

Talking Points For Funding The FY 2005–2010 CIP

Why the need for a \$960 million six-year CIP?

1. To provide new capacity, including 20 additions and 10 new schools
 - These new capacity projects will provide 671 more classrooms
 - The new classrooms will greatly reduce (but not eliminate) the need for relocatable classrooms used by MCPS
2. To accelerate the modernization schedule
 - by one year for elementary schools beginning with College Gardens,
 - by one year for Richard Montgomery High School, and
 - by two years for the high schools that follow Richard Montgomery.
3. To provide gymnasiums at all 33 elementary schools without gymnasiums
4. To provide a four-year technology modernization program for all schools
5. To provide interim space for full-day kindergarten in all schools and pre-kindergarten for eligible students
6. To provide restroom improvements for **57** older schools not on the modernization schedule
7. To provide additional funding for PLAR, Roofs, HVAC, IAQ, improved access, and safety and security improvements
8. To provide core or signature improvements for six more schools

How can this \$960 million budget be funded?

1. Increase Spending Affordability Guidelines (SAG) to at least \$175 million per year, with the increases going to school construction (Note 1)
2. Aggressively seek a minimum of \$150 million in state aid over the six-year CIP (Note 2)
3. Dedicate revenue from the recordation tax increase to the CIP (Note 3)

4. Have the Council adopt the Planning Board's recommended School Impact Tax as part of a restructured Annual Growth Policy (AGP) (Note 4)
5. Taken together, these revenue sources would fund the CIP

Note 1. Increase Spending Affordability Guidelines (SAG) to \$175 million

- Currently, the approved SAG is \$171 million for FY 2004 and \$152 million for FY 2005, with an approved six-year total of \$895.2 million. MCPS receives approximately 44.7 percent of the total.
- Increasing SAG to a minimum of \$175 million for all six years of the FY 2005–2010 CIP will provide a total of \$1.02 billion to fund all county projects.
- If all of the increase in SAG above currently approved levels is designated to MCPS, it could yield approximately \$560 million over the six-year CIP for MCPS to fund projects.

Note 2. Aggressively seek a minimum of \$150 million in state aid over the six-year CIP

- MCPS needs to receive at least \$150 million over the six-year CIP from the state in order to proceed with all of the capacity projects, as well as proceed with the proposed acceleration of elementary and high school modernization projects.
- If MCPS does not receive the funding from the state, either the county would need to make up the shortfall or projects would need to be delayed.

Note 3. Dedicate Revenue from the Recordation Tax

- The revenue from the recordation tax in FY 2007–2010 of the CIP, approximately \$85 million must be dedicated for MCPS projects.

Note 4. Adopt the Planning Board's recommended Annual Growth Policy (AGP) and Impact Tax for Schools

- The Planning Board's recommended Impact Tax for Schools is approximately \$8,000 for a single-family detached home. The tax would be levied on all new housing units when a building permit is issued.

- It is critical that the impact tax be levied at the time a building permit is issued to capture revenue from newly approved subdivisions and for units that have been previously approved but not yet built (units in the pipeline).
- It is estimated that the Impact Tax could yield approximately \$165 million over the six-year CIP period.

Summary: Increase SAG	=	\$560 million
State Aid	=	\$150 million
Recordation Tax	=	\$ 85 million
<u>AGP Impact Tax</u>	=	<u>\$165 million</u>
Total	=	\$960 million

Talking Points for The Annual Growth Policy

- The Board of Education is pleased by the direction the Planning Board has taken in developing a new Annual Growth Policy more suited to the conditions of schools and roads in Montgomery County. We also are pleased by the Planning Board's candor in officially acknowledging the obvious, as they do in one report where they state, "Our roads and schools do not have the capacity to adequately support additional development growth."
- It has been concluded that the existing AGP schools test was ineffective. As you know, year after year the existing schools test has found, in AGP parlance, school capacity to be "adequate" in all clusters. This has provided a green light, allowing preliminary plan approvals. Yet, each year the reality has been that more relocatable classrooms are added and funding for CIP projects is insufficient for the level of need.
- The Board of Education supports the new Planning Board Annual Growth Policy approach, wherein a School Impact Tax is created and collected when building permits are issued. This new revenue source could contribute \$25 million to \$30 million per year for school construction.
- The School Impact Tax rates recommended by the Planning Board, and supported by the Board of Education are as follows:
 - \$8,000 per single-family detached house
 - \$6,000 per townhouse
 - \$4,000 per garden apartment unit
 - \$1,600 per high-rise apartment unit
- The Board of Education support for the Planning Board approach is predicated on the size of the School Impact Tax they have recommended. We agree that the rate per housing unit must be set at a high enough level to significantly contribute to school construction needs, and must be collected when a building permit is issued.

- It is critical that the impact tax be levied at the time a building permit is issued to capture revenue from newly approved subdivisions and for units that have been previously approved but not yet built (units in the “pipeline”).
- Should the amount of the impact tax proposed by the Planning Board be reduced, or if the other revenues needed to fund the CIP (i.e. State Aid, increases in SAG for schools, or the dedicated Recordation Tax) be reduced, the Board of Education would seek the safety net of a tighter schools test, as previously recommended by the Planning Board staff and supported by the Board of Education.
- The new AGP approach represents an opportunity to substantially increase annual revenues that can be used to fund our capital budget. The Planning Board AGP recommendation replaces the current ineffective schools test, with a fair mechanism to help fund school construction.