

ED COMMITTEE #2
May 4, 2012

Worksession

MEMORANDUM

May 2, 2012

TO: Education Committee

FROM:  Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Worksession** - FY13-18 Montgomery County Public Schools (MCPS) Capital Improvements Program (CIP) – County Executive’s FY13 Budget Adjustments

On April 27, the Council received a memorandum from the County Executive detailing his recommended budget adjustments for both his Recommended FY13 Operating Budget and FY13-18 Capital Improvements Program (CIP). These changes reflect revised assumptions based on recent Maryland General Assembly actions as well as on other changes, such as revised local revenue assumptions.

The Council has already reviewed the MCPS CIP and taken some significant preliminary CIP reconciliation actions to begin to balance the overall FY13-18 CIP. **Council Staff does not recommend opening up the MCPS CIP again, but rather addressing the above two items as part of the Council’s final CIP reconciliation that will be completed by May 17.**

With regard to the Montgomery County Public Schools (MCPS) CIP, the County Executive recommended two changes summarized below (see ©3 of memo excerpt):

- Assume \$40,369,000 in FY13 State aid for school construction. This amount is \$369,000 higher than originally assumed in the Executive’s Recommended CIP and is based on the latest information from the County’s Office of Intergovernmental Relations (see ©4). The additional revenue is recommended to be used to offset the County’s General Obligation Bond obligations in FY13 (thus making \$369,000 in General Obligation Bonds available for other purposes in FY13).

Council Staff Comments: Reconciling State aid for school construction at this time appears to be premature as the Executive’s number (\$40,369,000) reflects the Interagency Committee on School Construction (IAC) actions earlier this year, which allocated 90 percent of the Statewide amount (\$271.3 million of the \$301.4 million). At that level, the County has been

preliminarily allocated \$37.3 million.¹ However, there is still \$30.1 million remaining to be allocated. The County is hopeful of getting additional dollars once the final 10 percent of the statewide amount is allocated.

Council Staff is supportive of the Executive’s recommended approach to use any additional State aid (above the \$40 million assumed in the Executive’s Recommended Budget) to free up General Obligation bonds for other purposes in FY13. Once the State aid total is finalized by the Board of Public Works (typically done each year in early May) the Council’s CIP reconciliation process can reflect this action.

- Reduce MCPS’ Current Replacements/Modernizations project by \$9.1 million overall (across FY14-18) to offset lower revenue estimates for recordation tax revenues.

Council Staff Comments: The \$9.1 million reduction in the Current Replacements/Modernizations project is more problematic, in that this project involves numerous sub-projects (individual school modernizations) that include specific cost estimates (see listing of subprojects on ©5, based on the Board of Education’s request). The County Executive did not identify the specific subprojects within the overall project that should be adjusted, but rather asked MCPS to accommodate the reduction without affecting the schedule of any particular project, assuming “marginal changes in cost and scope.”

Council Staff has asked MCPS what kinds of project adjustments would be needed to accommodate this reduction without affecting project schedules.

MPCS Staff noted that the FY14 reduction (\$1.582 million) is particularly problematic, as the projects with significant dollars in FY14 are either already under construction or quite far in design. The reductions in FY15 and beyond could be done. However, MCPS will not know the impact of the recommended reductions until those projects are further in design or the construction contracts are bid. MCPS already has assumed flat square foot cost assumptions for the outyears of the modernization schedule. If square foot costs rise, then the cuts recommended by the Executive will exacerbate the fiscal problem in the future.

From a project scope standpoint, MCPS has comprehensive specifications for its elementary, middle, and high school buildings from which the modernization projects are developed. These specifications ensure that all new schools and modernizations can accommodate MCPS’ educational program requirements while also ensuring that schools are provided equitable capital facilities.

A broader question is whether reductions in recordation tax revenues should be absorbed solely by the MCPS modernization program and/or by the MCPS CIP in general. While this approach could be taken, **the Council’s CIP reconciliation process provides an**

¹ The other \$3.069 million of the \$40,369,000 total identified by the County Executive is noted as “Aging Schools” dollars. This program involves a separate State aid program that requires local educational authorities to apply for new resources. MCPS currently has no aging schools requests before the State. If and when these dollars are approved by the State, MCPS will seek a supplemental appropriation from the Council to spend this additional State aid. These State aid dollars are not available to reduce the County’s local funding commitment to the MCPS CIP.

opportunity for the Council to balance CIP expenditures and revenues across the entire CIP, which Council Staff recommends.

Council Staff Recommendations

Council Staff recommends that both the State aid for school construction revenue changes (when known) and the revised recordation tax revenue assumptions should be addressed by the Council via final CIP reconciliation. These fiscal changes, whether positive (if State aid is greater than previously assumed), or negative (reduced recordation tax revenues), should be considered in the context of the full CIP and may or may not have to be fully accommodated by adjustments in the MCPS CIP.

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

April 26, 2012

TO: Roger Berliner, President, County Council

FROM: Isiah Leggett, County Executive

SUBJECT: FY13 Budget Adjustments

Each year, events subsequent to the transmittal of the budget in March, including actions by the General Assembly, require that certain changes should be proposed. Set forth on the attached pages are adjustments to the FY13 Recommended Operating Budget and FY13 Recommended Capital Budget and Capital Improvements Program that I recommend the Council consider in its budget worksessions. Because I anticipated that there could be potential expenditure needs, I maintained an adequate set aside in my March 15 recommended budget to fund these contingencies.

Given the uncertainty concerning final resolution of the State's FY13 budget, these recommendations do not address the contingent budget reductions left in place after adjournment of the General Assembly on April 9. I anticipate making additional recommendations once the State concludes its work on the FY13 budget.

FY13 Operating Budget

Included in my proposed adjustments is elimination of late payment penalty fees for speed camera and photo red light violations due to the recent order invalidating them from the Chief Judge of the District Court of Maryland. The revenue loss is approximately \$2.3 million in FY13. The Chief Judge's order was unexpected and affects many jurisdictions across the State. I believe the Chief Judge had other options available to him other than removing local authority for charging late payment penalty fees. I will be pursuing our options related to reinstatement of these penalty fees either during the special legislative session, once it convenes, or through some other mechanism. My proposed budget adjustments also include minor revenue adjustments related to alignment of the Ride On cash fare with the most recent fare proposal under consideration by WMATA and recognition of additional parking meter revenue. Additionally, I am recommending an adjustment to the operating budget of Health and Human Services to address new State requirements for the Older Adults Waiver program.

Finally, my proposed budget adjustments include estimated revenue and implementation costs associated with the Emergency Medical Services Transport Reimbursement Act. As I communicated previously, the bill is necessary to address the unprecedented fiscal challenges facing the County as a result of the State's actions during the FY12 regular legislative session and special session that will

Roger Berliner, President, County Council
April 26, 2012
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eventually convene to complete work on budget-related legislation. I am assuming that collection begins on January 1, 2013.

The State has significantly reduced funding for childcare subsidies. In order to ensure continued services for low income children in need of quality childcare, staff is developing a proposal for additional funding. I will transmit a budget amendment for additional funds in the County's Working Parents Assistance program.

FY13 Capital Budget

During the Spending Affordability Guideline (SAG) review process, a shortfall in school impact taxes was identified. Initially, the gap was to be closed with available recordation tax revenues. Since the SAG review process, recordation tax revenues have fallen significantly. As a result, additional FY13 Current Revenue is recommended to fill the gap. Furthermore, additional Current Revenue is needed in several projects including White Flint Redevelopment, County Service Park Infrastructure, and Ride On Bus acquisition. The total increased Current Revenue requirement in FY13 is \$6.117 million. I am also recommending adjustments in FY14-18 in MCPS and Montgomery College projects to address Recordation Tax shortfalls. Several adjustments to GO Bond-funded projects, including adjustments for State Aid, are included in this transmittal.

Based on their cost analysis, the State reduced funding for several college projects. Maintaining the 50 percent County share will allow a reduction of nearly \$2 million in GO Bonds. The State has identified reductions in planning and furniture and equipment costs that will presumably be carried forward to future college projects. To increase the County share for the current college projects could set a precedent for those future projects.

In addition, I am recommending a new Energy Systems Modernization project which will facilitate system modernizations that will cover related debt service through guaranteed energy savings. The details of these amendments are attached. Related documents to begin the process of establishing a development district to support the County Service Park Infrastructure project and an FY12 supplemental request for the Silver Spring Transit Center will be transmitted to Council shortly.

At the end of this memorandum, I have included a technical change related to the funding of Motor Pool equipment replacement purchases in order to address issues raised by Council staff regarding its presentation in my March 15 recommended budget. This is a technical change and is budget neutral with respect to available resources and funding.

As always, my staff will be available to discuss these changes with the Council in its deliberations on the FY13 Budget.

IL:jah

Attachment: Recommended Budget Adjustments

c: Timothy L. Firestine, Chief Administrative Officer
Dr. Joshua Starr, Superintendent, Montgomery County Public Schools
Dr. DeRionne Pollard, President, Montgomery College
Francoise Carrier, Chair, Montgomery County Planning Board
Stephen B. Farber, Council Staff Director
Kathleen Boucher, Assistant Chief Administrative Officer
Department and Office Directors

MCPS and Montgomery College Reductions Not Shown on PDFs

MCPS State-Aid Related Adjustments

MCPS has also received an additional \$369,000 in state aid beyond the \$40 million previously recommended. As a result, the County Executive recommends that the state aid be used to offset bonds which will in turn be used for the purposes spelled out in these amendments.

Montgomery College State Aid Related Adjustments

Based on their cost analysis, the State reduced funding for planning and furniture and equipment for several college projects. To avoid setting a precedent, the County Executive recommends maintaining the County's 50 percent match for these expenditures. The College would need to be consulted regarding how these reductions would be reflected in various fiscal years. The chart below summarizes the Executive's assumptions regarding reductions.

Project	Cost Element	State Aid Reduction	G.O. Bond Reduction	Total Reduction
Science East Building Renovation	Other (Furniture, fixtures, & equipment)	\$773,000	\$773,000	\$1,546,000
Rockville Student Services Center	PDS	\$345,000	\$345,000	\$690,000
Germantown Science and Applied Studies	PDS	\$817,000	\$817,000	\$1,634,000
Total Adjustments		\$1,935,000	\$1,935,000	\$3,870,000

Montgomery County Public Schools Current Replacements /Modernizations

The Current Replacements/Modernizations project is a master project comprised of many subprojects for individual schools. The County Executive recommends that MCPS determine which subprojects are best modified to account for reduced FY14-18 recordation tax revenues. The total reduction assumed for FY14-18 is \$9.12 million – a 1.6 percent reduction from the County Executive's \$571.158 million recommended project budget. Given this minor reduction in the funds for this very large project, the County Executive believes that all subprojects can be kept on track with marginal changes in cost and scope.

MCPS - Current Replacement/Modernization Project (\$000s)

	6year Total	FY13	FY14	FY15	FY16	FY17	FY18
Recordation Tax Shortfall Allocation	(9,120)		(1,582)	(1,594)	(1,829)	(2,042)	(2,073)

MONTGOMERY COUNTY - FISCAL YEAR 2013 CAPITAL PROJECTS (draft)

\$37.3M

Public School Construction*

40,368,898

Bannockburn Elementary	791,000
Brookhaven Elementary	241,000
Col. Zaduk Magruder High	882,000
Damascus Elementary	367,000
Dr. Charles R. Drew Elementary	351,000
East Silver Spring Elementary	617,000
Fairland Elementary	741,000
Fox Chapel Elementary	172,000
Garrett Park Elementary	4,982,518
Harmony Hills Elementary	323,000
Jackson Road Elementary	1,254,000
Judith A. Resnick Elementary	656,000
McKenney Hills Elementary	5,176,000
Montgomery Knolls Elementary	1,059,000
Neelsville Middle	624,000
Paint Branch High	3,990,482
Piney Branch Elementary	977,000
Rachel Carson Elementary	722,000
Redland Middle	2,419,000
Ridgeview Middle	1,954,000
Rosemary Hills Elementary	744,000
Sequoyah Elementary	415,000
Seven Locks Elementary	5,815,000
South Lake Elementary	351,000
Stedwick Elementary	369,000
Waters Landing Elementary	759,000
Whetstone Elementary	548,000
Aging Schools Program	3,068,898

*Public School Construction includes 90% recommendation from the Interagency Committee on Public School Construction

Montgomery County Office of Intergovernmental Relations
10-Apr-11

BOE Requested FY13-18 Modernization Expenditure Schedule

Completion Date	School	Total	Through FY12*	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
Aug-12	Paint Branch HS	93,745	45,325	48,420	30,176	18,244					
Aug-13	Gaithersburg HS	107,149	25,243	81,906	42,441	28,128	11,337				
Aug-13	Glenallan ES	26,591	3,282	23,309	9,845	13,464					
Jan-13	Beverly Farms ES	26,247	6,119	20,128	11,313	8,815					
Aug-13	Weller Road ES	24,119	5,440	18,679	8,201	10,478					
Aug-13	Herbert Hoover MS	44,930	8,757	36,173	18,596	17,577					
Aug-14	Bel Pre ES	28,872	644	28,228	8,129	8,433	11,666				
Jan-15	Candlewood ES	23,833	152	23,681	152	4,620	9,763	9,146			
Jan-15	Rock Creek Forest ES	29,100	185	28,915	371	4,121	11,839	12,584			
Aug-16	William Farquhar MS	43,150	345	42,805		690	8,990	21,047	12,078		
Aug-16	Wayside ES	17,298		17,298	101	228	3,649	7,859	5,461		
Aug-16	Brown Station ES	21,838		21,838	169	231	4,633	9,973	6,832		
Aug-16	Wheaton Woods ES	25,340		25,340	200	257	5,405	11,618	7,860		
Aug-17	Seneca Valley HS	85,505		76,160	200	293	986	18,088	34,010	22,583	9,345
Aug-15/17	Wheaton HS/Edison Tech	128,734	605	128,129	1,816	9,963	33,866	28,908	26,308	27,268	
Subtotal - Current Mods		726,451	96,097	621,009	131,710	125,542	102,134	119,223	92,549	49,851	9,345
Jan-18	Potomac ES	18,049		10,898			229	459	3,687	6,523	7,151
Jan-18	Maryvale ES/Sandburg	35,938		21,808			423	845	7,418	13,122	14,130
Jan-18	Luxmanor ES	19,056		11,556			241	482	3,920	6,913	7,500
Aug-18	Tilden @ Woodward MS	29,523		15,424			177	354	6,196	8,697	14,099
Aug-19	Wootton HS	75,646		17,500				441	883	16,176	58,146
Aug-19	Cold Spring ES	18,105		1,716					149	1,567	16,389
Aug-19	Dufief ES	18,105		1,607					151	1,456	16,498
Aug-19	Belmont ES	18,105		1,683					149	1,534	16,422
Aug-19	Stonegate ES	17,023		1,464					141	1,323	15,559
Aug-20	Eastern MS	35,022		828					414	414	34,194
Jan-21	Damascus ES	17,022		422						422	16,600
Jan-21	Twinbrook ES	17,022		422						422	16,600
Jan-21	Summit Hall ES	17,022		422						422	16,600
Jan-21	Rosemary Hills ES	17,022		422						422	16,600
Aug-21	Poolesville HS	45,809		1,089					363	726	44,720
	TBD E. Brooke Lee MS	-		-							
	TBD Col. Zadok Magruder HS	-		-							
	TBD Damascus HS	-		-							
	TBD Northwood HS	-		-							
Subtotal - Future Mods		398,469	-	87,261	-	-	1,070	2,581	23,471	60,139	311,208
Total Modernizations		1,124,920	96,097	708,270	131,710	125,542	103,204	121,804	116,020	109,990	320,553

*Through FY12 costs shown here only includes costs for projects with spending in FY13 and beyond. Costs for projects completed before FY13 are not shown.