

**MEMORANDUM**

November 14, 2013

TO: Education Committee  
FROM: *KL* Keith Levchenko, Senior Legislative Analyst  
SUBJECT: Council Resolution Regarding FY15 State Aid for School Construction

**Council Staff Recommendation:** Approve the attached resolution supporting MCPS' FY15 State Aid for School Construction Request.

*NOTE: This resolution deals with the County's annual request for school construction aid from the State through the Board of Public Works' School Construction program. On October 31, County officials and members of the County's State delegation announced a new initiative to seek State participation to fund approximately \$750 million in bond funding for new capacity projects for MCPS. This new initiative is referenced in the background of the attached resolution, but is not part of the County's annual State aid for School Construction request.*

**Background**

In early October, Montgomery County Public Schools (MCPS) submitted its preliminary FY15 State aid for school construction request to the Interagency Committee on School Construction (IAC). MCPS' FY15 State aid request is \$160.933 million.

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 comment.

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 Council action on November 19.

The Board of Education is scheduled to take action on the Superintendent's FY15 Capital Budget and FY15-20 CIP and FY15 State aid request on November 18. Any revisions to the State aid request are due to the State by November 25, 2013. The Board's official FY15 Capital Budget

and FY15-20 CIP must be formally transmitted to the Council and the County Executive by December 1.

In early January, the IAC will submit its recommended allocation of 75% of the school construction dollars assumed in the Governor's FY15 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 (see charts on ©3-4)**

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 \$25.3 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 \$10.6 million in State aid for systemic work (roof replacement and heating, ventilation, and air conditioning (HVAC) work).

The largest requests for State aid in the package are: Gaithersburg High School Revitalization/Expansion (\$39.6 million) and the Wheaton High School Revitalization/ Expansion (\$15.8 million). MCPS is also seeking the balance of State aid for the Paint Branch High School Revitalization/Expansion (\$6.5 million requested; which would result in total State aid for the project of \$31.7 million) and the Herbert Hoover Middle School Revitalization/Expansion (\$8.2 million requested, which would result in total State aid for the project of \$10.6 million). There are also many elementary school modernizations and additions and other miscellaneous projects.

For FY16 through FY20, MCPS estimates a total of \$521.5 million in eligibility for currently approved projects. Another \$27.5 million is assumed beyond FY20.

### **Request for Additional State Aid to Address School Capacity Needs**

On October 31, the County Executive, the Council President, the Board of Education President, the Superintendent, and numerous members of the County's State delegation announced a new State aid initiative (which would be in addition to the request for State aid for school construction described earlier) to fund the construction of additional school capacity to address extraordinary enrollment growth, which MCPS has experienced in recent years and is projected to experience over the next decade. This initiative is separate from the annual State Aid for School construction request, although it is noted in the background section of the attached resolution.

The City of Baltimore has a bond initiative in place that is similar in structure to what Montgomery County is pursuing.

## Discussion

### FY15 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 Latest Approved FY13-18 CIP includes \$35.1 million for FY14 (as approved by the Board of Public Works last spring). FY15-18 includes \$40 million per year in State aid.

Based on MCPS' latest assumptions of State aid eligibility for FY15 (\$160.9 million) and for the FY15 and beyond period (\$709.9 million), the County should have sufficient eligibility to request far more than the budgeted amounts for each fiscal year.

As always, each year the County must compete for dollars within the statewide allocation with all of the other counties, and there is no assurance the County will receive even the \$40 million assumed for FY15. 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 request. Last year, for FY14, the County requested \$149.2 million and was awarded \$35.1 million from the School Construction Fund.

**State Aid for School Construction  
FY06-FY15 (in millions)**

Fiscal Year			MCPS		% of Statewide Allocation
	Requests	Allocation	Request	Approved	
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	\$684.0	\$320.8	\$149.2	\$35.1	10.9%
FY15**	TBD	\$250.0	\$160.9	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 FY15 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. Over the past 10 years, statewide allocations have averaged \$307 million. However, there have been substantial fluctuations from year to year.

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 and FY14 were both above average years, with FY14 slightly down from FY13. 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 the last two years, so there is obviously the potential for the number to go up.

As always, statewide competition for school construction dollars is intense. Requests far exceed the statewide awards. The FY14 statewide requests by local education authorities are not available yet on the State's Public School Construction website. Last year's total was \$684 million. Statewide requests peaked in FY08 (\$893.8 million) and declined over the next several years, most likely as a result of fiscal difficulties faced by local jurisdictions, before climbing again in FY14.

***Given that the statewide allocation assumption can fluctuate substantially from year to year and the fact that the County has historically received on average about \$40 million per year (more in FY13 but less in FY14), the Approved FY13-18 CIP assumption of \$40 million per year for FY15 through FY18 appears reasonable at this time. The County Executive will make assumptions regarding State aid for school construction as part of his FY15 Capital Budget and FY15-20 CIP 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 has been 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 little, if any, chance the State will consider reimbursing the County for these projects 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 FY15 is finalized, the only practical way to minimize forward-funding in the future would be to defer approval of new projects in FY15 or beyond.

### County Share of State Aid

As has been repeatedly discussed by the Education Committee and the Council as a whole, the County has historically received far less State aid for school construction than its proportion of the public school student population in the state. For FY14, the County received 11 percent of the statewide amount while its student population was more than 17 percent of the statewide total. While year-to-year funding levels are dependent on actual project requests in each jurisdiction, over time one would assume that allocations would more closely align to student population.

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 more State aid than it has been historically receiving. As noted earlier, this extraordinary enrollment growth is a key justification for the new \$750 million initiative announced on October 31.

### **Council Staff Recommendation**

**Council Staff recommends that the Council concur with MCPS' latest State aid for school construction request for FY15.<sup>1</sup>** The projects associated with this aid have all been approved by the Council within the latest FY13-18 CIP approved last May. The actual amount of State aid to assume in the Capital Budget for FY15 and in the outyears of the FY15-20 CIP can be revisited next spring.

### Attachments

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<sup>1</sup> Any adjustments to the MCPS State aid request prior to Council action on the resolution on November 19 will be incorporated into the resolution.

Resolution No.: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: County Council

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**SUBJECT:** Approval of FY15 request for State Funding of Montgomery County School Construction Program and Approval of Five-Year Capital Improvements Program Estimates for FY16-20

**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 25, 2013, 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 FY15 is \$160,933,000. This estimate may change based on further discussions with Board of Public Works staff.
5. For FY16 through FY20, an amount of \$521,502,000 in State aid eligibility is assumed for currently approved projects.
6. 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.
7. The County Council realizes that, for a project for which State funding is approved, County funding may be required to supplement State funds.

8. 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.
9. Montgomery County continues to experience extraordinary public school enrollment growth. From 2000 to 2012 school enrollment grew by 14,599 students. An increase of 14,000 students is projected over the next six years. Montgomery County Public School enrollment is the largest and fastest growing of any jurisdiction in the State of Maryland, making up over 17 percent of total statewide public school enrollment. However, Montgomery County's share of school construction funding has consistently been far less than its share of public school students. For FY14, Montgomery County's share of State aid for school construction funding was 11.0 percent.
10. Because State aid for school construction funding has not kept pace with Montgomery County's school infrastructure needs. New funding from the State outside the annual school construction program is needed and will be sought from the State during the 2014 legislative session.

**Action**

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

The County Council for Montgomery County supports the Montgomery County Public Schools FY15 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 FY15 State capital funding is approved.

This is a correct copy of Council action.

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Linda M. Lauer, Clerk of the Council

## FY 2015 State Capital Improvements Program for Montgomery County Public Schools

(figures in thousands)

Priority No.	PFA Y/N	Project	Total Estimated Cost	Non PSCP Funds	Prior IAC Funding Thru FY 2014	FY 2015 Request For Funding
<b>Balance of Funding (Forward-funded)</b>						
1	Y	Paint Branch HS Revitalization/Expansion	93,745	62,022	25,230	6,493
2	Y	Herbert Hoover MS Revitalization/Expansion	44,930	34,366	2,350	8,214
3	Y	Glenallen ES Revitalization/Expansion (CSR)	26,591	19,500	1,600	5,491
4	Y	Beverly Farms ES Revitalization/Expansion	26,247	19,619	1,046	5,582
		<b>Subtotal</b>	<b>191,513</b>	<b>135,507</b>	<b>30,226</b>	<b>25,780</b>
<b>Funding (Forward-funded)</b>						
5	Y	Weller Road ES Revitalization/Expansion (CSR)	24,547	15,895	0	8,652
6	Y	Bradley Hills ES Addition	17,949	13,426	0	4,523
7	Y	Westbrook ES Addition	11,805	9,294	0	2,511
8	N	Darnestown ES Addition	15,400	12,198	0	3,202
9	Y	Wyngate ES Addition	10,230	7,392	0	2,838
10	Y	Georgian Forest ES Addition (CSR)	10,620	7,875	0	2,745
11	Y	Viers Mill ES Addition (CSR)	11,177	10,335	0	842
		<b>Subtotal</b>	<b>101,728</b>	<b>76,415</b>	<b>0</b>	<b>25,313</b>
<b>Systemic Projects</b>						
12	Y	Quince Orchard HS HVAC	2,215	1,110	0	1,105
13	Y	S. Christa McAuliffe ES HVAC	2,150	1,077	0	1,073
14	Y	Damascus HS HVAC	2,122	1,063	0	1,059
15	Y	Shady Grove MS HVAC	2,050	1,027	0	1,023
16	Y	Goshen ES HVAC	1,750	877	0	873
17	Y	Roberto Clemente MS Roof	1,650	827	0	823
18	Y	Woodfield ES HVAC	1,600	802	0	798
19	N	Briggs Chaney MS Roof	1,550	777	0	773
20	Y	Lake Seneca ES HVAC	1,325	664	0	661
21	Y	White Oak MS Roof	1,245	624	0	621
22	Y	Summit Hall ES HVAC	1,185	594	0	591
23	Y	Woodlin ES HVAC	1,075	539	0	536
24	Y	Fields Road MS Roof	800	401	0	399
25	Y	Walt Whitman HS Roof	612	307	0	305
		<b>Subtotal</b>	<b>19,114</b>	<b>10,689</b>	<b>0</b>	<b>10,640</b>
<b>Construction Request</b>						
26	Y	Waters Landing ES Addition (CSR)	8,827	7,574	0	1,253
27	Y	Gaithersburg HS Revitalization/Expansion	109,100	69,514	0	39,586
28	Y	Clarksburg Cluster ES	28,732	19,311	0	9,421
29	Y	Bel Pre ES Revitalization/Expansion (CSR)	29,387	20,549	0	8,838
30	Y	Rock Creek Forest ES Revitalization/Expansion (CSR)*	29,100	18,854	0	10,246
31	Y	Candlewood ES Revitalization/Expansion*	23,833	16,392	0	7,441
32	Y	Wheaton HS Revitalization/Expansion*	128,734	97,165	0	15,785
		<b>Subtotal</b>	<b>357,713</b>	<b>249,359</b>	<b>0</b>	<b>92,570</b>
<b>Planning and Construction Request</b>						
33/34	Y	Clarksburg HS Addition	11,823	7,566	0	2,129
35/36	Y	North Chevy Chase ES Addition	6,820	5,215	0	1,605
37/38	Y	Rosemary Hills ES Addition	5,708	5,447	0	261
39/40	Y	Bethesda ES Addition	3,970	2,498	0	1,472
41/42	Y	Arcola ES Addition (CSR)	3,970	2,807	0	1,163
		<b>Subtotal</b>	<b>32,291</b>	<b>23,533</b>	<b>0</b>	<b>6,630</b>
<b>Planning Approval Request</b>						
43	Y	Clarksburg/Damascus MS (New)*	LP			LP
44	N	William H. Farquhar MS Revitalization/Expansion*	LP			LP
45	Y	Wheaton Woods ES Revitalization/Expansion* (CSR)	LP			LP
46	Y	Brown Station ES Revitalization/Expansion* (CSR)	LP			LP
47	Y	Wayside ES Revitalization/Expansion*	LP			LP
48	Y	Julius West MS Addition	LP			LP
49	Y	Wood Acres ES Addition	LP			LP
50	Y	Bethesda/Chevy Chase MS (New)*	LP			LP
51	Y	Seneca Valley HS Revitalization/Expansion*	LP			LP
52	Y	Thomas Edison HS of Technology Revitalization/Expansion*	LP			LP
		<b>TOTAL</b>	<b>702,359</b>	<b>495,503</b>	<b>30,226</b>	<b>160,933</b>

\*Split-FY Funding Request

