's educational opportunities, and protecting the taxpayers from the bill associated with shifting the burden to provide needed schools to the taxpayers. It is a matter of public health and welfare.

Investment Time

Thinking Roth Conversion? You Need to Consider This First (Part 1)

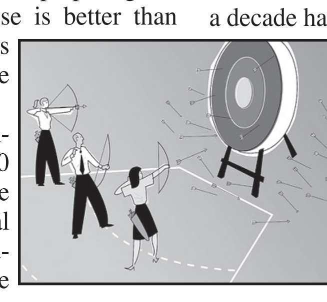
Samuel N. Asare, MBA, CRPC, CMFC

By Samuel N. Asare, MBA, CRPC, CMFC

First, Happy New Year! We hope you had a wonderful holiday season and have a great start to 2010. For the next two issues or so, we will be discussing what seems to be the new kid on the block in the world of personal finances when, in fact, it really isn't – Roth IRA conversions.

Today, we will examine why, for vast majority of Americans – probably including you – Roth IRA conversions may not be new at all. In subsequent issues, we'll discuss certain details you must be aware of before taking the Roth leap, if you even find it necessary at all.

The general premise of Roth plans - as opposed to qualified plans – is that you contribute after-tax (nonqualified) dollars today and have access to those funds later (including any gains) tax-free, provided you meet certain conditions, which are laid out by Uncle Sam. All things being equal, given the fiscal climate of our nation and the bad tax planning advice most Americans receive when preparing for retirement, the Roth premise is better than traditional qualified plans for maximizing spendable income.



You most likely have already heard about the 2010 Roth Conversions, since almost every conventional financial institution and advisor is marketing them like mad as "America's new tax break." You may have even received materials about them in the mail, seen/head about them in the mass media, or had your advisor contact you about them.

Calculating MAGI

The Tax Increase Prevention and Reconciliation Act of 2005 eliminates the modified adjusted gross income (MAGI) limits on Roth IRA conversions in 2010 and beyond. Until now, you were allowed to convert qualified funds only if your MAGI (before income from the conversion) was $100,000 or less, regardless of whether you were single or married.

You calculate your MAGI by adding back certain items to your Adjusted Gross Income (AGI), which can be found on line 38 of your Form 1040; or line 22 of your Form1040A:

Traditional IRA contribution deductions

Student loan interest deductions

Tuition and fees deductions

Domestic production activities deductions

Foreign income or housing costs excluded on Form 2555

Foreign housing deductions taken on Form 2555

Savings bond interest excluded on Form 8815

Adoption benefits from an employer excluded on Form 8839

Yes, that's quite a technical list. Our goal is not to make you tax experts, but rather to give you a bit of an understanding of the law so that you can fully appreciate our perspective.

Realistically Speaking

The fact is that millions of Americans – probably you included – do not have a MAGI of $100,000 or more. Meaning, they could have converted their qualified dollars under rules that have been in existence since the birth of Roth IRAs in 1997.

The even more interesting and unfortunate situation is that **any** investor – regardless of their gross income, AGI, or MAGI – could have achieved the same general benefits offered by Roth IRAs by maximum-funding an investment grade life insurance contract within the confines of sections 7702 and 7702A of the Internal Revenue Code.

So America's new tax break is, in reality, nothing new. We believe the more serious questions that investors and some so-called financial experts should answer are:

• If the Roth principle is a preferable option for retirees – and we concur that to be true in most cases – why wasn't the change initiated before now? Here in 2010, more than a decade has passed since 1997.

• Why are these same advisors still encouraging younger investors to fund qualified 401(k)s, 403(b)s, 457s, and tax-sheltered annuities? Don't they realize that they are literally building retirement-tax bombs, since these same so-called experts are, ironically, predicting an increase in future tax rates?

Are we saying that you should flat out avoid a Roth conversion? Of course not. We are, however, saying that you must demand nothing short of thorough analyses based on your specific set of circumstances, not generalizations provided by a marketing brochure, website, or commission-driven salesperson.

The majority of those investors we have seen were not even aware of certain critical facts they needed to consider before making such a move. In subsequent issues, we will bring you some of these need-to-know details, so that you can be better informed as you make your critical financial decisions. We encourage you to request a private, no-obligation consultation to assess your options by visiting www.LaserFG.com or by calling (301) 949-4449.

A senior financial strategist with Laser Financial Group, Samuel is an accomplished personal finance expert, a Chartered Retirement Planning Counselor, and author with years of experience in retirement-tax planning. He regularly contributes to and is featured by various media outlets, including TV and radio. To read his weekly columns or receive your no-obligation consultation, please visit www.LaserFG.com or call (301) 949-4449 today!