

MEMORANDUM

November 1, 2012

TO: Education Committee

FROM:  Keith Levchenko, Senior Legislative Analyst

SUBJECT: Council Resolution Regarding FY14 State Aid for School Construction

Council Staff Recommendation: Approve the attached resolution supporting MCPS' FY14 State Aid for School Construction Request.

NOTE: Introduction of the resolution is scheduled for November 6. Action is scheduled for November 13.

Background

In early October, Montgomery County Public Schools (MCPS) submitted its preliminary FY14 State aid for school construction request to the Interagency Committee on School Construction (IAC). MCPS' FY14 State aid request is \$147.349 million. Another \$596.6 million in State aid eligibility for currently approved projects is assumed for FY15 and beyond (see ©3-4).

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 has been circulated to Councilmembers for comments.

The Council also acts upon a resolution (draft attached on ©1-2) formally supporting the Board of Education's State aid request. The Council resolution is scheduled for introduction on November 6 and action on November 13.

The Board of Education is scheduled to take action on the Superintendent's FY14 Capital Budget and amendments to the FY13-18 CIP and FY14 State aid request on November 19. Any revisions to the State aid request are due to the State by November 28, 2012. The Board's official FY14 Capital Budget and amendments to the FY13-18 CIP must be formally transmitted to the Council and the County Executive by December 1.

In early January, the Interagency Committee on School Construction (IAC) will submit its recommended allocation of 75% of the school construction dollars assumed in the Governor's FY14 budget 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. After the State legislative session, the Board of Public Works makes final allocations.

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 in 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 \$4.2 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 \$9.0 million in State aid for systemic work (roof replacement and heating, ventilation, and air conditioning (HVAC) work). There is a new category of eligible projects related to the State's Energy Efficiency Initiative (EEI). MCPS is requesting \$732,000 for these projects.

The largest requests for State aid in the package are: the Paint Branch High School modernization (\$22.7 million in additional State aid sought; \$8.98 million was previously received), Herbert Hoover Middle School modernization (\$14.1 million requested) and the Gaithersburg High School modernization (\$39.2 million requested). There are also many elementary school modernizations and additions and other miscellaneous projects.

Discussion

FY14 Budget and Outyear Assumptions

NOTE: MCPS' State aid for school construction request is not linked to State aid associated with the MCPS Operating Budget or with the State's "Maintenance of Effort" requirements.

The Approved FY13-18 CIP (approved last May) includes \$43.1 million for FY13 (as approved by the Board of Public Works last spring) and assumes \$40 million per year for FY14 through FY18.

Based on MCPS' latest assumptions of State aid eligibility for FY14 (\$147.3 million) and for the FY15 and beyond period (\$596.6 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 FY14, the County requested \$184.5 million and was awarded \$43.1 million from the School Construction Fund.

**State Aid for School Construction
FY06-FY14 (in millions)**

Fiscal Year	Statewide Requests	Statewide Allocation	MCPS Request	% 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*	\$612.3	\$311.6	\$163.5	\$42.0	13.5%
FY13	\$576.3	\$347.9	\$184.5	\$43.1	12.4%
FY14**	TBD	\$250.0	\$147.3	TBD	TBD

*For FY12, \$47.5 million in alcohol beverage sales and use tax proceeds (HB1213) is included in the statewide allocation totals. MCPS received an additional \$9.0 million from these proceeds.

**For FY14 the total statewide allocation is based on preliminary assumptions as provided by the County's Office of Intergovernmental Relations.

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). For FY12, the amount went up again, primarily as a result of \$47.5 million from alcohol beverage sales and use tax proceeds being allocated. FY13 marked another high year for school construction funding. Based on discussions with the County's Intergovernmental Relations staff, a \$250 million statewide allocation is currently assumed. Note: This is the same amount that was assumed at this time last year for FY13, so there is obviously the potential for the number to go up. Past approvals in recent years have been at or above the \$250 million level.

As always, statewide competition for school construction dollars is intense. Requests far exceed the statewide awards. The FY14 statewide requests by LEA are not available yet on the State's Public School Construction website. Last year's total was \$576.3 million. Statewide requests peaked in FY08 (\$893.8 million) and have declined over the past five years, most likely as a result of fiscal difficulties faced by local jurisdictions.

Given that the FY14 statewide allocation assumption can fluctuate substantially from year to year and the fact that the County received \$43.1 million in FY13, the Approved FY13-18 CIP assumption of \$40 million per year appears reasonable at this time. The County Executive will make assumptions regarding State aid for school construction as part of his FY14 Capital Budget and FY13-18 CIP amendment recommendations to be transmitted to the Council in mid-January. Assumptions made by the County Executive will need to be revisited during the Council's CIP deliberations and ultimately at 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 MCPS State Aid table attached on ©3) are likely to receive significantly less State aid than requested.

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 MCPS' State Aid Table on ©3). 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 FY14 is finalized, the only practical way to minimize forward-funding in the future would be to defer approval of new projects in FY14 or beyond.

County Share of State Aid

Based on the amount of MCPS' estimated State aid eligibility, the County's longstanding commitment to a high level of funding of MCPS' capital program (even over the past several fiscally challenging years), and the demographic changes in the County over the past several years that have seen substantial increases in the State's largest school population in recent years (compared to flat and declining enrollment in most of the rest of the State), it is clear that the County can make a strong case for a substantial share of the available school construction dollars.

Unfortunately, the political process historically has resulted in the County receiving a share substantially lower than its share of statewide enrollment. The following chart highlights this fact.

Comparison of FY13 Approved State Aid to Enrollment - All Jurisdictions

Jurisdiction	Enrollment 9/30/2011	Percent of Total	FY13		(if based on enrollment)	
			State Aid	% of Total	State Aid	Difference
Montgomery	146,459	17.1%	43,106,000	12.3%	59,875,308	16,769,308
Prince George's	123,833	14.5%	40,375,288	11.6%	50,625,356	10,250,068
Baltimore County	105,153	12.3%	43,300,000	12.4%	42,988,606	(311,394)
Baltimore City	84,212	9.9%	42,600,000	12.2%	34,427,515	(8,172,485)
Anne Arundel	76,303	8.9%	33,300,000	9.5%	31,194,161	(2,105,839)
Howard	51,555	6.0%	32,490,000	9.3%	21,076,694	(11,413,306)
Frederick	40,413	4.7%	19,091,541	5.5%	16,521,626	(2,569,915)
Harford	38,224	4.5%	14,511,610	4.2%	15,626,720	1,115,110
Carroll	27,082	3.2%	12,747,549	3.7%	11,071,652	(1,675,897)
Charles	26,778	3.1%	8,000,000	2.3%	10,947,371	2,947,371
Washington	22,240	2.6%	9,000,000	2.6%	9,092,148	92,148
St. Mary's	17,449	2.0%	2,314,000	0.7%	7,133,493	4,819,493
Calvert	16,553	1.9%	7,018,100	2.0%	6,767,191	(250,909)
Cecil	15,827	1.9%	1,514,000	0.4%	6,470,388	4,956,388
Wicomico	14,520	1.7%	10,808,000	3.1%	5,936,060	(4,871,940)
Allegany	8,913	1.0%	741,000	0.2%	3,643,809	2,902,809
Queen Anne's	7,761	0.9%	-	0.0%	3,172,849	3,172,849
Worcester	6,643	0.8%		0.0%	2,715,789	2,715,789
Caroline	5,545	0.6%	350,000	0.1%	2,266,905	1,916,905
Dorchester	4,647	0.5%		0.0%	1,899,785	1,899,785
Talbot	4,547	0.5%		0.0%	1,858,903	1,858,903
Garrett	4,077	0.5%		0.0%	1,666,757	1,666,757
Somerset	2,882	0.3%		0.0%	1,178,218	1,178,218
Kent	2,162	0.3%		0.0%	883,868	883,868
SEED School	308	0.0%		0.0%	125,916	125,916
Undesignated/Other*	n/a	n/a	27,900,000	8.0%		
Total Statewide	854,086		349,167,088		349,167,088	

*Includes \$25 million for Energy Efficiency Initiative (EEI), \$2.8 million for Maryland School for the Blind and \$100k for outsource design review.

As shown, last year Montgomery County received 12.3 percent of the State aid allocation, despite educating 17.3 percent of the school population in Maryland. An exact one to one match in this statistic should not be expected, since smaller jurisdictions' shares need to periodically increase for large one-time projects (such as new high schools). However, with Montgomery County's school population increasing and state aid eligibility well above the amounts of State aid ultimately approved, Council Staff believes a more merit based allocation process would yield State aid at yearly levels substantially higher than what is received. **MCPS, the Council, and the County's legislative delegation need to continue to advocate for a higher share of school construction funding for Montgomery County.**

Council Staff Recommendation

Council Staff recommends that the Council concur with MCPS' latest State aid request for FY14.¹ 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 FY13-18 CIP approved last May. The actual amount of State aid to assume in the CIP for FY14 and beyond can be revisited next spring.

Attachments

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¹ Any adjustments to the MCPS State aid request prior to Council action on the resolution on November 13 will be incorporated into the resolution.

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Approval of FY14 request for State Funding of Montgomery County School Construction Program and Approval of Five-Year Capital Improvements Program Estimates for FY15-19

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 28, 2012, 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. Montgomery County Public Schools' latest estimate for its State funding eligibility for FY14 is \$147,349,000. This estimate may change based on future changes to the Approved FY13-18 Capital Improvements Program and/or further discussions with Board of Public Works staff.
5. For FY15 and beyond an amount of \$596,565,000 in State aid eligibility is assumed for currently approved projects.
6. 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.

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:

The County Council for Montgomery County supports the Montgomery County Public Schools FY14 State aid request for the Montgomery County School Construction Program.

The County Council intends to provide the operating funds necessary to operate and maintain the facilities for which FY14 State capital funding is approved.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

FY 2014 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 2013	FY 2014 Request For Funding
Balance of Funding (Forward-Funded)						
1	N	Redland MS Upgrades/Limited Renovation	14,233	11,102	2,419	712
2	Y	Ridgeview MS Limited Renovation	13,524	8,059	1,954	3,511
		Subtotal	27,757	19,161	4,373	4,223
Balance of Funding						
3	Y	Paint Branch HS Modernization	93,745	62,022	8,981	22,742
		Subtotal	93,745	62,022	8,981	22,742
Construction Request						
4	Y	Herbert Hoover MS Modernization	44,930	30,843	0	14,087
5	Y	Glenallan ES Modernization (CSR)	26,591	19,500	0	7,091
6	Y	Beverly Farms ES Modernization	26,247	19,800	0	6,447
		Subtotal	97,768	70,143	0	27,625
Systemic Projects						
7	N	Sherwood ES HVAC	1,950	977		973
8	Y	Thomas W. Pyle MS HVAC, Phase 1	1,800	902		898
9	Y	Stedwick ES HVAC	1,778	891		887
10	Y	Damascus HS HVAC, Phase 1	1,650	827		823
11	Y	Neelsville MS HVAC, Phase 2	1,600	802		798
12	Y	Takoma Park ES HVAC	1,300	651		649
13	Y	Robert Frost MS Roof	1,242	622		620
14	Y	Viers Mills ES Roof	1,176	589		587
15	N	Burtonsville ES Roof	1,114	559		555
16	Y	Brooke Grove ES Roof	1,108	555		553
17	Y	Fairland ES HVAC	900	451		449
18	Y	Lois P. Rockwell ES Roof	750	383		367
19	Y	Clarksburg ES Roof	690	346		344
20	Y	Strathmore ES Roof	665	333		332
21	Y	Stone Mill ES HVAC	400	201		199
		Subtotal	18,123	9,089	0	9,034
Energy Efficiency Initiative (EEI) Systemic Projects						
22	Y	Walt Whitman HS EEI (Lighting)	234	94		140
23	Y	Springbrook HS EEI (Lighting)	174	75		99
24	Y	Stone Mill ES EEI (Lighting)	114	36		78
25	Y	Silver Spring Int'l MS EEI (Lighting)	108	43		65
26	Y	Takoma Park ES EEI (Lighting)	81	33		48
27	N	Sherwood ES EEI (Lighting)	79	32		47
28	N	Dr. Charles R. Drew ES EEI (Lighting)	72	29		43
29	Y	Kemp Mill ES (Lighting)	67	27		40
30	Y	Argyle MS EEI (Lighting)	64	27		37
31	Y	Montgomery Knolls ES EEI (Lighting)	56	22		34
32	Y	Takoma Park MS EEI (Lighting)	47	17		30
33	Y	DuFief ES EEI (Lighting)	37	15		22
34	Y	Montgomery Blair HS EEI (Lighting)	31	10		21
35	Y	Cold Spring ES EEI (Lighting)	29	13		16
36	Y	John F. Kennedy HS EEI (Lighting)	30	18		12
		Subtotal	1,223	491	0	732
Planning and Construction Request						
37/38	Y	Weller Road ES Modernization (CSR)	24,547	17,482		7,065
39/40	Y	Bradley Hills ES Addition	17,949	13,363		4,586
41/42	Y	Westbrook ES Addition	11,805	8,144		3,661
43/44	Y	Wyngate ES Addition	10,230	7,458		2,772
45/46	Y	Georgian Forest ES Addition	10,620	8,154		2,466
47/48	N	Darnestown ES Addition	15,400	12,985		2,415
49/50	Y	Waters Landing ES Addition	8,827	7,137		1,690
51/52	Y	Viers Mills ES Addition	11,177	10,320		857
53/54	Y	Gaithersburg HS Modernization	109,100	69,869		39,231
55/56	Y	Clarksburg Cluster ES	28,732	19,311		9,421
57/58	Y	Bel Pre ES Modernization	29,387	20,558		8,829
		Subtotal	277,774	194,781	0	82,993
Planning Approval Request						
59	Y	Rock Creek Forest ES Modernization* (CSR)	LP			LP
60	Y	Candlewood ES Modernization*	LP			LP
61	Y	Clarksburg HS Addition*	LP			LP
62	Y	North Chevy Chase ES Addition	LP			LP
63	Y	Rosemary Hills ES Addition	LP			LP
64	Y	Bethesda ES Addition	LP			LP
65	Y	Arcola ES Addition (CSR)	LP			LP
66	Y	Wheaton HS/Thomas Edison HS of Technology Modernization*	LP			LP
		TOTAL	516,390	355,687	13,354	147,349

*Split-FY Funding Request

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