Written Testimony Provided to the Montgomery County Council Regarding the MCPS FY07-12 CIP

by Mark R. Adelman, Chair, Education Committee, Montgomery County Civic Federation

February 8, 2006

The MCCF Education Committee offers these comments, recognizing that the Council has very limited authority to make detailed recommendations to MCPS as to how funds provided to MCPS are actually used. Furthermore, the options available to the Council are constrained by past actions, as well as current and future needs and resources. We will make two specific recommendations, followed by some general comments that put our recommendations in the broader context.

1. We recommend the level of CIP funding that the Council approves be EXPLICITLY REDUCED by the amount that it will cost to construct a replacement for Seven Locks ES (on the Kendale Road site) above and beyond what it would cost to upgrade (or tear down and replace on site) the existing Seven Locks ES. The exact amount of excess spending for this unjustified new construction project is - as the Council knows - yet to be determined because, despite the best efforts of the Save Seven Locks Coalition, MCPS has NOT been forthcoming with consistent, complete, and credible numbers. Frankly, we and other citizens see no reason to trust what-ever numbers are on the table today, because we have good reason to suspect they will be different tomorrow - and not simply because construction costs change. In our recent testimony before the Board of Education, we noted our frustration at the inability of concerned citizens to get credible information on this issue; we therefore stated our estimate that the excess cost of the project could be anywhere between one and five million dollars. Neither the BoE nor MCPS have seen fit to respond to our testimony, so we will assume our range is correct but - given the most recent numbers of which we are aware - GUESSTIMATE that the final difference will turn out to be about one million dollars (more for Kendale than for Seven Locks). You may arrive at a somewhat different number - and we would be very interested in your conclusion and how you reach it. But please be sure that the numbers you work with reflect the **true, full** cost of building on the Kendale site, including the dollars (at least $800,000) already wasted on this arrogance-driven project. Whatever number you decide is applicable, we urge that the approved CIP budget be reduced by that amount and that the basis for the reduction be clearly stated. The impacted community has spoken very strongly in objection to the construction of a new school on the Kendale site and NO amount of excess expenditure for the project that MCPS is pursuing is acceptable. We understand that you cannot specifically disapprove the Kendale site construction, but you can certainly indicate why you are recommending less MCPS funding.

2. We share the concerns of many other citizens and groups about the County Executive's recommended structuring of CIP funding over the 2007-2012 time frame in a manner that will delay the start of so much needed MCPS construction and repair. But we do NOT believe that exceeding the mandated Spending Affordability Guidelines (SAG) is an appropriate way to resolve this dilemma. [A dilemma for which there may NOT be any immediate fix.] It has been argued that we can increase SAG and NOT increase taxes. We have attempted to determine whether an increase in SAG will (or will not) increase taxes. We have concluded that the answer is "Not necessarily, not necessarily very much, and not necessarily right away". Because increasing the SAG increases the amount of money all "agree" can be borrowed/spent. And if economic forces produce more income than

projected, an increase in the SAG (used to justify increasing expenditures) may NOT lead to an increase in taxes. BUT: An increase in SAG DOES lead to an increase in what we spend and in what we borrow. And the more we borrow, the more we pay back in debt service. Montgomery County may be justifiably proud of its AAA bond rating; we get that rating because we borrow a lot and we pay it back, plus interest. Many of us - as individuals - have excellent credit ratings, because we pay our debts. But, as we all know, it helps, in getting a good credit rating, to spend - and borrow - a lot. And many of us (but NOT of course any of US!) borrow too much, and only pay back the minimum. Sometimes we NEVER pay back the loan (e.g. many mortgages). Thus wasting a LOT of our income on the interest portion of debt service. The County of course is required to borrow (bonds) for schools construction and pay off each bond; hence, much of the debt service is NOT for interest. But SOME of the debt service IS for interest. Perhaps you can educate us all as to what that amount really is, averaged over time. [By the way, given that none of us is an economist and that both the MCPS and County budgets are a very tough slog, we may have made some mistakes in our analyses. But we are serious students and would welcome any education you can provide us in these matters.] As a first approximation, we can make the assumption that, in the early years of a bond, almost all of the debt service goes to pay interest.

While Montgomery County only devotes about 5% of its operating budget to debt service (current data) and that is "better" than the 10% standard for keeping AAA rating, 5% is a LOT of money. The current MCPS debt service cost (hidden in the County Operating Budget) is about $100 million. Now the requested MCPS budget is $1.8 billion, so the debt service might be considered "chump change". But we are all told (and are thus "well-aware") that most of the MCPS budget is "fixed" (salaries, maintenance, etc.) and that very little is money that can be used for "fixing problems". How much? VERY HARD TO TELL!! But our estimate is in the range of 1-5%. So the $100 million is no longer chump change and a small savings in debt service (say $60,000 per year for each extra $1 million borrowed/spent on building Kendale rather than upgrading Seven Locks?) translates into REAL things like textbooks, toilet paper for the bathrooms, less that teachers have to spend (of their meagre salaries) buying pencils for their students. And so on. You get our point: a million here, a million there and pretty soon we are talking "real money". And ANY amount saved (by reducing unneeded expenditures) can be used toward our shared goal of providing the best possible education to every one of our children.

Do our two recommendations 'solve the problem'? Of course not. All of us know that the problems we face do not have one simple cause. Nor will they have one simple solution. While Clarksburg may be the poster child for mismanagement of large site constructions, it is NOT the only example. [And we have yet to begin to deal with the multiple failures at the small construction site level.] While Seven Locks may be another poster child for the failure of public officials to listen to citizen complaints, it is NOT the only example. And while the current mismatch between MCPS construction needs and the constraints you face in dealing with CIP budget realities may be a sort of poster child for IN-adequate public facilities resources, it is not the only example. As MCCF (and other groups) have been saying for many years, our priorities are out of whack and we are ALL at fault. In our current culture, 'smart growth' is in reality 'any-and-all-growth', and 'adequate funding for public facilities' is too little and too late. Too often we choose to collect less money up-front (to pay for APF) and borrow more, thus wasting funds and shifting the burden to our children. We may be a very rich, well-educated, and successful county, but we have a lot of problems

that have built up over many years. Because we have frequently chosen the expedient, rather than the wise, path. We are now beginning to pay the debt on the mistakes we have made. It will take many years to fix the problems and we must begin by facing the realities NOW. Our two specific recommendations are a small part of a solution. Please act on them and let's all begin to fix our problems.

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