



**OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850**

Marc Elrich  
*County Executive*

MEMORANDUM

January 16, 2024

TO: Andrew Friedson President, Montgomery County Council

FROM: Marc Elrich, County Executive

SUBJECT: Recommended FY25 Capital Budget and FY25-30 Capital Improvements Program (CIP)

In accordance with the County Charter, I am pleased to transmit my Recommended FY25 Capital Budget and FY25-30 Capital Improvement Program (CIP). As I release my third full CIP, I am proud of my administration's achievements that have allowed us to invest in school construction, address climate change, and promote economic development through substantial transportation investments. With significant investments in our schools, affordable housing, building energy performance standards for County facilities, flood mitigation, Bus Rapid Transit, and maintenance of core infrastructure, this CIP strengthens the resiliency of County government, our local economy, and the residents we serve.

In this CIP, I am recommending a total six-year investment of \$5,839,157,000, a modest \$133,219,000 or 2.3 percent increase over the previously approved CIP. This capital budget assumes the County Council approved Spending Affordability Guidelines (SAG) for General Obligation bonds (\$1,680,000,000 over six years) and recognizes revenue constraints due to recent contractions in the housing market.

Given our fiscal limitations, I was not able to fund all the worthy projects proposed by Montgomery County Public Schools (MCPS), Montgomery College, Maryland-National Capital Park and Planning Commission, and Montgomery County departments on the requested schedule. This was particularly true for MCPS that requested more than a \$515.9 million increase in funding in the first four years of the CIP when there is less flexibility in the planned program.

We will need to work together to address these pressing needs and remain competitive in the region. The attached fiscal summary compares the Recommended CIP to the previously approved biennial CIP, the agency request, and the agency percentage of the overall Recommended CIP.

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## Fiscal Context Summary

In developing this recommended budget, the impact of cost increases, prior structural underbudgeting in the MCPS budget, and Recordation Tax shortfalls presented significant challenges. Across the board, agencies and departments continue to report construction cost increases related to inflation, supply chain challenges, manufacturing delays, and a tight construction market. Post COVID-19, construction costs have shown marked increases, and major equipment has been delayed. Pricing of construction items such as plywood and metal framing increased over 100 percent between 2020 and 2022. While beginning to decrease, pricing remains higher than pre-COVID levels. Consequently, construction contracts were amended to accommodate unexpected price increases for material and equipment at the Clarksburg Fire Station and Silver Spring Recreation and Aquatic Center. Renovation of the Noyes Library was postponed due to few bidders with pricing more than twice the estimated cost, and lead times for major mechanical equipment for recent resilience additions at the Scotland Neighborhood Recreation Center ballooned from 16 to 50 weeks.

In addition, structural budget pressures and frontloading of the MCPS CIP continue to present challenges. The Board of Education's capital request creates an unrealistic perception of when projects can be completed for parents, communities, and other stakeholders given that it is not achievable within the County's fiscal constraints. Unfortunately, the previously approved CIP understated MCPS' CIP needs in the final two years of the budget. Due to MCPS's practice of not requesting construction costs for projects in planning or funding in the later years for some essential level of effort (LOE) maintenance projects, no financial capacity is held for these projects. When it comes time to fund them, there is no capacity without disrupting other approved projects in the CIP.

An additional fiscal challenge involved significant reductions in Recordation and some Impact Taxes in FY24 and FY25-FY28 as detailed below (Other Funding Sources Analysis). Reductions in the most immediate years - FY24 and FY25 - are particularly difficult to address when available set-asides are at their lowest and many projects are already under construction.

### SUMMARY NET RECORDATION/IMPACT TAX SHORTFALLS: FY24-FY28

	Total FY24-FY28	FY24	FY25	FY26	FY27	FY28
Net shortfall	-57,012	-25,945	-19,959	-7,002	-4,106	-704

## Fiscal Discipline

This budget illustrates the County's commitment to fiscal discipline, using surplus for one-time expenditures in the capital budget. My recommended budget increases the Pay-as-you-go (PAYGO) allocation by \$45.9 million to offset FY24 and FY25 Recordation and Impact Tax shortfalls. Coupled with previously approved increased PAYGO investments in FY23 (\$5.9 million) and FY24 (\$4.8 million), this additional FY24 and FY25 PAYGO allocation more than repays the \$47.5 million in PAYGO that was diverted from the capital budget in FY21 and FY22 to support the operating budget in response to pandemic-related economic uncertainty. In total, the six-year PAYGO funding is assumed to be \$26.4 million more than the 10 percent policy target, for a total of \$194.4 million.

In addition, I am allocating \$72.1 million in cash, or Current Revenue, to support critical one-time infrastructure priorities in the capital budget, as requested by the County Council during its review of the December 2023 fiscal plan. Otherwise, I have generally postponed making decisions on increased Current Revenue requests until they can be evaluated in the context of the County's FY25 Operating Budget. My Recommended FY25-30 CIP assumes \$152.0 million in tax-supported current revenue appropriations in FY25. In addition, I am recommending \$46.8 million in FY24 tax-supported Current Revenue supplemental appropriations.

This budget maintains constrained General Obligation (G.O.) bond debt levels planned for issuance over the six-year period (\$1.68 billion), aligned with the limits approved by the County Council.

## Other Funding Source Analysis

Six-year Recordation Tax revenue (\$391.3 million) totals are projected to fall below the prior approved by \$16.8 million due to a significant decrease in sales volume and a minor decrease in residential real estate prices related to rising interest rates. The decrease is greatest in the first four years of the CIP when revenues are projected to be \$26.6 million below the previously approved budget. Though six-year Recordation Tax Premium totals (\$321.3 million) increase \$29.5 million over the previously approved CIP, revenue in the first four years of the six-year program are projected to be \$28.3 million less than previously approved. In addition, aggregate FY24

revenue projections for Recordation Tax, Recordation Tax Premium, and Impact Taxes have fallen below the FY24 budgeted amount by \$25.9 million, leaving unfunded appropriations. These projected decreases in the early part of our six-year program are related to fewer transactions in the housing market in 2022 that has continued in 2023 and that is expected to continue in 2024. Revenue reductions in the early years of the CIP are especially problematic, as the first four years of the six-year period are generally when department and agency funding requests are largest.

Transportation Impact Tax revenue (\$98.9 million) and School Impact Tax revenue (\$170.1 million) both increase over the six-year period, by \$13.7 million and \$43.8 million respectively, though only \$6.1 million of the increase in School Impact Taxes occurs in the first four years of the CIP. Transportation Impact Tax revenues represent a silver lining in our revenue projections, with increases concentrated in the early portion of the CIP, rising \$17.0 million in the first four years over the prior approved budget.

<b>Significant Funding Source Changes</b>				
	<b>FY23-28 Amended</b>	<b>FY25-30 Recommended</b>	<b>\$ Change</b>	<b>Percent Change</b>
<b>Current Revenue (Tax Supported)</b>	621,806	721,156	99,350	16.0%
Recordation Tax	408,074	391,286	(16,788)	-4.1%
Recordation Tax - Premium	291,839	321,296	29,457	10.1%
Impact Taxes - Transportation	85,167	98,858	13,691	16.1%
Impact Taxes - Schools	126,321	170,099	43,778	34.7%

Intergovernmental aid also decreases by \$91.1 million over the six-year period due to the completion of work funded by the State and Federal governments in prior years. In FY23 and FY24, the County benefited from significant State support for capital projects due to a State surplus tied to COVID-19 related federal funding. While additional State aid is likely to be added to the capital budget in April as the General Assembly session ends, FY25 State funding will almost certainly fall short of recent years as the State grapples with the end of federal COVID-19 support. In addition, Federal aid decreases \$46 million in the six-year period due to a Federal Raise Grant for the Capital Crescent Trail that was ultimately not awarded.

### **Resource Gaps**

Despite this infusion of one-time funds from the budget surplus, I was forced to defer a number of worthy projects due to fiscal constraints. This is the reality of living within our current annual General Obligation Spending Affordability Guideline limit of \$280 million - an amount that is \$60 million less than the \$340 million we issued each year as recently as FY18. This is truth in budgeting - there are many important projects we simply cannot afford within our existing resources. Our debt limit constrains our ability to make critical community investments in additional school construction projects and to make good on our promise to fully deliver Bus Rapid Transit and other transportation improvements. This is a self-imposed limit, which the Council is able to change. We continue to refine and monitor our fiscal policies to assess opportunities to increase General Obligation bond issuance in an affordable manner.

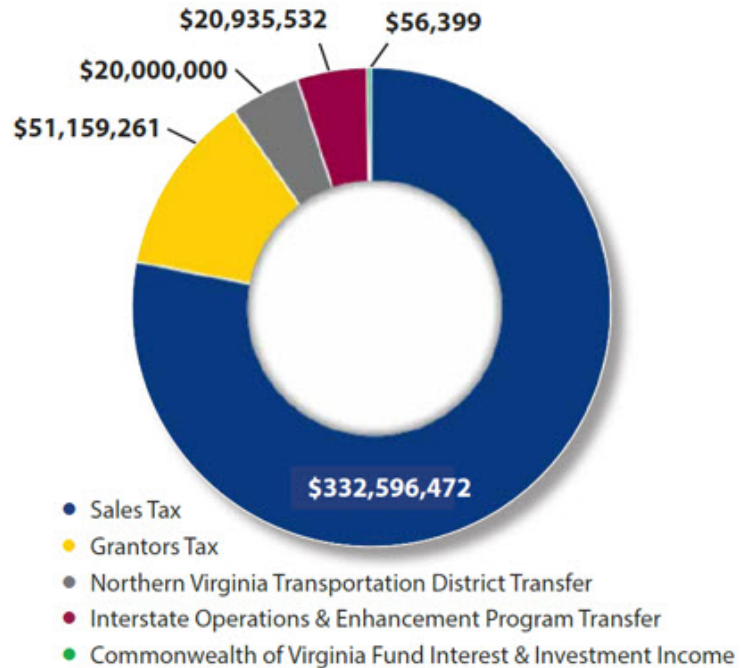
Additional resources to support capital investments to move our County forward are essential, particularly to support important investments in transportation to enhance mobility within and around the County, support economic development, and improve safety for pedestrians, bikers, and drivers. While regional competitors race ahead implementing transportation improvements using resources levied to address congestion relief in Northern Virginia, we are hamstrung by constrained resources.

Northern Virginia understood the critically important role of transportation in planning for their future. To that end, they worked with State partners to increase the Northern Virginia Sales and Use Tax by 0.7 percent, to impose a 2 percent Hotel Tax, and to impose a Congestion Relief Tax of \$0.15 per \$100 valuation, with revenues dedicated exclusively to transportation improvements. Of these funds, 70 percent is dedicated to regional projects addressing congestion mitigation, emergency evacuation, or mass transit that increases capacity. The remaining 30 percent is distributed to individual localities in Northern Virginia that enact the local Commercial and Industrial Property Tax of \$0.125 per \$100 valuation or dedicate an equivalent amount to support urban or secondary road construction, capital investments that reduce congestion, other capital transportation projects approved in the long-range transportation plan, or in public transportation projects. To date, this funding has supported 122 multi-modal transportation projects across Northern Virginia, totaling more than \$3.1 billion. In FY22 alone, these revenues generated \$424.7 million dedicated to transportation projects.

## Regional Funding by Corridor FISCAL YEARS 2014-2027

CORRIDOR	NVTA REGIONAL FUNDING
I-95/I-395/US 1/VRE Fredericksburg/Blue-Yellow Line	\$1,141,417,515
Loudoun County Parkway/Route 234	\$465,335,000
Route 7/Dulles Toll Road/Silver Line	\$386,264,037
Fairfax County Parkway	\$302,211,000
Route 28	\$289,950,309
I-66/US 29/US 50/Orange-Silver Line VRE Manassas	\$239,017,644
I-495	\$114,783,161
US 15	\$56,000,000
Columbia Pike/Braddock Road/VRE Manassas	\$55,850,000
US 50	\$35,250,000
Prince William Parkway	\$35,000,000
<b>TOTAL</b>	<b>\$3,121,078,666</b>

## Fiscal Year 2022 Overall Revenue for NVTA



Source: "Momentum Builders, In a Region Connected. 2022 Annual Report"

In addition to these revenues supporting the efforts of the Northern Virginia Transportation Authority, our regional competitors are able to invest in important community infrastructure as a result of revenues raised through numerous special taxing districts that Montgomery County does not benefit from. As illustrated below, Fairfax County's tax and fee structure includes assessments to support community centers and seven other special tax districts to ensure sufficient funding to construct and support assets serving the community.

# Fairfax County, Virginia

FY 2024 and FY 2025 MULTI-YEAR BUDGET PLAN: TAX AND FEE FACTS					
Type	Unit	FY 2022 Actual Rate	FY 2023 Actual Rate	FY 2024 Adopted Rate	FY 2025 Planned Rate
<b>GENERAL FUND TAX RATES</b>					
Real Estate	\$100/Assessed Value	\$1.15	\$1.11	\$1.095	\$1.095
Personal Property	\$100/Assessed Value	\$4.57	\$4.57	\$4.57	\$4.57
<b>COMMUNITY CENTERS</b>					
McLean Community Center	\$100/Assessed Value	\$0.023	\$0.023	\$0.023	\$0.023
Reston Community Center	\$100/Assessed Value	\$0.047	\$0.047	\$0.047	\$0.047
<b>OTHER SPECIAL TAX DISTRICTS</b>					
Stormwater Services District Levy	\$100/Assessed Value	\$0.0325	\$0.0325	\$0.0325	\$0.0325
Route 28 Corridor	\$100/Assessed Value	\$0.17	\$0.17	\$0.16	\$0.16
Dulles Rail Phase I	\$100/Assessed Value	\$0.09	\$0.09	\$0.09	\$0.09
Dulles Rail Phase II	\$100/Assessed Value	\$0.20	\$0.20	\$0.18	\$0.18
Integrated Pest Management Program	\$100/Assessed Value	\$0.001	\$0.001	\$0.001	\$0.001
Commercial Real Estate Tax for Transportation	\$100/Assessed Value	\$0.125	\$0.125	\$0.125	\$0.125
Tysons Service District	\$100/Assessed Value	\$0.05	\$0.05	\$0.05	\$0.05
Reston Service District	\$100/Assessed Value	\$0.021	\$0.021	\$0.021	\$0.021

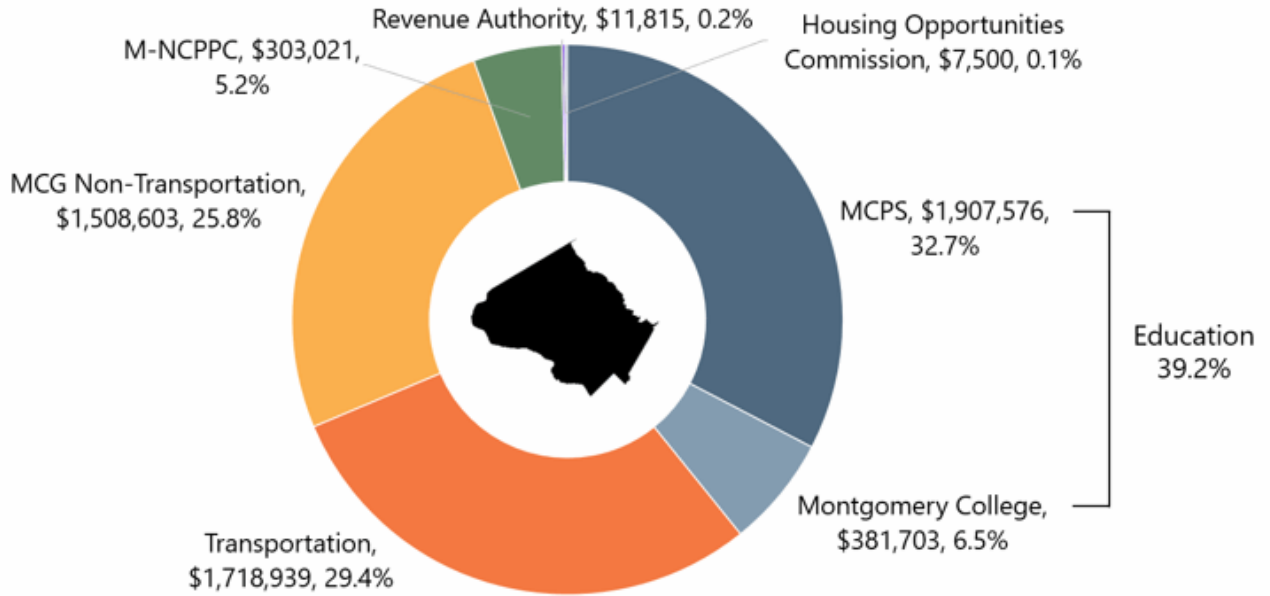
Source: FY2024 Fairfax County Advertised Budget Plan – Overview

To move Montgomery County forward, we must identify new revenues and new approaches as Northern Virginia did to plan for regional growth, provide transportation choices, and increase accessibility. This will improve our economy, strengthen our tax base, and allow us to grow toward our future. State legislation modernizing local revenue structures and allowing localities to be more self-sufficient in addressing challenges and opportunities is a key piece to this puzzle. State legislation providing local governments authority to implement a differential tax rate to support transportation improvements is essential, and I am partnering with members of our delegation to introduce such a bill during the 2024 Maryland General Assembly Session.

## Investments in Important Policy Priorities

Within our existing constraints, my FY25-30 CIP drives resources to critical policy priorities with a focus on supporting the capital needs of our public school system, implementing Bus Rapid Transit, building and preserving affordable housing, fighting climate change, ensuring easy access to recreation and library facilities for residents in all parts of the County, spurring economic development, extending the life of existing infrastructure, and public safety. As shown in the exhibits below, the largest funding category is MCPS which represents 32.7 percent of all expenditures. The next largest category is transportation, which represents 29.4 percent of all CIP spending.

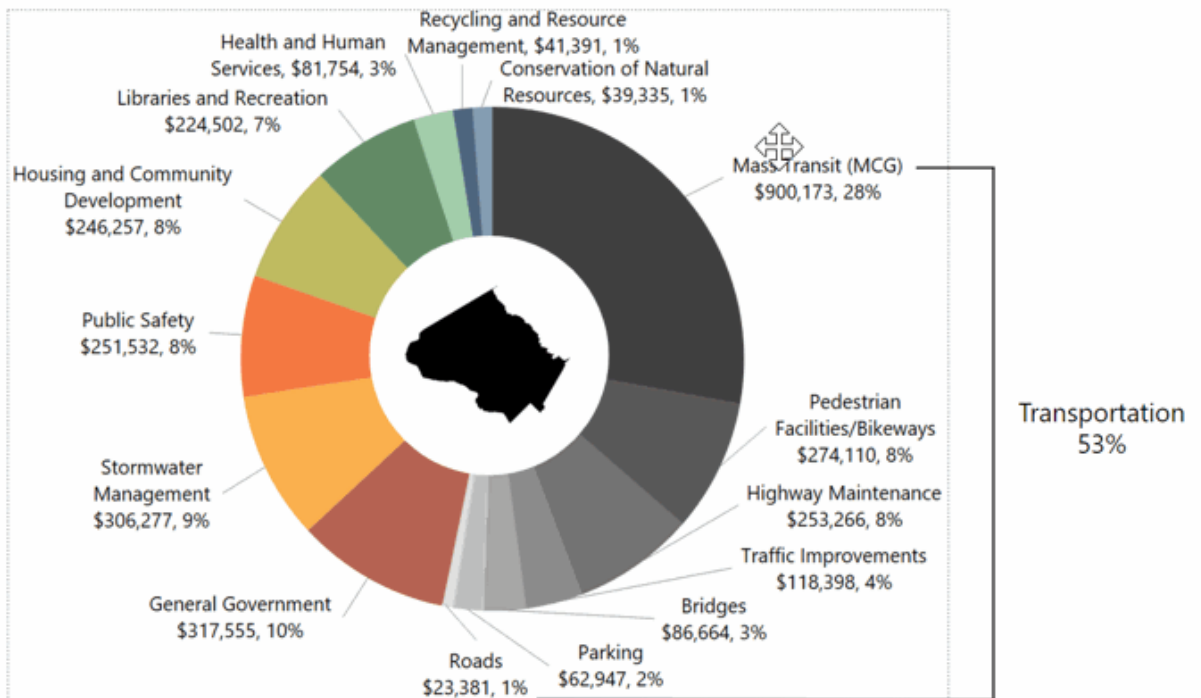
# County Executive's Recommended FY25-30 CIP (\$5.839B) (\$000s)



\*Excludes WSSC Water

Within Montgomery County Government projects, transportation projects represent more than half of all spending at 53 percent, followed by General Government which includes funding for ongoing maintenance projects and energy efficiency improvements in County-owned facilities. Stormwater Management, Public Safety, Housing and Community Development, and Libraries and Recreation represent the next largest categories and are areas of particular focus for my administration. Detail on major highlights within these categories in my Recommended CIP is provided below.

## FY25-30 Recommended Six-Year Expenditures: County Government (\$000s)



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**Education****Montgomery County Public Schools - Funding Landscape**

I am pleased to recommend a CIP that maintains our record high previously approved \$1,907,576,000 level of funding for the MCPS FY25-FY30 CIP - despite MCPS CIP funding source shortfalls. I am particularly proud that my Recommended CIP adds \$169.1 million in the first four years of the CIP (see chart below) so that projects with cost increases can stay on schedule, progress can be made on the Blueprint for Maryland's Future goals, and infrastructure can be maintained. MCPS represents the largest category of the CIP budget with 32.7 percent of all spending, as displayed above.

**FY25-FY30 COUNTY EXECUTIVE'S RECOMMENDED MCPS CIP FUNDING (\$000s) VERSUS PREVIOUSLY APPROVED MCP CIP FUNDING**

	<b>6 Yr Total</b>	<b>FY25-FY28</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>
<b>FY25-FY30 CE Recommended</b>	<b>1,907,576</b>	<b>1,359,870</b>	<b>411,078</b>	<b>366,685</b>	<b>333,920</b>	<b>248,187</b>	<b>239,817</b>	<b>307,889</b>
<b>Previously Approved</b>	<b>1,907,576</b>	<b>1,190,793</b>	<b>369,394</b>	<b>336,764</b>	<b>286,336</b>	<b>198,299</b>		
<b>Difference</b>		<b>169,077</b>	<b>41,684</b>	<b>29,921</b>	<b>47,584</b>	<b>49,888</b>	<b>239,817</b>	<b>307,889</b>

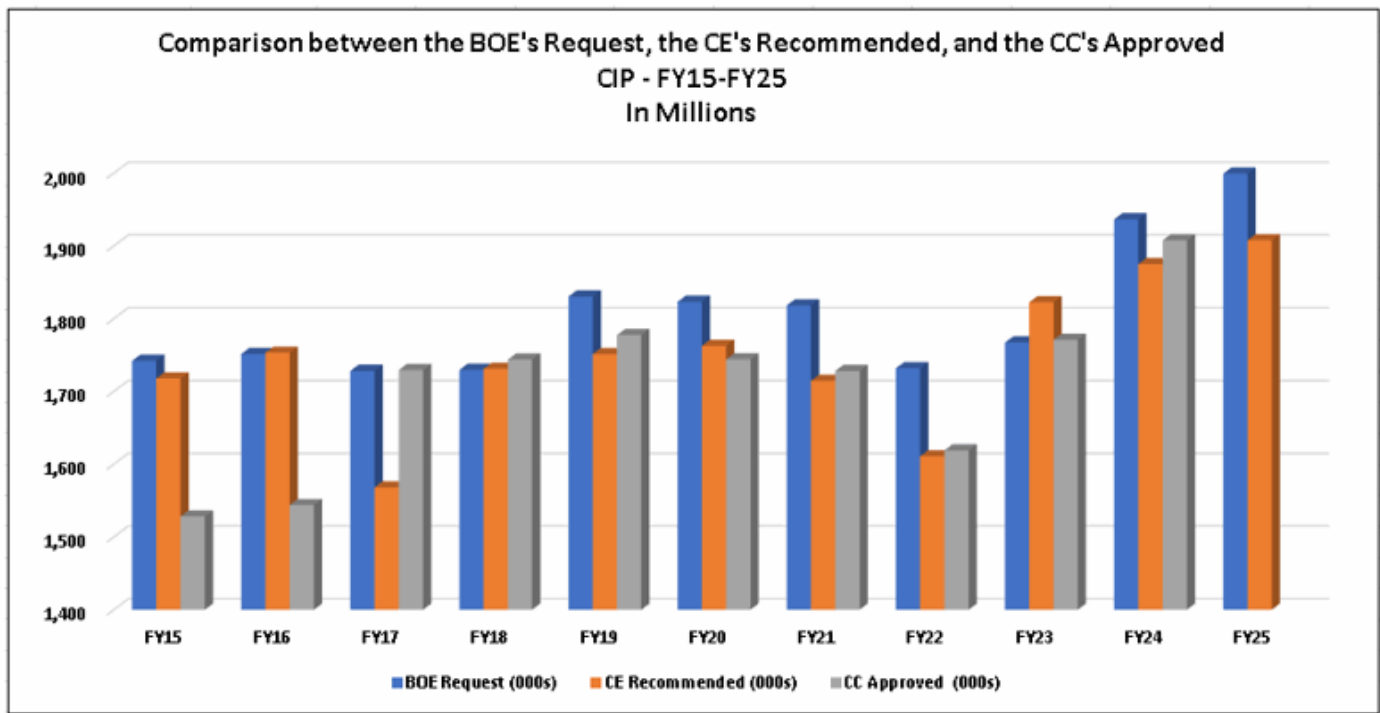
The Board of Education continues to request large amounts in the first years of the CIP, while underfunding the outyears. The chart below demonstrates the unaffordability of the MCPS request in FY25 to FY28, as the requested increase in those years is more than four times the entire General Obligation bond set-aside reserved to cover unexpected cost increases or other compelling project opportunities for the entire CIP. There is simply not funding available to support the requested MCPS CIP schedule.

**MCPS REQUESTED CIP, PRIOR APPROVED MCPS CIP FUNDING, APPROVED BOND SET ASIDE COMPARISON**

	<b>Total FY25-FY28</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>
<b>MCPS Request FY25-FY30</b>	<b>1,706,704</b>	<b>466,196</b>	<b>477,161</b>	<b>433,874</b>	<b>329,473</b>	<b>169,543</b>	<b>123,115</b>
<b>Previously Approved</b>	<b>1,190,793</b>	<b>369,394</b>	<b>336,764</b>	<b>286,336</b>	<b>198,299</b>		
<b>Requested Increase</b>	<b>515,911</b>	<b>96,802</b>	<b>140,397</b>	<b>147,538</b>	<b>131,174</b>		
<b>Approved GO Bond Set-Aside</b>	<b>114,572</b>	<b>23,388</b>	<b>26,163</b>	<b>30,085</b>	<b>34,936</b>		

The pattern of MCPS underfunding the last 2 years of the CIP and then increasing that amount for the next CIP results in repeated delays for County commitments to important projects for other agencies. Historically, this pattern was due to MCPS not including construction costs until planning for projects is complete. This CIP shifts away from that practice, as MCPS included placeholder costs for construction in several new projects in this request. I view this as a step towards a more transparent CIP budget development process. However, the request continues to reflect a pattern of understating the likely cost of some level of effort projects by not requesting funds after FY26 or FY27. Due to funding constraints, the Recommended CIP assumes that over \$255 million of requested project costs will not be affordable until FY29 and FY30 when new funding becomes available.

The table below compares the Board of Education's (BOE) Request, the County Executive's (CE) Recommended CIP, and the County Council's (CC) Approved CIP over the last 11 years. As shown below, in most years the BOE's request exceeds the County's ability to fully fund it. Years when the County Executive and the County Council have been able to meet or exceed the BOE's requests have often been years when increases in General Obligation bonds, Impact or Recordation Taxes, or State aid revenues over the prior approved budget have been assumed.



To ensure we can meet the facility needs of as many students and communities as possible within our finite resources, I encourage MCPS to explore opportunities to address capacity issues without costly construction projects potentially through boundary studies and program changes. Cooperative work with the Office of Legislative Oversight to explore alternative school construction models that could enhance efficiency may provide a path toward achieving more of MCPS's school construction goals than our current resources allow.

MCPS intends to expand full-day Pre-K education in alignment with the Blueprint for Maryland's Future, which I fully support. To that end, the MCPS request creates a standalone early childhood center in Whetstone Elementary School and rehabilitates Parkside Elementary School and the current Burtonsville Elementary School to become early childhood centers to expand full-day Pre-K opportunities to more Montgomery County children.

Given our fiscal constraints, the Board's request to renovate part of the Carver Center to create a Welcome Center for International Admissions, Employee and Retirement Services, and a Background Screening Office seems to be a lower priority and may be duplicating efforts by the County.

Decisions regarding increasing cash contributions in the CIP (Current Revenue) will be made in the context of the March operating budget release. Exceptions to this approach included MCPS' facility planning requests to study distributed bus parking and for relocatable classrooms.

### Montgomery College

Montgomery College requested a \$462.4 million six-year CIP - a \$122.3 million, or 35.9 percent increase over the previously approved budget. This request funds:

- Design and construction of a project to establish a fourth campus in East County;
- New Germantown Student Affairs Building Renovation - Phase 2;
- Escalation cost increases for Collegewide Library Renovations;
- Cost increases for the Germantown Student Services Center Project;
- Cost increases for the Information Technology: College, Network Infrastructure and Server Operations, Student Learning Support Systems, and Roof Replacement: College level of effort projects;
- New Rockville Theatre Arts Building Renovation; and



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- Additional funding in FY29 and FY30 for level of effort projects.

My Recommended Montgomery College CIP is \$381.7 million, a \$41.6 million or 12.2 percent increase over the previous CIP. This represents the largest ever CIP for Montgomery College.

Included in the Recommended CIP is \$60.5 million needed to design and construct improvements to establish a fourth campus in the East County. The East County is home to a very diverse population with significant concentrations of low-income residents. Eastern Montgomery County is a region where 73 percent of the population identifies as a person of color, and the population is projected to continue to diversify in the future. The area is home to many immigrants. Non-native English speakers necessitate a different model of student services than at the other three campuses. Furthermore, East County residents without a car are effectively cut off from the other three campuses since one-way public transportation to the other three campuses takes more than 90 minutes on average.

Due to affordability constraints, my Recommended CIP does not provide funding to support the newly requested Rockville Theater Arts Building Renovation project. With the exception of the East County Campus project, which is recommended to proceed as requested, decisions on requested increases in cash funding for the CIP are not recommended until they can be evaluated in the context of the FY25 Operating Budget.

### **Other Education Related Initiatives**

Funding is recommended to add new Linkages to Learning centers at Whetstone Elementary School and Twinbrook Elementary School, aligned with the BOE's Requested CIP. More than 70 percent of students qualify for Free and Reduced Price Meals at both of these schools. Funding is also recommended to expand an existing Linkages to Learning site at Eastern Middle School.

Our implementation of the High School Wellness Center and Expanded Wellness Services program continues. My Recommended CIP leverages significant savings in several projects by coordinating construction of sites with MCPS construction projects included in the BOE's requested CIP (Blake, Magruder, and Paint Branch High Schools). In addition, this Recommended CIP introduces a new High School Wellness Center model at some schools focused on mental health and youth development services, as recommended by the School Based Health and Wellness Center Advisory Group. This new model is necessary to strategically locate future clinics to address unmet health care needs among students without unintentionally disrupting the surrounding relationships with care providers already serving these students. This recommended budget plans for full physical and mental health centers at Damascus, Paint Branch, Northwood, Woodward, and Springbrook High Schools. New model centers will be added at Crown, Blake, and Magruder High Schools. The schedule for projects that are co-located with MCPS construction projects are delayed one year to remain aligned with MCPS's likely construction schedule due to necessary funding adjustments assumed in my recommended MCPS allocation for affordability.

### **Transportation**

We must invest in our transportation network to strengthen the County's future position in the region. Transportation infrastructure that connects jobs to housing and facilitates easy commutes, especially via transit, within and around our County is essential to bolster economic development and remain competitive.

My Recommended CIP includes more than \$580 million in funding for Bus Rapid Transit (BRT) along Maryland Routes 355 and 586 (Veirs Mill Road) using State and Federal aid opportunities to support final design, land acquisition, and construction. As part of this CIP, I am recommending funding to complete construction of the MD 355 BRT project between Rockville and Germantown, terminating at the Montgomery College campuses at either end. This service, expected to launch in FY29, will extend fast, high-capacity transit to residents and businesses along this corridor that is not currently served by Metrorail. I also recommend funding construction of Veirs Mill Road BRT, which will be completed in FY27 and will connect with MD 355 at Montgomery College Rockville. These projects will achieve an unprecedented expansion of the County's transit network to provide rapid transit service from Wheaton to Germantown and are consistent with priority recommendations in the Corridor Forward I-270 Transit Plan.

BRT service on these corridors will increase capacity, reduce carbon emissions, stimulate economic growth, and provide more frequent and reliable transit service to some of the County's most racially and economically diverse communities that rely on transit to

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get to work, school, and important services. The central section of MD 355 BRT between Rockville and Germantown will be funded through a combination of State resources and Federal funding to be sought through the recently expanded Federal Transit Administration (FTA) Capital Investment Grants (CIG) program. Reflecting my priority to build and launch BRT on this corridor, the Recommended CIP funds final design for the entire planned MD 355 BRT project from Bethesda to Clarksburg, allowing implementation of the remaining portions to proceed as soon as there is a viable funding strategy. The Department of Transportation is expecting a Federal funding recommendation as early as fall 2024 for the Veirs Mill Road BRT and will submit the entire MD 355 BRT project into the CIG program in early 2024, with the central portion planned to advance as the first phase of implementation. The budget also funds preliminary engineering for a dedicated bus lane on U.S. 29 as well as ongoing planning and development of the County's BRT network.

Despite the Federal and State resources we have identified to support the MD 355 Central and Viers Mill BRT, we cannot fully achieve the vision of expanding service from our jobs centers at the south end of the County to our housing centers in the north within the current fiscal capacity - particularly in the face of reduced recordation tax revenue.

The State's recent proposed \$3 billion cut to transportation funding has left all Maryland counties struggling to fund their transportation priorities. We are also hamstrung by State law which limits the ability of counties to raise revenues for transportation by implementing a funding structure similar to Northern Virginia's to fund needed investments and to spur economic growth. State legislation is necessary to give localities the freedom to creatively meet this need and is among the Maryland Association of Counties' top legislative priorities for the 2024 General Assembly Session. While County government works to build an efficient, connected, and highly functioning transportation network, we are depending on the State to develop a thoughtful project to improve the American Legion Bridge/I-495/I-270, and to secure the fiscal stability of the Washington Metropolitan Area Transit Authority (WMATA), both of which are critical to connect Montgomery County with the rest of the region. Without addressing transportation challenges both within and around the County, we cannot have a successful transportation network for the future.

Finally, it is of paramount importance that we preserve and maintain the County's existing transportation infrastructure. To this end, my Recommended CIP adds funding to highway maintenance projects for resurfacing and rehabilitation of County roads and for sidewalk repair. The budget also leverages Federal aid to fund several bridge replacement or rehabilitation projects, including new projects for Brookville Road Bridge, Redland Road Bridge, and Schaeffer Road Bridge. For Pedestrian Facilities and Bikeways, my recommended budget includes increases in funding for projects currently under construction or scheduled to begin construction in FY25 including Fenton Street Cycletrack, Good Hope Shared Use Path, MD 355 Clarksburg Shared Use Path, and Dale Drive Shared Use Path and Safety Improvements. These projects will help improve the County's overall accessibility for pedestrians and bikeways as well as contribute to the Vision Zero Goal of reducing deaths and serious injuries on County roads. In addition, the Department of Transportation was awarded federal funding to construct secure bicycle parking facilities in Silver Spring and Bethesda. As the County builds out its low-stress bike network, providing convenient and secure bicycle parking facilities is critical. This project will add secure bike parking facilities at the Silver Spring Transit Center and the Bethesda Metro Station, both of which are served by the Metro Red Line and will soon be served by the Purple Line light rail.

In developing my Recommended CIP, I prioritized transportation projects that are cost effective, maximize mobility, and position the County to reap the benefits of emerging economic development opportunities. To that effect, a number of transportation projects such as Bradley Boulevard Improvements, the Capital Crescent Trail Tunnel, the Forest Glen Passageway, Observation Drive, and Summit Avenue Extension, were delayed based on their cost effectiveness and overall benefits compared to other critical projects. Additionally, the Metropolitan Branch Trail's scope is being modified to avoid a significant cost increase while still providing for safe roadway crossings for cyclists. These changes were necessary to address historical MCPS CIP underbudgeting, constrained revenues, and construction cost increases in many projects. This is a pattern that we have discussed previously, and I hope that we can work together to begin addressing these issues systematically. Local authority to set differential tax rates to raise transportation dedicated revenues would allow us to advance important projects such as Observation Drive and the Forest Glen Passageway which have experienced repeated deferrals due to a lack of fiscal capacity. New dedicated funding would also relieve pressure on our existing spending debt affordability limits, allowing us to better support other County infrastructure such as school construction.

### **Affordable Housing**

My Recommended CIP makes major investments in affordable housing, a critical priority for this County and my

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administration. This budget provides \$194.7 million in additional funding to support affordable housing, including \$50 million in Current Revenue available from surplus to provide financing assistance for new affordable housing projects in the County, an investment that will help leverage additional private resources to support affordable housing development Countywide. It is my intent to double this investment, adding another \$50 million in Current Revenue in March.

My Recommended CIP includes a total of \$50 million for the new Nonprofit Preservation Fund, funded with an initial transfer of \$20 million per Council resolution 20-239 and Executive transfers and shifts from the Preservation of Naturally Occurring Affordable Housing Fund and the Affordable Housing and Preservation projects totaling \$30 million. Given the similar goals of the Nonprofit Preservation Fund and the Preservation of Naturally Occurring Affordable Housing (NOAH) Fund projects, I am closing out the latter project contingent on the passage of changes in the Right of First Refusal (ROFR) Law. Any additional NOAH project loan repayment proceeds will be transferred to other CIP housing projects.

In addition to this surge of funding to support affordable housing development in our community, this budget provides funding to launch a new Troubled and Distressed Common Ownership Communities program to help sustain existing affordable housing in our community. The project will provide financial and technical support for neighborhoods with Homeowners and Condominium Associations in aging buildings where management companies have been unable to provide the necessary property improvements because members are unable to pay their dues.

For the Housing Opportunities Commission (HOC), this Recommended CIP continues to support \$7.5 million in supplemental funds for Deeply Subsidized HOC Owned Units Improvements. My administration is committed to working in partnership with HOC in implementing the Nonprofit Preservation Fund project. I look forward to the completion of work on the Elizabeth House Demolition project, which is expected to be completed by the summer of 2024.

### **Economic Development**

Along with investments in education, transportation, affordable housing, recreation, parks and libraries - necessary features of economically competitive jurisdictions, my Recommended CIP also includes significant investments in public-private partnerships designed to spark redevelopment in the North Bethesda and White Oak areas of the County.

### **North Bethesda Redevelopment**

The North Bethesda Metro Station Area Redevelopment Infrastructure project, which will start construction within months, utilizes State aid to build additional road and pedestrian infrastructure in support of the County's plan to spur further development in the entire North Bethesda area. That infrastructure project, along with the opening of the new Institute for Health Computing (IHC) in North Bethesda as an anchor for further life science development, is expected to trigger the issuance of a Request for Qualifications by WMATA for a master developer for a life science-oriented, mixed-use development on the Metro Station site.

The IHC occupied space is on a site less than a quarter mile from the Metro station in December, has recruited leading researchers from around the country, and has already brought in Federal and private research grants. The IHC, which is a partnership among the University of Maryland (UM), the UM Medical System and the County, has created an artificial intelligence and machine learning-focused institute with nationally recognized computational researchers and one of the most diverse medical databases in the country, with significant County and University investment. The Institute will help Montgomery County's life science sector and our local federal labs lead the next generation of life science innovation. The Institute will become the anchor for the North Bethesda Metro site as that site begins development.

Current and anticipated State aid are also important components supporting applications for Federal funding to complete the northern entrance to the Metro Station and for the two bus rapid transit lines that will converge at a hub at the North Bethesda Metro Station.

Other new life science development in the North Bethesda area includes the site plan, which was approved last June, for the first lab building of the Evolution Labs project and plans for a high-rise lab building at Pike and Rose. Also in Pike and Rose, Choice Hotels held a ribbon-cutting last month for the grand opening of its new North Bethesda corporate headquarters, occupying over 105,000 square feet of office space supporting around 400 employees in this vibrant and growing community.

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In addition, my Recommended CIP adds funding to support the County's collaboration with the Henry M. Jackson Foundation to develop a co-branded innovation facility, the HJF Innovation Labs at Montgomery County, which will advance life science research, innovation and commercialization supporting the demand for life science development in the North Bethesda region.

While our County boasts a number of exciting recent developments in the life sciences, we continue to assess the needs of this sector to identify investments that other regions have made to support and grow this industry. I plan to make future recommendations for investments to the Council to ensure Montgomery County remains a leading competitor in this space.

### **White Oak**

Redevelopment of the East County is a goal that the Council and I share. This budget continues the effort to establish a public-private partnership to advance the Viva White Oak life science, mixed-use development. To that end, MCB Real Estate (MCB) and Global LifeSci Development Corporation (GLDC) have executed a purchase and sales agreement for the development of Viva White Oak, transitioning from due diligence to the project's planning and design phase. The current schedule anticipates a groundbreaking in the latter portion of 2025 and MCB and GLDC plan to engage community stakeholders as the project progresses through design, planning and tenant interests. To date, Montgomery County has invested over \$5 million for the clearing and demolition of the former "WSSC Site II" sites and my recommended budget includes \$40 million to construct the roads to support this work.

### **Other Economic Initiatives**

The County continues to progress toward realizing the economic development goals of the Glenmont Sector Master Plan with the acquisition of property in the Glenmont Shopping Center area, and my Recommended CIP adds funds to support that purchase. Additionally, I recommend adding funds to support the buildout and necessary enhancements of the ground-floor retail space in the mixed-use Wheaton Headquarters building to support the local community.

### **Environment**

This budget makes significant strides in advancing policy priorities to reduce our carbon footprint and mitigate climate change impacts.

To reduce our carbon footprint and meet our community-wide climate goals to be carbon neutral by 2035, my recommended budget continues investments in the construction of Net Zero facilities, facilities that overall produce enough clean energy to meet the site's energy needs. Many new facilities constructed by Montgomery County are designed to be Net Zero, and will include resilience elements such as solar energy production, combined heat and power, and onsite battery storage to use more clean energy and render those facilities less dependent on the power grid. This includes the new 6th District Police Station and the White Flint and Clarksburg Fire Stations. My budget also includes plans to convert existing facilities to low or net zero buildings. Beginning with the Holiday Park Senior Center, we are exploring technologies that greatly improve energy performance and reduce the carbon footprint of our older and energy inefficient buildings. In addition, we are converting some smaller neighborhood recreation centers into resiliency hubs allowing them to maintain power during grid outage emergencies, which is a significant benefit to the communities around them. Work has been completed on the Bette Carol Thompson Scotland Neighborhood Recreation Center.

My recommended budget also invests over \$40 million to enhance energy conservation in County-owned facilities and to support implementation of our new Building Energy Performance Standards (BEPS), which require buildings to meet energy efficiency standards. Our investment in improving building performance to achieve compliance with BEPS will leverage incentive grants and rebates from sources like EmPOWER Maryland, the Maryland Energy Administration, and Federal funds including through the Inflation Reduction Act and Bipartisan Infrastructure Law. As part of a shift in strategy to reduce the administrative and overhead costs of project implementation, I recommend closing the Energy Systems Modernization project and consolidating County resources in the Energy Conservation: MCG project. This recommendation is aligned with the briefing and policy discussion held at Council last summer through the Council Summer Fellows program.

Transportation represents 42 percent of our County's community-wide greenhouse gas emissions, and my recommended budget continues our work to transition to a 100 percent zero-emissions bus fleet by 2035, with funds programmed to purchase 219

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electric battery and hydrogen fuel cell buses over the six-year period, including zero-emissions buses for the County's Flash Bus Rapid Transit services. To support the zero-emissions fleet transition, the County will construct a hydrogen generation and fueling site at the Equipment Maintenance and Transit Operations Center in Gaithersburg. The hydrogen fuel site, which will be funded by a Federal grant and powered by an on-site solar microgrid, is expected to begin operation in 2025 and will support the first hydrogen fuel cell transit bus fleet in the State of Maryland.

Our transition to a zero-emission bus fleet will require investments in new depot facilities. The Ride On bus depot at Nicholson Lane is too small to accommodate zero-emission charging or fueling infrastructure, and planned Bus Rapid Transit services will require additional depot capacity. My Recommended CIP funds concept design and environmental studies for a new bus depot to ensure that we can meet our aggressive targets to transition the bus fleet away from fossil fuels.

Flooding incidents in Montgomery County have increased in frequency and severity for several years, and our stormwater infrastructure is not equipped to handle it. According to a 2011 report from the Office of Legislative Oversight, urban flooding has increased from between two and four occurrences per year in the County before 2010, to 11 to 39 occurrences since 2010. My recommended budget invests \$153 million to begin implementation of the comprehensive flood management plan to address this pressing issue. This is just an initial estimate on the first phase of the work that will be needed to construct flood mitigation improvements in watersheds throughout the County that are most prone to flooding or particularly vulnerable to future flooding. In addition, my recommended budget leverages Federal funds to improve the Anacostia watershed in partnership with the Army Corps of Engineers through a new Anacostia Stream Restoration project. In addition, this budget creates a new Stream and Best Management Practices Repair Project for small-scale work that will head off larger, more costly repairs to stream banks, infrastructure, and stream habitat in the future.

This Recommended CIP continues construction of upgrades to the Recycling Center Complex so that the County can process 100% of the recyclable material residents and businesses generate with room for future growth. The County currently sends 40 to 45 percent of its recyclable material out of the State for processing. Finally, my budget shifts funds from the operating budget to the CIP to update the leachate plant at the Oaks Landfill to meet environmental standards.

### **Recreation and Libraries**

This CIP invests in recreation and library facilities in communities that have previously lacked easy access to these critical community resources. Neighborhood centers play an important role in the quality of life for our residents, and design and construction of a new Western County Recreation Center is included in my Recommended CIP. In addition, funds are provided to support design and construction of a new Clarksburg Library for a growing community that does not have a library. Funding is also provided for the evaluation and purchase of an alternative site for this library.

### **Other Culture and Recreation Investments**

I look forward to the opening of the much-anticipated Silver Spring Recreation and Aquatic Center this Spring which will provide 120,000 gross square feet of public recreation space located in Downtown Silver Spring as part of a public-private partnership undertaken with the Housing Opportunities Commission and the Lee Development Group.

This recommended budget continues funding for the Wheaton Arts and Cultural Center, which will provide an important cultural asset serving the Wheaton community. Funding is provided in the six-year period to support the build out of performance spaces, classrooms, gallery space, back of house support space, and administrative offices on the ground floor of the Wheaton Arts and Cultural Center in this combined affordable housing/County-funded arts facility in partnership with Montgomery Housing Partnership.

In addition, my recommended budget adds funds to support two new level of effort projects. The new Recreation Facilities Asset Replacement Project will replace assets such as bleachers, kitchens, marquees, and partitions, and the new Recreation Facilities Playground Replacement project will provide improvements to playground and recreational equipment to ensure that our outdoor recreational assets are well maintained. This budget also includes funding to complete improvements to the Kennedy Shriver Aquatic Center Building Envelope and to renovate the Martin Luther King, Jr. Indoor Swim Center, to ensure our existing facilities continue to function in good repair.

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## **Public Safety**

Design and construction of the White Flint Fire Station to support growth in North Bethesda is funded in this recommended budget, with construction expected to be completed in FY27. In addition, the County is partnering with Victory Housing to develop a 104-unit senior multi-family affordable housing project co-located on a site adjacent to the White Flint Fire Station.

The Clarksburg Fire Station, expected to open in spring 2024 will allow the fire service to relocate out of temporary leased space to a permanent facility serving the Clarksburg community. This project also extends sewer service to the Historic Clarksburg community. My Recommended CIP also funds construction of the 6th District Police Station which is expected to open in summer 2025. Like the Clarksburg Fire Station, this project moves critical County operations out of temporary leased space into a purpose-built modern facility to better meet the Department's operational needs.

This budget funds design and construction of a new Justice Center on the site of the current Montgomery County Detention Center (MCDC) and the former 1st District Police Station to replace the sprawling, deteriorating MCDC complex which has outlived its useful life and is extremely expensive to maintain. The new Justice Center will house central processing/detention, District Court commissioners, Department of Health and Human Services Mental Health Assessment and Placement Unit; Pre-Trial Services Assessment Unit; Public Defenders Unit; and the Police Warrants and Fugitive Unit in a smaller, more efficient building.

We must continue to renew aging capital equipment that supports our public safety operations. To this end, my recommended budget adds funds to replace the audio-visual system in 18 courtrooms in the Circuit Court which has reached the end of its useful life. New technology is required to support remote hearings, assisted listening for individuals with hearing loss, translation technology, and to allow for electronic capture of the Court record. Similarly, for the Fire and Rescue Service, my recommended budget adds funds to replace outdated breathing air compressor systems which support an essential part of fire fighters' personal protective equipment.

In addition to replacing aging equipment, we must ensure that the County has adequate infrastructure to provide for the safety and security of residents and visitors as they access County parking facilities. To that end, this budget expands and upgrades security cameras in County-owned parking garages so that patrons of our central business districts and community parking garages feel secure while using our facilities.

## **Existing Infrastructure**

Despite constrained resources, my recommendation focuses on ensuring that our existing facilities are well maintained and remain in good repair for as long as possible. To this end, I am enhancing funding in the Fire Station HVAC/Electrical Replacement, MCG Roof Replacement, and Building Envelope Repair projects in FY25 to address critical improvements in the upcoming year. In addition, my recommendation provides a modest increase for inflation in many level-of-effort projects in FY25 and maintains that funding level over the six-year period. This budget also provides funds to replace public safety servers that need to be replaced.

To continue investing for our future, my recommended budget funds a new County Building Network Wiring project to eliminate internet bandwidth and reliability bottlenecks in County-owned facilities to ensure that our systems can fully leverage our investments in FiberNet. In addition, this budget launches a pilot project to explore the feasibility of deploying radio systems from alternate manufacturers which may be more cost effective. Finally, reductions and reallocations of cable funding in the Fibernet project are proposed to adapt to declines in cable revenues due to "cord cutting." The General Fund will provide a more stable funding source for a system that undergirds much of the work the County performs in our increasingly digital world.

## **Revenue Authority**

The Revenue Authority has requested two new projects which include preventative maintenance at the Hampshire Greens Golf Course, and a project to provide a new hanger at the north end of the Montgomery County Airpark, which is largely funded by the Federal Aviation Administration with funds from the Bipartisan Infrastructure Bill.

## **Maryland-National Capital Park and Planning Commission (M-NCPPC)**

My Recommended CIP includes \$303.0 million in six-year funding - a \$6.8 million, or 2.3 percent increase over the prior

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approved CIP for M-NCPPC. I support M-NCPPC's plans for a new Lyttonsville Civic Green Park, which will feature a memorial for the Talbot Avenue Bridge, an amphitheater, and accessible paths, enhancing the Lyttonsville neighborhood with recreational and educational spaces. In addition, I fully support the Energy Conservation - Non-Local Parks project, with an increased annual funding level of \$100K to upgrade park facilities by implementing energy conservation measures, LED lighting at tennis facilities, and new solar arrays at maintenance facilities, in line with the energy plan to meet growing demands for electrification and solar projects. My administration will work collaboratively with M-NCPPC staff to address policy and technical issues that require further discussion regarding M-NCPPC's requests related to the Advanced Land Acquisition Revolving Fund and Park Roads Resurfacing.

Due to revenue shortfalls, MCPS CIP funding priorities, and cost increases for many projects, M-NCPPC affordability adjustments of \$13.2 million in G.O. bonds are assumed in my Recommended CIP, and consideration of almost \$11 million in requested increases in tax-supported Current Revenue are postponed until the FY25 Operating Budget.

## **WSSC Water**

My Recommended CIP fully funds the WSSC Water's \$2.14 billion FY25-30 CIP request. This represents a \$89.5 million, or 4.0 percent, decrease below the FY24-29 approved total of \$2.23 billion. The decrease in six-year costs is the net result of scope changes, project implementation progress, inflationary trends, as well as additional funding for engineering and energy performance programs and the acceleration of projects focused on providing additional barriers against drinking water contamination, enhancing reliability and reducing treatment costs.

## **Building A More Equitable and Inclusive County**

To incorporate the use of a racial equity lens into the development of FY25-30 CIP, the Office of Racial Equity and Social Justice (ORESJ), in partnership with the Office Management and Budget, implemented a Capital Budget Equity Tool (CBET) to encourage departments and decisionmakers to consider the impacts of proposed projects on racial disparities and inequities in the County. This tool makes applying a racial equity lens concrete by providing a structured approach for identifying, analyzing, and interpreting data about historical and current racial disparities and inequities in the County. With information from this tool, departments can adjust their project planning, design, or outreach, and decisionmakers can assess budgets based on their ability to advance priority initiatives such as racial equity and social justice.

Projects were strategically selected for assessment to maximize the impact of this work, targeting projects in the planning and design stage. Level of effort projects were not assessed. Responses to the CBET were scored by ORESJ using a structured rubric. The analysis was considered by decision makers as part of the budget decision making process.

My budget proudly incorporates a number of projects identified by this review as having the potential to advance racial equity and reduce disparities in the County, which has been a signature policy priority of mine since assuming office. However, racial equity is one of many factors which must be considered and weighed in assembling a capital budget plan. Some projects required to sustain County services are critical to complete though they may not reduce racial disparities.

Important projects in my recommended budget with the potential to reduce racial disparities and inequities as identified by ORESJ's CBET include:

- Revitalization for Troubled and Distressed Common Ownership Communities
- Wheaton Headquarters Retail
- Bus Rapid Transit on MD 355 and Veirs Mill Road
- School Based Health Centers and Linkages to Learning Centers
- U.S. 29 Streetlighting
- Cherry Hill Road Bike Facility
- Dale Drive Shared Use Path and Safety Improvements
- MD 198 Sidewalk Improvements
- Norwood Road Shared Use Path

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Additional projects in my recommended budget, not reviewed by ORESJ, that we believe have potential to advance racial equity and social justice are:

- \$50 million cash investment in affordable housing
- Preservation of the Historic Lincoln High School, which was among the first schools in the County to serve secondary grade African American students
- East County Campus of Montgomery College
- Wheaton Arts and Cultural Center

### **Other Project Changes**

A number of projects experienced significant cost increases reflecting construction market cost pressures and the reality of recent inflation including Brighton Dam Road Bridge, Bethesda Metro Station South Entrance, Boyds Transit Center, Bowie Mill Road Bikeway, Purple Line related projects, White Flint Fire Station, Justice Center, and Red Brick Courthouse Structural Repairs.

Schedule delays based on fiscal considerations are also reflected in the following projects: Red Brick Courthouse Structural Repairs, Dorsey Mill Road Bridge, Bradley Boulevard Improvements, Capital Crescent Trail Tunnel, Forest Glen Passageway, Goldsboro Road Sidewalk and Bikeway, Tuckerman Lane Sidewalk, Observation Drive Extended, Summit Avenue Extended, Child Care Renovations, and Recreation Facilities Refurbishments. These deferrals are necessary in light of our fiscal reality. With G.O. bond spending capped at \$280M per year, the pressure of growing demands of the MCPS CIP, cost increases, and high inflation eating away at our spending power, these projects are simply not affordable on the previously approved schedule.

### **Other Fiscal Considerations**

The proposals highlighted in the pages immediately following and detailed in the specific FY25-30 recommendations for Montgomery County Government, Montgomery County Public Schools, Montgomery College, Maryland-National Capital Park and Planning Commission, WSSC Water, the Housing Opportunities Commission, and the Revenue Authority, reflect the priorities of my administration. Companion supplemental appropriation requests and/or CIP amendments are being transmitted separately for the following projects: HVAC/Electrical Replacement: Fire Stations, Clarksburg Library, RideOn Bus Fleet, Bethesda Parking Security Camera Surveillance System, Silver Spring Parking Security Camera Surveillance System, and Wheaton Parking Security Camera Surveillance System:

Many people have helped to shape the recommendations I am submitting to you, and I am grateful for their efforts. I want to thank the members of the Board of Education, the College Trustees, the Planning Board, WSSC Water and HOC Commissioners for their work.

As stated above, further recommendations relating to current revenue and other CIP initiatives will be provided once I have finalized my Operating Budget recommendations on March 15. I look forward to discussing with you any policy matters or major resource allocation issues that arise this spring. As always, Executive Branch staff will be available to assist in your deliberations on the Capital Budget and CIP.



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