

## Message from the County Executive

I am pleased to transmit to you my Recommended FY26 Capital Budget and Amendments to the FY25- 30 Capital Improvements Program (CIP). This is the biennial, or second year, of the biennial capital budget. As a result, amendments are limited to project changes that either meet the County's CIP amendment criteria, or that are necessary to address capital or operating budget constraints<sup>1</sup>.

This biennial budget recommendation totals \$5.85 billion, an \$83.5 million, or 1.4 percent, decrease from the prior approved CIP. While my recommended CIP continues progress on important projects to advance critical policy goals including education, economic development, transportation, and core infrastructure with limited disruption to previously approved projects despite constrained resources and growing cost pressures, this CIP was not developed without difficult decisions. Some projects are deferred, and I am painfully aware that, without more funding, we are limited in our ability to solve local problems and to build the kind of healthy, just, sustainable, and economically vibrant community we want for our residents.

### Overall Fiscal Context

#### Cost Pressures:

Inflation, labor shortages, and a tight construction market continue to be felt in projects across County government. Cost increases addressed in this recommended budget through funding increases, schedule adjustments or scope changes include Judicial Security Improvements; White Flint Fire Station; ABS Retail Store Refresh; Public Safety Communications Center - Phase II, Electrical Distribution & HVAC Upgrade; Child Care Renovations – Child Care Facility Replacement; Library Refurbishment Level of Effort; Noyes Library for Young Children Rehabilitation and Renovation; Silver Spring Recreation and Aquatic Center; and Recreation Facilities Refurbishment – Centers. In addition, this recommended CIP provides funding to accommodate a four percent allowable escalation increase for Montgomery College. Projects to maintain core infrastructure and operations detailed below also added to cost pressures that need to be addressed in the biennial CIP.

#### Revenues:

This budget illustrates the County's continued commitment to fiscal discipline. It maintains constrained General Obligation (GO) bond debt levels planned for issuance over the six-year period (\$1.68 billion), aligned with the limits approved by the County Council. I believe it is in the best interests of the County's future to increase the limits to allow investments in infrastructure to spur robust economic growth; nevertheless, I have accepted the Council's constraints but would urge them to reconsider the limits. This issue is further discussed in the section concerning our resource gaps below.

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<sup>1</sup> Amendment criteria in the biennial year include urgent or time sensitive project changes such as adjustments needed to address an urgent health or safety concern, opportunities to leverage significant non-County funding, significant economic development initiatives, and opportunities to achieve significant savings or cost avoidance.

The most dramatic change in CIP funding sources occurred in impact tax receipts. Based on updated estimates, the recommended CIP assumes the use of \$197.3 million in transportation impact taxes and school impact taxes – a \$69.6 million reduction in CIP funding compared to prior approved estimates. The Department of Finance reduced the forecast of school impact tax estimates for the FY25-30 CIP after a decrease in FY24 collections to levels not seen since the Great Recession. Ten years ago, in FY14, the County collected \$60.8 million in school and transportation impact taxes, compared to FY24 collections totaling only \$15.6 million, a reduction of \$45 million or 74.4 percent. While the FY24 shortfall is mostly attributed to sluggish development activity, the Council continues to pass legislation eroding this important revenue source without first identifying a feasible replacement. Bill 16-24, enacted by the Council over [my veto](#), is estimated to reduce impact tax revenues by \$13 million over six years. I appreciate that the Council improved the version recommended by the Planning Board, which would have cut revenues even more, but this is the sixth time since 2013 that the Council has cut the impact tax revenues available for providing adequate public facilities.

Bill 22-24, which was recently introduced, would further affect impact tax collection. This legislation would postpone revenue collection for residential development between three and six months and one to two years for commercial projects. Based on projections by the County's Department of Finance, the bill could result in a reduction of \$14.8 million over six years for school impact taxes and \$13.0 million over six years for transportation impact taxes with particularly large impacts in the early years of the CIP. Though the bill does not reduce overall collections, the delay in collection of revenues would compound the effect of reductions to impact tax estimates. These reductions are not assumed in my recommended CIP and approving this legislation would require further project delays or reductions to remove \$27.8 million from the CIP over the six-year period.

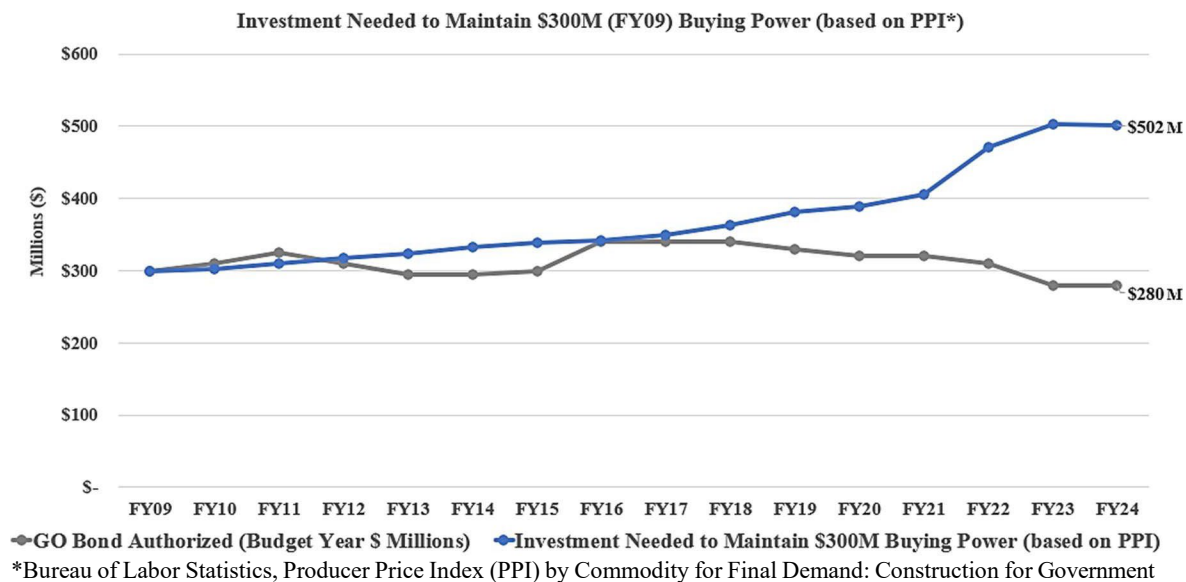
On a positive note, recordation tax and recordation tax premium revenues are projected to increase \$57.7 million, reflecting the beginning of recovery in real estate market activity due to the economic soft landing and expectations of lower interest rates. There has been a significant increase in the volume of residential home sales, but non-residential activity continues to decline with a 60 percent decrease in revenues and a 15 percent decrease in volume so far in FY25 as compared to FY24. While recordation taxes are forecast to improve, the growth rate does not return to pre-FY22 levels due to high mortgage rates and home prices which negatively impact affordability.

In addition, the General Obligation Bond Premium (\$31.4 million), leveraging the strength of our County's bond rating in the sale of bonds, resulted in additional revenue to the County which mitigates the shortfall in impact taxes and allows us to return FY25 PAYGO to the policy level of \$28.0 million. This bond premium was received in FY25 and is not certain to be received in any future fiscal year due to its relationship with interest rate and bond market conditions. Returning FY25 PAYGO to the policy level preserves operating budget flexibility as I, in partnership with the Council, work to meet our County's growing needs, including essential funding for Montgomery County Public Schools (MCPS).

My recommended CIP also leverages non-County funding from Federal, State, and local government funding in the form of grants. Overall, intergovernmental revenue decreases \$67.1 million due largely to accelerated spending in seven projects that move State aid expenditures out of the six-year period and into FY24 and the shortfall in State aid in MCPS for the Charles W. Woodward High School project. However, intergovernmental revenues for County government and Montgomery College increase recognizing new State and Federal grants for County government and increases in State aid eligible escalation for Montgomery College.

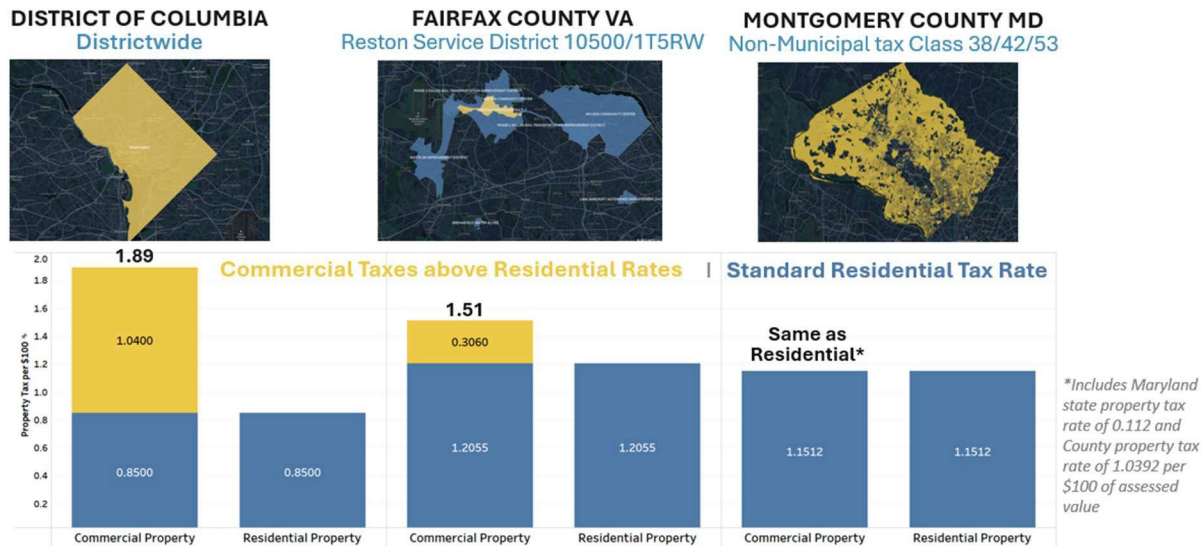
## Resource Gaps

I was forced to defer several 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. In fact, as far back as FY09 the County issued \$300 million in General Obligation debt per year. To sustain the same purchasing power that we had in FY09 today, the County would need to issue \$500 million annually. 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.



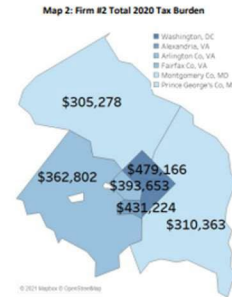
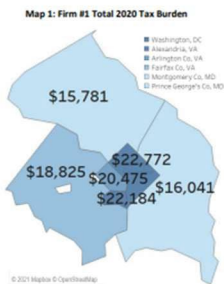
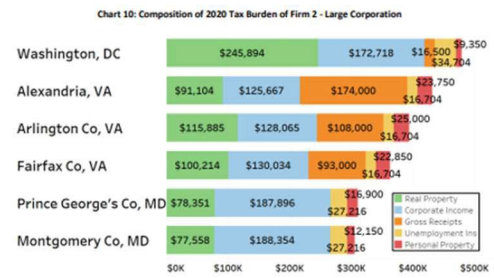
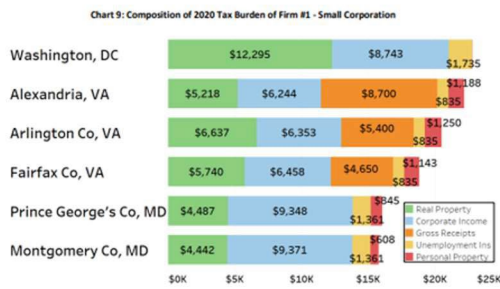
Additional resources to support capital investments to move our County forward are essential, particularly for important investments in transportation to enhance mobility within and around the County, support economic development, and improve safety for pedestrians, bikers, and drivers. While regional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

Like our regional neighbors, we also need to invest in infrastructure that attracts and supports development. Alleviating congestion and expanding access through improved transit is critical to attracting and retaining businesses. This has been demonstrated in Northern Virginia with construction of the Silver Line coupled with rapid development and supported by revenues from special taxation on commercial property. By contrast, Montgomery County is prohibited from charging different tax rates for commercial and residential properties. The current tax structure is centered on residential development, reflective of the economy of the 1950's and 1960's fueled by post-World War II residential development growth. Property taxes from residential development were sufficient to deliver high quality schools and modern infrastructure. Montgomery County is now a mature and developed community. 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. As shown below, in Washington, DC and in Fairfax County, Virginia, commercial property owners pay a higher tax rate than residential property owners, and in both jurisdictions, commercial property owners pay significantly higher tax rates than commercial property owners in Montgomery County.



Historically, Montgomery County's commercial tax burden has remained one of the lowest in the Washington Metropolitan region, particularly when compared to Washington, DC and Virginia jurisdictions, as illustrated below.

# Montgomery County Tax Burden - Commercial



Source: District of Columbia, Office of the Chief Financial Officer

State legislation authorizing local government to institute differential tax rates could help improve revenue sources and provide needed infrastructure without overly burdening residents. Municipalities in Maryland already have this authority and I am hopeful that similar authority will be granted to counties during the 2025 Maryland General Assembly Session.

## Expenditure Summary

Based on the revenue assumptions mentioned above, my recommended CIP provides the following allocations to Montgomery County Public Schools, Montgomery College, Maryland-National Capital Park and Planning Commission, Montgomery County Government, the Revenue Authority, and the Housing Opportunities Commission:

### COUNTY EXECUTIVE RECOMMENDED FUNDING COMPARED TO PRIOR APPROVED CAPITAL FUNDING, BY AGENCY (\$000s)

	Council Approved FY25-30	FY 26 Amended Recommended FY25-30	Increase/ (Decrease)	Percent Change
Montgomery County Public Schools	\$1,853,658	\$1,739,995	-\$113,663	-6.1%
Montgomery County Govt - Other	\$1,577,224	\$1,614,561	\$37,337	2.4%
Transportation	\$1,773,633	\$1,754,085	-\$19,548	-1.1%
Montgomery College	\$398,153	\$410,579	\$12,426	3.1%
M-NCPPC	\$313,196	\$313,172	-\$24	0.0%
Revenue Authority	\$11,815	\$11,815	\$0	0.0%
Housing Opportunities Commission	\$7,500	\$7,500	\$0	0.0%
<b>TOTAL</b>	<b>\$5,935,179</b>	<b>\$5,851,707</b>	<b>-\$83,472</b>	<b>-1.4%</b>

## Montgomery County Public Schools

My recommended CIP holds capacity to fully fund Montgomery County Public School's \$1.85 billion FY26 Capital Budget and FY25-30 Amended CIP as requested by the Board of Education. In the six-year period, my recommended CIP provides \$1.74 billion for Montgomery County Public Schools (MCPS) capital projects. This funding level compared to the \$1.85 billion previously approved CIP reflects more than \$98 million in spending on MCPS projects that occurred ahead of schedule, and therefore will no longer occur in the FY25-30 period.

Though MCPS's requested expenditure level totals the same amount as the last adopted CIP, the Board of Education requested \$21.6 million in additional local funding to address the reduced State aid eligibility for the Charles W. Woodward High School reopening project. However, after considering anticipated State aid increases in other projects within their CIP, MCPS's net State aid shortfall is estimated to be \$15.5 million, though the final State aid allocation is unlikely to be known until after final Council action is taken on the FY26 Capital Budget in May. As a result, my recommended CIP holds capacity for this net shortfall so that local resources can be appropriated to the project when the true State aid deficit is known. In addition, my recommended CIP includes a net revenue increase of \$11.7 million that holds the MCPS CIP harmless based on most recent revenue projections to offset reductions in school impact tax forecast.

MCPS projects with cost increases contained in the Board of Education's request include Charles W. Woodward High School; Crown High School; Northwood High School; and Heating, Ventilation and Air Conditioning (HVAC). To offset the increases identified above, the board request reallocates approved CIP spending, (mostly placeholder costs) from the following projects Early Childhood Centers Project; Major Capital Projects–Elementary Project (Cold Spring Elementary School Project, Damascus Elementary School Project, Twinbrook Elementary School Project, and Whetstone Elementary School Project); Sustainability Initiatives Project; and Building Modifications and Program Improvement Project.

Additionally, to address the State aid shortfall in the Charles W. Woodward High School project, the MCPS request reallocates unspent funds and appropriation in the following projects: William Tyler Page Elementary School Addition Project; Parkland Middle School Addition Project; Takoma Park Middle School Addition Project; Westbrook Elementary School Addition Project; and Building Modifications and Program Improvement Project.

Decisions regarding increasing cash contributions in the CIP (Current Revenue) as compared to the FY25 approved funding level for the Technology Modernization Project will be made in the context of the March operating budget release.

I am appreciative of the Board of Education and the Superintendent for the fiscally prudent, collaborative, and transparent approach reflected in this CIP budget submission and in addressing the State funding challenge related to the Charles W. Woodward High School.

A list of all MCPS projects with requested increases and reallocations is provided below.

	<b>Total 6-Year Amount (\$000)</b>
<b>MCPS BOE Requested CIP - Increases/(Decreases):</b>	
Charles W. Woodward HS Reopening - Phase III (651908)	\$ 28,000.00
Crown HS (New) - Phase II (651909)	\$ 20,000.00
HVAC (Mechanical Systems) Replacement: MCPS (816633)	\$ 4,500.00
Northwood HS Addition/Facility Upgrades (651907)	\$ 5,000.00
Building Modifications and Program Improvements (076506)	\$ (4,000.00)
Early Childhood Center (652303)	\$ (36,500.00)
Major Capital Projects - Elementary (652101)(MP)	\$ (12,000.00)
Sustainability Initiatives (652306)	\$ (5,000.00)
<b>Total BOE Request for FY26 Capital Budget Amended FY25-30 CIP</b>	<b>\$ -</b>

	<b>Total 6-Year Amount (\$000)</b>
<b>GO Bonds Needed to fill the State Aid Shortfall in Woodward</b>	
Charles W. Woodward Reopening (651908) - Gross Shortfall	\$ 39,299.00
HVAC (Mechanical Systems) Replacement: MCPS (816633)(*) - Available GO Bonds	\$ (6,100.00)
<b>Reallocations of Savings in GO Bonds to Woodward:</b>	
Building Modifications and Program Improvements (076506)	\$ (7,000.00)
Parkland MS Addition (P651911)	\$ (1,000.00)
Takoma Park MS Addition (651706)	\$ (1,300.00)
Westbrook ES Addition (652107)	\$ (3,400.00)
William T. Page ES Addition (652106)	\$ (5,000.00)
<b>Sub-Total of Reallocations</b>	<b>\$ (17,700.00)</b>
<b>Net Shortfall in Woodward Kept in the Set Aside until Final Shortfall in Known</b>	<b>\$ 15,499.00</b>

(\*) = FY26 State Aid went up freeing up GO Bonds that can be used to meet this need.

### Other County CIP Projects that Support MCPS Students

My recommended CIP also maintains funding for a number of County CIP projects that support MCPS students and programs. These include the Pedestrian Safety; Transportation Improvements for Schools; Fibernet; Ballfields Initiative; Kennedy Shriver Aquatic Center Building Envelope Improvement; Martin Luther King, Jr. Indoor Swim Center Renovations, High School Wellness Centers and Expanded Wellness Services; School Based Health & Linkages to Learning Centers; and the MCPS Bus Depot and Maintenance Relocation projects. My recommended CIP also creates a new project for Olney Infant and Toddlers Program Site Improvements that leverages State aid to support capital improvements for the Infants and Toddlers program located on the Rosa Parks Middle School property.

### Montgomery College

My recommended CIP fully funds the Montgomery College CIP projects, providing a net increase of \$12.4 million, or 3.1 percent, increase over the prior CIP. This increases local funding for the

College by \$3.0 million in the six-year period to support State allowable escalation adjustments for Collegewide Library Renovations, Germantown Student Affairs Building Renovation and Addition – Phase 2, Germantown Student Services Center, and the Rockville Theater Arts Building Renovation projects. In addition, the request allocates \$6.2 million in contributions from fund balance to support the Capital Renewal: College, Planned Lifecycle Asset Replacement: College, and Rockville Theatre Arts Building Renovation projects and reflects an increase of \$3.2 million in State aid.

## **New County Government Projects**

### Brookville Depot HVAC

This project provides for the systemic replacement of heating, ventilation, air conditioning and automated temperature controls at the Brookville Maintenance Facility Transit Shop, the site of the Brookville Smart Energy Bus Depot, an integrated microgrid and electric bus charging and infrastructure project. This work, funded in part by Green Bank loan proceeds, will address improper air circulation to provide proper working conditions related to heating and cooling. The current system is at least forty years old and has failed repeatedly over the last several years.

### Olney Infant and Toddler Program Site Improvements

This project leverages State aid to support capital improvements for the Infants and Toddlers Program located on the Rosa Parks Middle School property.

### Howard County Flash Extension

I am pleased to support a project to fund the procurement of additional Flash buses to extend the U.S. 29 Flash line into Howard County to Columbia, fully funded by Federal aid (\$3.4 million) and intergovernmental contributions from Howard County (\$1.5 million). Howard County's own capital improvement program will design and build four Bus Rapid Transit stations at Columbia Mall, Johns Hopkins Applied Physics Lab (APL), Merriweather Drive, and Maple Lawn. A Federal earmark will support the acquisition of four electric buses to expand the U.S. 29 Flash service with Howard County providing the local funding share. The Howard County service will operate during weekday peak periods and will be integrated into the existing Flash line to provide a one-seat ride from Columbia to Silver Spring, reduce roadway congestion in the County associated with inter-County commuter trips, and reduce carbon pollution associated with single-occupancy auto trips.

### Olney Community Building

My recommended CIP creates a new project to support the acquisition and renovation of an Olney community building. The building will provide meeting space for the greater Olney community and will be fully supported by State grants. Appropriation will be added to the project as State funding is received.



### Gregg Road Bridge No. M-0119

This project will provide \$1.0 million to rehabilitate an existing bridge built in 1958 over Hawlings River Tributary. The rehabilitation work is necessary to provide safe roadway conditions due to structural deficiencies.

### **Other County Government Project Enhancements**

#### White Oak Science Gateway

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 and accelerates funding to construct master-planned road infrastructure necessary to implement Viva White Oak. Funding is recommended ahead of the previously approved schedule to support the new developer's updated timeline and schedule. The current schedule anticipates a groundbreaking in the latter portion of 2025, and MCB Real Estate and Global LifeSciences Development Corporation 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.

#### Facility Planning: MCG

My recommended CIP adds the Damascus Highway Maintenance Depot and the Poolesville Highway Maintenance Depot to the facility planning project to identify the scope of work required to meet current operational needs and address building site deficiencies through facility assessments. In addition, Park and Planning Police Headquarters are added to the scope of analysis for 4<sup>th</sup> District Police Station facility planning efforts.

#### Cost Sharing: Montgomery County Government

My recommended CIP provides \$2.5 million to support completion of the CASA Rockville Welcome Center Renovations to provide employment and training services to low-income residents so that they can access long-term, meaningful employment. This award follows an initial allocation of \$5.0 million provided by the County in FY23 and allows the planned work to be completed.

In addition, this recommended CIP provides \$400,000 for Scotland AME Zion Church – 2<sup>nd</sup> Century Project to support the renovation and reconstruction of the historic church following a devastating flood in 2019. This church was opened in 1924 by residents of the Scotland community, the first place where people of color owned land in Potomac, Maryland, and has been impacted by past County infrastructure decisions that left the facility vulnerable to flooding.

## **Core County Infrastructure Projects for County Facilities**

This recommendation provides new funding to support critical improvements to core infrastructure to ensure that existing County facilities are maintained in good condition and to ensure a safe and comfortable environment for County residents and employees.

Elevator replacement is required at Progress Place to address frequent elevator outages that prevent residents using walkers and wheelchairs from safely accessing their living spaces. To address this, I am transmitting a supplemental appropriation adding \$1.2 million to the Elevator Modernization project to purchase and install elevator equipment built to a standard appropriate for the demands of Progress Place.

The Germantown Outdoor Pool is currently not a fully accessible facility to those with mobility impairments. My recommended CIP adds \$3.1 million to the Americans with Disabilities Act (ADA): Compliance project to bring the pool into ADA compliance with improvements including replacement of the pool deck; adequate ADA access to the wading pools, shade structures, stairs, benches, snack stand, and bathhouse; and exterior slope and drainage improvements.

The Recreation Refurbishment projects were introduced to provide a cost-effective and timely way to provide limited facility improvements to enhance the customer experience when accessing recreational programming. My recommended CIP adds \$600,000 to the Recreation Facilities Refurbishment – Centers project to support facility assessments to appropriately prioritize improvements to recreational spaces. In addition, adjustments are recommended in this project to address cost increases in the Damascus Senior Center refurbishment project and to correct a prior year appropriation adjustment.

As was mentioned previously, cost increases to maintain current County facilities and operations or to complete previously funded new facilities in development are also included in my recommended CIP. Cost increases are included for the White Flint Fire Station reflecting escalation related to the County Council's delay of project construction by two years in the last approved CIP. Other projects with recommended cost increases include Judicial Security Improvements; Child Care Renovations – Child Care Facility Replacement; Library Refurbishment Level of Effort; Bikeway Program Minor Projects; Recreation Facilities Refurbishment – Centers; Noyes Library for Young Children Rehabilitation and Renovation; Silver Spring Recreation and Aquatic Center; and Dickerson Radio Tower.

## **Projects Leveraging Non-County Funding**

My recommended CIP includes the following project amendments to leverage Federal and State grants to advance County project priorities: North Bethesda Metro Station Northern Entrance (\$5.0 million Federal aid), Bus Stop Improvements (\$560,000 in Federal aid), Bus Rapid Transit: Flash Howard County Expansion (\$4.8 million in Federal aid and intergovernmental funding from Howard County), Goshen Road South (\$500,000 in Federal aid), Highway Noise Abatement (\$250,000 in State aid), and Olney Infant and Toddler Program Site Improvements

(\$250,000 in State aid); Olney Community Building (\$5.0 million in State aid); Olney Satellite Police Station (\$1.1 million in State aid).

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

My recommended CIP funds the Maryland-National Capital Park and Planning Commission (M-NCPPC) CIP projects as requested, providing a total of \$313.2 million over the six-year period, with a minor adjustment for out-year inflation.

### **Housing Opportunities Commission**

Affordable housing is one of my cornerstone policy priorities and a major focus of my administration. In all, the FY26 Capital Budget and FY25-30 Capital Improvements Program invests more than \$264 million to support affordable housing in our community. For the Housing Opportunities Commission, my recommended CIP provides \$7.5 million over the six-year period, and a total of \$89.4 million. Decisions regarding increasing cash contributions in the CIP (Current Revenue) for Elizabeth House Demolition and Cider Mill Capital Improvements will be made in the context of the March operating budget release.

### **Project Schedule Adjustments**

My recommended CIP reflects project implementation delays for the Rockville Fire Station 3 Renovation, Child Care Renovations – ADA Remediation, Child Care Renovations – Child Care Facility Replacement, Child Care Renovations – Playgrounds, Library Refurbishment Level of Effort, Kennedy Shriver Aquatic Center Building Envelope Improvements, Recreation Facilities Refurbishment – Indoor Pools, Recreation Facilities Refurbishment – Centers, Recreation Facilities Refurbishment – Outdoor Pools, and Full Upgrade of Recycling Center Complex to reflect realistic implementation timelines for these projects. In addition, the Martin Luther King, Jr. Indoor Swim Center Renovation project schedule is adjusted to ensure that the facility remains open until the ongoing work on the Kennedy Shriver Aquatic Center indoor pool is complete to minimize disruption to indoor pool service for County residents. Changes to the 6<sup>th</sup> District Police Station project reflect project acceleration. Finally, schedule adjustments are assumed for the ABS Retail Store Refresh project to reflect an updated project timeline that is primarily the result of lease negotiations.

Unfortunately, due to cost pressures and impact tax revenue shortfalls mentioned above, it was necessary to delay the Outdoor Firearms Training Center and Summit Avenue Extension projects.

### **Project Savings**

Prior year savings were realized from several projects including Clarksburg Fire Station,

Lactation Rooms in County Buildings, and Montgomery County Correctional Facility Sewer. Savings are also recognized in the Life Sciences and Technology Centers in the six-year period due to subprojects being completed under budget.

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

To incorporate the use of a racial equity lens into the development of FY26 Capital Budget and Amendments to the FY25-30 CIP, the Office of Racial Equity and Social Justice (ORESJ), in partnership with the Office of 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 new projects and existing projects with scope or cost changes unrelated to inflation or technical adjustments. Level of effort projects were not assessed. Responses to the CBET were assessed by ORESJ using a defined methodology, which resulted in a finding statement and narrative justification. The analysis was considered by decision-makers as part of the budget decision-making process.

My budget proudly incorporates several 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 that 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.

This recommended CIP accelerates funding for the White Oak Science Gateway Redevelopment project and supports cost increases and facility assessments for the Recreation Facilities Refurbishment-Centers projects which are identified by the CBET as projects that advance equitable outcomes designed to reduce existing racial disparities and inequalities. In addition, my recommended amendments maintain funding for a number of important projects with the potential to reduce racial disparities and inequities as identified by ORESJ's CBET in past years including:

- 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

Finally, my recommended CIP adds funding to support the CASA Rockville Welcome Center and the Scotland AME Zion Church – 2<sup>nd</sup> Century Project which were not assessed by the CBET but are likely to advance racial equity.

## **Climate Change and Sustainability**

To further integrate climate consideration into the FY26 Capital Budget and Amendments to the FY25-30 CIP, we piloted a climate change consideration process. The Climate Change Officer led a budget committee of subject matter experts from relevant departments. This committee qualitatively ranked FY26 CIP change or addition requests for: (1) the potential to reduce greenhouse gas emissions and (2) climate resilience benefits. Rankings were presented to the County Executive and considered as part of the budget decision making process.

My recommended CIP includes \$2.0 billion in funding for projects that advance our Climate Change goals. As previously noted, my recommended CIP adds a new project to replace the Brookville Depot HVAC system funded in part by Green Bank loan proceeds. In addition, this recommended CIP adds \$1.7 million to the Oaks Landfill Leachate Pretreatment Plant Retrofitting project due to new State rules on PFAS and PFOS. In the Energy Conservation: MCG project, \$2.0 million is accelerated in FY26 to allow some work to proceed ahead of the previously planned schedule that will further reduce energy use. The new Bus Rapid Transit: Flash Howard County Expansion project will reduce roadway congestion associated with inter-County commuter trips and reduce emissions associated with single-occupancy auto trips.

## **Set-Aside Considerations**

Set-asides are annual funds that the County leaves unprogrammed to provide capacity to respond to unexpected needs and opportunities. The recommended capital budget assumes a six-year \$168.4 million set aside-aside with \$38.9 million available in FY25 and FY26. This represents a \$18.0 million increase over the six-year period in order to hold capacity for the Charles W. Woodward High School project when the State aid shortfall is known. I am also incorporating in my recommended CIP \$3.6 million of set-aside unallocated in FY24. In addition to the Charles W. Woodward High School project shortfall, higher set aside provides capacity to address possible future capital needs that may arise due to changes in Federal aid availability and from FY26 State budget challenges. Likewise, a number of transportation projects may require additional local funding which this set aside may be needed to support. We expect to receive a Federal funding recommendation this spring for the Bus Rapid Transit: Viers Mill project, which currently assumes an 80 percent Federal funding share. If Federal funding falls below this level, resources from the set aside may be needed. In addition, cost pressures in numerous other projects already in or nearing construction may require a future draw down of the set aside. Finally, Opportunity Lane funding currently programmed in the Bus Rapid Transit: 355 Central

Project may not materialize and may need to be replaced with other resources.

### **Supplemental Appropriation Requests**

I will be sending, under separate cover, the following FY25 Supplemental Appropriations and CIP Amendments: Recreation Facilities Refurbishment – Centers, Silver Spring Recreation and Aquatic Center, Elevator Modernization, Dickerson Radio Tower, Noyes Library for Young Children Rehabilitation and Renovation, Olney Satellite Police Station, Howard County Flash Expansion, and Burtonsville ES (Replacement).

### **WSSC Water**

As required by State law, I am also providing today under separate cover the recommendations for both the FY26-FY31 Capital Improvements Program and the FY26 expenditures for WSSC Water.

Many people have helped to shape the recommendations I submit to you in these amendments, and I am grateful for their efforts. I wish to thank the members of the Board of Education, the Montgomery College Trustees, the WSSC Water Commissioners, and the Montgomery County Planning Board for their work. I also want to thank the numerous County employees who worked tirelessly to prepare the many iterations of the projects that are contained in my recommended CIP.

Special thanks and recognition go to the outstanding staff members of the Office of Management and Budget for their work, their advice, and their creativity.

Further recommendations will be provided once I have finalized my March 15 operating budget recommendations and the State completes its legislative session in April. In the meantime, Executive Branch staff are available to assist you in your deliberations on the capital budget and CIP.

A handwritten signature in cursive script, appearing to read "Marc Elrich".

Marc Elrich  
County Executive, Montgomery County

## **Attachments**

- **Fiscal Summary Schedules**
  - FY25-30 Biennial Recommended CIP – January Budget Amendments Summary
  - General Obligation Bond Adjustment Chart
  - General Obligation Bond – Programming Adjustment for Unspent Prior Years
  - Tax-Supported Current Revenue Adjustment Chart
  - M-NCPPC Bond Adjustment Chart
  
- **Recommended Capital Budgets**
  - MCG FY26 Capital Budget Appropriation and Closeout List
  - MCPS FY26 Capital Budget Appropriation and Closeout List
  - Montgomery College FY26 Capital Budget Appropriation
  - M-NCPPC FY26 Capital Budget Appropriation
  - HOC FY26 Capital Budget Appropriation and Closeout List
  
- **Project Description Forms and Briefs (as needed)**

## **Transmittal Recipients**

Montgomery County Councilmembers  
Craig Howard, Executive Director, Montgomery County Council  
Richard S. Madaleno, Chief Administrative Officer, Office of the County  
Executive Julie Yang, President, Montgomery County Board of Education  
Dr. Thomas W. Taylor, Superintendent, Montgomery County Public Schools  
Dr. Jermaine F. Williams, President, Montgomery College  
Artie Harris, Chair, Montgomery County Planning Board  
Kishia L. Powell, General Manager/CEO, WSSC Water  
Chelsea J. Andrews, Executive Director, Housing Opportunities  
Commission Keith Miller, Executive Director, Revenue Authority  
Executive Branch Department and Office Directors  
Office of Management and Budget Staff