

**MEMORANDUM**

November 24, 2010

TO: Education Committee

FROM:  Keith Levchenko, Senior Legislative Analyst

SUBJECT: Council Resolution Regarding FY12 State Aid for School Construction

**Council Staff Recommendation:** Approve the attached resolution supporting MCPS' FY12 State Aid for School Construction Request.

**Background**

In early October, Montgomery County Public Schools (MCPS) submitted its preliminary FY12 State aid for school construction request to the Interagency Committee on School Construction (IAC). The latest FY12 State aid amount requested by MCPS is \$163.6 million. Another \$553.2 million in State aid eligibility for currently approved projects is assumed for FYs13-17 (see ©5-6).

Each year, the County transmits a unified request to the IAC, which takes the form of a letter signed by the Council President, County Executive, Superintendent, and Board of Education President. A draft of this letter was previously circulated to Councilmembers for comments and recently signed by Council President Floreen.

The Council also acts upon a resolution (draft attached on ©1-4) formally supporting the Board of Education's State aid request. The Council resolution was introduced on November 23 and is scheduled for action by the Council on November 30.

On November 11 and 12, the Board of Education held hearings and reviewed the Superintendent's FY12 Capital Budget and FY11-16 CIP amendments and State aid assumptions. Board action on the Superintendent's recommendations occurred on November 18 and its FY12 Capital Budget and amendments will be formally transmitted to the Council and the County Executive by December 1.

In late December or early January, the IAC will submit its recommended allocations of school construction dollars to the Board of Public Works. The Board of Public Works typically holds a hearing each year in late January to receive comments from local education authorities.

## Request Summary

As required by the State, the request assumes State aid only for projects already approved by the County Council. As has been the case the past few years, the requested amount is quite high, due to a build-up of new and ongoing projects either not funded by the State yet or by projects previously only partially funded. In addition, a total of \$9.2 million is requested for forward-funded projects (projects already under construction or completed that have yet to receive eligible State aid). MCPS is also requesting \$9.6 million in State aid for systemic work (roofs and HVAC).

The largest items in the request include two high school modernizations (Gaithersburg and Paint Branch) as well as the Cabin John Middle School modernization. There are also many elementary school modernizations and additions and other miscellaneous projects.

## Issues

### FY11 Budget and Outyear Assumptions

***NOTE: MCPS' state aid for school construction request is not linked to State aid associated with the MCPS Operating Budget, nor with the State's "Maintenance of Effort" requirements.***

The Approved FY11-16 CIP (approved last May) includes \$30.2 million for FY11 (as approved by the Board of Public Works last spring) and assumes \$40 million per year for FY12 through FY16.

Based on MCPS' latest assumptions of State aid eligibility for FY12 (\$163.6 million) and the FY12-16 period (\$553.2 million), the County should have sufficient eligibility to request far more than the budgeted amounts for each fiscal year.

The key issue is how much the County will be awarded in State aid for school construction, especially in light of the fact that the IAC has been increasingly reluctant to provide planning approval to new projects until already approved eligible projects are funded statewide. In recent years, as shown in the following chart, the County's annual State aid award has been far less than the County's eligibility. Last year, in FY11, the County requested \$139.1 million and was awarded \$30.2 million.

**State Aid for School Construction  
FY06-FY12 (in millions)**

Fiscal Year	Statewide Requests	Statewide Allocation	MCPS Request	Approved	% of Statewide Allocation
FY06	\$592.7	\$250.0	\$126.3	\$30.4	12.2%
FY07	\$730.4	\$320.5	\$125.2	\$40.1	12.5%
FY08	\$893.8	\$400.0	\$134.0	\$52.3	13.1%
FY09	\$871.4	\$340.0	\$132.8	\$46.3	13.6%
FY10	\$766.0	\$266.7	\$113.9	\$28.4	10.6%
FY11	\$729.1	\$263.7	\$139.1	\$30.2	11.5%
FY12*	\$596.6	\$200.0	\$163.6	TBD	TBD

\*For FY12 the statewide allocation shown is the Governor's preliminary budget assumption

One key factor affecting what the County will ultimately receive is the statewide total allocated for school construction. For FY08, the State approved an unusually high level of funding statewide (\$400 million). In FY09, that amount dropped to \$340 million statewide (still a historically high

amount). In FY10 and FY11, that amount dropped further (to \$266.7 and \$263.7 million respectively). The Governor's preliminary FY12 budget for school construction is \$200 million, which is a substantial drop from the FY11 amount.

As always, statewide competition for school construction dollars is always intense. Requests far exceed the statewide awards. For FY12, statewide requests total \$596.6 million. Statewide requests peaked in FY08 (\$893.8 million) and have declined over the past four years, most likely as a result of fiscal difficulties faced by local jurisdictions. For FY12, MCPS' request (\$163.6 million) is the largest request by far of any local education authority in Maryland. The next largest request is from Baltimore County (\$79.2 million).

As of November 10, the IAC staff had made allocation recommendations totaling \$113 million (about 56% of the preliminary statewide budget allocation). \$14.3 million was recommended for Montgomery County. Final IAC allocation recommendations totaling \$150 million (75%) of the total preliminary statewide amount will be submitted to the Board of Public Works by December 31.

***Given that the preliminary statewide allocation of \$200 million represents a precipitous drop of \$63.7 million from last year's allocation, and that the County's award for the last two years has been in the \$30 million range, it appears that the Approved FY11-16 CIP assumption of \$40 million per year in FY12 through FY16 is overly optimistic. An annual budget assumption of \$35 million would be more realistic. This lower placeholder amount may be a more appropriate budgetary starting point for the County Executive to consider as part of his FY12 Capital Budget and amendments to the FY11-16 CIP, which will be transmitted to the Council in mid-January. Whatever assumptions are made will need to be revisited during the Council's CIP reconciliation in early May, after the Board of Public Works makes its final allocation decisions.***

#### Class Size Reduction Initiative

One continuing area of contention between MCPS and the State involves MCPS' elementary school class size reduction (CSR) initiative. From a capital perspective, this initiative results in space needs that exceed State aid eligibility guidelines for these schools. Therefore, all of the CSR schools in the current request (these schools are noted on the draft resolution) are at risk of receiving significantly less State aid than requested. The CSR issue is highlighted in the joint State aid letter.

#### Forward-Funding of Projects

As expected because State aid has been far less than the County's eligibility over the past several years, the County is now forward funding projects. The County did this in the late 1980s and early 1990s and ultimately did receive State aid reimbursement. However, there are no guarantees. Further, how the County funds this effort makes a difference. If the County forward-funds these projects with bonds, and State funding is not received within 18 months after the final bills for a project are paid, the County will have to seek current revenue from the State in the future for reimbursement.

Further complicating matters is the fact that the IAC has made clear that it is hesitant to grant planning approval to eligible projects as long as there is a backlog of projects with planning approval awaiting funding. The result is that the County has a list of projects seeking both planning approval and construction funding (see ©2-3 of the draft resolution). If the County forward-funds projects that have not yet received planning approval, there is no guarantee the State will consider reimbursing the County in the future.

If State aid is not forthcoming for numerous projects on the eligibility list, the Council will need to decide whether to continue its approach of forward-funding these projects, or whether to defer construction of some projects pending future receipt of State aid. Since most projects on the current State aid eligibility list will already be under construction by the time State action for FY12 is finalized, the only practical way to minimize forward-funding in the future would be to defer approval of new projects in FY12 or beyond.

### **Council Staff Recommendation**

**Council Staff recommends that the Council concur with MCPS' latest State aid request for FY12:** Council staff believes that the principle of asking for all aid we believe we are eligible for is appropriate. The projects associated with this aid have all been approved by the Council within the FY11-16 CIP. The difficulty this year (as is typically the case) is that this eligibility is manyfold greater than the amount likely to be approved by the State.

#### **Attachments**

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Resolution No.: \_\_\_\_\_  
Introduced: November 23, 2010  
Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: County Council

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**SUBJECT:** Approval of FY 12 request for State Funding of Montgomery County School Construction Program and Approval of Five-Year Capital Improvements Program Estimates for FY 13-17

**Background**

1. Section 5-301 of the Education Article, Maryland Code, as amended, authorizes the State Board of Public Works to adopt rules, regulations, and procedures for the administration of the school construction program.
2. These rules, regulations, and procedures require each local Board of Education to submit to the Interagency Committee, by November 29, 2010, its updated and detailed capital improvements program for the following year, and a school capital improvements program for the ensuing five fiscal years, both of which shall have been approved by the local governing body.
3. In Montgomery County, the local governing body includes the County Executive, who is authorized to review and make recommendations, and the County Council, which is required to approve the Capital Improvements Program.
4. On November 18, 2010, the Montgomery County Board of Education approved a request of \$163,565,000 in State funding for FY 12 projects in priority order as shown below:

<u>Priority/Project</u>	<u>\$(000's)</u>
<u>Construction Funding Balance (Previously Approved Projects)</u>	
1. Carderock Springs ES - Modernization	\$1,518
2. Takoma Park ES – Addition (CSR) <sup>1</sup>	<u>\$1,162</u>
<b>Subtotal:</b>	<b>\$2,680</b>

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<sup>1</sup> “(CSR)” indicates a school where class size reductions have been implemented.

Construction Request (Forward-Funded)

3.	Fox Chapel ES – Addition (CSR)	8,335
4.	Poolesville HS Magnet Improvements	6,710
5.	East Silver Spring ES – Addition (CSR)	1,718
6.	Sherwood ES – Addition	966

**Subtotal: \$9,209**Systemic Projects

7.	Watkins Mill HS - HVAC	1,176
8.	Damascus ES - HVAC	857
9.	Bradley Hills ES - HVAC	735
10.	South Lake ES - HVAC	686
11.	Sligo MS - Roof	652
12.	Germantown ES - HVAC	666
13.	Broad Acres ES - HVAC	607
14.	Col Zadok Magruder HS – HVAC	580
15.	Rachel Carson - Roof	470
16.	Broad Acres ES - Roof	470
17.	Poolesville HS - HVAC	416
18.	Watkins Mill ES - HVAC	416
19.	Fairland ES - Roof	412
20.	Dufief ES - HVAC	362
21.	Olney ES - Roof	284
22.	Sherwood HS Roof	223
23.	Oakview ES – Roof	213
24.	Walt Whitman HS – Roof	171
25.	Greencastle ES – HVAC	159

**Subtotal: \$9,555**Planning Approval and Construction Request

26/27.	Cabin John MS - Modernization	18,181
28/29.	Cannon Road ES – Modernization (CSR)	7,730
30/31.	Farmland ES - Modernization	6,902
32/33.	Garrett Park ES - Modernization	6,786
34/35.	Redland MS Upgrades/Limited Renovation	4,044
36/37.	Jackson Road ES – Addition (CSR)	2,487
38/39.	Ridgeview MS - Limited Renovation	1,954
40/41.	Rock View ES – Addition (CSR)	1,938
42/43.	Fairland ES – Addition (CSR)	1,852
44/45.	Brookhaven ES – Addition (CSR)	1,647
46/47.	Whetstone ES – Addition (CSR)	1,260
48/49.	Seven Locks ES - Modernization	5,910
50/51.	Downcounty Consortium ES #29 (McKenney Hills reopening) <sup>2</sup>	4,645
52/53.	Harmony Hills ES – Addition (CSR)	2,827
54/55.	Montgomery Knolls ES – Addition (CSR)	2,594

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<sup>2</sup> Split fiscal year funding request

56/57. Paint Branch HS – Modernization <sup>2</sup>	19,468
58/59. Herbert Hoover MS – Modernization <sup>2</sup>	7,406
60/61. Glenallan ES – Modernization <sup>2</sup> (CSR)	4,694
62/63. Beverly Farms ES - Modernization <sup>2</sup>	4,283
64/65. Viers Mill ES – Addition	2,859
66/67. Bradley Hills ES - Addition	2,795
68/69. Wyngate ES - Addition	2,385
70/71. Weller Road ES - Modernization <sup>2</sup> (CSR)	2,331
72/73. Georgian Forest ES – Addition	2,247
74/75. Westbrook ES – Addition	1,800
76/77. Darnestown ES – Addition	1,725
78/79. Gaithersburg HS – Modernization <sup>2</sup>	<u>19,371</u>
<b>Subtotal:</b>	<b>\$142,121</b>

Planning Approval Request

80. Bel Pre ES - Modernization	n/a
81. Candlewood ES - Modernization	n/a
82. Farquhar MS - Modernization	n/a
83. Rock Creek Forest ES - Modernization	n/a
84. Wheaton HS - Modernization	n/a

**Total** **\$163,565**

5. The County Council continues to support review by the Interagency Committee on School Construction of the State’s eligibility guidelines, especially with regard to projects forward-funded by Montgomery County and the square footage eligibility formulas that negatively affect capital funding for classrooms needed to accommodate class size reduction initiatives.
6. For FY 13 through FY 17 an amount of \$553,184,000 in State aid eligibility is assumed for currently approved projects.
7. The rules, regulations and procedures for the administration of the school construction program adopted by the State Board of Public Works provide for amendments during the course of the year to the Five-Year Capital Improvements Program.
8. The County Council realizes that, for a project for which State funding is approved, County funding may be required to supplement State funds.

**Action**

The County Council for Montgomery County, Maryland approves the following resolution:

Approval of an FY12 request for State funding of Montgomery County School Construction Program of \$163,565,000, as well as submittal of the Five-Year Capital Improvements Program State aid eligibility estimates for FY 13-17 to the State, for informational purposes only, of \$553,184,000.

The County Council intends to provide the operating funds necessary to operate and maintain the facilities for which FY12 State capital funding is approved.

This is a correct copy of Council action.

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Linda M. Lauer, Clerk of the Council

## Revised FY 2012 State Capital Improvements Program for Montgomery County Public Schools

(figures in thousands)

Local Priority No.	PFA Y/N	Project	Total Estimated Cost	Non PSCP Funds	Prior IAC Funding Thru FY 2011	FY 2012 Request For Funding
<b>Balance of Funding</b>						
1	Y	Carderock Springs ES Modernization	23,187	18,552	3,117	1,518
2	Y	Takoma Park ES Addition (CSR)	15,592	13,829	601	1,162
<b>Subtotal</b>			<b>38,779</b>	<b>32,381</b>	<b>3,718</b>	<b>2,680</b>
<b>Construction Request (Forward-Funded)</b>						
3	Y	Fox Chapel ES Addition (CSR)	12,331	3,761		3,444
4	Y	Poolesville HS Magnet Improvements	9,118	5,481		3,081
5	Y	East Silver Spring ES Addition (CSR)	12,298	10,966		1,718
6	N	Sherwood ES Addition	7,947	4,787		966
<b>Subtotal</b>			<b>41,694</b>	<b>24,995</b>	<b>0</b>	<b>9,209</b>
<b>Systemic Projects</b>						
7	Y	Watkins Mill HS HVAC	2,400	1,224		1,176
8	Y	Damascus ES HVAC	1,750	893		857
9	Y	Bradley Hills ES HVAC	1,500	765		735
10	Y	South Lake ES HVAC	1,400	714		686
11	Y	Sligo MS Roof	1,332	680		652
12	Y	Germantown ES HVAC	1,361	695		666
13	Y	Broad Acres ES HVAC	1,241	634		607
14	N	Col. Zadok Magruder HS HVAC	1,185	605		580
15	Y	Rachel Carson ES Roof	960	490		470
16	Y	Broad Acres ES Roof	960	490		470
17	Y	Poolesville HS HVAC	850	434		416
18	Y	Watkins Mill ES HVAC	850	434		416
19	Y	Fairland ES Roof	840	428		412
20	Y	DuFief ES HVAC	740	378		362
21	Y	Olney ES Roof	580	296		284
22	N	Sherwood HS Roof	455	232		223
23	Y	Oak View ES Roof	435	222		213
24	Y	Walt Whitman HS Roof	350	179		171
25	Y	Greencastle ES HVAC	325	166		159
<b>Subtotal</b>			<b>17,114</b>	<b>8,735</b>	<b>0</b>	<b>9,555</b>
<b>Planning and Construction Request</b>						
26/27	Y	Cabin John MS Modernization	39,238	21,057		18,181
28/29	Y	Cannon Road ES Modernization (CSR)	26,384	18,654		7,730
30/31	Y	Farmland ES Modernization	21,482	14,580		6,902
32/33	Y	Garrett Park ES Modernization	25,454	18,668		6,786
34/35	N	Redland MS Upgrades/Limited Renovation	14,233	10,189		4,044
36/37	Y	Jackson Road ES Addition (CSR)	9,191	6,704		2,487
38/39	Y	Ridgeview MS Limited Renovation	13,524	11,570		1,954
40/41	Y	Rock View ES Addition (CSR)	7,370	5,432		1,938
42/43	Y	Fairland ES Addition (CSR)	7,729	5,877		1,852
44/45	Y	Brookhaven ES Addition (CSR)	7,919	6,272		1,647
46/47	Y	Whetstone ES Addition (CSR)	7,633	6,373		1,260
48/49	Y	Seven Locks ES Modernization	22,662	16,752		5,910
50/51	Y	Downcounty Consortium ES #29 (McKenney Hills re-opening)*	32,221	22,932		4,645
52/53	Y	Harmony Hills ES Addition (CSR)	7,749	4,922		2,827
54/55	Y	Montgomery Knolls ES Addition (CSR)	11,253	8,859		2,594
56/57	Y	Paint Branch HS Modernization*	98,498	59,563		19,468
58/59	Y	Herbert Hoover MS Modernization*	48,788	33,976		7,406
60/61	Y	Glenailan ES Modernization* (CSR)	29,611	20,233		4,694
62/63	Y	Beverly Farms ES Modernization*	29,260	20,694		4,283
64/65	Y	Viers Mills ES Addition	11,177	8,318		2,859
66/67	Y	Bradley Hills ES Addition	14,249	11,454		2,795
68/69	Y	Wynngate ES Addition	10,230	7,845		2,385
70/71	Y	Weller Road ES Modernization* (CSR)	24,119	19,458		2,331
72/73	Y	Georgian Forest ES Addition	10,620	8,373		2,247
74/75	Y	Westbrook ES Addition	11,805	10,005		1,800
76/77	N	Darnestown ES Addition	11,100	9,375		1,725
78/79	Y	Gaithersburg HS Modernization*	119,300	80,558		19,371
<b>Subtotal</b>			<b>672,799</b>	<b>468,493</b>	<b>0</b>	<b>142,121</b>
<b>Planning Approval Request</b>						
80	Y	Bel Pre ES Modernization	LP			LP
81	Y	Candlewood ES Modernization	LP			LP
82	Y	Farquhar MS Modernization	LP			LP
83	Y	Rock Creek Forest ES Modernization	LP			LP
84	Y	Wheaton HS Modernization	LP			LP
<b>TOTAL</b>			<b>770,386</b>	<b>534,604</b>	<b>3,718</b>	<b>163,565</b>

\*Split-FY Funding Request

Revised State Aid Request—Summary of Projects FY 2012

IAC/PSCP FORM 102.4  
November 29, 2010  
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LEA: Montgomery

( figures in thousands )

Project	Total Estimated Cost	Non PSCP Funds	PSCP Funds	Expected Five-year Program Request						
				FY13	FY14	FY15	FY16	FY17	Beyond	
Downcounty Consortium ES #29*	32,221	22,932	9,289	4,664						
Paint Branch HS Modernization*	98,498	59,563	38,935	19,467						
Beverly Farms ES Modernization*	29,260	20,694	8,566	4,283						
Glenallen ES Modernization* (CSR)	29,611	20,223	9,388	4,604						
Herbert Hoover MS Modernization*	48,788	33,976	14,812	7,406						
Weller Road ES Modernization* (CSR)	24,119	19,458	4,661	2,330						
Gaithersburg HS Modernization*	119,300	80,558	38,742	19,371						
Bel Pre ES Modernization* (CSR)	26,241	18,348	7,893	3,947	3,946					
Candlewood ES Modernization*	20,034	13,218	6,816	3,408	3,408					
Rock Creek Forest ES Modernization* (CSR)	24,465	15,523	8,942	4,471	4,471					
Wheaton HS Modernization*	91,187	65,111	26,076	13,038	13,038					
William H. Farquhar MS Modernization*	47,798	35,628	12,170	6,085	6,085					
Brown Station ES Modernization* (CSR)	23,136	11,568	11,568	LP	5,784	5,784				
Clarksburg Cluster ES*	27,966	13,983	13,983	LP	6,992	6,991				
Wayside ES Modernization*	18,678	9,339	9,339	LP	4,670	4,669				
Wheaton Woods ES Modernization* (CSR)	24,584	12,292	12,292	LP	6,146	6,146				
Seneca Valley HS Modernization*	102,914	51,457	51,457	LP	25,729	25,728				
Clarksburg HS Addition*	12,015	6,008	6,008		LP	3,004	3,004			
Clarksburg/Damascus MS (New)*	44,348	22,174	22,174		LP	11,087	11,087			
Luxmanor ES Modernization*	24,410	12,205	12,205		LP	6,103	6,102			
Maryvale ES Modernization* (CSR)	25,193	12,597	12,597		LP	6,299	6,298			
Potomac ES Modernization*	23,123	11,562	11,562		LP	5,781	5,781			
Tilden @ Woodward MS Modernization*	47,921	23,961	23,961		LP	11,981	11,980			
Wootton HS Modernization*	99,598	49,799	49,799			LP	24,900	24,899		
Eastern MS Modernization*	48,438	24,219	24,219				LP	12,110	12,109	
Addition Projects	2,500,000	1,250,000	1,250,000	25,000	25,000	25,000	25,000	25,000	25,000	
Systemic Projects	30,000	15,000	15,000	3,000	3,000	3,000	3,000	3,000	3,000	
<b>Total</b>	<b>3,643,846</b>	<b>1,931,394</b>	<b>1,712,452</b>	<b>121,074</b>	<b>108,268</b>	<b>121,572</b>	<b>97,152</b>	<b>65,009</b>	<b>40,109</b>	
							<b>Subtotal FY 2013-Beyond</b>	<b>553,184</b>		
<b>Total FY 2012-2018</b>	<b>3,821,710</b>								<b>716,749</b>	

\*Split-FY Funding Request.

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