


MEMORANDUM

February 19, 2015

TO: Education Committee

FROM:  Keith Levchenko, Senior Legislative Analyst

SUBJECT: **FY15-20 CIP Amendments: Montgomery County Public Schools (MCPS) State Aid Assumptions and Affordability**

Council Staff Recommendation: Council Staff recommends that the Education Committee send a letter to the Board of Education (BOE) asking MCPS to review its FY15-20 Approved Capital Improvements Program (CIP) and proposed CIP amendments and develop a list of reductions/deferrals (in priority order by project or by group of projects) which, in total, would offset the \$213.3 million in new State financing bonds assumed by the County Executive in his January 15 MCPS CIP amendment transmittal. Council Staff also recommends asking MCPS for options to offset potentially reduced FY16 State aid for school construction funding of up to \$10 million.

Attachments to this memorandum include:

- BOE's Requested FY16 Capital Budget and FY15-20 CIP Amendments Project Listing (©1)
- BOE's Requested FY15-20 Amended CIP Revitalization/Expansion Schedule (©2)
- Revised FY16 State Aid for School Construction Request for MCPS (©3)
- List of MCPS' Requested Amendments (©4)
- Senate Bill 228 Text (©5-13) and Fiscal Note (©14-23)

The following officials and staff are expected to participate in this meeting:

MCPS

Michael Durso, Board of Education Vice President

James Song, Director, Department of Facilities Management

Bruce Crispell, Director of Long Range Planning, Department of Facilities Management

County Government

Rachel Silberman, Office of Management and Budget

MCPS CIP Amendment Review Schedule

- December 1, 2014: The Board of Education transmitted its FY15-20 Proposed CIP Amendments. (Transmittal letter attached on ©1-7).
- January 15, 2015: The County Executive's Recommended FY16 Capital Budget and FY15-20 CIP Amendments transmitted to the Council. (Budget excerpt attached on ©16-28).
- **February 23, 2015: Education Committee Discussion of MCPS CIP Affordability**
- February 24, 2015 (7:30 PM): Council CIP Amendment Public Hearing
- March 23: Education Committee worksession to review MCPS' CIP amendments
- April-Early May: Education Committee/Council Review & Reconciliation of the MCPS CIP

MCPS CIP Expenditures

The following chart presents six-year and annual totals for the latest (i.e., Amended) FY15-20 CIP, the FY15-20 Board requested amendments (for FY16 and beyond), and the County Executive's recommendations.

Table 1:
FY15-20 Amended versus FY15-20 Approved Expenditures (in 000's)

	Six-Year	FY15	FY16	FY17	FY18	FY19	FY20
FY15-20 Approved	1,527,967	247,542	262,893	245,388	281,696	267,505	222,943
Approved Amendments*	4,112	4,112	-	-	-	-	-
FY15-20 Latest Approved	1,532,079	251,654	262,893	245,388	281,696	267,505	222,943
FY15-20 Requested Amendments	1,755,412	251,654	334,408	421,414	288,370	233,394	226,172
change from latest approved	223,333	-	71,515	176,026	6,674	(34,111)	3,229
	12.7%	0.0%	21.4%	41.8%	2.3%	-14.6%	
FY15-18 CE Recommended 1/15/14	1,755,412	251,654	334,408	421,414	288,370	233,394	226,172
change from latest approved	223,333	-	71,515	176,026	6,674	(34,111)	3,229
change from Board Request	-	-	-	-	-	-	-

*Includes State QZAB and Aging Schools dollars for PLAR project and Edison Center Contribution.

The Board's Amended FY15-20 request totals \$1.76 billion. A list of projects is attached on ©1). This level of funding is \$223.3 million (or 12.7 percent) more than the latest approved FY15-20 CIP of \$1.53 billion.

The County Executive's Recommended amendment package supports the Board's entire request. However, the Executive's recommendations assume \$213.3 million in additional State aid (school financing bonds) as discussed below.

State Aid Assumptions

As Table #2 above shows, the Executive is assuming both continued State aid from the annual school construction fund as well as a new funding program (school financing bonds). Both of these efforts are discussed below.

Table #2

County Executive Recommended

FY16-21 School Construction State Aid Assumptions (in \$000s)

	Six-Year	FY16	FY17	FY18	FY19	FY20	FY21
Existing: Annual Program	240,000	40,000	40,000	40,000	40,000	40,000	40,000
New: School Financing Bonds	213,300	73,000	140,300				
Total	453,300	113,000	180,300	40,000	40,000	40,000	40,000

Existing School Construction Program

The Executive is assuming State aid from the State's ongoing annual school construction program allocation at \$40 million per year; the same as approved.

While MCPS is eligible for far more aid in FY16 (\$148 million as detailed on ©3) the County has typically received \$30 to \$40 million per year as shown in Table #3 below.

Table #3:
State Aid for School Construction
FY05-FY15 (in millions)

Fiscal Year	Statewide Requests	Statewide Allocation	MCPS Request	Approved	% of Statewide Allocation
FY05	\$384.0	\$125.9	\$59.7	\$9.0	7.1%
FY06	\$592.7	\$250.0	\$126.3	\$30.4	12.2%
FY07	\$730.4	\$320.5	\$125.2	\$40.1	12.5%
FY08	\$893.8	\$400.0	\$134.0	\$52.3	13.1%
FY09	\$871.4	\$340.0	\$132.8	\$46.3	13.6%
FY10	\$766.0	\$266.7	\$113.9	\$28.4	10.6%
FY11	\$729.1	\$263.7	\$139.1	\$30.2	11.5%
FY12*	\$612.3	\$311.6	\$163.5	\$42.0	13.5%
FY13	\$576.3	\$347.9	\$184.5	\$43.1	12.4%
FY14	\$684.0	\$320.8	\$149.2	\$35.1	10.9%
FY15	\$643.1	\$318.8	\$162.9	\$40.0	12.5%
FY16	\$569.9	\$280.0	\$148.0		

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

For FY15, MCPS got \$40 million in school construction dollars. However, each year is very competitive with statewide requests generally totaling two to three times the budgeted funds. For FY16 to date, Montgomery County has been allocated \$18.6 million out of the \$187.5 million allocated so far by the Interagency Committee on School Construction (IAC). Another \$92.5 million remains to be allocated statewide. While getting \$40 million or more is not out of the question, a lower allocation is also possible; especially given the lower level of statewide funding available this year. If MCPS were to receive the same share of statewide funding as it did last year (12.5 percent) that would equate to about \$35 million in FY16.

School Financing Bonds

While the annual school construction program always presents potential reconciliation challenges in May, Council Staff is particularly concerned about the \$213.3 million revenue the County Executive is assuming for school financing bonds. The County first sought legislation for this new State aid in the 2014 legislative session which failed. Similar legislation (Senate Bill 228) has been drafted this year (see ©5-13 for a copy of the bill and ©14-23 for the Fiscal and Policy Note). A hearing on this bill before the Senate's Budget and Taxation Committee was held on February 18.

However, if the legislation ultimately fails to become law again this year, or if the legislation is enacted but the aid forthcoming is substantially lower than assumed in the County Executive's CIP assumptions, then the Council will have a difficult time reconciling the MCPS CIP this May. The early

May reconciliation process is intended to make more marginal adjustments to the CIP and not a potential \$213.3 million adjustment.

Reconciliation Options

One option to address the potential shortfall would be to not approve any individual school or revitalization/expansion accelerations or any of the other countywide amendments being sought by MCPS (see ©4 for a list of these projects) which would simply keep the latest Approved FY15-20 MCPS CIP as is. This concept is presented in Table #4 below which compares these numbers to the County Executive's Recommended CIP amendment total expenditures for MCPS without the \$213.3 million in school financing bonds.

**Table 4:
Latest Approved MCPS FY15-20 CIP vs.
CE Recommendation (minus State Financing Bonds)**

	Six-Year	FY15	FY16	FY17	FY18	FY19	FY20
MCPS Latest Approved Total	1,532,079	251,654	262,893	245,388	281,696	267,505	222,943
CE Recommendation (w/o new State aid)	1,542,112	251,654	261,408	281,114	288,370	233,394	226,172
Surplus (Deficit)	10,033	-	(1,485)	35,726	6,674	(34,111)	3,229

As shown in the table, the six-year deficit under this scenario is about \$10 million, although some additional balancing is needed; especially in FY17 (which now has extra room) and FY19 (which shows a significant deficit).

However, MCPS may wish to consider different and/or additional scenarios and the Council may ultimately want to approve some additional expenditures for MCPS, even if the school financing bonds concept is nixed by the State delegation. Also, the Council may well make changes to other areas of the CIP (especially in the first couple of years of the CIP) requiring further reconciliation within the MCPS CIP.

Therefore, as was done for last year's budget process, Council Staff recommends that the Education Committee send a letter to the Board of Education asking MCPS to review its FY15-20 Approved CIP and proposed CIP amendments and develop a list of reductions/deferrals (in priority order by project or by group of projects) which, in total, would offset the \$213.3 million in new State financing bonds assumed by the County Executive in his January 15 MCPS CIP amendment transmittal. Council Staff also recommends that this letter also ask MCPS for options to offset potentially reduced FY16 State aid for school construction funding of up to \$10 million.

For its March 23 meeting, Council Staff intends to do a project-by-project review of the MCPS CIP and present project-specific recommendations to the Committee as well as some potential strategies if the Board of Education's overall amendment requests must be trimmed. The Education Committee can discuss the merits of all of the amendments at this meeting, while leaving the question of macro affordability to a later meeting after the State legislative session concludes and MCPS has provided its own priority list of projects.

Attachments

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Board of Education's Requested FY 2016 Capital Budget and Amendments to the FY 2015–2020 Capital Improvements Program

(figures in thousands)

Project	FY 2016 Approp.	Total	Thru FY 2013	Remaining FY 2014	Total Six Years	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Individual School Projects											
Arcola ES Addition		3,841	141	1,096	2,604	1,057	1,547				
Ashburton ES Addition		7,221			7,221			256	2,052	4,017	896
Lucy Barnsley ES Addition	11,009	12,974			12,974	462	3,462	7,434	1,616		
Bethesda ES Addition		3,970	143	1,168	2,659	1,082	1,577				
Bethesda-Chevy Chase HS Addition	26,739	30,787			30,787	1,123	9,034	17,325	3,305		
Bethesda-Chevy Chase MS #2	47,916	52,314		250	52,064	829	13,181	32,674	5,380		
Brookhaven ES Addition (DCC Solution)	481	5,381			5,381		192	1,515	3,026	648	
Burtonsville ES Addition		12,818			12,818			469	3,692	7,288	1,369
Clarksburg Cluster ES (Clarksburg Village Site #1)		28,218	7,194	8,613	12,411	12,411					
Clarksburg HS Addition		11,823	377	3,229	8,217	3,269	4,948				
Clarksburg/Damascus MS (New)	1,400	52,764	200	1,107	51,457	12,633	30,246	8,578			
Diamond ES Addition	7,654	8,926			8,926	322	2,615	4,971	1,018		
Blair Ewing Center Improvements	14,399	16,579			16,579	605	3,527	10,425	2,022		
Glen Haven ES Addition (DCC Solution)	387	4,092			4,092		147	1,306	2,180	459	
Highland ES Addition (DCC Solution)	713	8,225			8,225		285	2,320	4,502	1,118	
Kemp Mill ES Addition (DCC Solution)	774	8,668			8,668		310	2,516	4,803	1,030	
Kensington-Parkwood ES Addition	9,486	11,156			11,156	399	3,244	6,192	1,321		
S. Christa McAuliffe ES Addition		10,171			10,171			364	2,959	5,648	1,202
North Bethesda MS Addition	16,098	18,810			18,810	676	5,324	10,547	2,063		
North Chevy Chase ES Addition		6,820	230	1,921	4,669	1,880	2,789				
Northwest ES #8	12,159	32,450			32,450	1,192	8,958	18,831	3,469		
Judith Resnik ES Addition		11,512			11,512			413	3,358	6,397	1,344
Rosemary Hills ES Addition		5,708	198	1,668	3,842	1,569	2,273				
Sargent Shriver ES Addition (DCC Solution)	341	3,881			3,881		136	1,108	2,136	501	
Waters Landing ES Addition		8,827	1,794	3,487	3,546	3,546					
Julius West MS Addition	688	15,303		409	14,894	4,664	8,554	1,676			
Wood Acres ES Addition	342	8,606		232	8,374	2,637	4,822	915			
ADA Compliance: MCPS	3,000	24,393	10,393	3,200	10,800	3,000	3,000	1,200	1,200	1,200	1,200
Asbestos Abatement	1,145	15,520	7,505	1,145	6,870	1,145	1,145	1,145	1,145	1,145	1,145
Building Modifications and Program Improvements	3,500	27,432	18,132	2,300	7,000	3,500	3,500				
Current Revitalizations/Expansions	168,639	1,276,714	410,614	121,982	744,118	97,274	132,654	187,357	162,667	115,679	48,487
Design and Construction Management	4,900	65,775	31,475	4,900	29,400	4,900	4,900	4,900	4,900	4,900	4,900
Energy Conservation: MCPS	2,057	29,750	15,351	2,057	12,342	2,057	2,057	2,057	2,057	2,057	2,057
Facility Planning: MCPS	550	11,097	6,807	600	3,890	900	550	770	400	670	400
Fire Safety Upgrades	2,000	15,483	6,712	1,503	7,268	2,000	2,000	817	817	817	817
Future Revitalizations/Expansions		153,375			153,375	0	0	0	3,368	33,772	116,235
HVAC (Mechanical Systems) Replacement	16,000	165,775	63,415	10,360	92,000	28,000	16,000	12,000	12,000	12,000	12,000
Improved (Safe) Access to Schools	1,200	10,828	7,228	1,200	2,400	1,200	1,200				
Indoor Air Quality Improvements	2,147	28,061	16,282	1,497	10,282	2,147	2,147	1,497	1,497	1,497	1,497
Planned Life-Cycle Asset Replacement (PLAR)	9,750	92,904	52,199	4,741	36,964	7,250	9,750	4,741	4,741	4,741	4,741
Rehabilitation/Renovation of Closed Schools (RROCS)	31,023	110,820	75,439		35,381	1,303	8,780	21,391	3,907		
Relocatable Classrooms	5,000	45,811	26,811	4,000	15,000	5,000	5,000	5,000			
Restroom Renovations	1,000	13,085	8,735	1,000	3,350	1,000	1,000	1,000	350		
Roof Replacement: MCPS	8,000	78,929	30,589	6,468	41,872	8,000	8,000	6,468	6,468	6,468	6,468
School Security Systems		18,610	9,614	5,860	3,136	3,136					
Shady Grove Transportation Depot Replacement	3,840	32,000			32,000		1,400	19,263	11,337		
Stormwater Discharge and Water Quality Management	616	9,367	5,055	616	3,696	616	616	616	616	616	616
Technology Modernization	23,538	294,215	138,949	22,088	133,178	24,758	23,538	21,358	21,998	20,728	20,798
Total Requested CIP	438,481	2,921,579	951,582	218,697	1,751,300	247,542	334,408	421,414	288,370	233,394	226,172

**Board of Education Requested FY 2015-2020 Amended CIP
Revitalization/Expansion Schedule**

	School	FY 16 Approp.	Comp Date	Total Project	Prior Years Expend.	Six-Year Total	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Beyond
1	Gaithersburg HS		8/13	107,149	95,812	11,337	11,337						
2	Bel Pre ES		8/14	28,872	17,206	11,666	11,666						
3	Candlewood ES		1/15	24,133	5,224	18,909	9,763	9,146					
4	Rock Creek Forest ES		1/15	29,100	4,677	24,423	11,839	12,584					
5	William Farquhar MS	1,225	8/16	50,892	1,035	49,857	13,767	31,061	5,029				
6	Wheaton HS/Edison Tech	63,033	8/18	171,595	8,917	162,678	35,604	50,585	52,910	16,941	6638		
7	Wayside ES	21,980	8/17	24,074	329	23,745		5,661	15,339	2,745			
8	Brown Station ES	31,921	8/17	34,446	400	34,046		8,988	21,405	3,653			
9	Wheaton Woods ES	30,780	8/17	33,406	457	32,949		8,483	20,930	3,536			
10	Seneca Valley HS		8/18	129,126	200	128,926	3,298	2,624	58,750	35,188	19,210	9856	
11	Potomac ES	2,014	1/19	21,320		21,320		457	6,091	12,505	2,267		
12	Maryvale ES/Sandburg Learning Ctr.	4,376	1/19	48,908		48,908		894	3,205	24,733	20,076		
13	Luxmanor ES	1,792	1/19	20,747		20,747		257	609	11,574	8,307		
14	Tilden MS @ Tilden Center*	3,690	8/19	54,985		54,985		1,107	1,476	27,971	15,414	9,017	
15	Wootton HS	7,828	8/20	101,767		99,622		807	1,613	23,821	43,767	29,614	2,145
16	Cold Spring ES		8/20	20,273		18,623				403	7,162	11,058	1,650
17	Dufief ES		8/20	20,273		18,623				403	7,162	11,058	1,650
18	Belmont ES		8/20	20,273		18,623				403	7,162	11,058	1,650
19	Stonegate ES		8/20	20,273		18,623				403	7,162	11,058	1,650
20	Eastern MS		8/21	50,786		15,217				802	1,604	12,811	35,569
21	Damascus ES		1/22	25,012		7,565					403	7,162	17,447
22	Twinbrook ES		1/22	25,012		7,565					403	7,162	17,447
23	Summit Hall ES		1/22	25,012		7,565					403	7,162	17,447
24	Rosemary Hills ES		1/22	25,012		7,565					403	7,162	17,447
25	Poolesville HS		8/22	83,889		32,299				954	1,908	29,437	51,590
26	E. Brooke Lee MS		8/23	50,028		1,107						1,107	48,921
27	Poolesville ES		N/A	25,012		0							25,012
28	Burnt Mills ES		N/A	25,012		0							25,012
29	South Lake ES		N/A	25,012		0							25,012
30	Woodfield ES		N/A	25,012		0							25,012
Current Rev/Ex		168,639		880,520	134,257	744,118	97,274	132,654	187,357	162,667	115,679	48,487	2,145
Future Rev/Ex				465,891	0	153,375	0	0	0	3,368	33,772	116,235	312,516

Revised FY 2016 State Capital Improvements Program for Montgomery County Public Schools

(figures in thousands)

Priority No.	PFA Y/N	Project	Total Estimated Cost	Non PSCP Funds	Prior IAC Funding Thru FY 2015	FY 2016 Request For Funding
Balance of Funding (Forward-Funded)						
1	Y	Weller Road ES Revitalization/Expansion (CSR)	24,119	19,819	3,604	2,654
		Subtotal	24,119	19,819	3,604	2,654
Construction Funding (Forward-Funded)						
2	Y	Bradley Hills ES Addition	17,949	13,414	0	4,535
3	N	Damestown ES Addition	15,400	12,198	0	3,202
4	Y	Wyngate ES Addition	10,230	7,392	0	2,838
5	Y	Georgian Forest ES Addition (CSR)	10,620	7,835	0	2,785
6	Y	Westbrook ES Addition	12,052	9,105	0	2,947
7	Y	Viers Mill ES Addition (CSR)	11,177	10,320	0	857
		Subtotal	77,428	60,264	0	17,164
Systemic Projects						
8	Y	Beall ES HVAC	2,250	1,690	0	560
9	Y	Highland ES HVAC	2,200	1,651	0	549
10	Y	Quince Orchard HS HVAC	2,200	1,651	0	549
11	Y	Rolling Terrace ES HVAC	2,100	1,576	0	524
12	Y	Shady Grove MS HVAC	2,050	1,539	0	511
13	Y	Captain James E. Daly ES HVAC	1,850	1,389	0	461
14	Y	Damascus HS HVAC	1,750	1,314	0	436
15	Y	Albert Einstein HS Roof	1,630	1,224	0	406
16	Y	Burning Tree ES HVAC	1,500	1,126	0	374
17	Y	Walt Whitman HS Roof	1,370	1,029	0	341
18	N	Thurgood Marshall ES Roof	1,084	814	0	270
19	Y	Washington Grove ES Roof	866	651	0	215
20	Y	Newport Mill MS Roof	864	649	0	215
		Subtotal	21,714	16,303	0	5,411
Construction Funding (Forward-Funded)						
21	Y	Gaithersburg HS Revitalization/Expansion	107,149	67,563	0	39,586
22	Y	Clarksburg Cluster ES (New) (Wilson Wims ES)	28,218	18,797	0	9,421
23	Y	Bel Pre ES Revitalization/Expansion (CSR)	28,872	20,034	0	8,838
24	Y	Waters Landing ES Addition (CSR)	8,827	6,954	0	1,873
25	Y	Rock Creek Forest ES Revitalization/Expansion (CSR)	29,100	18,854	0	10,246
26	Y	Candlewood ES Revitalization/Expansion	24,133	16,692	0	7,441
		Subtotal	226,299	148,894	0	77,405
Planning and Construction Request (Forward-Funded)						
27/28	Y	Clarksburg HS Addition	11,823	9,198	0	2,625
29/30	Y	North Chevy Chase ES Addition	6,820	5,301	0	1,519
31/32	Y	Rosemary Hills ES Addition	5,708	4,428	0	1,280
33/34	Y	Bethesda ES Addition	3,970	3,096	0	874
35/36	Y	Arcola ES Addition (CSR)	3,841	2,987	0	854
		Subtotal	32,162	25,010	0	7,152
Construction Funding						
37	Y	Clarksburg/Damascus MS (New)*	52,764	36,723	0	8,021
38	N	William H. Farquhar MS Revitalization/Expansion*	50,892	36,904	0	6,994
39	Y	Wheaton HS Revitalization/Expansion*	102,507	70,938	0	15,785
		Subtotal	206,163	144,565	0	30,800
Planning and Construction Request						
40/41	Y	Julius West MS Addition	15,303	8,942	0	6,361
42/43	Y	Wood Acres ES Addition	8,606	7,557	0	1,049
		Subtotal	23,909	16,499	0	7,410
Planning Approval Request						
44	Y	Wheaton Woods ES Revitalization/Expansion (CSR)*	LP			LP
45	Y	Brown Station ES Revitalization/Expansion (CSR)*	LP			LP
46	Y	Wayside ES Revitalization/Expansion*	LP			LP
47	Y	Bethesda/Chevy Chase MS (New)*	LP			LP
48	Y	Seneca Valley HS Revitalization/Expansion*	LP			LP
49	Y	Thomas Edison HS of Technology Revitalization/Expansion*	LP			LP
50	Y	Richard Montgomery ES #5 (New)*	LP			LP
51	Y	Northwest ES #3 (New)*	LP			LP
52	Y	Bethesda/Chevy Chase HS Addition	LP			LP
53	Y	North Bethesda MS Addition	LP			LP
54	Y	Kensington-Parkwood ES Addition	LP			LP
55	Y	Diamond ES Addition	LP			LP
56	Y	Lucy V. Bamsley ES Addition (CSR)	LP			LP
		TOTAL	611,794	431,354	3,604	147,996

*Split-FY Funding Request

MCPS Requested Amendments

Requested Amendment - Dollar Changes	Change 6 Years	FY15	FY16	FY17	FY18	FY19	FY20	Beyond 6 Years	Change
Lucy V. Barnesley ES Addition (Rockville)	-	-	3,115	4,088	(5,703)	(1,500)	-	-	Accelerate completion from 8/18 to 8/17
Bethesda-Chevy Chase HS Addition (B-CC)	-	-	8,192	8,571	(13,739)	(3,024)	-	-	Accelerate completion from 8/18 to 8/17
Diamond ES Addition (NW)	-	-	2,374	2,436	(3,872)	(938)	-	-	Accelerate completion from 8/18 to 8/17
Blair Ewing Center Improvements	-	-	3,073	7,050	(8,252)	(1,871)	-	-	Accelerate completion from 8/18 to 8/17
Kensington-Parkwood ES Addition (WJ)	-	-	2,945	3,047	(4,771)	(1,221)	-	-	Accelerate completion from 8/18 to 8/17
North Bethesda MS Addition (WJ)	-	-	4,817	5,392	(4,316)	(5,893)	-	-	Accelerate completion from 8/18 to 8/17
Northwest ES #8 (NW)	-	-	8,064	10,171	(9,063)	(9,172)	-	-	Accelerate completion from 8/18 to 8/17
RM Cluster ES #5 (Hungerford Park site) RROC's	-	-	7,803	12,936	(17,158)	(3,581)	-	-	Accelerate completion from 8/18 to 8/17
Brookhaven ES Addition (DCC)	-	-	-	1,371	1,559	(1,581)	(1,349)	-	Accelerate completion from 8/19 to 8/18
Glen Haven ES Addition (DCC)	-	-	-	1,196	911	(935)	(1,172)	-	Accelerate completion from 8/19 to 8/18
Highland ES Addition (DCC)	-	-	-	2,106	2,253	(2,312)	(2,047)	-	Accelerate completion from 8/19 to 8/18
Kemp Mill ES Addition (DCC)	-	-	-	2,283	2,365	(2,195)	(2,453)	-	Accelerate completion from 8/19 to 8/18
Sargent Shriver ES Addition (DCC)	-	-	-	1,006	1,062	(1,602)	(466)	-	Accelerate completion from 8/19 to 8/18
Ashburton ES Addition (WJ Cluster)	2,132	-	-	-	1,860	2,029	(1,757)	(2,132)	Accelerate completion from 8/20 to 8/19
Burtonsville ES Addition (NEC)	3,052	-	-	-	3,340	3,714	(4,002)	(3,052)	Accelerate completion from 8/20 to 8/19
Christa McAuliffe ES Addition (SV)	2,411	-	-	-	2,686	2,778	(3,053)	(2,411)	Accelerate completion from 8/20 to 8/19
Judith Resnik ES Addition (Magruder)	3,041	-	-	-	3,048	3,143	(3,150)	(3,041)	Accelerate completion from 8/20 to 8/19
Current Revitalizations/Expansions	57,862	-	27,132	95,110	31,627	(26,690)	(69,317)	-	Accelerate numerous schools completion dates by one year.
Future Replacements/Modernizations	120,235	-	-	-	-	28,240	91,995	-	
Facility Planning: MCPS	100	-	100	-	-	-	-	-	Add \$100k in FY16 for Ewing Center Study
PLAR	2,500	-	2,500	-	-	-	-	-	Increase level of effort in FY16
Shady Grove Transportation Depot Replacement	32,000	-	1,400	19,263	11,337	-	-	-	New Project
	223,333	-	71,515	176,026	(4,826)	(22,611)	3,229	(10,636)	

MCPS Requested Amendments - Revitalizations/Expansions (Rev/Ex) Detail

New Date	Rev/Ex Projects Accelerated One Year	Change 6 Years	FY15	FY16	FY17	FY18	FY19	FY20	Beyond 6 Years
Aug-16	William Farquhar MS - Not Accelerated	-	-	2,000	(2,000)	-	-	-	-
Aug-17	Wayside ES	-	-	5,661	9,678	(12,594)	(2,745)	-	-
Aug-17	Brown Station ES	-	-	8,988	12,417	(17,752)	(3,653)	-	-
Aug-17	Wheaton Woods ES	-	-	8,483	12,447	(17,394)	(3,536)	-	-
Aug-18	Seneca Valley HS	11,856	-	-	57,875	(8,562)	(15,976)	(21,481)	(11,856)
Aug-15/18	Wheaton HS/Edison Tech	-	-	2,000	(2,000)	-	-	-	-
Jan-19	Potomac ES	-	-	-	5,182	6,766	(7,772)	(4,176)	-
Jan-19	Maryvale ES/Sandburg	-	-	-	1,511	21,881	(3,763)	(19,629)	-
Jan-19	Luxmanor ES	-	-	-	-	10,648	(2,810)	(7,838)	-
Aug-19	Tilden @ Woodward MS	10,392	-	-	-	27,233	(7,188)	(9,653)	(10,392)
Aug-20	Wootton HS	35,614	-	-	-	21,401	20,753	(6,540)	(35,614)
Aug-21	Cold Spring ES	12,058	-	-	-	-	6,357	5,701	(12,058)
Aug-21	Duffel ES	12,058	-	-	-	-	6,357	5,701	(12,058)
Aug-21	Belmont ES	12,058	-	-	-	-	6,357	5,701	(12,058)
Aug-21	Stonegate ES	12,058	-	-	-	-	6,357	5,701	(12,058)
Aug-22	Eastern MS	12,811	-	-	-	-	1,000	11,811	(12,811)
Jan-23	Damascus ES	7,162	-	-	-	-	203	6,959	(7,162)
Jan-23	Twinbrook ES	7,162	-	-	-	-	203	6,959	(7,162)
Jan-23	Summit Hall ES	7,162	-	-	-	-	203	6,959	(7,162)
Jan-23	Rosemary Hills ES	7,162	-	-	-	-	203	6,959	(7,162)
Aug-23	Poolesville HS	29,437	-	-	-	-	1,000	28,437	(29,437)
	TBD E. Brooke Lee MS	1,107	-	-	-	-	-	1,107	(1,107)
	TBD Poolesville ES	-	-	-	-	-	-	-	25,012
	TBD Burnt Mills ES	-	-	-	-	-	-	-	25,012
	TBD South Lake ES	-	-	-	-	-	-	-	25,012
	TBD Woodfield ES	-	-	-	-	-	-	-	25,012
	Current Rev/Ex Changes	57,862	-	27,132	95,110	31,627	(26,690)	(69,317)	(57,862)
	Future Rev/Ex Changes	120,235	-	-	-	-	28,240	91,995	(20,187)
	Total Changes	178,097	-	27,132	95,110	31,627	1,550	22,678	(78,049)

SENATE BILL 228

F1, F3

5lr1432

By: **Senators King, Brochin, Feldman, Kagan, Lee, Madaleno, Manno, Montgomery, and Raskin**

Introduced and read first time: February 3, 2015

Assigned to: Budget and Taxation

A BILL ENTITLED

AN ACT concerning

Supplemental Public School Construction Matching Fund Program

FOR the purpose of establishing the Supplemental Public School Construction Matching Fund Program; providing for the purpose of the Program and requiring the Department of Budget and Management to implement and administer the Program; establishing certain requirements a county must meet to be eligible for the Program; requiring the Department to provide to each county that is eligible for the Program up to a certain amount of State funding each fiscal year to be used for certain purposes related to the cost of public school construction projects and public school capital improvements in the county; requiring that certain funding provided under the Program shall be pledged or used for certain purposes; requiring that certain funding provided under the Program shall end at certain times; specifying that certain bonds issued in accordance with this Act are not a debt, liability, moral obligation, or pledge of the faith and credit or taxing power of the State; requiring certain projects to be approved by the Department and the Interagency Committee on School Construction before certain funding may be released; requiring a qualifying county, the Department, and the Interagency Committee on School Construction to enter into a certain memorandum of understanding regarding certain projects before certain funding may be released; specifying the requirements of the memorandum of understanding; specifying that funding provided under the Program is supplemental to public school construction funding from other sources; establishing the Supplemental Public School Construction Fund as a continuing, nonlapsing fund; specifying the contents of the Fund and the uses of the Fund; exempting the Fund from a certain provision of law requiring interest on State money in special funds to accrue to the General Fund of the State; altering the distribution of certain State lottery revenues and requiring the Comptroller to distribute certain State lottery revenues into the Fund; defining certain terms; and generally relating to the Supplemental Public School Construction Matching Fund Program.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



BY adding to

Article – Education

Section 5–3A–01 through 5–3A–04 to be under the new subtitle “Subtitle 3A.
Supplemental Public School Construction Matching Fund Program”

Annotated Code of Maryland

(2014 Replacement Volume and 2014 Supplement)

BY repealing and reenacting, without amendments,

Article – State Finance and Procurement

Section 6–226(a)(2)(i)

Annotated Code of Maryland

(2009 Replacement Volume and 2014 Supplement)

BY repealing and reenacting, with amendments,

Article – State Finance and Procurement

Section 6–226(a)(2)(ii)81. and 82.

Annotated Code of Maryland

(2009 Replacement Volume and 2014 Supplement)

BY adding to

Article – State Finance and Procurement

Section 6–226(a)(2)(ii)83.

Annotated Code of Maryland

(2009 Replacement Volume and 2014 Supplement)

BY repealing and reenacting, with amendments,

Article – State Government

Section 9–120

Annotated Code of Maryland

(2014 Replacement Volume)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Education

SUBTITLE 3A. SUPPLEMENTAL PUBLIC SCHOOL CONSTRUCTION MATCHING FUND PROGRAM.

5–3A–01.

(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
INDICATED.

(B) “FUND” MEANS THE SUPPLEMENTAL PUBLIC SCHOOL CONSTRUCTION
FUND ESTABLISHED UNDER § 5–3A–04 OF THIS SUBTITLE.

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(C) "PROGRAM" MEANS THE SUPPLEMENTAL PUBLIC SCHOOL CONSTRUCTION MATCHING FUND PROGRAM ESTABLISHED UNDER § 5-3A-02 OF THIS SUBTITLE.

(D) "QUALIFYING COUNTY" MEANS A COUNTY THAT:

(1) HAS AT LEAST 140,000 FULL-TIME EQUIVALENT STUDENTS ENROLLED IN THE PUBLIC SCHOOL SYSTEM IN FISCAL YEAR 2015; AND

(2) CONSISTENTLY MAINTAINS A BOND RATING OF AAA FROM AT LEAST TWO OF THE FOLLOWING RATING AGENCIES:

(I) FITCH;

(II) MOODY'S; AND

(III) STANDARD & POOR'S.

(E) "QUALIFYING COUNTY BOND" MEANS A NOTE, AN INTERIM CERTIFICATE, A REFUNDING BOND, AND ANY EVIDENCE OF OBLIGATION ISSUED UNDER THIS SUBTITLE BY OR ON BEHALF OF A QUALIFYING COUNTY TO FINANCE THE COST OF PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS IN THE QUALIFYING COUNTY.

5-3A-02.

(A) (1) THERE IS A SUPPLEMENTAL PUBLIC SCHOOL CONSTRUCTION MATCHING FUND PROGRAM.

(2) THE PURPOSE OF THE PROGRAM IS TO PROVIDE SUPPLEMENTAL STATE FUNDING TO EACH QUALIFYING COUNTY TO ASSIST WITH FUNDING THE COST OF PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS IN THE QUALIFYING COUNTY.

(3) THE PROGRAM SHALL BE IMPLEMENTED AND ADMINISTERED BY THE DEPARTMENT OF BUDGET AND MANAGEMENT IN ACCORDANCE WITH THIS SUBTITLE.

(B) THE DEPARTMENT OF BUDGET AND MANAGEMENT SHALL PROVIDE TO EACH QUALIFYING COUNTY THAT MEETS THE REQUIREMENTS OF SUBSECTION (C) OF THIS SECTION UP TO \$20,000,000 OF STATE FUNDING EACH FISCAL YEAR TO BE USED:

(1) TO PAY UP TO ONE-THIRD OF THE COST OF DEBT SERVICE ON BONDS ISSUED BY OR ON BEHALF OF EACH QUALIFYING COUNTY TO FUND THE COST OF PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS IN EACH QUALIFYING COUNTY; OR

(2) TO PROVIDE STATE FUNDING TO PAY THE COST OF PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS IN EACH QUALIFYING COUNTY AT A RATIO OF \$1 OF STATE FUNDING FOR EVERY \$2 OF QUALIFYING COUNTY FUNDING.

(C) TO BE ELIGIBLE FOR THE PROGRAM, A QUALIFYING COUNTY SHALL FILE AN APPLICATION FOR THE PROGRAM WITH THE DEPARTMENT OF BUDGET AND MANAGEMENT ON OR BEFORE JUNE 30, 2020, THAT INCLUDES:

(1) APPROPRIATE DOCUMENTATION EVIDENCING THAT THE COUNTY MEETS THE REQUIREMENTS OF A QUALIFYING COUNTY UNDER § 5-3A-01(D) OF THIS SUBTITLE;

(2) A PLAN FOR THE PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS FOR WHICH THE COUNTY IS REQUESTING ASSISTANCE FROM THE PROGRAM;

(3) IF THE QUALIFYING COUNTY IS REQUESTING ASSISTANCE WITH DEBT SERVICE COSTS, A PLEDGE TO ISSUE QUALIFYING COUNTY BONDS ON OR BEFORE JUNE 30, 2021, THAT MATURE WITHIN A PERIOD NOT TO EXCEED 20 YEARS AFTER THEIR DATE OF ISSUANCE; AND

(4) IF THE QUALIFYING COUNTY IS REQUESTING ASSISTANCE WITH STATE FUNDING TO FUND PUBLIC SCHOOL CONSTRUCTION COSTS, A PLEDGE TO MATCH EVERY \$1 OF STATE FUNDING WITH \$2 OF QUALIFYING COUNTY FUNDING.

(D) (1) THE STATE FUNDING PROVIDED UNDER SUBSECTION (B)(1) OF THIS SECTION SHALL:

(I) BE PLEDGED TO THE PAYMENT OF DEBT SERVICE ON BONDS ISSUED BY OR ON BEHALF OF EACH QUALIFYING COUNTY TO FUND THE COST OF PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS IN EACH QUALIFYING COUNTY; AND

(II) END WHEN THE BONDS THAT HAVE BEEN ISSUED TO FUND THE COST OF PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL

CAPITAL IMPROVEMENTS IN THE QUALIFYING COUNTY UNDER THIS SECTION ARE NO LONGER OUTSTANDING AND UNPAID.

(2) THE STATE FUNDING PROVIDED UNDER SUBSECTION (B)(2) OF THIS SECTION SHALL:

(I) BE USED TO FUND THE COST OF PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS IN EACH QUALIFYING COUNTY; AND

(II) END NO LATER THAN 20 YEARS AFTER THE FUNDING WAS FIRST RECEIVED UNDER THIS SECTION.

(E) A QUALIFYING COUNTY BOND ISSUED IN ACCORDANCE WITH THIS SUBTITLE:

(1) IS NOT A DEBT, LIABILITY, OR PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF THE STATE;

(2) MAY NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE;
AND

(3) IS NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY A MORAL OR OTHER OBLIGATION OF THE STATE TO LEVY OR PLEDGE ANY TAX OR TO MAKE AN APPROPRIATION TO PAY THE BOND.

5-3A-03.

(A) (1) PROJECTS FUNDED UNDER THIS SUBTITLE MUST BE APPROVED BY THE DEPARTMENT OF BUDGET AND MANAGEMENT AND THE INTERAGENCY COMMITTEE ON SCHOOL CONSTRUCTION BEFORE ANY RELEASE OF FUNDING UNDER THIS SUBTITLE.

(2) A QUALIFYING COUNTY, THE DEPARTMENT OF BUDGET AND MANAGEMENT, AND THE INTERAGENCY COMMITTEE ON SCHOOL CONSTRUCTION SHALL ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH RESPECT TO PROCEDURES REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION BEFORE ANY RELEASE OF FUNDING UNDER THIS SUBTITLE.

(3) THE ELIGIBLE COSTS AND STATE AND LOCAL COST-SHARE PERCENTAGES SET FORTH IN REGULATION DO NOT APPLY TO PROJECTS FUNDED UNDER THIS SUBTITLE IN A QUALIFYING COUNTY.

(B) THE MEMORANDUM OF UNDERSTANDING SHALL:

(1) IDENTIFY THE ELIGIBLE COSTS AND STATE AND LOCAL COST-SHARE PERCENTAGES THAT WILL BE APPLICABLE TO PROJECTS FINANCED UNDER THIS SUBTITLE IN A QUALIFYING COUNTY;

(2) REQUIRE A QUALIFYING COUNTY THAT RECEIVES STATE FUNDING IN ACCORDANCE WITH § 5-3A-02(B)(1) OF THIS SUBTITLE TO DEPOSIT FUNDS IN THE SUPPLEMENTAL PUBLIC SCHOOL CONSTRUCTION FUND ESTABLISHED UNDER § 5-3A-04 OF THIS SUBTITLE TO PAY AT LEAST TWO-THIRDS OF THE COST OF DEBT SERVICE ON QUALIFYING COUNTY BONDS;

(3) REQUIRE A QUALIFYING COUNTY THAT RECEIVES STATE FUNDING IN ACCORDANCE WITH § 5-3A-02(B)(2) OF THIS SUBTITLE TO PLEDGE TO MATCH EVERY \$1 OF STATE FUNDING WITH \$2 OF QUALIFYING COUNTY FUNDING AND TO IDENTIFY THE SOURCE OF FUNDING FOR THE MATCH; AND

(4) PROVIDE ANY OTHER PROVISIONS NECESSARY TO IMPLEMENT THE FUNDING OF PROJECTS UNDER THIS SUBTITLE.

(C) THE STATE FUNDING PROVIDED UNDER THIS SUBTITLE IS SUPPLEMENTAL TO AND IS NOT INTENDED TO TAKE THE PLACE OF FUNDING THAT WOULD OTHERWISE BE APPROPRIATED FOR PUBLIC SCHOOL CONSTRUCTION PURPOSES IN A QUALIFYING COUNTY FROM ANY OTHER SOURCE.

5-3A-04.

(A) (1) THERE IS A SUPPLEMENTAL PUBLIC SCHOOL CONSTRUCTION FUND.

(2) THE FUND IS A CONTINUING, NONLAPSING FUND THAT SHALL BE AVAILABLE IN PERPETUITY TO IMPLEMENT THIS SUBTITLE CONCERNING QUALIFYING COUNTY PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS.

(3) THE DEPARTMENT OF BUDGET AND MANAGEMENT SHALL USE THE FUND AS A REVOLVING FUND FOR CARRYING OUT THIS SUBTITLE CONCERNING QUALIFYING COUNTY PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS.

(B) THE MONEY ON DEPOSIT IN THE FUND SHALL BE PLEDGED TO AND USED TO PAY THE FOLLOWING RELATING TO QUALIFYING COUNTY PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS:

(1) DEBT SERVICE ON QUALIFYING COUNTY BONDS;

(2) DEBT SERVICE RESERVES UNDER A TRUST AGREEMENT;

(3) ALL REASONABLE CHARGES AND EXPENSES RELATED TO QUALIFYING COUNTY BORROWING; AND

(4) COSTS INCURRED FOR PUBLIC SCHOOL CONSTRUCTION PROJECTS AND PUBLIC SCHOOL CAPITAL IMPROVEMENTS BY A QUALIFYING COUNTY THAT RECEIVES STATE FUNDING IN ACCORDANCE WITH § 5-3A-02(B)(2) OF THIS SUBTITLE.

(C) THE FUND CONSISTS OF:

(1) MONEY DEPOSITED IN THE FUND;

(2) REVENUES COLLECTED OR RECEIVED IN ACCORDANCE WITH § 9-120 OF THE STATE GOVERNMENT ARTICLE;

(3) MONEY DEPOSITED BY A QUALIFYING COUNTY IN ACCORDANCE WITH THE REQUIREMENTS OF THE MEMORANDUM OF UNDERSTANDING UNDER § 5-3A-03 OF THIS SUBTITLE; AND

(4) ANY ADDITIONAL MONEY MADE AVAILABLE FROM ANY PUBLIC SOURCE FOR THE PURPOSES ESTABLISHED FOR THE FUND.

(D) (1) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.

(2) ANY INVESTMENT EARNINGS SHALL BE CREDITED TO THE FUND.

(3) NO PART OF THE FUND MAY REVERT OR BE CREDITED TO THE GENERAL FUND OR ANY SPECIAL FUND OF THE STATE.

Article – State Finance and Procurement

6-226.

(a) (2) (i) Notwithstanding any other provision of law, and unless inconsistent with a federal law, grant agreement, or other federal requirement or with the terms of a gift or settlement agreement, net interest on all State money allocated by the State Treasurer under this section to special funds or accounts, and otherwise entitled to

receive interest earnings, as accounted for by the Comptroller, shall accrue to the General Fund of the State.

(ii) The provisions of subparagraph (i) of this paragraph do not apply to the following funds:

81. the Cybersecurity Investment Fund; [and]

82. the Northeastern Maryland Additive Manufacturing Innovation Authority Fund; AND

83. THE SUPPLEMENTAL PUBLIC SCHOOL CONSTRUCTION FUND.

Article – State Government

9–120.

(a) The Comptroller shall distribute, or cause to be distributed, the State Lottery Fund to pay:

(1) on a pro rata basis for the daily and nondaily State lottery games, the expenses of administering and operating the State lottery, as authorized under this subtitle and the State budget; and

(2) then, except as provided in § 10–113.1 of the Family Law Article and § 11–618 of the Criminal Procedure Article, the holder of each winning ticket or share.

(b) (1) By the end of the month following collection, the Comptroller shall deposit or cause to be deposited:

(i) into the Maryland Stadium Facilities Fund established under § 7–312 of the State Finance and Procurement Article from the money that remains in the State Lottery Fund, after the distribution under subsection (a) of this section, an amount not to exceed \$20,000,000 in any fiscal year;

(ii) after June 30, 2014, into the Maryland Veterans Trust Fund 10% of the money that remains in the State Lottery Fund from the proceeds of sales of tickets from instant ticket lottery machines by veterans' organizations under § 9–112(d) of this subtitle, after the distribution under subsection (a) of this section;

(iii) after June 30, 2014, into the Baltimore City Public School Construction Financing Fund established under § 10–656 of the Economic Development Article the money that remains in the State Lottery Fund from the proceeds of all lotteries after the distributions under subsection (a) of this section and items (i) and (ii) of this paragraph, an amount equal to \$20,000,000 in each fiscal year that bonds are outstanding

and unpaid, to be paid in two installments with at least \$10,000,000 paid no later than December 1 of each fiscal year; [and]

(IV) AFTER JUNE 30, 2016, INTO THE SUPPLEMENTAL PUBLIC SCHOOL CONSTRUCTION FUND ESTABLISHED UNDER § 5-3A-04 OF THE EDUCATION ARTICLE THE MONEY THAT REMAINS IN THE STATE LOTTERY FUND FROM THE PROCEEDS OF ALL LOTTERIES AFTER THE DISTRIBUTIONS UNDER SUBSECTION (A) OF THIS SECTION AND ITEMS (I), (II), AND (III) OF THIS PARAGRAPH, AN AMOUNT EQUAL TO \$20,000,000 FOR EACH QUALIFYING COUNTY THAT RECEIVES FUNDING UNDER TITLE 5, SUBTITLE 3A OF THE EDUCATION ARTICLE FOR EACH FISCAL YEAR, TO BE PAID IN TWO INSTALLMENTS WITH AT LEAST \$10,000,000 PAID NO LATER THAN DECEMBER 1 OF EACH FISCAL YEAR; AND

[(iv)] (V) into the General Fund of the State the money that remains in the State Lottery Fund from the proceeds of all lotteries after the distributions under subsection (a) of this section and items (i), (ii), [and] (iii), AND (IV) of this paragraph.

(2) The money paid into the General Fund under this subsection is available in the fiscal year in which the money accumulates in the State Lottery Fund.

(c) The regulations of the Agency shall apportion the money in the State Lottery Fund in accordance with subsection (b) of this section.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2015.

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 228

(Senator King, *et al.*)

Budget and Taxation

Supplemental Public School Construction Matching Fund Program

This bill establishes the Supplemental Public School Construction Matching Fund Program to provide \$20.0 million of supplemental State funding from State Lottery revenues annually to each qualifying county for up to 20 years to assist with funding the cost of public school construction and capital improvement projects. Qualifying counties are those with at least 140,000 students and AAA bond ratings from at least two of the credit rating agencies.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: General fund revenues decrease by \$20.0 million beginning in FY 2017, and special fund revenues for the Department of Budget and Management (DBM) increase by the same amount due to the payment of State Lottery revenues to the Supplemental Public School Construction Fund for one qualifying county. Special fund expenditures by DBM increase by \$20.0 million beginning in FY 2017 for the grant payment to the one qualifying county. General fund expenditures by the Public School Construction Program (PSCP) increase by \$65,600 beginning in FY 2016 to hire a contractual project manager for three years to oversee the program's operation. Out-year expenditures reflect annualization, inflation, and the termination of the contractual position after three years.

This bill establishes a mandated appropriation beginning in FY 2017.

(\$ in thousands)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$0	(\$20,000.0)	(\$20,000.0)	(\$20,000.0)	(\$20,000.0)
SF Revenue	\$0	\$20,000.0	\$20,000.0	\$20,000.0	\$20,000.0
GF Expenditure	\$65.6	\$77.6	\$80.9	\$0	\$0
SF Expenditure	\$0	\$20,000.0	\$20,000.0	\$20,000.0	\$20,000.0
Net Effect	(\$65.6)	(\$20,077.6)	(\$20,080.9)	(\$20,000.0)	(\$20,000.0)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Counties that meet the bill's criteria and pledge the appropriate matching funds may each receive \$20.0 million annually in additional State funds for school construction projects. As funding for the program does not begin until FY 2017, it is assumed that qualifying counties are not eligible for funding until then. Only Montgomery County currently qualifies for funding under the bill, and it is not anticipated that other counties will qualify in the foreseeable future. Montgomery County expenditures for school construction also increase by up to \$40.0 million to provide matching funds for State grants.

Small Business Effect: Minimal for small construction companies.

Analysis

Bill Summary: Each year beginning in fiscal 2017, the Comptroller must provide \$20.0 million for each qualifying county from the proceeds of the State Lottery to the Supplemental Public School Construction Fund established by the bill. Payment to the fund must be made in two installments, with at least \$10.0 million paid by December 1 of each year. Money in the fund is pledged to the purposes of the program, and no part of the fund may revert or be credited to the general fund or any other fund in the State.

DBM administers the program and provides each qualifying county with \$20.0 million annually to pay either (1) one-third of the cost of debt service on bonds issued by the county for public school construction or capital improvement projects or (2) one-third of the cost of public school construction or capital improvement projects. A qualifying county that receives funding must make specified certifications regarding its eligibility for and use of the funds.

If the county uses the State funds to pay debt service on locally issued bonds, the bonds must mature within 20 years of their issuance, and funding terminates when the bonds are no longer outstanding. If the county uses the State funds to help fund capital construction or improvements, the funding ends no later than 20 years from when it was first received.

Bonds issued by counties to provide local matching funds under the program (1) are not a debt, liability, or pledge of the faith and credit or the taxing power of the State; (2) may not give rise to any pecuniary liability of the State; and (3) are not directly, indirectly, or contingently a moral or other obligation of the State to levy or pledge any tax or to make an appropriation to pay the bond.

School construction or capital improvement projects funded by the program must be approved by DBM and the Interagency Committee on School Construction (IAC) before any funds are released. DBM, IAC, and each participating county must enter into a memorandum of understanding (MOU) with specified terms regarding procedures for

approving projects for funding. Restrictions on costs that are eligible for State funding do not apply to projects funded by the program, and the local cost-share percentages that normally apply to school construction do not apply to projects funded by the program.

State funding provided to local school systems by the program is supplemental to and does not take the place of funding that otherwise would be appropriated for public school construction projects from any other source

Current Law: For a description of State support for public school construction funding, please see the **Appendix – State Funding for Public School Construction Projects**.

Chapter 647 of 2013 designated State and local funding sources to support a \$1.1 billion public school construction and revitalization initiative for Baltimore City, administered by the Maryland Stadium Authority (MSA). Chapter 647 requires the State to contribute \$20.0 million annually to the initiative for up to 30 years using general fund revenues from the State Lottery. It also required MSA, IAC, Baltimore City, and the Baltimore City Board of School Commissioners to enter into an MOU that established the program's parameters and processes.

Background: As shown in **Exhibit 1**, only Montgomery County has public school enrollment that exceeds 140,000, and current enrollment projections do not have any other county meeting the bill's threshold in the foreseeable future. Montgomery County has a AAA bond rating from all three rating agencies, so it meets both of the bill's criteria for funding under the matching program.

Exhibit 1
Public School Enrollment as of 9/30/14

<u>County</u>	<u>Enrollment</u>
Allegany	8,382
Anne Arundel	78,201
Baltimore City	79,769
Baltimore	107,495
Calvert	15,454
Caroline	5,323
Carroll	25,254
Cecil	14,975
Charles	25,572
Dorchester	4,644
Frederick	40,055
Garrett	3,660
Harford	36,670
Howard	53,275
Kent	1,990
Montgomery	152,334
Prince George's	121,952
Queen Anne's	7,547
St. Mary's	17,246
Somerset	2,716
Talbot	4,472
Washington	21,877
Wicomico	14,114
Worcester	6,271
Total	849,257

Source: Maryland State Department of Education; Department of Legislative Services

State Fiscal Effect: General fund revenues decrease by \$20.0 million annually beginning in fiscal 2017 due to the annual diversion of lottery revenues that would otherwise go to the general fund to the Supplemental Public School Construction Fund.

Assuming that a qualifying county provides the 2:1 funding match for all 20 years, the bill leverages between \$1.0 billion and \$1.2 billion in funding over 20 years for school construction projects in a qualifying county. If a qualifying county uses the State funds

to pay for direct construction costs and provides the necessary matching funds, it results in \$60.0 million in funding for each of 20 years, or \$1.2 billion. If the qualifying county uses the State funds to pay for debt service on locally issued bonds, the Department of Legislative Services estimates that \$60.0 million in annual debt service payments leverages roughly \$1.0 billion in general obligation bond revenue for the qualifying county. In either case, the level of funding generated by the bill dramatically increases the number of school construction projects that come before IAC for approval.

Although the bill requires DBM to administer the program, given its lack of experience with school construction, it is likely that DBM's role will be limited to ensuring that proper funding is provided and that qualifying counties follow the proper procedures to have school construction projects approved by IAC. These tasks can be carried out with existing budgeted resources. By contrast, PSCP is likely to see a substantial increase in its workload. Based on current experience with the Baltimore City program, anywhere between 20 and 50 additional projects, depending on their scope and size, likely require IAC review and approval over a short period of time so that construction work can begin on multiple projects. Substantial time and effort is also required to establish an MOU; although some elements of the Baltimore City MOU can be easily replicated, other elements have to be tailored to local circumstances. These tasks require the addition of a contractual project manager for three years to steer the program through its early stages. Once proper procedures have been established and most of the new projects have been reviewed and approved, PSCP can handle remaining demands with existing resources.

Therefore, general fund expenditures increase by \$65,572 in fiscal 2016, which accounts for a 90-day start-up delay from the bill's July 1, 2015 effective date. This estimate reflects the cost of hiring one contractual project manager for three years to oversee the development of the required MOU and manage the review and approval of projects seeking funding under the program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses; the position terminates at the end of fiscal 2018, after which it is assumed that most projects will have been reviewed and approved.

Position	1
Salaries and Fringe Benefits	\$59,198
Operating Expenses	<u>6,374</u>
Total FY 2016 State Expenditures	\$65,572

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses; expenditures end in fiscal 2018 with the termination of the contractual project manager.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore, Carroll, Harford, Montgomery, and Queen Anne's counties; Board of Public Works; Department of Budget and Management; Public School Construction Program; Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2015
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Appendix – State Funding for Public School Construction Projects

Subject to the final approval of the Board of Public Works (BPW), the Interagency Committee on School Construction (IAC) manages State review and approval of local school construction projects. Each year, local systems develop and submit to IAC a facilities master plan that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each local school system submits a capital improvement plan to IAC that includes projects for which it seeks planning and/or funding approval for the upcoming fiscal year, which may include projects that the local system has forward funded. In addition to approval from the local school board, the request for the upcoming fiscal year must be approved by the county's governing body. Typically, the submission letter to IAC contains signatures of both the school board president and either the county executive and county council president or chair of the board of county commissioners.

Based on its assessment of the relative merit of all the project proposals it receives, and subject to the projected level of school construction funds available, IAC makes recommendations for which projects to fund to BPW. By December 31 of each year, IAC must recommend to BPW projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school boards may then appeal the IAC recommendations directly to BPW. By March 1 of each year, IAC must recommend to BPW and the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget. Following the legislative session, IAC recommends projects comprising the remaining school construction funds included in the enacted capital budget for BPW approval, no earlier than May 1.

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system's wealth and ability to pay. The Public School Facilities Act (Chapters 306 and 307 of 2004) requires that the cost-share formula be recalculated every three years. The first recalculation occurred in 2007, the second recalculation occurred in 2010, and the third, begun in 2013, was completed in 2014. **Exhibit 1** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2015, which was determined by the 2010 recalculation, and for fiscal 2016 through 2018, as determined by the 2014 recalculation. Reductions in the State shares for Allegany, Cecil, and St. Mary's counties are phased in over two years because of the magnitude of the reductions.

Exhibit 1
State Share of Eligible School Construction Costs
Fiscal 2015-2018

<u>County</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Allegany	93%	88%	83%	83%
Anne Arundel	50%	50%	50%	50%
Baltimore City	93%	93%	93%	93%
Baltimore	50%	52%	52%	52%
Calvert	56%	53%	53%	53%
Caroline	78%	80%	80%	80%
Carroll	58%	59%	59%	59%
Cecil	69%	64%	63%	63%
Charles	63%	61%	61%	61%
Dorchester	69%	76%	76%	76%
Frederick	60%	64%	64%	64%
Garrett	50%	50%	50%	50%
Harford	63%	63%	63%	63%
Howard	60%	55%	55%	55%
Kent	50%	50%	50%	50%
Montgomery	50%	50%	50%	50%
Prince George's	62%	63%	63%	63%
Queen Anne's	50%	50%	50%	50%
St. Mary's	64%	59%	58%	58%
Somerset	82%	100%	100%	100%
Talbot	50%	50%	50%	50%
Washington	71%	71%	71%	71%
Wicomico	96%	97%	97%	97%
Worcester	50%	50%	50%	50%
Maryland School for the Blind	93%	93%	93%	93%

Source: Public School Construction Program

Chapters 306 and 307 also established the State's intent to provide \$2.0 billion of funding for school construction by fiscal 2013, an average of \$250.0 million each year for eight years. As a result, Public School Construction Program (PSCP) funding increased from \$125.9 million in fiscal 2005 to \$253.8 in fiscal 2006, and has remained above the \$250.0 million target each year since, which resulted in significant increases in school construction assistance to local school boards. As a result, the State achieved the \$2.0 billion goal ahead of schedule. **Exhibit 2** shows annual State public school construction funding from fiscal 2007 through 2015, by county.

The Governor's proposed fiscal 2016 budget includes \$250.0 million in general obligation bonds and \$30.0 million in pay-as-you-go general funds for PSCP. The fiscal 2016 *Capital Improvement Program* includes \$250.0 million annually for the program in fiscal 2017 through 2020.

Exhibit 2
State Public School Construction Funding
Fiscal 2007-2015
(\$ in Thousands)

<u>County</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY2015</u>
Allegany	\$18,650	\$412	\$0	\$0	842	\$727	\$1,999	\$2,496	\$6,597
Anne Arundel	22,675	27,827	27,420	25,020	26,200	32,400	33,349	34,870	36,200
Baltimore City	39,436	52,665	41,000	27,733	28,559	41,000	46,102	39,478	35,329
Baltimore	35,053	52,250	40,985	28,000	29,000	39,000	47,394	52,068	34,561
Calvert	2,723	12,644	7,824	8,181	8,450	7,317	7,129	5,577	2,653
Caroline	2,935	2,426	8,100	6,000	3,767	235	756	7,788	0
Carroll	8,282	8,219	11,741	10,520	8,444	9,079	15,211	4,874	3,915
Cecil	8,271	9,533	2,674	1,538	1,744	2,830	1,915	1,268	8,194
Charles	10,200	13,170	11,704	8,898	8,335	9,180	12,480	9,426	8,200
Dorchester	872	6,137	10,400	6,469	5,436	3,639	979	1,590	768
Frederick	17,942	18,728	14,759	16,226	14,000	16,532	19,254	20,163	15,901
Garrett	1,235	6,243	3,020	666	0	382	319	134	0
Harford	11,096	16,238	14,751	16,253	13,835	17,040	16,573	13,214	12,791
Howard	17,808	23,206	18,265	18,262	18,290	26,936	32,811	25,931	20,772
Kent	3,479	1,335	0	388	0	104	123	95	817
Montgomery	40,040	52,297	53,312	28,350	30,183	42,000	43,794	38,592	39,950
Prince George's	37,425	52,250	41,000	28,200	29,500	40,348	42,192	39,371	38,539
Queen Anne's	3,000	3,925	4,951	3,947	5,750	5,374	649	4,371	5,112
St. Mary's	5,495	9,806	7,266	4,028	6,600	3,354	3,172	7,472	11,876
Somerset	12,022	5,153	0	6,000	6,000	3,371	289	3,811	2,752
Talbot	2,405	2,038	0	436	344	135	35	634	0
Washington	4,478	8,970	9,368	7,965	7,970	8,571	9,117	8,494	7,467
Wicomico	4,178	8,143	12,960	13,170	9,975	1,864	11,290	13,327	10,991
Worcester	6,872	8,213	5,483	403	0	165	166	4,882	0
MD School for the Blind							2,800	6,063	14,733
Bond Premium	6,100								
Statewide					500		100	500	660
Total	\$322,672	\$401,828	\$346,983	\$266,653	\$263,724	\$311,583	\$349,997	\$347,277	\$318,778
Amount Over \$250M	\$72,672	\$151,828	\$96,983	\$16,653	\$13,724	\$61,583	\$99,997	\$97,277	\$68,778

Note: Includes new general obligation bonds, pay-as-you-go funds, and reallocated funds that were previously authorized. Counties receiving \$0 did not request any eligible projects to be funded in that year.

Source: Department of Legislative Services