Analysis of the Maryland Executive Budget

For the Fiscal Year Ending June 30, 2017

Volume VI: Capital Program

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

April 2016

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Capital Budget Fiscal Briefing

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

February 2016

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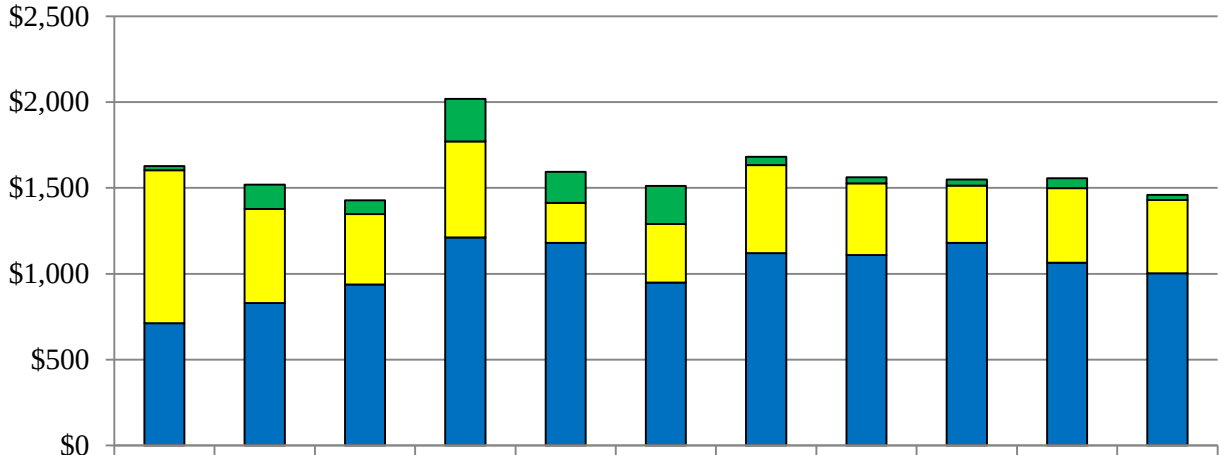
Capital Program

Capital Program

Exhibit 1 shows the level of capital investment from fiscal 2007 through the proposed fiscal 2017 budget. All funds included, the fiscal 2017 capital program excluding transportation totals $1.459 billion.

Exhibit 1
Capital Funding by Major Source
Fiscal 2007-2017
($ in Millions)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	$25.0	$141.1	$81.0	$247.0	$181.5	$222.9	$47.3	$36.5	$36.6	$59.1	$29.2
PAYGO	889.9	548.5	409.4	560.1	233.2	340.2	513.8	417.1	332.4	434.3	427.4
GO Debt	712.8	829.8	937.6	1,210.8	1,179.7	949.1	1,119.4	1,109.2	1,180.5	1,063.7	1,002.3

GO: general obligation
PAYGO: pay-as-you-go

Note: Revenue totals include $4.7 million of Qualified Zone Academy Bonds.

Source: Department of Budget and Management

Debt

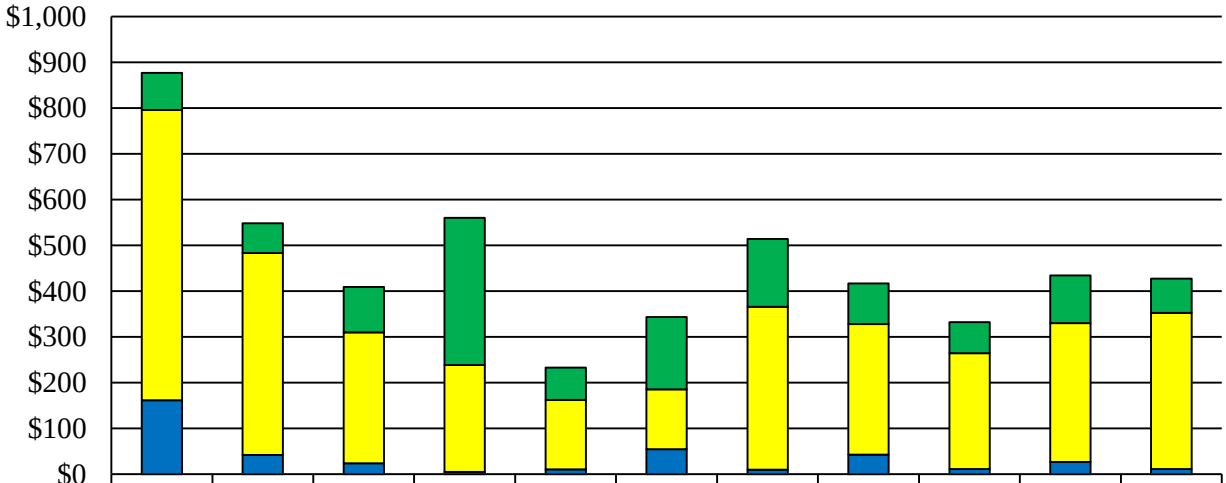
New general obligation (GO) bond authorizations for the 2016 session total $1.002 billion, comprised of $993.8 million in new authorizations and $8.6 million in the reprogramming of de-authorizations proposed in the bill. Additional debt authorizations include $24.5 million of Academic Revenue Bonds for University System of Maryland (USM) projects, which is $30.0 million

under what was authorized last session. The decrease results from language added to Chapter 471 of 2015, which increased authorization levels by $20.0 million above what was programmed for fiscal 2016, for a total of $54.5 million, to support the funding plan for the New Bioengineering Building at the University of Maryland, College Park. The language stipulated that the additional $20.0 million authorized in fiscal 2016 should be deducted from authorization levels programmed in the 2015 session *Capital Improvement Program* (CIP) for fiscal 2017 and 2018 by $10.0 million each, thereby keeping the total amount of academic debt authorizations for the five-year CIP planning level consistent with what was programmed in the 2015 session CIP. The budget also includes $4.7 million of Qualified Zone Academy Bonds (QZAB) for QZAB-qualified K-12 capital-eligible projects in accordance with the criteria established under the Aging Schools Program.

Pay-as-you-go

Exhibit 2 shows the level of capital pay-as-you-go (PAYGO) investment from fiscal 2007 through the proposed fiscal 2017 budget.

Exhibit 2
PAYGO Capital Funding
Fiscal 2007-2017
($ in Millions)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Federal	$80.7	$65.4	$99.6	$321.4	$70.7	$157.5	$148.0	$89.3	$67.9	$104.4	$74.9
Special	634.1	441.2	286.1	233.6	151.7	131.3	355.6	285.1	252.9	303.1	341.1
General	161.9	41.9	23.7	5.1	10.8	54.5	10.2	42.7	11.5	26.8	11.4

PAYGO: pay-as-you-go

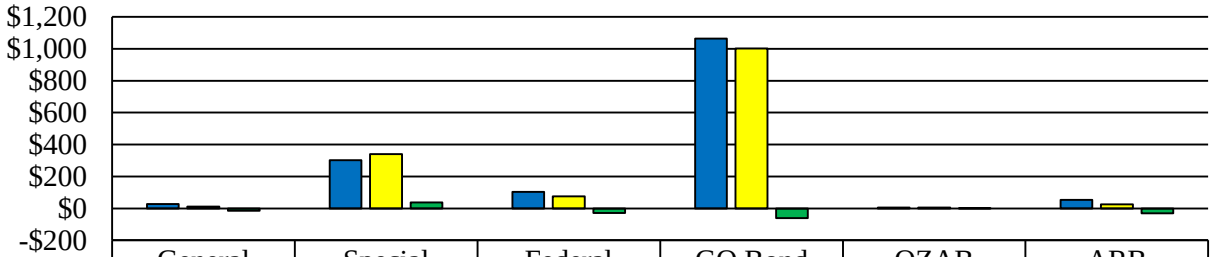
Source: Department of Budget and Management

The PAYGO component of the capital program, comprised of general, special, and federal fund capital appropriations in the operating budget bill, totals $427.4 million. The use of general funds in support of the capital program again remains almost nonexistent despite the projected general fund balance. In total, the budget provides only $11.4 million in general fund PAYGO of which $9.0 million is for the Sustainable Communities Tax Credit program. Special funds, comprised primarily of funds from the Bay Restoration Fund and Water Quality and Drinking Water loan programs, transfer tax funded programs, and special funds from Department of Housing and Community Development (DHCD) grant and loan programs, total $341.1 million. While statute requires the diversion of a portion of the State's transfer tax revenues (funds that would normally support capital programs) to the General Fund in fiscal 2017 and 2018, the Governor's proposed spending plan makes more funding available for the capital program by reducing the amount diverted by $20.0 million in fiscal 2017 and $40.0 million in fiscal 2018 (SB 383 and HB 462). The capital program is supported with $74.9 million of federal funds, much of which supports Water Quality and Drinking Water loan programs and programs administered by DHCD.

Fiscal 2017 Proposed Capital Program

Exhibit 3 compares fiscal 2016 and proposed fiscal 2017 capital program funding by major fund source, and **Exhibit 4** compares programmed levels by source in the state's five-year CIP relative to actual funding for the two previous five-year periods.

Exhibit 3
Capital Programs by Funding Source Comparison of Fiscal 2016 and 2017
($ in Millions)

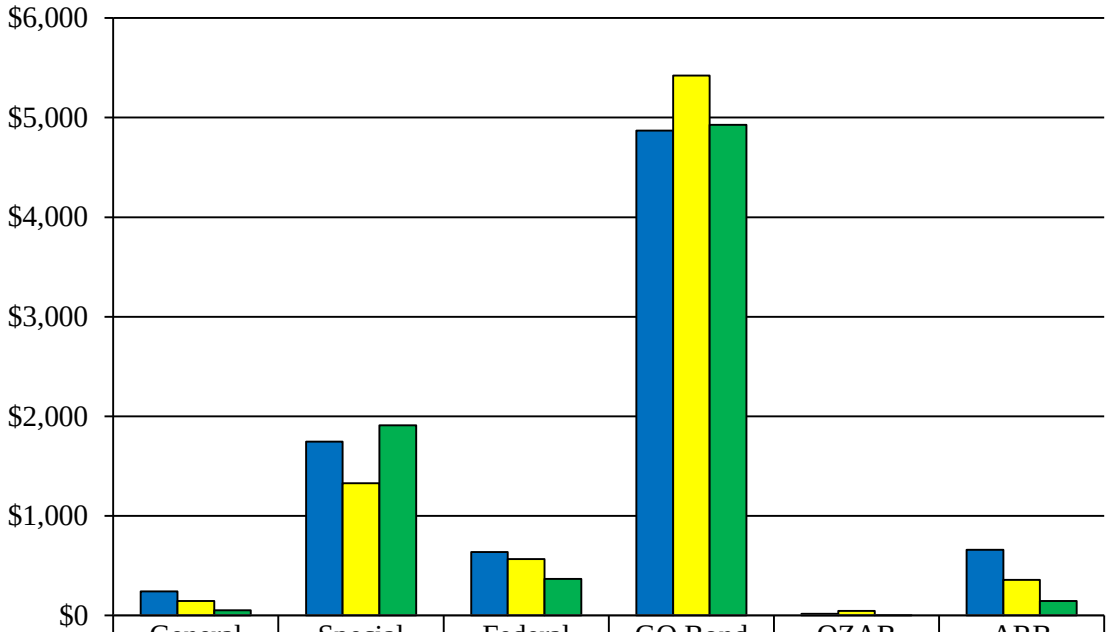


	General	Special	Federal	GO Bond	QZAB	ARB
2016	26.8	303.1	$104.4	$1,063.7	$4.6	$54.5
2017	11.4	341.1	$74.9	$1,002.3	$4.7	$24.5
Variance	-15.4	38.0	-$29.5	-$61.4	$0.1	-$30.0

ARB: Academic Revenue Bond
GO: general obligation
QZAB: Qualified Zone Academy Bond

Source: Department of Budget and Management

Exhibit 4
Capital Program by Funding Source Comparison
Fiscal 2007-2011; Fiscal 2012-2016; and Fiscal 2017-2021
($ in Millions)



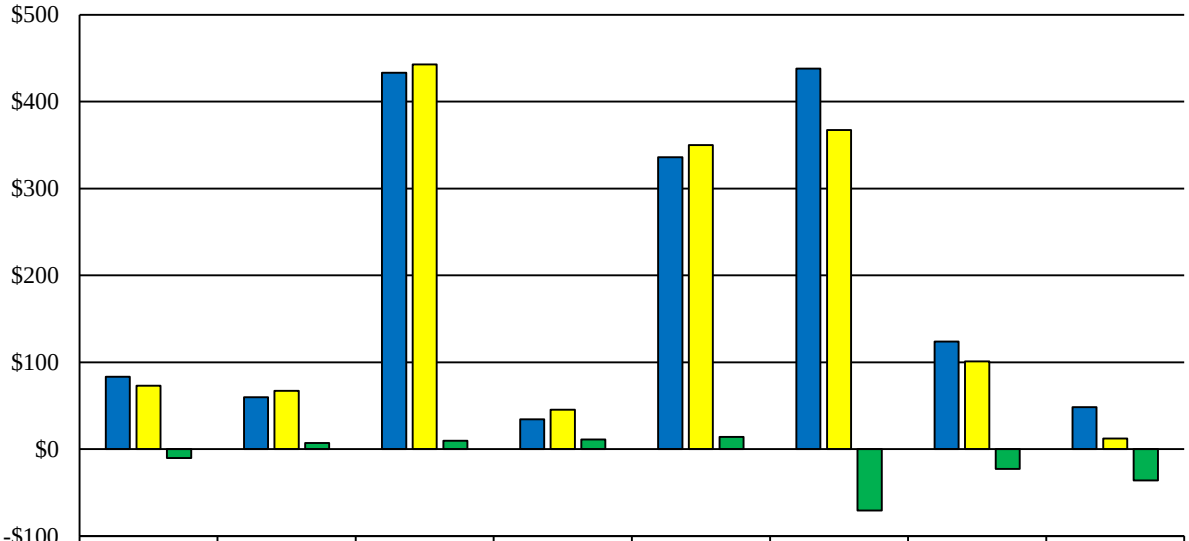
	General	Special	Federal	GO Bond	QZAB	ARB
2007-2011	$243.4	$1,746.7	$637.8	$4,870.7	$15.6	$660.0
2012-2016	145.7	1,328.0	567.1	5,421.9	44.9	357.5
2017-2021	51.4	1,910.4	367.3	4,926.0	4.6	146.5

ARB: Academic Revenue Bond
GO: general obligation
QZAB: Qualified Zone Academy Bond

Source: Department of Budget and Management

Exhibit 5 further illustrates, by major funding category, where the proposed fiscal 2017 capital investments will be targeted as compared to the fiscal 2016 capital program.

Exhibit 5
Fiscal 2017 Proposed Capital Program Compared to Fiscal 2016 Program
By Major Funding Category
($ in Millions)

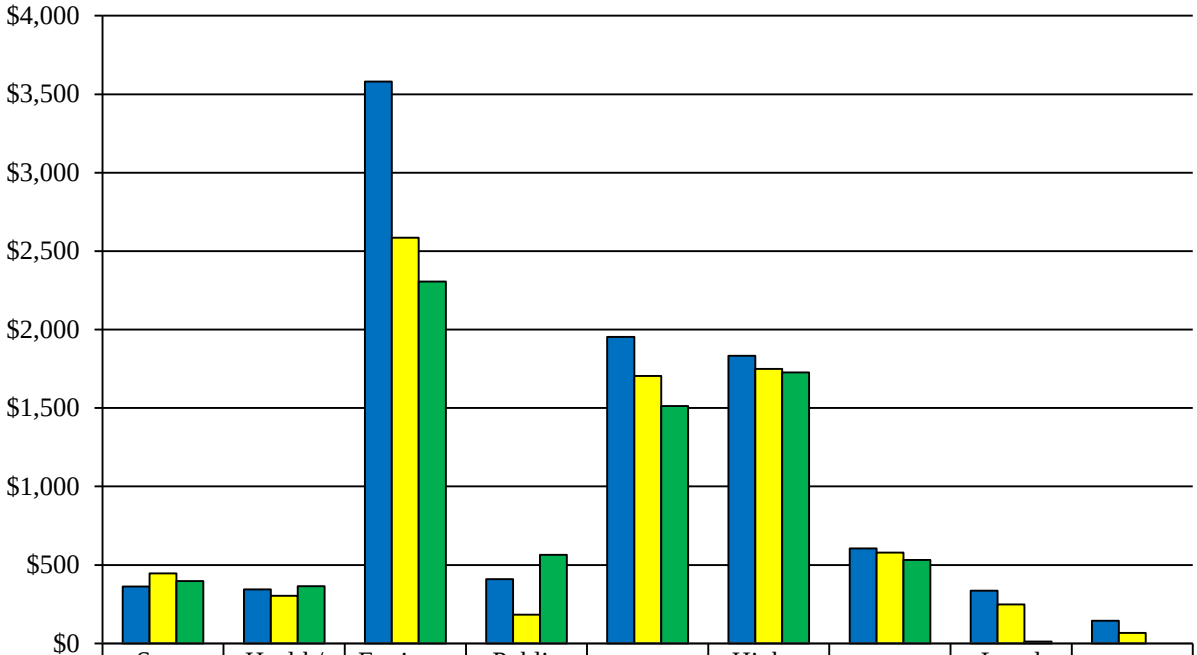


	State Facilities	Health/ Social	Environ-ment	Public Safety	Education	Higher Education	Housing	Local Projects
2016	$83.3	$59.9	$433.2	$34.4	$336.1	$438.0	$124.0	$48.2
2017	72.9	67.1	442.8	45.4	350.1	367.3	101.1	12.2
Variance	-10.4	7.2	9.6	11.0	14.0	-70.7	-22.9	-36.0

Source: Department of Budget and Management

Exhibit 6 and **7** compare programmed funding levels category in the State's five-year CIP relative to actual funding for the two previous five-year periods.

Exhibit 6
Capital Programs by Major Funding Category – All Funds
Fiscal 2007-2011; Fiscal 2012-2016; and Fiscal 2017-2021
($ in Millions)

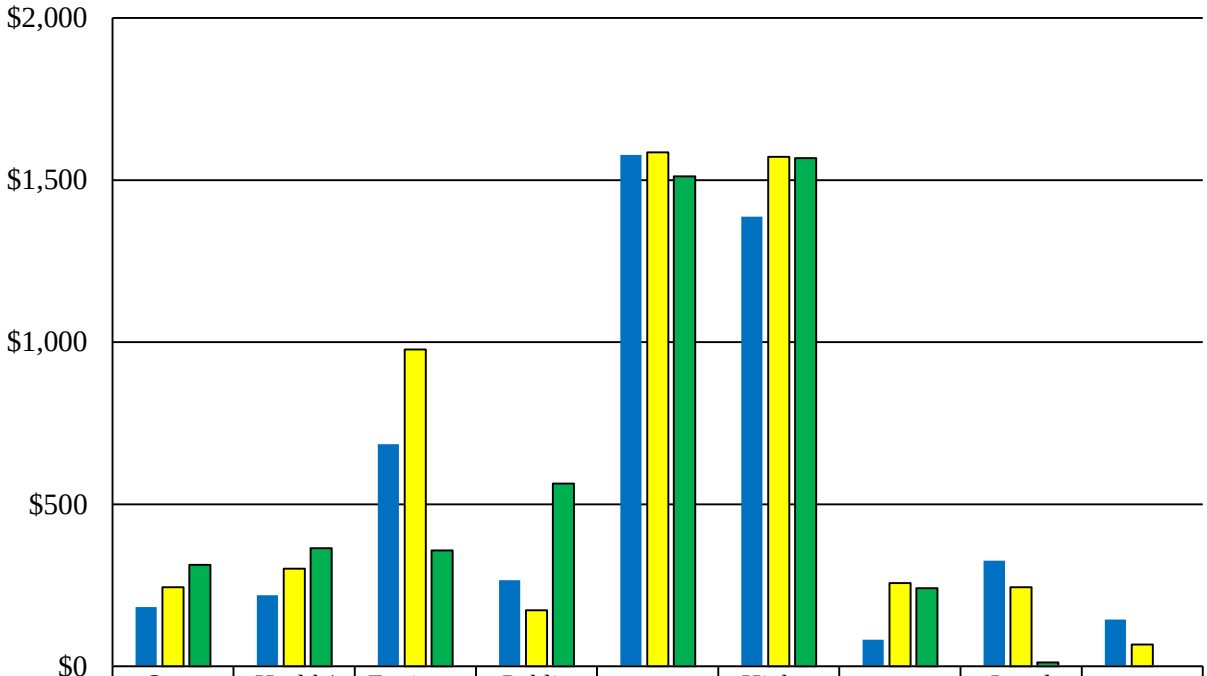


	State Facilities	Health/ Social	Environ-ment	Public Safety	Education	Higher Education	Housing	Local Projects	ICC
2007-2011	$361.6	$343.7	$3,581.3	$408.8	$1,954.0	$1,833.1	$604.8	$335.6	$144.3
2012-2016	445.6	302.5	2,585.1	183.3	1,703.6	1,749.8	578.2	249.2	67.6
2017-2021	396.4	364.8	2,305.6	564.0	1,511.8	1,725.8	531.7	11.7	0.0

ICC: InterCounty Connector

Source: Department of Budget and Management

Exhibit 7
Capital Programs by Major Funding Category – GO Funds
Fiscal 2007-2011; Fiscal 2012-2016; and Fiscal 2017-2021
($ in Millions)



	State Facilities	Health/ Social	Environ-ment	Public Safety	Education	Higher Education	Housing	Local Projects	ICC
2007-2011	$182.9	$219.0	$685.7	$265.8	$1,577.8	$1,387.2	$82.5	$326.0	$144.3
2012-2016	244.0	300.8	977.0	173.3	1,586.0	1,572.2	257.0	244.1	67.6
2017-2021	312.9	364.8	357.2	564.0	1,511.8	1,567.6	240.5	11.7	0.0

GO: general obligation
ICC: InterCounty Connector

Source: Department of Budget and Management

Exhibit 8 shows the top funded capital projects and programs for fiscal 2017 by major fund source. **Appendix 2** summarizes the capital program by function. **Exhibits 9** and **10** illustrate the distribution of State capital funds for State-owned projects and Grant and Loan Programs. **Appendix 3** provides a list of the projects included in the proposed fiscal 2017 capital budget.

Exhibit 8
Top Funded Capital Programs and Projects – All Funds
Fiscal 2017
($ in Millions)

Project Title	GO Bond	Revenue	General	Special	Federal	Total Funds
BPW: Public School Construction Program	$280.0	$0.0	$0.0	$0.0	$0.0	$280.0
MDE: Maryland Water Quality Revolving Loan Fund	6.8	0.0	0.0	89.2	34.0	130.0
UMB: Health Sciences Research Facility III and Surge Building	81.0	0.0	0.0	0.0	0.0	81.0
MDE: Bay Restoration Fund Wastewater Projects	0.0	0.0	0.0	80.0	0.0	80.0
UMCP: A. James Clark Hall – New Bioengineering Building	62.5	7.5	0.0	0.0	0.0	70.0
MHEC: Community College Facilities Grant Program	59.4	0.0	0.0	0.0	0.0	59.4
MSU: New Behavioral and Social Sciences Building	35.7	0.0	0.0	0.0	0.0	35.7
BSU: New Natural Sciences Center	31.5	0.0	0.0	0.0	0.0	31.5
DHCD: Rental Housing Program	10.0	0.0	0.0	15.5	4.0	29.5
BPW: New Catonsville District Court	28.5	0.0	0.0	0.0	0.0	28.5
MISC: Prince George's Hospital System	27.5	0.0	0.0	0.0	0.0	27.5
UMCP: Brendan Iribe Center for Computer Science and Innovation	27.0	0.0	0.0	0.0	0.0	27.0
MSDE: State Library Resource Center	26.4	0.0	0.0	0.0	0.0	26.4
DNR: Program Open Space – Stateside	0.0	0.0	0.0	19.4	5.8	25.1
MDE: Biological Nutrient Removal Program	25.0	0.0	0.0	0.0	0.0	25.0
MES: Infrastructure Improvement Fund	24.8	0.0	0.0	0.0	0.0	24.8
MDE: Maryland Drinking Water Revolving Loan Fund	3.0	0.0	0.0	10.6	10.4	24.0
DNR: Program Open Space – Local	0.0	0.0	0.0	21.7	0.0	21.7
MDA: Agricultural Land Preservation Program	0.0	0.0	0.0	21.2	0.0	21.2
BPW: Supplemental Capital Grant Program for Local School Systems	20.0	0.0	0.0	0.0	0.0	20.0
DPSCS: New Baltimore Justice Center	18.3	0.0	0.0	0.0	0.0	18.3
DNR: Rural Legacy Program	5.0	0.0	0.0	12.7	0.0	17.7
USMO: Capital Facilities Renewal Program	0.0	17.0	0.0	0.0	0.0	17.0
DPSCS: Demolition of Buildings at the Baltimore City Correctional Complex	16.6	0.0	0.0	0.0	0.0	16.6
MDE: Energy – Water Infrastructure Program	0.0	0.0	0.0	16.2	0.0	16.2

Project Title	GO Bond	Revenue	General	Special	Federal	Total Funds
DJS: New Female Detention Center	15.2	0.0	0.0	0.0	0.0	15.2
DoIT: Public Safety Communications System	15.0	0.0	0.0	0.0	0.0	15.0
BPW: Facilities Renewal Fund	15.0	0.0	0.0	0.0	0.0	15.0
MDE: Bay Restoration Fund Septic System Program	0.0	0.0	0.0	14.0	0.0	14.0
DNR: Waterway Improvement Program	0.0	0.0	0.0	10.5	2.1	12.6
Subtotal: Top Funded Programs and Projects	***$834.1***	***$24.5***	***$0.0***	***$311.0***	***$56.2***	***$1,225.8***
Subtotal: Other Funded Programs and Projects	***$173.0***	***$0.0***	***$11.4***	***$30.1***	***$18.8***	***$233.2***
Total	**$1,007.1**	**$24.5**	**$11.4**	**$341.1**	**$74.9**	**$1,459.0**
De-authorizations as Introduced	**-$8.6**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**-$8.6**
	$998.4	**$24.5**	**$11.4**	**$341.1**	**$74.9**	**$1,450.4**

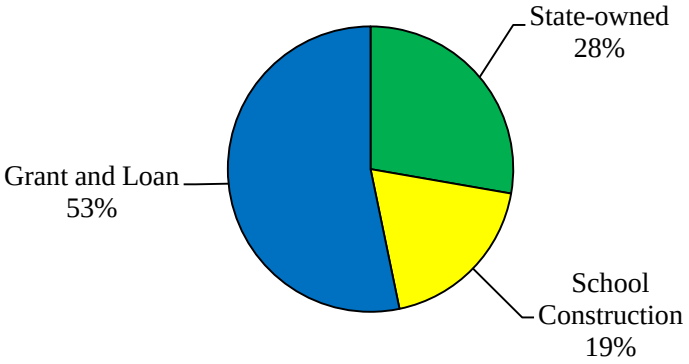
BPW: Board of Public Works
BSU: Bowie State University
DHCD: Department of Housing and Community Development
DJS: Department of Juvenile Services
DNR: Department of Natural Resources
DPSCS: Department of Public Safety and Correctional Services
DoIT: Department of Information Technology
MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment
MES: Maryland Environmental Service
MHEC: Maryland Higher Education Commission
MISC: miscellaneous
MSDE: Maryland State Department of Education
MSU: Morgan State University
UMB: University of Maryland, Baltimore
UMCP: University of Maryland, College Park
USMO: University System of Maryland Office

Note: GO bond figures include $4.7 million of Qualified Zone Academy Bonds.

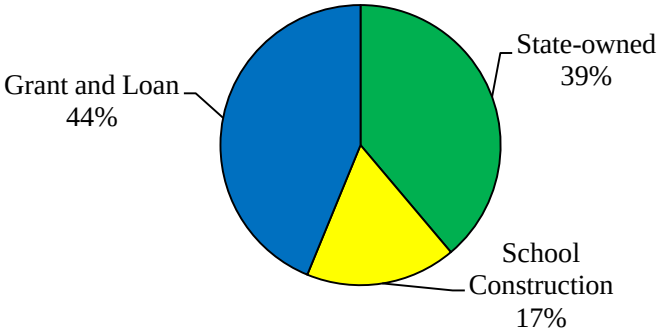
Source: Department of Budget and Management

Exhibit 9
Funding Shares for State-owned Projects, Public School Construction, and Grant and Loan Program – All Funds

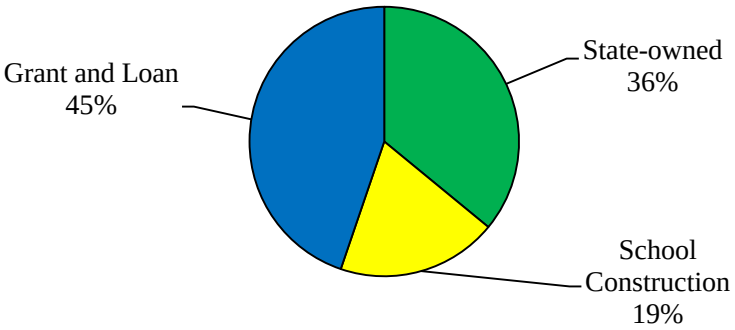
Fiscal 2012-2016



Fiscal 2017-2021



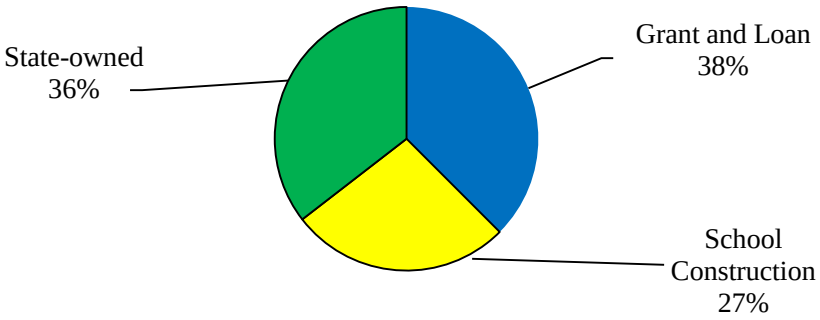
Fiscal 2017



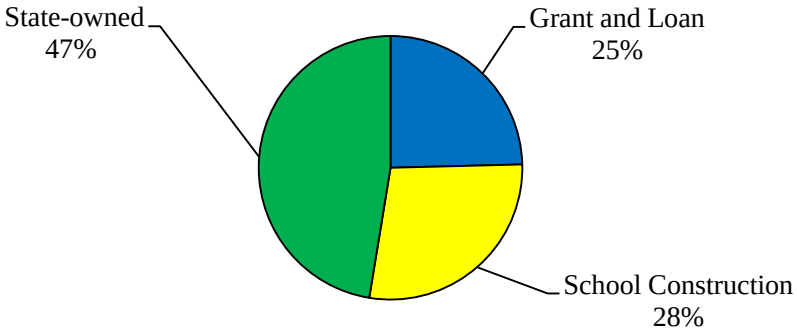
Source: Department of Budget and Management; Department of Legislative Services

Exhibit 10
Funding Shares for State-owned Projects, Public School Construction, and Grant and Loan Program – General Obligation Funds Only

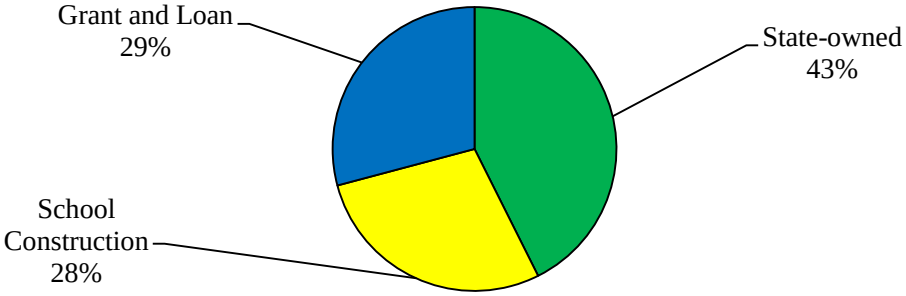
Fiscal 2012-2016



Fiscal 2017-2021



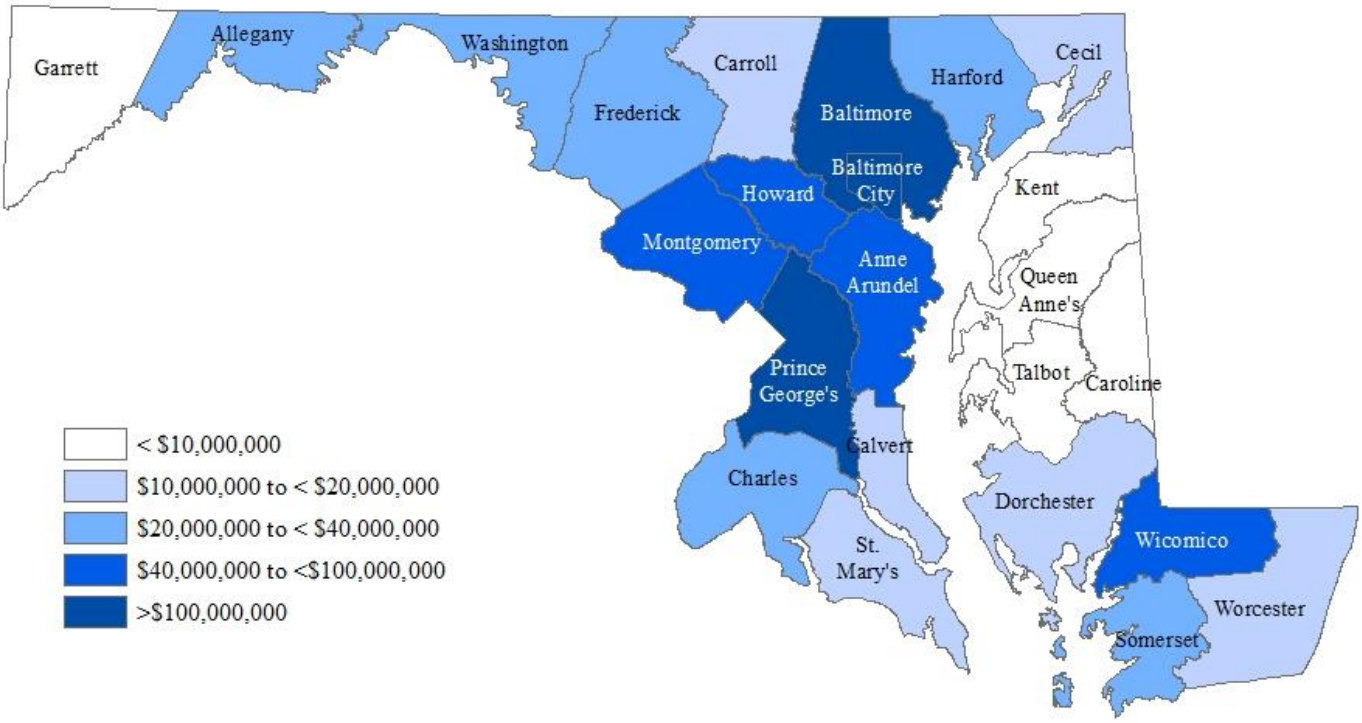
Fiscal 2017



Source: Department of Budget and Management; Department of Legislative Services

Exhibits 11, 12, and **13** show the geographical distribution of nontransportation capital funding.

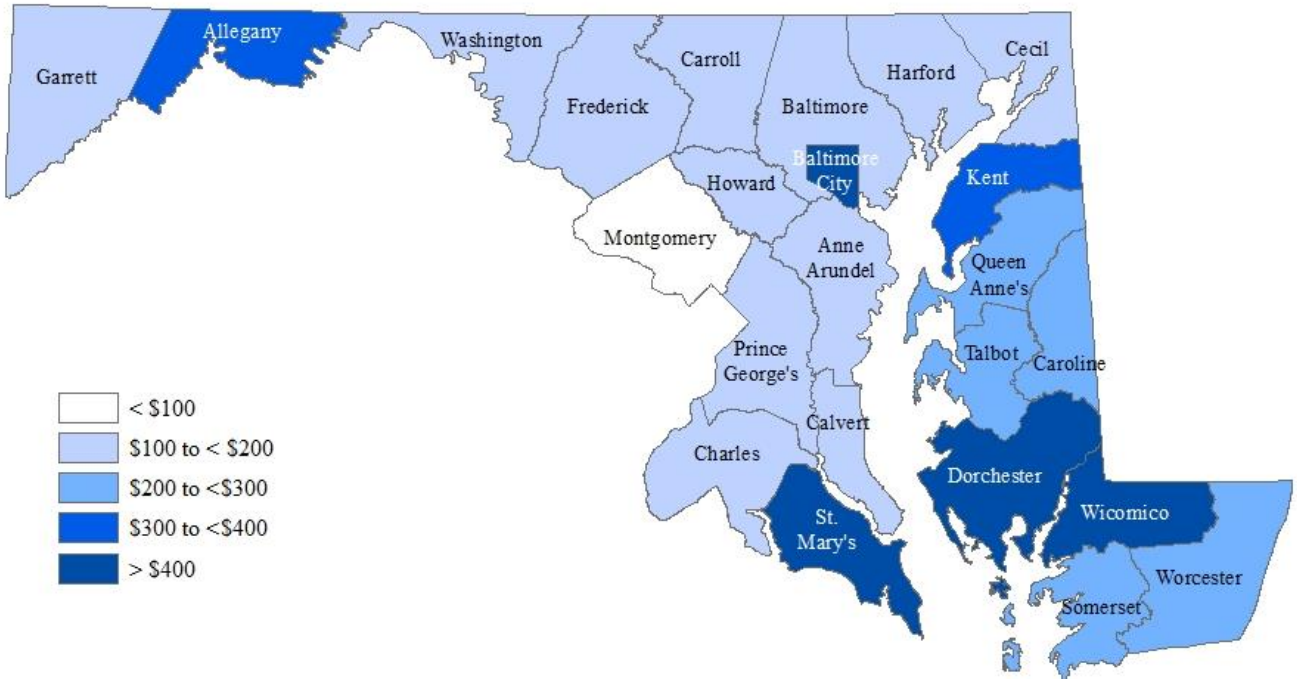
Exhibit 11
Geographical Distribution of State Capital Nontransportation Capital Funding
Fiscal 2007-2016 Annual Average



Note: This data represents the sum of capital projects and grant programs included in the fiscal 2017 operating and capital budgets and reflects the particular projects anticipated to be funded at the time the budget is adopted. The data includes all projects regardless of funding source but excludes State university projects funded with auxiliary revenue bonds. Transportation projects are not included in this data. The county data also does not include funding categorized as "statewide" which accounts for approximately 30% of the capital program funding for which specific projects are not identified at the time of appropriation.

Source: Department of Legislative Services calculations from the Department of Budget and Management data

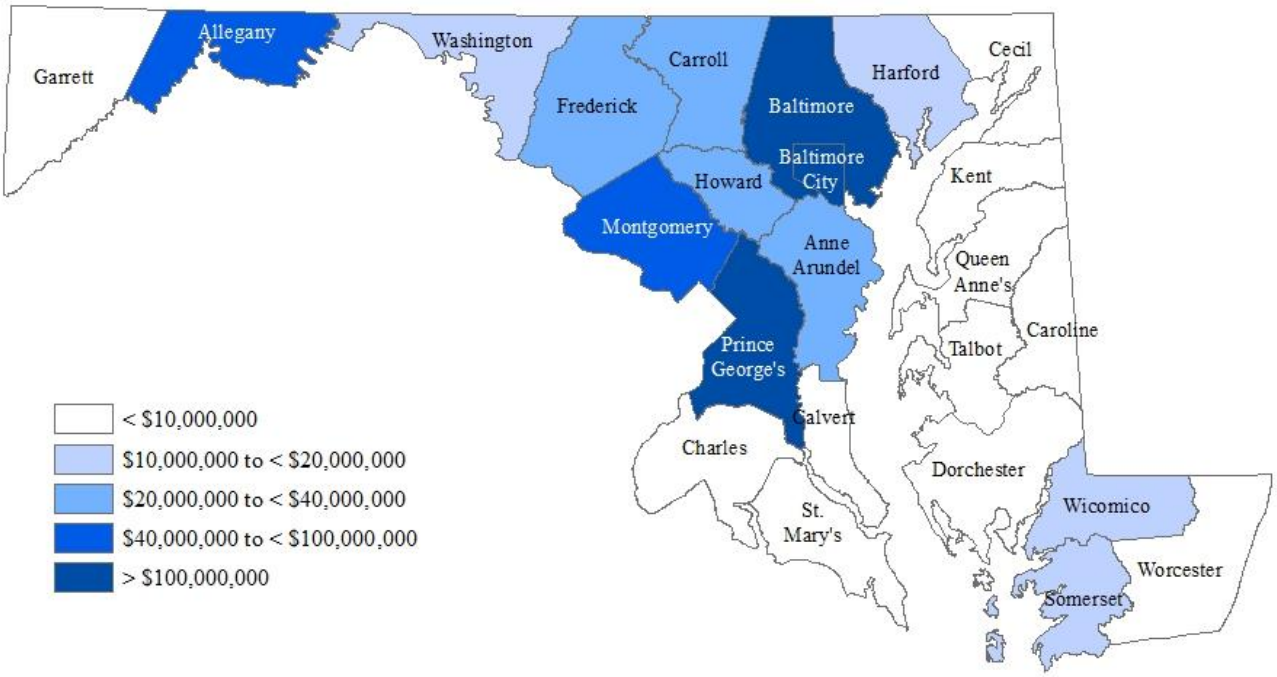
Exhibit 12
Geographical Distribution of State Capital Nontransportation Capital Funding
Fiscal 2007-2016 Annual Average Per Capita
($ in Millions)



Note: This data represents the sum of capital projects and grant programs included in the operating and capital budgets each fiscal year. It reflects the particular projects anticipated to be funded at the time the budgets were adopted. The actual projects funded and/or the amount of funding for specific projects could have changed depending on which projects were ready to move forward and final costs. The data includes all projects regardless of funding source but excludes State university projects funded with auxiliary revenue bonds. Transportation projects are not included in this data. The county data also does not include funding categorized as "statewide" which accounts for approximately 30% of the capital program funding for which specific projects are not identified at the time of appropriation.

Source: Department of Legislative Services calculations from the Department of Budget and Management data

Exhibit 13
Geographical Distribution of State Capital Nontransportation Capital Funding
Fiscal 2017 As Proposed by Governor



Note: This data represents the sum of capital projects and grant programs included in the operating and capital budgets each fiscal year. It reflects the particular projects anticipated to be funded at the time the budgets were adopted. The actual projects funded and/or the amount of funding for specific projects could have changed depending on which projects were ready to move forward and final costs. The data includes all projects regardless of funding source but excludes State university projects funded with auxiliary revenue bonds. Transportation projects are not included in this data. The county data also does not include funding categorized as "statewide" which accounts for approximately 30% of the capital program funding for which specific projects are not identified at the time of appropriation.

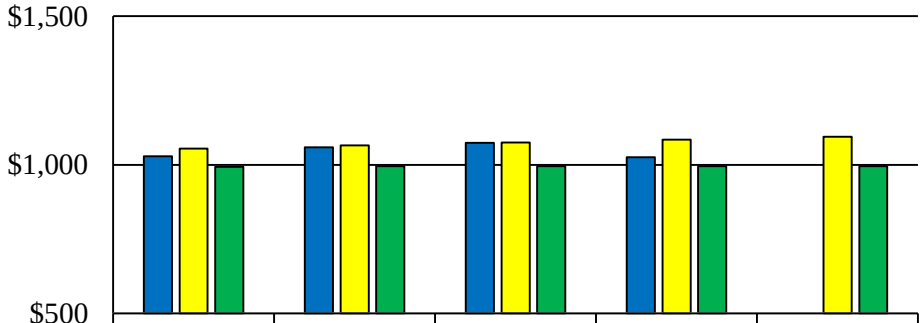
Source: Department of Legislative Services calculations from the Department of Budget and Management data

Fiscal Climate Impact on GO Bond Authorization Levels and the CIP

Reduced GO Bond Authorization Levels

As shown in **Exhibit 14**, the Governor's planned level of new GO bond authorizations are below the levels established by the Spending Affordability Committee (SAC) and below the levels forecast in the 2015 session CIP. Over the five-year plan, the Governor's proposal removes $209 million of planned new GO bond authorizations from what was forecast in the 2015 CIP for the four years the two plans overlap, and $401 million below what SAC recommended in its December 2015 interim report where it recommended limiting the growth in new GO bond authorizations at 1% annually based off of the $1.045 billion authorized in the 2015 session. **Appendix 1** shows recent Capital Debt Affordability (CDAC) recommended GO bond authorization levels.

Exhibit 14
New General Obligation Bond Authorization Levels
2015 Spending Affordability Recommendation –
2015 and 2016 Governor's *Capital Improvement Programs*
2016-2020 Sessions
($ in Millions)



	2016 Session	2017 Session	2018 Session	2019 Session	2020 Session
Governor's 2015 CIP 2016-2019	$1,029.4	$1,059.3	$1,073.9	$1,025.3	
SAC 2016-2020	1,055.0	1,065.0	1,075.0	1,085.0	1,095.0
Governor's 2016 CIP 2016-2020	993.8	995.0	995.0	995.0	995.0

CIP: Capital Improvement Program
SAC: Spending Affordability Committee

Source: Department of Budget and Management, *Capital Improvement Program*, January 2015 and January 2016; Spending Affordability Committee Report, December 2015

The CDAC debt service affordability limit requires that debt service costs not exceed 8% of the revenues supporting them. **Exhibit 15** shows that both the Administration plan and the SAC recommendation are affordable. CDAC also has a criterion that debt outstanding not exceed 4% of personal income. The State is well below this criterion.

Exhibit 15
Debt Service to Revenue Ratios for Options
Fiscal 2017-2021

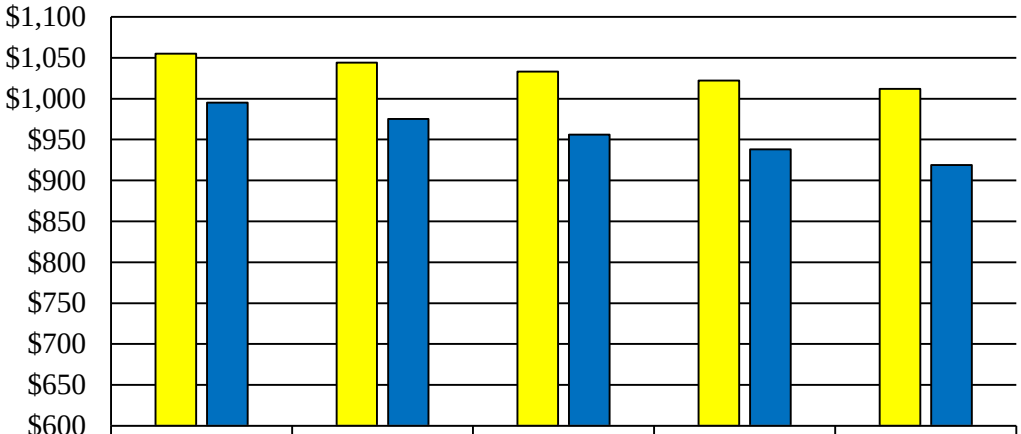
Year	Administration	2015 SAC
2017	7.51%	7.51%
2018	7.79%	7.80%
2019	7.57%	7.61%
2020	7.53%	7.60%
2021	7.51%	7.65%

SAC: Spending Affordability Committee

Source: Spending Affordability Committee; Capital Debt Affordability Committee; Department of Legislative Services

Past capital budgets have recognized that capital projects are subject to mild inflationary pressures and that the population of Maryland tends to increase over time. The inflationary pressures can erode capital spending while additional population tends to increase the demand for projects. When CDAC increased the capital program's annual escalation to 3% in its 2006 report, it did so to recognize a 2% increase to offset inflation and a 1% increase to provide for increased demand attributable to population growth. As shown in **Exhibit 16**, the Department of Legislative Services estimates that 2% inflation erodes the value of $995 million in fiscal 2021 to $919 million, a loss of $76 million.

Exhibit 16
GO Bond Authorization Levels – Impact of Annual Construction Cost Inflation
Fiscal 2017-2021
($ in Millions)



	2017	2018	2019	2020	2021
December 2015 SAC	$1,055	$1,044	$1,033	$1,022	$1,012
Administration Plan	995	975	956	938	919

GO: general obligation
SAC: Spending Affordability Committee

Note: Construction inflation has increased as an average annual rate of 1.8% from January 2011 through January 2016. Figures reflect inflation adjusted 2017 dollars.

Source: Bureau of Labor Statistics Producer Price Index for Materials and Components of Construction.

Reliance on GO Bonds for Private Use and Activities Continues after Budget Improves

The Internal Revenue Code limits the use of tax-exempt bonds for private activity use to no more than 5% of the tax-exempt bonds of any issuance to a maximum of $15 million per issuance. For this reason, the State traditionally funds capital programs with high levels of private activity use with general fund PAYGO funds. However, it is not unusual in periods of economic difficulty for the State to move programs traditionally funded with general fund PAYGO into the GO bond funded portion of the capital program, which the State has done in recent years. While this allows general funds to be used for other budget priorities, it has resulted in the need for the Treasurer to issue taxable bonds in recent bond issuances, which cost more than tax-exempt bonds.

Exhibit 17 shows that the fiscal 2017 capital budget includes $47 million in private activity authorizations. Out-year private loan authorizations range from $41 million in fiscal 2018 to

$39 million in fiscal 2021. This represents a continued reliance on GO bond funds to support projects and programs that are traditionally supported with general fund PAYGO appropriations. SAC in its December 2015 Interim Report anticipated that after compliance with minimum fund balance and operating budget spending limits stipulated in its recommendations that the State would have an available cash balance that would afford the opportunity to dedicate general funds to address the State's infrastructure needs while minimizing future debt service costs. As such, SAC recommended that PAYGO funded infrastructure investments for projects and programs statutorily mandated or included in the 2015 five-year CIP and investments funded from programs that are not eligible to receive bond proceeds from tax-exempt bonds be excluded from the affordability calculation for the 2016 session. To the extent that the overall fiscal situation has improved enough to allow for a substantial fund balance, the State should consider ending the use of GO bonds to support programs that cannot be funded with tax-exempt GO bond financing and instead appropriating general funds.

Exhibit 17
Private Activity Authorizations by Department
Fiscal 2017-2021
($ in Thousands)

	2017	2018	2019	2020	2021	Total
Private Business Use						
State Agency						
Morgan State University	$714	$56	$0	$0	$0	$770
University System of Maryland	2,866	3,994	2,244	2,316	0	11,420
Subtotal	***$3,580***	***$4,049***	***$2,244***	***$2,316***	***$0***	***$12,190***
Private Loans						
State Agency						
Department of Housing and Community Development	$33,100	$33,800	$32,900	$33,100	$31,600	$164,500
Maryland Department of the Environment	9,795	7,510	7,510	7,510	7,510	39,835
Department of Planning	150	150	150	150	150	750
Subtotal	***$43,045***	***$41,460***	***$40,560***	***$40,760***	***$39,260***	***$205,085***
Total	**$46,625**	**$45,509**	**$42,804**	**$43,076**	**$39,260**	**$217,275**

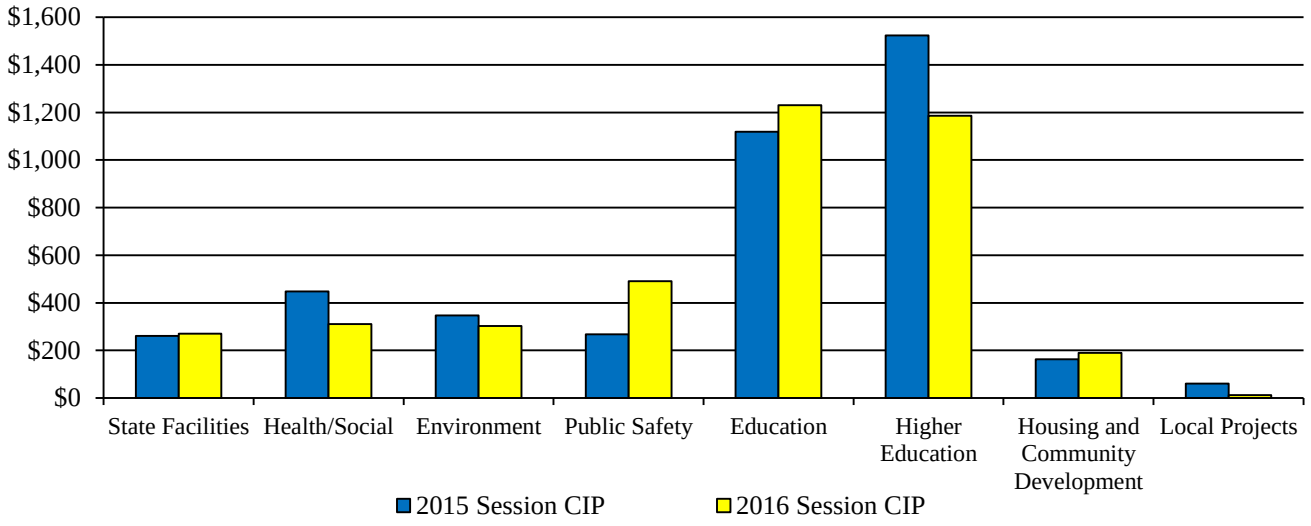
Note: Numbers may not sum to total due to rounding.

Source: Department of Budget and Management, *Capital Improvement Program*, January 2016

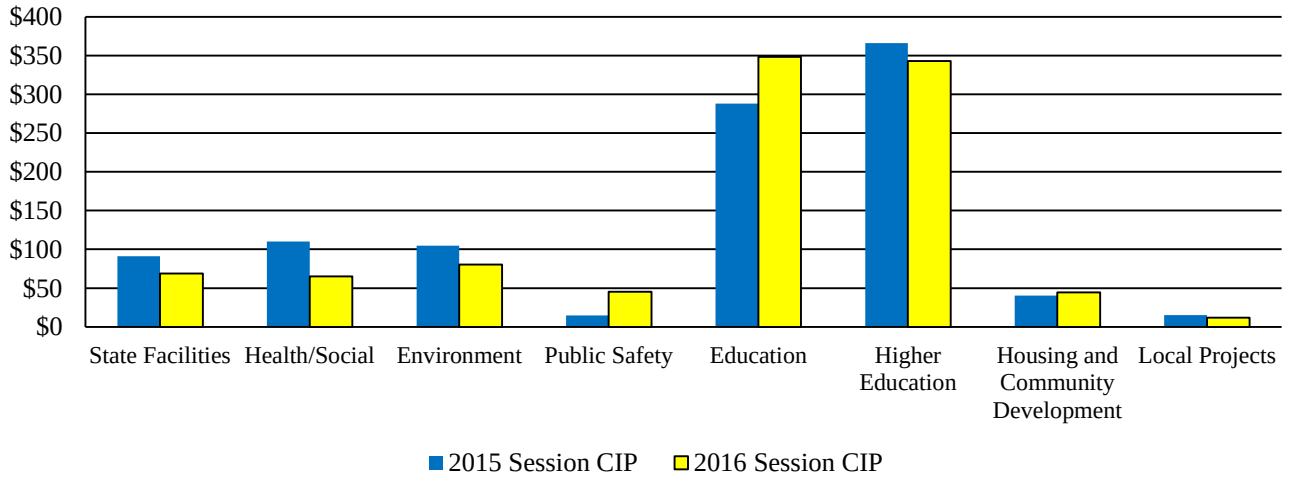
Exhibits 18 and **19** compare programmed funding levels in the 2015 CIP relative to the revised funding levels in the 2016 CIP.

Exhibit 18
General Obligation Bond Capital Program
Comparison of 2015 vs. 2016 *Capital Improvement Program*
Fiscal 2017-2020 and Fiscal 2017 Funding by Category – GO Bond Only
($ in Millions)

Fiscal 2017-2020



Fiscal 2017 Only

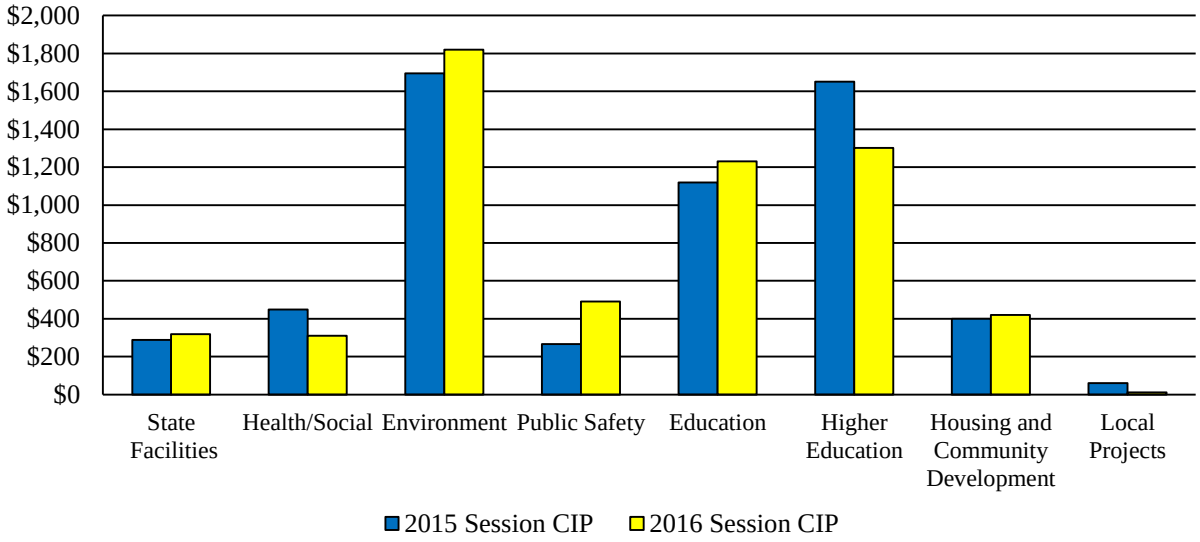


CIP: *Capital Improvement Program*
GO: general obligation

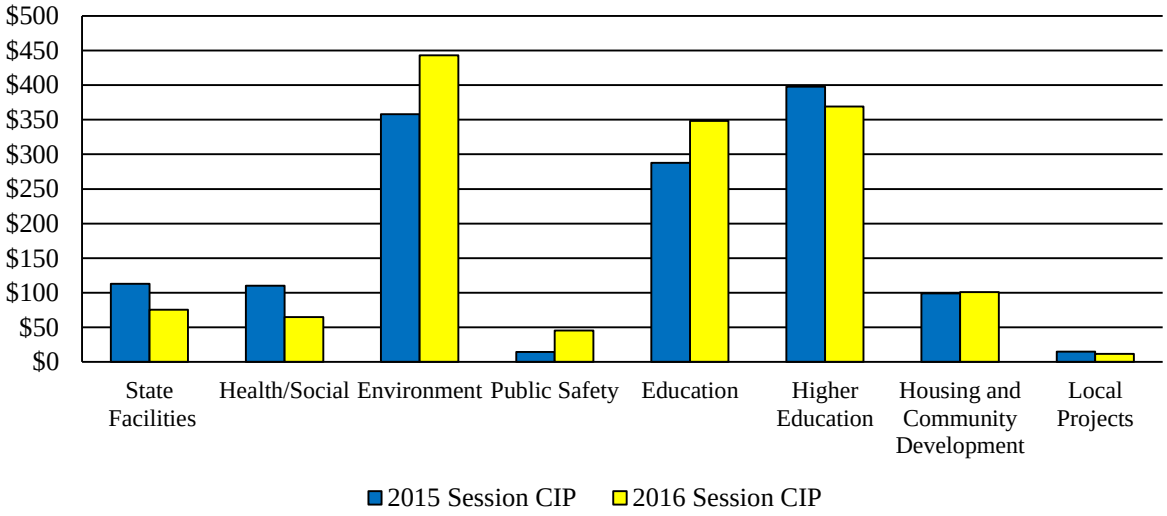
Source: Department of Budget and Management

Exhibit 19
Capital Program All Funds
Comparison of 2015 vs. 2016 *Capital Improvement Program*
Fiscal 2017-2020 and Fiscal 2017 Funding by Category – All Funds
($ in Millions)

Fiscal 2017-2020



Fiscal 2017 Only



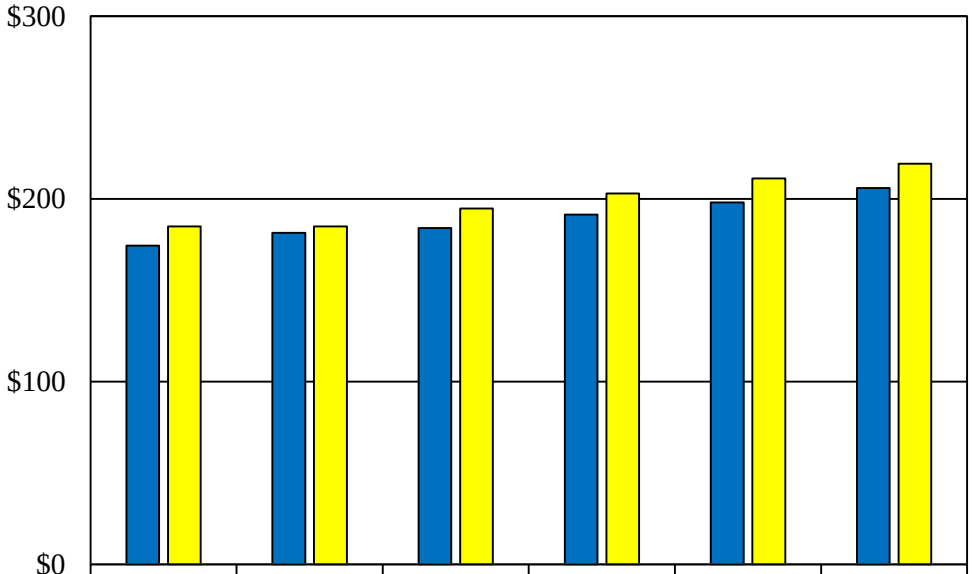
CIP: *Capital Improvement Program*

Source: Department of Budget and Management

Transfer Tax

As proposed, the fiscal 2017 budget provides additional special funds to capital programs from the distribution of transfer tax revenues above what was programmed in the 2015 session CIP. **Exhibit 20** illustrates revisions to forecasted transfer tax revenues and shows that the amount of fiscal 2017 revenue before transfers to the General Fund is $10.3 million more than the budgeted amount for fiscal 2016 and $3.5 million greater than what was forecasted for fiscal 2017 in the December 2014 forecast. Also adding to the amount of available fiscal 2017 transfer tax revenue is the fact that the fiscal 2016 budget included negative deficiency appropriations totaling $32.5 million for fiscal 2015 to reflect the estimated underattainment of transfer tax revenues below budgeted amounts for fiscal 2015, which otherwise would have been reflected as reduced revenue available for fiscal 2017. Of this amount, $7.1 million affected capital programs.

Exhibit 20
Transfer Tax Revenue Estimates
Comparison of December 2014 and December 2015 Estimates
($ in Millions)



	2016	2017	2018	2019	2020	2021
December 2014 Est.	$174.5	$181.5	$184.0	$191.4	$198.0	$206.0
December 2015 Est.	184.9	185.0	194.7	203.0	211.2	219.2

Source: Department of Budget and Management

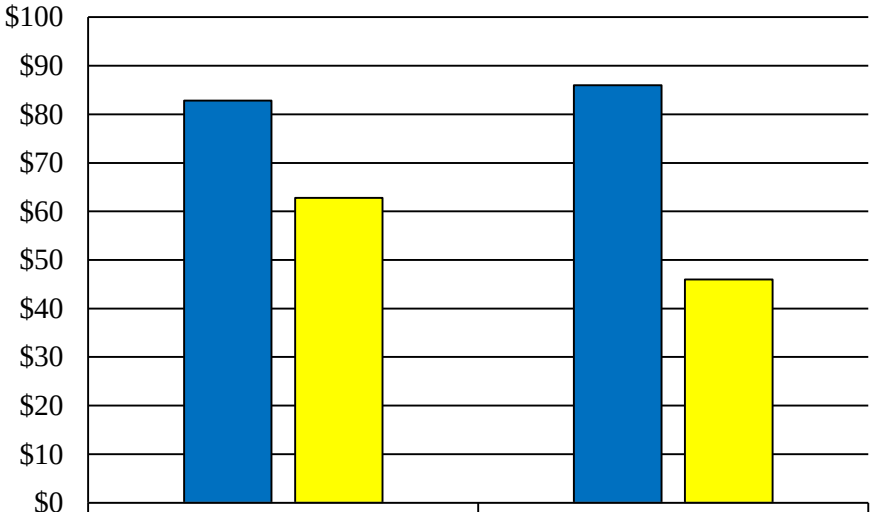
Also adding to the amount of available transfer tax revenue to capital programs is the Administration's proposal to adjust the amount of programmed transfers in both fiscal 2017 and 2018. As shown in **Exhibit 21**, the Administration proposes reducing the fiscal 2017 authorized transfer by $20.0 million from $82.8 million to $62.8 million, and the fiscal 2018 transfer by $40.0 million from $86.0 million to $46.0 million. **Exhibit 22** illustrates how the additional funds available from the proposed transfer reduction would be distributed in fiscal 2017 among the various capital programs supported from the transfer tax.

Exhibit 21

Proposed Revisions to Transfer Tax Diversions to the General Fund

Fiscal 2017-2018

($ in Millions)



	2017	2018
BRFA of 2013 Transfer Tax Diversions to the General Fund	$82.8	$86.0
Proposed Adjusted Transfer Tax Diversions to the General Fund	$62.8	$46.0

BRFA: Budget Reconciliation and Financing Act

Source: Department of Budget and Management

Exhibit 22
Transfer Tax Distribution for Land Preservation Programs Receiving Enhancements
Fiscal 2017
($ in Millions)

Program	Statutory Allocation	BRFA of 2013 General Fund Transfer	Allowance Before Enhancement	Enhancement	Allowance
DNR – Land Acquisition and Planning					
Program Open Space – State share	$39.0	-$23.6	$15.4	$4.0	$19.4
Program Open Space – Local share	39.6	-22.9	16.7	5.0	21.7
Rural Legacy Program	17.0	-9.2	7.8	4.9	12.7
Capital Development	16.6	-9.7	6.9	2.6	9.6
Maryland Department of Agriculture – Maryland Agricultural Land Preservation Foundation	30.1	-17.4	12.7	3.5	16.2
Distribution for Programs with Enhancements	**142.3**	**-82.8**	**59.5**	**20.0**	**79.5**

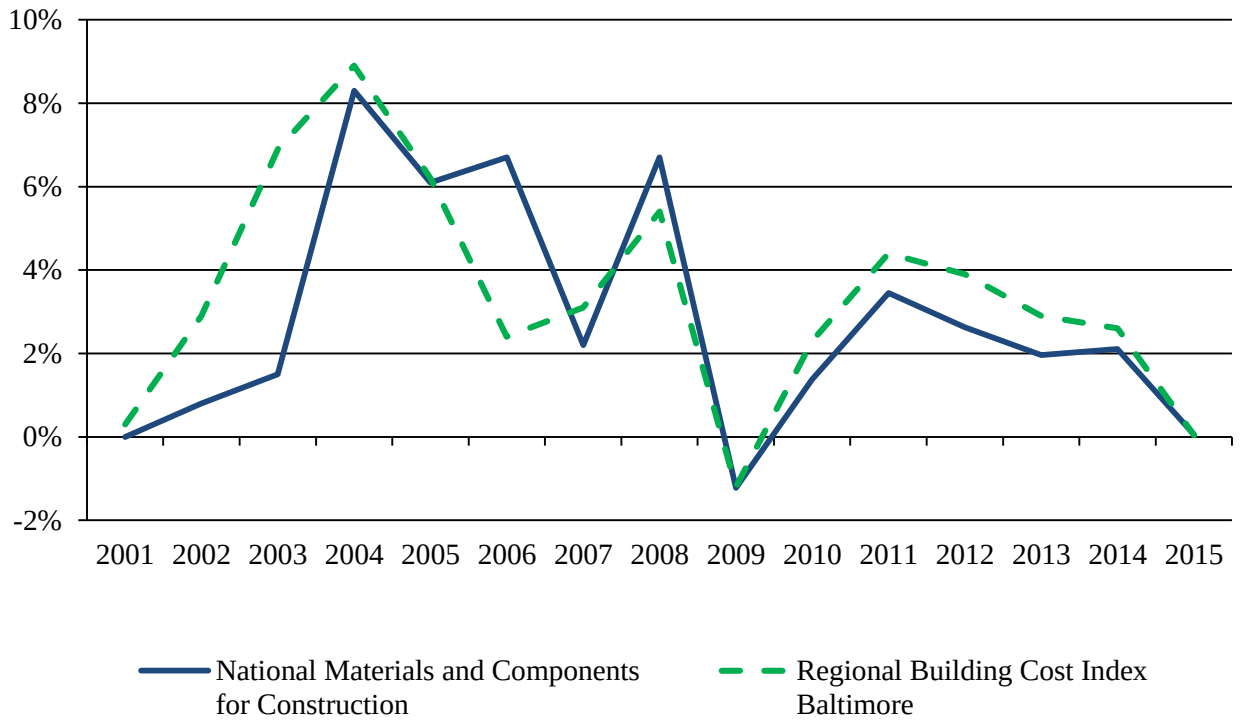
BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources

Source: Department of Budget and Management; Department of Legislative Services

Construction Cost Inflation

As shown in **Exhibit 23**, the year-over-year measure for inflation in the building and construction market nationally and regionally has declined each year since calendar 2011 after several years of increases from calendar 2009 to 2011.

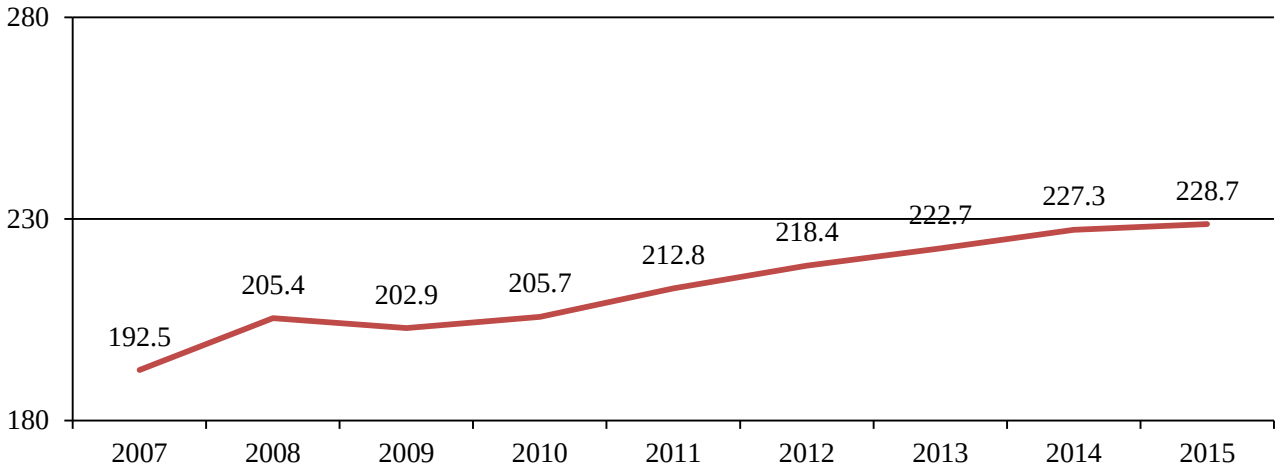
Exhibit 23
Year-over-year Construction Cost Inflation
Calendar 2001-2015



Source: Bureau of Labor Statistics; Engineering New-Record

Although the rate of year-over-year inflation has decreased since calendar 2011, as shown in **Exhibit 24**, construction inflation overall has increased at an average annual rate of 1.8% from calendar 2011 through December estimates for calendar 2015.

Exhibit 24
Indexed Average Annual Construction Cost Inflation
Calendar 2007-2015



Source: Bureau of Labor Statistics; Engineering New-Record

Escalation Rates Used in Cost Estimating

Base square foot costs increase by 3.6% for projects requested in the 2016 session to account for annual construction cost inflation. The Department of Budget and Management has set inflationary factors for cost estimate worksheets calculated to the mid-point of construction to account for the year-over-year impact of inflation on project costs estimates. The rates are set at 3.0% annually for calendar 2015 and 3.0% for calendar 2016 and each subsequent year thereafter.

School Construction Project Costs

The Interagency Committee on School Construction increased the square foot construction cost allowance for the Public School Construction program to $335.58 per square foot for new construction projects that include site development. This is up from the $260.96 rate used for fiscal 2016 and substantially above the $155.40 rate used in fiscal 2004. **Exhibit 25** shows the past and projected school construction square foot costs allowances.

Exhibit 25
Past and Projected School Construction Square Foot Costs
($ in Millions)

Bid Date	Building (New Construction without Site Development)	Construction (New Construction with Site Development)
July 2003	$138.75	$155.40
July 2004	140.00	156.80
July 2005	157.00	175.84
July 2006	190.00	212.80
July 2007	215.00	240.80
July 2008	215.00	240.80
July 2009	224.00	250.88
July 2010	200.00	224.00
July 2011	200.00	224.00
July 2012	207.00	231.84
July 2013	215.00	240.80
July 2014	224.00	250.88
July 2015	233.00	260.96
July 2016	282.00	335.58

Source: Interagency Committee on School Construction

Pre-authorizations and Split Funding

The Maryland Consolidated Capital Bond Program (MCCBL) of 2015 included $382.1 million of pre-authorizations for funding to be authorized in the MCCBL of 2015. **Exhibit 26** lists these pre-authorizations as well as the amounts included in the 2016 session capital budget bill, as introduced.

Exhibit 26

Pre-authorizations Included in MCCBL of 2015 for the 2016 Session

($ in Millions)

Project Title	2015 Session (Fiscal 2017)	2016 Session (Fiscal 2017)	
BPW: Sarasota State Center – Garage Improvements	$2,225,000	$0	Project no longer planned.
MD: Combined Support Maintenance Shop Automotive Maintenance Facility	1,650,000	0	Prior federal funds sufficient to start design and construction – State GO bond funds programmed for fiscal 2018.
MD: Easton Readiness Center	2,000,000	0	Prior federal funds sufficient to start design and construction – State GO bond funds programmed for fiscal 2018.
MD: Havre de Grace Readiness Center	4,100,000	4,115,000	
DNR: Bloede Dam Removal	1,000,000		Funded in fiscal 2016 in DNR Natural Resources Development Fund.
DPSCS: Hot Water and Steam System Improvement Eastern Correctional Institute	2,000,000	1,945,000	Fiscal 2017 funding level based on approved contract.
DPSCS: New Youth Detention Center	3,300,000	2,462,000	Fiscal 2017 construction funding based on approved contract.
MSDE: State Library Resource Center	23,200,000	29,060,000	Fiscal 2017 construction funding based on approved contract and revised project cash flow schedule.
UMB: Health Sciences Research Facility III	70,500,000	74,650,000	Fiscal 2017 construction funding based on approved contract and revised project cash flow schedule.
UMCP: Brendan Iribe Center for Computer Science and Innovation	27,000,000	27,000,000	
UMCP: Edward St. John Learning and Teaching Center	500,000	500,000	

Project Title	2015 Session (Fiscal 2017)	2016 Session (Fiscal 2017)	
UMCP: Clark Bioengineering Building	45,350,000	69,955,000	Fiscal 2017 construction funding based on approved contract and revised project cash flow schedule. Total project cost reduced by $5.4 million relative to 2015 CIP estimate.
BSU: New Natural Sciences Center	28,250,000	28,201,000	
CSU: Percy Julian Science Renovation	3,400,000	0	Initial design funding deferred in 2016 CIP to fiscal 2019.
USMO: Shady Grove Educational Center	72,000,000	0	Initial construction funding deferred to fiscal 2020 in the 2016 session CIP.
MHEC: Community College Facilities Grant Program	50,945,000	38,475,986	
MSU: New Behavioral and Social Sciences Building	30,150,000	28,550,000	Fiscal 2017 construction funding based on approved contract and revised project cash flow schedule.
MES: Infrastructure Improvement Fund	14,058,000	13,159,000	
Miscellaneous: Angel's Watch Shelter	500,000	750,000	
Total	**$382,128,000**	**$318,822,986**	

BPW: Board of Public Works
BSU: Bowie State University
CIP: Capital Improvement Program
CSU: Coppin State University
DNR: Department of Natural Resources
DPSCS: Department of Public Safety and Correctional Services
GO: general obligation
MCCBL: Maryland Consolidated Capital Bond Loan
MD: Military Department
MES: Maryland Environmental Service
MHEC: Maryland Higher Education Commission
MSDE: Maryland State Department of Education
MSU: Morgan State University
UMB: University of Maryland, Baltimore
UMCP: University of Maryland, College Park
USMO: University System of Maryland Office

Source: Department of Budget and Management

Exhibit 27 shows the pre-authorizations included in the MCCBL of 2015 for authorizations intended for the 2016 through 2018 sessions. In some instances, a pre-authorization is paired with proposed fiscal 2016 authorizations to allow construction bids for projects to be awarded during the fiscal year without having to dedicate the entire amount of estimated construction funds needed to complete the project.

Exhibit 27
Pre-authorizations Included in the MCCBL of 2016
Fiscal 2018-2020
($ in Millions)

Budget Code	Project Title	2018	2019	2020	Final
BPW	Annapolis Post Office	$4.2			$4.2
BPW	New Catonsville District Court	40.9			40.9
MD	Easton Readiness Center	4.4			4.4
MD	Havre de Grace CSMS	1.6	$1.0		2.6
DPSCS	Demolition of Buildings at the Baltimore City Correctional Complex	16.9			16.9
MSDE	State Library Resource Center	30.5	3.5		34.0
UMB	Health Sciences Research Facility III	3.4			3.4
UMCP	A. James Clark Hall – New Bioengineering Building	11.2	3.5		14.8
UMCP	Brendan Iribe Center for Computer Science	69.6			69.6
UMCP	New Cole Field House	12.2	6.0		18.2
UB	Langsdale Library	3.2			3.2
MHEC	Community College Facilities Grant Program	45.8	13.5	$10.5	69.8
MSU	New Behavioral and Social Sciences Building	2.8			2.8
MES	Infrastructure Improvement Fund	6.8	0.7		7.5
DJS	New Female Detention Center	28.8	14.4		43.1
Fiscal Year Total Pre-authorizations as Introduced		**282.2**	**42.6**	**10.5**	**335.3**

BPW: Board of Public Works
CSMS: Combined Support Maintenance Shop
DJS: Department of Juvenile Services
DPSCS: Department of Public Safety and Correctional Services
MCCBL: Maryland Consolidated Capital Bond Loan
MD: Military Department
MES: Maryland Environmental Service
MHEC: Maryland Higher Education Commission
MSDE: Maryland State Department of Education
MSU: Morgan State University
UB: University of Baltimore
UMB: University of Maryland, Baltimore
UMCP: University of Maryland, College Park

Source: Department of Budget and Management

Recent History of GO Bond Authorization Level Increases 2001 through 2019 Session

Year-over-year Change in GO Bond Authorization Levels

Appendix 1 illustrates the year-over-year revision in CDAC-recommended authorization levels. The table portion illustrates the capacity to contract planned authorization levels when fiscal and debt affordability constraints warrant, as occurred during the great recession, but also expand to meet certain fiscal and policy objectives such as the Public School Facilities Act of 2004 and to take advantage of recent historically low interest rates

Comparison of Recent Capital Debt Affordability Committee

Recommendations for Annual New GO Bond Authorizations

($ in Millions)

CDAC	Session 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	CDAC
2015														995	995	995	995	995	995	2015
2014													1170	1180	1275	1315	1280	1320	1360	2014
2013												1160	1170	1180	1275	1315	1280	1320	1360	2013
2012											1075	1085	1095	1105	1200	1240	1280	1320	1360	2012
2011										1075	925	935	945	955	1200	1240	1280	1320		2011
2010									925	925	925	935	945	955	1200	1240	1280			2010
2009								1140	1020	1050	1080	1110	1140	1170	1200	1240				2009
2008							1110	990	1020	1050	1080	1110	1140	1170	1200					2008
2007						935	960	990	1020	1050	1080	1110	1140	1170						2007
2006					810	835	860	890	920	950	980	1010	1040							2006
2005				690	710	730	745	770	795	820	845	870								2005
2004			$670	685	700	715	630	645	660	675	690									2004
2003		$650	665	680	695	710	630	645	660	675										2003
2002	$740	555	570	585	600	615	625	640	655											2002
2001	535	550	565	580	595	610	625	640												2001

Initial Authorization	Amount Authorized	Effect on Capital Spending
Chapter 103 of 2002	$5 million annually	Fund Tobacco Transition Program
Chapter 290 of 2002	$200 million in fiscal 2003	Move PAYGO capital projects into GO bond program
Chapter 204 of 2003	$200 million in fiscal 2004	Move PAYGO capital projects into GO bond program
Chapter 432 of 2004	$100 million annually for five years	Increase the State capital program
Chapter 46 of 2006	Increase escalation to 3%, $100 million annually in fiscal 2010	Increase the State capital program
Chapter 488 of 2007	$100 million annually	Increase the State capital program
Chapter 336 of 2008	$100 million annually	Increase the State capital program
Chapter 485 of 2009	$150 million in fiscal 2010	Move PAYGO capital projects into GO bond program
Chapter 419 of 2009	$70 million in fiscal 2010	Maintain POS spending in fiscal 2010
Chapter 483 of 2010	$150 million in fiscal 2011	Move PAYGO capital projects into GO bond program
Chapter 444 of 2012	$150 million in fiscal 2013	Increase the State capital program
Chapter 424 of 2013	$150 million each of fiscal 2014 to 2018	Increase the State capital program – restore authorization levels to pre-2010 session levels
Chapter 463 of 2014	$75 million in fiscal 2015	Increase to accommodate State Highway Administration's share of the Watershed Implementation Plan

CDAC: Capital Debt Affordability Committee
GO: general obligation
PAYGO: pay-as-you-go
POS: Program Open Space

Source: 2015 Capital Debt Affordability Committee

Appendix 2

Capital Program Summary for the 2016 Session
($ in Millions)

Allowance	Bonds		Current Funds (PAYGO)			
Function	**General Obligation**	**Revenue**	**General**	**Special**	**Federal**	**Total**
State Facilities						**$72.9**
Facilities Renewal	$16.7	$0.0	$0.0	$0.0	$0.0	
State Facilities Other	49.7	0.0	2.2	0.0	4.3	
Health/Social						**67.1**
Health Other	$8.9	$0.0	$0.0	$0.0	$0.0	
Health State Facilities	15.2	0.0	0.0	0.0	0.0	
Private Hospitals	43.0	0.0	0.0	0.0	0.0	
Environment						**442.8**
Agriculture	$6.8	$0.0	$0.0	$22.2	$0.0	
Energy	0.0	0.0	0.0	2.7	1.0	
Environment	37.8	0.0	0.2	210.1	44.3	
MD Environmental Services	24.8	0.0	0.0	0.0	0.0	
Natural Resources	10.8	0.0	0.0	74.3	7.9	
Public Safety						**45.4**
Local Jails	$2.9	$0.0	$0.0	$0.0	$0.0	
State Corrections	42.5	0.0	0.0	0.0	0.0	
Education						**348.4**
Education Other	34.1	0.0	0.0	0.0	0.0	
School Construction	314.3	0.0	0.0	0.0	0.0	
Higher Education						**369.0**
Community Colleges	$59.6	$0.0	$0.0	$0.0	$0.0	
Morgan State Univ.	35.7	0.0	0.0	0.0	0.0	
Private Colleges/Universities	8.0	0.0	0.0	0.0	0.0	
St. Mary's College of Maryland	2.7	0.0	0.0	0.0	1.7	
University System	236.8	24.5	0.0	0.0	0.0	
Housing/Community Development						**101.1**
Housing	$40.0	$0.0	$0.0	$31.7	$15.7	
Housing Other	4.6	0.0	9.0	0.2	0.0	
Local Projects						**12.2**
Local Project Administration	$12.2	$0.0	$0.0	$0.0	$0.0	

Allowance	Bonds		Current Funds (PAYGO)			
Function	**General Obligation**	**Revenue**	**General**	**Special**	**Federal**	**Total**
De-authorizations						**-8.6**
De-authorizations	-$8.6	$0.0	$0.0	$0.0	$0.0	
Current Year Total	**$998.4**	**$24.5**	**$11.4**	**$341.1**	**$74.9**	**$1,450.3**
Fiscal 2016 Deficiencies	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Transportation CTP	**$0.0**	**$685.0**	**$0.0**	**$1,035.6**	**$1,086.2**	**$2,806.8**
Grand Total	**$998.4**	**$709.5**	**$11.4**	**$1,376.7**	**$1,161.1**	**$4,257.1**

CTP: Consolidated Transportation Program
PAYGO: pay-as-you-go

Note: The general obligation bond total includes $4.6 million of Qualified Zone Academy Bonds.

Source: Department of Budget and Management

Capital Program for the 2016 Session as Introduced

Budget Code	Allowance Project Title	Bonds General Obligation	Bonds Revenue	Current Funds (PAYGO) General	Current Funds (PAYGO) Special	Current Funds (PAYGO) Federal	Total Funds
	State Facilities						
D55P04A	DVA: Cemetery Program	$0	$0	$2,180,000	$0	$0	$2,180,000
DA0201A	MDOD: Accessibility Modifications	750,000	0	0	0	0	750,000
DE0201A	BPW: Facilities Renewal Fund	15,000,000	0	0	0	0	15,000,000
DE0201B	BPW: Fuel Storage Tank Replacement Program	1,700,000	0	0	0	0	1,700,000
DE0201C	BPW: Annapolis Post Office	750,000	0	0	0	0	750,000
DE0201D	BPW: New Catonsville District Court	28,501,000	0	0	0	0	28,501,000
DE0201E	BPW: Salisbury District Court Multi-Service Center	400,000	0	0	0	0	400,000
DH0104A	MD: Havre de Grace Readiness Center	4,115,000	0	0	0	2,158,000	6,273,000
DH0104B	MD: Freedom Readiness Center	0	0	0	0	2,171,000	2,171,000
FB04A	DoIT: Public Safety Communications System	15,000,000	0	0	0	0	15,000,000
RP00A	MPBC: Maryland Public Television Transmission Systems Replacement	150,000	0	0	0	0	150,000
	Subject Category Subtotal	***$66,366,000***	***$0***	***$2,180,000***	***$0***	***$4,329,000***	***$72,875,000***
	Health/Social						
DA0701A	MDOA: Senior Centers Capital Grant Program	$1,680,000	$0	$0	$0	$0	$1,680,000
MA01A	DHMH: Community Health Facilities Grant Program	4,758,000	0	0	0	0	4,758,000

Budget Code	Allowance: Project Title	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
MA01B	DHMH: Federally Qualified Health Centers Grant Program	2,500,000	0	0	0	0	2,500,000
RQ00A	UMMS: Capital Infrastructure Improvements	4,000,000	0	0	0	0	4,000,000
RQ00B	UMMS: R Adams Cowley Shock Trauma Center Phase II	5,250,000	0	0	0	0	5,250,000
VE01A	DJS: New Female Detention Center	15,168,000	0	0	0	0	15,168,000
ZA00O	MISC: Sinai Hospital of Baltimore	2,000,000	0	0	0	0	2,000,000
ZA00N*	MISC: Prince George's Hospital System	27,500,000	0	0	0	0	27,500,000
ZA01A	MHA: Adventist Behavioral Health and Wellness	392,000	0	0	0	0	392,000
ZA01B	MHA: Anne Arundel Health System	500,000	0	0	0	0	500,000
ZA01C	MHA: Doctors Community Hospital	500,000	0	0	0	0	500,000
ZA01D	MHA: Edward W. McCready Hospital	239,000	0	0	0	0	239,000
ZA01E	MHA: Medstar Franklin Square Hospital	877,000	0	0	0	0	877,000
ZA01F	MHA: Medstar Montgomery Medical Center	300,000	0	0	0	0	300,000
ZA01G	MHA: Shady Grove Medical Center	279,000	0	0	0	0	279,000
ZA01H	MHA: University of Maryland Rehabilitation and Orthopedic Institute	150,000	0	0	0	0	150,000

Budget Code	Allowance: Project Title	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
ZA01I	MHA: University of Maryland, St. Joseph Medical Center	1,000,000	0	0	0	0	1,000,000
	Subject Category Subtotal	***$67,093,000***	***$0***	***$0***	***$0***	***$0***	***$67,093,000***
	Environment						
DA1302	MEA: Jane E. Lawton Loan Program	$0	$0	$0	$1,500,000	$0	$1,500,000
DA1303	MEA: State Agency Loan Program	0	0	0	1,200,000	1,000,000	2,200,000
KA0510A	DNR: Natural Resources Development Fund	0	0	0	3,062,000	0	3,062,000
KA0510B	DNR: Critical Maintenance Projects	0	0	0	6,000,696	0	6,000,696
KA0510C	DNR: Program Open Space – Stateside	0	0	0	19,368,428	5,750,000	25,118,428
KA0510D	DNR: Program Open Space – Local	0	0	0	21,690,973	0	21,690,973
KA05A	DNR: Community Parks and Playgrounds	2,500,000	0	0	0	0	2,500,000
KA05B	DNR: Rural Legacy Program	5,000,000	0	0	12,663,385	0	17,663,385
KA0906A	DNR: Ocean City Beach Maintenance	0	0	0	1,000,000	0	1,000,000
KA1102A	DNR: Waterway Improvement Program	0	0	0	10,500,000	2,100,000	12,600,000
KA1701A	DNR: Oyster Restoration Program	3,300,000	0	0	0	0	3,300,000
LA1111	MDA: Agricultural Land Preservation Program	0	0	0	21,227,744	0	21,227,744
LA1205A	MDA: Salisbury Animal Health Laboratory Replacement	750,000	0	0	0	0	750,000
LA1213	MDA: Tobacco Transition Program	0	0	0	1,000,000	0	1,000,000

Budget Code	Allowance Project Title	Bonds General Obligation	Bonds Revenue	Current Funds (PAYGO) General	Current Funds (PAYGO) Special	Current Funds (PAYGO) Federal	Total Funds
LA15A	MDA: Maryland Agricultural Cost Share Program	6,000,000	0	0	0	0	6,000,000
UA0104	MDE: Hazardous Substance Cleanup Program	0	0	200,000	0	0	200,000
UA0111	MDE: Bay Restoration Fund Wastewater Projects	0	0	0	80,000,000	0	80,000,000
UA0112	MDE: Bay Restoration Fund Septic System Program	0	0	0	14,000,000	0	14,000,000
UA0114	MDE: Energy – Water Infrastructure Program	0	0	0	16,200,000	0	16,200,000
UA01A	MDE: Biological Nutrient Removal Program	25,000,000	0	0	0	0	25,000,000
UA01B	MDE: Maryland Drinking Water Revolving Loan Fund	3,003,000	0	0	10,638,000	10,359,000	24,000,000
UA01C	MDE: Maryland Water Quality Revolving Loan Fund	6,792,000	0	0	89,248,000	33,960,000	130,000,000
UA01D	MDE: Mining Remediation Program	500,000	0	0	0	0	500,000
UA01E	MDE: Water Supply Financial Assistance Program	2,480,000	0	0	0	0	2,480,000
UB00A	MES: Infrastructure Improvement Fund	24,825,000	0	0	0	0	24,825,000
	Subject Category Subtotal	***$80,150,000***	***$0***	***$200,000***	***$309,299,226***	***$53,169,000***	***$442,818,226***
	Public Safety						
QR0201A	DPSCS: Perimeter Security Improvements	$1,042,000	$0	$0	$0	$0	$1,042,000
QR0202A	DPSCS: Housing Unit Windows and Heating Systems Replacement	655,000	0	0	0	0	655,000

Budget Code	Project Title	Allowance: General Obligation	Allowance: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
		Bonds		Current Funds (PAYGO)			
QS0101A	DPSCS: Jessup Region Electrical Infrastructure Upgrade	382,000	0	0	0	0	382,000
QS0208A	DPSCS: Hot Water and Steam System Improvements	1,945,000	0	0	0	0	1,945,000
QT04A	DPSCS: Demolition of Buildings at the Baltimore City Correctional Complex	16,581,000	0	0	0	0	16,581,000
QT04B	DPSCS: New Baltimore Justice Center	18,270,000	0	0	0	0	18,270,000
QT04C	DPSCS: New Youth Detention Center	3,647,000	0	0	0	0	3,647,000
ZB02A	DPSCS: Montgomery County Pre-Release Center	403,000	0	0	0	0	403,000
ZB02B	DPSCS: Prince George's County Correctional Center	2,488,000	0	0	0	0	2,488,000
	Subject Category Subtotal	***$45,413,000***	***$0***	***$0***	***$0***	***$0***	***$45,413,000***
	Education						
DE0202A	BPW: Aging Schools Program	$6,109,000	$0	$0	$0	$0	$6,109,000
DE0202B	BPW: Public School Construction Program	280,000,000	0	0	0	0	280,000,000
DE0202C	BPW: Nonpublic Aging Schools Program	3,500,000	0	0	0	0	3,500,000
DE0202D	BPW: Supplemental Capital Grant Program for Local School Systems	20,000,000	0	0	0	0	20,000,000
DE0202QZ	BPW: Qualified Zone Academy Bond Program	4,680,000	0	0	0	0	4,680,000
RA01A	MSDE: Public Library Capital Grant Program	5,000,000	0	0	0	0	5,000,000

Budget Code	Allowance Project Title	Bonds General Obligation	Bonds Revenue	Current Funds (PAYGO) General	Current Funds (PAYGO) Special	Current Funds (PAYGO) Federal	Total Funds
RA01B	MSDE: State Library Resource Center	26,410,000	0	0	0	0	26,410,000
RE01A	MSDE: Water Main Replacement Project	2,735,000	0	0	0	0	2,735,000
	Subject Category Subtotal	***$348,434,000***	***$0***	***$0***	***$0***	***$0***	***$348,434,000***
	Higher Education						
RB21A	UMB: Central Electric Substation and Electrical Infrastructure Upgrades	$5,000,000	$0	$0	$0	$0	$5,000,000
RB21B	UMB: Health Sciences Research Facility III and Surge Building	81,000,000	0	0	0	0	81,000,000
RB22A	UMCP: A. James Clark Hall – New Bioengineering Building	62,455,000	7,500,000	0	0	0	69,955,000
RB22B	UMCP: Brendan Iribe Center for Computer Science and Innovations	27,000,000	0	0	0	0	27,000,000
RB22C	UMCP: Edward St. John Learning and Teaching Center	5,100,000	0	0	0	0	5,100,000
RB22D	UMCP: New Cole Field House	3,000,000	0	0	0	0	3,000,000
RB23A	BSU: New Natural Sciences Center	31,501,000	0	0	0	0	31,501,000
RB24A	TU: New Science Facility	6,150,000	0	0	0	0	6,150,000
RB28A	UB: Langsdale Library	9,300,000	0	0	0	0	9,300,000
RB29A	SU: Sea Gull Stadium	575,000	0	0	0	0	575,000
RB31A	UMBC: Interdisciplinary Life Sciences Building	2,640,000	0	0	0	0	2,640,000
RB36A	USMO: Southern Maryland Regional Higher Education Facility	3,061,000	0	0	0	0	3,061,000

Budget Code	Project Title	Allowance: Bonds: General Obligation	Allowance: Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
RB36B	USMO: Capital Facilities Renewal Program	0	17,000,000	0	0	0	17,000,000
RC00A	BCCC: Liberty Campus Loop Road, Inner Loop and Entrance Improvements	248,000	0	0	0	0	248,000
RD00A	SMCM: Campus Infrastructure Improvements	900,000	0	0	0	1,741,000	2,641,000
RD00B	SMCM: New Academic Building and Auditorium	1,800,000	0	0	0	0	1,800,000
RI00A	MHEC: Community College Facilities Grant Program	59,386,000	0	0	0	0	59,386,000
RM00A	MSU: New Behavioral and Social Sciences Building	35,700,000	0	0	0	0	35,700,000
ZA00H	MICUA: Capitol Technology University	1,400,000	0	0	0	0	1,400,000
ZA00I	MICUA: Johns Hopkins University	3,300,000	0	0	0	0	3,300,000
ZA00J	MICUA: Maryland Institute College of Art	3,300,000	0	0	0	0	3,300,000
	Subject Category Subtotal	***$342,816,000***	***$24,500,000***	***$0***	***$0***	***$1,741,000***	***$369,057,000***
	Housing/Community Development						
DW0108A	MDOP: Patterson Center Renovation	$327,000	$0	$0	$0	$0	$327,000
DW0108B	MDOP: St. Leonard's Creek Shoreline Erosion Control	3,091,000	0	0	0	0	3,091,000
DW0111A	MDOP: African American Heritage Preservation Grant Program	1,000,000	0	0	0	0	1,000,000
DW0111B	MDOP: Historical Preservation Loan Fund	150,000	0	0	150,000	0	300,000
DW0112	MDOP: Sustainable Communities Tax Credit	0	0	9,000,000	0	0	9,000,000

Budget Code	Project Title	Allowance: Bonds: General Obligation	Allowance: Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
SA2402A	DHCD: Community Development Block Grant Program	0	0	0	0	9,000,000	9,000,000
SA24A	DHCD: Community Legacy Program	6,000,000	0	0	0	0	6,000,000
SA24B	DHCD: Neighborhood Business Development Program	3,400,000	0	0	1,600,000	0	5,000,000
SA24C	DHCD: Baltimore Regional Neighborhoods Initiative	1,500,000	0	0	0	0	1,500,000
SA2514A	DHCD: MD-BRAC Preservation Loan Fund	0	0	0	3,500,000	0	3,500,000
SA25A	DHCD: Homeownership Programs	8,500,000	0	0	1,400,000	0	9,900,000
SA25B	DHCD: Housing and Building Energy Programs	1,000,000	0	0	6,850,000	700,000	8,550,000
SA25C	DHCD: Partnership Rental Housing Program	6,000,000	0	0	500,000	0	6,500,000
SA25D	DHCD: Rental Housing Programs	10,000,000	0	0	15,500,000	4,000,000	29,500,000
SA25E	DHCD: Shelter and Transitional Housing Facilities Grant Program	1,500,000	0	0	0	0	1,500,000
SA25F	DHCD: Special Loan Programs	2,100,000	0	0	2,300,000	2,000,000	6,400,000
	Subject Category Subtotal	***$44,568,000***	***$0***	***$9,000,000***	***$31,800,000***	***$15,700,000***	***$101,068,000***
	Local Projects						
ZA00A	MISC: Angel's Watch Shelter	$750,000	$0	$0	$0	$0	$750,000
ZA00B	MISC: Arthur Perdue Stadium	775,000	0	0	0	0	775,000
ZA00C	MISC: Center Stage	3,000,000	0	0	0	0	3,000,000
ZA00D	MISC: Charles E. Smith Life Communities	400,000	0	0	0	0	400,000

Budget Code	Allowance Project Title	Bonds General Obligation	Bonds Revenue	Current Funds (PAYGO) General	Current Funds (PAYGO) Special	Current Funds (PAYGO) Federal	Current Funds (PAYGO) Total Funds
ZA00E	MISC: Chesapeake Bay Maritime Museum	250,000	0	0	0	0	250,000
ZA00F	MISC: Historic Annapolis	1,000,000	0	0	0	0	1,000,000
ZA00G	MISC: Kennedy Krieger Institute	1,750,000	0	0	0	0	1,750,000
ZA00K	MISC: Maryland Zoo in Baltimore	2,500,000	0	0	0	0	2,500,000
ZA00L	MISC: National Sailing Hall of Fame	1,000,000	0	0	0	0	1,000,000
ZA00M	MISC: Peale Center	400,000	0	0	0	0	400,000
ZA00P	MISC: Western Maryland Scenic Railroad	400,000	0	0	0	0	400,000
	Subject Category Subtotal	***$12,225,000***	***$0***	***$0***	***$0***	***$0***	***$12,225,000***
	De-authorizations						
ZF00	De-authorizations as Introduced	-$8,622,199	$0	$0	$0	$0	-$8,622,199
	Subject Category Subtotal	***-$8,622,199***	***$0***	***$0***	***$0***	***$0***	***-$8,622,199***
	Current Year Total	**$998,442,801**	**$24,500,000**	**$11,380,000**	**$341,099,226**	**$74,939,000**	**$1,450,361,027**
	Fiscal 2016 Deficiencies						
D55P04A	DVA: Cemetery Program	$0	$0	$26,000	$0	$0	$26,000
	Subject Category Subtotal	***$0***	***$0***	***$26,000***	***$0***	***$0***	***$26,000***
	Entire Budget Total:	**$998,442,801**	**$24,500,000**	**$11,406,000**	**$341,099,226**	**$74,939,000**	**$1,450,387,027**
	Transportation CTP	**$0**	**$685,000,000**	**$0**	**$1,035,552,248**	**$1,086,210,000**	**$2,806,762,248**
	Grand Total	**$998,442,801**	**$709,500,000**	**$11,406,000**	**$1,376,651,474**	**$1,161,149,000**	**$4,257,149,275**

BCCC: Baltimore City Community College
BPW: Board of Public Works
BSU: Bowie State University
CTP: *Consolidated Transportation Program*
DHCD: Department of Housing and Community Development
DHMH: Department of Health and Mental Hygiene
DJS: Department of Juvenile Services
DNR: Department of Natural Resources
DPSCS: Department of Public Safety and Correctional Services
DoIT: Department of Information Technology
DVA: Department of Veteran Affairs
MD: Military Department
MD-BRAC: Maryland Base realignment and closure
MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment
MDOA: Maryland Department of Aging
MDOD: Maryland Department of Disabilities
MDOP: Maryland Department of Planning
MEA: Maryland Energy Administration
MES: Maryland Environmental Service
MHA: Maryland Hospital Association
MHEC: Maryland Higher Education Commission
MICUA: Maryland Independent College and University Association
MISC: miscellaneous
MPBC: Maryland Public Broadcasting Commission
MSDE: Maryland State Department of Education
MSU: Morgan State University
PAYGO: pay as you go
SMCM: St. Mary's College of Maryland
SU: Salisbury University
TU: Towson University
UB: University of Baltimore
UMB: University of Maryland, Baltimore
UMBC: University of Maryland Baltimore County
UMCP: University of Maryland, College Park
UMMS: University of Maryland Medical System
USMO: University System of Maryland Office

Note: GO bond totals include $4.76 million of Qualified Zone Academy Bonds not counted under the limit for new GO bond authorizations for the 2016 session.

Back of the Bill – GO Bond De-authorizations and Other Changes
Fiscal 2017

Agency	Chapter Law	Project	Amount
MSU	Chapter 488 of the Acts of 2007, as amended by Chapter 485 of the Acts of 2009 and Chapter 396 of the Acts of 2011	Campuswide Site Improvements	-$417,853
UMMS	Chapter 336 of the Acts of 2008	New Diagnostic and Treatment Facilities	-282,866
Misc. Local	Chapter 336 of the Acts of 2008	Local Senate Initiatives Community Post	-125,000
Misc. Local	Chapter 336 of the Acts of 2008	Local Senate Initiative Heritage Trail and Saint Helena Park	-175,000
Misc. Local	Chapter 336 of the Acts of 2008	Local Senate Initiatives MacDonald Knolls Center I	-175,000
Misc. Local	Chapter 336 of the Acts of 2008	Local Senate Initiatives The Arc of Montgomery County Group Home	-125,000
Misc. Local	Chapter 336 of the Acts of 2008	Local House Initiatives Community Post	-175,000
Misc. Local	Chapter 336 of the Acts of 2008	Local House Initiatives MacDonald Knolls Center	-250,000
Misc. MHA	Chapter 336 of the Acts of 2008	Union Center of Cecil County–- Outpatient Center	-110,000
BCCC	Chapter 485 of the Acts of 2009, as amended by Chapter 483 of the Acts of 2010 and Chapter 495 of the Acts of 2015	College Main Building Renovation	-141,807
BPW	Chapter 485 of the Acts of 2009, as amended by Chapter 463 of the Acts of 2014	Asbestos Abatement Program	-300,702
DHMH	Chapter 485 of the Acts of 2009, as amended by Chapter 495 of the Acts of 2015	Patient Safety Improvements	-214,934

Agency	Chapter Law	Project	Amount
BSU	Chapter 485 of the Acts of 2009, as amended by Chapter 483 of the Acts of 2010, Chapter 444 of the Acts of 2012, and Chapter 463 of the Acts of 2014	New Fine and Performing Arts Building	-100,799
MSU	Chapter 485 of the Acts of 2009, as amended by Chapter 483 of the Acts of 2010 and Chapter 495 of the Acts of 2015	New Center for Built Environment	-250,000
UMBC	Chapter 396 of the Acts of 2011, and amended by Chapter 495 of the Acts of 2015	New Performing Arts and Humanities Facility	-1,000,000
UMBC	Chapter 444 of the Acts of 2012	New Performing Arts and Humanities Facility	-1,000,000
DHMH	Chapter 444 of the Acts of 2012, as amended by Chapter 424 of the Acts of 2013 and Chapter 463 of the Acts of 2014	Secure Evaluation and Therapeutic Treatment Center	-2,150,000
BPW	Chapter 444 of the Acts of 2012, as amended by Chapter 463 of the Acts of 2014 and Chapter 495 of the Acts of 2015	William Donald Schaefer Tower – Replace Fire Alarm System	-100,000
DLLR	Chapter 444 of the Acts of 2012, as amended by Chapter 495 of the Acts of 2015	1100 North Eutaw Street Elevator Replacement	-100,000
MSU	Chapter 424 of the Acts of 2013, as amended by Chapter 495 of the Acts of 2015	Soper Library Demolition	-128,238
BPW	Chapter 424 of the Acts of 2013, as amended by Chapter 495 of the Acts of 2015	State House Complex Security Upgrades	-250,000
Misc. MHA	Chapter 424 of the Acts of 2013, as amended by Chapter 495 of the Acts of 2015	Meritus Medical Center	-500,000
DJS	Chapter 463 of the Acts of 2014, as amended by Chapter 495 of the Acts of 2015	Lower Shore Treatment Center	-300,000

Agency	Chapter Law	Project	Amount
Misc. Local	Chapter 495 of the Acts of 2015	Sports Legends Museum Renovations	-250,000
De-authorizations as Introduced:			**-$8,622,199**

BCCC: Baltimore City Community College
BPW: Board of Public Works
BSU: Bowie State University
DHMH: Department of Health and Mental Hygiene
DLLR: Department of Labor, Licensing, and Regulation
DNR: Department of Natural Resources
DPSCS: Department of Public Safety and Correctional Services
GO: general obligation
MD: Military Department
Misc.: miscellaneous
MSU: Morgan State University
UMBC: University of Maryland Baltimore County

Other Proposed Changes to Prior Authorizations

Agency	Chapter Law	Project	Purpose
HSMCC	Chapter 488 of the Acts of 2007	Maryland Heritage Interpretive Center	Extends termination date to June 1, 2018.
MSU	Chapter 336 of the Acts of 2008	Campuswide Site Improvements	Extends termination date to June 1, 2018.
BPW	Chapter 444 of the Acts of 2012	Annapolis Post Office	Adds construction to eligible uses of funds.
BPW	Chapter 424 of the Acts of 2013	Annapolis Post Office	Adds construction to eligible uses of funds.
DHCD	Chapter 495 of the Acts of 2015	Homeownership Programs	Increases program authorization to reflect reallocation of $3.0 million from Special Loan Programs.
DHCD	Chapter 495 of the Acts of 2015	Special Loan Programs	Decreases program authorization to reflect reallocation of $3.0 million to Homeownership Programs.
Misc. Local	Chapter 495 of the Acts of 2015	Maryland Food Bank	Amend authorization to clarify use of funds for Food Bank branches in Cecil County and the City of Salisbury.

BPW: Board of Public Works
DHCD: Department of Housing and Community Development
HSMCC: Historic St. Mary's City Commission
Misc.: Miscellaneous
MSU: Morgan State University

Appendix 6

GO Bond Projects – Program Changes in CIP
Fiscal 2017

Project/Program	Planned	Proposed	Purpose
Agriculture – Salisbury Animal Health Laboratory Replacement	$0.0	$0.8	Project was not in previous five-year *Capital Improvement Program* (CIP) accelerated for health, life, or safety issues.
Environment – Biological Nutrient Removal Program	33.5	25.0	Funding based on cash flow needs of Back River project.
Environment – Supplemental Assistance Program	5.0	0.0	Program has been deleted from CIP – other programs can meet needs previously addressed by Supplemental Assistance Program.
Department of Health and Mental Hygiene (DHHM) – Secure Evaluation and Therapeutic Treatment Facility	7.6	0.0	Project scope and location are under review – project is moved back in CIP.
DHMH – Clifton T. Perkins Hospital Center North Wing Renovation	0.9	0.0	Moved back in CIP.
Department of Housing and Community Development (DHCD) – Baltimore Regional Neighborhood Initiative	0.0	1.5	No funding planned in CIP – program has been funded since fiscal 2012.
DHCD – Rental Housing Program	0.0	10.0	No funding planned in CIP – program has been funded since fiscal 2012.
Department of Information Technology – Public Safety Communication System	28.5	15.0	Project completion has been stretched through fiscal 2020.
Department Juvenile Services (DJS) – New Female Detention Center	30.5	15.2	Revised project schedule moves more funding into fiscal 2018 and 2019.
DJS – Cheltenham Youth Facility	3.1	0.0	No longer planned in five-year CIP.
Military – Easton Readiness Center	2.0	0.0	State funding programmed in fiscal 2018.
Military – Have de Grace Combined Support Maintenance Shop	1.7	0.0	State funding programmed in fiscal 2018 and 2019.
Morgan State University (MSU) – New Student Service Support Building	4.5	0.0	Planning is programmed in the five-year CIP for fiscal 2018 and 2019.
Department of Natural Resources (DNR) – Natural Resources Development Fund	6.4	0.0	Budget provides additional special funds over what was programmed to partially make up difference.
DNR – Critical Maintenance Projects	2.0	0.0	Budget provides additional special funds over what was programmed to make up difference.

Project/Program	Planned	Proposed	Purpose
Planning – Patterson Center Renovations	3.4	0.3	Provides funds to complete design with construction moved to fiscal 2019 and 2020.
Planning – African American Heritage Preservation Program	0.0	1.0	Legislative mandate from 2015 session legislation.
Department of Public Safety and Correctional Services (DPSCS) – Baltimore Justice Center	0.0	18.3	New project in the five-year CIP.
DPSCS – Baltimore City Detention Center Demolition	0.0	15.6	New project in the five-year CIP.
Public School Construction (PSC)	250.0	280.0	Proposed fiscal 2017 funding at same level as fiscal 2016.
PSC – Supplemental Capital Grant Program for Local School Systems	0.0	20.0	Legislative mandate from 2015 session legislation
PSC – Qualified Zone Academy Bond	0.0	4.7	Federal program reauthorized.
Department of General Services – Annapolis Post Office Renovation	5.1	0.8	Construction phased over fiscal 2017 and fiscal 2018.
University of Maryland, Baltimore – Central Electrical Substation	0.0	5.0	New project to CIP.
University of Maryland, College Park (UMCP) – Clark Engineering Building	45.4	62.5	Project schedule accelerated.
UMCP – Iribe Computer Science Building	0.0	27.0	Project schedule accelerated.
UMCP – New Cole Field House	0.0	3.0	State funding support accelerated.
Coppin State University – Percy Julian School of Business	1.3	0.0	Initial design funding deferred to fiscal 2019.
Salisbury University – Sea Gull Stadium Turf Field	0.0	0.7	New project to CIP.
University of Maryland, Baltimore County – Interdisciplinary Life Sciences Building	8.3	2.6	Fiscal 2017 completes design but defers initial construction funding to fiscal 2018.
University System of Maryland Office (USMO) – Shady Grove Biomedical Sciences Education Facility	72.0	0.0	Construction funding deferred to fiscal 2020 and 2021.
USMO – Southern Maryland Regional Higher Education Facility	0.0	3.1	Funding proposed to complete design phase in fiscal 2017 with construction scheduled for fiscal 2019 and 2020.
Legislative Initiative Grants	15.0	0.0	No funding proposed in five-year CIP.
Prince George's County Regional Hospital System	45.0	27.5	Funding reduced in fiscal 2017 and deferred to fiscal 2018 through 2020 based on project schedule.

D55P
Department of Veterans Affairs – Capital

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	*Prior Auth.*	*2017 Request*	*2018 Est.*	*2019 Est.*	*2020 Est.*	*2021 Est.*	*Beyond CIP*
Cheltenham Veterans Cemetery Burial Expansion and Improvements	$0.000	$1.360	$6.260	$6.480	$0.000	$0.000	$0.000
Garrison Forest Veterans Cemetery Expansion	0.000	0.820	7.720	0.000	0.000	0.000	0.000
State Veterans Home in Baltimore County	0.000	0.000	0.000	0.000	4.317	28.411	31.073
Total	**$0.000**	**$2.180**	**$13.980**	**$6.480**	**$4.317**	**$28.411**	**$31.073**

Fund Source	*Prior Auth.*	*2017 Request*	*2018 Est.*	*2019 Est.*	*2020 Est.*	*2021 Est.*	*Beyond CIP*
GO Bonds	$0.000	$0.000	$0.000	$0.000	$1.511	$9.944	$10.876
PAYGO GF	0.000	2.180	0.000	0.000	0.000	0.000	0.000
PAYGO FF	0.000	0.000	13.980	6.480	2.806	18.467	20.197
Total	**$0.000**	**$2.180**	**$13.980**	**$6.480**	**$4.317**	**$28.411**	**$31.073**

CIP: *Capital Improvement Program*
FF: federal funds
GF: general funds
GO: general obligation
PAYGO: pay-as-you-go

For further information contact: Jared S. Sussman Phone (410) 946-5530

Summary of Recommended PAYGO Actions

1. Eastern Shore Veterans Cemetery Burial Expansion

   Approve deficiency appropriation for Eastern Shore Veterans Cemetery.

2. Cheltenham Veterans Cemetery Burial Expansion and Improvements

   Approve funding for Cheltenham Veterans Cemetery.

3. Garrison Forest Veterans Cemetery Burial Expansion

   Approve funding for Garrison Forest Veterans Cemetery.

Budget Overview

Maryland operates five veterans cemeteries throughout the State to provide interment to eligible veterans and their dependents. The cemeteries are located in Crownsville (Crownsville Veterans Cemetery), Cheltenham (Cheltenham Veterans Cemetery), Owings Mills (Garrison Forest Veterans Cemetery), Hurlock (Eastern Shore Veterans Cemetery), and Flintstone (Rocky Gap Veterans Cemetery). Through grants from the U.S. Department of Veterans Affairs (VA), the State has been able to expand and update State veterans cemeteries.

States request grant funds from VA for expansion of veterans cemeteries. All requested projects are then ranked on a number of factors, and the inclusion of State funds for design helps to increase the priority ranking and makes it more likely to be funded.

The *Capital Improvement Program* (CIP) includes funding for three projects:

- Cheltenham Veterans Cemetery totaling $14.1 million, $1.4 million in general funds for design and $12.7 million in federal funds for construction and equipment;

- Garrison Forest Veterans Cemetery totaling $8.5 million, $0.8 million in general funds for design and $7.7 million in federal funds for construction; and

- New State Veterans Home in Baltimore County totaling $64 million, 35% in general obligation (GO) bonds and 65% in federal funds.

The fiscal 2017 allowance includes $2.2 million in general funds for design for the two cemetery projects. State outlays for veterans cemeteries are reimbursed by the federal government when the grants are approved by VA. The CIP does not include funding for the veterans home project until fiscal 2020.

Deficiency Appropriation

The allowance also includes a $26,000 general fund deficiency appropriation for design modification fees at the Eastern Shore Veterans Cemetery. This project received initial design funds in fiscal 2014 and construction funds in fiscal 2015. VA had an issue with a portion of the design of the project. VA declares that the honor guard addition must be a stand-alone facility. The redesign cost is approximately $27,334. The Maryland Department of Veterans Affairs (MDVA) indicated that VA confirmed that the additional design costs can be included in the reimbursement when the federal construction grant is finalized.

Cheltenham Veterans Cemetery

Cheltenham Veterans Cemetery opened in 1978 and is expected to provide over 50,000 burial sites on the cemetary's 102 acres. Currently, there are a total of 22,016 gravesites of which only 1,288 remain available for interment. On average, 665 casketed burials and 160 cremains burials occur annually at Cheltenham Veterans Cemetery. Projections show there is an accumulated demand for 3,325 burials by fiscal 2019. MDVA projects that current demand for sites will exceed the existing supply by the end of fiscal 2016.

The fiscal 2017 allowance includes $1.36 million in general funds for design. Fiscal 2017 is the first year of the project. The CIP includes an additional $12.72 million in federal funds for construction and equipment, phased over fiscal 2018 and 2019.

The expansion will add an additional 6,500 casketed gravesites, 1,300 burial sites for cremated remains, and 2 above-ground columbarium structures as well as 3 concrete foundations to support future structures. In addition to expanding the number of gravesites, the project will replace the current administration building, which is too small and insufficient. A new maintenance complex is also being constructed as part of the project. The current maintenance building was constructed to support 372 burials per year and care of 3,718 gravesites. Cheltenham Veterans Cemetery projects that burials will increase to 905 per year, and the cemetery will care for 29,000 gravesites by 2024. The project also includes aesthetic and functional improvements to the cemetery.

Garrison Forest Veterans Cemetery

The original development of the Garrison Forest Veterans Cemetery in 1983 and subsequent expansions provided capacity to last no more than 30 to 35 years. The current available burial plots will reach capacity by fiscal 2018. Closure of the cemetery for interments would render MDVA noncompliant with Maryland law. This project provides approximately 4,800 additional gravesites, which meet anticipated demand for the next 10 years. Approximately 4,500 of the 4,800 gravesites will be double-depth pre-placed crypts, and the remaining 300 will be traditional single-depth interments where excavation below five feet is not possible. The project also provides for columbarium structures for future expansion. The project includes secondary roads, service roads, irrigation installations, and design landscaping for the expanded area.

The fiscal 2017 allowance includes $820,000 in general funds for design. Fiscal 2017 is the first year for the project. The CIP includes an additional $7.7 million in federal funds for construction, programmed for fiscal 2018.

Cemetery Burial Expansion Timeline

Both the Cheltenham and the Garrison Forest Veterans Cemeteries will reach burial capacity before the expansions are finished. Cheltenham will reach capacity in fiscal 2016 and Garrison Forest

will reach capacity in fiscal 2018. Neither of the expansions were included in the CIP before fiscal 2017. MDVA indicates that the two cemeteries will partially close to new burials, which forces veterans and their families to make other interment arrangements.

Previous expansions focused on expanding a specific acreage for in-ground burials. As expansions finished, the developed acreage did not accommodate as many in-ground burials as was anticipated. MDVA was tracking the sites based on burial numbers and not acreage. When acreage was assessed, it became clear that there was a shortage of burial space. There was also a higher number of burials than anticipated at Garrison Forest. MDVA indicates that it is now focusing on developing pre-placed crypts and requiring contractors to guarantee a specific number of grave sites, rather than a specific acreage. Additionally, MDVA indicates that it is developing a schedule for requesting a cemetery project five years in advance. **The Secretary should provide the burial capacity and projected burial needs for each of the five veterans cemeteries.**

Summary of Other Projects

New Veterans Home in Baltimore County

Narrative in the 2015 *Joint Chairmen's Report* (JCR) requires MDVA to update the committees on any changes in the progress of the development of a new veterans home to be located in Baltimore County.

MDVA, in a report submitted November 2015, confirmed that it submitted a capital budget request to design and construct a 120-bed skilled nursing facility in Baltimore County. The new home would be in close proximity to the Baltimore VA Medical Center and closer to Maryland's veteran population than the current veterans home in St. Mary's County. The estimated cost of the project is $64 million, which includes the State contribution of $22 million per a 65/35 split of federal and State funds, respectively. VA selected the project for a State Home Construction Grant. The State portion of the costs would be funded through GO bonds.

After deeming a Fort Howard site unsuitable due to mandates regarding coastal construction and issues with access to the site, MDVA and the Department of General Services (DGS) are considering the former property of the Rosewood Center for the location of the new facility. DGS, as of the November report, is procuring a consultant to perform a feasibility study for the Rosewood Center location. **MDVA should provide an update on the procurement of a feasibility study for the Rosewood Center location.**

Feasibility of Veterans Home in Western Maryland

The JCR also requested that MDVA review the feasibility of locating a veterans home in Western Maryland. MDVA considered veteran population size and cost when determining the feasibility of a new veterans home in Western Maryland. The department noted that the Charlotte Hall Veterans Home and the potential Baltimore County home are a significant distance from

Western Maryland. Despite the distance from any current or future home, MDVA notes that the small veteran population size (10% of all Maryland's veterans) in Western Maryland and the State's current budget situation make the project unfeasible. The department cites the growing percentage of debt servicing costs and the desire to control capital spending. The report discusses the possibility of a public-private partnership to cover the State's portion of the costs, but notes that VA has a strong preference to work directly with the State, concluding that this option is not viable.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	*FY 2018*	*FY 2019*	*FY 2020*	*FY 2021*
Cheltenham Veterans Cemetery Burial Expansion and Improvements						
	Estimated Operating Cost	**$0.000**	**$0.000**	**$0.000**	**$0.006**	**$0.010**
Garrison Forest Veterans Cemetery Expansion						
	Estimated Operating Cost	**0.000**	**0.000**	**0.000**	**0.000**	**0.002**
Total Operating Impact						
	Estimated Operating Cost	**$0.000**	**$0.000**	**$0.000**	**$0.006**	**$0.012**

The Garrison Forest Cemetery Expansion Project was originally intended to be completed in May 2020. The completion date was moved forward to 2018, but this change was not reflected in the Operating Budget Impact Statement in the Governor's Budget Books. As a result, there is no operating budget impact shown until fiscal 2021 for the project. **The Secretary should provide an accurate estimate of the impact of the Garrison Forest Veterans Cemetery Expansion on the operating budget.**

PAYGO Recommended Actions

1. Eastern Shore Veterans Cemetery Burial Expansion.

   Approve deficiency appropriation for Eastern Shore Veterans Cemetery.

2. Cheltenham Veterans Cemetery Burial Expansion and Improvements

   Approve funding for Cheltenham Veterans Cemetery.

3. Garrison Forest Veterans Cemetery Burial Expansion

   Approve funding for Garrison Forest Veterans Cemetery.

DA13
Maryland Energy Administration – Capital

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Jane E. Lawton Conservation Loan Program	$1.750	$1.750	$1.500	$1.500	$1.500	$1.500	$1.500
State Agency Loan Program	1.200	2.400	2.200	1.200	1.200	1.200	1.200
Total	**$2.950**	**$4.150**	**$3.700**	**$2.700**	**$2.700**	**$2.700**	**$2.700**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
PAYGO SF	$2.950	$2.950	$2.700	$2.700	$2.700	$2.700	$2.700
PAYGO FF	0.000	1.200	1.000	0.000	0.000	0.000	0.000
Total	**$2.950**	**$4.150**	**$3.700**	**$2.700**	**$2.700**	**$2.700**	**$2.700**

FF: federal funds
PAYGO: pay-as-you-go
SF: special funds

Note: This chart reflects appropriated funding not the level of encumbrances.

For further information contact: Tonya D. Zimmerman Phone (410) 946-5530

Summary of Issues

State Agency Loan Program Funding Changes: Approximately $7 million of State Energy Program funds available from the American Recovery and Reinvestment Act of 2009 (ARRA) were used for additional capitalization in the State Agency Loan Program (SALP) in fiscal 2011. Certain requirements of ARRA funds continue to follow the funds even as the loans are repaid and are recycled into new loans, making use of the funds difficult. The Maryland Energy Administration (MEA) is planning to refund certain outstanding loans made with ARRA funds and a portion of the balance with special funds from the Strategic Energy Investment Fund (SEIF) in fiscal 2017 with the ultimate goal of eliminating these federal funds from the SALP.

Summary of Recommended PAYGO Actions

1. Adopt committee narrative requesting information on implementation of credit enhancements in the Jane E. Lawton Conservation Loan Program.

2. Concur with Governor's allowance for the State Agency Loan Program.

Program Description

Program Description: MEA administers two revolving loan programs. Chapters 466 and 467 of 2008 created the Jane E. Lawton Conservation Loan Program (JELLP), which consolidated two formerly separate programs (the Community Energy Loan Program and the Energy Efficiency and Economic Development Loan Program). The JELLP supports energy efficiency and conservation projects for nonprofits, local government agencies, and businesses through low-interest rate loans or credit enhancements. The average interest rate for loans is expected to be 2% in fiscal 2017. The second loan program, the SALP, provides zero-interest loans with a 1% administrative fee to State agencies for energy conservation projects, primarily in partnership with energy performance contracts.

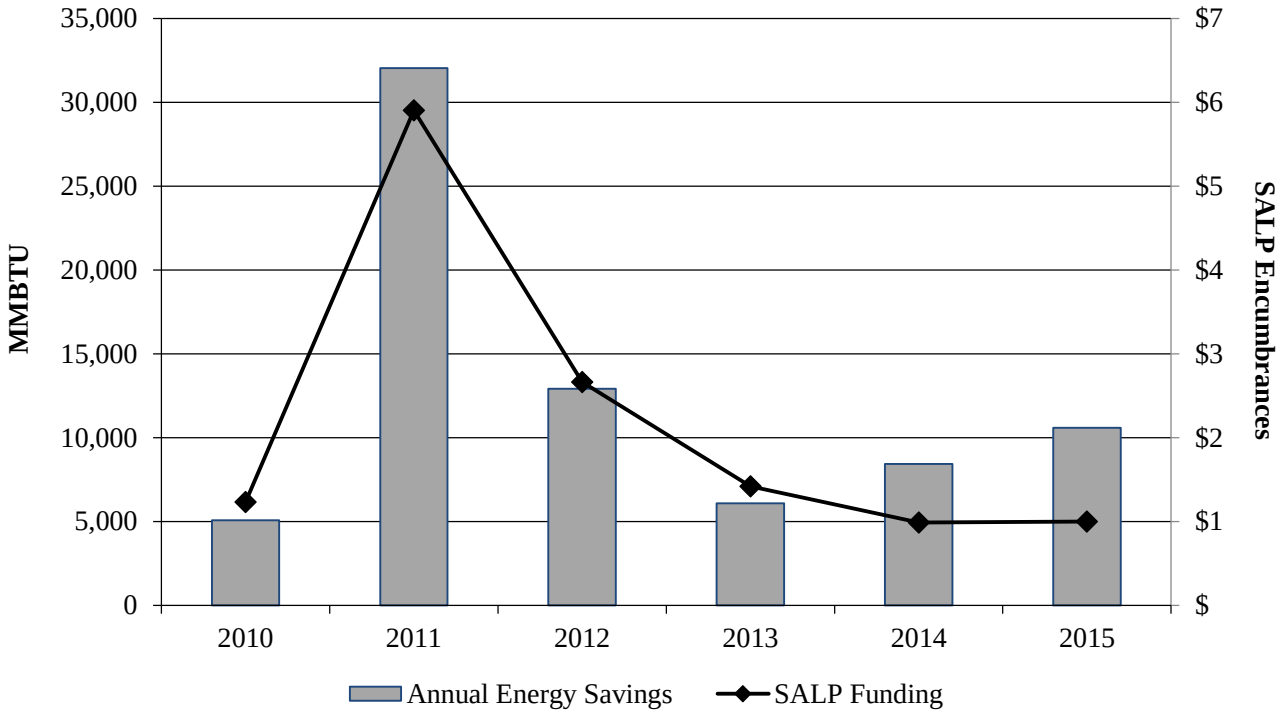
These programs were initially capitalized with funds from the Energy Overcharge Restitution Fund; the JELLP received these funds in 1989 and 1990 and the SALP in 1991 and 1997. The JELLP and the SALP also received an infusion of additional funds in fiscal 2009 from the SEIF, of $2.3 million and $800,000 respectively. The SEIF primarily receives revenue from the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions. The SEIF was also available to the JELLP in fiscal 2010, a transfer of $1.0 million. However, a portion ($2.0 million) of this additional capitalization in the JELLP was removed in fiscal 2015 and transferred to the General Fund as a result of the Budget Reconciliation and Financing Act (BRFA) of 2015. The SALP also received additional capitalization in fiscal 2011 from the State Energy Program funds available from the ARRA, approximately $7.0 million.

Through fiscal 2015, the Department of Budget and Management (DBM) reports that JELLP and its predecessor programs have made 78 loans totaling $21.8 million to 28 local governments, 40 nonprofit organizations, and 10 private businesses. These loans have generated savings totaling $54.3 million. DBM reports that, through fiscal 2015, the SALP has made 88 loans totaling $32.8 million. These loans have generated savings of $34.4 million.

Performance Measures and Outputs

MEA reports on measures related to annual energy savings for loans made through the SALP and the JELLP in its annual Managing for Results submission. The trend of annual energy savings in these programs may not always follow the trend of the encumbrances because some energy projects may have unusually large savings. As shown in **Exhibit 1**, from fiscal 2010 through 2013, the annual energy savings in SALP tracked closely with the level of encumbrances. However, in fiscal 2014, the annual energy savings increased while the level of encumbrances decreased. In fiscal 2015, the annual energy savings increased while the level of encumbrances was essentially flat.

Exhibit 1
SALP Energy Savings versus Encumbrances
Fiscal 2010-2015
($ in Millions)



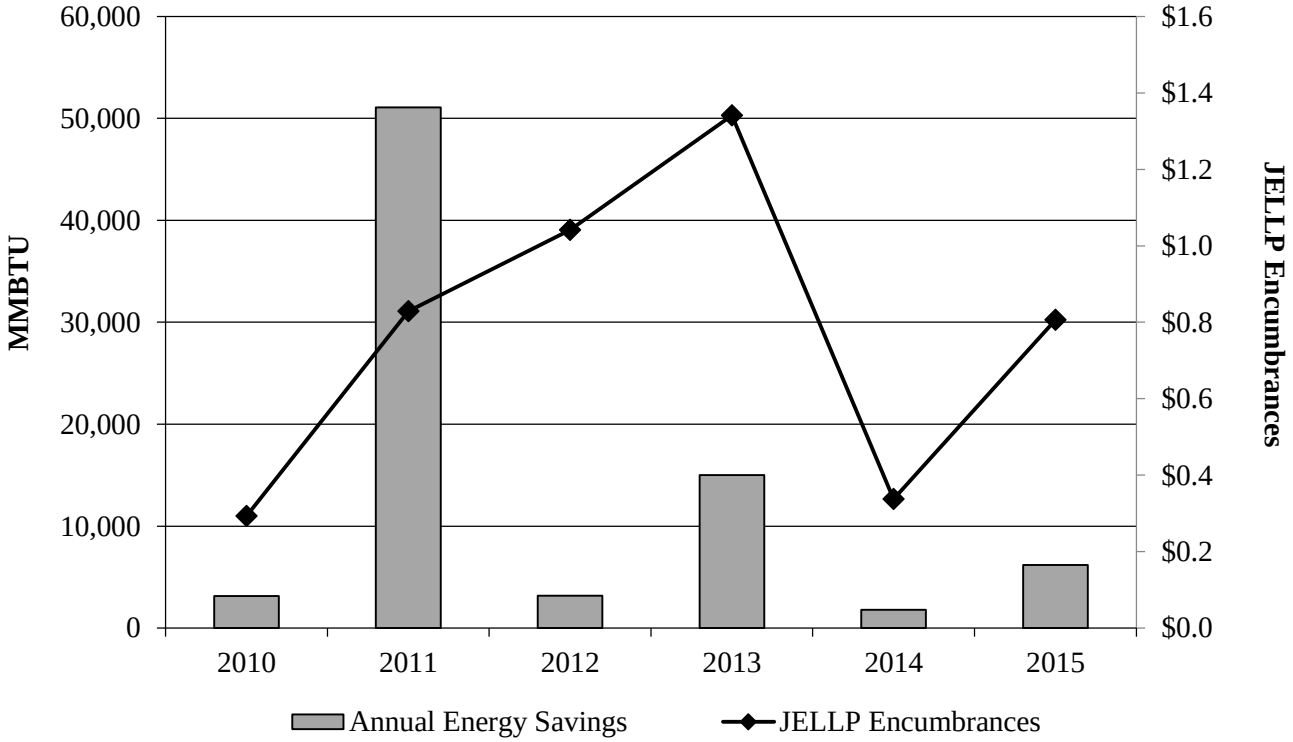
MMBTU: million British thermal units SALP: State Agency Loan Program

Note: Fiscal 2012 figures were revised from the 2013 session to reflect an agency review of the program. Fiscal 2013 encumbrances and savings do not account for loans paid in those years that were completed in previous years. Some figures were revised from those reported in the 2015 session to reflect cancelled encumbrances.

Source: Maryland Energy Administration; Governor's Budget Books; Department of Budget and Management

As shown in **Exhibit 2**, the direction of change in annual energy savings has been the same as the level of encumbrances in the JELLP, except in fiscal 2012. However, the change in energy savings is typically much larger than the change in encumbrances. For example, in fiscal 2011, encumbrances increased by 183.1% (from $292,800 to $828,957) while energy savings increased by 1,522.0% (from 3,149 to 51,077) compared to fiscal 2010 as a result of a project with particularly large savings.

Exhibit 2
JELLP Energy Savings versus Encumbrances
Fiscal 2010-2015
($ in Millions)



JELLP: Jane E. Lawton Conservation Loan Program
MMBTU: million British thermal units

Note: Savings and encumbrances may not account for all cancelled encumbrances, potentially distorting both encumbrances and energy savings. To the extent possible, encumbrances reflect cancelled encumbrances. Some figures were revised from those reported in the 2015 session to reflect cancelled encumbrances.

Source: Maryland Energy Administration; Governor's Budget Books; Department of Budget and Management

Budget Overview

The MEA fiscal 2017 pay-as-you-go (PAYGO) allowance totals $3.7 million, a decrease of $450,000 compared to the fiscal 2016 working appropriation. This decrease occurs among both the SALP and the JELLP.

SALP

The SALP fiscal 2017 allowance totals $2.2 million ($1.2 million of special and $1.0 million of federal funds) from the revolving loan fund. This level of funding is $200,000 lower than the fiscal 2016 working appropriation but $1.0 million higher than was expected in fiscal 2017 in the 2015 *Capital Improvement Program* (CIP). The decrease between fiscal 2016 and 2017 occurs among the federal fund portion of the program.

CIP Changes

The fiscal 2017 allowance for the SALP represents a change from the 2015 CIP. The 2015 CIP included only special funds ($1.2 million) in fiscal 2017 and both special and federal funds in fiscal 2018. The 2016 CIP moves federal funds planned for fiscal 2018 in the 2015 CIP to fiscal 2017. A Motor Vehicle Administration (MVA) project is expected to receive the federal funds appropriated in fiscal 2016 and requires additional funding. Moving the federal funds from fiscal 2018 to 2017 allows MEA to fully fund the project over two years.

The remaining changes in the 2016 CIP compared to the 2015 CIP result from a plan (discussed in Issue 1 of this analysis) to decapitalize the federal fund portion of the program. As a result of this change, the 2016 CIP removes federal funds planned for fiscal 2020 and adds $200,000 in special funds in the out-years to reflect the higher amount of special funds in the program.

Loan Activity and the CIP

In total, from fiscal 2009 through 2015, after accounting for cancellations, the loan activity of the SALP was 73.4% of the appropriation. Fiscal 2014 had the lowest level of loan activity (slightly less than $1.0 million) and loan activity relative to the appropriation in recent history (52.1%) during these years. The loan activity in fiscal 2015 totaled $1.0 million (for one loan) but due to the lower appropriation level in that year represented 83.3% of the appropriation.

MEA indicates that it has received requests in fiscal 2016 that in total exceed available funding ($2.7 million compared to $2.4 million). To allow the agency to accommodate funding for all the projects requested, if all of the requests are approved for loans, MEA has preliminarily planned to split funding for two projects over multiple years. A project, totaling $550,000, at the University of Maryland, College Park (UMCP) is expected to be funded over three years (fiscal 2016 through 2018). A project for MVA, totaling $1.75 million, is expected to be funded over two years (fiscal 2016 and

2017), as noted above. Of the $2.7 million in fiscal 2016 requests, only $200,000 for the first year of funding for the UMCP project has been encumbered as of this writing.

If the two projects are split funded, as is currently expected, a portion of the fiscal 2017 funding (31.8% or $700,000) would be accounted for prior to the start of the fiscal year. This would provide $1.5 million for use for any other projects in fiscal 2017. **Given that fiscal 2016 requests exceed the appropriation, and in all but two years since fiscal 2009 MEA has encumbered more than $1.2 million in the SALP, MEA should discuss whether the current CIP for fiscal 2018 to 2021 would provide sufficient funding to meet program needs.**

JELLP

The fiscal 2017 allowance includes $1.5 million for the JELLP from special funds from the revolving loan fund. The fiscal 2017 allowance is $250,000 lower than the fiscal 2016 working appropriation and $100,000 lower than was expected in fiscal 2017 in the 2015 CIP.

CIP

The 2016 CIP would level fund the JELLP through the planning period, a reduction of $100,000 in each year of the planning period compared to the 2015 CIP. The change in the CIP is to better reflect the encumbrance level of the program. Historically, the program has had difficulty encumbering funds at the level of appropriation. From fiscal 2009 through 2015, MEA has encumbered 38.9% of its appropriation after accounting for cancellations, with a high of 76.6% in fiscal 2013. The dollar value of encumbrances, after accounting for cancellations, has ranged from $292,800 in fiscal 2010 to $1.6 million in fiscal 2009. In four of the seven years, between fiscal 2009 and 2015, MEA has encumbered less than $1.0 million. The JELLP encumbrances in fiscal 2015 totaled $806,305, or 46.1% of the JELLP appropriation.

To date in fiscal 2016, MEA has received requests totaling $880,113 for three loans. Of these requests, $650,000 for one loan has been encumbered. If all the current requests result in loans, MEA would have encumbered 50.3% of the fiscal 2016 funding, which would be the second highest level since fiscal 2009, with a portion of the year remaining. Even with this relatively higher activity in fiscal 2016, the current CIP should provide more than sufficient funding for program needs.

Impact of Transfer to the General Fund

The BRFA of 2015 authorized a transfer of $3.0 million from the JELLP to the General Fund in fiscal 2015. The transfer was to occur from the SEIF used as additional capitalization for the program. Ultimately, $2.0 million was transferred to the General Fund rather than the $3.0 million authorized. Even after the transfer, the fiscal 2015 closing balance in the JELLP was $4.1 million, as shown in **Exhibit 3**.

Exhibit 3
JELLP Loan Fund Summary
Fiscal 2015-2021 Est.
($ in Thousands)

	2015 Actual	2016 Working	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Beginning Balance	**$5,916.0**	**$4,107.3**	**$3,293.7**	**$2,716.4**	**$2,644.6**	**$2,139.9**	**$1,788.7**
Revenue							
General Funds	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Loan Repayment	812.3	887.3	873.2	1,378.1	944.8	1,097.8	1,160.4
Investment Interest	67.2	49.0	49.5	50.0	50.5	51.0	51.5
Transfer In (Out) Other Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing Fees Collected	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cancellation of Encumbrances	198.8	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	**$1,078.3**	**$936.4**	**$922.8**	**$1,428.1**	**$995.3**	**$1,148.8**	**$1,211.9**
Total Available	**$6,994.3**	**$5,043.7**	**$4,216.4**	**$4,144.6**	**$3,639.9**	**$3,288.7**	**$3,000.6**
Expenditures and Encumbrances							
Loans	$806.3	$1,750.0	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$1,500.0
Operating Expenses	80.7	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to General Fund	2,000.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditures and Encumbrances	**$2,887.0**	**$1,750.0**	**$1,500.0**	**$1,500.0**	**$1,500.0**	**$1,500.0**	**$1,500.0**
Ending Balance	**$4,107.3**	**$3,293.7**	**$2,716.4**	**$2,644.6**	**$2,139.9**	**$1,788.7**	**$1,500.6**

JELLP: Jane E. Lawton Conservation Program

Source: Maryland Energy Administration; Department of Budget and Management

Credit Enhancement Activities

Chapters 348 and 349 of 2014, among other changes, authorized an expanded use of program funds in the JELLP to add credit enhancements. MEA issued final regulations, which were effective September 29, 2014, for the credit enhancement portion of the program. However, MEA has not begun

to offer credit enhancements as part of the JELLP. MEA expects to develop an implementation plan in fiscal 2016. **MEA should describe the timeline for the implementation of the credit enhancement portion of the program. The Department of Legislative Services recommends committee narrative requesting that MEA provide information on the implementation plan, timeline for implementation, and credit enhancement offerings.**

Issues

1. State Agency Loan Program Funding Changes

In fiscal 2010 and 2011, approximately $7.0 million of ARRA funds was transferred to the SALP for additional capitalization. These funds were used for loans in fiscal 2011 and 2012. The funds carried a number of requirements associated with ARRA including Davis Bacon wage requirements and certain environmental and historic review, as well as reporting requirements. These requirements continued to follow the funds as they were lent, repaid, and recycled into new loans upon repayment. Due to the associated requirements, the funds have been difficult to lend.

Due to the difficulty of lending these funds, the fiscal 2017 capital budget includes a plan that would ease some of the administrative burden of taking on a SALP loan. Under this plan, in fiscal 2017, MEA will refund existing loans made with the ARRA funds and a portion of the existing balance with special funds from the SEIF, as shown in **Exhibit 4**. The SEIF is primarily composed of revenue from the RGGI carbon dioxide emission allowance auctions.

After this refunding, a total of $2.2 million of federal funds remain with the program – $1.2 million expected to be lent in fiscal 2016 and $1.0 million included in the fiscal 2017 appropriation. As previously discussed, all of the fiscal 2016 and a portion of the fiscal 2017 federal fund authorizations for the SALP are expected to be used for a loan to MVA. The SEIF does not currently have sufficient balance to refund this portion of the federal funds. MEA expects when a sufficient fund balance accumulates in the SEIF that the agency will refund the remaining $2.2 million portion. This future refunding is not included in the current loan fund summary.

Exhibit 4
SALP Loan Fund Summary
Fiscal 2015-2021 Est.
($ in Thousands)

	2015 Actual	2016 Working	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 Est
Beginning Special Fund Balance	**$648.2**	**$797.2**	**$733.5**	**$1,389.7**	**$1,701.1**	**$1,854.8**	**$2,171.2**
Beginning Federal Fund Balance	**$1,157.7**	**$1,601.7**	**$1,021.5**	**$0.0**	**$0.0**	**$198.0**	**$418.0**
Revenue:							
Special Fund Loan Repayment	$981.5	$1,101.6	$1,809.5	$1,442.4	$1,248.3	$1,420.7	$1,519.1
Federal Fund Loan Repayment	437.2	608.2	0.0	0.0	198.0	220.0	220.0
Special Fund Investment Interest	34.3	34.7	46.8	59.0	71.3	83.8	96.5
Federal Fund Investment Interest	6.7	11.6	0.0	0.0	0.0	0.0	0.0
Special Fund Transfer In	0.0	0.0	5,021.5	0.0	0.0	0.0	0.0
Federal Fund Transfer Out	0.0	0.0	-5,021.5	0.0	0.0	0.0	0.0
Closing Fees	0.0	0.0	0.0	10.0	34.0	12.0	12.0
Special Fund Cancellation of Encumbrances	167.0	0.0	0.0	0.0	0.0	0.0	0.0
Special Fund Revenue	1,182.8	1,136.2	1,856.2	1,511.4	1,353.6	1,516.5	1,627.7
Federal Fund Revenue	444.0	619.9		0.0	198.0	220.0	220.0
Special Funds Available	**$1,831.0**	**$1,933.5**	**$2,589.7**	**$2,901.1**	**$3,054.8**	**$3,371.2**	**$3,798.9**
Federal Funds Available	**$1,601.7**	**$2,221.5**	**$1,000.0**	**$0.0**	**$198.0**	**$418.0**	**$638.0**
Expenditures and Encumbrances:							
Special Fund Loans	$1,000.0	$1,200.0	$1,200.0	$1,200.0	$1,200.0	$1,200.0	$1,200.0
Federal Fund Loans	0.0	1,200.0	1,000.0	0.0	0.0	0.0	0.0
Operating Expenses	33.7	0.0	0.0	0.0	0.0	0.0	0.0
Special Fund Ending Balance	**$797.2**	**$733.5**	**$1,389.7**	**$1,701.1**	**$1,854.8**	**$2,171.2**	**$2,598.9**
Federal Fund Ending Balance	**$1,601.7**	**$1,021.5**	**$0.0**	**$0.0**	**$198.0**	**$418.0**	**$638.0**

SALP: State Agency Loan Program

Source: Maryland Energy Administration; Department of Budget and Management

Legislation proposed by Governor Hogan (SB 389 and HB 459) would divert up to $10 million of RGGI proceeds annually to the Environmental Trust Fund. This diversion occurs before the allocation of RGGI proceeds through the statutory allocation, reducing revenue available to each allocation. To maintain program funding in fiscal 2017, if this legislation is enacted, the use of fund balance would be required. If this legislation is enacted, unless program spending is reduced, little fund balance is likely to accumulate without substantial increases in revenue. **MEA should comment on how this legislation would impact the agency's plans to refund the remainder of ARRA funding in the SALP from the SEIF.**

The $5 million of federal funds that are removed from the SALP under this plan are included in the operating budget of MEA in fiscal 2017. These funds are expected to be used for a program for State agency energy efficiency projects. The projects funded with this program would have to follow the ARRA requirements, but the requirements and reporting would have a set end date as the grant funds are not recycled as were the loan funds.

Operating Budget Impact Statement

Consolidated Administrative Expenses – All Programs

	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Sources			
Special Funds			$60,000
Jane E. Lawton Loan Program	$74,428	$105,000	0
State Agency Loan Program	31,981	30,000	0
Subtotal – Special Funds	***$106,409***	***$135,000***	***$60,000***
Total Funds	**$106,409**	**$135,000**	**$60,000**
Uses:			
Direct Expense	$65,709	$60,000	$60,000
Indirect Expenses (legal, marketing, asset management)	40,700	75,000	0
Total Direct and Indirect Expenses	**$106,409**	**$135,000**	**$60,000**

Beginning with the fiscal 2017 allowance, MEA has stopped funding administrative expenses associated with the JELLP and the SALP from the revolving loan funds of the programs. Instead, MEA will be funding these administrative expenses through the agency's primary fund sources (the SEIF and annual State Energy Program allocation). MEA indicates that this change was made because the MEA staff that oversee these programs also work on other related grant programs, funded with the other sources. Although these are listed under special funds, MEA has not identified the specific sources of funding for the administrative expenses for fiscal 2017.

The indirect expenses for the programs have generally been for the JELLP only. MEA provided in fiscal 2015, and plans to provide in fiscal 2016, legal resources to assist in the loan closing processing and filing of documents related to collateral and other technical support for these loans. MEA has removed the nonsalary expenses from its current funding plan for the JELLP in the fiscal 2017 allowance because MEA has hired an attorney that can assist with these activities. The remaining expenses in both programs are for salary costs. In fiscal 2017, these expenses are $30,000 for each program.

PAYGO Recommended Actions

1. Adopt the following narrative:

   Credit Enhancements in the Jane E. Lawton Conservation Loan Program: Chapters 348 and 349 of 2014, among other changes, expand the eligible uses of funds in the Jane E. Lawton Conservation Loan Program (JELLP) to include credit enhancements. Although the Maryland Energy Administration (MEA) issued final regulations to implement the program in calendar 2014, no credit enhancements have been offered. MEA is expected to develop an implementation plan for this aspect of the program in fiscal 2016. The committees request that MEA provide an update on the implementation plan, timeline, and credit enhancement offerings in the JELLP.

Information Request	**Author**	**Due Date**
Report on credit enhancements in the JELLP	MEA	October 15, 2016

2. Concur with Governor's allowance providing $2.2 million in the State Agency Loan Program.

Proposed Use of Available Funds

State Agency Loan Program – includes projects which have submitted an expression of interest, are under review for funding, or the loan has been closed

- University of Maryland, College Park – Jeong H. Kim Engineering Building
- Motor Vehicle Administration – Glen Burnie Complex, and multiple service centers
- Department of Natural Resources – Manning Fish Hatchery
- Maryland Environmental Service – on behalf of Department of Public Safety and Correctional Services Maryland Correctional Institution

Jane E. Lawton Conservation Loan Program – includes projects under review or for which the loan has been closed

- C-Care
- Zentech
- Maryland Thermoform

Fiscal 2017 Projects

State Agency Loan Program – projects which are expected to be funded in multiple years

- University of Maryland, College Park – Jeong H. Kim Engineering Building
- Motor Vehicle Administration – Glen Burnie Complex, and multiple service centers

DH0104
Military Department – Capital

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Havre de Grace Readiness Center	$13.025	$6.273	$0.000	$0.000	$0.000	$0.000	$0.000
Freedom Readiness Center	1.300	2.171	18.705	4.717	2.459	0.000	0.000
Easton Readiness Center	13.800	0.000	5.598	0.000	0.000	0.000	0.000
Havre de Grace CSMS Automotive Maintenance Facility	8.000	0.000	3.474	1.000	0.000	0.000	0.000
Havre de Grace CSMS Surface Equipment Maintenance Facility	0.000	0.000	0.000	1.537	0.000	15.000	7.141
MEMA Headquarters Renovation and Expansion	0.000	0.000	0.000	0.887	6.221	5.842	0.000
Total	**$36.125**	**$8.444**	**$27.777**	**$8.141**	**$8.680**	**$20.842**	**$7.141**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$1.925	$4.115	$6.048	$5.471	$8.680	$5.842	$5.536
PAYGO FF	34.200	4.329	21.729	2.670	0.000	15.000	1.605
Total	**$36.125**	**$8.444**	**$27.777**	**$8.141**	**$8.680**	**$20.842**	**$7.141**

CIP: *Capital Improvement Program*
CSMS: Combined Support Maintenance Shop
FF: federal funds
GO: general obligation
MEMA: Maryland Emergency Management Agency
PAYGO: pay-as-you-go

For further information contact: Rebecca J. Ruff Phone (410) 946-5530

Summary of Updates

Fiscal 2016 to 2025 Facilities Master Plan: The 2014 *Joint Chairmen's Report* required the Military Department to submit an updated Facilities Master Plan (FMP). A detailed document providing an overview of the department, description of existing facilities, and an outline of future capital needs was submitted in June 2015.

Summary of Recommended PAYGO Actions

1. Concur with Governor's allowance.

Summary of Recommended Bond Actions

		Funds
1.	Havre de Grace Readiness Center Concur with the Governor's allowance.	
2.	Easton Readiness Center Add funding to provide the necessary State match for construction of a new Easton Readiness Center.	$771,000 GO
3.	Section 12 Military Easton Readiness Center Reduce pre-authorization for Easton Readiness Center in line with added funds in fiscal 2017.	-$771,000 P1
4.	Section 12 Military Havre de Grace Combined Support Maintenance Shop Approve the pre-authorization of funds in fiscal 2018 for the Havre de Grace Combined Support Maintenance Shop Automotive Maintenance Facility.	
5.	Section 13 Military Havre de Grace Combined Support Maintenance Shop	

Approve the pre-authorization of fiscal 2019 funds for the Havre de Grace Combined Support Maintenance Shop Automotive Maintenance Facility.	
Total Additions	**$771,000 GO**
Total Reductions	**$771,000 P1**

Performance Measures and Outputs

The Military Department provides overall direction, development, and maintenance of the Maryland National Guard (MDNG), which is comprised of the Maryland Army Guard and the Maryland Air Guard. MDNG may be called up by the Governor during State emergencies or may be activated by the federal Department of Defense. The Military Department also operates the Maryland Emergency Management Agency (MEMA). MEMA is responsible for statewide emergency response activities.

To fulfill its mission, the Military Department oversees the construction, operations, and maintenance of armories and other facilities. The State's share of capital construction costs for National Guard Bureau (NGB) projects varies, but the cost of new Army National Guard facilities is typically split 75% federal and 25% State. Construction and maintenance of Air National Guard facilities is 100% federal funded. Projects involving additions or alterations resulting from changed mission requirements are usually 100% federally funded. MEMA is not part of NGB; therefore, project costs are not required to be shared with the federal government.

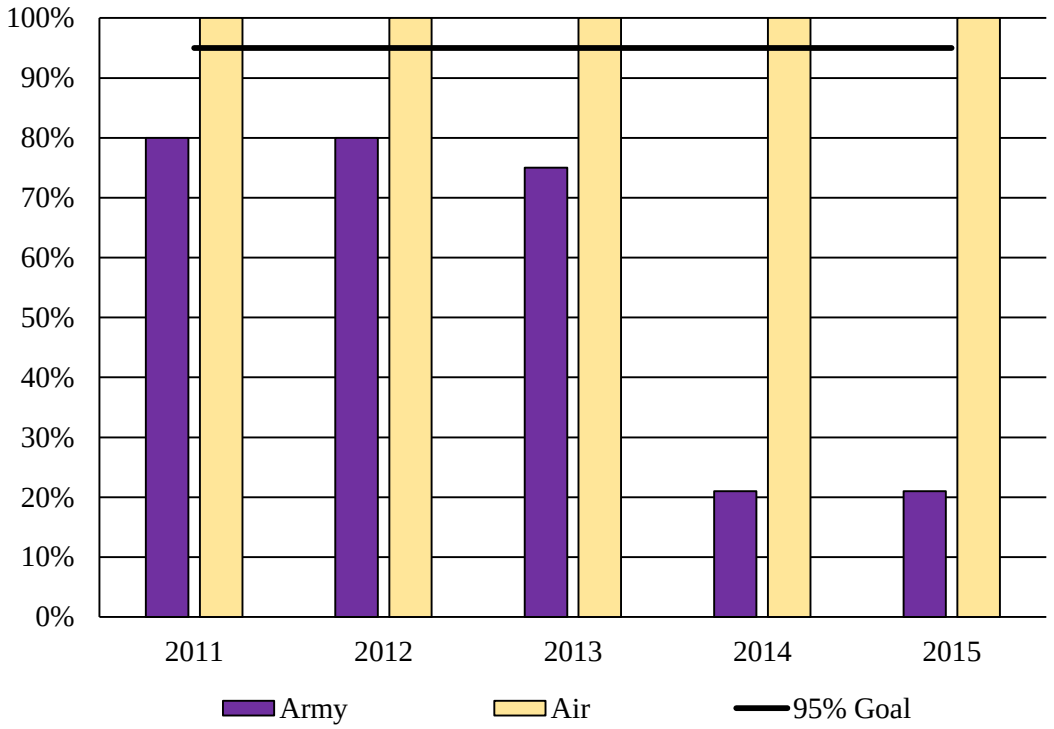
Army National Guard Facilities Fail to Reach Maintenance Goals

All MDNG facilities and real property support the operational and training needs of MDNG and the ability to respond to State and local emergencies. One of the responsibilities of the Military Department is to build and maintain the armories and other facilities used by MDNG. Through a cooperative agreement with NGB, maintenance funding is split between federal and State funds, depending on the facility. The department has a goal of maintaining 95% or more of Maryland's Army and Air Guard facilities in a fully functional status in compliance with NGB requirements. **Exhibit 1** shows the percentage of Army and Air Guard facilities in fully functional status from fiscal 2011 through 2015. In the past five years, Army National Guard facilities have yet to meet the 95% target, while Air National Guard facilities have exceeded the target every year. This discrepancy is the result of differences in the age and number of facilities to maintain, as well as the source of maintenance and construction funding.

Most military functions associated with air power are concentrated in large operational bases. As such, there are far fewer Air National Guard facilities to maintain. The principal Maryland Air National Guard installation is Warfield Air National Guard Base, co-located with Martin State

Airport in Middle River. Air National Guard facilities are primarily federally funded; these facilities are generally in good condition and have been rated 100% fully functional for the past five fiscal years.

Exhibit 1
Maryland National Guard
Facilities in Fully Functional Status
Fiscal 2011-2015



Note: The Maryland Army National Guard has an objective of maintaining 95% of the facilities in a fully functional status in compliance with National Guard Bureau requirements.

Source: Department of Budget and Management

The Army National Guard has 33 readiness centers at 32 separate locations. More than half of the readiness centers have less than 70% of required space, and one-third are older than 55 years – the federal standard useful life for this type of facility. In addition, more than half of the current maintenance facilities are grossly inadequate. As facility standards have been updated in recent years to incorporate green building initiative, the functional rating of the Army National Guard facilities has fallen dramatically. In fiscal 2015, only 21% of facilities were considered fully functional by NGB standards, continuing to fall dramatically short of the goal.

Army National Guard facilities receive a mix of federal and State funding for both maintenance and construction costs. Historically, the department believes that the average age of the facilities and reduction of maintenance funding due to cost containment have impacted facility ratings. The fiscal 2017 operating budget provides enhanced maintenance funding for Army National Guard facilities, and the fiscal 2017 capital budget funds the replacement of three readiness centers to help address the deficiencies.

Budget Overview

The 2016 *Capital Improvement Program* (CIP) includes funding for three replacement readiness centers, construction of two new Combined Support Maintenance Shop (CSMS) facilities, and expansion of MEMA Headquarters facility. The fiscal 2017 allowance includes $4.1 million in general obligation (GO) bonds and $4.3 million in federal pay-as-you-go (PAYGO) funds. The MEMA Headquarters project requires 100% State funding, while the other projects are anticipated to be split 75%/25% between federal and State dollars.

Fiscal 2017 Projects

Havre de Grace Readiness Center

The fiscal 2017 allowance provides $4.1 million in GO bonds and nearly $2.2 million in federal PAYGO funding to complete construction of a new readiness center in Havre de Grace. This reflects an increase of approximately $1.8 million above what had been planned in the 2015 CIP, because the design/build construction contract bids were higher than anticipated. The total project cost is $19.3 million.

The current readiness center was built in 1924 as a clubhouse and hotel for a horse racing track. The current facility is undersized for the two units housed and is in poor condition with major building systems failing. The new facility will conform to NGB standards for readiness centers. Design of the facility began in October 2015. The project is anticipated to be complete by December 2017.

Freedom Readiness Center

This project will replace two antiquated readiness centers, consolidating units in Ellicott City and Catonsville into one facility. These two units are currently at readiness centers that do not meet NGB standards and are located in areas that have experienced significant growth, impinging on access for personal and military vehicles. The new facility will contain functional space to meet all requirements for two National Guard units, including unit administrative offices, equipment storage areas, locker areas, toilet/shower facilities, classrooms, soldier training areas, an assembly hall, and other support spaces. The facility will support 265 traditional weekend National Guard soldiers and up to 12 full-time active duty military personnel. The department anticipates that the two units will drill on opposite weekends to maximize the availability of shared facilities and areas.

The new Freedom Readiness Center will be located on a 56-acre parcel on the grounds of the Springfield Hospital property, which was deemed excess property by the Department of Health and Mental Hygiene (DHMH). The property was transferred from DHMH to the Military Department in May 2015 at no cost, saving the State approximately $2.5 million in land acquisition funding.

GO bond funding was added for this project in fiscal 2016 to obtain a federal commitment to design and construct the new facility. This project was selected for funding in the President's fiscal 2017 Future Year's Defense Program (FYDP) budget. In order to be eligible for federal funds, the Military Department must be able to show State commitment to the project. The fiscal 2016 capital budget provided $1.3 million in GO bonds to design the facility, with the majority of the federal funding for the project anticipated in fiscal 2017. The fiscal 2017 authorization, however, only provides $2.2 million in federal funding to be used toward design of the facility. The difference in the fiscal 2017 planned amount and the fiscal 2017 recommendation results from the department's intention to pursue this project with the design-bid-build construction method, as opposed to the design-build method. As a result of this shift in methodology, federal design funding for the project became available, and construction funding will not be required until fiscal 2018. The Freedom Readiness Center will be the first construction project completed by the Military Department using the design-bid-build method.

The total estimated cost of the project is $29.4 million. It is anticipated that design will begin in March 2016 and require 14 months to complete. Construction is estimated to begin in November 2017. The projected completion date is anticipated to be November 2019.

Easton Readiness Center

The project will construct a new Easton Readiness Center in Talbot County. The current facility has insufficient and inadequate space. The facility was built for an all-male National Guard Company but now houses males and females. The new facility will have administrative offices, equipment storage areas, locker rooms, bathroom facilities, classrooms, training areas, an assembly hall, and support spaces constructed to readiness center standards.

Funding for this project was added in fiscal 2016 due to the availability of $13.8 million in federal funds to begin design and construction of the facility. Funding from the State was pre-authorized for a later date, based on the anticipated cash flow of the project. The 2016 CIP has $4.4 million in GO bonds (pre-authorized) and $1.2 million in additional federal funding programmed for expenditure in fiscal 2018. The Department of Budget and Management, however, has indicated that State and federal funds must be simultaneously expended at the rate of 75% federal and 25% State. As such, the project cannot begin until State funding has been authorized. The target start date for design is June 2016, with an estimated completion date of June 2019.

The Department of Legislative Services recommends adding an authorization of $771,000 in GO bonds to the fiscal 2017 capital budget for the Easton Readiness Center and amending the fiscal 2018 pre-authorization for the project. This fiscal 2017 authorization will provide the appropriate 25% match to the $2.3 million in federal funds anticipated to be spent in fiscal 2017 for design, demolition, and sitework.

Out-year Projects

Havre de Grace Combined Support Maintenance Shop Automotive Maintenance Facility

Funding was authorized in fiscal 2016 for the construction of a new specialized automotive maintenance facility at the Havre de Grace Readiness Center due to the potential availability of federal funds. The existing facility's original design and configuration does not meet modern standards for National Guard maintenance facilities; in particular, the facility has insufficient space, improper configuration, and aging infrastructure. The Military Department submitted this project to NGB to be considered for funding under the Critical Unfunded Requirement (CUFR) program in fiscal 2016. The CUFR program provides funds up to $8 million to State Army National Guard units to address infrastructure needs that are urgent and can be addressed within the next fiscal year. The fiscal 2016 budget provided a federal PAYGO authorization of $8 million in anticipation of receiving federal approval for the project. To date, approval of the project is still pending.

The $1.8 million in federal funds for furniture, fixtures, and equipment and $2.6 million in GO bond funding for the State match has been delayed by one fiscal year due to the uncertainty of when federal funding for the project will be authorized. State funding is pre-authorized in fiscal 2018 and 2019 in anticipation of receiving federal approval. The project is anticipated to cost $12.5 million.

Havre de Grace Combined Support Maintenance Shop Surface Equipment Facility

Funding for this project has been added to the 2016 CIP due to the availability of federal military construction funds to replace the existing Surface Equipment Maintenance facility at the Havre de Grace Readiness Center. The existing structure has multiple deficiencies and has exceeded the federal standard for useful life. It was converted from former horse racing track facilities and is not properly sized or configured to meet the standards of a modern CSMS facility. The new facility will contain functional spaces to meet all requirements for sustainment level maintenance operations and State-level maintenance management.

This project was selected in the federal fiscal 2016 to 2020 FYDP. Federal funds for design and the complimentary State design funds are programmed for fiscal 2019. The project will be completed using the design-bid-build construction method. Federal military construction (MILCON) funds are programmed for fiscal 2021. The project has a total estimated cost of $23.7 million.

Updates

1. Fiscal 2016 to 2025 Facilities Master Plan

The Maryland Military Department operates a range of facilities across the State. These include readiness centers, maintenance facilities, airfields, offices and support buildings, and training areas; collectively, these provide the infrastructure that houses soldiers, airmen, and civilian staff; supports equipment; facilitates effective training and logistical management; provides operational space for military support to civil authority; enables effective command and control over forces, resources, and capabilities; and sustains readiness to manage joint and interagency operations in response to natural disasters and emergencies.

Operational and support facilities of the National Guard and MEMA have unique requirements. National Guard facility requirements are generally determined by federal standards for reserve component military units and supported with significant federal funding for both construction and sustainment. MEMA facility requirements are influenced by federal standards but, more importantly, are derived from the practical requirement to be able to operate effectively as a State administrative office building, interagency training facility, and expanded interagency operational headquarters during natural disasters and other emergencies.

Over the past three decades, the missions and requirements of the Military Department have changed dramatically. New missions and expanded responsibilities have placed new demands on the Military Department's forces and facilities. At the same time, the facility inventory has aged, and its condition has deteriorated. This is a result of several factors, including overuse due to changing missions and forces, a lack of a comprehensive facility sustainment strategy, inefficient single-unit facilities, and increased spatial needs for modern military equipment.

The department's capital investment strategy for the next decade, as laid out in its fiscal 2016 to 2025 FMP, aims to:

- reduce the total number of facilities;
- sustain high-quality facilities, while eliminating inefficient ones;
- improve operational efficiencies through shared use and the development of partnerships;
- improve energy efficiencies;
- restore and modernize valuable facilities; and
- leverage funding opportunities.

According to the FMP, the department intends to divest 11 Army National Guard properties over the next decade. A total of 11 readiness centers will be replaced by fiscal 2030, with some consolidation into multi-unit facilities.

Fiscal 2016 to 2021

Exhibit 2 lists the top priority Military Department projects that are eligible for inclusion in the State capital budget through fiscal 2021. These projects have an estimated total cost of $114.6 million, of which it is anticipated that the State will be responsible for funding 25% of the project cost, with the exception of the MEMA Headquarters expansion. That project must be funded 100% by the State. Four of the projects have already received federal funding commitment through the FYDP, and four of the projects have received authorizations in the State budget.

Exhibit 2
Military Department
Facility Master Plan Project Priorities
Fiscal 2016-2021
($ in Millions)

MILCON Priority	Project	Fiscal Year Requested	Estimated Total Project Cost
1	Havre de Grace Readiness Center*	2016	$18.321
2	Easton Readiness Center*	2017	18.521
3	Freedom Readiness Center*	2018	28.601
4	MEMA Headquarters Expansion	2019	12.950
5	Havre de Grace CSMS Surface Equipment Maintenance Facility*	2020	23.678
6	Havre de Grace CSMS Automotive Maintenance Facility	2021	12.496
	Total		**$114.567**

CSMS: Combined Support Maintenance Shop
MEMA: Maryland Emergency Management Agency
MILCON: military construction

* Notes projects with confirmed federal funding through the Federal Future Years Defense Program.

Source: Military Department

Funding for the MEMA Headquarters expansion at Camp Fretterd in Baltimore County is programmed for fiscal 2019 through 2021 in the 2016 CIP. Unlike NGB projects, the MEMA Headquarters expansion is 100% GO bond funded, because MEMA is not related to NGB and has been denied federal support; the Federal Emergency Management Agency has deemed the headquarters expansion a State responsibility. The current facility is unable to accommodate current

and future staff. Without additional space, MEMA will not be able to perform its disaster coordination response duties adequately. The expansion will provide office and conference space; training and classroom facilities; technical support space; and improved restroom, break, and sleep facilities. The planned renovation and expansion will capitalize on the recently renovated State Emergency Operations Center.

Fiscal 2022 to 2025

Exhibit 3 lists projects included in the FMP beyond fiscal 2021. Included in these projects is the replacement of four readiness centers across the State, multiple years of renovations at Camp Fretterd Military Reservation, and improvements to the Facilities Maintenance Shop at Cheltenham. The estimated total cost of these projects is $128.5 million, of which 75% will be federally funded.

Exhibit 3
Military Department
Facility Master Plan Project Priorities
Fiscal 2022-2025
($ in Millions)

Project	First Fiscal Year Requested	Estimated Total Project Cost
Cheltenham Facilities Maintenance Shop Addition/Alteration	2022	$7.697
Baltimore City Readiness Center	2022	32.955
Camp Fretterd Military Reservation Renovation	2022	16.064
White Oak Readiness Center	2023	39.072
Frederick Readiness Center	2024	17.030
Glen Burnie Readiness Center	2025	15.690
Total		**$128.508**

Note: Camp Fretterd Military Reservation Renovation funding is multiple buildings spread over multiple years.

Source: Military Department, Fiscal 2016-2025 Facilities Master Plan

Of particular priority to the Military Department is the construction of the Baltimore City Readiness Center. This project will replace undersized and obsolete facilities in Baltimore City (Winchester Street) and Parkville with a single new facility on a new parcel in Baltimore City or its immediate vicinity. The department has not yet identified a specific site for the new facility. Both existing readiness centers cannot meet current standards due to small parcel size, encroachment, and topography. The FMP has funding for this project programmed for fiscal 2022.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	*FY 2018*	*FY 2019*	*FY 2020*	*FY 2021*
Havre de Grace Readiness Center						
	Estimated Operating Cost	$0.000	$1.202	$0.034	$0.034	$0.034
Freedom Readiness Center						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$1.643	$0.168
	Estimated Staffing	0	0	0	1	1
Total Operating Impact						
	Estimated Operating Cost	**$0.000**	**$1.202**	**$0.034**	**$1.677**	**$0.202**
	Estimated Staffing	**0**	**0**	**0**	**1**	**1**

Summary of Other Projects in the Capital Improvement Program

Projects Deferred in Fiscal 2017

As previously discussed in the budget overview, the Military Department has funding for three projects deferred in the 2016 CIP, when compared with proposed funding plan in the 2015 CIP. **Exhibit 4** provides detail regarding those three projects.

Exhibit 4
Projects Deferred
Fiscal 2017
($ in Millions)

Project	Description	Reason for Deferral
Freedom Readiness Center	Construct a new facility in Central Maryland to support two National Guard units	Change in bid methodology
Easton Readiness Center	Construct a new facility to replace the current, insufficient facility	Anticipated construction schedule and cash flow
Havre de Grace Combined Support Maintenance Shop Automotive Maintenance Facility	Construct a new automotive maintenance facility to replace current, obsolete facility	Delays in award of federal funds for the project

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Projects Added to the *Capital Improvement Program*

Exhibit 5 notes the one project added to the Military Department's 2016 CIP. As previously discussed in the Budget Overview section of this analysis, funding for the Havre de Grace CSMS Surface Equipment Maintenance Facility has been added to the 2016 CIP because of the availability of federal MILCON funding beginning in fiscal 2019.

Exhibit 5
Projects Added to the *Capital Improvement Program*
Fiscal 2017
($ in Millions)

Project	Description	Reason for Addition
Havre de Grace Combined Support Maintenance Shop Surface Equipment Maintenance Facility	Construct a replacement facility for surface equipment maintenance	Designated for federal military construction funding

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Pre-authorizations and De-authorizations

Exhibit 6 notes the three pre-authorizations included in the fiscal 2017 capital budget for the Military Department. Pre-authorized funding is provided for the GO bond portion of the Easton Readiness Center and the Havre de Grace CSMS Automotive Maintenance Facility.

Exhibit 6
Pre-authorizations
Fiscal 2018-2020
($ in Millions)

Project	2018	2019	2020	Reason
Easton Readiness Center	$4.403	$0.000	$0.000	Construction funding based on anticipated cash flow needs
Havre de Grace Combined Support Maintenance Shop Automotive Maintenance Facility	1.645	1.000	0.000	Construction funding based on anticipated cash flow needs

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

PAYGO Recommended Actions

1. Concur with Governor's allowance to authorize $2,171,000 for the Freedom Readiness Center and $2,158,000 for the Havre de Grace Readiness Center.

GO Bond Recommended Actions

1. Approve the authorization of $4,115,000 in general obligation bonds to construct and equip the new Havre de Grace Readiness Center.

2. Add funding to provide the necessary State match for construction of a new Easton Readiness Center.

DH0104C Easton Readiness Center..... $ 771,000

Allowance	Change	Authorization
0	771,000	771,000

Explanation: Federal funding was provided in fiscal 2016 to construct a new Easton Readiness Center; however, the project cannot begin until the funds to support the necessary 25% State match are made available. This action adds the general obligation bond funding necessary to support the State's portion of estimated design, demolition, and sitework expenses in fiscal 2017.

3. Reduce pre-authorization for Easton Readiness Center in line with added funds in fiscal 2017.

ZF4400 Section 12 Military Easton Readiness Center..... $ 0

DH01.04 MILITARY DEPARTMENT

(A) Easton Readiness Center. Provide funds to complete construction of a new Maryland Army National Guard Readiness Center in Easton (Talbot County)..... ~~4,403,000~~
3,632,000

Explanation: Funds are added to the fiscal 2017 capital budget for the Easton Readiness Center, providing the 25% State match that is needed to begin the project. As such, the fiscal 2018 pre-authorization is reduced by an equivalent amount.

4. Approve the pre-authorization of $1,645,000 in general obligation bonds in fiscal 2018 for the Havre de Grace Combined Support Maintenance Shop Automotive Maintenance Facility.

5. Approve the pre-authorization of $1,000,000 in general obligation bonds in fiscal 2019 for the Havre de Grace Combined Support Maintenance Shop Automotive Maintenance Facility.

Total Additions	**$771,000 GO**
Total Pre-authorization (2017) Reduction	**$771,000 P1**

DW0110
Department of Planning – Capital

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Patterson Center Renovations	$0.500	$0.327	$0.000	$2.930	$2.929	$0.000	$0.000
St. Leonard's Creek Shoreline Erosion Control and Public Access	0.360	3.091	0.000	0.000	0.000	0.000	0.000
Maryland Archaeological Conservation Laboratory – Expansion and Renovation	0.000	0.000	0.000	0.000	0.332	2.518	2.460
Total	**$0.860**	**$3.418**	**$0.000**	**$2.930**	**$3.261**	**$2.518**	**$2.460**

Fund Source	Prior Auth.	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$0.761	$3.418	$0.000	$2.930	$3.261	$2.518	$2.460
Nonbudgeted Funds	0.099	0.000	0.000	0.000	0.000	0.000	0.000
Total	**$0.860**	**$3.418**	**$0.000**	**$2.930**	**$3.261**	**$2.518**	**$2.460**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Andrew D. Gray Phone (410) 946-5530

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Sustainable Communities Tax Credit Program	$9.000	$9.000	$9.000	$0.000	$0.000	$0.000	$0.000
Maryland Historical Trust Revolving Loan Fund	0.350	0.300	0.300	0.300	0.300	0.300	0.300
African American Heritage Preservation Grant Program	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Maryland Historical Trust Capital Grant Fund	0.000	0.000	0.000	0.600	0.600	0.600	0.600
Total	**$10.350**	**$10.300**	**$10.300**	**$1.900**	**$1.900**	**$1.900**	**$1.900**

Fund Source	2015 Approp.	2016 Request	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 Est.
PAYGO GF	$9.000	$9.000	$9.000	$0.000	$0.000	$0.000	$0.000
PAYGO SF	0.200	0.300	0.150	0.150	0.150	0.150	0.150
GO Bonds	1.150	1.000	1.150	1.750	1.750	1.750	1.750
Total	**$10.350**	**$10.300**	**$10.300**	**$1.900**	**$1.900**	**$1.900**	**$1.900**

GF: general funds
GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

Note: No out-year funding is projected for the Maryland Sustainable Communities Tax Credit Program since the tax credit is not included in the 2016 *Capital Improvement Program*. Chapter 601 of 2014 (Sustainable Communities Tax Credit Program – Extension and Alteration) altered and extended the tax credit through fiscal 2019 but did not specify an amount. SB 759 and HB 939 have been introduced in the 2016 session to re-authorize the Sustainable Communities Tax Credit Program.

Summary of Issues

Staffing Shortage Appears to Be Ongoing: The Maryland Historical Trust (MHT) Sustainable Communities Tax Credit Program website still posts a notice that residential and small commercial tax credit programs are unstaffed, effective September 1, 2015. MHT indicated in September 2015 that the application review time has only slipped to 30 to 60 days from the 30 to 40 days standard review time when fully staffed. However, it was noted that the overtime work by staff may not be sustainable over the long term. **The Department of Legislative Services (DLS) recommends that the Maryland Department of Planning (MDP) comment on the status of staffing the residential and small commercial tax credit programs and the current application review time.**

Maryland Historical Trust Revolving Loan Fund Expenditure: The MHT Revolving Loan Fund's fiscal 2015 projects included an expenditure to fund the stabilization and rehabilitation of the Gardener's Cottage Rehabilitation project at Jefferson Patterson Park and Museum. However, this use of funding permanently reduced the amount of funding revolving in the fund and is likely to make the need for increased capitalization of the fund with general obligation (GO) bonds more critical than would otherwise be the case. **DLS recommends that MDP comment on the impact of the expenditure for the Gardener's Cottage on the capitalization schedule for the MHT Revolving Loan Fund.**

Sustainable Communities Tax Credit Program Status: On February 1, 2016, the Tax Credit Evaluation Committee met to determine whether the Sustainable Communities Tax Credit should be continued. The committee voted to extend the credit and legislation has been introduced in the 2016 legislative session to effectuate the committee's decision. **DLS recommends that MDP and MHT comment on the outreach efforts to increase credit participation in jurisdictions that have been historically underrepresented in the award of tax credits; how creating, enhancing, supporting, and revitalizing sustainable communities fits into existing and new strategies to take advantage of federal and State infrastructure investment opportunities; and the process for reviewing rehabilitation activity and preventing fraudulent claims and whether the review process is sufficient to detect and deter potential fraud.**

Summary of Updates

African American Heritage Preservation Grant Program Re-authorized: Chapter 371 of 2015 (African American Heritage Preservation (AAHP) Program – Reestablishment and Revisions) reestablished, with alterations, and made permanent the AAHP Program. For each fiscal year, the Governor must include in the annual operating or capital budget an appropriation of $1 million to the AAHP Grant Fund, a special fund established by the bill. The more significant alterations to the existing program include changing the application date (to be decided by MHT and the Commission on African American History and Culture), requiring grant applications to be considered competitively, creating an emergency grant process, changing a reporting date, and modifying the easement waiver authority.

Summary of Recommended PAYGO Actions

1. Concur with Governor's allowance of $150,000 in special funds for the Maryland Historical Trust Revolving Loan Fund.

2. Concur with Governor's allowance of $9,000,000 in general funds for the Sustainable Communities Tax Credit Program.

Summary of Recommended Bond Actions

1. Patterson Center Renovation

   Approve the $327,000 general obligation bond authorization for the Patterson Center Renovations.

2. St. Leonard's Creek Shoreline Erosion Control

   Approve the $3,091,000 general obligation bond authorization for the St. Leonard's Creek Shoreline Erosion Control project.

3. African American Heritage Preservation Grant Program

   Approve the $1,000,000 general obligation bond authorization for the African American Heritage Preservation Grant Program.

4. Historical Preservation Loan Fund

   Approve the $150,000 general obligation bond authorization for the Maryland Historical Trust Revolving Loan Fund.

Program Description

The mission of the MDP Preservation Services program is to preserve historical and archeological resources by providing financial incentives to property owners and enforcing regulations. MDP currently has four capital programs that serve to preserve historical and archeological resources: the Maryland Sustainable Communities Tax Credit Program, the MHT Revolving Loan Fund, the MHT Capital Grant Fund, and the MHT AAHP Grant Program. All four programs seek to promote the acquisition and rehabilitation of historic properties by providing low-interest loan funds, tax credits, or grants, depending on the program. In addition to funding for three of the four capital grant and loan programs, there is funding programmed in the five-year 2016 *Capital Improvement Program* (CIP) for several State-owned projects administered by MDP including the St. Leonard's Creek Shoreline Erosion Control and Public Access project, the Patterson Center Renovations project, and the Maryland Archaeological Conservation Laboratory – Expansion and Renovation project.

- **Maryland Sustainable Communities Tax Credit Program** – The Maryland Sustainable Communities Tax Credit Program was created by the Sustainable Communities Act of 2010 (Chapter 487) as an extension and alteration of the existing Heritage Structure Rehabilitation Tax Credit Program – a budgeted tax credit. Chapter 601 of 2014 (Sustainable Communities Tax Credit Program – Extension and Alteration) altered and extended the program. The program has a commercial budgeted tax credit and both a small commercial and residential nonbudgeted tax credit. The small commercial nonbudgeted tax credit has a $4 million overall cap for the fiscal 2015 through 2017 time period, the qualified rehabilitation expenditures cannot exceed $500,000 per project, and the structure must be located within a sustainable community. The tax credits offered are generally equal to 20% of qualified rehabilitation expenditures, not to exceed $3 million for commercial rehabilitations and $50,000 for both single-family, owner-occupied residences and small commercial projects. The tax credit is increased to 25% for a commercial rehabilitation that meets specified energy efficiency standards. The tax credit is no longer available for qualified rehabilitated (nonhistoric) commercial buildings located in a Main Street Maryland Community or a sustainable community. Funding for the program is required for the commercial credit in fiscal 2015 through 2017. MHT is authorized to award an unlimited amount of residential credits to applications received through June 30, 2017.

- **MHT Revolving Loan Fund** – The MHT Revolving Loan Fund provides loans to nonprofit organizations, local jurisdictions, business entities, and private individuals for the purpose of acquiring, rehabilitating, or refinancing all categories of real property listed in or eligible for listing in the Maryland Register of Historic Properties. Short-term financing (up to two years) may also be available for predevelopment work required or recommended by MHT that is to be undertaken in advance of a construction project being funded with federal or State monies. The program may also be used to fund the cost of rehabilitation of historic property owned by MHT and for the acquisition of historic property by MHT. In return for loans, most recipients must convey to MHT a perpetual historic preservation easement on the property.

- **MHT AAHP Grant Program** – The MHT AAHP Grant Program was created by the AAHP Program (Chapters 278 and 279 of 2010) to identify and preserve buildings, communities, and sites of historical and cultural importance to the African American experience in Maryland. The program is administered by MHT in partnership with the Commission on African American History and Culture. Chapter 371 of 2015 (AAHP Program – Reestablishment and Revisions) reestablished, with alterations, and made permanent the AAHP Program. For each fiscal year, the Governor must include in the annual operating or capital budget an appropriation of $1 million to the AAHP Grant Fund, a special fund established by the bill. Grant applications may be submitted by a date established annually by the MHT and the Commission on African American History and Culture and grants may be made to a business entity, individual, political subdivision, or nonprofit organization. In general, grant applications are considered competitively against all other grant applications submitted during the same fiscal year. Factors considered in granting applications include the public necessity and urgency of a project; the need for additional sources of funding for a project; the estimated cost and timeliness of executing a project; the viability of matching funds for a project; and geographic diversity. Nonprofit organizations are not required to provide matching funding, but for all other recipients, the grant funding requires a match from any combination of federal, county, municipal, or private sources, and State participation must not exceed 50% of the total project cost. Up to 20% of the money available in the AAHP Grant Fund may be awarded to eligible emergency AAHP Projects not otherwise applied for during the regular application cycle. Unless waived by the director of the Maryland Historical Trust as infeasible, grantees must enter into an agreement to preserve and maintain the property. If the property is historic real property, then the agreement must be a recordable historic preservation easement.

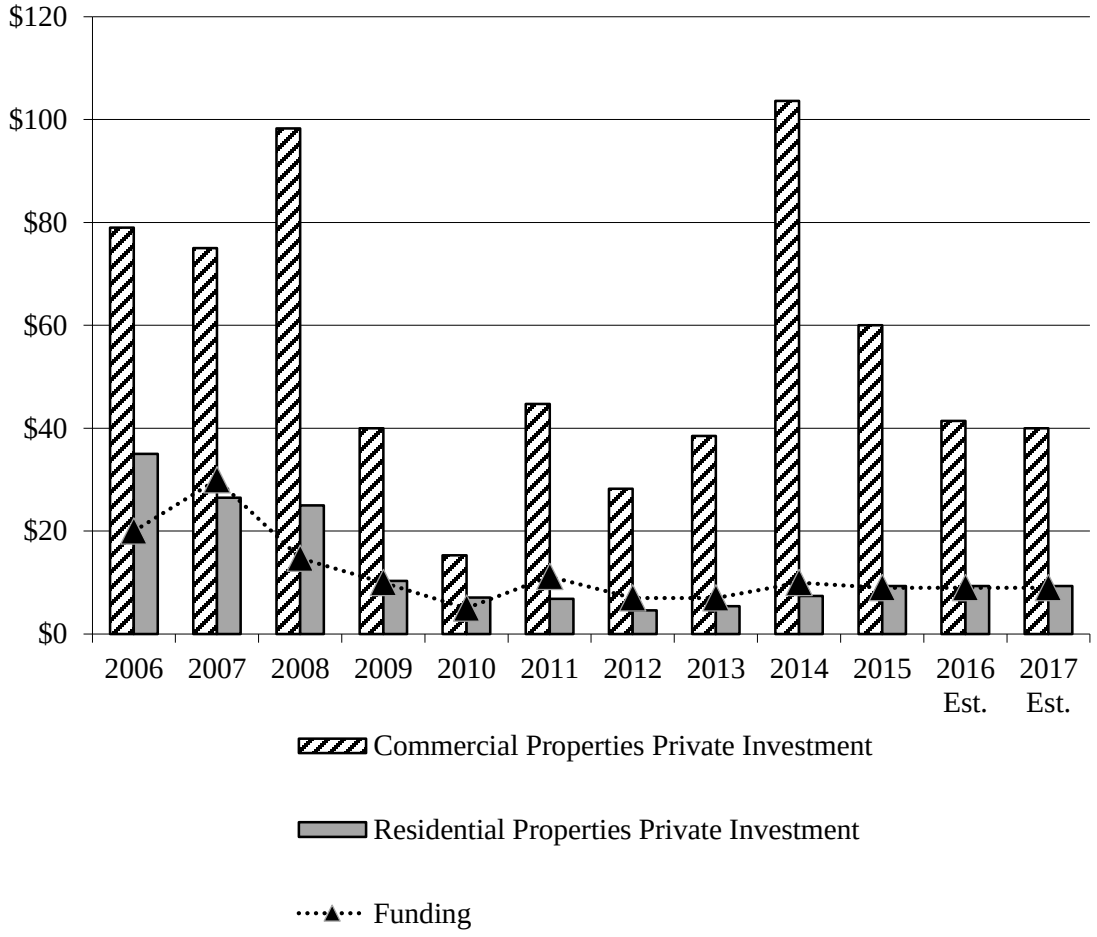
- **MHT Capital Grant Fund** – The MHT Capital Grant Fund provides grants to nonprofit organizations, local jurisdictions, business entities, and individuals to assist with acquisition, rehabilitation, or restoration of properties listed, or eligible for listing, on the National Register of Historic Places. Nonprofit organizations and local jurisdictions may also receive funding for predevelopment costs directly associated with a project to rehabilitate or restore historic properties. Successful applicants must give MDP a perpetual preservation easement prior to the receipt of funds. The maximum grant offered is $50,000.

Performance Measures and Outputs

Sustainable Communities Tax Credit Program

As shown in **Exhibit 1**, there was a substantial increase between fiscal 2013 and 2014 in the private investment for both rehabilitation of historic commercial properties and historic owner-occupied residential properties. For the commercial properties, the private investment increased from $38.5 million to $103.6 million, or 169%; residential properties' private investment increased from $5.4 million in fiscal 2013 to $7.4 million in fiscal 2014, or 37%. MDP has noted that the substantial increase in commercial property private investment between fiscal 2013 and 2014 is due to two large projects that had project costs in excess of the $15.0 million in costs eligible for the credit under the $3.0 million per project cap: Baltimore Trust Company Building, with an estimated cost of $75.0 million; and the Clipper Mill Project, with an estimated cost of $17.3 million. The fiscal 2015 data reflects the return to a lower level of private investment with even more conservative estimates for fiscal 2016 and 2017.

Exhibit 1
Sustainable Communities Tax Credit
Measure of Private Investment and Program Funding
Fiscal 2006-2017 Est.
($ in Millions)



Note: No commercial tax credits were authorized in fiscal 2005. The former Maryland Heritage Structure Rehabilitation Tax Credit was first budgeted in the State budget as a tax credit in fiscal 2006 and became the Maryland Sustainable Communities Tax Credit Program on June 1, 2010.

Source: Governor's Budget Books, Fiscal 2009-2016; Maryland Department of Planning

MHT Revolving Loan Fund

While not formally included in its Managing for Results (MFR) measures, MDP does report on the types of projects served by the MHT Revolving Loan Fund. In the past, MDP has indicated that tight commercial lending conditions have made the MHT Revolving Loan Fund desirable, and it has not had trouble finding recipients for loans. Therefore, funding constraints – both the amount of funding and the fact that only loans are available – appear to limit the amount of loans provided.

The Revolving Loan Fund averaged about 1.4 projects per year between fiscal 2005 and 2015, most of which are properties that were rehabilitated. For fiscal 2011 to 2015, all approved projects have been executed, which has not necessarily been the case in prior years. In terms of fiscal 2016 projects, MHT notes that it is in the process of evaluating a loan application for $235,000 received on January 15, 2016, for a refinancing project in Baltimore City. The first step in the process is to receive additional information about the project and then the project backers will need to seek approval from the MHT Board of Trustees in March 2016.

AAHP Grant Program

MDP does not report MFR measures for the AAHP Grant Program. MDP has noted that it usually treats non-State investment that is leveraged by a program as a performance measure but that the AAHP Grant Program does not require nonprofit applicants to provide matching funds. Instead, MDP has suggested that the match provided by local governments might be an appropriate alternative measure and that a potential objective would be to leverage a non-State match of more than 50% for each grant awarded to local government applicants.

The MDP project application deadline for fiscal 2017 is July 15, 2016, which reflects the new authority of MDP to select a date as provided for in the reauthorization legislation and means that no projects were solicited in calendar 2015. As a result, the CIP does not yet show projects for the AAHP Grant Program**.** **Exhibit 2**, which includes information about estimated fiscal 2017 projects, shows two trends: (1) a decline in the amount of non-State matching funds leveraged between fiscal 2012 (approximately $480,000) and the fiscal 2017 estimate (approximately $70,000); and (2) relatively few local government applicants in the five years of the program, as shown by the low numbers of applicants required to provide non-State matching funds. MDP has noted in the past that it encourages applications for funding through outreach efforts such as conversations both one-on-one and in grant workshops, relationships formed with African American heritage-orientated organizations, and by responses to public inquiries. Fiscal 2015 was the first year in which an online application was introduced.

Exhibit 2
African American Heritage Preservation Grant Program Measures
Fiscal 2012-2017 Est.
($ in Millions)

Performance Measures		2012	2013	2014	2015	2016	Est. 2017
Input:	Applications received	27	24	16	27	34	30
Output:	Grants awarded	16	15	12	14	13	14
Input:	Funds requested	$2.07	$1.97	$1.48	$2.29	$2.96	$2.30
Output:	Grants awarded	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Output:	Non-State matching funds leveraged	$0.48	$0.17	$0.11	$0.13	$0.04	$0.07
Output:	Applicants required to provide non-State matching funds	3[1]	1[2]	0	2[3]	0	1

[1] Two local governments and one business entity.
[2] One local government.
[3] Two local governments.

Source: Maryland Department of Planning

Patterson Center Renovations

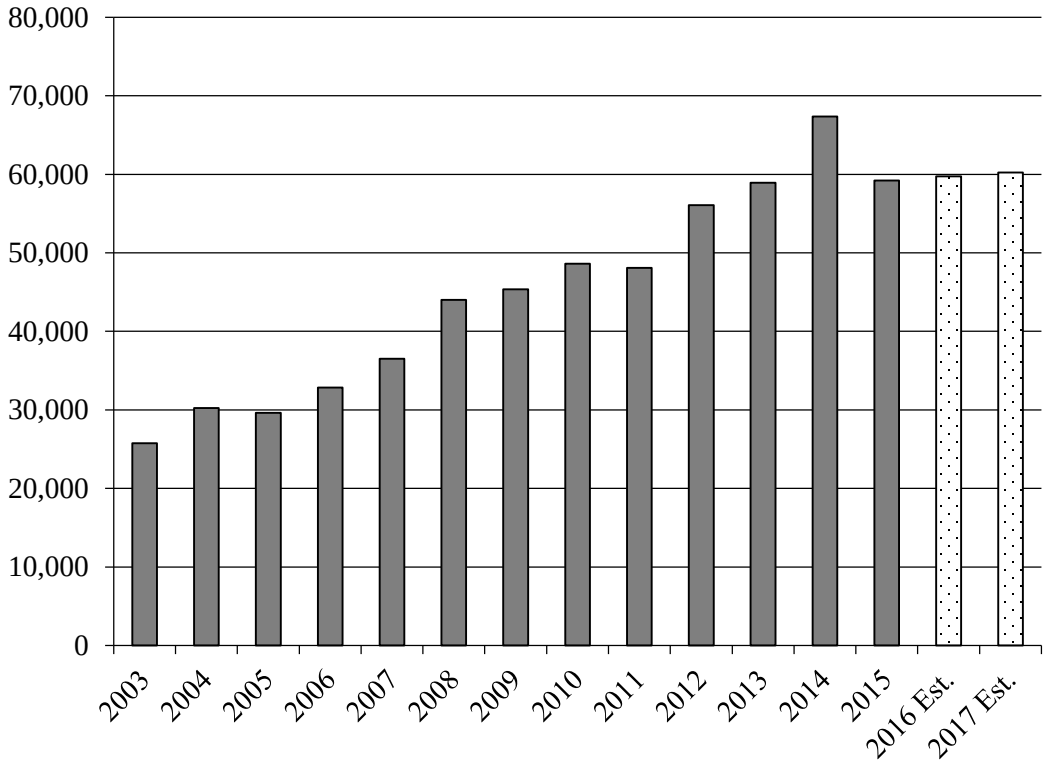
Attendance is the primary performance measure for the Jefferson Patterson Park and Museum. As shown in **Exhibit 3**, attendance steadily increased from 48,075 in fiscal 2011 to 67,378 in fiscal 2014 but leveled off to 59,203 in fiscal 2015. MDP has attributed the overall increase over the time period shown to the following.

- **Availability** – There has been a recent focus on keeping the park grounds open seven days a week for 52 weeks a year, which has increased trail use and thus attendance.

- **Improved Events** – The three days of War of 1812 activities, including a two-day Bicentennial celebration, in fiscal 2014 were key draws. Educational programs such as a Children's Day on the Farm have been improved, summer camps have been expanded, and groups such as the Center for Talented Youth have been attracted.

- **Marketing** – MDP has developed a closer relationship with local media outlets and has marketed rental facilities through certain channels.

Exhibit 3
Jefferson Patterson Park and Museum Attendance
Fiscal 2003-2017 Est.



Source: Governor's Budget Books, Fiscal 2003-2014; Department of Budget and Management, Fiscal 2015-2017

Budget Overview

Fiscal 2017 Proposed Budget

Grant and Loan Programs

Three of the four MDP historic preservation programs are funded in the fiscal 2017 operating and capital budgets.

- **Maryland Sustainable Communities Tax Credit Program** – The fiscal 2017 allowance includes $9 million in general funds, which is level with the fiscal 2016 working appropriation. The Maryland Sustainable Communities Tax Credit Program is not included in the 2016 CIP since the Administration considers it a financing mechanism and not a pay-as-you-go capital program. SB 759 and HB 939 have been introduced in the 2016 legislative session in order to effectuate the recommendations of the Tax Credit Evaluation Committee, which evaluated the Maryland Sustainable Communities Tax Credit Program. The six projects that received $9,040,646 in tax credit funding in fiscal 2016 on November 16, 2015, are shown in the projects section at the end of this analysis.

- **MHT Revolving Loan Fund** – The fiscal 2017 allowance includes a total of $300,000: $150,000 in special funds and $150,000 in GO bond authorization that capitalizes the fund. This funding level equals the amount and fund mix programmed in the 2015 CIP for fiscal 2017 and equals the amount in the fiscal 2016 working appropriation but reflects $150,000 less in special funds and $150,000 more in GO bonds relative to the fiscal 2016 working appropriation. Capitalization funding of $150,000 in GO bonds is programmed in the 2016 CIP for every year through the end of the five-year planning period.

- **MHT AAHP Grant Program** – The fiscal 2017 capital budget bill includes $1 million in GO bonds for the AAHP Grant Program, which is level with the fiscal 2016 authorization but is not consistent with the 2016 CIP because the Administration determined that the funding mandate ended in fiscal 2016. Chapter 371 of 2015 (AAHP Program – Reestablishment and Revisions) reestablished, with alterations, and made permanent the AAHP Program and required the Governor to include in the annual operating or capital budget an appropriation of $1 million to the AAHP Grant Fund. Based on the mandate, the 2016 CIP reflects funding for the program through the end of the five-year planning period.

State-owned Projects

The fiscal 2017 capital budget bill includes $3,091,000 in GO bonds for construction of the St. Leonard's Creek Shoreline Erosion Control and Public Access project and $327,000 for planning the Patterson Center Renovations. The project details are as follows.

- **St. Leonard's Creek Shoreline Erosion Control and Public Access Project –** Fiscal 2017 funding of $3,091,000 completes the design and fully funds construction of the project. The project schedule has slipped by five months with design now starting in March 2016 instead of June 2015. This is somewhat mitigated by a modification to the construction schedule, which is anticipated to be two months shorter than previously planned. The overall project consists of shoreline erosion control protection and the construction of a pier and boardwalk. The shoreline erosion control portion of the project is necessary due to the 25-foot high bluffs along St. Leonard's Creek being undercut by wind and wave action after Hurricane Isabel in September 2003. Shoreline erosion has increased to two feet a year since Hurricane Isabel, in contrast to the minimal shoreline erosion along the Jefferson Patterson Park and Museum shoreline that already has living shoreline erosion control measures in place. In addition, high and low marsh plant habitat are in danger of being lost that would otherwise support nesting terrapin and horseshoe crabs. The project is intended to almost eliminate shoreline erosion, which will also help to protect historic and cultural resources such as Native American, early colonial, and War of 1812 artifacts. A $50,000 grant received from a combination of the Chesapeake Bay Trust, National Oceanic and Atmospheric Administration, and the Maryland Department of the Environment for design of a 2,000-linear-foot living shoreline was used to inform the project design. The pier and boardwalk portion of the project is necessary because there is no public boat access on St. Leonard Creek, and the boating public has made numerous enquiries about how to access Jefferson Patterson Park and Museum. The construction of a pier and boardwalk will provide water access to students and other visitors, such as the boating public. Of note, there was $99,000 in nonbudgeted funds provided in fiscal 2016 from the Waterway Improvement Program for the boardwalk and pier component of the project.

- **Patterson Center Renovations** – Fiscal 2017 funding of $327,000 in GO bonds will complete design of the project. The project has been delayed since the design services were not procured until November 2015 and are now expected to run through the end of fiscal 2017. This requires the rescheduling of construction funds from what was programmed in the 2015 CIP – splitting construction over fiscal 2017 and 2018 – but now the 2016 CIP does not schedule construction funding until fiscal 2019 and 2020. This delay leaves a one year gap following completion of design. While the total project cost estimate of $6.686 million is down from the $7.0 million estimated in the 2015 CIP, at this stage the project cost estimate is not informed by architectural and engineering efforts and will likely be revised as the design progresses to 100% construction documents. The Patterson Center Renovations project consists of renovating three buildings at Jefferson Patterson Park and Museum in Calvert County – the main house, pool house, and garage – in order to fulfill the function of a house museum. Renovations include remediating structural failures; upgrading to meet current codes for fire, electrical, and the Americans with Disabilities Act; and landscaping. **DLS recommends that MDP comment on the current income potential plans for the property given the Historic Structures Report completed for the property, which included a building reuse (market feasibility) study.**

Issues

1. Staffing Shortage Appears to Be Ongoing

The MHT Sustainable Communities Tax Credit Program website still posts a notice that residential and small commercial tax credit programs are unstaffed, effective September 1, 2015. The notice indicates that MHT will accept complete Part 1 and Part 2 applications for the programs but will not initiate review of the applications until the programs are fully staffed, which the notice indicates that MHT was in the process of doing. Upon further inquiry, MHT indicated in September 2015 that the application review time has only slipped to 30 to 60 days from the 30 to 40 days standard review time when fully staffed. This mitigation of delays was due to the reassignment of existing staff with program experience and the willingness of staff to work overtime. However, it was noted that the overtime work by staff may not be sustainable over the long term. **DLS recommends that MDP comment on the status of staffing the residential and small commercial tax credit programs and the current application review time.**

2. Maryland Historical Trust Revolving Loan Fund Expenditure

The MHT Revolving Loan Fund's fiscal 2015 projects included an expenditure to fund the stabilization and rehabilitation of the Gardener's Cottage Rehabilitation project at Jefferson Patterson Park and Museum. The project was approved for the $175,000 expenditure on the February 18, 2015, Board of Public Works agenda and involved extensive interior and exterior rehabilitation of the property and restored the project since it was taken out of the plan for the Patterson Center Renovations project. However, this use of funding permanently reduced the amount of funding available for future use since it was provided as a grant. While capitalization funding of $150,000 in GO bonds has been planned for the out-years since at least the 2014 CIP, the expenditure is likely to make the need for increased capitalization of the fund with GO bonds more critical than would otherwise be the case. **DLS recommends that MDP comment on the impact of the expenditure for the Gardener's Cottage on the capitalization schedule for the MHT Revolving Loan Fund.**

3. Sustainable Communities Tax Credit Program Status

Chapters 568 and 569 of 2012 (Tax Credit Evaluation Act) established a legislative process for evaluating certain tax credits. The legislative evaluation committee created by the Act is required to evaluate the sustainable communities' tax credit by July 1, 2016. To assist the tax credit evaluation committee, DLS is required to evaluate the credit on a number of factors, including (1) the purpose for which the tax credit was established; (2) whether the original intent of the tax credit is still appropriate; (3) whether the tax credit is meeting its objectives; (4) whether the goals of the tax credit could be more effectively carried out by other means; and (5) the cost of the tax credit to the State and local governments.

On February 1, 2016, the Tax Credit Evaluation Committee met to determine whether the Sustainable Communities Tax Credit should be continued. The committee voted to extend the credit, and legislation has been introduced in the 2016 legislative session to effectuate the committee's decision. **Exhibit 4** shows a comparison of the draft tax credit evaluation recommendations and the re-authorization bill provisions. The proposed bill generally follows the tax credit evaluation recommendations with the exception of not including the following: increasing the current 60% geographic limitation to a higher percentage or completely eliminating the limitation; and prohibiting residential tax credits if the assessed value of the property is greater than 150% of the county's median home price. In addition to making substantive recommendations to the program, the tax credit evaluation included three areas on which MDP or MHT or both should comment. **DLS recommends that MDP and MHT comment on the outreach efforts to increase credit participation in jurisdictions that have been historically underrepresented in the award of tax credits; how creating, enhancing, supporting, and revitalizing sustainable communities fits into existing and new strategies to take advantage of federal and State infrastructure investment opportunities; and the process for reviewing rehabilitation activity and preventing fraudulent claims and whether the review process is sufficient to detect and deter potential fraud.**

Exhibit 4

Tax Credit Evaluation Recommendations Compared to Re-authorization Bill Provisions

Finding	Recommendation	Bill Provision
Credit reforms have successfully increased fiscal certainty and served as a model for subsequent tax credit programs.	Maintain the commercial tax credit as a budgeted tax credit subject to an aggregate limitation each year and maintain the $3 million cap on the maximum value of the commercial tax credit.	**Adopted**. No change in statute is necessary.
Using a competitive process to award commercial project credits has been effective.	Maintain the competitive process used to award commercial tax credits and consider implementing competitive processes for other State tax credits, such as the biotechnology investment incentive tax credit and the One Maryland tax credit.	**Adopted**. No change in statute is necessary.
Commercial credit reporting requirements are more detailed than for other similar tax credit programs.	Maintain MHT's current reporting requirements for commercial tax credits and consider implementing comparable reporting requirements for other State tax credits.	**Adopted.** No change in statute is necessary.
Federal grants qualify as credit expenditures and can limit private investment.	Prohibit any federal funds from qualifying as expenditures for purposes of the State credit.	**Adopted.** Bill modifies the definition of qualified rehabilitation expenditure to include any amount that is not funded, financed, or otherwise reimbursed by any federal grant.

Finding	Recommendation	Bill Provision
Statutory criteria designed to ensure geographic diversity of projects may not achieve desired results and can impact the overall quality of projects receiving credits.	Consider increasing the current 60% geographic limitation to a higher percentage or completely eliminating the limitation; and eliminate the criterion of scoring points on geographic underrepresentation or require MHT to develop a new scoring metric to better capture the inventory of eligible properties in historically underrepresented jurisdictions.	**Partially adopted**. Bill strikes the criterion of scoring points on geographic representation, but maintains the 60% geographic limitation.
Commercial and residential credit projects in Baltimore City generally occur in different parts of the city, with residential projects skewed to neighborhoods with higher incomes and housing values.	Consider prohibiting residential tax credits if the assessed value of the property is greater than 150% of the county's median home price, which could better target credits to residential properties in neighborhoods in need of revitalization instead of simply rehabilitating properties in neighborhoods with high market values.	**Not adopted**.
Despite efforts to increase geographic diversity, Baltimore City continues to have a large majority of commercial and residential credit projects.	Have MHT comment on its outreach efforts to increase credit participation in jurisdictions that have been historically underrepresented in the award of tax credits.	**Not applicable**.
Sustainable community revitalization efforts should be coordinated with other federal and State infrastructure investment programs.	Have MDP and MHT comment on how creating, enhancing, supporting, and revitalizing sustainable communities fits into existing and new strategies to take advantage of federal and State infrastructure investment opportunities.	**Not applicable.**
Claims for fraudulent rehabilitation expenditures may occur even with a detailed certification process.	Have MHT comment on its process for reviewing rehabilitation activity and preventing fraudulent claims and whether its review process is sufficient to detect and deter potential fraud and also have MHT consider taking additional steps to detect fraud, such as calculating the cost per square foot for projects, and performing additional review if this calculation exceeds a certain threshold.	**Not applicable.**

MDP: Maryland Department of Planning
MHT: Maryland Historical Trust

Source: Department of Legislative Services

Updates

1. African American Heritage Preservation Grant Program Re-authorized

Chapter 371 of 2015 (AAHP Program – Reestablishment and Revisions) reestablished, with alterations, and made permanent the AAHP Program. For each fiscal year, the Governor must include in the annual operating or capital budget an appropriation of $1 million to the AAHP Grant Fund, a special fund established by the bill. The more significant alterations to the existing program are discussed below.

- **Fund** – Creates the AAHP Grant Fund, administered by MHT, as a special, nonlapsing fund that may be used only for African American Heritage Grants. The AAHP Grant Fund consists of (1) money appropriated in the State budget; (2) investment earnings; (3) any other money from any other source; and (4) money received from the sale of State GO bonds.

- **Application Date** – Changes the date by which an application for an AAHP Grant may be submitted from July 15 each year to a date established annually by MHT and the Commission on African American History and Culture. MDP has noted that flexibility in establishing an application date will allow for a date to be set that is closer to the beginning of the new fiscal year, thus allowing applicants to access funding more quickly.

- **Criteria** – Requires MHT and the commission, except under limited circumstances, to consider a grant application competitively against all other grant applications submitted during the same fiscal year, requires MHT and the commission to consider other criteria MHT and the commission deem relevant when making their recommendations to the Secretary of Planning regarding each grant application, and creates a procedure and establishes requirements for the Secretary of Planning to review and consider grant applications.

- **Emergency Grants** – Creates a procedure and establishes requirements for the award of emergency grants by the Secretary of Planning and authorizes the Secretary to reserve up to 20% of the money available in the AAHP Grant Fund to award grants to eligible emergency AAHP Projects not otherwise applied for during the regular application cycle. MDP has noted that this provision is in keeping with the guidelines for its existing MHT Capital Grant Fund program and is necessary to be able to address emergencies quickly such as stabilizing damaged structures after fire, flood, or other disasters.

- **Report Date** – Changes the date, from October 1 of each year to December 31 of each year, by which MHT and the commission must report to the Governor on the financial status and activities of the program (and fund) for the prior fiscal year.

- **Easement Waiver Authority** – Specifies that the director of MHT, instead of the Secretary of Planning, may waive an easement or an agreement to preserve and maintain the property for

which the grant was awarded if the director determines that the easement or agreement is impracticable, infeasible, or not necessary under the circumstances.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
St. Leonard's Creek Shoreline Erosion Control and Public Access						
	Estimated Operating Cost	$0.000	$0.005	$0.008	$0.008	$0.008
	Estimated Staffing	0	0	0	0	0
Patterson Center Renovations						
	Estimated Operating Cost	$0.000	$0.252	$0.278	$0.540	$0.427
	Estimated Staffing	0	2	2	4	4
Total Operating Impact						
	Estimated Operating Cost	**$0.000**	**$0.257**	**$0.286**	**$0.548**	**$0.435**
	Estimated Staffing	**0**	**2**	**2**	**4**	**4**

The operating budget impact statement reflects the need for the two State-owned capital projects as follows.

- **St. Leonard's Creek Shoreline Erosion Control** – Funding needs include a 0.1 full-time equivalent to open up and close the facility; electricity for security and safety lights; maintenance and repairs by outside contractors; and supplies and materials for maintenance and repair of the boardwalk, pier, and shoreline erosion protection areas.

- **Patterson Center Renovations** – Funding needs include positions that increase from 2.0 in fiscal 2018 to 4.0 in fiscal 2020 (administrator II, horticulturalist, maintenance chief, and education specialist); communications to facilitate public programs; travel, fuel, and utilities due to increased use of the property; movers at the beginning and end of the construction period to transport household effects; supplies and materials; both new and replacement equipment for three buildings; and insurance.

Consolidated Administrative Expenses – All Programs

	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Sources:			
General Funds			
Sustainable Communities Tax Credit Program	$0	$12,000	$23,627
Subtotal – General Funds	***$0***	***$12,000***	***$23,627***
Special Funds			
Sustainable Communities Tax Credit Program	$298,884	$323,048	$305,838
Maryland Historical Trust Revolving Loan Fund	46,927	44,444	43,790
African American Heritage Preservation Grant Program	0	0	0
Subtotal – Special Funds	***$345,811***	***$367,492***	***$349,628***
Total Funds	**$345,811**	**$379,492**	**$373,255**

Uses:			
Direct Expenses	$345,811	$379,492	$373,255
Indirect Expenses (legal, marketing, asset management)	0	0	0
Total Direct and Indirect Expenses	**$345,811**	**$379,492**	**$373,255**

MDP notes that salaries and operating costs are charged to the Sustainable Communities Tax Credit Program and the MHT Revolving Loan Fund and that recent increases are due to cost-of-living adjustments and increments. Other costs that might fluctuate from year to year include travel and contractual services.

MDP notes that one position staffs the MHT Revolving Loan Fund, the Capital Grant Program, and the AAHP Grant Program, so the costs for the AAHP Program are included in the costs for the Revolving Loan Fund.

Summary of Other Projects in the Capital Improvement Program

MHT Capital Grant Fund

The 2016 CIP programs $600,000 in GO bonds beginning in fiscal 2018 and annually thereafter for the MHT Capital Grant Fund. This is the first funding the program is scheduled to receive since it was last authorized $700,000 in fiscal 2009.

Maryland Archaeological Conservation Laboratory

The Maryland Archaeological Conservation Laboratory is an archaeological research, conservation, and curation facility housed at Jefferson Patterson Park and Museum. It is a clearinghouse for archaeological collections associated with land-based and underwater projects conducted by State and federal agencies and for major collections acquired through private donation.

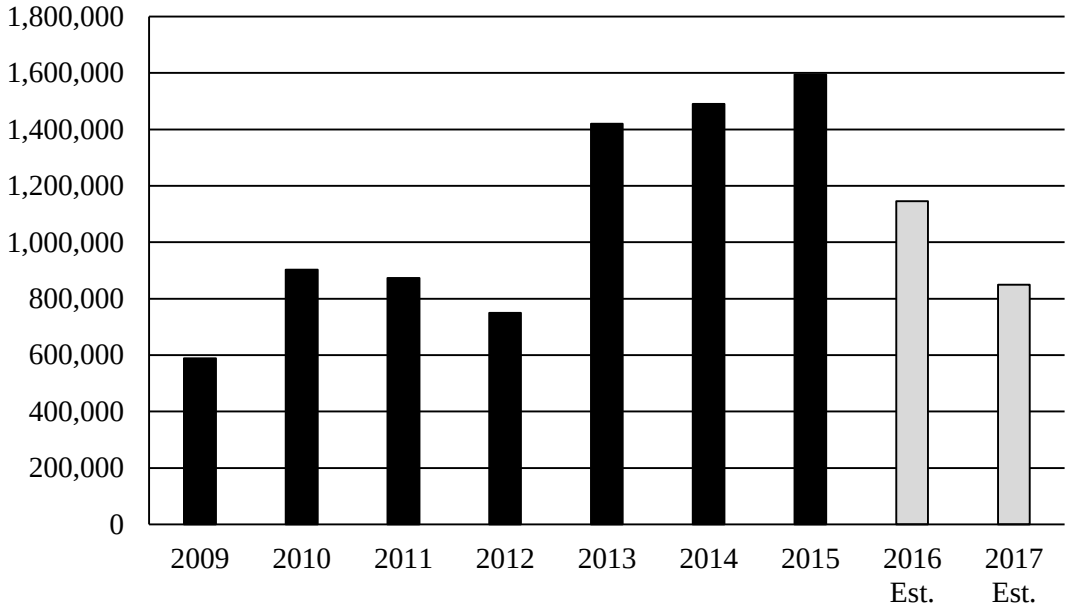
The 2016 CIP programs funding to make improvements to the Maryland Archaeological Conservation Laboratory including the expansion of archival storage capacity and upgrades to the heating, air conditioning, and ventilation and humidity controls. Design funding would commence in fiscal 2020 with construction funding phased over two years in fiscal 2021 and 2022 with fiscal 2022 being beyond the scope of the five-year 2016 CIP. Overall the plan is consistent with what was programmed in the 2015 CIP with respect to the commencement and timing of design and construction funding. Very preliminary estimates put the total project cost at $5.3 million, which is down from the $5.8 million estimate in the 2015 CIP. Of note, the fiscal 2017 State budget includes $1.6 million in Facilities Renewal Program funding to address a recurring mold problem. The scope of the Maryland Archaeological Conservation Laboratory project will be adjusted based on the fiscal 2017 work and a building assessment being performed.

The project entails the following: (1) create additional and more efficient storage space for artifact collections and archives; (2) provide additional workspace for cleaning artifacts as they come in from the field; (3) correct health and safety deficiencies in work areas; (4) correct equipment inefficiencies and improve function to reduce repairs and permit increased capability in treatment of artifacts; (5) provide separate and larger isolation area for fumigation to reduce hazards to health and safety; (6) upgrade the security system; and (7) upgrade the heating, ventilation, and air conditioning system. MDP has noted in the past that the project can wait until fiscal 2020 because staff have been diligent about maximizing the amount of space for archaeological collections, but that the Maryland Archaeological Conservation Laboratory is expected to be full by fiscal 2020 and thus, the expansion should be postponed no longer. **DLS recommends that MDP comment on the impact on the Maryland Archaeological Conservation Laboratory if construction is not completed until fiscal 2022.**

As shown in **Exhibit 5**, the number of artifacts and documents accessed and treated at the Maryland Archaeological Conservation Laboratory peaked over the time period shown in fiscal 2015 at 1,595,204 and is anticipated to decline to 850,000 in the fiscal 2017 estimate. MDP notes that

between fiscal 2010 and 2015, the Smith St. Leonard Site – the home lot of an early eighteenth century tobacco plantation in Calvert County – has generated approximately 900,000 artifacts per year. However, in fiscal 2016 and 2017, excavation at the Smith St. Leonard Site will be reduced as a result of a State Highway Administration project and other projects, which thus reduces the number of artifacts and documents accessed and treated at the Maryland Archaeological Conservation Laboratory.

Exhibit 5
Maryland Archaeological Conservation Laboratory Artifacts and Documents Accessed and Treated
Fiscal 2009-2017 Estimated



Source: Department of Budget and Management

The number of artifacts and documents accessed and treated annually at the Maryland Archaeological Conservation Laboratory raises the question of how much storage capacity remains at the facility. MDP notes that the overall collections storage area capacity of the Maryland Archaeological Conservation Laboratory consists of the following:

- **Compactible Shelving** – Holds 10,352 boxes and is currently at 8,194 boxes, or 79% of the limit.
- **Oversize Shelving** – Holds 784 square feet and is currently near the limit.
- **Floor Space** – Holds 1,404 square feet (54 feet by 26 feet) and is currently at the limit.

As noted previously, the available storage space is expected to last no longer than five years. This projection is based on the routine accession of approximately 190 boxes per year to which is added the following collections over the next five years: Coursey project (400 boxes), Smith St. Leonard (250 boxes), Archaeological Society of Maryland (150 boxes), and the University of Maryland (50 boxes). In order to handle the increased storage needs, MDP has taken or is considering taking the following measures.

- **Box Consolidation –** Consolidated several large collections in fiscal 2011.

- **Removal of Non-archaeological Collections –** Removed Banneker-Douglas Museum (765 square feet or about 560 boxes) and the Louis Goldstein Collection (250 square feet of oversized shelving).

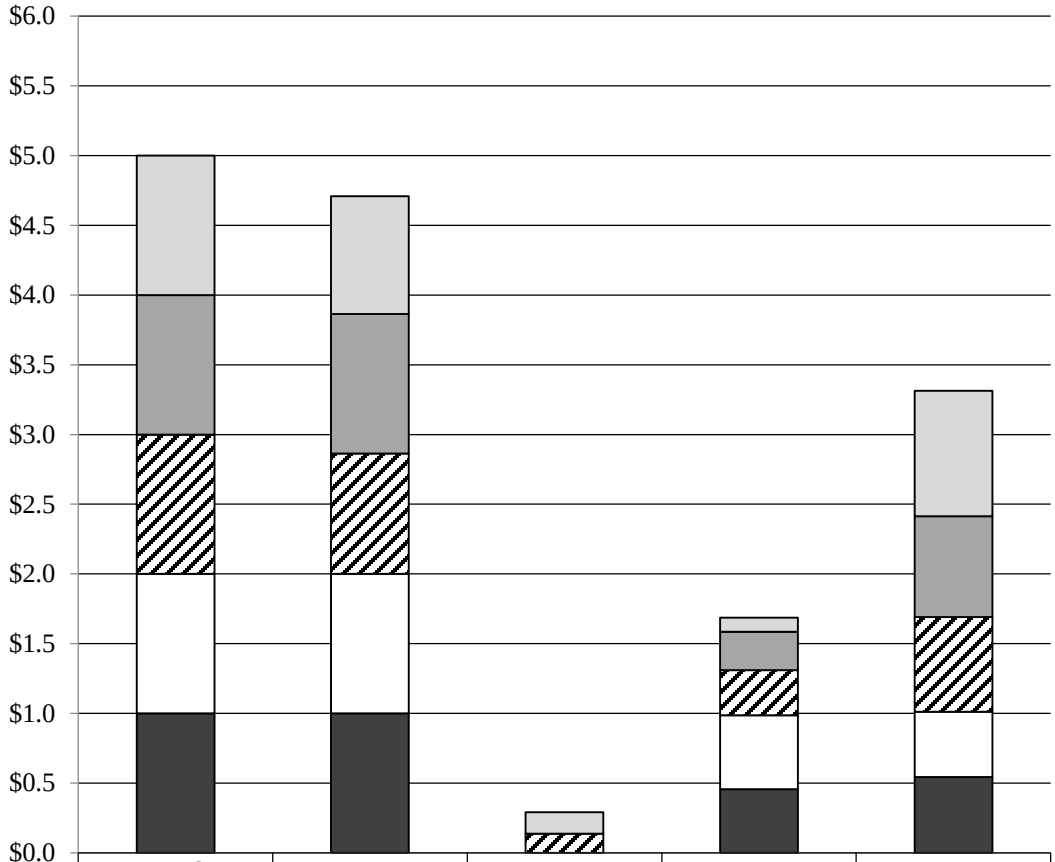
- **Deaccessioning –** Exploring the idea of deaccessioning collections, but there are very few appropriate objects.

MDP noted in its fiscal 2017 operating budget testimony that there are economic, research, and practical reasons that digital scanning cannot be used to allow for deaccessioning of artifacts.

Encumbrances and Expenditures

Exhibit 6 reflects the encumbrance and expenditure schedule for the AAHP Grant Program. As can be seen, the majority of funding to be encumbered is from the fiscal 2016 authorization, while the amounts to be expended are relatively evenly spread over the first four years the program has received funding. The $3.3 million still to be expended is rather sizeable given the relatively short period of the program's existence. In response, MDP has noted in the past that projects are normally given a two-year window but that very few projects meet this schedule due to the following possibilities: inexperience on the part of the nonprofit applicants, lack of design team involvement, limited available qualified preservation contractors, and the time required to convey an historic preservation easement to MHT. MDP noted in last year's analysis that if a project is clearly not moving forward, then it has the option to cancel a grant or not to extend the project completion date on the grant agreement and that under the revisions to the program outlined in the re-authorization bill, MHT would have greater flexibility in reusing funds from canceled projects, which will provide an incentive to be more aggressive in canceling grants. **DLS recommends that MDP comment on what provisions in Chapter 371 of 2015 (African American Heritage Preservation Program – Reestablishment and Revisions) provided additional flexibility in reusing funds from canceled projects.**

Exhibit 6
African American Heritage Preservation Grant Program
Program Inception through January 2016
($ in Millions)



	Total Authorization	Encumbered	To Be Encumbered	Expended	To Be Expended
Total	$5.0	$4.7	$0.3	$1.7	$3.3
2016	$1.0	$0.8	$0.2	$0.1	$0.9
2015	$1.0	$1.0	$0.0	$0.3	$0.7
2014	$1.0	$0.9	$0.1	$0.3	$0.7
2013	$1.0	$1.0	$0.0	$0.5	$0.5
2012	$1.0	$1.0	$0.0	$0.5	$0.5

Source: Department of Budget and Management

PAYGO Recommended Actions

1. Concur with Governor's allowance of $150,000 in special funds for the Maryland Historical Trust Revolving Loan Fund.

2. Concur with Governor's allowance of $9,000,000 in general funds for the Sustainable Communities Tax Credit Program.

GO Bond Recommended Actions

1. Approve the $327,000 general obligation bond authorization to complete design of renovations to the Patterson Center at Jefferson Patterson Park and Museum.

2. Approve the $3,091,000 general obligation bond authorization to design and construct shoreline erosion control measures and other improvements along St. Leonard's Creek at Jefferson Patterson Park and Museum.

3. Approve the $1,000,000 general obligation bond authorization for the African American Heritage Preservation Grant Program to assist in the protection of properties with cultural and historical significance to the African American community.

4. Approve the $150,000 general obligation bond authorization for the Maryland Historical Trust Revolving Loan Fund for the protection of historic property.

Fiscal 2016 African American Heritage Preservation Grant Program Projects

Subdivision	Project Title	Estimated Cost	2016 Amount	Total State Share (%)
Baltimore City	Ebenezer A.M.E. Church and Parish House	$100,000	$100,000	100.0%
Baltimore County	Pine Grove United Methodist Church and School House	107,000	100,000	93.5
Calvert	Kings Landing Park/Camp Mohawk	73,000	73,000	100.0
Caroline	Community Civic League of Federalsburg/Laurel Grove Road School	98,000	98,000	100.0
Carroll	Sykesville Colored Schoolhouse	15,000	15,000	100.0
Charles	Old Pomonkey High School	95,000	95,000	100.0
Dorchester	Christ Rock Methodist Episcopal Church	100,000	100,000	100.0
Dorchester	Stephen E. W. Camper House	100,000	14,000	14.0
Frederick	Bartonsville Community Cemetery	13,000	13,000	100.0
Frederick	Catoctin Furnace African American Cemetery	114,688	87,000	75.9
Kent	Asbury United Methodist Church	95,000	95,000	100.0
Prince George's	Frederick Douglass Square at the University of Maryland	100,000	100,000	100.0
Somerset	John Wesley Methodist Episcopal Church	40,000	40,000	100.0
Talbot	Asbury Methodist Episcopal Church	100,000	100,000	100.0
Talbot	Bethel African Methodist Episcopal Church	100,000	100,000	100.0
Wicomico	Charles H. Chipman Cultural Center	78,000	78,000	100.0
Total		**$1,328,688**	**$1,208,000**	

Fiscal 2016 Sustainable Communities Tax Credit Projects

Project Name	County	Description	Estimated Project Costs	Credit Amount
Hoen Lithograph	Baltimore City	Restore and convert the historic Hoen Lithography Company building into a mixed use development including food production kitchen, brewery, office space for start-ups and nonprofits, and market rate apartments for health care workers.	$18,000,000	$3,000,000
Footer's Dye Works	Allegany	Restore and expand the Footer's Dye Works building for a mix of rental housing units, restaurant/brewery, and commercial office space.	7,500,000	1,875,000
Hearn Building	Dorchester	Restore and repurpose the building to house rental residential apartments and retail spaces.	4,795,172	959,034
St. Michael's Church Complex	Baltimore City	Restore the St. Michael's Church Complex with a mix of commercial uses and rental residential apartments.	18,700,000	2,861,112
Academy School	Dorchester	Restore the Academy School building's exterior and repurpose it as a senior living apartment building.	1,150,000	287,500
Sykesville Hotel	Carroll	Restore the Sykesville Hotel building's exterior including restoration of the siding, reopening of historic windows and doors, and reconstruction of the missing porches.	290,000	58,000
Total			**$50,435,172**	**$9,040,646**

KA05
Department of Natural Resources – Capital

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Program Open Space							
Land Acquisition and Local Program	$45.635	$56.238	$46.809	$52.293	$90.338	$100.953	$104.789
Natural Resources Development Fund	1.544	7.232	3.062	10.054	13.898	9.000	9.000
Critical Maintenance Projects	2.500	6.089	6.001	6.001	4.000	4.000	4.000
Rural Legacy Program	16.034	10.082	17.663	22.076	22.845	23.244	23.631
Ocean City Beach Maintenance	0.500	1.500	1.000	2.000	1.000	0.000	2.000
Waterway Improvement Program	5.000	6.587	12.600	11.100	11.100	11.100	11.100
Community Parks and Playgrounds	2.500	5.000	2.500	2.500	2.500	2.500	2.500
Oyster Restoration Program	7.600	7.600	3.300	7.600	7.600	7.600	7.600
Chesapeake Bay 2010 Trust Fund	25.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	**$106.313**	**$100.327**	**$92.935**	**$113.624**	**$153.282**	**$158.398**	**$164.620**

Fund Source	2015 Approp.	2016 Approp.	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 Est.
PAYGO SF	$9.303	$13.909	$74.285	$92.939	$134.582	$139.698	$145.920
PAYGO FF	4.636	3.587	7.850	3.600	3.600	3.600	3.600
GO Bonds	92.374	51.482	10.800	17.085	15.100	15.100	15.100
Bond Premiums	0.000	31.349	0.000	0.000	0.000	0.000	0.000
Total	**$106.313**	**$100.327**	**$92.935**	**$113.624**	**$153.282**	**$158.398**	**$164.620**

Note: Numbers may not sum to total due to rounding.

For further information contact: Andrew D. Gray Phone: (410) 946-5530

FF: federal funds
GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

Note: The fiscal 2015 appropriation includes $51.9 million in GO bond funding authorized to replace prior year transfers of transfer tax funding to the General Fund. The fiscal 2016 appropriation reflects $31.3 million in bond premium funding for Program Open Space – Land Acquisition and Local and for the Rural Legacy Program. The fiscal 2017 appropriation includes $16.5 million in a special fund appropriation contingent upon HB 462 and SB 383.

Summary of Issues

Deep Creek Lake Studied, Not Dredged: The fiscal 2016 operating budget restricted $250,000 in Waterway Improvement Program (WIP) special funds for Deep Creek Lake dredging projects. The Department of Natural Resources' (DNR) plan is to obligate $177,220 for a two-year study entitled *Deep Creek Lake Monitoring of Sediment Impacts on Boating Channels*. The first year of the study has been allocated $88,610 and began in November 2015. DNR will encumber an additional $88,610 in fiscal 2016, which will be available in fiscal 2017 for the remainder of the study. DNR is in the process of deciding whether to continue the sediment study for a third year – since this would provide more data – or revert the remaining $72,780 to the maintenance dredging funding pool as allowed for in the budget bill language. **The Department of Legislative Services (DLS) recommends that DNR comment on the plans for the remaining $72,780 of funding restricted for the purpose of dredging Deep Creek Lake.**

Oyster Reef Construction on Hold: DNR's fiscal 2017 authorization for the Oyster Restoration Program reflects the intent to wait until after the July 2016 five-year assessment of oyster restoration progress is completed before selecting the next two tributaries for new oyster restoration activities and constructing any more oyster reefs in sanctuaries. The hiatus also reflects the intent to address concerns raised by local stakeholders. The delay has led the U.S. Army Corps of Engineers to shift federal funding to Virginia. Regardless, there remains the question of where sufficient cost-effective substrate will be obtained to continue oyster restoration work and how this substrate will be distributed between sanctuaries and the public and private fishery. **DLS recommends that DNR comment on the rationale for each of the three oyster shell use ratios and whether there is an intent to return to a public and private fishery in favor of the sanctuary model for oyster restoration.**

Land Preservation Workgroup Reports on Transfer Tax-funded Programs: Committee narrative in the 2015 *Joint Chairmen's Report* (JCR) requested a report on an evaluation of land preservation and easement acquisition programs covering the roles the programs play relative to each other and current statute, and the funding each receives through the transfer tax formula. The Land Preservation Workgroup formed to address the report request met over the 2015 interim and found agreement on a number of items but found that there were disagreements with the Administration over land preservation program funding plans, replacement of funds transferred to the General Fund, and the idea of a transfer tax lockbox to prevent future transfers. **DLS recommends that DNR comment on how it plans on handling the statutory requirement that the Governor appoint a committee to review the Program Open Space (POS) Local apportionment formula annually and the request by local governments for greater flexibility in how POS – Local funding may be used.**

Summary of Updates

Bloede Dam Status: Bloede Dam is located in Patapsco River State Park and was built in 1907. The dam is a public safety threat and is an obstacle for fish passage. Funding was most recently provided through the Natural Resources Development Fund in fiscal 2016 in order to backfill a fiscal 2015 withdrawn appropriation. DNR notes that the construction documents, plans, and specifications are at the 95% stage, ready for preparation of bid documents for removal of the dam. Permits are expected to be approved shortly for advertisement in March 2016.

Vessel Excise Tax Cap Report: Chapter 180 of 2013, in addition to establishing the vessel excise tax $15,000 cap, also (1) required DNR to report on the effect of the $15,000 per vessel cap on the number and type of vessels registered in the State and the health of the boating industry; and (2) established a Task Force to Study Enhancing Boating and the Boating Industry in Maryland that was to consider, among other things, the impact of modifying the State vessel excise tax rate and boat registration fees. The submitted report reflects ways to retain revenue and generally to enhance boating in Maryland. HB 14 and SB 58 (Natural Resources – Vessel Excise Tax Cap – Repeal of Termination) have been introduced in the 2016 legislative session to make permanent the $15,000 limit on the amount of the vessel excise tax that may be imposed on any vessel.

Summary of Recommended PAYGO Actions

1. Concur with the Governor's allowance for the Outdoor Recreation Land Loan.

2. Concur with the Governor's allowance for the Ocean City Maintenance program.

3. Concur with the Governor's allowance for the Waterway Improvement Program.

Summary of Recommended Bond Actions

		Funds
1.	Community Parks and Playgrounds	
	Approve the $2,500,000 general obligation bond authorization for Community Parks and Playgrounds.	
2.	Rural Legacy Program	$5,000,000 GO
	Reduce the Rural Legacy Program general obligation bond authorization.	
3.	Oyster Restoration Program	
	Approve the $3,300,000 general obligation bond authorization for the Oyster Restoration Program.	
	Total Reductions	**$5,000,000 GO**

Program Description

The mission of the DNR capital program may be summarized as the protection of Maryland's open space lands, shorelines, waterways, and natural resources while providing outdoor recreation opportunities in cooperation with federal and local governments. The capital program is comprised of POS (including the Natural Resources Development Fund and Critical Maintenance Program), the Rural Legacy Program, Ocean City Beach Maintenance, the WIP, Community Parks and Playgrounds, and the Oyster Restoration Program. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund received general obligation (GO) bond authorization in fiscal 2013 through 2015 but is not programmed to receive funding beyond fiscal 2015. Descriptions of the programs follow.

- ***POS – Land Acquisition and Local Program*** – Title 5, Subtitle 9 of the Natural Resources Article established POS for the purpose of expediting the acquisition of outdoor recreation and open space areas and the provision of recreation facilities before land is devoted to other purposes. The POS appropriation has historically been split between the State and local government. While both State acquisitions and local grants fund projects that protect open space and provide recreation facilities, State acquisitions tend to place a greater emphasis on natural resource management. State POS funds are allocated for State land acquisition and operation. In addition, POS funds are allocated to capital improvements and critical maintenance, which are described as separate programs below. Local recreation and parks departments use local POS funds for acquisition, development, and planning projects. Primary funding for POS has historically been provided by the State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another.

POS administers the Heritage Conservation Fund, which is used to acquire land that provides habitat for rare, threatened, and endangered species through an easement or fee simple purchase and supported by 1.8% of the annual transfer tax revenue.

- ***POS – Natural Resources Development Fund*** – State law allows up to 25.0% of the POS funds allocated to the State to be used for capital development projects and for operating expenses at State forests and parks. The Natural Resources Development Fund provides support to design and construct development projects on DNR property. Capital development projects include shower buildings, building renovations, road parking and trail improvements, and general park improvements. In addition, the Natural Resources Development Fund has taken on the funding for dam rehabilitations.

- ***POS – Critical Maintenance Program*** – DNR maintains over 1,500 buildings, hundreds of miles of roadway, parking lots, and a variety of water-associated facilities that serve millions of visitors annually. Critical maintenance projects include structural repairs to buildings, bridge repairs, well and septic system replacement, and road and utility repairs. Based on project requests submitted by DNR facility managers during the past year, there is a $39.9 million (637 projects) backlog in necessary critical maintenance projects at all DNR facilities – State forests and parks, wildlife management areas, fisheries facilities, and others – which is a decrease in both the overall cost and the number of projects since February 2015 ($44.0 million and 676 projects). DNR and the Department of General Services (DGS) both manage Critical Maintenance Projects. DNR handles procurement for projects that cost $50,000 or less (the majority of projects), and DGS handles procurement for projects that cost more than $50,000.

- ***Rural Legacy Program*** – The purpose of the Rural Legacy Program is to protect agricultural and natural resources land from sprawl development and thus to promote resource-based economies and to develop greenbelts. Program funds are used to purchase conservation easements on land based on Rural Legacy areas approved by the Rural Legacy Board (composed of the Secretaries of Natural Resources, Planning, and Agriculture). Under § 5-9A-09 of the Natural Resources Article, the Governor is required to include at least $5.0 million in the annual capital budget for the Rural Legacy Program separate and apart from what the program is allocated through the transfer tax formula.

- ***Ocean City Beach Maintenance*** – The Ocean City Beach Maintenance Fund was established to fund annual maintenance for the Ocean City beach replenishment project. When the fund was established, the State entered into a funding agreement with Worcester County and Ocean City. The funding agreement stipulates that the following amounts be provided annually: not less than $1.0 million from the State and not less than $500,000 each from the county and the city. Periodic nourishment is deemed the most cost-effective method of maintaining the beach over a 50-year period. Transfer tax revenue within POS or GO bonds are used to fund the State's contribution to this effort. Upon reaching a $15.0 million cap in the fund, no funding is required to be provided by the State or local governments. Nourishment of the Ocean City beach is usually done on a four-year cycle. The U.S. Army Corps of Engineers is responsible for developing estimates, plans, and managing construction contracts for the periodic nourishment efforts and

costs are usually shared: 53.0% federal and 47.0% local – State, Ocean City, and Worcester County.

- ***Waterway Improvement Fund*** – The Waterway Improvement Fund (WIF) finances projects to expand and improve public boating access throughout the State. The 5.0% excise tax paid on the Zsale of motorized vessels within the State, up to $15,000 per vessel, and 0.5% of the motor vehicle fuel tax support the fund, per Chapter 180 of 2013 (Natural Resources – Vessel Excise Tax – WIF). Funding is provided in the form of grants and/or long-term, interest-free loans to local governments, DNR, and some federal government agencies, as follows: (1) grants (100.0%) not to exceed $5,000; (2) grants (100.0%) less than $100,000; (3) public navigation improvement and DNR boating facility construction grants (100.0%) of unlimited amounts; (4) matching grants with a maximum State cost share (50.0%); and (5) interest-free loans (100.0%) with a 25-year maximum. Additional funding specifications are provided for dredging/navigation projects and boating access facility/boating safety projects.

- ***Community Parks and Playgrounds*** –The program provides flexible grants to municipalities and Baltimore City – counties are no longer eligible – to (1) rehabilitate, expand, improve, or maintain existing parks; (2) purchase land to create new parks; (3) develop new parks; (4) purchase and install playground equipment in urban neighborhoods and rural areas throughout the State; or (5) be used for environmentally oriented parks and recreation projects. While land acquisition costs are considered, highest priority is given to capital costs associated with park and playground development and improvement.

- ***Oyster Restoration Program*** – The Oyster Restoration Program provides funding to construct and rehabilitate oyster bar habitat and provide for aquaculture infrastructure improvements. Funding is guided by Maryland's oyster plan, which includes goals to rehabilitate oyster bar habitat identified in a best oyster bar survey conducted in fall 2009 and to shift commercial oyster production to aquaculture. In addition, Maryland is guided by the new Chesapeake Bay Agreement signed in June 2014, which has the following goal: "Restore native oyster habitat and populations in 10 tributaries by 2025 and ensure their protection." Based on a U.S. National Oceanic and Atmospheric Administration oyster workgroup, the program has adopted the following restoration goals: (1) restoring 50.0% to 100.0% of currently restorable oyster habitat at the tributary level; and (2) achieving a mean density of 50 oysters per square meter and 50 grams dry weight per square meter, containing at least two generations, and covering at least 30.0% of the reef area at the reef level.

Performance Measures and Outputs

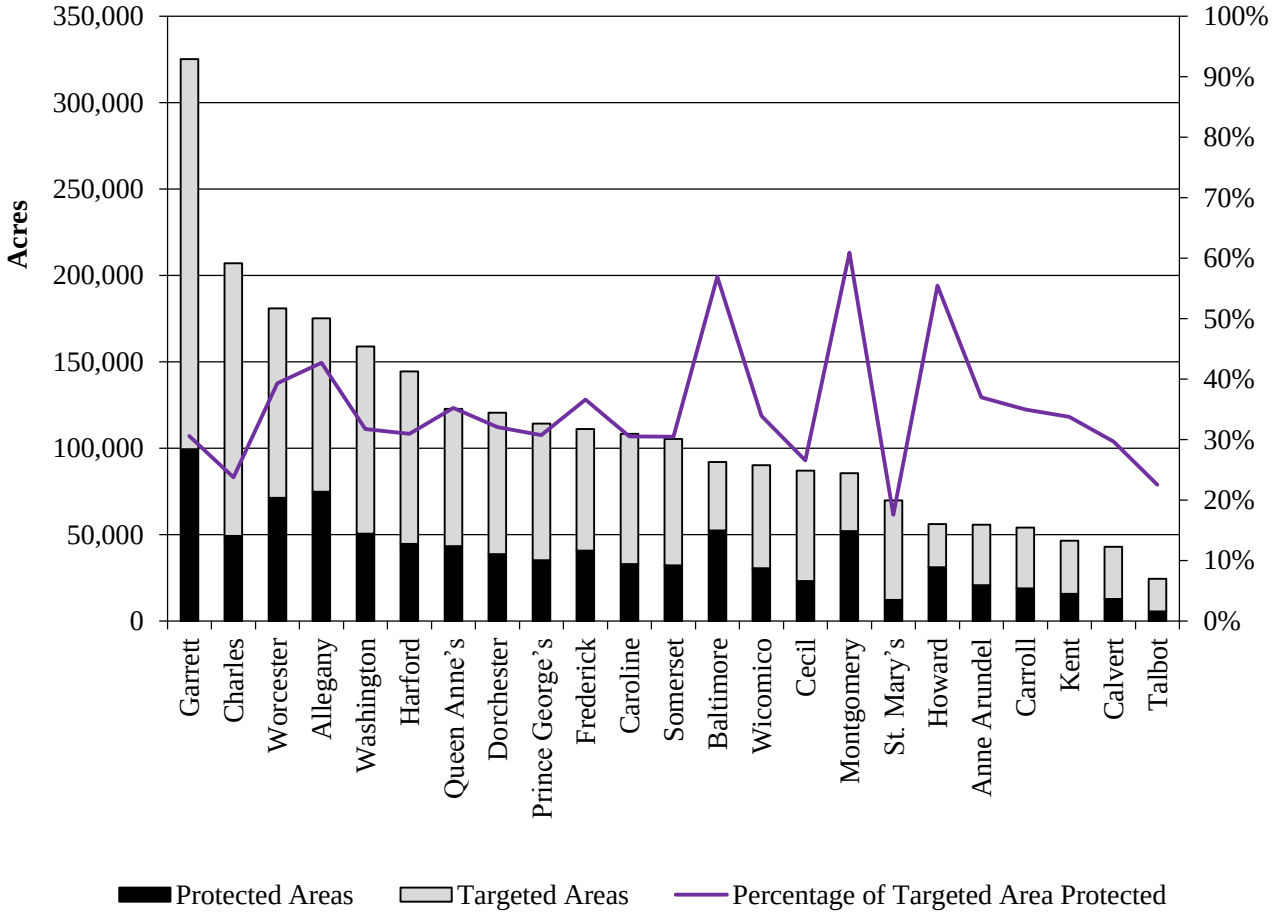
Program Open Space

Maryland distinguishes between targeted ecological areas and high-priority conservation areas. Targeted ecological areas have the highest ranking for green infrastructure, species diversity, and water quality. High-priority conservation areas are areas where targeted ecological areas meet other protected

lands. All of this information is summarized in GreenPrint, the online geographic information system tracking program for preserved land and targeted ecological areas.

Maryland's targeted ecological areas total 2,578,651 acres, no changes from last year. To date, 887,868 acres have been protected, up from 881,907 acres at this time last year, leaving 1,690,782 acres still to be protected. As shown in **Exhibit 1**, Garrett (325,208 acres), Charles (207,129 acres), and Worcester (181,008 acres) counties continue to be the top three counties in terms of targeted ecological areas. The three counties with the highest percentage of targeted ecological areas protected are Montgomery (61%), Baltimore (57%), and Howard (55%) counties.

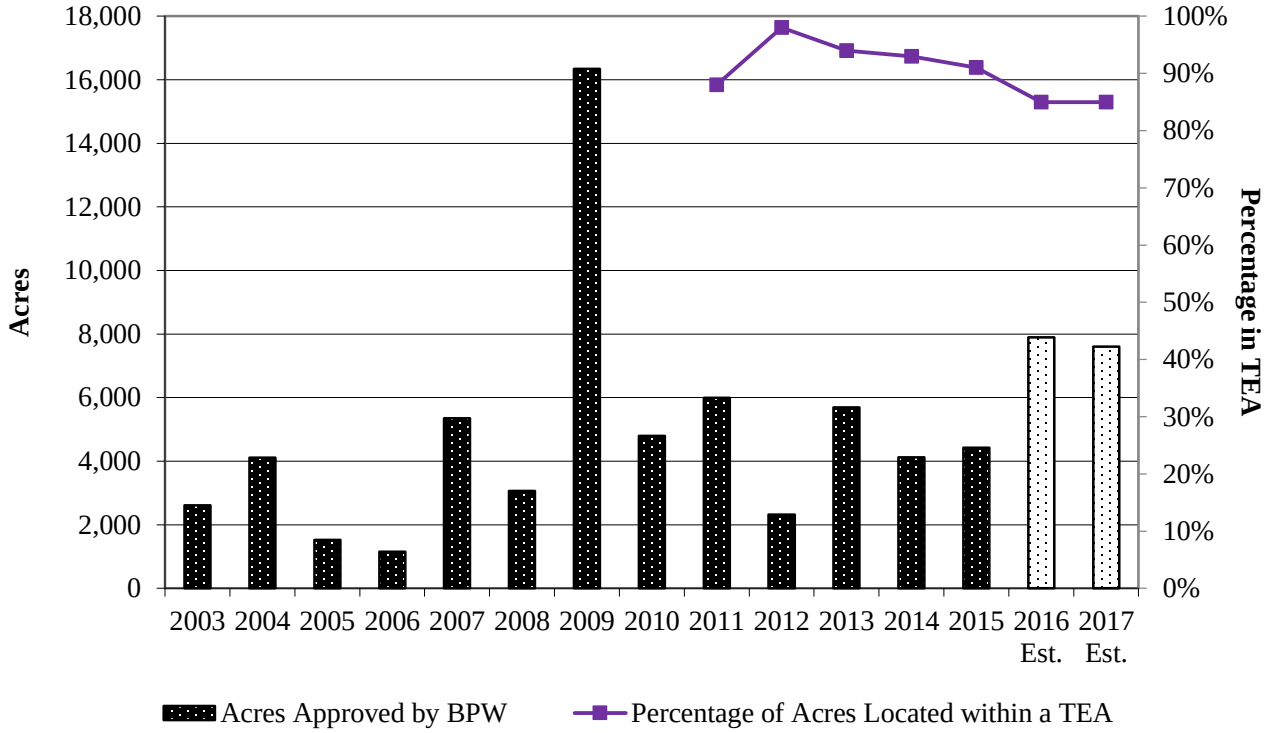
Exhibit 1
Protected and Targeted Ecological Areas
February 2016



Source: Department of Natural Resources

As illustrated in **Exhibit 2**, there was an increase in the POS acquisition acres approved by the Board of Public Works (BPW) between fiscal 2014 (4,124 acres) and 2015 (4,425 acres). DNR projects a greater number of POS acquisition acres in fiscal 2016 and 2017 than in fiscal 2015 due to funding levels – currently $4,000 per acre – and due to both projects in the pipeline and where they are in the due diligence and negotiation process. DNR has added a new measure that reflects the percentage of acres located within a targeted ecological area. The highest percentage shown is 98% in fiscal 2012 and most recently was 91% in fiscal 2015. In terms of historical POS acquisition acreage numbers, the fiscal 2009 acreage approved reflects two large property purchases – the Maryland Province properties (4,474 acres) and the Smith Foster Furnace property (4,769 acres) – and the fiscal 2013 acreage included 2,352 acres of easements in Dorchester and Queen Anne's counties donated to POS by the Conservation Fund.

Exhibit 2
POS Acquisition Acres Approved by the Board of Public Works
Fiscal 2003-2017 Est.



BPW: Board of Public Works
POS: Program Open Space
TEA: Targeted Ecological Area

Note: The fiscal 2013 acreage includes 2,352 acres donated to Program Open Space by the Conservation Fund.

Source: Governor's Budget Books, Fiscal 2006-2016; Department of Budget and Management

POS funding expanded the number of State parks acres available to the public in fiscal 2016. Through February 10, 2016, 173 acres have been added, as shown in **Exhibit 3**. The greatest number of acres added to a single park is 84 acres added to South Mountain State Park.

Exhibit 3
Maryland State Parks Acreage Increase from Program Open Space Acquisitions
July 1, 2015 through February 10, 2016

County	BPW Date	Area	Managing Unit	Acres
Frederick	8/2/2015	South Mountain State Park	Parks	84
Frederick	1/6/2016	Cunningham Falls State Park	Parks	32
Baltimore	8/26/2015	Soldier's Delight NEA	Parks	17
Frederick	11/4/2015	Cunningham Falls State Park	Parks	12
Washington	9/16/2015	South Mountain State Park	Parks	9
Baltimore	10/7/2015	Gunpowder Falls State Park	Parks	6
Calvert	8/26/2015	Hallowing Point	Parks	5
Frederick	10/7/2015	South Mountain State Park	Parks	4
Howard	9/16/2015	Patapsco Valley State Park	Parks	3
St. Mary's	8/26/2015	Point Lookout State Park	Parks	< 1
Total				**173**

BPW: Board of Public Works
NEA: natural environment area

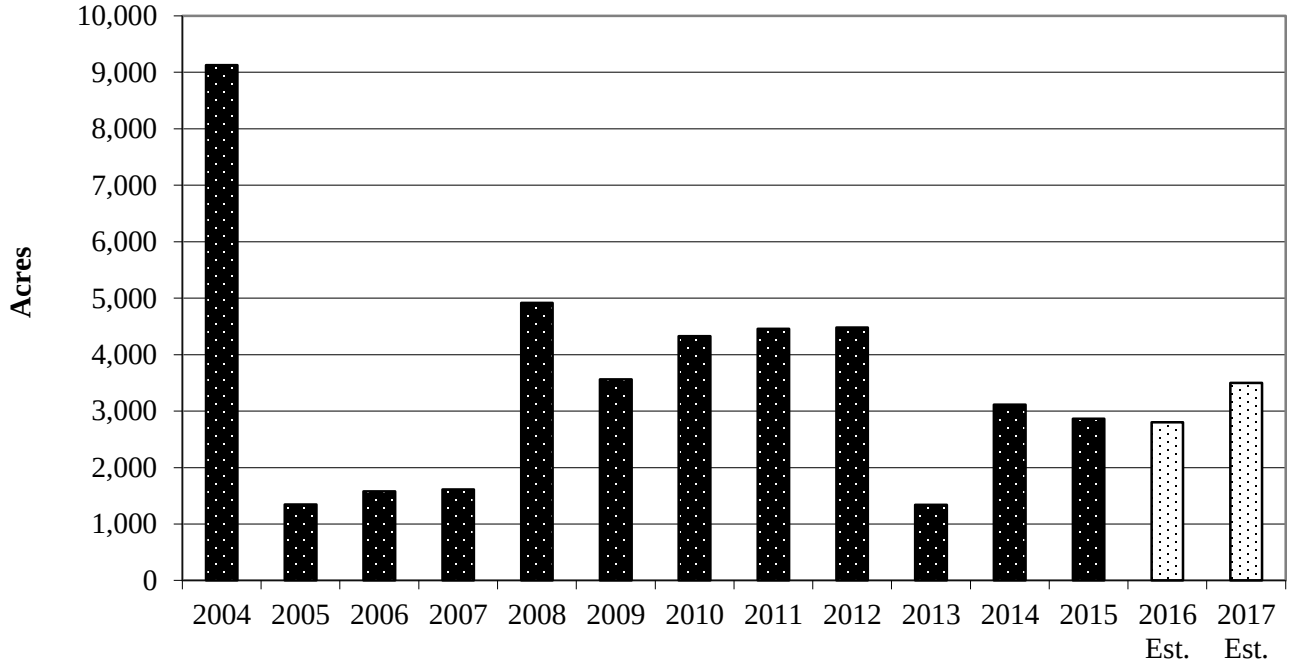
Source: Department of Natural Resources

Rural Legacy Program

Exhibit 4 shows that the number of approved Rural Legacy Program easement and fee simple acres decreased slightly from 3,114 acres in fiscal 2014 to 2,862 acres in fiscal 2015 despite an increase in funding between the two years. DNR notes that all funding is encumbered when the year's annual grant awards are taken to BPW, but it may take up to a year for signed projects to be brought to BPW to be approved. The $16 million authorized in fiscal 2015 could preserve approximately 4,500 acres based on an average per-acre cost of $3,500, and the fiscal 2015 grant awards are still being presented to BPW for approval. As of the February 10, 2016 BPW meeting, 2,096 acres have been approved in fiscal 2016. DNR notes that the Rural Legacy Program receives requests that total $97 million on average each year, which reflects a slight decrease in recent years, because DNR has requested that the Rural Legacy areas only submit their top priority projects due to limited funding. In terms of goals, 85,000 Rural Legacy Program acres are counted toward the calendar 2022 1,030,000 acre preservation goal from Senate Joint Resolution 10 of 2002. Another goal is for each Rural Legacy Area to be at least 80% permanently

preserved, including land protected by other State, local, and federal programs and by nonprofit organizations.

Exhibit 4
Rural Legacy Easement and Fee Simple Acres Approved by the Board of Public Works
Fiscal 2004-2017 Est.

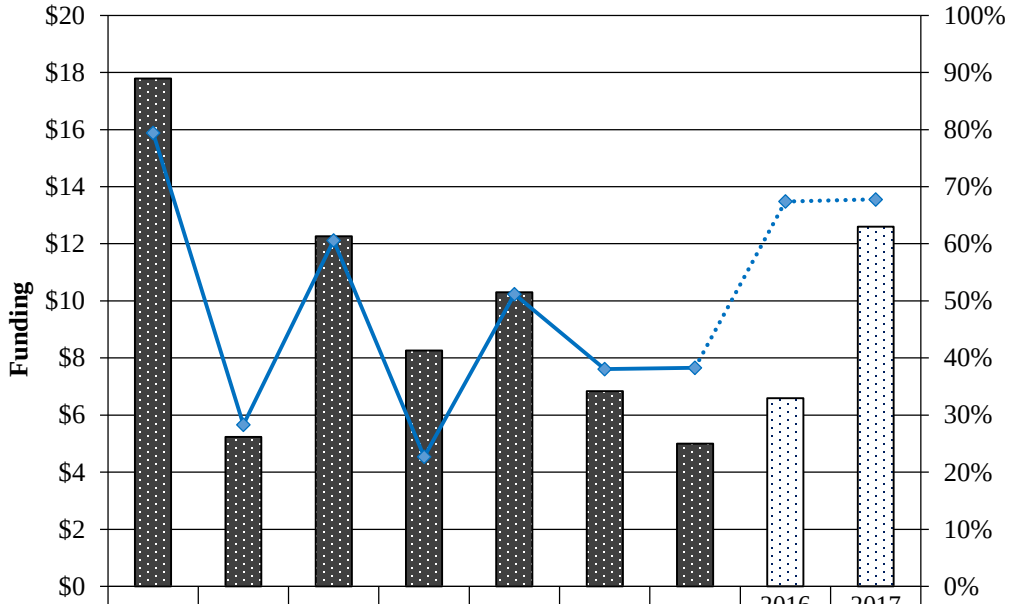


Source: Governor's Budget Books, Fiscal 2007-2016; Department of Budget and Management

Waterway Improvement Program

As illustrated in **Exhibit 5**, the fiscal 2017 allowance will allow the WIP to fund an estimated 68% of the waterway project requests submitted. Of note, DNR has noted in the past that it has informed local jurisdictions to limit grant requests to those of the highest priority. For fiscal 2017, there are two large projects – replacement of the M/V J.M. Tawes ice breaking buoy tender ($2,000,000) and Bird River and Railroad Creek main channel dredging ($1,000,000) – which reduces the funding available for smaller projects and thus helps to explain why an increase of $6 million between fiscal 2016 and 2017 only translates to one additional project funded. DNR's goal is to fund 80% of project requests; therefore, the fiscal 2017 allowance is 12 percentage points lower than the goal.

Exhibit 5
Waterway Project Requests Funded
Fiscal 2009-2017 Est.
($ in Millions)



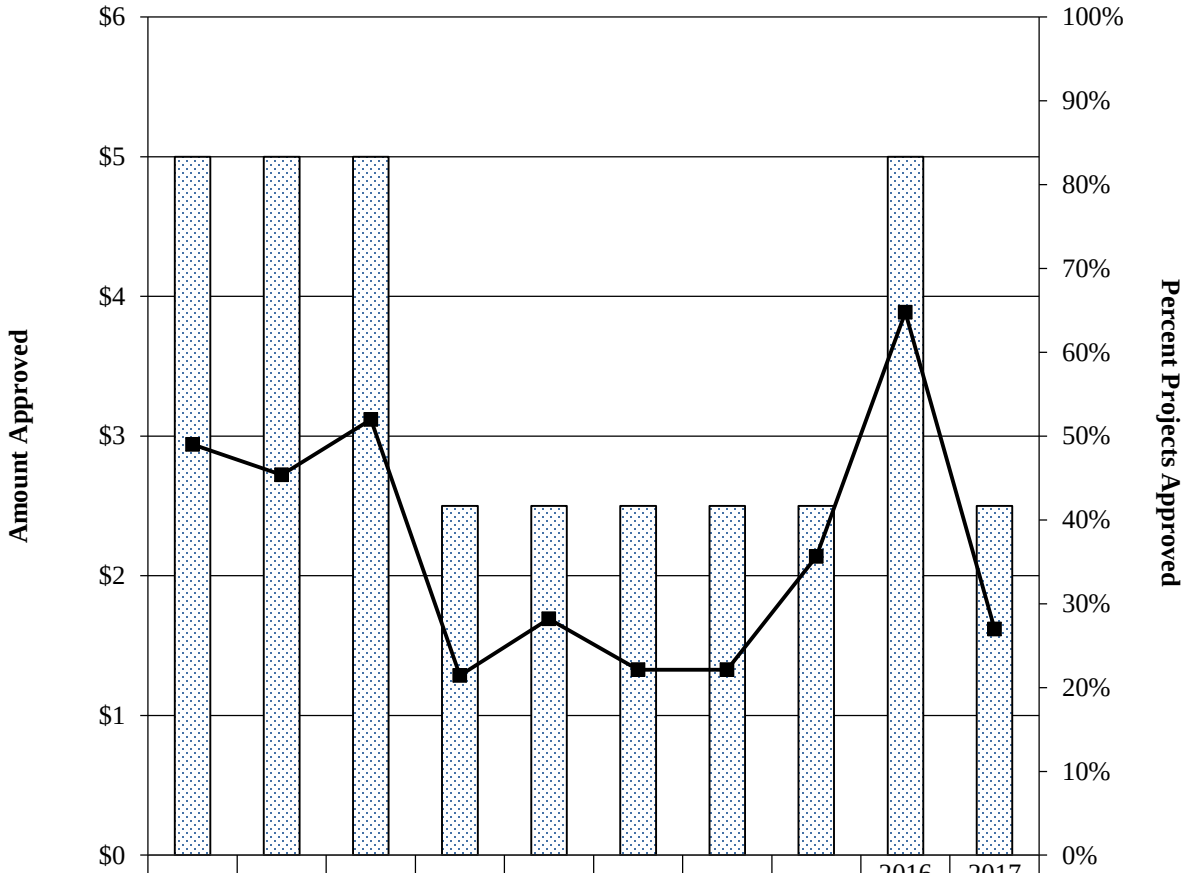
	2009	2010	2011	2012	2013	2014	2015	2016 Est.	2017 Est.
Funding	$17.8	$5.2	$12.3	$8.3	$10.3	$6.8	$5.0	$6.6	$12.6
Funded Projects	131	60	63	25	44	35	36	60	61
Project Requests Funded	79%	28%	61%	23%	51%	38%	38%	67%	68%

Source: Department of Budget and Management; Department of Natural Resources

Community Parks and Playgrounds

Exhibit 6 reflects the amount of funding approved for Community Parks and Playgrounds projects and the percent of projects requested that are approved. As can be seen, in recent years, the reduction in available funding from $5.0 million to $2.5 million has reduced the percent of projects that are approved. In fiscal 2016, the General Assembly added $2.5 million to the Governor's authorization and thus the number of projects approved increased. DNR notes that, in addition to the number of projects that seek funding, the per-project cost must also be considered when looking at year-to-year comparisons.

Exhibit 6
Community Parks and Playgrounds Funding
Fiscal 2008-2017 Est.
($ in Millions)



	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.	2017 Est.
Amount Approved	$5.0	$5.0	$5.0	$2.5	$2.5	$2.5	$2.5	$2.5	$5.0	$2.5
Projects Approved	49%	45%	52%	21%	28%	22%	22%	36%	65%	27%

Source: Department of Budget and Management; Department of Natural Resources

Budget Overview

Fiscal 2016 Budget Actions

Budget Amendment and Deficiencies

Chapter 489 of 2015 (Budget Reconciliation and Financing Act (BRFA)) authorized the Governor to transfer, by budget amendment, fiscal 2015 transfer tax revenue in excess of $161,016,000 for the following purposes: (1) administrative expenses related to land acquisition for POS; (2) Critical Maintenance Program projects in DNR; (3) Natural Resources Development Fund projects in DNR; and (4) replacement of general fund appropriations in the Maryland Park Service. The fiscal 2015 final transfer tax revenue collection was $163,514,656 and so $2,498,656 is available for fiscal 2016. This funding is allocated as shown in **Exhibit 7**.

Exhibit 7
Fiscal 2016 Allocation of Overattainment of $161.0 Million
Fiscal 2015 Revised Revenue Estimate
Fiscal 2016

Timing	Operating Budget	PAYGO Capital Budget	Total
Budget Amendment	$700,000 for salaries in Office of the Secretary and Land Acquisition and Planning in order to allow an equivalent of Forest or Park Reserve Fund special fund revenue currently funding these programs to be available instead for the Maryland Park Service	$700,000 for due-diligence expenses related to land acquisitions that are needed before proceeding with an acquisition and include items such as title work, appraisals, surveys, and environmental assessments	$1,400,000
Deficiency		$1,100,000 for Critical Maintenance Program work on the Washington Monument ($250,000), Wicks Property ($500,000), Newtown Neck State Park ($250,000), and the House Maintenance Fund ($100,000)	1,100,000
Total	**$700,000**	**$1,800,000**	**$2,500,000**

PAYGO: pay-as-you-go

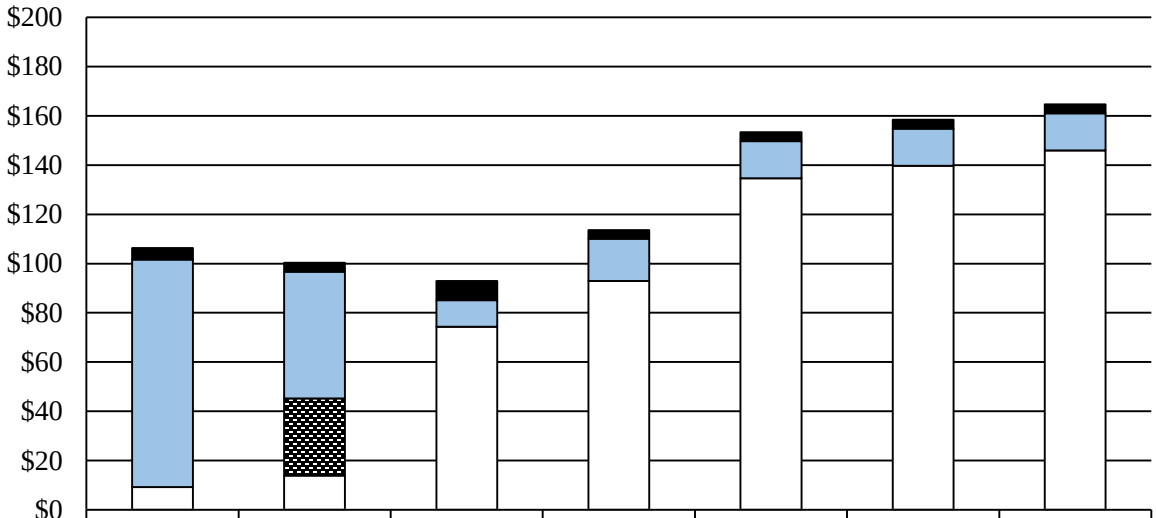
Source: Department of Budget and Management; Department of Natural Resources

Fiscal 2017 Budget

Fiscal 2017 Budget

The fiscal 2017 allowance includes $74.3 million in special funds, $7.9 million in federal funds, and $10.8 million in GO bonds, which includes the $16.5 million appropriation in special funds that are contingent on HB 462 and SB 383 (State Transfer Tax – Distribution of Revenue) authorizing this amount of funding to be allocated because, under the Governor's proposed budget, these funds are available for program use. **Exhibit 8** shows the restoration of the transfer tax special funds, which displace GO bond authorizations, and the overall increase in funding due to the estimated transfer tax revenue increases over the five-year planning period in the 2016 *Capital Improvement Program* (CIP).

Exhibit 8
DNR Capital Programs Funding
Fiscal 2015-2021 Est.
($ in Millions)



	2015 Approp.	2016 Approp.	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Total	$106.3	$100.3	$92.9	$113.6	$153.3	$158.4	$164.6
PAYGO FF	4.6	3.6	7.9	3.6	3.6	3.6	3.6
GO Bonds	92.4	51.5	10.8	17.1	15.1	15.1	15.1
Bond Premiums	0.0	31.3	0.0	0.0	0.0	0.0	0.0
PAYGO SF	9.3	13.9	74.3	92.9	134.6	139.7	145.9

DNR: Department of Natural Resources
FF: federal funds
GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

Source: Governor's Capital Budget; Department of Budget and Management Capital Budget Worksheets

Fiscal 2017 and 2018 Transfer Modification

The fiscal 2017 budget plan includes the modification of transfer tax transfers to the General Fund that were originally authorized by Chapter 425 of 2013. The proposed modification is reflected in HB 462 and SB 383, which are introduced in the 2016 session. In conjunction, the bills and the fiscal 2017 operating budget bill accomplish the following:

- reducing the fiscal 2017 authorized transfer by $20.0 million from $82.8 million to $62.8 million, and the fiscal 2018 transfer of $40.0 million from $86.0 million to $46.0 million;

- repurposing the $20.0 million in fiscal 2017 for pay-as-you-go capital programs contingent on the legislation authorizing the appropriations; and

- appropriating contingently in fiscal 2017 as follows:

    - POS – State Acquisition (Capital Development) – $2,638,000;

    - POS – Eager Park Grant – $4,000,000;

    - POS – Local – $5,000,000;

    - Rural Legacy Program – $4,862,000; and

    - Maryland Agricultural Land Preservation Foundation – $3,500,000.

Exhibit 9 shows the fiscal 2017 allocation with the enhancement, and **Exhibit 10** shows the fiscal 2018 proposed allocation with the enhancement. The proposed program reductions under the full transfers authorized by Chapter 425 were implemented based on the reduction of roughly half of the capital program distributions instead of by reducing the revenue that would flow through the transfer tax formula and thus affecting all operating and capital programs equally. The enhancement funding is allocated based on the Department of Budget and Management's estimate of program funding need.

Exhibit 9
Transfer Tax Distribution for Land Preservation Programs Receiving Enhancements
Fiscal 2017

Program	Statutory Allocation	BRFA of 2013 General Fund Transfer	Allowance Before Enhancement	Enhancement	Allowance
DNR – Land Acquisition and Planning					
Program Open Space (POS) – State Share	$39.0	-$23.6	$15.4	$4.0	$19.4
POS – Local Share	39.6	-22.9	16.7	5.0	21.7
Rural Legacy Program	17.0	-9.2	7.8	4.9	12.7
Natural Resources Development Fund	10.1	-7.2	2.9	0.1	3.1
Critical Maintenance Program	6.0	-2.0	4.0	2.0	6.0
Ocean City Beach Maintenance	0.5	-0.5	0.0	0.5	0.5
Maryland Department of Agriculture					
Maryland Agricultural Land Preservation Foundation	30.1	-17.4	12.7	3.5	16.2
Distribution for Programs with Enhancements	**$142.3**	**-$82.8**	**$59.5**	**$20.0**	**$79.5**

BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources

Note: POS – State share fiscal 2017 $4,000,000 enhancement is for a grant to the Eager Park project as part of the East Baltimore Development Initiative.

Source: Department of Budget and Management; Department of Legislative Services

Exhibit 10
Transfer Tax Distribution for Land Preservation Programs Receiving Enhancements
Fiscal 2018

Program	Statutory Allocation	BRFA of 2013 General Fund Transfer	Estimated Allowance Before Enhancement	Enhancement	Estimated Allowance
DNR – Land Acquisition and Planning					
Program Open Space (POS) – State Share	$41.7	-$24.8	$17.0	$3.4	$20.4
POS – Local Share	41.7	-23.7	17.9	11.0	28.9
Rural Legacy Program	17.4	-9.4	8.1	9.0	17.1
Natural Resources Development Fund	10.6	-7.6	3.0	5.1	8.1
Critical Maintenance Program	6.0	-2.0	4.0	2.0	6.0
Ocean City Beach Maintenance	1.0	-0.5	0.5	0.5	1.0
Maryland Department of Agriculture					
Maryland Agricultural Land Preservation Foundation	31.7	-18.1	13.7	9.0	22.7
Distribution for Programs with Enhancements	**$150.1**	**-$86.0**	**$64.1**	**$40.0**	**$104.1**

BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources

Source: Department of Budget and Management; Department of Legislative Services

Future Transfer Tax Revenues

As shown in **Exhibit 11,** the transfer tax estimate for fiscal 2017 is $185.0 million, which increases to $219.2 million in fiscal 2021. The difficulty in estimating the transfer tax can be seen in the fiscal 2017 numbers: the December 2011 through 2014 estimates for fiscal 2017 have been $206.7 million, $213.2 million, $203.6 million, and $181.5 million, respectively. This underscores the difficulty of funding annual programs from a volatile funding source.

Exhibit 11
Property Transfer Tax Revenue Projections
Fiscal 2009-2021
($ in Millions)

Fiscal Years	Dec. 2007 Estimate	Dec. 2008 Estimate	Dec. 2009 Estimate.	Dec. 2010 Estimate	Dec. 2011 Estimate	Dec. 2012 Estimate	Dec. 2013 Estimate	Dec. 2014 Estimate	Dec. 2015 Estimate
2009	$166.3	$121.5	$113.7						
2010	181.4	114.7	116.5						
2011	184.0	121.4	149.9	$113.8					
2012	187.5	130.0	169.2	118.9	$118.5				
2013	191.5	135.4	176.2	134.0	131.3				
2014	n/a	138.1	190.8	157.4	153.4	$164.0			
2015	n/a	n/a	201.3	174.2	179.6	187.1	$193.5	$161.0	
2016	n/a	n/a	208.5	177.8	196.8	200.6	203.8	174.5	$184.9
2017	n/a	n/a	n/a	n/a	206.7	213.2	203.6	181.5	185.0
2018	n/a	n/a	n/a	n/a	n/a	221.3	209.3	184.0	194.7
2019	n/a	n/a	n/a	n/a	n/a	n/a	215.6	191.4	203.0
2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a	198.0	211.2
2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	219.2

Source: Comptroller of Maryland; Department of Budget and Management

Program Highlights

The changes in funding for fiscal 2017, accounting for the fiscal 2017 contingent appropriation of $16.5 million, are reflected in **Exhibit 12.** The difference between fiscal 2016 and 2017, reflected by fund, is shown in **Exhibit 13**.

Exhibit 12
DNR Capital Budget Changes
Fiscal 2016-2017
($ in Millions)

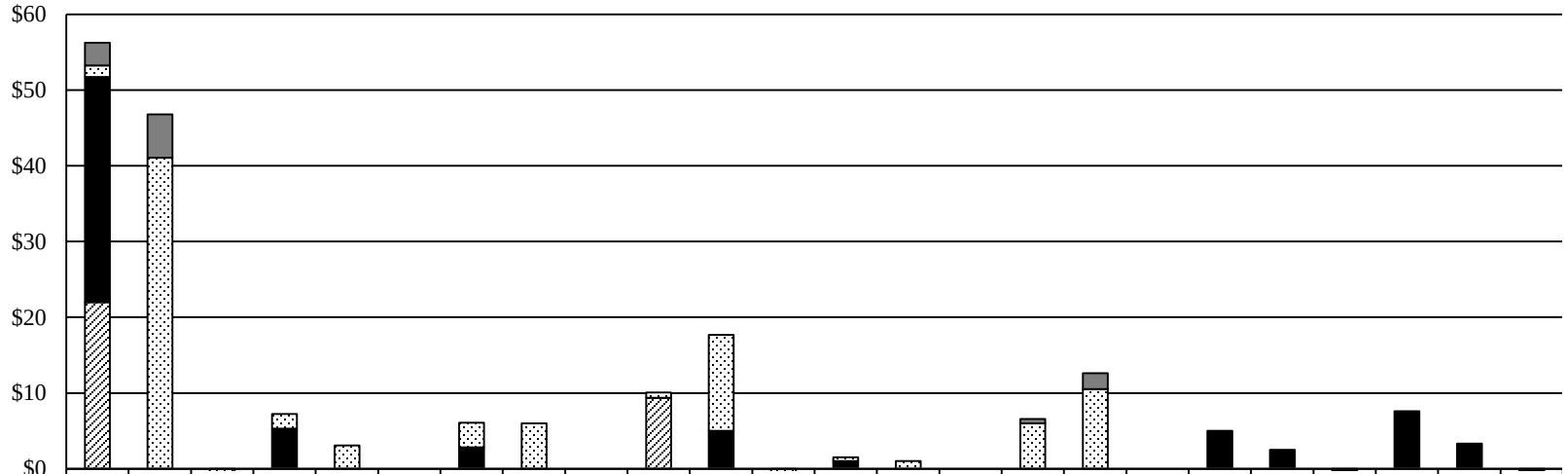
Program	2016	2017	Difference
POS – Land Acquisition and Local Program	$56.2	$46.8	-$9.4
Oyster Restoration Program	7.6	3.3	-4.3
POS – Natural Resources Development Fund	7.2	3.1	-4.2
Community Parks and Playgrounds	5.0	2.5	-2.5
Ocean City Beach Maintenance	1.5	1.0	-0.5
POS – Critical Maintenance	6.1	6.0	-0.1
Waterway Improvement Program	6.6	12.6	6.0
Rural Legacy Program	10.1	17.7	7.6
Total	**$100.3**	**$92.9**	**-$7.4**

DNR: Department of Natural Resources
POS: Program Open Space

Note: The exhibit includes the fiscal 2017 funds that are contingent on legislation.

Source: Department of Legislative Services

Exhibit 13
DNR Capital Budget Changes by Fund
Fiscal 2016-2017
($ in Millions)



	POS – Land Acquisition and Local Program			POS – Natural Resources Development Fund			POS – Critical Maintenance			Rural Legacy Program			Ocean City Beach Maintenance			Waterway Improvement Program			Community Parks and Playgrounds			Oyster Restoration Program		
	2016	2017	Diff.	2016	2017	Diff.	2016	2017	Diff.	2016	2017	Diff.	2016	2017	Diff.	2016	2017	Diff.	2016	2017	Diff.	2016	2017	Diff.
Total	$56.2	$46.8	-$9.4	$7.2	$3.1	-$4.2	$6.1	$6.0	-$0.1	$10.1	$17.7	$7.6	$1.5	$1.0	-$0.5	$6.6	$12.6	$6.0	$5.0	$2.5	-$2.5	$7.6	$3.3	-$4.3
FF	3.0	5.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	2.1	1.5	0.0	0.0	0.0	0.0	0.0	0.0
SF	1.5	41.1	39.6	1.9	3.1	1.1	3.3	6.0	2.8	0.7	12.7	12.0	0.5	1.0	0.5	6.0	10.5	4.5	0.0	0.0	0.0	0.0	0.0	0.0
GO	29.8	0.0	-29.8	5.3	0.0	-5.3	2.8	0.0	-2.8	0.0	5.0	5.0	1.0	0.0	-1.0	0.0	0.0	0.0	5.0	2.5	-2.5	7.6	3.3	-4.3
Bond Premiums	22.0	0.0	-22.0	0.0	0.0	0.0	0.0	0.0	0.0	9.4	0.0	-9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

DNR: Department of Natural Resources
FF: federal fund
GO: general obligation
POS: Program Open Space
SF: special fund

Source: Department of Legislative Services

The highlighted changes in funding are as follows.

- **POS – Land Acquisition and Local Program** – The fiscal 2017 allowance includes $41.1 million in special funds and $5.8 million in federal funds. Of this appropriation, $19.4 million in special funds is allocated to POS – State and $21.7 million in special funds is allocated to POS – Local; the $5.8 million in federal funds could be used by either POS – State or POS – Local. As noted previously, $4.0 million of the POS – State special fund appropriation and $5.0 million of the POS – Local appropriation is contingent on legislation authorizing the reprogramming of funding. The overall Baltimore City Direct Grant includes the $1.5 million base amount provided in previous years and the $4.0 million POS – State enhancement funding, which is directed to the Eager Park project – a new five-acre park in East Baltimore comprising three city blocks to be used as public use park including an amphitheater, plaza and play fountain, sculptural pavilion, exercise circuit, running track, playing fields, a community garden, and a playground. This funding reflects a portion of the overall $12.2 million project cost; the project is included in the East Baltimore Development Initiative's Master Plan. The overall decrease in funding between fiscal 2016 and 2017, primarily reflects a reduction of GO bonds that provided for the replacement of a fiscal 2015 fund balance transfer in the BRFA of 2015. DNR notes that the additional $2.8 million in federal funding available in fiscal 2017 reflects that it is applying for an increased amount of federal grants due to the scope and cost of projects in the pipeline and the opportunities for certain projects to fit well with certain federal fund programs. DNR also notes that as of the February 10, 2016 BPW meeting, it has encumbered over $27.0 million in POS – Local funds, $14.0 million in POS – State funds, and approximately $0.6 million for Conservation Reserve Enhancement Program easement purchases.

- **Oyster Restoration Program** – The fiscal 2017 allowance includes $3.3 million in GO bond authorization for the Oyster Restoration Program. This is less than both the fiscal 2016 appropriation and the 2015 CIP amounts of $7.6 million and reflects the plan to wait to determine new oyster restoration projects until after a five-year assessment on oyster restoration progress is completed in July 2016. The fiscal 2017 funding would be used as follows: $2.9 million to plant seed oysters (hatchery spat) in the Tred Avon River and $0.9 million in the Little Choptank River; and to provide funding for Maryland Agricultural and Resource-Based Industry Development Corporation aquaculture loans ($0.3 million). The 2016 CIP reflects level funding of $7.6 million through the five-year planning period. The Oyster Restoration Program is discussed further as an issue in this analysis.

- **POS – Natural Resources Development Fund** – The POS – Natural Resources Development Fund appropriation includes $3.1 million in transfer tax special funds, of which $0.1 million is contingent on legislation. The fiscal 2017 budget reflects a reduction relative to the fiscal 2016 appropriation and the 2015 CIP because no GO bond funding is provided. The fiscal 2017 appropriation would provide funding for the following projects: Rocky Gap State Park – parking lot improvements ($101,000), Southern Maryland multipurpose center ($205,000), Patapsco Valley State Park – trail bridge ($700,000), Fair Hill Natural Resources Management Area – campground improvements ($185,000), Wellington Wildlife Management Area – building renovation ($1,150,000), Point Lookout State Park – charge collection station

($252,000), Point Lookout State Park – water system infrastructure improvements ($241,000), and Albert Powell Fish Hatchery – upgrades ($228,000). Of note, the Southern Maryland multipurpose center project includes the potential for a $1.0 million grant from the Water Quality Revolving Loan Fund that will be solicited by Calvert County and used to help pay for the cost of connecting the building's sewer system at Hallowing Point to the county's existing sewer system at the Calvert County Industrial Park. The overall project involves the consolidation of the Natural Resources Police Area 4 headquarters at Hallowing Point and in the future includes the possibility of land acquisition as part of the development of a waterfront park – to be managed by Calvert County – and the expansion of the existing boating facility.

- **Community Parks and Playgrounds –** The fiscal 2017 allowance includes $2.5 million in GO bonds for the Community Parks and Playgrounds program, which is a decrease of $2.5 million relative to the fiscal 2016 appropriation, but is level with the 2015 CIP amount programmed for fiscal 2017. In fiscal 2016, the General Assembly added $2.5 million in GO bond authorization to what the Governor proposed resulting in a $5.0 million authorization for Community Parks and Playgrounds. The fiscal 2017 funding provides for 24 projects in 14 subdivisions.

- **Ocean City Beach Maintenance** – The Ocean City Beach Maintenance appropriation is $1.0 million in special funds comprised of $500,000 from the State and the $500,000 in special funds for the Worcester County ($215,000), Ocean City ($215,000), and fund interest ($70,000) shares of the next regularly scheduled beach nourishment project. The fiscal 2017 funding is a reduction of $0.5 million relative to both the fiscal 2016 appropriation and the 2015 CIP since the amount in the special fund is approaching the $15.0 million fund balance cap. DNR notes that the beach nourishment project could begin in fiscal 2016 as a result of the damages from the January 22 through 24, 2016 winter storm, Jonas. There would be two components to the overall beach nourishment project: (1) emergency repairs funded by the U.S. Army Corps of Engineers using Public Law 84-99 funding to include pumping sand onto the beach, storm berm, and dunes to bring the project up to the pre-storm condition; and (2) full design level of protection – nourishment – that is to be cost-shared between the State, Worcester County, and Ocean City to include sand replenishment, dune repairs, fencing repairs, cross-over repairs, dune grass plantings, and replacement of bulkhead access ramps and stairs.

- **POS – Critical Maintenance Program** – There is $6.0 million in special funds in the fiscal 2017 allowance for the POS – Critical Maintenance Program, which includes $2.0 million contingent on legislation. The fiscal 2017 funding level is roughly equal with the fiscal 2016 appropriation and is approximately $2.0 million greater than the 2015 CIP due to the contingent funding. The fiscal 2017 budget includes funding for 60 projects and 4 statewide general project categories as follows: DNR bridge inspections and repairs ($75,000); statewide – housing assessment program ($150,000); statewide – contingencies ($13,566); and statewide – razings ($100,000). The fiscal 2017 funding provides for the construction of the following selected larger projects: Dan's Mountain State Park – renovate pool building ($300,000), Rocky Gap State Park – interior renovations to Easter Hill Chalet ($300,000), Patapsco Valley State Park – renovate Hilton Campground shower building ($250,000), Martinak State Park – renovate two shower buildings ($520,000), Cedarville State Forest – renovate two campground

bathhouses ($500,000), Janes Island State Park – renovate shower Building A ($260,000), Greenbrier State Park – day use bathhouse renovations ($450,000), and Pocomoke River State Park – renovate shower buildings Phase II (2 buildings) ($500,000). Of note, the Kenneth Weaver Building, headquarters for the Maryland Geological Survey, receives both fiscal 2016 and 2017 funding, which DNR notes is an eligible use of funding because the building is part of the agency's portfolio.

- **Waterway Improvement Program** – The WIP's fiscal 2017 allowance includes $10.5 million in special funds and $2.1 million in federal funds. This reflects a $4.5 million increase in special funds and $1.5 million increase in federal funds relative to both the fiscal 2016 appropriation and the 2015 CIP. In fact, the out-year $10.5 million special fund levels programmed in the 2016 CIP appear to be based on fund balance that has been spent down, and thus it appears that the out-year spending levels may need to be revised downwards to be closer to $5.0 million per year. The fiscal 2017 project list includes a number of vessel replacements, the largest is for the State-owned M/V J.M. Tawes ice breaking buoy tender. DNR notes that the 72-year old vessel replacement is necessary due to its inefficiency and expensive repairs. Overall, the vessel replacement cost is estimated to be $5.0 million to $6.0 million and is justified as a requirement for public safety. A second large project is $500,000 for three Shore Erosion Control living shoreline projects within DNR's Chesapeake and Coastal Service program. DNR notes that the projects are boating related. The WIP is discussed further as an issue in this analysis.

- **Rural Legacy Program** – The Rural Legacy Program's fiscal 2017 allowance provides $12.7 million in special funds and $5.0 million GO bonds. The $12.7 million in special funds reflects $4.9 million contingent on legislation authorizing funding for this purpose. The funding increase between fiscal 2016 and 2017 of $7.6 million primarily reflects the budgeting of the $5.0 million of GO bonds as mandated under Section 5-9A-09 of the Natural Resources Article, which was not included in the final fiscal 2016 appropriation. The fiscal 2017 cost per acre is estimated to be $3,500.

Issues

1. Deep Creek Lake Studied, Not Dredged

The fiscal 2016 operating budget restricted $250,000 in WIP special funds for Deep Creek Lake dredging projects. In addition, the budget bill language allowed DNR to use the restricted funding for other projects if funding for Deep Creek Lake dredging projects has not been encumbered by April 1, 2016, but then required that the Deep Creek Lake dredging projects be placed on the priority list for fiscal 2017 funding. Finally, the budget bill language authorized DNR, if the Deep Creek Lake dredging projects are funded in fiscal 2016, to increase its special fund appropriation by budget amendment supported by available balance in order to restore funding to the projects that are currently programmed to receive fiscal 2016 funding but would not otherwise as a result of this action.

DNR notes that it has designated a portion of the $585,997 in fiscal 2016 that was directed for maintenance dredging to be used for Deep Creek Lake. The plan is to obligate $177,220 for a two-year study entitled *Deep Creek Lake Monitoring of Sediment Impacts on Boating Channels*. The first year of the study has been allocated $88,610 and began in November 2015. DNR will encumber an additional $88,610 in fiscal 2016, which will be available in fiscal 2017 for the remainder of the study. DNR is in the process of deciding whether to continue the sediment study for a third year – since this would provide more data – or revert the remaining $72,780 to the maintenance dredging funding pool as allowed for in the budget bill language. **DLS recommends that DNR comment on the plans for the remaining $72,780 of funding restricted for the purpose of dredging Deep Creek Lake.**

2. Oyster Reef Construction on Hold

DNR's fiscal 2017 authorization for the Oyster Restoration Program reflects the intent to wait until after the July 2016 five-year assessment of oyster restoration progress is completed before selecting the next two tributaries for new oyster restoration activities and constructing any more oyster reefs in sanctuaries. The hiatus also reflects the intent to address concerns raised by local stakeholders. The delay has led the U.S. Army Corps of Engineers to shift federal funding to Virginia. Regardless, there remains the question of where sufficient cost-effective substrate will be obtained to continue oyster restoration work and how this substrate will be distributed between sanctuaries and the public and private fishery.

Oyster Restoration Progress

The July 2016 five-year assessment will be informed by data collected by Dr. Kenneth Paynter and his laboratory. Dr. Paynter was contracted by the Oyster Recovery Partnership, with National Oceanic and Atmospheric Administration funding, to survey the first oyster plantings in Harris Creek. Overall, the oyster plantings have occurred on shell, fossil shell, and granite substrates. The oyster restoration program information on acres of substrate placed, acres of substrate seeded, and

acres of natural good oyster habitat bottom seeded for Harris Creek, the Little Choptank River, and the Tred Avon River is shown in **Exhibit 14**.

Exhibit 14
Oyster Restoration Program Data

Tributary	Acres of Substrate Placed	Acres of Substrate Seeded	Acres of Good Bottom Seeded
Harris Creek	210	197	149
Little Choptank River	126	22	6
Tred Avon River	16	3	0
Total	**352**	**222**	**155**

Note: The areas are rounded to the nearest acre.

Source: Department of Natural Resources

DNR indicates that preliminary results of the first oyster plantings in Harris Creek are in a draft report that is being finalized but that all of the sites met the minimum oyster density of 15 oysters per square meter over 30% of the bottom, and many of the sites met the higher goal of 50 oysters per square meter over 30% of the bottom.

Federal Funding

The U.S. Army Corps of Engineers announced on February 2, 2016, that it has delayed oyster restoration in the Tred Avon River at the request of DNR and that it plans to send a portion of its available oyster restoration funding to U.S. Army Corps of Engineers – Norfolk District for Chesapeake Bay restoration in Virginia. The delay affects 8 acres of reef restoration as part of a planned 24 acres of deep water sites. The work has been halted partially due to the following concerns raised by watermen: (1) oyster bar damage if the sites are covered by nonshell material (mostly addressed by shifting from rock to shells); (2) boat damage if material is planted too close to the surface; (3) crab trotline area impacts; and (4) oyster restoration work continuing before the July 2016 five-year report is available. DNR notes that work has not stopped in the Tred Avon River and that it is proceeding to plant seed oysters on the 16 acres constructed by the U.S. Army Corps of Engineers and on many oyster bars where no work is needed by the U.S. Army Corps of Engineers.

Man O'War Shoal and Other Shell Sources

Obtaining sufficient inexpensive shell substrate is a key component of DNR's oyster restoration success. The Man O'War Shoal near the mouth of the Patapsco River and a location in Laguna del Chairel, Mexico currently are two leading candidates for shell provision. DNR submitted a permit to dredge the Man O'War Shoal in calendar 2015, and the permit is still under review by the U.S. Army

Corps of Engineers' regulatory division and MDE. Public hearings in early February 2016 reflected mostly opposition at the Baltimore hearing and mostly support at the Cambridge hearing. It is anticipated that decision on the permit could be rendered as early as spring 2016.

One of the main considerations of the shell dredging is how the shell is to be used. DNR notes that the final decision has not been made but that it has proposed three ratios for allocation of the shell, as shown in **Exhibit 15**. Each ratio has different implications for the focus on future oyster restoration activities – ratio 1 reflects the current sanctuary model; ratio reflects a return to a more heavily subsidized public and private fishery model, and ratio 3 appears to reflect an almost complete reversal of the sanctuary model in favor of a public and private fishery. Therefore, the choice of oyster shell use is an important determinant of the direction that the Administration intends to take the oyster restoration program.

Exhibit 15
Oyster Shell Use

Use	Ratio 1	Ratio 2	Ratio 3
Sanctuary	90%	50%	25%
Fishery (public and private)	10%	50%	75%
Total	**100%**	**100%**	**100%**

Source: Department of Natural Resources

A second shell option is to barge shell from Laguna del Chairel, Mexico. The current estimate provided by the United Shell Corporation is a cost of $3 to $4 per bushel of oyster shell transported and planted. Outstanding issues to be considered in regard to this proposal include whether the shells would be cleaned before leaving Mexico, who owns the shells, the need for the appropriate permits to remove the shell, and the environmental impacts from the removal of the shell. DNR notes that the alternatives to shells from Man O'War Shoals and Laguna del Chairel, Mexico are to use nonshell materials such as rocks or to use oyster and clam shells from shucking houses, although the supply from shucking houses is limited. **DLS recommends that DNR comment on the rationale for each of the three oyster shell use ratios and whether there is an intent to return to a public and private fishery in favor of the sanctuary model for oyster restoration.**

3. Land Preservation Workgroup Reports on Transfer Tax-funded Programs

Committee narrative in the 2015 JCR requested a report on an evaluation of land preservation and easement acquisition programs – Maryland Agricultural Land Preservation Program, POS – State and Local, Rural Legacy Program, and Maryland Environmental Trust – covering the roles the

programs play relative to each other and current statute and the funding each receives through the transfer tax formula. Topics of study requested included the pros and cons of combining some or all of the land preservation and easement acquisition programs, and the possible expansion of State and local revenue generating opportunities from multi-use State working lands. The Land Preservation Workgroup formed to address the report request met over the 2015 interim and found agreement on a number of items, but found that there were disagreements with the Administration over land preservation program funding plans, replacement of funds transferred to the General Fund, and the idea of a transfer tax lockbox to prevent future transfers.

Land Preservation Workgroup Agreements

The Land Preservation Workgroup found agreement on the following items:

- **Formula** – do not change the transfer tax allocation formula;
- **Repurposing** – use a portion of the $90 million transferred in fiscal 2006 (to be replaced beginning in fiscal 2019) for capital projects on DNR lands;
- **Programs** – do not combine any of the State land preservation programs;
- **Local Funding** – remove the requirement for POS – Local funding to meet an acquisition percentage starting in fiscal 2017 and instead focus on POS – Local funding being used to meet needs identified in the Land Preservation, Parks, and Recreation Plan; and
- **Local Apportionment Formula** – encourage the meeting of POS – Local apportionment stakeholders to determine the allocation and whether further meetings are needed.

Land Preservation Workgroup Disagreements

The Land Preservation Group disagreed on the items shown in **Exhibit 16**.

Exhibit 16
Land Preservation Workgroup Disagreements

Disagreement Item	Workgroup	Administration	Update
Funding	Return to full pay-as-you-go cash funding in fiscal 2018 and only divert fiscal 2017 funding if needed for the structural deficit.	Continue with the authorized transfers of $82.8 million in fiscal 2017 and $86.0 million in fiscal 2018 given the ongoing structural deficit.	The Administration has proposed legislation to reduce the fiscal 2017 transfer by $20.0 million and the fiscal 2018 transfer by $40.0 million.
Replacement	Use general obligation bonds for fiscal 2017 and general funds over three years to replace fiscal 2016 and 2017 transfers.	Allow the Administration to determine repayment for fiscal 2016 through 2018 transfers based on revenue estimates and operating budget needs.	
Lockbox	Create a lockbox to stop diversions to the General Fund.	Retain the flexibility of the General Assembly and Governor to address the State's fiscal situation and consider the negative view bond rating agencies have on limitations of State budgeting flexibility.	

Source: Department of Natural Resources; Department of Legislative Services

Legislation has been introduced in the 2016 legislative session to effectuate the Administration's plan for fiscal 2017 and 2018 transfer tax funding – HB 462 and SB 383 (State Transfer Tax – Distribution of Revenue) – and some of the other Land Preservation Workgroup stakeholders' positions – HB 1464 and SB 927 (POS Trust Fund Act of 2016). Neither piece of legislation appears to address concerns raised in the Land Preservation Workgroup report as follows: the statutory requirement that the Governor appoint a committee to review the POS – Local apportionment formula annually, and the request by local governments for greater flexibility in how POS – Local funding may be used. **DLS recommends that DNR comment on how it plans on handling the statutory requirement that the Governor appoint a committee to review the POS – Local apportionment formula annually and the request by local governments for greater flexibility in how POS – Local funding may be used.**

Updates

1. Bloede Dam Status

Bloede Dam is located in Patapsco River State Park and was built in 1907. The dam is a public safety threat and is an obstacle for fish passage. Funding was most recently provided through the Natural Resources Development Fund in fiscal 2016 in order to backfill a fiscal 2015 withdrawn appropriation. DNR notes that the construction documents, plans and specifications, are at the 95% stage, ready for preparation of bid documents for removal of the dam. Permits are expected to be approved shortly for advertisement in March 2016.

2. Vessel Excise Tax Cap Report

Chapter 180 of 2013, in addition to establishing the vessel excise tax $15,000 cap, also (1) required DNR to report – in fiscal 2014, 2015, and 2016 – on the effect of the $15,000 per vessel cap on the number and type of vessels registered in the State and the health of the boating industry; and (2) established a Task Force to Study Enhancing Boating and the Boating Industry in Maryland that was to consider, among other things, the impact of modifying the State vessel excise tax rate and boat registration fees. HB 14 and SB 58 (Natural Resources – Vessel Excise Tax Cap – Repeal of Termination) have been introduced in the 2016 legislative session to make permanent the $15,000 limit on the amount of the vessel excise tax that may be imposed on any vessel.

Vessel Excise Tax Cap Impact

Based on the vessel excise tax rate of 5% of fair market value, the $15,000 vessel excise tax cap affects vessels with a fair market value of more than $300,000. The August 2015 report submitted by DNR in response to the Chapter 180 reporting requirement (*Fiscal Analysis of the Cap on the Vessel Excise Tax*, developed by the University of Maryland Environmental Finance Center) found that:

- **Vessel Excise Tax Cap** – the $15,000 vessel excise tax limit was likely the cause of increased registration of certain higher value boats, but the increased registration did not make up for the loss of vessel excise tax revenue caused by the $15,000 per vessel limit, resulting in a net loss in revenue of $588,000 over the course of 2013 and 2014; and

- **New Registrations** – the increase in new registrations may have generated more than $1 million in direct spending in the Maryland economy over the same time period.

DNR characterized these findings as preliminary, noting that the data set and time span studied in the report are small and prevent a conclusive assessment of the effect of the vessel excise tax cap.

Enhancing Boating and Growing the Boating Industry

The Task Force to Study Enhancing Boating and the Boating Industry in Maryland made a number of recommendations for enhancing boating and growing the boating industry in the September 2015 final report. The recommendations are as follows:

- **Vessel Excise Tax Cap** – keep the vessel excise tax cap of $15,000 and conduct an economic analysis at the end of fiscal 2018 using five full years of data;

- **Vessel Title and Registration Fees** – work with the General Assembly to adjust vessel title and registrations fees to account for program costs and inflation and avoid issuance of documents at a loss to the State;

- **Nonpowered Vessels** – propose that nonpowered vessels pay the one-time excise tax at the point of purchase in place of the general sales tax now being collected;

- **Fiscal 2015 Transfer –** restore the $2.2 million transferred to the General Fund from the Waterway Improvement Fund in fiscal 2015;

- **Chesapeake Bay Region Public Access –** support Executive Order 13508 related to public access in the Chesapeake Bay region and encourage counties and municipalities to pursue Waterway Improvement Fund grants to enhance and expand investment in infrastructure that services transient boaters including boat ramps and temporary docking facilities;

- **Commercial Waterway Definition** – coordinate with U.S. Army Corps of Engineers to expand the definition of commercial waterways to include marinas, boatyards, and other water-dependent entities to expand the opportunity for federal dredging funds;

- **Waterway Improvement Grant Program Visibility –** coordinate a public awareness campaign to increase visibility of the Waterway Improvement Grant Program;

- **WIF Uses –** examine the policy for use of WIF revenue by other units for the purpose of paying operating costs that should be funded by general funds;

- **Working Waterfronts –** coordinate a working group through the Working Waterfronts Program to encourage the development of boatyards, marinas, and shore-side attractions for transient and Maryland commercial and recreational based vessels and support working waterfronts zoning; and

- **Tourism –** coordinate a comprehensive tourism and marketing strategy for boating and water-based tourism activities.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

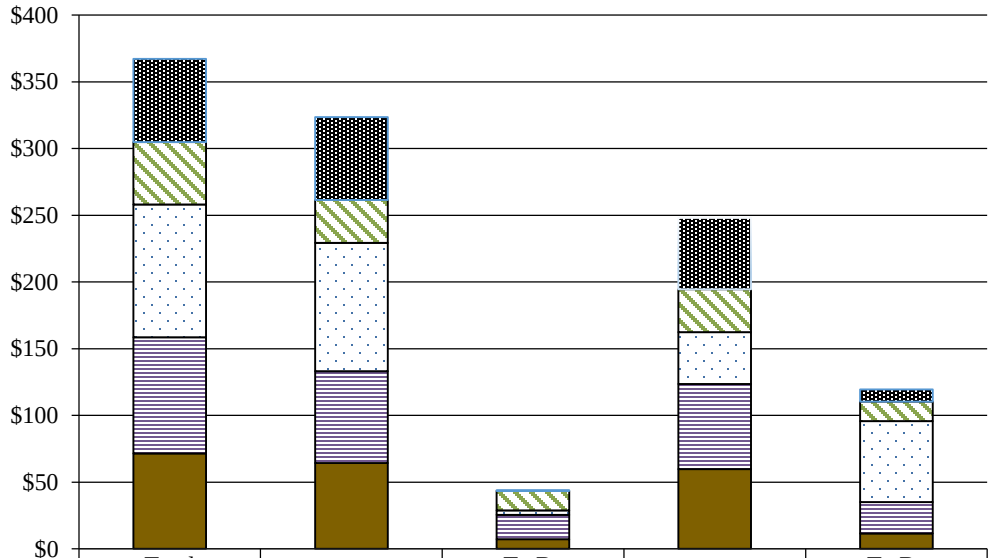
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Albert Powell Fish Hatchery – Upgrades					
Estimated Operating Cost	$0.000	$0.000	$0.000	$0.068	$0.074
Estimated Staffing	0.0	0.0	0.0	0.0	0.0
Explanation: The Albert Powell Fish Hatchery upgrades project reflects the need for fuel and utilities, a new facility water recycling system, supplies and materials, a fish egg stock, and feed supplies.					
Fair Hill Natural Resources Management Area – Campground Improvements					
Estimated Operating Cost	$0.000	$0.000	$0.000	$0.019	$0.021
Estimated Staffing (Contractual Full-time Equivalents (FTE))	0.0	0.0	0.0	1.0	1.0
Explanation: The Fair Hill Natural Resources Management Area – campground improvements project reflects the need for a seasonal employee, electricity and Maryland Environmental Service reimbursement funding, a septic contract, and cleaning supplies. There is also anticipated to be revenues from new campgrounds.					
Patapsco Valley State Park – Trail Bridge					
Estimated Operating Cost	$0.000	$0.007	$0.014	$0.014	$0.014
Estimated Staffing (Contractual FTEs)	0.0	1.0	1.0	1.0	1.0
Explanation: The Patapsco Valley State Park trail bridge reflects the need for a seasonal employee, fuel and utilities, supplies and materials such as signage and brooms and a backpack blower.					
Point Lookout State Park – Charge Collection Station					
Estimated Operating Cost	$0.000	$0.006	$0.007	$0.007	$0.007
Estimated Staffing (Contractual FTEs)	0.0	1.0	1.0	1.0	1.0
Explanation: The Point Lookout State Park – charge collection station reflects the need for a seasonal employee to staff the new booth from April to September, installation and yearly cost of a telephone line, utilities for the charge collection station, and initial setup and annual maintenance.					

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Southern Maryland Multipurpose Center						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$0.000	$0.012
	Estimated Staffing	0.0	0.0	0.0	0.0	0.0
	Explanation: The Southern Maryland multipurpose center reflects the need for phone costs for 18 staff members, increased fuel costs, and cleaning, grass cutting, and building maintenance costs.					
Wellington Wildlife Management Area Building Renovation						
	Estimated Operating Cost	$0.013	$0.009	$0.009	$0.009	$0.009
	Estimated Staffing	0.0	0.0	0.0	0.0	0.0
	Explanation: The Wellington Wildlife Management Area Building renovation reflects the need for utilities for additional space, security system monitoring, and desks and chairs for move-in.					
Total Operating Impact						
	Estimated Operating Cost	**$0.013**	**$0.022**	**$0.029**	**$0.117**	**$0.138**
	Estimated Staffing (Contractual FTEs)	**0.0**	**2.0**	**2.0**	**3.0**	**3.0**

Encumbrances and Expenditures

Progress toward encumbering and expending funding by program is shown in **Exhibits 17** and **18** followed by a discussion of encumbrances and expenditures for selected programs.

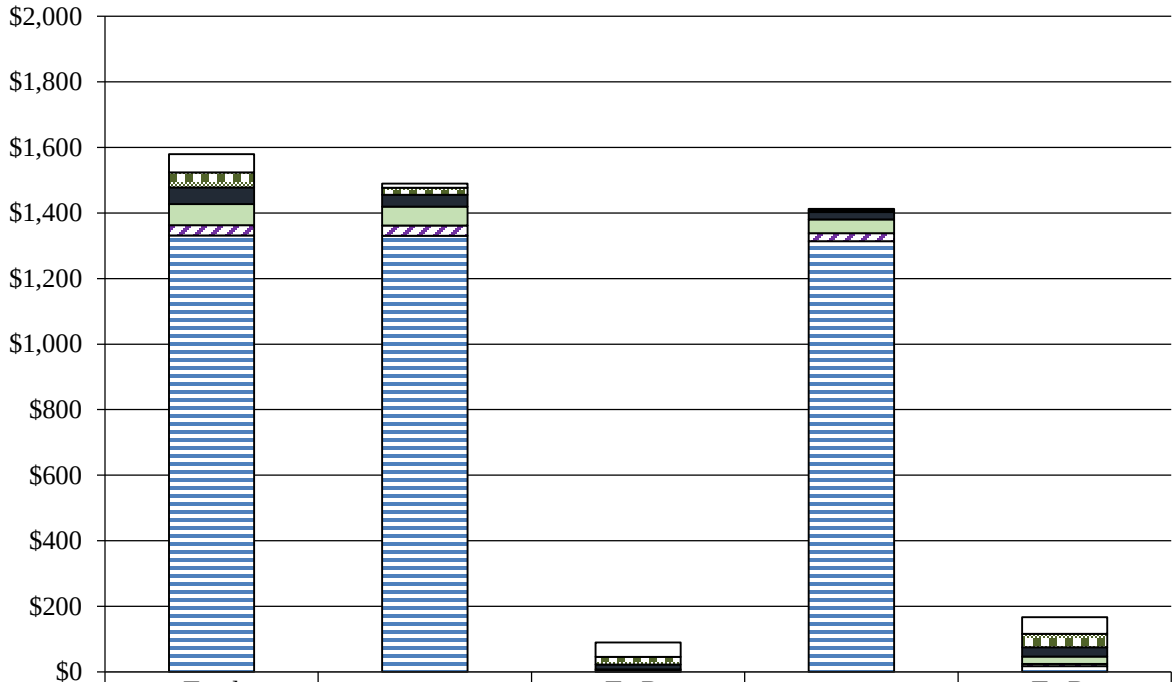
Exhibit 17
Selected Program Encumbrances and Expenditures
Program Inception through January 2016
($ in Millions)



	Total Authorized	Encumbered	To Be Encumbered	Expended	To Be Expended
Total	$367.3	$323.4	$43.8	$247.9	$119.4
Community Parks and Playgrounds	62.4	62.1	0.2	53.5	8.9
Ocean City Beach Replenishment Fund	46.8	32.0	14.7	32.0	14.8
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	99.6	96.1	3.5	39.0	60.6
Natural Resources Development Fund	87.1	69.0	18.1	63.7	23.4
Critical Maintenance Program	71.5	64.2	7.2	59.8	11.7

Source: Department of Budget and Management; Department of Natural Resources

Exhibit 18
Program Open Space Encumbrances and Expenditures
Program Inception through January 2016
($ in Millions)



	Total Authorization	Encumbered	To Be Encumbered	Expended	To Be Expended
Total	$1,579.7	$1,490.1	$89.6	$1,412.9	$166.8
2016	56.2	12.7	43.6	4.9	51.3
2015	45.6	21.4	24.2	5.0	40.6
2014	51.0	36.4	14.6	22.3	28.6
2013	64.0	58.2	5.8	41.7	22.3
2012	31.7	31.1	0.7	25.2	6.5
Prior Years	1331.1	1330.3	0.8	1313.6	17.5

Source: Department of Budget and Management; Department of Natural Resources

- **POS** – DNR notes that through January 31, 2016, approximately $800,000 in POS funding prior to fiscal 2012 remains to be encumbered, and $17.4 million remains to be expended. The majority of these funds are POS – Local funds, which are encumbered upon approval of BPW. However, the funds are only expended when a county or municipality submits a request for reimbursement subsequent to an inspection by program administrators to verify that the work covered by the request for reimbursement has been satisfactorily completed. In addition, DNR

notes that some projects can get delayed due to funding or staffing levels at the local level that can further delay the expenditure of funds.

- **Ocean City Beach Maintenance** – There are fairly large unencumbered and unexpended balances for the Ocean City Beach Maintenance, because federal funding has been used in recent years for emergency projects and because the next nourishment project is expected in either fiscal 2016 or 2017, which will draw a portion of existing balances. The Ocean City Beach Maintenance Fund is near the $15.0 million cap, which currently means that no funding is appropriated in fiscal 2020 in the 2016 CIP.

- **Natural Resources Development Fund** – There has been a slight increase in the amount to be encumbered from $13.6 million to $18.1 million between this time last year and now, which appears to be related to the increase in funding received in fiscal 2016 relative to fiscal 2015.

- **Chesapeake and Atlantic Coastal Bays 2010 Trust Fund** – There appears to be a slight increase in the amount to be encumbered, which has increased from $2.0 million at this time last year and the $3.5 million in this analysis. However, the amount to be expended has decreased from $77.0 million to $60.6 million. DNR has noted in the past that the funding still to be expended reflects that projects may have completed work but not yet invoiced DNR for the costs. Also, local partners have been encouraged to match the State's contribution as much as possible and thus local match funding may be spent first before State funding.

PAYGO Recommended Actions

1. Concur with the Governor's allowance of $69,238,101 in special funds and $5,750,000 in federal funds for the Outdoor Recreation Land Loan.

2. Concur with the Governor's allowance of $500,000 in special funds for the Ocean City Maintenance program.

3. Concur with the Governor's allowance of $10,500,000 in special funds and $2,100,000 in federal funds for the Waterway Improvement Program.

GO Bond Recommended Actions

1. Approve the $2,500,000 general obligation bond authorization for Community Parks and Playgrounds to provide grants to local governments to design and construct capital-eligible park and playground improvement projects.

2. Reduce the Rural Legacy Program general obligation bond authorization.

KA05B Rural Legacy Program ..... $ 0

Allowance	Change	Authorization
5,000,000	-5,000,000	0

Explanation: Reduce the Rural Legacy Program general obligation bond authorization for the purchase of conservation easements and the acquisition of land. This reduction reflects the intent to constrain capital budget spending and reduce mandated authorizations. The programs will still receive a 25% increase in funding over fiscal 2016.

3. Approve the $3,300,000 general obligation bond authorization for the Oyster Restoration Program to design and construct oyster habitat restoration projects and provide grants for aquaculture development projects.

Total General Obligation Bonds Reduction **$5,000,000**

LA11
Department of Agriculture – Capital

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Salisbury Animal Health Laboratory Replacement	$0.000	$0.750	$8.464	$7.937	$0.000	$0.000	$0.000
Total	**$0.000**	**$0.750**	**$8.464**	**$7.937**	**$0.000**	**$0.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$0.000	$0.750	$8.464	$7.937	$0.000	$0.000	$0.000
Total	**$0.000**	**$0.750**	**$8.464**	**$7.937**	**$0.000**	**$0.000**	**$0.000**

GO: general obligation

For further information contact: Andrew D. Gray Phone (410) 946-5530

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Maryland Agricultural Land Preservation Program[1]	$19.391	$20.545	$21.228	$26.658	$41.568	$42.944	$44.260
Tobacco Transition Program	2.216	0.868	1.000	1.000	0.000	0.000	0.000
Maryland Agricultural Cost-Share Program	6.190	2.000	6.000	6.000	6.000	6.000	6.000
Total	**$27.797**	**$23.413**	**$28.228**	**$33.658**	**$47.568**	**$48.944**	**$50.260**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
PAYGO SF	$6.419	$4.368	$22.228	$27.658	$41.568	$42.944	$44.260
GO Bonds	21.378	2.000	6.000	6.000	6.000	6.000	6.000
Bond Premiums	0.000	17.045	0.000	0.000	0.000	0.000	0.000
Total	**$27.797**	**$23.413**	**$28.228**	**$33.658**	**$47.568**	**$48.944**	**$50.260**

GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

[1] The fiscal 2015 appropriation includes $15.2 million in a prior year replacement GO bond authorization and a revised special fund appropriation based on the actual local participation funding level. The fiscal 2016 appropriation includes $17.0 million in bond premium funding and a revised special fund appropriation based on the estimated local participation funding level. The fiscal 2017 appropriation includes $3.5 million in a special fund appropriation contingent upon HB 462 and SB 383 authorizing this amount of funding to be allocated, since under the Governor's proposed budget, these funds are available for program use.

Summary of Issues

Maryland Agricultural Cost-Share Program Funding Supplemented to Handle Phosphorus Management Tool Regulations: The phosphorus management tool regulations, which went into effect on June 8, 2015, impacts the demand for Maryland Agricultural Cost-Share (MACS) funding. However, it appears that the more appropriate form of funding may be through the Maryland Department of Agriculture (MDA) Manure Transport Program. In addition, the Regional Conservation Partnership Program will provide Maryland and Delaware $4.5 million in cost-share funding primarily for animal-related best management practices, including animal waste storage, stream fencing, heavy use areas, and barnyard runoff. As a result, there appear to be additional resources for handling the costs of the phosphorus management tool, thus defraying the need for MACS funding. **The Department of Legislative Services (DLS) recommends that MDA comment on how it will help farmers meet phosphorus management tool requirements based on the available funding and on whether there are gaps in terms of what is needed.**

Food Hub Plans Still Vague: The Agricultural Business Park and Food Innovation Center is a proposal to create a central, multipurpose facility for food processing and distribution, new farmer incubation, meat and seafood processing, warehouse space, and other identified needs for making agriculture more profitable in Southern Maryland. The Southern Maryland Agricultural Development Commission (SMADC) has noted that it was planning on using fiscal 2016 funding for the project and now indicates that fiscal 2017 funding may be used for this purpose, although hurdles remain for the selection of an actual site on which to develop the center. **DLS recommends that SMADC comment on the status of the Agricultural Business Park and Food Innovation Center, the process of development of a final business plan, the possibility of using the Southern Maryland Regional Farmers' Market, and on whether any fiscal 2016 or 2017 State funding in either its operating or pay-as-you-go (PAYGO) capital budgets will be used to support the development of the proposed center.**

Summary of Updates

Maryland Agricultural Land Preservation Program Repeat Audit Finding Status: The total number of unresolved easement violations has decreased from 465 as of January 2015, to 232 as of January 2016. The biggest change is a reduction of 233 violations of soil conservation and water quality plans. MDA notes that a new policy to enforce potential easement violations was approved by the Maryland Agricultural Land Preservation Foundation (MALPF) Board of Trustees on May 26, 2015. Following this approval, MALPF worked with the Office of Resource Conservation to have local soil conservation offices process the soil conservation and water quality plans and/or updates. As a result, the number of violations has decreased by approximately 50%.

Summary of Recommended PAYGO Actions

1. Concur with the Governor's allowance of $21,227,744 in special funds for the Maryland Agricultural Land Preservation Foundation.

2. Concur with Governor's allowance of $1,000,000 in special funds for the Tobacco Transition Program.

Summary of Recommended Bond Actions

1. Salisbury Animal Health Laboratory Replacement

   Approve the $750,000 general obligation bond authorization for the Salisbury Animal Health Laboratory Replacement project.

2. Maryland Agricultural Cost-Share Program

   Approve the $6,000,000 general obligation bond authorization for the Maryland Agricultural Cost-Share Program.

Program Description

The MDA capital program is comprised of the Maryland Agricultural Land Preservation Program (MALPP), the Tobacco Transition Program, and the MACS program. In addition, the 2016 *Capital Improvement Program* (CIP) includes funding for the proposed Salisbury Animal Health Laboratory Replacement project, which is a State-owned facility. The programs fit under MDA's goals to preserve adequate amounts of productive agricultural land and woodland in Maryland and provide and promote land stewardship. Descriptions of the three programs follow.

- **MALPP –** The General Assembly created MALPP to preserve productive agricultural land and woodland, which provides for the continued production of food and fiber; limit the extent of urban development; and protect agricultural land and woodland as open space. MALPF, with the assistance and cooperation of landowners and local governments, purchases development rights easements as a means of protecting agricultural land and woodland production activities. Chapter 12 of 2014 (MALPF – Value of Easement) modified the maximum price MALPF may pay for an easement. Formerly, the maximum price was the landowner's asking price or the easement value, whichever is lower. Chapter 12 of 2014 prohibited MALPF from purchasing an easement for more than 75% or less than 25% of the fair market value of the land. MALPF is authorized to purchase an easement for less than 25% of the fair market value of the land only if the owner's asking price is less than 25% of the fair market value of the land. The easement value is determined by subtracting the agricultural value from the appraised fair market value

of the property. Once the development rights have been sold, the property is perpetually protected from further development, with certain rights available only to the owners who originally sold the easement.

- **Tobacco Transition Program** – In 1999, the General Assembly created the Cigarette Restitution Fund (CRF). Under the legislation, one purpose of the CRF is to fund the implementation of the Southern Maryland Regional Strategy Action Plan for Agriculture adopted by the Tri-County Council (TCC) for Southern Maryland with an emphasis on alternative crop uses for agricultural land used for growing tobacco. Funds are appropriated to MDA, which then issues grants to TCC. TCC is a nonprofit, quasi-governmental body that works with SMADC to develop programs to stabilize the region's agricultural economy as Maryland growers transition away from tobacco production. TCC's Strategy Action Plan has three main components: the tobacco buyout (first priority), agricultural land preservation (second priority), and infrastructure/agricultural development (third priority). Final tobacco buyout funding was budgeted for fiscal 2014, and the 2016 CIP reflects final agricultural land preservation funding in fiscal 2018.

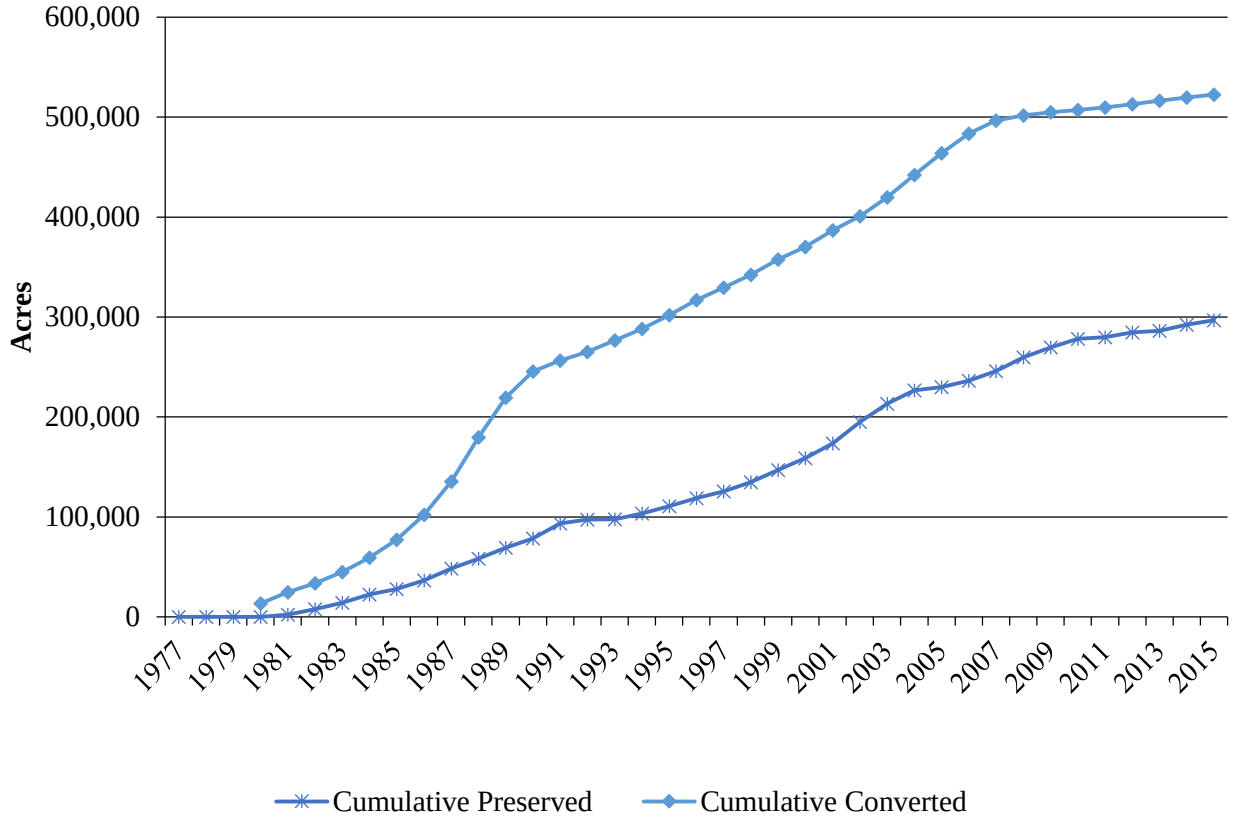
- **MACS Program** – The MACS program provides financial assistance to Maryland farmers for installing 1 or more of 30 nationally recognized best management practices (BMP) that reduce soil and nutrient runoff from farmland. The program requires a minimum 12.5% cost-share match from grantees. Animal waste treatment and containment projects are funded up to $200,000 per project, with a maximum of $300,000 per farm for all animal waste management practices and up to $450,000 per farm when combined with other BMPs, and up to $200,000 per project under a pooling agreement to solve a pollution problem on two or more farms. All other BMPs are funded up to $50,000 per project, with a maximum of $150,000 per farm per person, and up to $100,000 per project under a pooling agreement to solve a pollution problem on two or more farms.

Performance Measures and Outputs

Maryland Agricultural Land Preservation Program

Agricultural land is desirable for conversion to other uses, such as residential development. The MALPP is one tool for keeping farmland in agriculture, as is the agricultural use assessment for taxation purposes. **Exhibit 1** reflects the cumulative agricultural land preserved by the MALPP versus the agricultural land converted from fiscal 1977 to 2015. During this time period, the amount of cumulative agricultural land converted has exceeded the cumulative amount conserved. **Exhibit 2** shows that, with the exception of fiscal 1991 and 2002, there was a net decrease in the annual amount of farmland preserved between fiscal 1980 and 2007. Between fiscal 2008 and 2010, there were annual net increases in farmland preserved. Since fiscal 2010, there has been no real trend, although fiscal 2015 does reflect an increase in net annual acres preserved.

Exhibit 1
Cumulative Agricultural Land Preserved by MALPP versus Converted
Fiscal 1977-2015

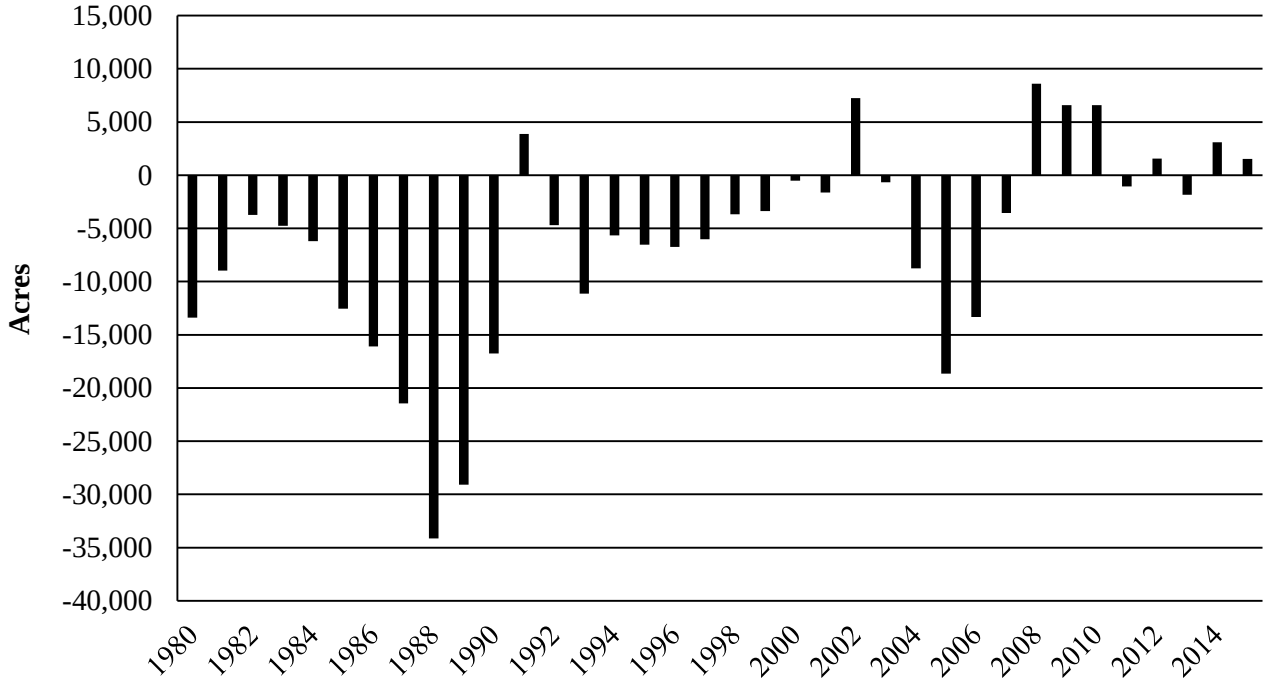


MALPP: Maryland Agricultural Land Preservation Program

Note: Includes easements under the Maryland Agricultural Land Preservation Foundation and the now defunct GreenPrint Program. State records do not exist for agricultural land converted before fiscal 1980.

Source: Maryland Department of Agriculture; Department of Legislative Services

Exhibit 2
Net Difference in Annual Farmland Preserved and Converted
Fiscal 1980-2015



Source: Maryland Department of Agriculture; Department of Legislative Services

Senate Joint Resolution 10 of 2002 established a statewide land preservation goal to triple (1,030,000 acres) the number of acres of productive agricultural land preserved by MALPF, GreenPrint, the Rural Legacy Program, and local preservation programs by the year 2022. As of December 2015, a total of 612,121 acres have been preserved; thus, an additional 417,879 acres need to be preserved by fiscal 2022, or 59,697 acres annually, which does not compare well to the 13,180 acres that were preserved on average between fiscal 2008 and 2015. MDA notes that through fiscal 2015, it has conserved 296,682 acres as its contribution to the statewide goal and agrees that it is unclear how the goal will be met.

Tobacco Transition Program

The Tobacco Transition Program's performance measure is the amount of agricultural land preserved. The 10-year agricultural land preservation goal established in fiscal 2001 for the Tobacco Transition Program was to protect 35,000 acres. SMADC notes that its 10-year Strategic Plan was updated in fiscal 2012 to reflect a new goal of preserving an additional 30,000 acres by fiscal 2020,

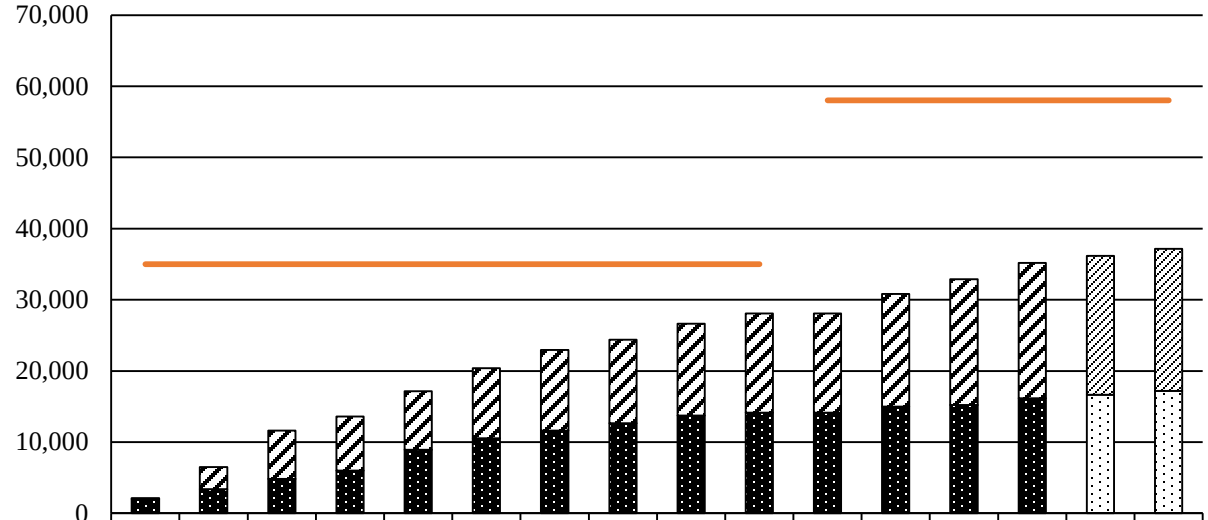
relative to the approximately 28,000 acres preserved up to that point, pending the availability of funding. This acreage preservation goal reflects acres preserved with State funding as well acreage preserved with local funding. SMADC indicates that as of fiscal 2015, 306 farms and 35,174 acres have been preserved using State funding and funding from counties over the 14 years of the program. SMADC's fiscal 2016 goal is to preserve an estimated cumulative total of 314 farms on an estimated 36,174 cumulative acres, and its fiscal 2017 goal is to preserve an estimated cumulative total of 324 farms on 37,174 acres. **Exhibit 3** shows the history of agricultural land preservation.

Maryland Agricultural Cost-Share Program

MDA's Resource Conservation Grants program has the goal of controlling and reducing agriculturally related water pollution through the implementation of BMPs. MDA has implemented a tracking system that reflects both BMPs installed with State funding and federal financial assistance through the U.S. Environmental Protection Agency's Chesapeake Bay Implementation Grant and processed through MACS. In contrast, BMPs funded by U.S. Department of Agriculture are not tracked. MDA has noted that it backfills funding with federal cost-share dollars when federal funding is available. Outside of the State budgeting process, the 2014 Farm Bill authorized the Regional Conservation Partnership Program through the U.S. Department of Agriculture's Natural Resources Conservation Service. On February 12, 2016, it was announced that the overall Regional Conservation Partnership Program funding for federal fiscal 2016 is $220.0 million, which is to be invested in 84 projects across the nation. Maryland has partnered with Delaware in a regional contract to receive $4.5 million in cost-share funding primarily for animal-related BMPs, including animal waste storage, stream fencing, heavy use areas, and barnyard runoff.

Exhibit 4 reflects the new BMPs installed by MACS between fiscal 2005 and 2016; no additional information was provided for the fiscal 2017 estimate. As can be seen, the majority of BMPs are installed with State funds, and the combined State and federal projects have reduced between 100,000 and 175,000 pounds of nitrogen pollution per year. In terms of the maintenance of BMPs, MDA has indicated in the past that it inspects 10% of all contracts every year and that in a recent three-year period, it conducted over 500 inspections annually. Unsatisfactory reviews occur in approximately 10% of its inspections. Common reasons for unsatisfactory reviews include the lack of maintenance of BMPs or the lack of transfer of responsibility when ownership changes. Since property transfers make up 50% of the unsatisfactory reviews, MDA has instituted a policy whereby BMPs, for which the State cost share is $5,000 or greater, are recorded as a lien on the property. If maintenance issues are not resolved within a certain period of time, then MDA may require payback of the State share. MDA noted in last year's analysis that it is beginning to see a decline in unsatisfactory status inspections due to property transfers.

Exhibit 3
Tobacco Transition Program and Leveraged Agricultural Land Preservation
Fiscal 2002-2017 Est.

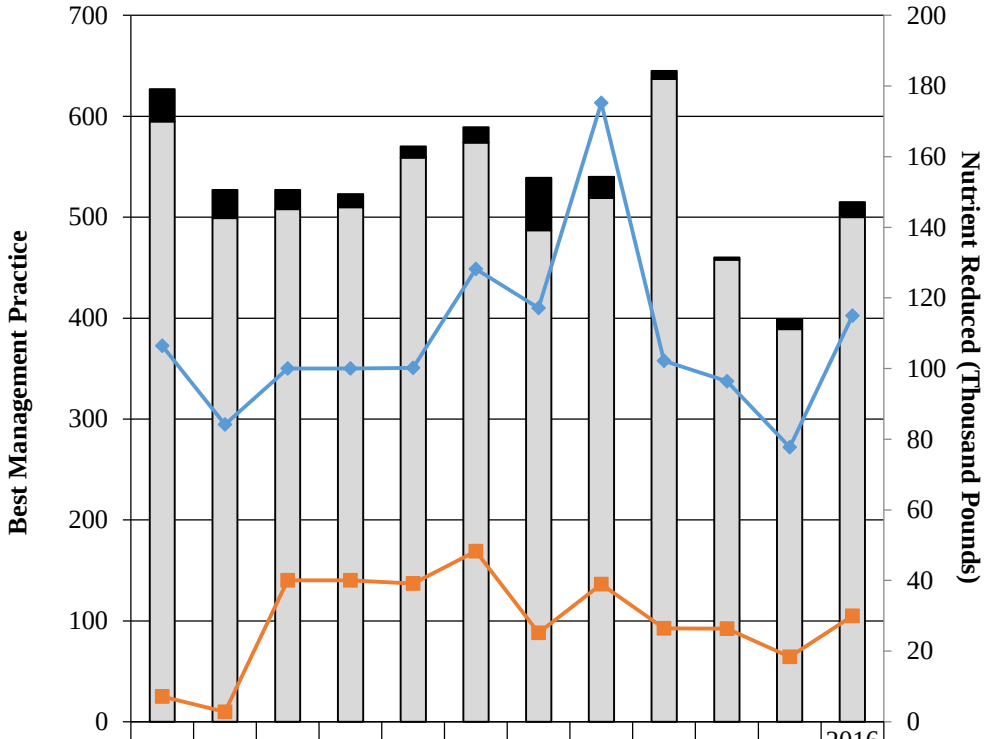


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.	2017 Est.
Cumulative Leveraged Acres Preserved	110	3,119	6,794	7,591	8,226	9,850	11,338	11,761	12,922	13,915	13,915	15,806	17,709	18,998	19,498	19,998
Cumulative Tobacco Transition Program Acres Preserved	1,999	3,368	4,822	6,002	8,940	10,520	11,608	12,632	13,716	14,145	14,145	15,012	15,194	16,176	16,676	17,176
Acreage Goal	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	58,000	58,000	58,000	58,000	58,000	58,000
Cumulative Farms Preserved	16	49	73	92	125	164	190	203	221	237	237	263	284	306	314	324

Note: No funding was provided in fiscal 2012. The 1,000 acre estimate for fiscal 2016 and 2017 is divided equally between the Tobacco Transition Program and leveraged acres purchased.

Source: Maryland Department of Agriculture

Exhibit 4
MACS New Best Management Practices Installed
Fiscal 2005-2016 Est.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.
Federal (EPA grant) Funded BMPs	32	28	19	13	11	15	52	21	8	2	10	15
State-funded BMPs	595	499	508	510	559	574	487	519	637	458	389	500
Reduction in Nitrogen for New BMPs Installed (Thousand Pounds)	106.5	84.2	100.0	100.0	100.2	128.2	117.2	175.2	102.2	96.4	77.8	115.0
Reduction in Phosphorus for New BMPs Installed (Thousand Pounds)	7.2	2.8	40.0	40.0	39.2	48.3	25.2	39.0	26.4	26.4	18.4	30.0

BMP: best management practice
EPA: Environmental Protection Agency
MACS: Maryland Agricultural Cost-Share Program

Source: Maryland Department of Agriculture

Budget Overview

Fiscal 2017 Budget

The fiscal 2017 allowance includes $22.2 million in special funds and $6.0 million in general obligation (GO) bonds, which includes the $3.5 million appropriation in special funds that are contingent on HB 462 and SB 383 (State Transfer Tax – Distribution of Revenue) authorizing this amount of funding to be allocated since, under the Governor's proposed budget, these funds are available for program use.

Fiscal 2017 and 2018 Transfer Modification

The fiscal 2017 budget plan includes the modification of transfer tax transfers to the General Fund that were originally authorized by Chapter 425 of 2013. The proposed modification is reflected in HB 462 and SB 383, which are introduced in the 2016 session. In conjunction, the bills and the fiscal 2017 operating budget bill accomplish the following:

- reducing the fiscal 2017 authorized transfer by $20.0 million from $82.8 million to $62.8 million, and the fiscal 2018 transfer by $40.0 million from $86.0 million to $46.0 million;
- repurposing the $20.0 million in fiscal 2017 for PAYGO capital programs contingent on the legislation authorizing the appropriations; and
- appropriating contingently in fiscal 2017 as follows:
    - Program Open Space – State Acquisition (Capital Development) – $2,638,000;
    - Program Open Space – Eager Park Grant – $4,000,000;
    - Program Open Space – Local – $5,000,000;
    - Rural Legacy Program – $4,862,000; and
    - Maryland Agricultural Land Preservation Foundation – $3,500,000.

Exhibit 5 shows the fiscal 2017 allocation with the enhancement, and **Exhibit 6** shows the fiscal 2018 proposed allocation with the enhancement. The proposed program reductions under the full transfers authorized by Chapter 425 were implemented based on the reduction of roughly half of the capital program distributions instead of by reducing the revenue that would flow through the transfer tax formula and thus affecting all operating and capital programs equally. The enhancement funding is allocated based on the Department of Budget and Management's estimate of program funding need.

Exhibit 5
Transfer Tax Distribution for Land Preservation Programs Receiving Enhancements
Fiscal 2017

Program	Statutory Allocation	BRFA of 2013 General Fund Transfer	Allowance Before Enhancement	Enhancement	Allowance
DNR – Land Acquisition and Planning					
Program Open Space – State Share	$39.0	-$23.6	$15.4	$4.0	$19.4
Program Open Space – Local Share	39.6	-22.9	16.7	5.0	21.7
Rural Legacy Program	17.0	-9.2	7.8	4.9	12.7
Natural Resources Development Fund	10.1	-7.2	2.9	0.1	3.1
Critical Maintenance Program	6.0	-2.0	4.0	2.0	6.0
Ocean City Beach Maintenance	0.5	-0.5	0.0	0.5	0.5
Maryland Department of Agriculture					
Maryland Agricultural Land Preservation Foundation	30.1	-17.4	12.7	3.5	16.2
Distribution for Programs with Enhancements	**$142.3**	**-$82.8**	**$59.5**	**$20.0**	**$79.5**

BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources

Note: The Program Open Space – State share fiscal 2017 $4,000,000 enhancement is for a grant to the Eager Park project as part of the East Baltimore Development Initiative.

Source: Department of Budget and Management; Department of Legislative Services

Exhibit 6
Transfer Tax Distribution for Land Preservation Programs Receiving Enhancements
Fiscal 2018

Program	Statutory Allocation	BRFA of 2013 General Fund Transfer	Estimated Allowance Before Enhancement	Enhancement	Estimated Allowance
DNR - Land Acquisition and Planning					
Program Open Space – State Share	$41.7	-$24.8	$17.0	$3.4	$20.4
Program Open Space – Local Share	41.7	-23.7	17.9	11.0	28.9
Rural Legacy Program	17.4	-9.4	8.1	9.0	17.1
Natural Resources Development Fund	10.6	-7.6	3.0	5.1	8.1
Critical Maintenance Program	6.0	-2.0	4.0	2.0	6.0
Ocean City Beach Maintenance	1.0	-0.5	0.5	0.5	1.0
Maryland Department of Agriculture					
Maryland Agricultural Land Preservation Foundation	31.7	-18.1	13.7	9.0	22.7
Distribution for Programs with Enhancements	**$150.1**	**-$86.0**	**$64.1**	**$40.0**	**$104.1**

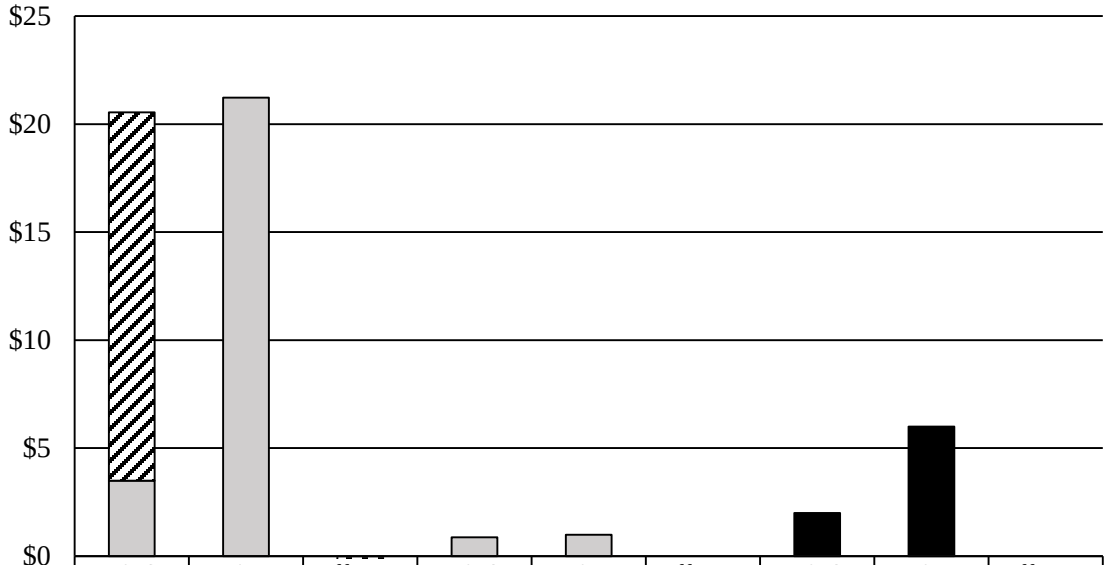
BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources

Source: Department of Budget and Management; Department of Legislative Services

Funding in the Fiscal 2017 Allowance

Exhibit 7 shows the fiscal 2017 funding for the three programs in the allowance. The figures reflect the inclusion of the contingent appropriation of $3.5 million for the MALPP in the fiscal 2017 appropriation. The proposed fiscal 2017 funding level is $4.8 million higher than what was provided in fiscal 2016. This primarily reflects an increase of $4.0 million in GO bond authorization for MACS.

Exhibit 7
Department of Agriculture Capital Budget Changes by Fund
Fiscal 2016-2017
($ in Millions)



	MALPP			Tobacco Transition			MACS		
	2016	2017	Difference	2016	2017	Difference	2016	2017	Difference
Total	$20.5	$21.2	$0.7	$0.9	$1.0	$0.1	$2.0	$6.0	$4.0
Bond Premiums	17.0	0.0	-17.0	0.0	0.0	0.0	0.0	0.0	0.0
GO	0.0	0.0	0.0	0.0	0.0	0.0	2.0	6.0	4.0
SF	3.5	21.2	17.7	0.9	1.0	0.1	0.0	0.0	0.0

GO: general obligation
MACS: Maryland Agricultural Cost-Share
MALPP: Maryland Agricultural Land Preservation Program
SF: special fund

Note: The exhibit includes special funds that are contingent on the enactment of separate legislation providing for $3.5 million in enhancement funding for MALPP in fiscal 2017. For fiscal 2016, the MALPP special funds reflect local matching funding that is now anticipated to be closer to $3.5 million.

Source: Department of Legislative Services

Maryland Agricultural Land Preservation Program

MALPF's fiscal 2017 allowance reflects $21.2 million in special funds, which includes the $3.5 million enhancement funding. Therefore, the fiscal 2017 funding includes $12.7 million in transfer tax funding, $3.5 million in enhancement funding, and $5.0 million in county participation funding. The estimated cost per acre for MALPF easements is projected to be $4,200 in fiscal 2017, which is level with fiscal 2016. No federal funding is reflected, which means that there has been no change in the restrictive requirements on the federal Farm and Ranch Lands Protection Program funding.

Of note, the county participation funding in fiscal 2017 reflects a more realistic estimate than has been budgeted in previous years. For instance, in fiscal 2016, $9.1 million is budgeted while only $3.5 million is currently anticipated to be available. Over the fiscal 2003 to 2016 time period, local participation has averaged approximately $8.3 million per year. However, since fiscal 2009, MALPF has instituted two-year easement cycles in order to be able to fund easements in each participating jurisdiction. Since fiscal 2009, the local participation amount has averaged approximately $5.4 million per year. As noted above, $5.0 million is budgeted in fiscal 2017, which is in line with the recent six-year average, and reflects the lower amount of agricultural transfer tax counties have collected and used to make commitments.

MALPF notes that the determination of whether a combined cycle will be implemented will not be determined by the MALPF Board of Trustees until after fiscal 2017 funding is determined. This decision will then impact the timing of local funding: a local participation commitment will be determined in April 2016 if a single-year cycle is implemented but will not be determined until May 2017 if a combined fiscal 2017 and 2018 cycle is chosen. MALPF notes that the current combined fiscal 2015 and 2016 cycle was determined by the board in April 2014, and the determination was made to limit the number of applications from each county to eight.

In terms of the MALPF funding plan, MDA estimates that approximately $38 million is available for the fiscal 2015 and 2016 cycle, and of this amount, approximately $28 million has gone to the Board of Public Works (BPW), which leaves approximately $10 million. Of this $10 million, MALPF anticipates taking approximately $6 million to BPW in fiscal 2016, which leaves approximately $4 million that is tied to a particular project, or obligated, but will not be actually encumbered in fiscal 2016. Therefore, there is not anticipated to be any unobligated funding left over from the fiscal 2015 and 2016 easement cycle for fiscal 2017.

Tobacco Transition Program

As in prior years, the CRFs supporting the Tobacco Transition Program are budgeted in both MDA's operating and PAYGO budgets. As shown in **Exhibit 8**, $5,773,000 in CRF special funds are budgeted as follows: administrative expenses ($600,000), noncapital grants for infrastructure/agricultural development programs ($350,000), tobacco bond repayment ($3,823,000), and agricultural land preservation ($1,000,000). The overall funding level of $5,773,000 is lower than

the $7,039,000 funding level provided in recent years and reflects cost containment actions in recent years.

Exhibit 8
Tobacco Transition Program Funding
Fiscal 2016-2017
($ in Thousands)

	Operating Budget		PAYGO Capital Budget			
	Administration	Infrastructure Grants	Bonds Repaid	Buyout Payment	Land Preservation	Total
Fiscal 2016	$600,000	$750,000	$3,823,000	$0	$868,000	$6,041,000
Fiscal 2017	600,000	350,000	3,823,000	0	1,000,000	5,773,000
Difference	**$0**	**-$400,000**	**$0**	**$0**	**$132,000**	**-$268,000**

PAYGO: pay-as-you-go

Note: The Maryland Department of Agriculture provided the $319,000 final tobacco buyout payment in fiscal 2014.

Source: Department of Budget and Management

Authorization of GO bonds for the Tobacco Transition Program began in fiscal 2004 and ended with the $5.0 million authorization in fiscal 2010; the funding was authorized by a provision in the Maryland Consolidated Capital Bond Loan of 2006, which altered the use of GO bonds for the tobacco buyout funding plan that were originally laid out in Chapter 103 of 2001. The payment schedule is $1.8 million in fiscal 2011, $3.3 million from fiscal 2012 through 2015, and payments of $3.8 million from fiscal 2016 to 2018 to round out the $26.6 million required payment. Of note, the 2016 CIP reflects final PAYGO capital funding in fiscal 2018, which is coincident with the end of the bond repayment. **DLS recommends that SMADC comment on the long-term plan for the Tobacco Transition Program's third priority – infrastructure/agricultural development – given the end of the first two priorities in fiscal 2018.**

Maryland Agricultural Cost-Share Program

The fiscal 2017 allowance for MACS is $6.0 million. In terms of fiscal 2016 funding that may be available for fiscal 2017, MDA notes that as of January 6, 2016, $12.6 million is unspent bond balance, of which $11.7 million has been encumbered. This leaves a working balance of $0.9 million in bond balance plus to which is added $0.2 million in anticipated reversions plus $1.2 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding for handling nutrient management requirements. Therefore, there is approximately $2.3 million in available working balance for fiscal 2016, some portion of which could possibly roll over into fiscal 2017.

Salisbury Animal Health Laboratory Replacement

The fiscal 2017 allowance includes $750,000 in GO bonds for planning the proposed 18,536 square foot Salisbury Animal Health Laboratory replacement project. The Department of Budget and Management advises that the Part 1 program plan for the project is under review and that approval should be forthcoming prior to the start of the fiscal year. The Salisbury Animal Health Laboratory conducts tests that ensure the safety of the food supply and the economic viability of animal industries throughout the Delmarva Peninsula by, among other activities, providing diagnostic and investigatory services that identify and contain animal health emergencies.

The overall project is estimated to cost $17,151,000 and is staged as shown in **Exhibit 9**. MDA considers the project to have four parts: laboratory, incinerator, necropsy, and storage building. MDA notes that the Animal Health program first requested the project in September 2014, but it appears that this was too late for the project to go through the 2015 CIP process. However, as far back as calendar 2006, a licensed building inspector concluded that the building could not be renovated to meet current laboratory standards.

Exhibit 9
Salisbury Animal Health Laboratory Replacement Authorization Uses
($ in Millions)

Description	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Total
Planning	$0.000	$0.750	$0.626	$0.000	$0.000	$0.000	$1.376
Construction	0.000	0.000	7.638	7.637	0.000	0.000	15.275
Equipment	0.000	0.000	0.200	0.300	0.000	0.000	0.500
Total	**$0.000**	**$0.750**	**$8.464**	**$7.937**	**$0.000**	**$0.000**	**$17.151**

Source: Department of Budget and Management

The primary justifications for the project include the deterioration of the existing infrastructure and the inability to meet current laboratory standards. The existing building has roof, ceiling, wall, and floor failures; mechanical, electrical, plumbing systems that do not meet current requirements; and inadequate space for many laboratory functions. In terms of laboratory standards, the laboratory lacks negative air pressure, and in fact has positive pressure, which means that the existing air system does not minimize the escape of contaminants; and the laboratory lacks biosecurity/safety features to isolate nonpublic areas.

The existing Salisbury Animal Health Laboratory was last accredited two and a half years ago, presumably under the International Standards Organization 17025 standard and will receive accreditation review again in June 2016 for a three-year accreditation period. In the meantime, the International Standards Organization notes on its website that the 17025 standard, which applies to the competence of testing and calibration laboratories, was last reviewed in 2010 and is to be reviewed every five years. MDA notes that the building design will be amenable to updates for technology changes, but that the challenge will be in anticipating technology change in laboratory equipment. **DLS recommends that MDA comment on why the Salisbury Animal Health Laboratory was not identified for replacement until September 2014 when in calendar 2006, a licensed building inspector concluded that the building could not be renovated to meet current laboratory standards.**

Issues

1. Maryland Agricultural Cost-Share Program Funding Supplemented to Handle Phosphorus Management Tool Regulations

The phosphorus management tool regulations, which went into effect on June 8, 2015, impacts the demand for MACS funding. As part of the regulations process, MDA is conducting a two-year on-farm economic analysis to help determine resource needs statewide. MDA also has solicited soil test data to determine the scope of the impact of the phosphorus management tool regulations. The soil test data received on 840,000 acres statewide indicates the following:

- **Not Impacted** – 82.0% of all farmland does not have phosphorous levels high enough to be impacted by the phosphorus management tool;

- **Somewhat Impacted** – 16.9% of farmland in Maryland is impacted but is allowed to use phosphorus on fields up to the amount that crops can remove; and

- **Fully Impacted** – 1.1% of farmland in Maryland is banned from receiving additional phosphorus applications.

This would appear to reflect the need for MACS funding on at least the 1.1% of farmland banned from receiving additional phosphorus applications. However, it appears that the more appropriate form of funding may be through MDA's Manure Transport Program, which actually moves phosphorus-laden manure away from fully impacted farms, rather than MACS funding, which would only provide funding for temporary waste management structures that would not address the underlying saturation of the soil by phosphorus.

The Manure Transport Program has given priority for cost-share grants to poultry, dairy, beef, and other animal producers with high soil phosphorus levels. These producers include those with high soil phosphorus as well as inadequate land to spread manure. Both groups are eligible for up to $20 per

ton to transport the manure to other farms or alternative facilities for safe use. In addition, as noted previously, the Regional Conservation Partnership Program will provide Maryland and Delaware $4.5 million in cost-share funding primarily for animal-related best management practices, including animal waste storage, stream fencing, heavy use areas, and barnyard runoff. As a result, there appear to be additional resources for handling the costs of the phosphorus management tool, thus defraying the need for MACS funding. **DLS recommends that MDA comment on how it will help farmers meet phosphorus management tool requirements based on the available funding and on whether there are gaps in terms of what is needed.**

2. Food Hub Plans Still Vague

The Agricultural Business Park and Food Innovation Center is a proposal to create a central, multipurpose facility for food processing and distribution, new farmer incubation, meat and seafood processing, warehouse space, and other identified needs for making agriculture more profitable in Southern Maryland. SMADC has noted that it was planning on using fiscal 2016 funds for the project and now indicates that fiscal 2017 funding may be used for this purpose, although hurdles remain for the selection of an actual site on which to develop the center.

SMADC notes that ideally it would develop a site or series of sites centrally located in Southern Maryland – defined as Anne Arundel, Calvert, Charles, Prince George's, and St. Mary's counties – that can house private and/or public partnerships to provide for a number of agriculture-related activities to be phased in over time. SMADC also notes that a preliminary business plan has been developed, with final cost estimates to be dependent on the final site selected. Community surveys and public meetings in calendar 2015 identified the following agricultural needs in prioritized order:

- **Meat Processing Facility** – a regional meat processing facility with retail front;
- **Food Innovation Center** – a food innovation center to create value-added products like salsas, jams, pies, and other products from local farm foods;
- **Distribution Hub** – a distribution hub to efficiently warehouse and distribute food from local farms to wholesale and retail buyers;
- **New Farmer Incubation** – land for new farmer incubation;
- **Farmers' Market** – a year-round indoor farmers' market/store, café/deli, and/or outdoor farmers' market; and
- **Warehouse Space** – warehouse space for local food and food products.

Chapter 207 of 2015 (TCC for Southern Maryland – Financing Purchase or Lease of Property by Other Entities) authorized the TCC for Southern Maryland to use any money available to it to finance the purchase or lease of property only by (1) one or more specified Southern Maryland counties; (2) the

Maryland Food Center Authority; or (3) another entity, as determined by the council, that is authorized to finance or purchase property. The legislation also authorized the council to finance the purchase or lease of property by any combination of Anne Arundel, Calvert, Charles, Prince George's, and St. Mary's counties and specified that if the council determines that money should be used for these purposes, in accordance with State procurement law, the council must request and evaluate proposals and then make a selection. The council may lease office space for its own use; otherwise the council is prohibited from owning or leasing property.

Chapter 207 supports the ability of SMADC to create an Agricultural Business Park and Food Innovation Center. However, there appear to have been additional complications related to the requirement that any property transaction be in accordance with State procurement law. A possible solution to the problems identified in the site selection process lies in the possible use of the Southern Maryland Regional Farmers' Market (Cheltenham Market), which is located in the former State Tobacco Warehouse. **DLS recommends that SMADC comment on the status of the Agricultural Business Park and Food Innovation Center, the process of development of a final business plan, the possibility of using the Southern Maryland Regional Farmers' Market, and on whether any fiscal 2016 or 2017 State funding in either its operating or PAYGO capital budgets will be used to support the development of the proposed center.**

Updates

1. Maryland Agricultural Land Preservation Program Repeat Audit Finding Status

The MALPP is audited annually by the Office of Legislative Audits. Although, HB 84 and SB 116 (State Government – Office of Legislative Audits – Alterations in Audit Requirements) have been introduced in the 2016 legislative session to modify the requirement to audit MALPP annually such that the MALPP is only subject to audit by the legislative auditor.

The most recent audit came out on April 27, 2015, and covers the period beginning July 1, 2013, and ending June 30, 2014. The MALPP had one finding, which is a repeat of the previous audit finding. The audit found that MALPF did not have a comprehensive policy for timely investigation of easement violations and did not ensure that all noted easement violations were resolved in a timely manner. In previous audits, easement violations were noted as an improper dwelling on the property, a subdivision problem, or debris issues. The most recent audit found that there were 496 unresolved violations identified prior to June 30, 2014, and that of these 496 unresolved violations, 93 were considered to be of relatively high priority (such as illegal subdivisions or dwellings), which had been unresolved for periods of six months to eight years, as of December 2014. In addition, the audit noted that State regulations allow MALPF to impose on landowners civil penalties of $2,500 per day per violation up to $50,000, as a result of uncorrected violations. One penalty was imposed during fiscal 2014.

Recommendations from the audit include that MALPF (1) develop a comprehensive policy that includes the appropriate and timely steps to be taken to address easement violations, the documentation

required for follow-up actions, and the criteria for assessing penalties; (2) document periodic reviews of the database and related follow-up actions (repeat recommendation); (3) perform and document appropriate and timely follow-up actions on outstanding easement violations consistent with the policy it develops to ensure corrective actions were taken (repeat recommendation); and (4) determine the status of the aforementioned unresolved violations and impose penalties, if deemed appropriate (repeat recommendation).

Recent unresolved violations are reflected in **Exhibit 10**. The total number of unresolved easement violations has decreased from 561 as of January 2015, to 322 as of January 2016. The biggest change is a reduction of 233 violations of soil conservation and water quality plans. MDA notes that a new policy to enforce potential easement violations was approved by the MALPF Board of Trustees on May 26, 2015. Following this approval, MALPF worked with the Office of Resource Conservation to have local soil conservation offices process the soil conservation and water quality plans and/or updates. As a result, the number of violations has decreased by approximately 50%. In contrast, there has been less progress on forest stewardship plans because the backlog to complete a new plan or update an existing plan, either using a contracted forester through the Department of Natural Resources or a private forester, can take a year or more. In addition, county agricultural easement personnel are burdened by the follow-up requirements of remedying the forest stewardship plan violations. Of note, MALPF considers the remaining violations, shown as "other violations" in the exhibit, to be the violations over which it actually has control and of these "other violations" approximately 90% have received an action of some kind in January 2016.

Exhibit 10
MALPF Easement Unresolved Violations
January 2015 to January 2016

Type of Violation	January 2015	January 2016	Difference
Soil Conservation and Water Quality Plan	**465**	**232**	**-233**
Forest Stewardship Plan	**41**	**37**	**-4**
Other Violations			
High Priority	19	19	0
Medium Priority	21	15	-6
Low Priority	15	19	4
Subtotal	***55***	***53***	***-2***
Total	**561**	**322**	**-239**

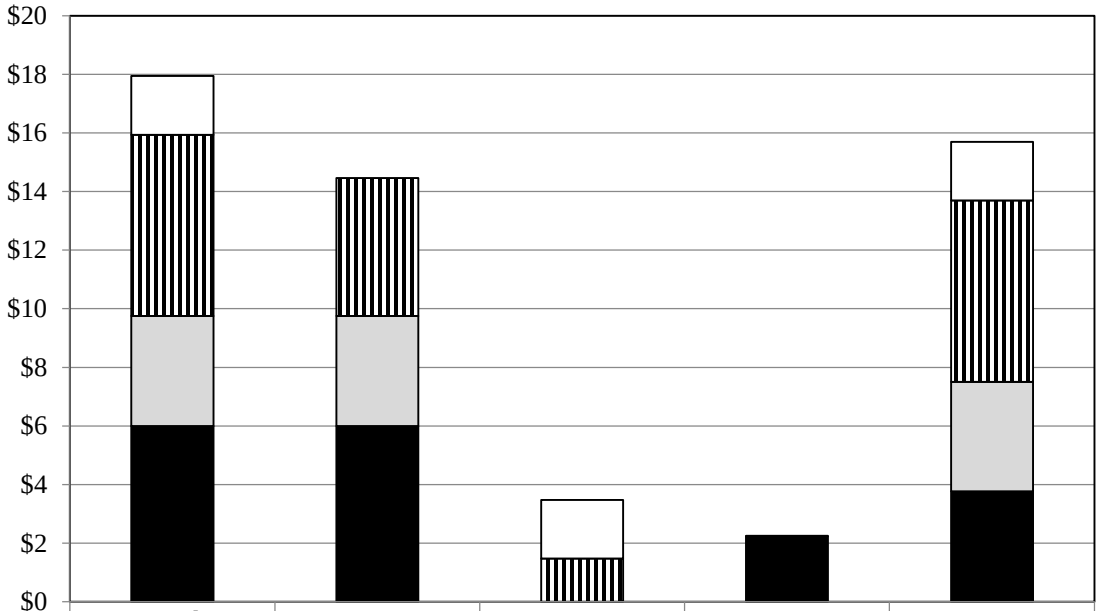
MALPF: Maryland Agricultural Land Preservation Foundation

Source: Maryland Department of Agriculture

Authorization Encumbrance and Expenditure Data

Exhibit 11 reflects the encumbrance and expenditure history for MACS between fiscal 2012 and January 2016. The total authorization for the time period shown is $17.9 million, of which $3.5 million remains to be encumbered. MDA notes that the $3.8 million to be expended from fiscal 2012 is due to projects that have encumbered funding but either have not been completed or have been cancelled and the funds recommitted for more recent projects.

Exhibit 11
Maryland Agricultural Cost-Share Program
Encumbrances and Expenditures
Fiscal 2012 through January 2016
($ in Millions)



	Total Authorization	Encumbered	To Be Encumbered	Expended	To Be Expended
Total	$17.9	$14.5	$3.5	$2.2	$15.7
2016	$2.0	$0.0	$2.0	$0.0	$2.0
2015	$6.2	$4.7	$1.5	$0.0	$6.2
2014	$3.8	$3.8	$0.0	$0.0	$3.7
2013	$0.0	$0.0	$0.0	$0.0	$0.0
2012	$6.0	$6.0	$0.0	$2.2	$3.8

Source: Maryland Department of Agriculture; Department of Budget and Management

PAYGO Recommended Actions

1. Concur with the Governor's allowance of $21,227,744 in special funds for the Maryland Agricultural Land Preservation Foundation.

2. Concur with Governor's allowance of $1,000,000 in special funds for the Tobacco Transition Program.

GO Bond Recommended Actions

1. Approve the $750,000 general obligation bond authorization for the Salisbury Animal Health Laboratory Replacement project to provide funds to begin design of a replacement animal health laboratory in Salisbury.

2. Approve the $6,000,000 general obligation bond authorization for the Maryland Agricultural Cost-Share Program to provide funds for financial assistance for the implementation of best management practices that reduce soil and nutrient runoff from Maryland farms.

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Rental Housing Programs	$43.230	$38.500	$29.500	$29.500	$29.500	$29.500	$30.500
Special Loan Programs[1]	9.650	6.400	6.400	9.400	9.400	9.400	7.900
Community Development Block Grant Program	10.000	10.000	9.000	9.000	9.000	9.000	9.000
Housing and Building Energy Programs	9.700	11.450	8.550	10.050	9.550	11.050	10.550
Homeownership Programs[1]	11.300	14.000	9.900	10.000	10.000	10.000	10.500
Partnership Rental Housing Program	6.000	6.000	6.500	6.000	6.000	6.000	6.000
Community Legacy Program	6.000	6.000	6.000	6.000	6.000	6.000	6.000
Neighborhood Business Development Program	4.250	4.550	5.000	5.000	5.000	5.500	5.700
Shelter and Transitional Housing Facilities Grant Program	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Strategic Demolition and Smart Growth Impact Fund[2]	7.500	7.500	21.500	22.125	25.000	0.000	0.000

For further information contact: Jason A. Kramer Phone (410) 946-5530

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Baltimore Regional Neighborhoods Initiative	1.680	3.000	1.500	0.000	0.000	0.000	0.000
MD BRAC Preservation Loan Fund	3.000	3.500	3.500	3.000	2.500	1.850	1.850
Total	**$113.810**	**$112.400**	**$108.850**	**$111.575**	**$113.450**	**$89.800**	**$89.500**

MD BRAC: Maryland Base Realignment and Closure

[1]Fiscal 2016 amounts include back of the bill reallocation of funds between Homeownership Programs and Special Loan Programs.
[2]Program not included in the *Capital Improvement Program*. Fiscal 2017 through 2019 amounts reflect Supplemental Budget No. 2 and information from the Department of Budget and Management.

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
PAYGO GF	$0.000	$15.000	$21.500	$22.125	$25.000	$0.000	$0.000
PAYGO SF	32.575	33.550	31.650	33.050	32.950	34.100	35.300
PAYGO FF	15.925	15.700	15.700	15.700	15.700	15.700	15.700
GO Bonds	65.310	48.150	40.000	40.700	39.800	40.000	38.500
Total	**$113.810**	**$112.400**	**$108.850**	**$111.575**	**$113.450**	**$89.800**	**$89.500**

FF: federal funds
GF: general funds
GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

Summary of Issues

Project C.O.R.E. Initiative Launched: In an effort to support redevelopment, eliminate blight, and encourage private investment in Baltimore City, the Department of Housing and Community Development (DHCD) is launching Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise Initiative), which includes $18 million in general funds aimed at demolishing vacant properties in Baltimore City. **The Department of Legislative Services (DLS) recommends withholding $500,000 in Strategic Demolition and Smart Growth Impact (SDSGI) general funds until DHCD produces a report detailing how all of the programs and financing options of Project C.O.R.E. will operate in a coordinated effort toward Baltimore City revitalization.**

Summary of Recommended PAYGO Actions

1. Add language restricting funds pending submission of a report.

Summary of Recommended Bond Actions

		Funds
1.	Department of Housing and Community Development	
	Adopt committee narrative requesting a report on capital grant and loan programs.	
2.	Community Legacy Program	
	Approve funding for the Community Legacy Program.	
3.	Neighborhood Business Development Program	$3,400,000 GO
	Delete the Neighborhood Business Development Program authorization. Fund as pay-as-you-go.	
4.	Baltimore Regional Neighborhood Initiative	$1,500,000 GO
	Delete the Baltimore Regional Neighborhood Initiative authorization. Fund as pay-as-you-go.	
5.	Homeownership Programs	$8,500,000 GO
	Delete the Homeownership Programs authorization. Fund as pay-as-you-go.	

6. Housing and Building Energy Programs $1,000,000 GO

   Delete the Housing and Building Energy Programs authorization. Fund as pay-as-you-go.

7. Partnership Rental Housing Program $6,000,000 GO

   Delete the Partnership Rental Housing Program authorization. Fund as pay-as-you-go.

8. Rental Housing Program $10,000,000 GO

   Delete the Rental Housing Program authorization. Fund as pay-as-you-go.

9. Shelter and Transitional Housing Facilities Grant Program

   Approve funding for the Shelter and Transitional Housing Facilities Grant Program.

10. Special Loan Programs $2,100,000 GO

    Delete the Special Loan Programs authorization. Fund as pay-as-you-go.

11. SECTION 2 – Department of Housing and Community Development – Homeownership Programs

    Approve the modification of Chapter 495 of 2015 to allow $3,000,000 in funds to be reallocated to Homeownership Programs from Special Loan Programs.

12. SECTION 2 –Department of Housing and Community Development – Special Loan Programs

    Approve the modification of Chapter 495 of 2015 to allow $3,000,000 in funds to be reallocated from Special Loan Programs to Homeownership Programs.

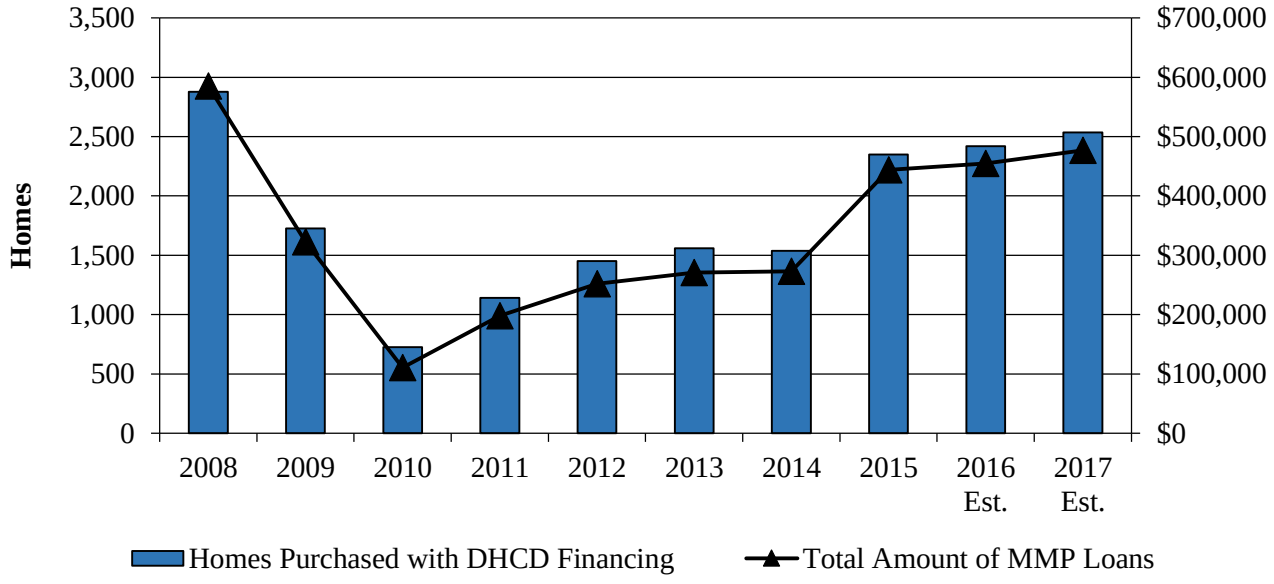
Total Reductions **$32,500,000 GO**

Performance Measures and Outputs

Homeownership Assistance Skyrockets

One of DHCD's main objectives is to help low- and moderate-income residents purchase homes. Two key portions of DHCD efforts toward these objectives include the Maryland Mortgage Program (MMP) and the Down Payment and Settlement Expense Loan Program (DSELP). **Exhibit 1** shows the large, rapid decline in the number of DSELP and MMP loans provided from fiscal 2008 through 2010 followed by a steady increase in program usage through fiscal 2013. That trend ended in fiscal 2014 when the number of MMP loans decreased slightly. However, fiscal 2015 saw a 52.8% increase in purchases with DHCD financing thanks to new programs and a higher profile training and marketing strategy. One of the larger new initiatives is the MMP – Triple Play, which is a program DHCD operated in Prince George's County using funds earmarked for the county from the National Attorneys General Mortgage Servicing Settlement. The Triple Play program provided up to $20,000 in down payment assistance. The department also undertook an effort to provide training to lenders and realtors to improve awareness of the department's programs.

Exhibit 1
Homeownership Assistance
Fiscal 2008-2017 Est.
($ in Thousands)



DHCD: Department of Housing and Community Development
DSELP: Down Payment and Settlement Expense Loan Program
MMP: Maryland Mortgage Program

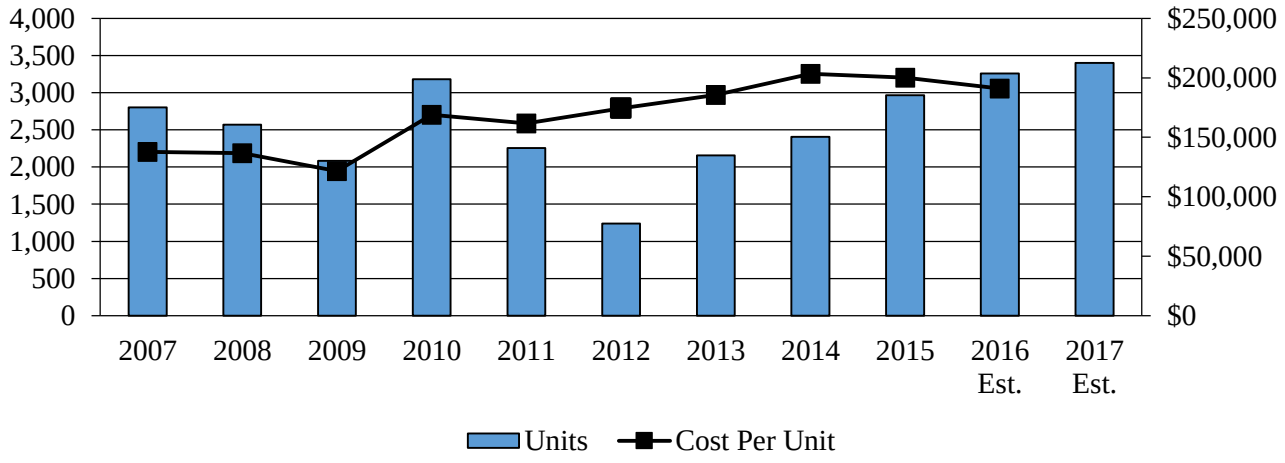
Source: Governor's Budget Books, Fiscal 2009-2015; Department of Budget and Management

More Affordable Rental Units Produced

Another DHCD goal is to expand affordable rental housing in Maryland in response to an increasing shortage of affordable rental units. There is a shortage of approximately 190,700 affordable rental housing units in the State for families earning less than 50% of the area median income, according to the most recent estimates from the U.S. Department of Housing and Urban Development (HUD). DHCD has several programs geared toward rental housing, including providing rent subsidies to families (in partnership with local government and private-sector organizations) and providing financing to housing authorities and other developers to construct new or preserve existing rental housing.

DHCD tracks the number of new, affordable rental housing units produced through its financial support. The number of units produced is based on the projects that go to initial closing, meaning that DHCD and the borrower have closed the loan on the project, and construction is about to begin. Final closing is achieved after construction is complete. Two large federal American Recovery and Reinvestment Act programs fueled high levels of production in fiscal 2010, followed by declines in fiscal 2011 and 2012. As shown in **Exhibit 2**, in fiscal 2013, production increased by 74.5%, with continued increases projected into fiscal 2017, including a 23.1% increase in fiscal 2015, when nearly 3,000 units were produced or preserved. The increase is due primarily to additional resources in the Rental Housing Works (RHW) program and increased use of the Multifamily Bond Program, combined with low interest rates that make more projects financially viable. DHCD has already closed on 31 projects totaling 3,664 housing units in fiscal 2016, already outpacing estimates submitted earlier in the fiscal year. The development cost per unit dropped in fiscal 2015 by 1.5% to $200,221.

Exhibit 2
Affordable Rental Housing Units Going to Initial Closing
Fiscal 2007-2017 Est.



Source: Department of Housing and Community Development

Budget Overview

DHCD has two programmatic units: the Division of Neighborhood Revitalization and the Division of Development Finance. The Division of Neighborhood Revitalization provides technical and financial assistance to stabilize and revitalize existing neighborhoods.

DHCD's capital budget includes 12 programs. Across all programs, the Governor's proposed fiscal 2017 capital budget for DHCD – including funds from Supplemental Budget No. 2 – decreases by $3.6 million to $108.9 million compared to the fiscal 2016 funding level. General obligation (GO) bonds comprise $40.0 million of the budget compared to $48.2 million in fiscal 2016. The following provides a summary and examination of each of the department's programs.

Baltimore Regional Neighborhoods Initiative

The Baltimore Regional Neighborhoods Initiative (BRNI) provides grants to fund revitalization strategies in State-designated sustainable community areas in Baltimore City and Anne Arundel and Baltimore counties. Eligible projects include residential and commercial strategic property acquisition, redevelopment, rehabilitation, and new infill development.

BRNI was initiated as a pilot program in fiscal 2014 using $3.0 million in general funds. Grant recipients include residential and commercial projects with activities including property acquisition, redevelopment, rehabilitation, and new infill development. To date, all BRNI funds have been awarded to groups in Baltimore City and Baltimore County. DHCD did not receive any grant applications from Anne Arundel County in its first year and has not opened up funding to new applications due to the limited funds available. As shown in **Exhibit 3**, in fiscal 2015, BRNI provided funds to four groups totaling $2.4 million in capital and operating funds.

Exhibit 3
Baltimore Regional Neighborhoods Demonstration Initiative Awards
Fiscal 2015

Awardee	Capital Award	Operating Award	Total Award
Central Baltimore Partnership	$475,000	$300,000	$775,000
Southeast Community Development Corporation	510,000	240,000	750,000
Dundalk Renaissance Corporation	325,000	210,000	535,000
Healthy Neighborhoods	370,000	0	370,000
Total	**$1,680,000**	**$750,000**	**$2,430,000**

Source: Department of Housing and Community Development

The fiscal 2016 appropriation includes $3.0 million in GO bond funding, while the fiscal 2017 budget includes $1.5 million in GO bond funding for BRNI. The department has included BRNI as a portion of its Project C.O.R.E. initiative, which is discussed in the Issues section of this analysis.

HB 684 and SB 558 would codify BRNI and mandate a $12 million annual appropriation.

DHCD should comment on the impact of the lower funding level in fiscal 2017 combined with the program's involvement with Project C.O.R.E. DLS recommends that the $1.5 million GO bond authorization for BRNI be deleted. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee (SAC), the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.

Community Development Block Grant Program

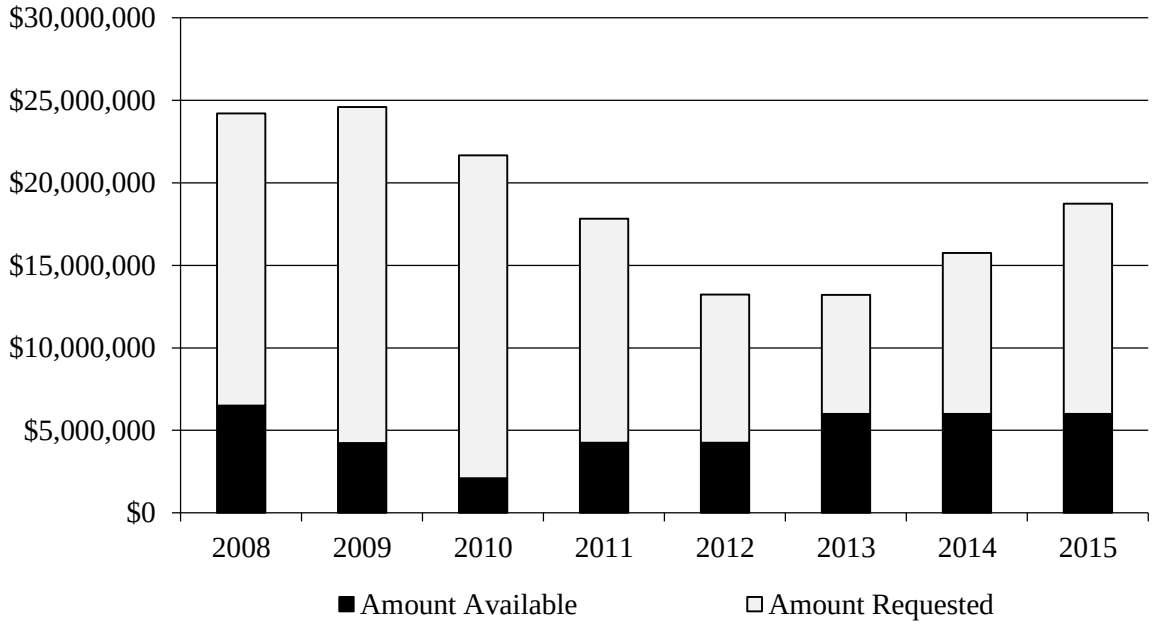
The Community Development Block Grant Program provides competitive federally funded grants to local governments in non-entitlement areas of the State for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and/or improving community facilities and services. Non-entitlement areas are mainly rural areas of the State. Entitlement areas receive a direct allocation from HUD and are not eligible for the State program. The fiscal 2017 budget includes $9 million in federal funds for this program, a $1 million decrease from fiscal 2016, due to the grantees no longer providing loans to for-profit entities. This reduced loan repayments and, therefore, program income.

Community Legacy

The Community Legacy Program provides financing to assist with the revitalization of neighborhoods that are at risk of physical, economic, or social deterioration. These neighborhoods are responsible for implementing a revitalization strategy that will reposition the community for new private investment. Funds may be used for capital improvements such as streetscape and façade improvements, recreational amenities, improvement of community gathering places, and other improvements to improve the desirability of the community.

As shown in **Exhibit 4**, demand for Community Legacy funding typically exceeds available resources. The department received applications for $18.7 million in funding in fiscal 2015, compared to the $6.0 million in available funds.

Exhibit 4
Demand and Available Resources for the Community Legacy Program
Fiscal 2008-2015



Note: Demand for funding is based on the amount of funding requested through the competitive grant process. A reversion in fiscal 2009 required the department to roll encumbrances forward into fiscal 2010 allowing only $2.1 million for new projects.

Source: Department of Housing and Community Development

The department has included Community Legacy as a portion of its Project C.O.R.E. initiative, which is discussed in the Issues section of this analysis. **DHCD should comment on the impact of the program's involvement with Project C.O.R.E.**

Neighborhood BusinessWorks

The Neighborhood Business Development Program, which operates as Neighborhood BusinessWorks (NBW), provides grants and loans for community-based economic development activities in revitalization areas designated by local governments. The program provides gap financing to small businesses that are unable to finance 100% of a project's total costs through a traditional lender.

In fiscal 2015, NBW funded 23 projects using $5.3 million in funds. The projects comprised:

- 6 grants totaling $1.3 million in Baltimore City;
- 10 loans totaling $3.7 million. Six loans were in Baltimore City, and 1 loan went to projects in Baltimore, Carroll, Anne Arundel, and Somerset counties; and
- 7 Maryland Business Recovery loans totaling $205,000.

HB 326 would expand the allowable uses of the proceeds of Community Development Administration (CDA) revenue bonds to include loans to small businesses; the revenue would likely be paired with the special funds or GO bond funding in this program to finance small business development. If the bill is enacted, the department believes it could provide up to $50.0 million in financing for small businesses by fiscal 2019. The department has included an expansion of business lending via CDA as a portion of its Project C.O.R.E. initiative, which is discussed in the Issues section of this analysis. **DHCD should comment on the need for CDA to be involved in small-business lending. DLS recommends that the $3.4 million GO bond authorization for the Neighborhood Business Development Program be deleted. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of SAC, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.**

Strategic Demolition and Smart Growth Impact Fund

The SDSGI Fund has been used to assist in the demolition, land assembly, housing development or redevelopment, and revitalization projects in sustainable communities, Base Realignment and Closure (BRAC) Revitalization and Incentive Zones, Transit-oriented Development areas, or in areas recommended by PlanMaryland for revitalization and growth.

The fiscal 2016 allocation of $7.5 million has already been awarded, with more than $5.5 million of that in Baltimore City. This represents a shift in focus of the program; from fiscal 2013 through 2015, only 44.5% of the program's funds went to Baltimore City. Of the $5.5 million, $2.75 million is targeted at the Project C.O.R.E. initiative, discussed further in the Issues section of this analysis. As shown in **Exhibit 5**, over the life of the program, DHCH awarded 53.3% of SDSGI funds to Baltimore City.

Exhibit 5
Strategic Demolition Awards by Jurisdiction
Fiscal 2013-2016

Municipality	Amount	Municipality	Amount
Baltimore City	$13,320,000	Anne Arundel County	$450,000
Prince George's County	2,863,000	Caroline County	400,000
Dorchester County	1,175,000	Montgomery County	375,000
Talbot County	1,090,000	Cecil County	350,000
Allegany County	1,050,000	Wicomico County	250,000
Harford County	900,000	Carroll County	200,000
Frederick County	850,000	Washington County	100,000
St. Mary's County	500,000	Worchester County	90,000
Somerset County	500,000	Baltimore County	37,000
Worcester County	500,000	**Total**	**$25,000,000**

Source: Department of Housing and Community Development

HB 686 and SB 559 would codify SDSGI as a special, nonlapsing fund and mandate a $20 million annual appropriation beginning with the fiscal 2018 budget.

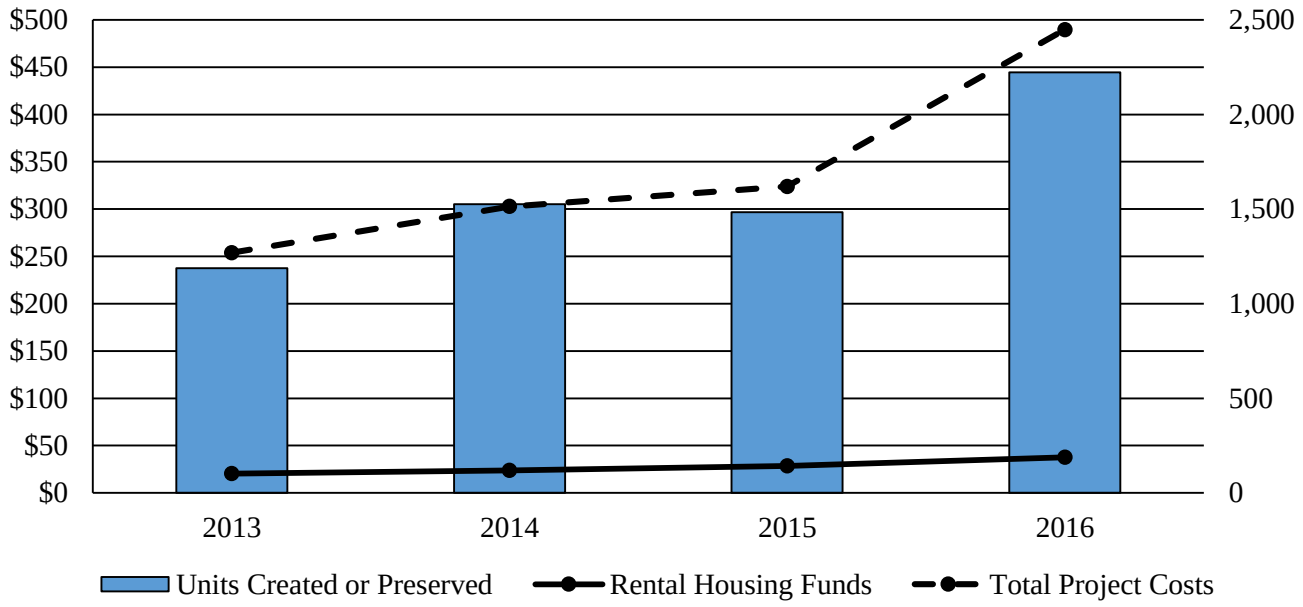
Rental Housing Programs

Rental Housing Programs, including RHW, are used to rehabilitate and create new affordable housing for low- to moderate-income individuals, families, and elderly residents, or special needs populations. Low-interest loans or deferred-payment loans are provided to housing developers for the financing of affordable housing developments.

Funding for Rental Housing Programs, including RHW, decreases by $9.0 million, primarily due to a $10.0 million reduction in GO bonds and general funds for the programs. RHW has seen extensive use since program inception in fiscal 2013, with $110.1 million in Rental Housing Program funds supporting already completed or in construction rental housing. Those funds have been used as part of the financing for more than $1.3 billion in total projects for 6,419 new or rehabilitated affordable rental housing units. More than half of RHW funds have gone to Baltimore City and Prince George's and Montgomery counties. **Exhibit 6** shows the increase in usage of Rental Housing Programs, with about $37.6 million in fiscal 2016 spending leading to the creation or preservation of 2,223 affordable housing units with total project costs of $452.1 million. Of this amount, there are four Rental Assistance Demonstration (RAD) projects with 614 units using $6.8 million of DHCD funding. RAD is a HUD

program that allows public housing and moderate rehabilitation properties to be converted to Section 8 rental assistance contracts. All of the RAD projects are in Baltimore City.

Exhibit 6
Rental Housing Works Usage
Fiscal 2013-2016
($ in Millions)



Source: Department of Housing and Community Development

In addition to those projects either completed or underway, another 3,295 units using $56.6 million of RHW funds as part of $717.2 million in construction are in DHCD's pipeline. The department will formally grant funding for each project as it is ready, so funds for these projects are not yet encumbered. If all projects in the pipeline are approved, RHW would be oversubscribed through fiscal 2017 funding. There are two RAD projects in the DHCD project pipeline. **DLS recommends that the $10.0 million GO bond authorization for Rental Housing Programs be deleted. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of SAC, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.**

Special Loan Programs

Special Loan Programs provide loans or grants for abatement of lead hazards; rehabilitation or installation of indoor plumbing; rehabilitation to create accessory, shared, and sheltered housing facilities; rehabilitation to eliminate health, safety, and maintenance deficiencies in residential properties; and acquisition, construction, and modifications of group homes for low-income, elderly, disabled, or others with special housing needs. The fiscal 2017 budget bill includes a swap of $3 million in GO bonds authorized in fiscal 2016 from Special Loan Programs to Homeownership Programs due to lower than anticipated demand for funds from Special Loan Programs.

As shown in **Exhibit 7**, the Maryland Housing Rehabilitation Program uses the bulk of funding. Legislation in the 2013 session authorized the use of grants from the Special Loan Program, and fiscal 2015 was the first full year in which grants were offered in this program. One reason for the change was to be able to provide funds to senior citizens and disabled homeowners who may not have had the resources to repay loans. Nearly $1 million in grants for the Accessible Homes for Seniors Program have been awarded or are expected to be awarded in fiscal 2016.

Exhibit 7
Special Loan Programs Loans and Grants
By Program
Fiscal 2015-2016 Est.

	2015		2016	
	Loans	Grants	Loans	Grants
Maryland Housing Rehabilitation Program	$1,843,445	$0	$4,519,425	$315,000
Indoor Plumbing Program	68,985	0	358,740	0
Accessible Homes for Senior Homeowners	163,883	195,588	0	933,198
Lead Hazard Reduction Grant	45,936	1,411,369	84,705	2,022,495
Group Home Financing Program	567,220	0	1,692,914	0
Home Investment Partnership Program	2,863,860	0	4,380,129	0
Total	**$5,553,329**	**$1,606,957**	**$11,035,913**	**$3,270,693**

Note: Fiscal 2016 amounts include amounts already awarded as well as funds expected to be awarded in fiscal 2016.

Source: Department of Housing and Community Development

DLS recommends that the $2.1 million GO bond authorization for Special Loan Programs be deleted. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of SAC, the State

should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.

Homeownership Programs

Homeownership Programs provide mortgage loans with minimum down payments to low- and moderate-income families. Programs include the DSELP, which provides funds for down payment and settlement expenses, as well as the Maryland Home Financing Program, which makes direct loans to households to purchase homes.

The fiscal 2017 capital budget bill includes a swap of $3.0 million in GO bonds authorized in fiscal 2016 from Special Loan Programs to Homeownership Programs, which the department will use to meet the high demand for DSELP funds, which was discussed earlier in this analysis. The increase in fiscal 2016 is followed by a $4.1 million decrease in funding, due to the end of funding from the National Attorneys General Mortgage Servicing Settlement for use in Prince George's County, as well as the movement of some programming to the new Housing and Building Energy Programs. **Exhibit 8** shows the allocation of loans by jurisdiction in fiscal 2015, with Prince George's County homebuyers receiving about one-third of DSELP funding.

Exhibit 8
Down Payment and Settlement Expense Loan Program Loans
Fiscal 2015

County	Loans	Loan Amount	County	Loans	Loan Amount
Prince George's	582	$4,556,500	Calvert	28	$146,000
Baltimore City	366	2,145,138	Cecil	19	100,000
Baltimore	304	1,639,500	Carroll	18	97,500
Anne Arundel	184	952,150	Kent	15	83,800
Charles	126	697,500	Caroline	15	75,000
Harford	113	603,500	Worcester	14	70,500
Frederick	93	508,500	Queen Anne's	12	60,000
Montgomery	89	450,889	Talbot	11	60,000
Washington	76	403,600	Somerset	9	51,000
Wicomico	66	339,188	Dorchester	5	25,000
St. Mary's	58	329,000	Garrett	28	20,000
Howard	40	208,500	Allegany	19	10,000

Source: Department of Housing and Community Development

DLS recommends that the $8.5 million GO bond authorization for Homeownership Programs be deleted. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of SAC, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.

Housing and Building Energy Programs

Housing and Building Energy Programs is a new category of programs within DHCD, unifying several energy efficiency programs, including programs funded by EmPOWER, the Customer Investment Fund (CIF), and the Energy Efficiency Block Grant Program. The programs provide loans and grants for energy efficiency improvements for single-family and rental housing properties, including the renovation of existing facilities, the construction of new facilities, or the installation of energy efficient equipment or materials. The fiscal 2017 allowance includes $8.55 million for these programs. The amount reflects a decrease of $2.4 million from the CIF, which had its last year of funding in fiscal 2016.

In addition, the allowance includes a decrease of $500,000 in funding for the Net Zero Homes program, created by Chapter 410 of 2014 to provide short-term loans to construct low-energy homes in sustainable communities. No loans for this program have been issued to date. The fiscal 2016 appropriation for the Maryland Energy Administration includes $1.5 million in funds for the Net Zero Homes program to be transferred to DHCD, however, an amendment has not yet been processed. **DHCD should comment on the status of the amendment and on the status of the Net Zero Homes program. DLS recommends that the $1.0 million GO bond authorization for Housing and Building Energy Programs be deleted. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of SAC, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.**

Partnership Rental Housing Program

The Partnership Rental Housing Program provides deferred payment loans or grants to local governments or housing authorities to construct or rehabilitate rental housing for residents earning less than 50% of the statewide median income. Repayment is not required if the borrower continues to own and lease the housing to eligible households. In fiscal 2007, the program was expanded to enable private and nonprofit borrowers to access financing for the creation of housing for persons with disabilities. There is $6 million in GO bonds and $500,000 in special funds in the fiscal 2017 allowance. **DLS recommends that the $6 million GO bond authorization for the Partnership Rental Housing Program be deleted. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of SAC, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.**

Shelter and Transitional Housing Facilities Grant Program

The Shelter and Transitional Housing Facilities Grant Program provides grants to local governments and nonprofit groups to develop emergency shelters and transitional housing for homeless individuals and families. The fiscal 2017 allowance includes $1.5 million in GO bond funds for this program.

Maryland BRAC Preservation Loan Fund

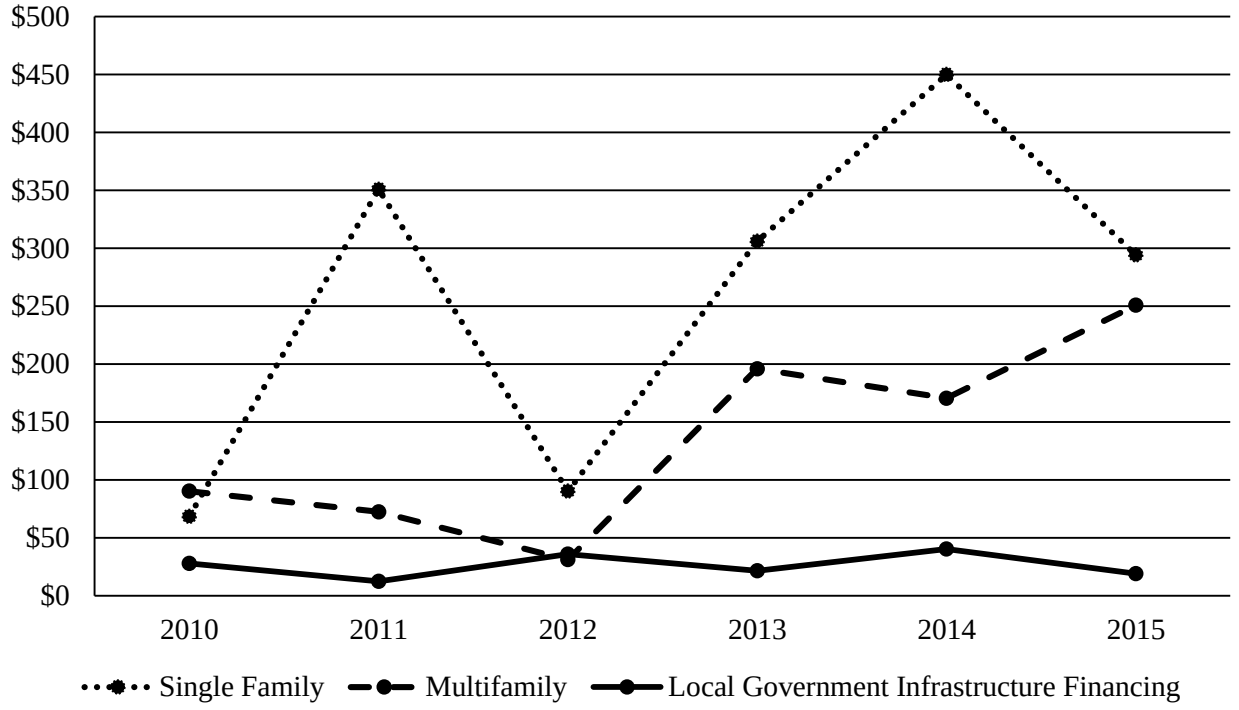
The Maryland BRAC Preservation Loan Fund provides loans and other financial assistance to public and private developers to preserve affordable multifamily rental housing in jurisdictions affected by the federal BRAC process. While $3.5 million in special funds are included in the fiscal 2017 allowance, no loans have been issued in several years. **DHCD should comment on ways to induce demand for the use of this program.**

Community Development Authority

In addition to DHCD's array of budgeted programs, the department also includes CDA, which issues non-tax-supported debt with the goal of increasing the supply of affordable housing in the State. CDA funding is often used in tandem with other funds from the DHCD budget to achieve the goals of various department programs. CDA generates its funding via the sale of tax-exempt revenue bonds, taxable bonds, and mortgage-backed securities. The projects proposed for CDA assistance must match local priorities and complement and supplement local community development programs. Tax-exempt bonds are subject to a federal per capita cap, with unused capacity carrying forward into subsequent years.

As shown in **Exhibit 9**, single-family issuances are volatile due to their dependence on the private mortgage market as rates in the private market can be competitive with what CDA can offer when the added administrative burden on the bond buyer is considered. However, MMP, which provides mortgages to first-time homebuyers and other qualified homebuyers, will still operate. When the bond market is unfavorable, to fund its single-family program, CDA instead securitizes mortgages to be sold on the open market to private investors. The significant difference between these two funding methods is that the securitization of mortgages means both the debt and the asset (the mortgage) are not held by CDA, while when CDA issues bonds, it typically holds either the mortgages or a mortgage security.

Exhibit 9
Community Development Authority Debt Issuances
Calendar 2010-2015
($ in Millions)



Source: Department of Housing and Community Development

Multifamily issuances continue an upward trend, primarily due to increased State GO bond funding available in RHW. CDA issued $250.7 million in multifamily bonds in calendar 2015, up from $170.4 million the prior year.

The Local Government Infrastructure Program issues bonds on behalf of local government agencies to fund projects like roads, water and sewer systems, parks, or public buildings. Calendar 2015 issuances dropped by 53.2%, from $40.3 million to $18.9 million.

In addition to issuing debt, CDA also raises capital with the federal Low Income Housing Tax Credit program. DHCD is authorized to issue approximately $13 million in 9% tax credits annually, and an unlimited amount of 4% tax credits generated on projects financed with tax-exempt housing bonds. The tax credits are sold to investors seeking to reduce tax liability as well as generate other tax benefits. As shown in **Exhibit 10**, DHCD raised $239.8 million in equity via tax credits in fiscal 2015.

Exhibit 10
Low Income Housing Tax Credits
Fiscal 2012-2015
($ in Millions)

	2012	2013	2014	2015
9% Tax Credit Allocation	$11.8	$11.5	$8.4	$13.2
9% Tax Credit Equity	104.0	114.8	85.1	130.1
4% Tax Credit Utilization	0.9	4.7	7.7	11.1
4% Tax Credit Equity	8.6	43.8	73.6	109.7

Source: Department of Housing and Community Development

Issues

1. Project C.O.R.E. Initiative Launched

In an effort to support redevelopment, eliminate blight, and encourage private investment in Baltimore City, DHCD is launching Project C.O.R.E. With an estimated 16,000 vacant buildings in Baltimore City, demolition is the key focus of the initiative. The plan also includes potential funding from other sources, including revenue bonds, tax credits, and other State programs like Community Legacy and BRNI, although their impact has likely been overstated by the department. For every dollar committed by the State, Baltimore City has committed 25 cents in in-kind services.

Strategic Demolition Support

The Governor provided $21.5 million in Supplemental Budget No. 2 for SDSGI, which is the heart of the initiative. Of that amount, $18.0 million is designated for Project C.O.R.E. demolition to be managed by the Maryland Stadium Authority (MSA). MSA's involvement in the initiative is only as a project manager. The Baltimore City Department of Housing will identify properties for demolition to be reviewed by DHCD. MSA will be responsible for grading, fencing, and seeding the site, while Baltimore City will be responsible for post-work maintenance.

The usage of SDSGI funds for Project C.O.R.E. represents a shift in two ways in how SDSGI operates. As noted above, Baltimore City received less than half of SDSGI funds available in fiscal 2013 through 2015. The current funding split maintains approximately level funding for the program in the rest of the State but greatly increases spending in Baltimore City. The second major shift in SDSGI's operations is the use of funds with demolition as the sole purpose of the project. Until Project C.O.R.E., SDSGI projects were almost always grants to municipalities or community

development organizations to be used as the first piece of a larger redevelopment effort. Examples from fiscal 2015 include $200,000 to the Ocean City Development Corporation for demolition and pre-development costs for a mixed-use development and $300,000 to the Baltimore Development Corporation for demolition at Oldtown Mall to prepare the site for mixed-use development. The proposed Project C.O.R.E. sites do not necessarily have a specific project linked to the demolitions. As SDSGI funds will no longer be available to organizations in Baltimore City, DHCD will encourage Baltimore City groups to suggest sites for demolition through the Project C.O.R.E. initiative.

Exhibit 11 shows the projected funding for Project C.O.R.E. from fiscal 2016 through 2019, excluding funding for the traditional SDSGI program. Fiscal 2017 is funded with general funds in Supplemental Budget No. 2, which also includes language expressing the intent to provide $75.0 million in funds in total for Project C.O.R.E. While SDSGI was not included in the *Capital Improvement Program*, an updated worksheet for SDSGI provided by the Department of Budget and Management includes plans for $22.125 million in general funds in fiscal 2018 and $25.0 million in general funds in fiscal 2019. Funds for fiscal 2016 include $2.75 million in GO bonds for work to be done by MSA, $2.775 million in GO bonds approved at the January 17, 2016 Board of Public Works meeting for projects to be done by non-profits, as well as $4.35 million in other funds. The other funds represent federal funds from DHCD's contract administration fees for operating HUD's 8 contract, which will be available due to higher than anticipated staff vacancies. These funds have been used for other programs in the past, although not on a regular basis.

Exhibit 11
Planned Strategic Demolition Funding for Project C.O.R.E.
Fiscal 2016-2019
($ in Thousands)

	2016	2017	2018	2019	Total
General Funds	$0	$18,000	$22,125	$25,000	$65,125
General Obligation Bonds	5,525	0	0	0	5,525
Other	4,350	0	0	0	4,350
Total	**$9,875**	**$18,000**	**$22,125**	**$25,000**	**$75,000**

C.O.R.E.: Creating Opportunities for Renewal and Enterprise Initiative

Source: Department of Housing and Community Development

Nonbudgeted Support

The plan as presented by DHCD also includes support from multifamily private activity bonds, RAD, tax credit equity, and small business lending programs. Other than the small business lending program, which requires passage of HB 326, these programs are already in existence, and it is unclear

if or how they will be related to demolition efforts. In addition, there are already four RAD projects in Baltimore City that have closed deals, with two more in the pipeline; and as noted above, there are already more than $700 million in projects already in DHCD's multifamily pipeline that clearly were not spurred by Project C.O.R.E. investments. It will be very difficult to determine if any individual multifamily project supported by revenue bonds or tax credit equity would have happened without the Project C.O.R.E. investment. It may even be the case that developers could receive an unplanned subsidy if site demolition work is done at a site already planned for development.

The small business lending portion of the initiative requires enactment of HB 326, which would allow CDA to issue revenue bonds in support of small business lending. As with housing revenue bonds, small business lending is market dependent. For all of the CDA financing support listed as part of Project C.O.R.E., private investment is being counted on to provide the bulk of any redevelopment effort. DHCD believes that providing cleared properties is a significant incentive to local developers to revitalize communities.

Other State Support

The Community Legacy and BRNI programs are also noted as a part of Project C.O.R.E. However, the fiscal 2017 funding for these programs is at or below prior year funding. There is no indication of any change in how these programs will operate.

Summary

Revitalizing portions of Baltimore City is a clear priority for both Baltimore City and the State. As part of that goal, demolishing vacant properties and eliminating blight is an important first step, and DHCD's planned $75 million investment to this end is significant. However, there does not appear to be a strong linkage between demolition and the other programs touted as a part of Project C.O.R.E. **DLS recommends withholding $500,000 in SDSGI general funds until DHCD produces a report detailing how all of the programs and financing options of Project C.O.R.E. will operate in a coordinated effort toward Baltimore City revitalization.**

Operating Budget Impact Statement

Consolidated Administrative Expenses – All Programs

	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Sources			
Special Funds			
Rental Housing	$3,100,000	$3,100,000	$3,100,000
Special Loan	1,480,000	1,380,000	1,410,000
Community Development Block Grant	0	0	0
Homeownership	1,700,000	2,100,000	2,400,000
Partnership Rental Housing	90,000	80,000	70,000
Community Legacy	700,000	200,000	150,000
Neighborhood Business Works	850,000	850,000	1,045,000
Shelter and Transitional Housing Facilities Grant	0	0	0
Strategic Demolition and Smart Growth Impact Project	0	0	0
Energy Efficiency Conservation Block Grant	0	0	0
Energy Innovation Fund	0	0	0
Rental Housing	3,100,000	3,100,000	3,100,000
Subtotal – Special Funds	***$7,920,000***	***$7,710,000***	***$8,175,000***
General Funds	0	0	0
Federal Funds	2,821,760	2,656,111	2,580,136
Nonbudgeted Funds	0	0	0
Total Funds	**$10,741,760**	**$10,366,111**	**$10,755,136**
Uses:			
Direct Expense	$7,149,201	$6,944,111	$7,278,136
Indirect Expenses (legal, marketing, asset management)	3,592,559	3,422,000	3,477,000
Total Direct and Indirect Expenses	**$10,741,760**	**$10,366,111**	**$10,755,136**

PAYGO Recommended Actions

1. Add the following language to the general fund appropriation:

   , provided that $500,000 of this appropriation made for the purpose of the implementation of Project C.O.R.E., Creating Opportunities for Renewal and Enterprise, in Baltimore City may not be expended until the Department of Housing and Community Development submits a report to the budget committees that provides the following information:

   (1) An evaluation of how all State programs and financing options, Baltimore City participation, and Maryland Stadium Authority participation are to be coordinated, including projected timelines for demolition and private redevelopment investment.

   (2) The measures the department will use to assess the impact of Project C.O.R.E., including a list of redevelopment projects on sites made available through Project C.O.R.E.

   The report shall be submitted by December 31, 2016, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

   Explanation: This action restrictions $500,000 in general funds pending the receipt of a report outlining the Department of Housing and Community Development's (DHCD) efforts to coordinate the various aspects of Project C.O.R.E. with each other and with private investment, as well as how the success of the project will be measured.

Information Request	**Author**	**Due Date**
Report on Project C.O.R.E. coordination, measurement, and results	DHCD	December 31, 2016

GO Bond Recommended Actions

1. Adopt committee narrative requesting a report on capital grant and loan programs.

   Capital Grant and Loan Awards Report: The committees are interested in unifying the reporting of the Department of Housing and Community Development's (DHCD) capital grant and loan programs. The committees request DHCD to provide a report that details for each of its 12 capital grant and loan programs the following information: the name of the program; the grantee or loan recipient; the jurisdiction of the project; the amount of the grant or loan; if applicable, the amount of funding from the Community Development Administration; if applicable, the amount of funding from tax credits and/or tax credit equity; if applicable, the amount of funding from other sources; if applicable, a description of the other sources of funding; the total amount from all sources of the project being funded; and, if applicable, a measure of the impact of the project, such as number housing units created. The listed information should be provided for each of the previous five fiscal years. The report shall be submitted by December 1, 2016.

Information Request	**Author**	**Due Date**
Capital grant and loan report	DHCD	December 1, 2016

2. Approve funding for the Community Legacy Program.

3. Delete the Neighborhood Business Development Program authorization. Fund as pay-as-you-go.

   SA24B Neighborhood Business Development Program..... $ 0

Allowance	**Change**	**Authorization**
3,400,000	-3,400,000	0

Explanation: Delete the Neighborhood Business Development Program authorization of $3,400,000 in general obligation (GO) bonds. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead should use general funds.

4. Delete the Baltimore Regional Neighborhood Initiative authorization. Fund as pay-as-you-go.

SA24C Baltimore Regional Neighborhood Initiative..... $ 0

Allowance	Change	Authorization
1,500,000	-1,500,000	0

Explanation: Delete the Baltimore Regional Neighborhoods Initiative authorization of $1,500,000 in general obligation (GO) bonds. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead should use general funds.

5. Delete the Homeownership Programs authorization. Fund as pay-as-you-go.

SA25A Homeownership Programs..... $ 0

Allowance	Change	Authorization
8,500,000	-8,500,000	0

Explanation: Delete the Homeownership Programs authorization of $8,500,000 in general obligation (GO) bonds. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead should use general funds.

6. Delete the Housing and Building Energy Programs authorization. Fund as pay-as-you-go.

SA25B Housing and Building Energy Programs ..... $ 0

Allowance	Change	Authorization
1,000,000	-1,000,000	0

Explanation: Delete the Housing and Building Energy Programs authorization of $1,000,000 in general obligation (GO) bonds. The Governor should provide general funds in a supplemental budget which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead should use general funds.

7. Delete the Partnership Rental Housing Program authorization. Fund as pay-as-you-go.

SA25C Partnership Rental Housing Program..... $ 0

Allowance	Change	Authorization
6,000,000	-6,000,000	0

Explanation: Delete the Partnership Rental Housing Program authorization of $6,000,000 in general obligation (GO) bonds. The Governor should provide general funds in a supplemental budget which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead should use general funds.

8. Delete the Rental Housing Program authorization. Fund as pay-as-you-go.

SA25D Rental Housing Program..... $ 0

Allowance	Change	Authorization
10,000,000	-10,000,000	0

Explanation: Delete the Rental Housing Program authorization of $10,000,000 in general obligation (GO) bonds. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead should use general funds.

9. Approve the Shelter and Transitional Housing Facilities Grant Program.

10. Delete the Special Loan Programs authorization. Fund as pay-as-you-go.

SA25F Special Loan Programs ..... $ 0

Allowance	Change	Authorization
2,100,000	-2,100,000	0

Explanation: Delete the Special Loan Program authorization of $2,100,000 in general obligation (GO) bonds. The Governor should provide general funds in a supplemental budget, which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support

programs that cannot be funded with tax-exempt financing and instead should use general funds.

11. Approve the modification of Chapter 495 of 2015 to allow $3,000,000 in funds to be reallocated to Homeownership Programs from Special Loan Programs.

12. Approve the modification of Chapter 495 of 2015 to allow $3,000,000 in funds to be reallocated from Special Loan Programs to Homeownership Programs.

Total General Obligation Bonds Reduction **$32,500,000**

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
MD Water Quality Revolving Loan Fund	$130.000	$130.000	$130.000	$130.000	$130.000	$130.000	$130.000
MD Drinking Water Revolving Loan Fund	22.000	24.000	24.000	26.000	28.000	30.000	32.000
Bay Restoration Fund – Wastewater Projects	81.000	80.000	80.000	40.000	60.000	60.000	65.000
Septic System Upgrade Program	15.000	14.000	14.000	14.000	14.000	14.000	14.000
Biological Nutrient Removal Program	21.200	26.500	25.000	41.000	10.000	10.000	10.000
Supplemental Assistance Program	5.864	4.157	0.000	0.000	0.000	0.000	0.000
Water Supply Financial Assistance Program	4.357	2.661	2.480	2.500	2.500	2.500	2.500
Hazardous Substance Clean-Up Program	1.000	0.400	0.200	1.000	1.000	1.000	1.000
Mining Remediation Program	0.500	0.500	0.500	0.500	0.500	0.500	0.500
Energy-Water Infrastructure Program	0.000	0.000	16.200	0.000	0.000	0.000	0.000
Total	**$280.921**	**$282.218**	**$292.380**	**$255.000**	**$246.000**	**$248.000**	**$255.000**

For further information contact: Andrew D. Gray Phone: (410) 946-5530

Fund Source	2015 Approp.	2016 Request	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
PAYGO GF	$1.000	$0.400	$0.200	$1.000	$1.000	$1.000	$1.000
PAYGO SF	197.620	193.346	210.086	168.990	190.990	192.990	199.990
PAYGO FF	41.307	44.869	44.319	33.500	33.500	33.500	33.500
GO Bonds	40.994	43.603	37.775	51.510	20.510	20.510	20.510
Total	**$280.921**	**$282.218**	**$292.380**	**$255.000**	**$246.000**	**$248.000**	**$255.000**

FF: federal funds
GF: general funds
GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

Summary of Issues

Number of Septic Systems Unclear: There appears to be at least 3 different estimates of the number of septic systems in Maryland. There is the 421,766 estimate reflected in last year's analysis, which the Maryland Department of the Environment (MDE) notes is still a valid estimate; a 370,110 estimate cited by the Chesapeake Bay Program's Land Use Workgroup; and an approximately 388,000 estimate being considered by the Maryland Department of Planning (MDP). An accurate or at least agreed upon estimate for septic systems is important for determining policy goals. **The Department of Legislative Services (DLS) recommends that MDE comment on if and when the septic system estimate will be formally updated.**

Bay Restoration Fund Stretched Thin: Chapter 428 of 2004 established the Bay Restoration Fund (BRF) to provide grants to owners of wastewater treatment plants (WWTP) to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with enhanced nutrient removal (ENR) technology. The fund is also used to support septic system upgrades and the planting of cover crops and through fiscal 2009 was authorized to provide funding for stormwater management. In recent years legislation has expanded the use of the BRF and in the 2016 legislative session additional legislation is being proposed to allow the BRF to be used for purchasing nutrient credits. **DLS recommends that MDE comment on the proposed fiscal 2017 and future year allocation plan for the BRF and whether it will continue to be an effective source of funding even though spread across so many diverse uses.**

Summary of Updates

Wastewater Collection and Conveyance Funding Needs Identified: The four-year 2012 U.S. Environmental Protection Agency (EPA) Clean Water Needs Survey was released in January 2016. The survey reflects $271 billion in need for the United States as a whole, of which Maryland's needs are $9.9 billion. Between the 2008 and 2012 surveys, there is a $2.7 billion increase in wastewater conveyance and collection systems funding needed due to the need to address aging sewer infrastructure and new growth.

Supplemental Assistance Program Project Update: The fiscal 2015 authorization of $5,864,000 in general obligation (GO) bonds for the Supplemental Assistance Program included the restriction of $550,000 for a grant to the Town of Federalsburg for the design and construction of improvements to the Town of Federalsburg Railroad Avenue Combined Sewer Overflow Removal and Water Main Replacement Project. MDE notes that the project is completed and is in the close-out phase.

Summary of Recommended PAYGO Actions

1. Restrict funding for the Energy-Water Infrastructure Program pending the submission of reports.
2. Concur with Governor's allowance for the Water Quality Revolving Loan Fund.
3. Concur with Governor's allowance for the Hazardous Substance Clean-Up Program.
4. Concur with Governor's allowance for the Drinking Water Revolving Loan Fund.
5. Concur with Governor's allowance for the Bay Restoration Fund – Wastewater Projects.
6. Concur with Governor's allowance for the Bay Restoration Fund – Septic Systems.

Summary of Recommended Bond Actions

		Funds
1.	Biological Nutrient Removal Program	
	Approve the Biological Nutrient Removal Program authorization.	
2.	Maryland Drinking Water Revolving Loan Fund	$3,003,000 GO
	Delete the Drinking Water Revolving Loan Fund authorization.	
3.	Maryland Water Quality Revolving Loan Fund	$6,792,000 GO
	Delete the Water Quality Revolving Loan Fund authorization.	
4.	Mining Remediation Program	
	Approve the Mining Remediation Program authorization.	
5.	Water Supply Financial Assistance Program	
	Approve the Water Supply Financial Assistance Program authorization.	
	Total Reductions	**$9,795,000 GO**

Program Description

The MDE capital program is comprised of the Water Quality Revolving Loan Fund (WQRLF), the Drinking Water Revolving Loan Fund (DWRLF), the Bay Restoration Fund – Wastewater Projects, the Bay Restoration Fund – Septic System Projects, the Biological Nutrient Removal (BNR) Program, the Water Supply Financial Assistance Program, the Hazardous Substance Clean-Up Program, the Mining Remediation Program, and a new program for fiscal 2017 – the Energy-Water Infrastructure Program. No funding is included in the fiscal 2017 capital budget or the 2016 *Capital Improvement Program* (CIP) for the Supplemental Assistance Program because the allowed uses have largely been assumed by the Bay Restoration Fund – Wastewater Projects program. The programs in MDE's fiscal 2017 allowance address MDE's goals of protecting water resources and ensuring safe and adequate drinking water, managing air quality and emissions for maximum protection of human health and the environment, and reducing Maryland citizens' exposure to hazards. Descriptions of MDE's eight current programs and one former program follow.

- **Water Quality Revolving Loan Fund** – The WQRLF was created to provide low-interest loans to counties and municipalities to finance water quality improvement projects. The fund was established by the federal government in the Clean Water Act of 1987 and by the State of Maryland in Sections 9-204 and 9-1604 of the Environment Article to replace the federal construction grants program that was phased out. Projects eligible for funding include WWTPs; failing septic systems; and nonpoint source projects, such as urban stormwater control projects. The federal Act requires a 20% State match. For fiscal 2017, at least 10% of the federal funding must be used for Green Reserve projects – water efficiency, energy efficiency, green infrastructure, and environmentally innovative projects – and no more than $10.188 million may be used for loan forgiveness/grants. WQRLF projects are prioritized based on a EPA-approved Integrated Project Priority System. The priority system for WQRLF projects consists of a system for evaluating, rating, and ranking of both point source and nonpoint source water quality projects. The Integrated Project Priority System was revised by MDE and approved by EPA in 2010 to target financial assistance to projects that help meet Maryland's Phase I Watershed Implementation Plan (WIP) to address the Chesapeake Bay Total Maximum Daily Load (TMDL). The Integrated Project Priority System focuses on compliance, documented public health concerns, relative effectiveness of projects to the Chesapeake Bay, sustainability criteria, and water quality restoration. In accordance with this system, the projects are rated and ranked by MDE's Water Quality Financing Administration and are listed in ascending ranking order on the Project Priority List. Through January 1, 2016, the program has executed $2.195 billion in loans, loan forgiveness, and grants, including American Recovery and Reinvestment Act of 2009 (ARRA) funding.

- **Drinking Water Revolving Loan Fund** – The DWRLF was established in accordance with a federal capitalization grant approved by Congress in 1996 in anticipation of future federal capitalization grants. This program was authorized by the General Assembly in 1993 to provide loans to counties and municipalities to finance water supply improvements and upgrades. In accordance with the federal legislation, these funds may also be loaned to private parties. The federal Act requires that a minimum of 20% of State matching funds for each year's federal

capitalization grant be deposited into the fund. For fiscal 2017, no more than $4.5 million of the federal funding may be used for grants or loan forgiveness. Similar to the WQRLF, DWRLF projects are prioritized based on an EPA-approved Drinking Water Project Priority System that focuses on many criteria, the most important being public health benefit. Through January 1, 2016, the program has executed approximately $298.3 million in loans, loan forgiveness, and grants including ARRA funding.

- **Bay Restoration Fund – Wastewater Projects** – The BRF (Chapter 428 of 2004) was created to address the significant decline in Chesapeake Bay water quality due to overenrichment of nutrients such as phosphorus and nitrogen. This dedicated fund, financed in large part by WWTP users, initially was used to provide grants to local governments to upgrade Maryland's 67 major WWTPs with ENR technology as part of reducing an additional 7.5 million pounds of nitrogen per year in order to reach Maryland's commitment under the TMDL as implemented by the WIP. Chapter 150 of 2012 increased the BRF fee beginning July 1, 2012, in order to address a funding shortfall that would have made it very difficult to complete the upgrades to the 67 major publicly owned WWTPs by calendar 2017, as required by the WIP. Chapter 150 also made several other changes such as establishing additional uses for the fund beginning in fiscal 2018. As a result, the State will be better positioned to complete the WWTP upgrades by calendar 2017. Chapter 153 of 2015 (Environment – Bay Restoration Fund – Use of Funds) added to the authorized uses of the BRF, beginning in fiscal 2016, by providing funding for up to 87.5% of the cost of projects relating to combined sewer overflows (CSO) abatement, rehabilitation of existing sewers, and upgrading conveyance systems, including pumping stations; this funding authority previously existed between fiscal 2005 and 2009, capped at $5 million annually. The bill also altered the priority of BRF funding beginning in fiscal 2018 by making grants for septic system upgrades, stormwater management, and CSO and sewer abatement projects of equal priority, with funding decisions made on a project-specific basis. ENR takes water that has gone through the BNR process and further refines the effluent physically, biochemically, or chemically to an average level of 3.0 milligrams per liter (mg/L) nitrogen and 0.3 mg/L phosphorus. Revenue from this fund also supports upgrades to septic systems. A portion of the funding ($5 million in the fiscal 2017 allowance) is budgeted in the MDE operating budget for operations and maintenance of WWTPs upgraded to ENR status.

- **Bay Restoration Fund – Septic System Projects** – The BRF includes a separate program to fund replacement of failing septic systems. This program is funded as part of the BRF legislation by a fee on users of septic systems and sewage holding tanks, of which 60% of the revenue is allocated to MDE for the septic system upgrade program and 40% to the Maryland Department of Agriculture for the Cover Crop Program. While Chapter 280 of 2009 (Chesapeake Bay Nitrogen Reduction Act of 2009) already required best available technology for new and replacement systems in the Chesapeake Bay Critical Area or the Atlantic Coastal Bays Critical Area, new regulations finalized in September 2012 expand septic system upgrade requirements to include the best available technology for all septic systems serving new construction in the Chesapeake and Atlantic Coastal Bays watersheds and in the watershed of any nitrogen impaired water body. MDE provides grants to upgrade failing systems and holding tanks with the best available technology for nitrogen removal. Overall, the program gives priority to projects that involve failing systems in environmentally sensitive areas that are ready

to proceed. The program is administered by county governments or other parties; contractors conducting the septic system upgrades are directly reimbursed for their work. Applications are prioritized as follows: (1) failing septic systems or holding tanks in the Critical Areas; (2) failing septic systems or holding tanks outside the Critical Areas; (3) nonconforming septic systems in the Critical Areas; (4) nonconforming septic systems outside of the Critical Areas; (5) other septic systems in the Critical Areas, including new construction; and (6) other septic systems outside the Critical Areas, including new construction. Homeowners with household income less than or equal to $300,000 per year are eligible for 100% grants of the best available technology cost, and all other homeowners are eligible for grants covering 50% of the cost. Nonprofit entities are eligible for 100% grants. For-profit businesses are eligible for 50% grants. Chapter 379 of 2014 (Bay Restoration Fund – Authorized Uses – Local Entities) required that up to 10% of the funds in the Septics Account of the BRF be distributed to a local public entity delegated by MDE – local health departments – to cover reasonable costs associated with implementation of MDE regulations pertaining to septic systems that use the best available technology for nitrogen removal.

- **Biological Nutrient Removal Program** – This program provides cost-share grant funds to local governments to retrofit or upgrade WWTPs to remove a greater portion of nutrients (nitrogen and phosphorus) from discharges. The goal of the program is to support the WIP implementation of the Chesapeake Bay TMDL point source nutrient reduction strategy. The State provides up to 50% of the total eligible project cost, with the ability to provide 100% of the project cost, as provided under Title 9, Sections 9-348 of the Environment Article. BNR biologically removes the total nitrogen to an average level of 8 mg/L and the total phosphorus to an average level of 2 mg/L prior to discharging the water into the receiving waters. The next level of treatment is provided by an upgrade to ENR technology. All WWTPs upgraded to BNR by MDE will have the capacity to accommodate ENR upgrades in the future.

- **Water Supply Financial Assistance Program** – The General Assembly created the Water Supply Financial Assistance Program in 1982 to address the deteriorating condition of the State's water supply infrastructure and the lack of adequate financing available to local governments to upgrade water supply systems. This program provides grants to assist small communities in the acquisition, construction, equipping, rehabilitation, and improvement of publicly owned water supply facilities. The State may provide up to 87.5% of total eligible project costs (not to exceed $1.5 million per project), and a minimum 12.5% local match is required. In recent years, all assistance has been in the form of grants rather than loans. This program is often used in conjunction with other sources of federal and State financial assistance (such as the DWRLF) to achieve project affordability.

- **Hazardous Substance Clean-Up Program** – The Hazardous Substance Clean-Up program provides funds for cleaning up uncontrolled waste sites listed on the federal National Priorities List (Superfund) and other uncontrolled waste sites within the State that do not qualify for federal funding through the Superfund program. The State provides up to 100% of the costs of cleanup for the projects not included on the National Priorities List. At orphan sites, sites lacking a financially viable responsible party to pay for the cleanup, the State provides 100% of the cost of the preliminary site assessment. In all cases, the program seeks cost recovery when

possible from responsible parties. The program also provides the State's share (10%) of remediation costs for federal Superfund orphan sites with the remainder provided through the federal share (90%).

- **Mining Remediation Program** – The Mining Remediation Program was a new addition to MDE's capital program for fiscal 2015. Where there is no financially viable responsible party, the program provides funding for remediation of abandoned lands and waters impacted by inadequate coal mining reclamation practices prior to the passage of the federal Surface Mine Control and Reclamation Act of 1977. The program works through the Maryland Abandoned Mine Land Division. Projects include reclamation of surface mine high walls and pits, stabilization of landslides, restoration of stream banks to address flooding, extinguishing underground coal mine and coal refuse fires, stabilization of coal refuse piles, water supply replacement, stabilizing buildings and roads that are impacted by underground mine subsidence, and acid mine drainage treatment projects.

Performance Measures and Outputs

In January of each year, MDE solicits interest for funding from the WQRLF and the DWRLF. The solicitation of interest is available to local governments and private drinking water providers. MDE's funding solicitation in January 2015 for fiscal 2017 funding is reflected in **Exhibit 1.** MDE's solicitation distinguishes between clean water and drinking water type projects with the majority of funding solicited for clean water projects. As reflected in the exhibit, the funding demand of $938.7 million exceeds the $154.0 million in the fiscal 2017 allowance.

Exhibit 1
MDE Capital Program Funding Solicitation for Revolving Loan Funds
Fiscal 2017

Project Type	Applications	Total Project Cost	Funding Requested from MDE
Clean Water			
Advanced Treatment	15	$578,825,175	$514,585,589
Sewerage (inc. I/I & CSO)	51	233,771,583	12,410,637
Stormwater	5	5,068,945	4,501,612
Small Creeks and Estuaries	4	4,383,577	4,305,855
Landfills	0	0	0
Other	2	503,689,177	9,700,000
Subtotal	***77***	***$1,325,738,457***	***$645,776,693***

Project Type	Applications	Total Project Cost	Funding Requested from MDE
Drinking Water			
Source Water Development	3	$33,055,000	$5,307,500
Water Treatment Plant	3	6,844,400	6,524,400
Transmission/Distribution Mains	32	34,185,399	31,637,972
Water Storage	11	369,531,450	249,492,393
Other	0	0	0
Subtotal	***49***	***$443,616,249***	***$292,962,265***
Total	**126**	**$1,769,354,734**	**$938,738,958**

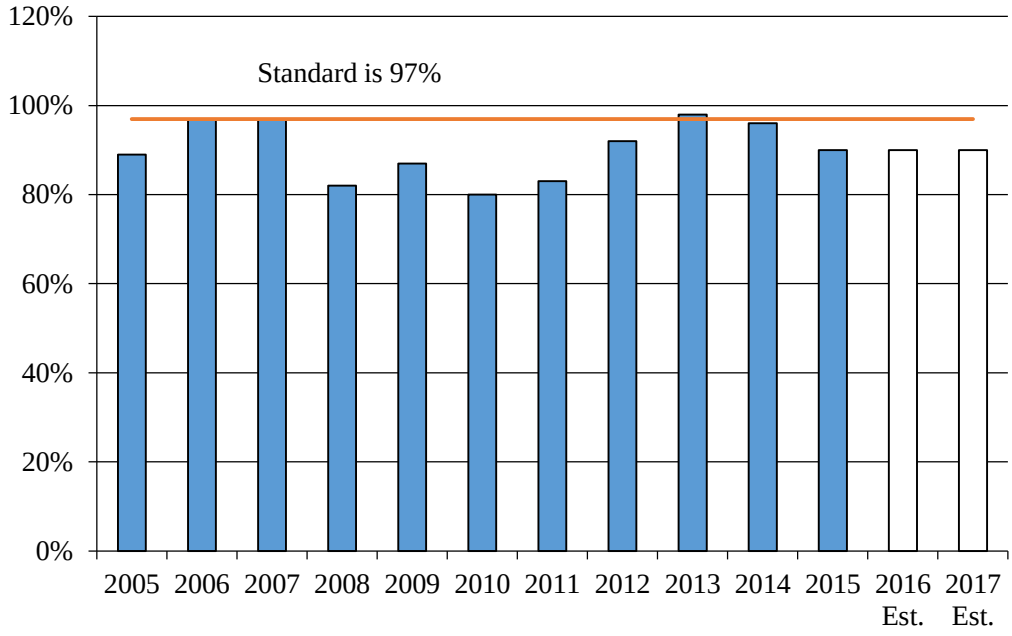
CSO: combined sewer overflow
I/I: infiltration or inflow
MDE: Maryland Department of the Environment

Source: Maryland Department of the Environment

Drinking Water Revolving Loan Fund

Exhibit 2 shows that due to the changing nature of the underlying standards to which MDE applies a 97% significant compliance goal, it is difficult to see long-term trends in public water system compliance with rules. Instead, there appears to be a trend toward increasing compliance with a standard for a couple of years after the standard is created until a new standard is developed and the process starts over. For instance, Maryland met the standard for complying with the 2002 rules in fiscal 2006, but then new rules were developed, and the compliance dropped to 82% in fiscal 2008. Five new federal regulations required new State rules in fiscal 2010. As of October 2013, MDE notes that monitoring requirements for two new contaminant levels have reduced the fiscal 2015 and 2016 compliance levels. These two new contaminant levels are the Long Term Enhanced Surface Water Treatment Rule, which became effective on September 30, 2014, for targeted systems serving less than 10,000 people, and the Stage 2 Disinfections By-Products Rule, which required a second round of monitoring in October 2013 and reporting by October 2014. In addition, MDE has noted that it was anticipating the Revised Total Coliform Rule to be adopted in fiscal 2015, but this has since been pushed back to fiscal 2016. However, as noted previously, the overall trend is toward a cleaner public water system in Maryland.

Exhibit 2
Marylanders Served by Public Water Systems
In Significant Compliance
Fiscal 2005-2017 Est.



Note: Up to fiscal 2008, the basis for significant compliance with public water systems rules was 97% of the rules adopted in 2002. For fiscal 2008, the basis for significant compliance is 97% of the rules adopted since fiscal 2002. For fiscal 2009 and onward, significant compliance is measured as 97% of the rules adopted as of fiscal 2009. In fiscal 2010, State regulations were adopted to reflect five new federal regulations: arsenic, radionuclide, Stage 2 Disinfection Byproduct, Long Term Enhanced Surface Water Treatment, and revised lead and copper. MDE notes that fiscal 2015 and 2016 estimates have been adjusted to reflect short-term compliance issues from more than 500 water systems implementing new monitoring requirements, as of October 2013, for two new maximum contaminant levels. The fiscal 2015 data is only available through April 1, 2015, due to a database conversion.

Source: Governor's Budget Books, Fiscal 2008-2016; Department of Budget and Management

Bay Restoration Fund – Wastewater Projects

Exhibit 3 shows the status of efforts to install BNR and ENR technology at the 67 major WWTPs. BNR technology allows WWTPs to achieve wastewater effluent quality of 8 mg/L total nitrogen and 3 mg/L total phosphorus. As of January 2016, of the 67 major WWTPs, 93% are operating at the BNR level (equal to the 93% as of January 2015), and 61% are operating at the ENR level (up from 54% as of January 2015).

Exhibit 3
Status of BNR and ENR Construction
Through January 2016

	BNR	ENR
Pre-planning	0	0
Planning	0	1
Design	1	3
Construction	4	22
Under Operation	62	41
Total	**67**	**67**

BNR: biological nutrient removal
ENR: enhanced nutrient removal

Note: The Bay Restoration Fund Advisory Committee added the Hampstead wastewater treatment plant, increasing the major plants to 67.

Source: Maryland Department of the Environment

The EPA issued its *Interim Evaluation of Maryland's 2014-2015 Milestones and WIP Progress* on June 10, 2015. Maryland is not on track to meet the calendar 2017 target due to agricultural production changes, including greater corn production and slower than anticipated stormwater load reductions. However, it is recognized that upgrades to WWTPs are in progress, and other efforts continue to accelerate implementation across all other sectors. MDE indicates that there are 6 WWTPs that may not meet the deadline to fully complete the upgrade of the 67 major WWTPs to ENR technology by June 30, 2017. The status of the 6 WWTPs is as follows.

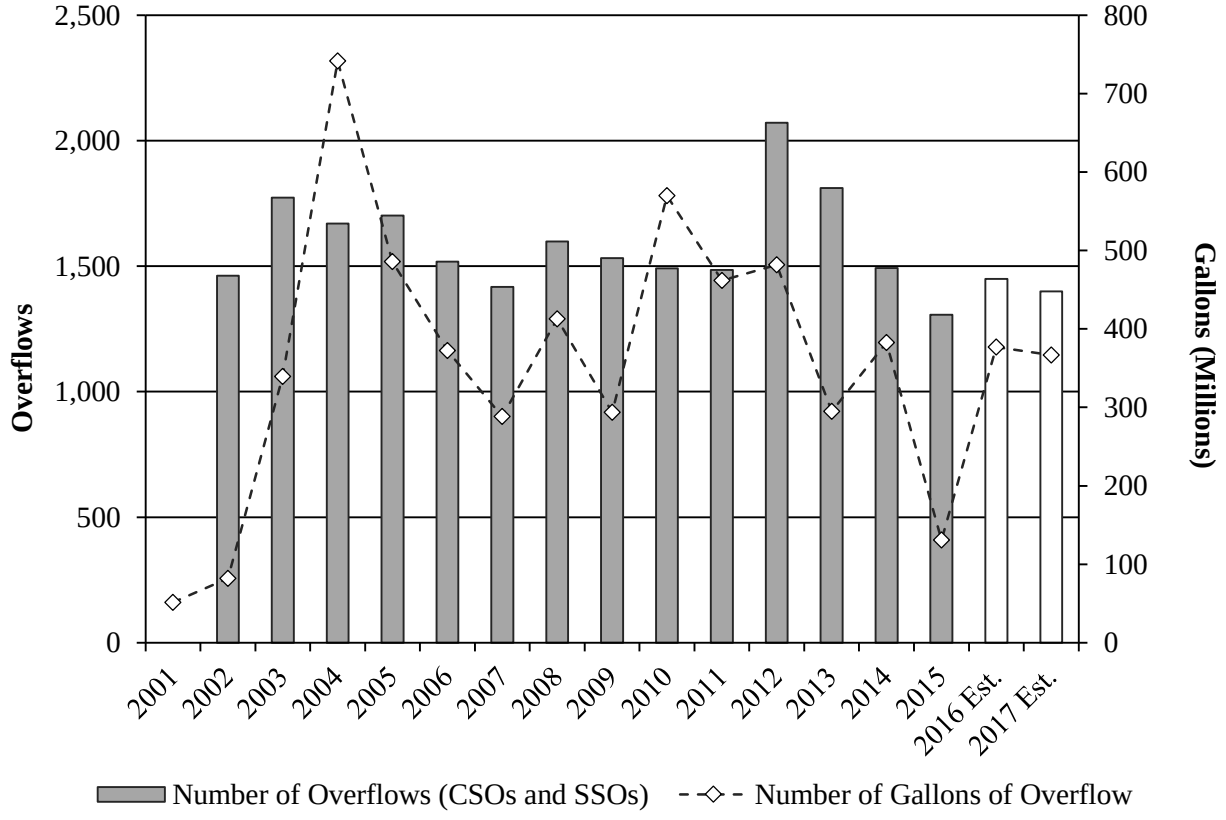
- **Mayo** – started construction in November 2015;
- **Maryland Correctional Institution** – started construction in December 2015;
- **Westminster** – under design, scheduled to start construction in June 2016;
- **Conococheague** – under design, scheduled to start construction in June 2016;
- **Hampstead** – under design, scheduled to start construction in September 2016; and
- **Princess Anne** – in planning, may start construction in calendar 2017.

A number of Maryland's jurisdictions have signed consent decrees, requiring the upgrade of their sewer systems due to the release of untreated sewage from facilities with National Pollutant

Discharge Elimination System permits. These releases are called CSOs if a jurisdiction has a single system carrying both storm and sanitary sewer water, and it is called a SSO if the two systems are separated.

As illustrated in **Exhibit 4,** the number of sewage overflows and number of gallons of overflow have shown a decreasing trend between fiscal 2012 and 2015. Over the fiscal 2001 through 2015 period, it appears very little progress has been made to reduce the number of overflows or gallons of sewage released. MDE has noted previously that funding for sewer rehabilitation and the amount of rainfall will determine future sewer overflow reductions and that it has very little control over either the number of overflows or the associated gallons. For instance, while not necessarily reflected in Exhibit 4, MDE notes that predictions about more substantial storms due to global warming have led to higher overflow estimates for future years. MDE notes that it can ensure that the systems have Long-term Control Plans and/or consent decrees or other enforcement actions to control overflows, but that remedying these shortcomings can be expensive, long-term projects; therefore, only slow progress toward the objective of a 50% reduction from the baseline amount of overflow gallons can be made. In terms of progress, MDE notes that Baltimore County and the Washington Suburban Sanitary Commission have made system upgrade progress under their consent orders and that Cambridge completed its sewer separation project to eliminate CSOs and their consent order was terminated in 2014. Furthermore, Frostburg and other communities continue to make progress in improving their systems in accordance with their consent orders for improvements. The $80.0 million provided for sewer system projects in fiscal 2017, including $27.2 million for the Cumberland CSO Storage Facility, is intended to reduce CSOs.

Exhibit 4
CSO and SSO Overflows
Fiscal 2001-2017 Est.



CSO: combined sewer overflow
SSO: sanitary sewer overflow

Note: The number of gallons of overflow is calculated by the annual net change in number of gallons of overflows from the 2003 to 2005 average.

Source: Governor's Budget Books, Fiscal 2005 and 2016; Department of Budget and Management, Fiscal 2015 to 2017

Bay Restoration Fund – Septic System Projects

The septic system data provided in **Exhibit 5** reflects the large numbers of septic systems to be upgraded by the program. The greatest number of both the State's septic systems in the Critical Area and upgrades funded by the BRF are in Anne Arundel County. Between February 2015 and February 2016, 1,434 septic systems in total have been upgraded with BRF funding, which includes 543 in the Critical Area. Since the program's inception, a total of 2,321 systems have been upgraded using non-BRF funding with the greatest number of upgrades in Anne Arundel County.

Exhibit 5
Septic System Data
January 2016

County	Systems	Systems in Critical Area	Systems Not in Critical Area	BRF Upgraded Septic Systems	Critical Area BRF Upgraded Septic Systems	Septic Systems Upgraded without BRF Funding	Total BAT Systems
Allegany	4,169	0	4,169	14	0	25	39
Anne Arundel	40,538	12,911	27,627	1,181	899	470	1,651
Baltimore City	0	0	0	0	n/a	0	0
Baltimore County	28,000	2,130	25,870	257	51	150	407
Calvert	25,341	4,832	20,509	607	474	230	837
Caroline	8,463	1,135	7,328	225	115	25	250
Carroll	33,441	0	33,441	140	n/a	184	324
Cecil	20,209	3,503	16,706	364	222	83	447
Charles	22,067	1,132	20,935	193	89	24	217
Dorchester	6,883	3,321	3,562	437	351	2	439
Frederick	31,031	0	31,031	192	n/a	234	426
Garrett	11,897	0	11,897	54	n/a	13	67
Harford	33,568	182	33,386	235	37	159	394
Howard	17,131	0	17,131	89	n/a	240	329
Kent	4,850	1,914	2,936	305	182	31	336
Montgomery	32,800	0	32,800	155	n/a	96	251
Prince George's	10,348	209	10,139	23	1	41	64
Queen Anne's	9,074	4,525	4,549	643	434	10	653
Somerset	6,058	2,529	3,529	703	343	32	735
St. Mary's	21,882	5,994	15,888	658	477	71	729
Talbot	7,732	4,045	3,687	399	361	38	437
Washington	18,626	0	18,626	182	n/a	92	274
Wicomico	20,619	1,589	19,030	440	138	32	472
Worcester	7,039	1,520	5,519	233	149	39	272
Total	**421,766**	**51,471**	**370,295**	**7,729**	**4,323**	**2,321**	**10,050**

BAT: best available technology
BRF: Bay Restoration Fund

Note: The information on the total number of septic systems is based on 2009 Maryland Department of Planning (MDP) data, while the number of systems in the Critical Area is based on 2004 MDP data. Certain counties have no septic systems in the Critical Area. In the column "Critical Area BRF Upgraded Septic Systems," the information for these counties is designated as not applicable, or "n/a."

Source: Maryland Department of the Environment

The Phase II WIP strategy for septic system upgrades is 43,181 additional septic systems not planned for connection to WWTPs. This figure is comprised of 15,141 systems in the Critical Area, 15,498 systems outside the Critical Area but within 1,000 feet of a perennial stream, and 12,542 additional systems outside the Critical Area and beyond 1,000 feet of a perennial stream. MDE has noted in the past that along with the approximately 1,200 septic systems upgraded per year with BRF funding, the new regulations requiring best available technology for new construction and repairs to existing homes in the Chesapeake Bay watershed, paid for by homeowners, will help convert most septic systems to best available technology over the septic systems 30-year life cycle. However, it was noted in the report *Historical and Projected Chesapeake Bay Restoration Spending*, submitted by the Administration in response to budget bill language in the fiscal 2016 operating budget bill, that current nutrient reductions due to septic system upgrades and connections to WWTPs will not meet the septic reductions specified in the WIP by 2025.

Exhibit 6 shows the septic systems upgraded by county for fiscal 2008 to 2015. Between fiscal 2008 and 2010, MDE implemented a concurrent program with the county reimbursable program. In last year's analysis, the MDE program data was reflected under the label "statewide," but this year's analysis reflects the data being allocated among the local jurisdictions. The average number of septic systems upgraded over the time period shown is 1,090, which is greater than the 933 in last year's analysis. The increase in septic systems upgraded between fiscal 2012 and 2013 and then again between fiscal 2013 and 2014 reflects the additional revenue generated by doubling the BRF fee by Chapter 151 of 2012.

Exhibit 6
Septic System Best Available Technology Installations
Fiscal 2008-2015

Jurisdiction	2008	2009	2010	2011	2012	2013	2014	2015	BATs in Critical Area 2015
Allegany	0	2	1	1	2	2	11	12	0
Anne Arundel	54	86	107	200	214	249	283	336	163
Baltimore	5	32	62	17	18	17	43	108	9
Calvert	37	53	65	95	76	114	109	186	55
Caroline	8	20	18	13	30	26	57	34	10
Carroll	2	20	28	3	3	5	60	96	0
Cecil	0	1	27	41	41	60	127	111	43
Charles	19	20	54	1	8	10	18	40	9
Dorchester	9	27	53	69	67	36	83	51	31
Frederick	13	17	4	13	15	41	84	131	0
Garrett	0	2	1	8	7	9	18	14	0
Harford	0	30	82	3	8	24	79	81	1
Howard	4	13	22	4	8	14	58	144	0
Kent	12	34	35	46	59	61	74	54	14
Montgomery	11	41	38	4	6	14	32	72	0
Prince George's	0	2	7	0	1	2	14	22	0
Queen Anne's	13	51	81	73	61	77	121	108	50
St. Mary's	4	29	59	58	50	118	158	108	63
Somerset	4	317	248	23	28	40	31	37	23
Talbot	49	50	24	30	25	44	89	43	34
Washington	0	28	31	17	18	48	48	57	0
Wicomico	48	17	77	52	28	36	86	73	6
Worcester	8	34	63	26	9	12	29	40	20
Total Upgrades	**300**	**926**	**1,187**	**797**	**782**	**1,059**	**1,712**	**1,958**	**531**
Subset of Total Upgrades: Critical Area BAT Upgrades	***188***	***444***	***575***	***618***	***576***	***635***	***743***	***531***	

BAT: best available technology

Source: Maryland Department of the Environment

Hazardous Substance Clean-Up Program

The previous performance measure for the Hazardous Substance Clean-Up Program was the number of properties on the State Master and Non-Master Lists that are given a "No Further Action" determination and moved to the formerly investigated sites category or archived. The State Master List identified potential hazardous waste sites in Maryland and included sites identified under the EPA's Superfund Program. The Non-Master List was comprised of sites under investigation or that had previously been investigated but were not on the State Master List. However, beginning in 2014, MDE notes that it combined all the sites into a single list called the Brownfield Master Inventory (BMI), which was an amalgamation of the State Master List, the Non-Master List, a Federal Facilities list, a Voluntary Cleanup Program list, a Formerly Used Defense Site list, and a Brownfield list.

The Department of Budget and Management notes that as of May 2015, there were 962 active BMI sites and 911 archived sites. In last year's analysis, it was reported that there were 1,014 active sites and 804 archived sites on the BMI, which reflects a decrease in the number of active sites and an increase in the number of archived sites. However, MDE notes that sites can move between the "active" and "archived" list based on whether a prospective property purchaser enrolls the property in the Voluntary Cleanup Program or new environmental data suggests inclusion. In addition to time series data on how many projects are on the BMI, it would be helpful to know the value of the land improvements generated by the Hazardous Substance Clean-Up Program in terms of increased taxes, new development, jobs, and the saving of valuable undeveloped land, but this information is not currently collected.

Budget Overview

Fiscal 2016 Budget Cost Containment

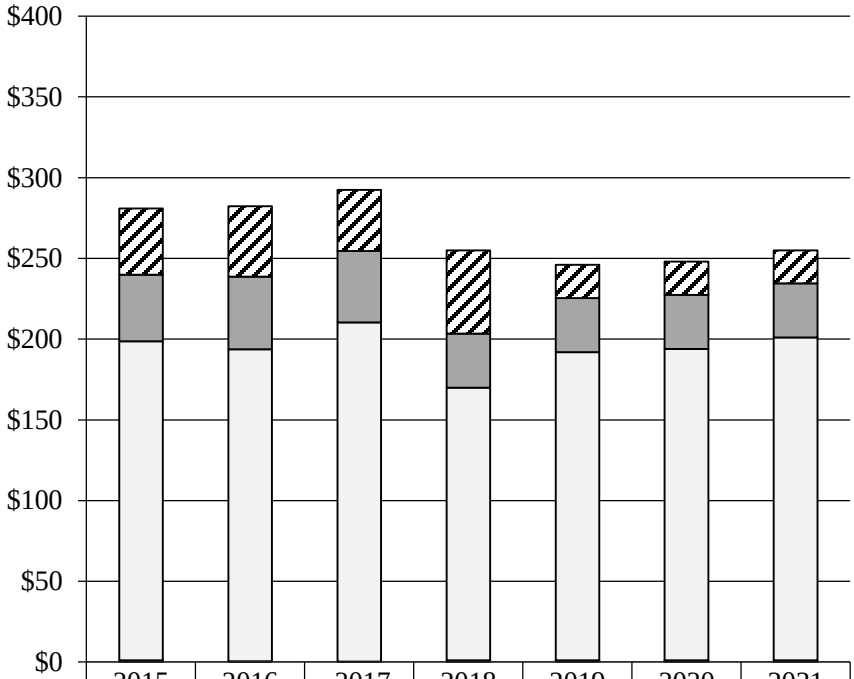
The fiscal 2016 appropriation of $700,000 in general funds for the Hazardous Substance Clean-Up Program was reduced by $300,000 by budget amendment. This reflected the reallocation of a portion of the 2% cost containment reductions in Section 19 of the fiscal 2016 budget from the operating budget to the Hazardous Substance Clean-Up Program pay-as-you-go (PAYGO) capital program.

Fiscal 2017 Budget

MDE's fiscal 2017 capital program includes $0.2 million in general funds, $210.1 million in special funds, $44.3 million in federal funds, and $37.8 million in GO bonds for a total of $292.4 million. The overall change between fiscal 2016 and 2017 is a $10.2 million increase, as shown in **Exhibit 7**. The increase in funding between fiscal 2016 and 2017 is attributable to the $16.2 million in new one-time funding for the Energy-Water Infrastructure Program, which is offset partially by a $4.2 million reduction for the Supplemental Assistance Program, since it is no longer receiving funding, and reduction of $1.5 million for the BNR program. For the out-years, the reduction in funding reflects

the one-time nature of the Energy-Water Infrastructure Program and reductions in both BRF – Wastewater Projects funding and BNR funding as WWTPs complete the upgrades to ENR and BNR technology.

Exhibit 7
MDE Capital Programs Funding
Fiscal 2015-2021 Est.
($ in Millions)



	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Total	$280.9	$282.2	$292.4	$255.0	$246.0	$248.0	$255.0
GO Bonds	41.0	43.6	37.8	51.5	20.5	20.5	20.5
PAYGO FF	41.3	44.9	44.3	33.5	33.5	33.5	33.5
PAYGO SF	197.6	193.3	210.1	169.0	191.0	193.0	200.0
PAYGO GF	1.0	0.4	0.2	1.0	1.0	1.0	1.0

FF: federal funds
GF: general funds
GO: general obligation
MDE: Maryland Department of the Environment
PAYGO: pay-as-you-go
SF: special funds

Source: Governor's Capital Budget, Fiscal 2017; Department of Budget and Management Capital Budget Worksheets

Multiple Sources of Funding

Exhibit 8 shows water quality-related project funding across programs. There are four projects receiving multiple sources of funding in fiscal 2017: LaVale Sanitary Commission Manhole Rehab Phase 2, Frostburg CSO Elimination Phase VIII-B, and Evitts Creek CSO Upgrades all receive both WQRLF and BRF funding; and Betterton WWTP BNR/ENR Upgrade receives both WQRLF and BNR funding. **Exhibit 9** shows drinking water-related project funding across programs, for which there is one project receiving multiple sources of funding in fiscal 2017: R.C. Willson Water Treatment Plant Traveling Screen Replacement and Water Storage Tank IV-C receives both DWRLF and Water Supply Financial Assistance Program funding.

Exhibit 8
Water Quality-related Project Funding Across Programs
Fiscal 2017
($ in Thousands)

Subdivision	LD	Project Title	Estimated Cost	WQRLF	BNR	BRF	Total
Allegany	1B	LaVale Sanitary Commission Manhole Rehab Phase 2*	$1,142	$143		$999	$1,142
Allegany	1B	Frostburg CSO Elimination Phase VIII-B, Grant Street Corridor	2,441			2,136	2,136
Allegany	1C	Cumberland CSO Storage Facility*	32,629	3,892		27,241	31,133
Allegany	1	Evitts Creek CSO Upgrades, Phase 3 – Gravity Sewer through CSX Railyard*	1,415	177		1,238	1,415
Allegany	1C	LaVale Mechanic Street Relief Sewer Improvements	1,388	738			738
Baltimore City	41	Gwynns Falls Sewershed Collection System Area B	23,270			14,175	14,175
Baltimore City	45	Herring Run Sewershed Sewer Improvements, Basin HR07A	8,270			3,258	3,258
Baltimore City	43	Herring Run Sewershed Sewer Improvements, Chinquapin Run	24,480			7,875	7,875
Baltimore City	41	High Level Sewershed Sewer Improvements, Phase I	18,259			5,753	5,753
Baltimore City	46	Low Level Sewershed Sewer Improvements, Phase I	23,140			7,481	7,481
Baltimore City	46	Patapsco Sewershed Sewer Improvements, Phase I	31,100			9,844	9,844
Baltimore City	98	Masonville Cove Watershed Environmental Site Design	915	571			571
Baltimore City	6	Back River Headworks Improvement	357,885	36,001			36,001
Baltimore County	6	Back River Headworks Improvement	357,885	35,000			35,000

Subdivision	LD	Project Title	Estimated Cost	WQRLF	BNR	BRF	Total
Baltimore City/ Baltimore County	6	Back River WWTP BNR/ENR Upgrade and Misc. Improvements	657,616		10,984		10,984
Carroll	5	Hampstead WWTP Upgrade	14,016		2,592		2,592
Cecil	36	Harbour View WWTP Upgrade	4,900		900		900
Cecil	36	Chesapeake City WWTP Upgrade	10,480		1,590		1,590
Dorchester	37B	Twin Cities WWTP Upgrade	14,365		3,085		3,085
Frederick	98	Frederick County Reforestation Program	1,408	1,408			1,408
Frederick	4	Little Hunting Creek Stream Restoration	1,698	1,620			1,620
Kent	36	Betterton WWTP BNR/ENR Upgrade*	6,755	250	750		1,000
Kent	36	Galena WWTP Upgrade	8,689		1,395		1,395
Somerset	38A	Princess Anne WWTP Upgrade	4,935	200			200
Somerset	38A	Smith Island BNR Upgrade	7,684		1,694		1,694
Talbot	37B	Oxford WWTP Upgrade	10,749		2,010		2,010
Regional	98	Blue Plains WWTP ENR Upgrade ECF and TDPS	1,116,691	50,000			50,000
Total			**$2,744,204**	**$130,000**	**$25,000**	**$80,000**	**$235,000**

BNR: Biological Nutrient Removal Program
BRF: Bay Restoration Fund
CSO: combined sewer overflows
ECF: enhanced clarification facility
ENR: enhanced nutrient removal
LD: legislative district
TDPS: tunnel dewatering pump station
WQRLF: Water Quality Revolving Loan Fund
WWTP: wastewater treatment plants

*Applicant is financing a percentage of costs not eligible for the BRF.

Source: Maryland Department of the Environment

Exhibit 9
Drinking Water Quality-related Project Funding Across Programs
Fiscal 2017
($ in Thousands)

Subdivision	LD	Project Title	Estimated Cost	DWRLF	WSFA	Total
Allegany	1B	Barrelville Route 47 Section Water Project	$500	$200	$0	$200
Allegany	1A	Lonaconing Water Station Run and Potomac Hollow Road Water Line Extension	1,860	1,500	0	1,500
Allegany	1A	Westernport Luke (Mill) Bloomington Water Line	3,200	0	1,500	1,500
Allegany	1B	Sunnyside Water	940	400	0	400
Allegany	1B	Pond Circle Road Water	275		138	138
Baltimore City	41	Ashburton Reservoir Improvements WC-1211	147,278	19,730	0	19,730
Dorchester	37B	North Dorchester High/Middle Schools Well and Storage Tank	303		151	151
Garrett	1A	Bloomington Water Tank Replacement and Line Extension to Westernport	1,479	1,479	0	1,479
Washington	2B	R. C Willson Water Treatment Plant Traveling Screen Replacement and Water Storage Tank IV-C*	1,383	691	691	1,383
Total			**$157,217**	**$24,000**	**$2,480**	**$26,480**

DWRLF: Drinking Water Revolving Loan Fund
WSFA: Water Supply Financial Assistance Program

*Applicant is financing a percentage of costs not eligible for the Water Supply Financial Assistance Program grant.

Source: Maryland Department of the Environment

Highlights

The changes in funding between fiscal 2016 and 2017 are reflected in terms of the program overall difference in **Exhibit 10.**

Exhibit 10
MDE Capital Funding Changes
Fiscal 2016-2017
($ in Millions)

Program	Approp. 2016	Request 2017	Difference
Energy-Water Infrastructure Program	$0.000	$16.200	$16.200
Maryland Water Quality Revolving Loan Fund	130.000	130.000	0.000
Maryland Drinking Water Revolving Loan Fund	24.000	24.000	0.000
Bay Restoration Fund – Wastewater Projects	80.000	80.000	0.000
Septic System Upgrade Program	14.000	14.000	0.000
Mining Remediation Program	0.500	0.500	0.000
Water Supply Financial Assistance Program	2.661	2.480	-0.181
Hazardous Substance Clean-Up Program	0.400	0.200	-0.200
Biological Nutrient Removal Program	26.500	25.000	-1.500
Supplemental Assistance Program	4.157	0.000	-4.157
Total	**$282.218**	**$292.380**	**$10.162**

MDE: Maryland Department of the Environment

Source: Department of Budget and Management; Department of Legislative Services

The highlighted changes in funding for fiscal 2017 are as follows.

- **Energy-Water Infrastructure Program –** The fiscal 2017 allowance includes new one-time funding for the Energy-Water Infrastructure Program. The program is funded with $16.2 million from the agreement by which, under Public Service Commission Order 86372, Dominion Cove Point is allowed to construct a 130-megawatt nameplate capacity electric generating station at the existing liquefied natural gas terminal site in Calvert County near Cove Point. A total of $40.0 million was made available as a result of Public Service Commission Order 86372, of which the Energy-Water Infrastructure Program represents the majority of the $24.0 million budgeted in fiscal 2017. As part of the agreement, $16.2 million is being used –

per the right to fund cost-effective energy efficiency and conservation programs, projects, or activities – to provide grants to water and wastewater treatment plant owners to develop energy efficient and resilient projects in order to reduce operating costs and ultimately pass savings on to consumers by lowering the rate of future user fee increases. Project selection will be based on ready-to-construct project applications received. Funding will be provided as 100% grants not to exceed $1.0 million per project for energy efficient equipment (such as replacement of aging pumps with new energy efficient ones) and $3.0 million per project for combined heat and power projects (such as using methane from digesters to generate heat/power or by developing wind power to generate power). The goal is to achieve energy efficiency/reduction levels of 20% relative to the old equipment being replaced as tracked through an energy audit. An example type of project is the Blue Plains WWTP – New Digestion Facilities and Combined Heat and Power project on the February 10, 2016 Board of Public Works agenda. **DLS recommends that $100,000 in funding be restricted pending the submission of two reports: on the criteria for allocation of the funding and the actual allocation of the funding.**

- **Maryland Water Quality Revolving Loan Fund** – MDE's fiscal 2017 allowance for the WQRLF is even with the fiscal 2016 appropriation, although it reflects an increase of $10.0 million relative to the 2015 CIP, which requires a greater match. The funding increase is due to an increase in the federal capitalization amount as part of federal continuing resolutions. The fiscal 2017 allowance includes $89.2 million in special funds, $34.0 million in federal funds, and $6.8 million in GO bonds used for the 20% match to the federal funds. This funding would provide for 12 projects in six jurisdictions and the national capital region. The two largest projects are as follows: Back River Headworks Improvement receives $71.0 million in total from separate allocations to Baltimore City and Baltimore County; and Blue Plains WWTP Enhanced Clarification and Tunnel Dewatering Pump Station – Miscellaneous Improvements receives $50.0 million. Local government stormwater funding needs under the 20% impervious surface retrofit requirement for the State's WIP for Chesapeake Bay restoration are expected to increase substantially in the next couple of years. Therefore, the approximately $0.5 million estimated closing balance in fiscal 2020 may lead MDE to issue revenue bonds under the WQRLF that would in turn increase the available funding for stormwater retrofits. **DLS recommends that the $6.8 million GO bond authorization matching the federal funding be deleted. The Governor should provide general funds in a supplemental budget which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.**

- **Maryland Drinking Water Revolving Loan Fund** – The DWRLF allowance for fiscal 2017 is level with both the fiscal 2016 appropriation and the 2015 CIP. The federal allocation to Maryland has increased from 1.55% to 1.7% to reflect the ratio of Maryland drinking water needs as a percentage of the national drinking water needs based on the 2011 U.S. EPA National Drinking Water Needs Survey. MDE has attributed the increase in need to new drinking water treatment rules and aging infrastructure and Maryland's utilities being diligent in completing the needs survey. The fiscal 2017 allowance includes $10.6 million in special funds, $10.4 million in federal funds, and $3.0 million in GO bond authorizations used as matching funding. The largest project in fiscal 2017 is the Ashburton Reservoir Improvements project,

which receives $19.7 million and reflects new State funding. **DLS recommends that the $3.0 million GO bond authorization matching the federal funding be deleted. The Governor should provide general funds in a supplemental budget which will avoid the need to issue taxable GO bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of GO bonds to support programs that cannot be funded with tax-exempt financing and instead use general funds.**

- **Bay Restoration Fund – Wastewater Projects** – Funding for the Bay Restoration Fund – Wastewater Projects is level with the fiscal 2016 appropriation but increases by $40.0 million in special funds relative to the 2015 CIP based on available funding and the demand for sewer projects authorized by Chapter 153 of 2015. For fiscal 2017, $80.0 million is programmed for sewer projects, as shown in **Exhibit 11**, since major-minor WWTPs received funding in fiscal 2016 and since there is low demand from the 67 major WWTPs. Chapter 153 of 2015 established that, starting in fiscal 2018, grants for septic system upgrades, stormwater management, and CSO and sewer abatement projects are of equal priority. For projection purposes, MDE is allocating $40.0 million for the three purposes in fiscal 2018, $60.0 million for fiscal 2019 and 2020, and $65.0 million in fiscal 2021. As noted previously, local government stormwater costs are expected to increase substantially in the next couple of years. **DLS recommends that MDE comment on projected breakdown for each of major-minor WWTPs, sewer infrastructure, septic systems, and stormwater best management practices in fiscal 2018 through 2021.**

Exhibit 11
Bay Restoration Fund Wastewater Program Projects
Fiscal 2017

Jurisdiction	Project	Amount
Allegany	Cumberland Combined Sewer Overflow Storage Facility	$27,241,372
Allegany	Evitts Creek Combined Sewer Overflow Upgrades, Phase 3 – Gravity Sewer through CSX Railyard	1,238,081
Allegany	Frostburg Combined Sewer Overflow Elimination, Phase VIII-B – Grant Street Corridor	2,135,875
Allegany	LaVale Sanitary Commission Manhole Rehab, Phase 2	999,250
Baltimore City	Gwynns Falls Sewershed Collection System Area B	14,175,000
Baltimore City	Herring Run Sewershed Sewer Improvements – Basin HR07A	3,257,734
Baltimore City	Herring Run Sewershed Sewer Improvements – Chinquapin Run	7,875,000
Baltimore City	High Level Sewershed Sewer Improvements, Phase I	5,752,688
Baltimore City	Low Level Sewershed Sewer Improvements, Phase I	7,481,250

Jurisdiction	Project	Amount
Baltimore City	Patapsco Sewershed Sewer Improvements, Phase I	9,843,750
Total		**$80,000,000**

Source: Department of Budget and Management

- **Septic System Upgrade Program** – The fiscal 2017 appropriation of $14.0 million in special funds for the Septic System Upgrade Program is level with both the fiscal 2016 appropriation and the 2015 CIP. As noted in last year's analysis, the remaining $1.0 million in revenue is programmed by Chapter 379 of 2014 (Bay Restoration Fund – Authorized Uses – Local Entities), which requires that up to 10% of the funds in the septic account of the BRF be distributed to a local public entity delegated by MDE – local health departments – to cover reasonable costs associated with implementation of MDE regulations pertaining to septic systems that use the best available technology for nitrogen removal. MDE notes that it has allocated funding for the following approved purposes: (1) connect onsite sewage disposal systems to an existing BNR or ENR WWTP – 128 sewer connections for $1.34 million, all of which was within a Priority Funding Area (PFA); (2) pay for the principal over time if the sewer extension cost is financed – $0.0 spent on this purpose; and (3) sewer connect opportunities outside the PFA after a public notice/hearing and exception approval from the smart growth coordinating committee – $0.0 spent on this purpose, although 1,518 homes have been approved for PFA exceptions on Southern Kent Island in Queen Anne's County and 2 churches have been approved in Worcester County. The program anticipates upgrading 1,100 systems in fiscal 2017.

- **Mining Remediation Program** – The Mining Remediation Program receives its third year of funding in fiscal 2017 – $500,000 in GO bonds – which is equal to both the fiscal 2016 authorization and the 2015 CIP. The funding provides for third-year funding of the Upper George's Creek Stream Sealing Project ($198,052), and second-year funding of the Matthew Run Acid Mine Drainage Remediation Project ($301,948). MDE notes that the Matthew Run Acid Mine Drainage Remediation Project construction begins in July 2016, while the design will not be complete until June 2017, because this is a complicated project requiring a design/build approach to handle differences between separate areas within the site. Overall, MDE estimates a total Mining Remediation Program need of approximately $60 million – split evenly between the federal government and the State. However, MDE notes that the federal funding is scheduled to end in 2022.

- **Water Supply Financial Assistance Program** – The Water Supply Financial Assistance Program funding of $2.48 million in GO bonds reflects a $181,000 reduction relative to the fiscal 2016 appropriation and is essentially level with the 2015 CIP. The Westernport Luke (Mill) Bloomington Water Line project in Allegany County is the largest project in the fiscal 2017 allowance and receives $1.5 million.

- **Hazardous Substance Clean-Up Program** – The fiscal 2017 allowance includes $0.2 million in general funds for the Hazardous Substance Clean-Up Program, which is a decrease of $0.2 million relative to the fiscal 2016 appropriation and a reduction of $0.8 million relative to the 2015 CIP. The Hazardous Substance Clean-Up Program's fiscal 2016 appropriation was reduced by $0.3 million as part of the 2% across-the-board reduction implemented for all State agencies. The $0.2 million in fiscal 2017 will allow for investigation of contamination via site assessments across the State.

- **Biological Nutrient Removal** – The BNR Program funding is $25.0 million in the fiscal 2017 allowance, which reflects a reduction of $1.5 million relative to the fiscal 2016 appropriation and a reduction of $8.5 million relative to the 2015 CIP. The proposed level of funding reflects a recalibration of the funding needed to complete the BNR upgrades at the Back River WWTP. The total remaining funding remains at $66.0 million, but the proposed budget reduces the fiscal 2017 amount and programs a corresponding increase in fiscal 2018 reflecting revised cash flow needs of the project. The Back River WWTP upgrade receives $11.0 million in fiscal 2017 and is expected to be completed in August 2017. After the $41.0 million authorization in fiscal 2018, the BNR funding level is steady at $10.0 million per year through the five-year 2016 CIP to reflect the funding planned for upgrading selected major-minor WWTPs to BNR technology.

Issues

1. Number of Septic Systems Unclear

There appears to be at least 3 different estimates of the number of septic systems in Maryland. There is the 421,766 estimate reflected in last year's analysis, which MDE notes is still a valid estimate; a 370,110 estimate cited by the Chesapeake Bay Program's Land Use Workgroup; and an approximately 388,000 estimate being considered by MDP. An accurate or at least agreed upon number for septic systems is important for determining policy goals.

MDP notes the reasons for and implications of the reduction in the estimated number of septic systems as follows.

- **Reason for Change –** The estimated number of septic systems changes due to the following: (1) more development on septic systems continues to occur, while at the same time sewer service continues to be extended to more parcels that were formerly on septic systems; (2) the numbers are counted differently by different groups, using different sources of information such as wastewater billing records, geographic data, and sewer service boundaries for each county; and (3) all of the data sources continue to change as the landscape changes, and as responsible local and State agencies improve the databases they use for these purposes and try to share and reconcile their data with each other.

- **Current Number –** There is no single new number being used by everyone. The most recent statewide septic systems estimate that MDP can calculate from its geographic data is approximately 388,000. This differs from MDP's 2009 estimate because in some counties relatively small parcels developed since 1990 were being counted as being on septic systems based on available local sewer service maps, which showed them to be outside sewer service areas. This information was checked and changes have been made.

- **Implications** – There may be roughly 30,000 fewer septic systems loading at the relatively high rates for nitrogen, compared to parcels on sewer service, than was estimated in 2009. Overall, it does not substantially change the effort and investment needed to reduce loads from any source sector, or the amount of time that will likely be needed to do it.

DLS recommends that MDE comment on if and when the septic system estimate will be formally updated.

2. Bay Restoration Fund Stretched Thin

Chapter 428 of 2004 established the BRF to provide grants to owners of WWTPs to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with ENR technology. The fund is also used to support septic system upgrades and the planting of cover crops and through fiscal 2009

was authorized to provide funding for stormwater management, which was phased out and instead provided to local jurisdictions for operations and maintenance of upgraded WWTPs that met permit limits. In recent years, legislation has expanded the use of the BRF and in the 2016 legislative session additional legislation is being proposed to allow the BRF to be used for purchasing nutrient credits. All of these changes raise the question of whether the BRF is being stretched too thin to be effective.

The recent legislation impacting the BRF is as follows.

- **Chapter 150 of 2012 (Environment – Bay Restoration Fund – Fees and Uses)** – Chapter 150 increased the BRF fee beginning July 1, 2012, in order to address a funding shortfall that would have made it very difficult to complete the upgrades to the 67 major publicly owned WWTPs by calendar 2017, as required by the WIP. Chapter 150 also established additional uses for the fund beginning in fiscal 2018 as follows in order of priority: (1) funding an upgrade of a wastewater facility with a design capacity of 500,000 gallons or more per day to ENR technology; (2) funding for the most cost-effective ENR upgrades at wastewater facilities with a design capacity of less than 500,000 gallons per day; (3) costs associated with upgrading septic systems and sewage holding tanks; and (4) grants for local government stormwater control measures for jurisdictions that have implemented a specified system of charges under current authority.

- **Chapter 153 of 2015 (Environment – Bay Restoration Fund – Use of Funds)** – Beginning in fiscal 2016, Chapter 153 added to the authorized uses of the BRF by providing funding for up to 87.5% of the cost of projects relating to CSO abatement, rehabilitation of existing sewers, and upgrading conveyance systems, including pumping stations. This effectively ended the need for the Supplemental Assistance Program and thus reduced the need for the $5 million programmed each year between fiscal 2017 and 2020 in the 2015 CIP. The bill also altered the priority of BRF funding beginning in fiscal 2018 by making grants for septic system upgrades, stormwater management, and CSO and sewer abatement projects of equal priority, with funding decisions made on a project-specific basis.

- **HB 325 (Environment – Bay Restoration Fund – Use of Funds – Nutrient Credit Purchases)** – HB 325 has been introduced in the 2016 legislative session to authorize MDE to purchase cost-effective nitrogen and phosphorus nutrient credits in support of State efforts to restore the Chesapeake Bay using the BRF. MDE notes that the modifications proposed in the bill should promote a nutrient credit market by creating a modest, yet reliable, level of demand for the generation of credits and that this should reduce the long-term costs of compliance with nutrient load reduction requirements. The bill is also intended to help resolve the issue of achieving nutrient reductions from nonregulated urban sectors (such as septic systems) for which no permitting instrument exists to require reductions. MDE notes that initially the financial impact to the BRF is expected to be less than $5 million annually since the market for nutrient trading has not yet developed.

While it is acknowledged that the original goal of the BRF to upgrade the 67 major WWTPs to ENR technology almost has been met, the uses of the BRF have been expanded to include septic system

upgrades, stormwater management, CSO and sewer abatement projects, and possibly nutrient credit purchases. **DLS recommends that MDE comment on the proposed fiscal 2017 and future year allocation plan for the BRF and whether it will continue to be an effective source of funding even though spread across so many diverse uses.**

Updates

1. Wastewater Collection and Conveyance Funding Needs Identified

The four-year 2012 EPA Clean Water Needs Survey was released in January 2016. The survey reflects $271 billion in need for the United States as a whole, of which Maryland's needs are $9.9 billion. This reflects a national per capita need of $868. The top jurisdictions in terms of per capita need are as follows: District of Columbia ($4,472), Guam ($2,497), New Jersey ($1,975), Rhode Island ($1,829), West Virginia ($1,756), Maryland ($1,693), New York ($1,609), Missouri ($1,598), and Hawaii ($1,564).

As shown in **Exhibit 12**, Maryland's needs are spread across seven categories, and the highest need is reflected in the stormwater management program. However, a couple of the larger categories can be combined, which gives the following breakdown of need: conveyance systems ($4.1 billion), stormwater management ($3.2 billion), secondary and advanced wastewater treatment ($2.3 billion), combined sewer overflow correction ($345 million), and recycled water distribution ($19 million).

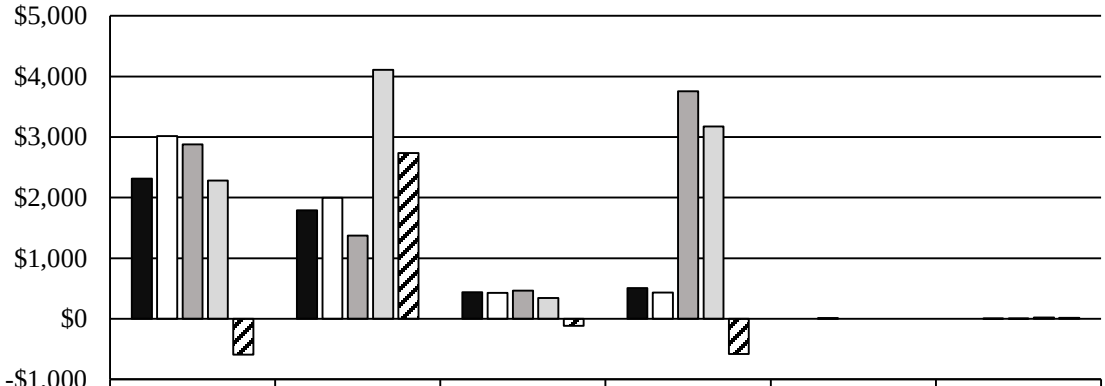
Exhibit 12
Maryland's 2012 Clean Water Needs Survey Responses
($ in Millions)

Category		Funding	Percent
I.	Secondary Wastewater Treatment	$997	10.0%
II.	Advanced Wastewater Treatment	1,286	13.0%
III.	Conveyance System Repair	2,492	25.1%
IV.	New Conveyance Systems	1,616	16.3%
V.	Combined Sewer Overflow Correction	345	3.5%
VI.	Stormwater Management Program	3,173	32.0%
X.	Recycled Water Distribution	19	0.2%
Total		**$9,928**	**100.0%**

Source: U.S. Environmental Protection Agency

Exhibit 13 reflects the changes in Maryland's Clean Water Needs Survey responses between the 2000 survey and the 2012 survey. In order to show comparable information, categories have been combined. The following changes can be seen between the 2008 and 2012 survey responses.

Exhibit 13
2000-2012 Clean Water Needs Survey
($ in Millions)



	Wastewater Treatment Plant Improvements	Wastewater Collection and Conveyance Improvements	Combined Sewer Overflow Correction	Stormwater Management Controls	Home Sewage Treatment System Improvements	Recycled Wastewater Distribution
2000	$2,311	$1,791	$440	$508	$0	$0
2004	3,016	1,994	430	431	8	1
2008	2,876	1,374	463	3,755	0	2
2012	2,283	4,108	345	3,173	0	19
Difference 2008-2012	-593	2,734	-118	-582	0	17

Source: U.S. Environmental Protection Agency

- **Wastewater Conveyance and Collection Systems –** There is a $2.7 billion increase in wastewater conveyance and collection systems funding needed. MDE notes that, in combination with combined sewer overflow correction, this reflects the need to address aging sewer infrastructure and new growth.

- **Stormwater Management Controls –** There is a $582 million decrease in stormwater management control funding needed. MDE notes that the 2008 survey may not be accurate and points out that there is a footnote that says "difficult to document needs." In contrast, the 2012 survey used WIP documentation to determine the need. MDE also notes that the $3.2 billion identified in the 2012 survey is still substantial.

- **Wastewater Treatment Plant Improvements –** There is a $593 million decrease in WWTP improvements funding needed. MDE notes that this reflects the upgrade of WWTPs to ENR technology through the BRF.

- **Combined Sewer Overflow Correction** – There is a $118 million decrease in combined sewer overflow correction funding needed. However, when combined with wastewater conveyance and collection systems, there is an overall increase in need that reflects aging sewer infrastructure and new growth.

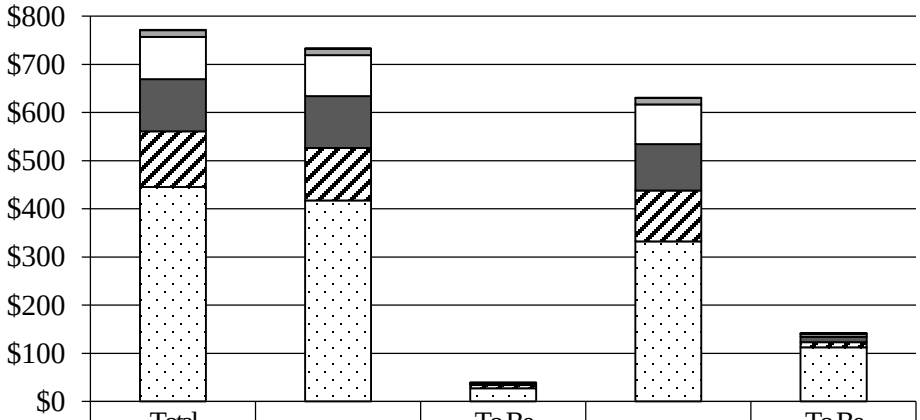
2. Supplemental Assistance Program Project Update

The fiscal 2015 authorization of $5,864,000 in GO bonds for the Supplemental Assistance Program included the restriction of $550,000 for a grant to the Town of Federalsburg for the design and construction of improvements to the Town of Federalsburg Railroad Avenue Combined Sewer Overflow Removal and Water Main Replacement Project. MDE notes that the project is completed and is in the close-out phase.

Encumbrances and Expenditures

Exhibit 14 reflects the encumbrance and expenditure levels for the BNR, Supplemental Assistance, Septic System Upgrade, Water Supply Financial Assistance, Hazardous Substance Clean-Up, and Mining Remediation programs. In general, the exhibit reflects expenditure levels being proportionate to the total authorization for the program, with the exception of the BNR program. The largest authorization reflected is for the BNR Program, which has $445.4 million authorized. Of this amount, $27.6 million remains to be encumbered, although the department's project list for the current fiscal year reflects full utilization and encumbrance of these funds in fiscal 2016. The $112.6 million that remains to be expended typically reflects the delays in reimbursement requests from local governments that are responsible for project procurement and implementation.

Exhibit 14
Non-BRF Programs
Encumbrances and Expenditures
Program Inception through February 2016
($ in Millions)



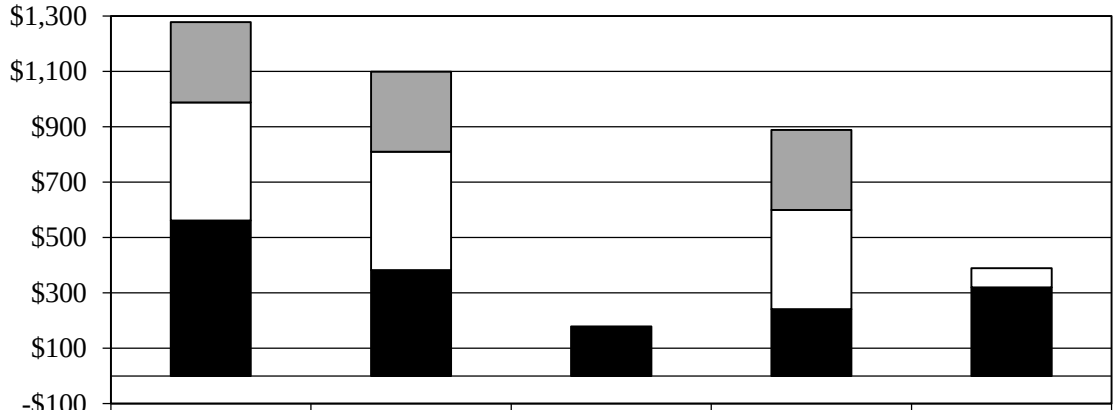
	Total Authorized	Encumbered	To Be Encumbered	Expended	To Be Expended
Total	$771.9	$733.0	$38.8	$630.4	$141.5
Mining Remediation Program	1.0	0.8	0.2	0.3	0.7
Hazardous Substance Clean-Up Program	13.8	13.2	0.6	13.0	0.8
Water Supply Financial Assistance	87.8	85.0	2.8	82.3	5.5
Septic System Upgrade	108.3	107.6	0.8	96.9	11.5
Supplemental Assistance	115.5	108.7	6.8	105.1	10.4
Biological Nutrient Removal	445.4	417.8	27.6	332.8	112.6

BRF: Bay Restoration Fund

Source: Maryland Department of the Environment

Exhibit 15 reflects the encumbrances and expenditures for the BRF – Wastewater Projects. The overall authorization is $1.3 billion, of which $178.8 million remains to be encumbered, and $389.2 million still remains to be expended. However, the entirety of the amount to be encumbered and the majority of the amount to be expended reflect MDE's authorization of $530.0 million in revenue bonds. MDE's plan is to hold the revenue bond issuances until the very end of the financing period. Since the revenue bonds will require debt service payments once they are issued, that will reduce available cash for reimbursement payments. To date, $330.0 million in revenue bonds have been issued – $50.0 million in fiscal 2008, $100.0 million in fiscal 2014, and $180.0 million in fiscal 2016 – based on cash flow needs for project reimbursements and MDE plans on issuing $100.0 million in fiscal 2017 in order to fund the approximately $1.25 billion cost of upgrading the 67 major WWTPs to ENR technology. Although only $330.0 million of the revenue bond authorization has been issued, MDE reflects the encumbrance or obligation of $383.0 million in authorization for projects in anticipation that the revenue bonds will be issued within the next couple of years. Due to the doubling of the BRF fee and project scheduling, the plan is to withdraw $100.0 million of revenue bond authorization in the fiscal 2018 budget.

Exhibit 15
Bay Restoration Fund – Wastewater Projects
Encumbrances and Expenditures
Program Inception through February 2016
($ in Millions)



	Total Authorization	Encumbered	To Be Encumbered	Expended	To Be Expended
Total	$1,278.5	$1,099.7	$178.8	$889.3	$389.2
GO Bonds	290.0	290.0	0.0	290.0	0.0
Special Funds	426.7	426.7	0.0	357.5	69.2
Revenue Bonds	561.8	383.0	178.8	241.8	320.0

GO: general obligation

Source: Maryland Department of the Environment

Programs Removed from the *Capital Improvement Program*

The Supplemental Assistance Program receives no funding in fiscal 2017 as the applicable projects have been funded through the BRF – Wastewater Projects program. This is reflected as a reduction of $4.2 million in GO bonds between fiscal 2016 and 2017 and further discussion is reflected in **Exhibit 16**.

Exhibit 16
Programs Removed from the *Capital Improvement Program*
Fiscal 2017

Project	Description	Reason for Removal
Supplemental Assistance Program	Provides grant assistance up to 87.5% of eligible costs for sewer projects and 25.0% of the BNR project costs for small, lower-income jurisdictions needing subsidies for planning, designing, and constructing WWTP improvements; for connection of older communities with failing septic systems; for correction of CSOs and SSOs; and for correction of excessive infiltration and inflow throughout the State.	Replaced by the expansion of eligible uses by the Bay Restoration Fund via Chapter 153 of 2015 and therefore there is no impact to MDE's capital programs.

BNR: Biological Nutrient Removal Program
CSO: combined sewer overflow
MDE: Maryland Department of the Environment
SSO: sanitary sewer overflow
WWTP: wastewater treatment plants

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

PAYGO Recommended Actions

1. Add the following language to the special fund appropriation:

   , provided that $100,000 of this appropriation made for the purpose of providing grants to water and wastewater treatment plant owners to develop energy efficient and resilient projects shall be restricted pending the submission of two reports. The first report shall be submitted by July 1, 2016, and specify the qualitative and quantitative criteria that will be used to evaluate and select projects to be funded by the Energy-Water Infrastructure Program under both the $1,000,000 per project allocation for energy efficient equipment and the $3,000,000 per project allocation for combined heat and power projects. The second report shall be submitted by January 1, 2017, and provide the following for each project selected for funding:

   (1) an energy use baseline;

   (2) a 20% energy reduction target;

   (3) the expected payback period for the energy efficient equipment or combined heat and power project as if the project were to be funded as an energy performance contract; and

   (4) the expected amount and timing of the modification of any user rates associated with the entity receiving funding as a result of the energy efficient equipment or combined heat and power project funded.

   The budget committees shall have 45 days to review and comment. Funding shall be released in $50,000 increments pending submission of each report. Funds restricted pending the receipt of the reports may not be transferred by budget amendment or otherwise to any other purpose and shall be cancelled if the reports are not submitted to the budget committees.

   Explanation: The fiscal 2017 allowance includes a $16,200,000 special fund appropriation for the new one-time Energy-Water Infrastructure Program pay-as-you-go capital program. This budget bill language restricts $100,000 of the funding pending the submission of reports on the criteria for the allocation of the Energy-Water Infrastructure Program funding and the actual allocation of funding including energy efficiency benchmarks and expected outcomes, including any user rate modifications.

Information Request	Author	Due Date
Report on the criteria for the allocation of Energy-Water Infrastructure Program funding	Maryland Department of the Environment (MDE)	July 1, 2016
Report on the actual allocation of Energy-Water Infrastructure Program funding, energy efficiency benchmarks, and user rate modifications	MDE	January 1, 2017

2. Concur with Governor's allowance of $89,248,000 in special funds and $33,960,000 in federal funds for the Water Quality Revolving Loan Fund.

3. Concur with Governor's allowance of $200,000 in general funds for the Hazardous Substance Clean-Up Program.

4. Concur with Governor's allowance of $10,638,000 in special funds and $10,359,000 in federal funds for the Drinking Water Revolving Loan Fund.

5. Concur with Governor's allowance of $80,000,000 in special funds for the Bay Restoration Fund – Wastewater Projects.

6. Concur with Governor's allowance of $14,000,000 in special funds for the Bay Restoration Fund – Septic Systems.

GO Bond Recommended Actions

1. Approve the Biological Nutrient Removal Program $25,000,000 general obligation bond authorization to provide funds to the Water Pollution Control Fund for projects to remove nutrients from discharges at publicly owned sewage treatment works.

2. Delete the Drinking Water Revolving Loan Fund authorization.

UA01B Maryland Drinking Water Revolving Loan Fund..... $ 0

Allowance	Change	Authorization
3,003,000	-3,003,000	0

Explanation: Delete the Drinking Water Revolving Loan Fund authorization of $3,003,000 in general obligation bonds. This funding reflects the match to the federal capitalization funding. The Governor should provide general funds in a supplemental budget which will avoid the need to issue taxable general obligation bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of general obligation bonds to support programs that cannot be funded with tax-exempt financing and instead should use general funds.

3. Delete the Water Quality Revolving Loan Fund authorization.

UA01C Maryland Water Quality Revolving Loan Fund ..... $ 0

Allowance	Change	Authorization
6,792,000	-6,792,000	0

Explanation: Delete the Water Quality Revolving Loan Fund authorization of $6,792,000 in general obligation bonds. This funding reflects the match to the federal capitalization funding. The Governor should provide general funds in a supplemental budget which will avoid the need to issue taxable general obligation bonds. Consistent with the recommendation of the Spending Affordability Committee, the State should end the use of general obligation bonds to support programs that cannot be funded with tax-exempt financing and instead should use general funds.

4. Approve the Mining Remediation Program authorization of $500,000 in general obligation bonds to design, construct, and equip active and passive measures to remediate damage to water quality related to abandoned mining operations.

5. Approve the Water Supply Financial Assistance Program authorization of $2,480,000 in general obligation bonds to provide assistance to State and local government entities to acquire, design, construct, rehabilitate, equip, and improve water supply facilities.

Total General Obligation Bonds Reduction **$9,795,000**

2016 Session
Capital Budget Overview

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

March 2016

For further information contact: Matthew D. Klein Phone: (410) 946-5530

Summary of Issues

Department of State Police Capital Program Concerns: The Department of State Police (DSP) operates 23 barracks in addition to many other support facilities throughout the State. The average age of the department's buildings, many of which were constructed to serve a smaller population, is 39 years. According to DSP, the large number of buildings within its facility complement, combined with recent fiscal constraints, have contributed to difficulties with properly maintaining the aging facilities and infrastructure. This, along with long-term vacancies within the department's capital program, has resulted in a neglected and relatively stagnant capital program. **The Department of Legislative Services (DLS) recommends adding committee narrative requiring DSP to complete an updated facility master plan.**

Summary of Updates

Construction Process Review: The 2015 *Joint Chairman's Report* (JCR) included narrative directing the Department of Budget and Management (DBM), the Department of General Services (DGS), and the University System of Maryland (USM) to report on the State's abilities and effectiveness in managing capital construction projects. The report draws heavily from a report provided in 2008, the *2008 Alpha Corporation* report, which found that DGS and USM utilized different processes and procedures for managing projects, and both performed well and effectively utilized State resources. Specifically, the report found that DGS and USM had adequate policies and procedures in place, were effectively managing project schedules, and effectively minimized disputes and delays.

Summary of Recommended Bond Actions

		Funds
1.	New Cumberland Barrack and Garage	$550,000 GO
	Add funds to design a new barrack and garage facility in Cumberland.	
2.	New Cumberland Barrack and Garage	
	Adopt narrative directing the Department of State Police to develop and submit an updated facilities master plan.	
3.	SECTION 2 – Historic St. Mary's City Commission – Maryland Heritage Interpretive Center	
	Approve language extending fund termination date.	

4. SECTION 2 – Department of Labor, Licensing, and Regulation – 1100 North Eutaw Street Elevator Replacement

   Approve partial de-authorization of funds not needed to complete the project.

   Total Additions **$550,000**

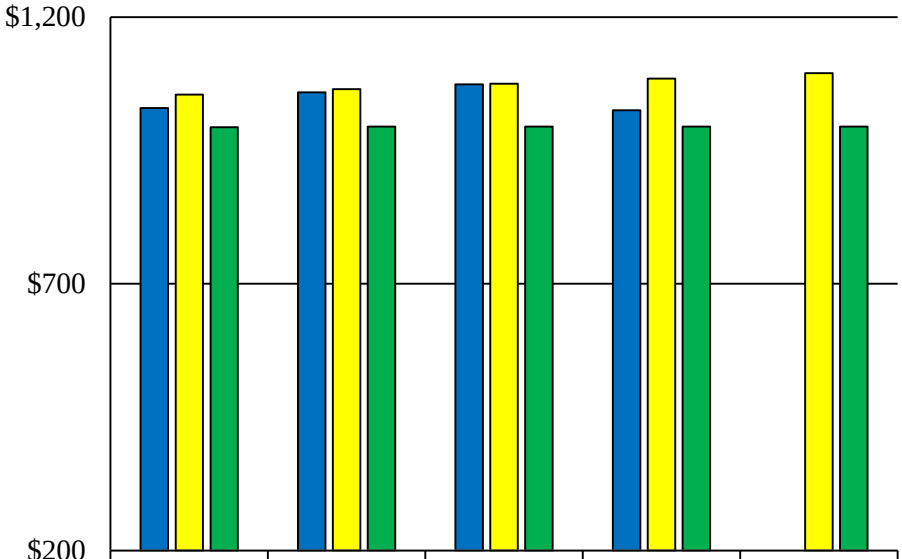
Budget Overview

Reduced General Obligation Bond Authorization Levels

New general obligation (GO) bond authorizations for the 2016 session total $1.002 billion, comprised of $993.8 million in new authorizations and $8.6 million in the reprogramming of de-authorizations proposed in the bill. As shown in **Exhibit 1**, the Governor's planned level of new GO bond authorizations are below the levels established by the Spending Affordability Committee (SAC) and below the levels forecast in the 2015 session *Capital Improvement Program* (CIP). Over the five-year plan, the Governor's proposal removes $209.0 million of planned new GO bond authorizations from what was forecast in the 2015 CIP for the four years that the two plans overlap, and $401.0 million below what SAC recommended in its December 2015 interim report (where it recommended limiting the growth in new GO bond authorizations at 1% annually based off of the $1.045 billion authorized in the 2015 session).

Additional debt authorizations include $24.5 million of Academic Revenue Bonds for USM projects, which is $30.0 million under what was authorized last session. The decrease results from language added to Chapter 471 of 2015 that increased authorization levels by $20.0 million above what was programmed for fiscal 2016, for a total of $54.5 million, to support the funding plan for the New Bioengineering Building at the University of Maryland, College Park (UMCP). The language stipulated that the additional $20.0 million authorized in fiscal 2016 should be deducted from authorization levels programmed in the 2015 session CIP for fiscal 2017 and 2018 by $10.0 million each, thereby keeping the total amount of academic debt authorizations for the five-year CIP planning level consistent with what was programmed in the 2015 session CIP. The budget also includes $4.7 million of Qualified Zone Academy Bonds (QZAB) for QZAB-qualified K-12 capital-eligible projects in accordance with the criteria established under the Aging Schools Program. **Exhibit 2** illustrates the GO bond distribution.

Exhibit 1
New General Obligation Bond Authorization Levels
2015 Spending Affordability Recommendation –
2015 and 2016 Governor's *Capital Improvement Programs*
2016-2020 Sessions
($ in Millions)

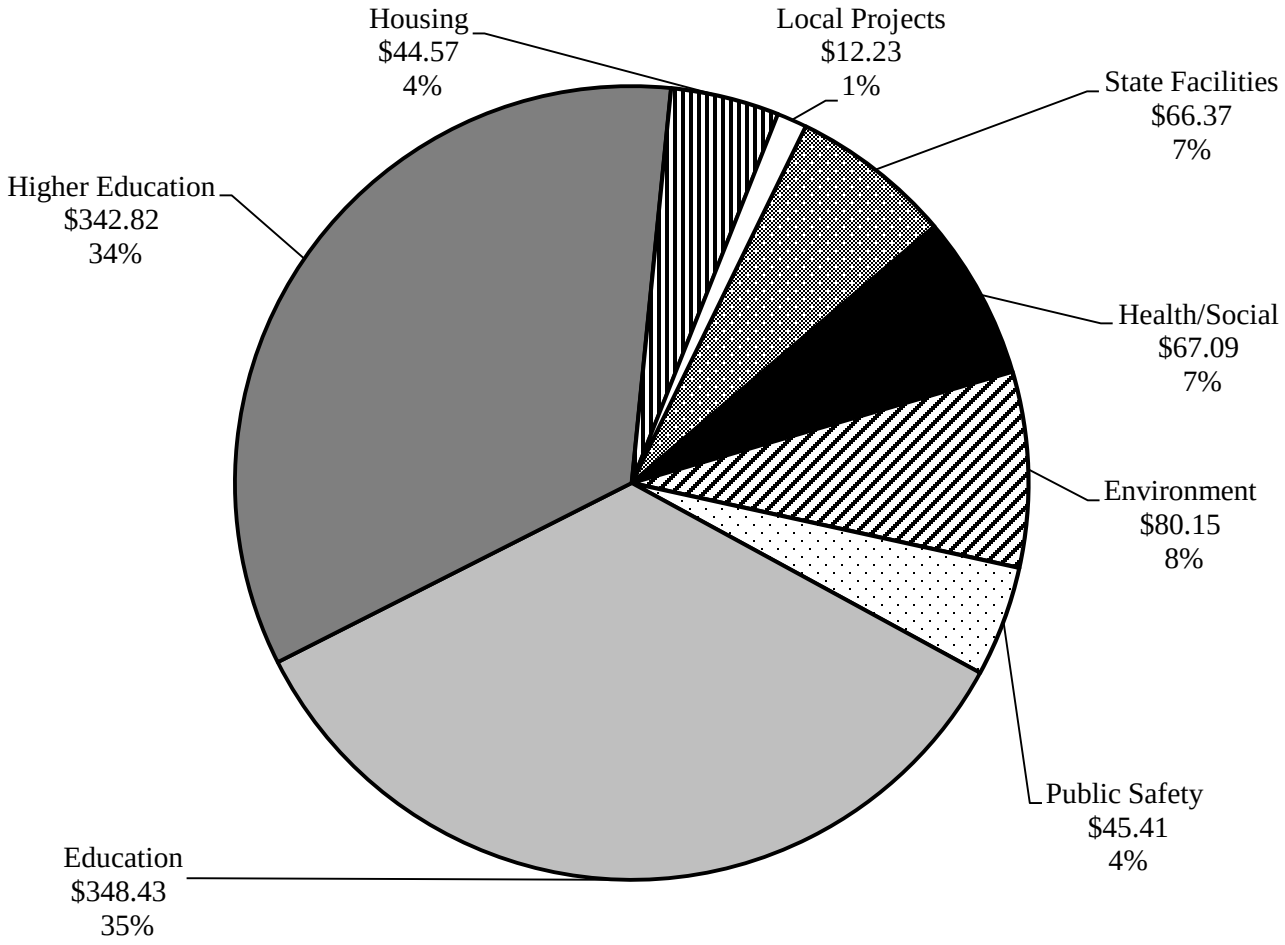


	2016 Session	2017 Session	2018 Session	2019 Session	2020 Session
Governor's 2015 CIP 2016-2019	$1,029.4	$1,059.3	$1,073.9	$1,025.3	
SAC 2016-2020	1,055.0	1,065.0	1,075.0	1,085.0	1,095.0
Governor's 2016 CIP 2016-2020	993.8	995.0	995.0	995.0	995.0

CIP: *Capital Improvement Program*
SAC: Spending Affordability Committee

Source: Department of Budget and Management; *Capital Improvement Program*, January 2015 and January 2016; Spending Affordability Committee Report, December 2015

Exhibit 2
GO Bond, QZAB, and ARB Distribution
($ in Millions)



ARB: Academic Revenue Bond
GO: general obligation
QZAB: Qualified Zone Academy Bond

Source: Department of Budget and Management

Top bond funded programs/projects are shown in **Exhibit 3**.

Exhibit 3
Top General Obligation/Revenue Bond Funded Programs and Projects
Fiscal 2017
($ in Millions)

Project Title	GO Bond	Revenue	Total Funds
BPW: Public School Construction Program	$280.0	$0.0	$280.0
UMB: Health Sciences Research Facility III and Surge Building	81.0	0.0	81.0
UMCP: A. James Clark Hall – New Bioengineering Building	62.5	7.5	70.0
MHEC: Community College Facilities Grant Program	59.4	0.0	59.4
MSU: New Behavioral and Social Sciences Center	35.7	0.0	35.7
BSU: New Natural Sciences Center	31.5	0.0	31.5
BPW: New Catonsville District Court	28.5	0.0	28.5
MISC: Prince George's Hospital System	27.5	0.0	27.5
UMCP: Brendan Iribe Center for Computer Science and Innovation	27.0	0.0	27.0
MSDE: State Library Resource Center	26.4	0.0	26.4
MDE: Biological Nutrient Removal Program	25.0	0.0	25.0
MES: Infrastructure Improvement Fund	24.8	0.0	24.8
BPW: Supplemental Capital Grant Program for Local School Systems	20.0	0.0	20.0
DPSCS: New Baltimore Justice Center	18.3	0.0	18.3
USMO: Capital Facilities Renewal Program	0.0	17.0	17.0
DPSCS: Demolition of Buildings at the Baltimore City Correctional Complex	16.6	0.0	16.6
DJS: New Female Detention Center	15.2	0.0	15.2
DoIT: Public Safety Communications System	15.0	0.0	15.0
BPW: Facilities Renewal Fund	15.0	0.0	15.0
DHCD: Rental Housing Program	10.0	0.0	10.0
Subtotal Top Funded Programs and Projects	***$819.3***	***$24.5***	***$843.8***
Subtotal Other Funded Programs and Projects	***$187.8***	***$0.0***	***$187.8***
Total	**$1,007.1**	**$24.5**	**$1,031.6**
De-authorizations as Introduced	**-$8.6**	**$0.0**	**-$8.6**
Grand Total New Funding	**$998.4**	**$24.5**	**$1,022.9**

BPW: Board of Public Works
BSU: Bowie State University
DHCD: Department of Housing and Community Development
DJS: Department of Juvenile Services
DoIT: Department of Information Technology
DPSCS: Department of Public Safety and Correctional Services
GO: general obligation
MDE: Maryland Department of the Environment
MES: Maryland Environmental Services
MHEC: Maryland Higher Education Commission
MISC: Miscellaneous
MSDE: Maryland State Department of Education
MSU: Morgan State University
UMB: University of Maryland, Baltimore
UMCP: University of Maryland, College Park
USMO: University System of Maryland Office

Note: GO bond figures include $4.67 million of Qualified Zone Academy Bonds not counted under the limit for new GO bond authorizations for the 2016 session.

Source: Department of Budget and Management

Issues

1. Department of State Police Capital Program Concerns

DSP operates 23 barracks in addition to many other support facilities throughout the State. The average age of the department's buildings, many of which were constructed to serve a smaller population, is 39 years. According to DSP, the large number of buildings within its facility complement, combined with recent fiscal constraints, have contributed to difficulties with properly maintaining the aging facilities and infrastructure. This, along with long-term vacancies within the department's capital program, has resulted in a neglected and relatively stagnant capital program.

DSP Lacks Capital Staff and an Updated Facilities Master Plan

DSP has a difficult time filling vacant civilian positions once they occur due to hiring freezes and other obstacles to overcome in the hiring process. This means that once a position is vacant, there can be an extensive amount of time before a replacement is hired. The department has only 1 position within its personnel complement dedicated to capital projects for all 23 barracks and other support facilities. DSP has had that capital project manager position frozen since July 2013 and just received approval to begin recruitment in February 2016. This vacancy has meant that there is no position within the department solely responsible for monitoring capital needs and activities.

In terms of facility maintenance, the agency's needs include improved roads, parking lots, sidewalks, and utility upgrades. There are currently 15 projects in the DGS backlog project file for both capital and operating maintenance, with some of the project requests dating as far back as 1990. In addition, according to the department, certain facilities have deteriorated to the point where repair is no longer an option, and the facility must be replaced. The true capital need, outside of the facility maintenance requests, is largely unknown because DSP has not updated its facility master plan since 2008.

Reopening the Annapolis Barrack

Despite the significant backlog of existing facility maintenance projects, the fiscal 2017 allowance includes $2.45 million in the State's Facilities Renewal Fund to reopen Barrack J in Annapolis. This project had not been previously included in the department's facility maintenance request.

The Annapolis Barrack reopened in November 2015 after closing in July 2008 due to cost containment. Functionally, the Annapolis Barrack merged with the Glen Burnie Barrack to provide a single base of operations in Glen Burnie. The building was vacated by DSP and operated by DGS. Most recently, the facility had been used by the public works department for the city of Annapolis. The reopening of the facility for DSP use will allow response and prisoner transport times from southern Anne Arundel County to be reduced by half.

To date, approximately $650,000 has been spent on minor renovations and start-up costs to improve the facility to the point of partial operations. These funds have been budgeted within the DSP and DGS budgets, as DGS has been the lead agency to perform the mostly cosmetic improvements. A building assessment, completed in January 2016, has determined that additional renovation of the facility is required, including a new roof; heating, ventilation, and air conditioning (HVAC); electrical upgrades; wireless and other information technology/connectivity improvements; and Americans with Disabilities Act accessibility upgrades. According to DSP, the estimated cost of the improvements identified by the assessment is approximately $706,000.

Currently, the Annapolis Barrack is staffed with 13 sworn troopers (5 sergeants and 8 patrol troopers). The Gang Unit (6 troopers) is scheduled to move into the barrack; however, the move is pending completion of work on HVAC and Internet connectivity. The CRASH Team is also expected to occupy office space on the third floor of the barrack. By the end of calendar 2016, the barrack will be staffed by 1 first sergeant, 5 sergeants, and 15 patrol troopers. The department's goal is to have it staffed with 1 lieutenant, 1 first sergeant, 5 sergeants, 5 corporals, 15 patrol troopers, and an administrative aide by the end of calendar 2017. Excluding personnel costs, the estimated operating cost for the facility in fiscal 2017 is $130,000.

Cumberland Barrack

The only project for DSP in the Governor's 2016 five-year CIP is a replacement for Barrack C in Cumberland. The project specifically includes a replacement barrack, garage, and radio tower on the site of the existing Cumberland Barrack. The CIP plans for $550,000 in GO bonds in fiscal 2018 to begin design, with additional construction funding planned for fiscal 2019 and 2020. The total estimated cost of the project is slightly less than $10 million.

The current facility was constructed in 1956 as a combined residence and operations center for 10 to 20 troopers. The age, high operating costs, and size of the facility are barriers to achieving the barrack's mission. There are now 50 troopers and 15 civilian employees assigned to the barrack. The current building is almost 60 years old, obsolete, and poorly configured to meet modern law enforcement requirements. The multi-floor configuration of the existing barrack (which does not have

an elevator) has led to slip and fall injuries by prisoners and employees. The configuration of cells and prisoner processing areas violates State laws and regulations that require the separation of juveniles and adults. In addition, the fact that prisoners are processed in the basement of the facility presents concerns for prisoner and officer safety.

The general design of the new facility will be similar to the barracks in La Plata, North East, and Easton and will include a garage for vehicle maintenance. The new design will comply with all applicable State and federal laws.

Recommendation

Replacing the Cumberland Barrack has been programmed in the department's capital plan for nearly 15 years but continues to be deferred for other budget priorities. Although the fiscal 2018 design funding for the project does not reflect a change from the 2015 CIP, the Administration has opted to fund renovation of the Annapolis Barrack in fiscal 2017 as opposed to accelerating the replacement of the deteriorating facility in Cumberland.

DLS recommends adding $550,000 in GO bond funding to the fiscal 2017 capital budget to allow DSP to begin design for a new Cumberland Barrack, as the existing condition of this facility warrants that project being a primary priority. In addition, DLS recommends DSP develop and submit an updated facilities master plan in order to better understand the department's overall capital plan.

Updates

1. Construction Process Review

The 2015 JCR included narrative directing DBM, DGS, and USM to report on the State's abilities and effectiveness in managing capital construction projects. The report draws heavily from a report provided in 2008, the *2008 Alpha Corporation* report, which found that DGS and USM utilize different processes and procedures for managing projects, and both performed well and effectively utilized State resources. Specifically, the report found that both DGS and USM had adequate policies and procedures in place, were effectively managing project schedules, and effectively minimized disputes and delays.

Since the publication of the *Alpha* report, DGS and USM have continued to utilize the same basic processes and procedures. Focusing exclusively on construction-related costs since cost overruns are almost entirely confined to the construction phase of projects, the new report found that the data provided demonstrates once again strong performance by DGS and USM in effectively managing projects and State resources.

DGS and USM generally employ similar processes and procedures for project oversight, documentation, inspections, and change orders. The primary differences are mostly attributable to the different types of projects undertaken and the background and expertise of their respective staffs. With

respect to project construction management delivery methods, DGS generally uses the conventional design/bid/build process and manages projects that often entail buildings that will be utilized for traditional office tasks or secure detention. USM, however, tends to have more complex and expensive projects and tends to use construction management at risk project delivery. Although different project delivery methods are traditionally used by the two agencies, both have developed familiarity and expertise in using their preferred method that enables both agencies to effectively manage projects within budget. Moreover, the report also finds that although both agencies tend to use different project delivery methods, the difference is not indicative of any one method performing better than the other and generally points to the types of projects undertaken and the experience of the staff.

Based on the data, DGS undertook 32 projects and cumulatively was under budget by $6.3 million. The USM cost center at the University of Maryland, Baltimore undertook 30 projects that were cumulatively $13.1 million under budget. The USM cost center at UMCP undertook 20 projects included in the CIP that were cumulatively $31.3 million under budget and an additional 153 projects not included in the CIP that were cumulatively $60.5 million under budget. Some of the general findings include:

- Overall, the data demonstrates that most projects undertaken are completed at or below budget and that cost overruns are generally isolated and have unique and isolated circumstances and there does not appear to be any trend indicative of poor performance that would suggest specific changes in procedures are necessary.

- Both DGS and USM believe that existing processes and procedures are working effectively as evidenced by the majority of projects completed on time and under budget.

Although the report concludes that both DGS and USM are performing well, both offered some suggestions to improve overall efficiency.

Suggestions for USM

- Streamline the process for Board of Public Works (BPW) contracts.

- Improve the Minority Business Enterprise (MBE) process including accepting MBE reciprocity from federal government and other Maryland jurisdictions and states, and classifying MBE vendors by the size of projects the vendors are able to perform.

Suggestions for DGS

- Increase the procurement authority threshold requiring BPW approval from the current $200,000 threshold to the $500,000 threshold for USM and other independent procurement agencies.

- Address impending staff vacancies in the DGS design and construction office.

- Address regulatory reform to create an expedited review process with the various State agencies including but not limited to the State Highway Administration, the Maryland Department of the Environment, the Department of Natural Resources, and the Maryland Historical Trust to aid in decreasing the amount of time to complete State construction projects.

Significant Funding or Scope Changes to Projects in the Capital Improvement Program

GO Bond Projects – Program Changes in CIP
Fiscal 2017

Project/Program	Planned	Proposed	Purpose
Agriculture – Salisbury Animal Health Laboratory Replacement	$0.0	$0.8	Project was not in previous five-year *Capital Improvement Program* (CIP) accelerated for health, life, or safety issues.
Environment – Biological Nutrient Removal Program	33.5	25.0	Funding based on cash flow needs of Back River project.
Environment – Supplemental Assistance Program	5.0	0.0	Program has been deleted from the CIP – other programs can meet needs previously addressed by Supplemental Assistance Program.
Department of Health and Mental Hygiene (DHMH) – SETT Facility	7.6	0.0	Project scope and location are under review – project is moved back in the CIP.
DHMH – Clifton T. Perkins Hospital Center North Wing Renovation	0.9	0.0	Moved back in the CIP.
Department of Housing and Community Development (DHCD) – Baltimore Regional Neighborhood Initiative	0.0	1.5	No funding planned in the CIP – program has been funded since fiscal 2012.
DHCD – Rental Housing Program	0.0	10.0	No funding planned in the CIP – program has been funded since fiscal 2012.
Department of Information Technology – Public Safety Communication System	28.5	15.0	Project completion has been stretched through fiscal 2020.
Department Juvenile Services (DJS) – New Female Detention Center	30.5	15.2	Revised project schedule moves more funding into fiscal 2018 and 2019.
DJS – Cheltenham Youth Facility	3.1	0.0	No longer planned in five-year CIP.
Military – Easton Readiness Center	2.0	0.0	State funding programmed in fiscal 2018.

Project/Program	Planned	Proposed	Purpose
Military – Have de Grace Combined Support Maintenance Shop	1.7	0.0	State funding programmed in fiscal 2018 and 2019.
Morgan State University – New Student Service Support Building	4.5	0.0	Planning is programmed in the five-year CIP for fiscal 2018 and 2019.
Department of Natural Resources (DNR) – Natural Resources Development Fund	6.4	0.0	Budget provides additional special funds over what was programmed to partially make up the difference.
DNR – Critical Maintenance Projects	2.0	0.0	Budget provides additional special funds over what was programmed to make up difference.
Maryland Department of Planning (MDP) – Patterson Center Renovations	3.4	0.3	Provides funds to complete design with construction moved to fiscal 2019 and 2020.
MDP – African American Heritage Preservation Program	0.0	1.0	Legislative mandate from 2015 session legislation.
Department of Public Safety and Correctional Services (DPSCS) – Baltimore Justice Center	0.0	18.3	New project in the five-year CIP.
DPSCS – Baltimore City Detention Center Demolition	0.0	15.6	New project in the five-year CIP.
Public School Construction (PSC)	250.0	280.0	Proposed fiscal 2017 funding at same level as fiscal 2016.
PSC – Supplemental Capital Grant Program for Local School Systems	0.0	20.0	Legislative mandate from 2015 session legislation
PSC – Qualified Zone Academy Bond	0.0	4.7	Federal program reauthorized.
Department of General Services – Annapolis Post Office Renovation	5.1	0.8	Construction phased over fiscal 2017 and 2018.
University of Maryland, Baltimore – Central Electrical Substation	0.0	5.0	New project to the CIP.
University of Maryland, College Park (UMCP) – Clark Engineering Building	45.4	62.5	Project schedule accelerated.
UMCP – Iribe Computer Science Building	0.0	27.0	Project schedule accelerated.
UMCP – New Cole Field House	0.0	3.0	State funding support accelerated.
Coppin State University – Percy Julian School of Business	1.3	0.0	Initial design funding deferred to fiscal 2019.
Salisbury University – Sea Gull Stadium Turf Field	0.0	0.7	New project to the CIP.

Project/Program	Planned	Proposed	Purpose
University of Maryland, Baltimore County – Interdisciplinary Life Sciences Building	8.3	2.6	Fiscal 2017 completes design but defers initial construction funding to fiscal 2018.
University System of Maryland Office (USMO) – Shady Grove Biomedical Sciences Education Facility	72.0	0.0	Construction funding deferred to fiscal 2020 and 2021.
USMO – Southern Maryland Regional Higher Education Facility	0.0	3.1	Funding proposed to complete design phase in fiscal 2017 with construction scheduled for fiscal 2019 and 2020.
Legislative Initiative Grants	15.0	0.0	No funding proposed in the five-year CIP.
Prince George's County Regional Hospital System	45.0	27.5	Funding reduced in fiscal 2017 and deferred to fiscal 2018 through 2020 based on project schedule.

GO: general obligation
SETT: Secure Evaluation and Therapeutic Treatment

Source: 2015 and 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Add funds to design a new Barrack and Garage Facility in Cumberland.

WA01	New Cumberland Barrack and Garage	$ 550,000

Add the following language:

WA01 DEPARTMENT OF STATE POLICE

(A)	New Cumberland Barrack and Garage. Provide funds to design a new Cumberland Barrack and Garage (Allegany County)	550,000

Allowance	**Change**	**Authorization**
0	550,000	550,000

Explanation: Funding is added to begin design of a new Department of State Police barrack and garage facilities to replace the existing obsolete and deteriorating facilities in Cumberland. The project has been in the department's capital plan for nearly 15 years but has been deferred on multiple occasions for other competing budget priorities. The existing facility is 60 years old and poses significant health and life safety issues, in addition to violating State laws and regulations that require separation of adult and juvenile offenders. As such, the General Assembly recognizes the need for a new facility as a primary priority for the department.

2. Adopt narrative directing the Department of State Police to develop and submit an updated facilities master plan.

Department of State Police Facilities Master Plan: Most capital construction results from the need to accommodate people, modernize or replace facilities, or provide space for services or programs. Therefore, facilities master plans are provided by State agencies every five years to the Department of Budget and Management (DBM) to present information on each of these subjects. The plans evaluate current conditions and projected needs, develop proposals for addressing deficiencies, and present a recommendation which will enable the State agency to meet its goals over the timeframe of the plan. DBM provides Guidelines for Submission of a Facilities Master Plan to State agencies. The Department of State Police has not provided an updated facilities master plan to DBM per the five-year schedule. It is the intent of the General Assembly that the department provide an updated facilities master plan to DBM by June 1, 2017.

Information Request	Author	Due Date
Facilities master plan	Department of State Police	June 1, 2017

3. Approve language extending the fund termination date for Historic St. Mary's Commission Maryland Heritage Interpretive Center to June 1, 2018.

4. Approve partial de-authorization of funds not needed to complete facility upgrades at the William Donald Schaefer Tower.

Total Additions **$550,000**

DA0201
Department of Disabilities

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Accessibilities Modifications	$1.600	$1.600	$0.750	$1.600	$1.600	$1.600	$1.600
Total	**$1.600**	**$1.600**	**$0.750**	**$1.600**	**$1.600**	**$1.600**	**$1.600**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds	$1.600	$1.600	$0.750	$1.600	$1.600	$1.600	$1.600
Total	**$1.600**	**$1.600**	**$0.750**	**$1.600**	**$1.600**	**$1.600**	**$1.600**

GO: general obligation

Summary of Recommended Bond Actions

1. Accessibility Modifications

   Approve.

Program Description

The Accessibilities Modifications program, also known as Access Maryland and administered by the Maryland Department of Disabilities (MDOD), provides funds to eliminate architectural barriers in State-owned facilities and allows the State to move toward compliance with the federally mandated Americans with Disabilities Act (ADA) of 1990. The program helps to increase access to State programs, services, and employment opportunities and helps to reduce

the liability of the State for noncompliance with the ADA. Each year, MDOD requests projects for funding from State agencies and the public higher education institutions. The projects funded within this program are part of a long-term effort, and the program will require funding beyond the current *Capital Improvement Program* (CIP).

The fiscal 2017 capital budget includes $0.75 million in general obligation (GO) bonds to fund 12 projects at State-owned facilities throughout Maryland. With $0.4 million available in prior-year funds, total spending on projects is $1.2 million.

To receive funding in the allowance, agencies must have a transition plan on file with MDOD. As of February 2016, 15 agencies have transition plans on file. **Exhibit 1** lists each agency with transition plans on file and the total cost of their identified needs.

Exhibit 1
Maryland State Agency Transition Plans
February 2016
($ in Millions)

Agency	Transition Plan Value
University of Maryland, College Park	$22.400
University of Maryland Baltimore County	10.562
University of Maryland Eastern Shore	7.508
Towson State University	5.243
Morgan State University	4.775
University of Maryland, Baltimore	3.950
Department of Public Safety and Correctional Services	3.067
Coppin State University	2.924
Department of Natural Resources	1.436
Salisbury University	0.917
Bowie State University	0.778
DGS/BPW	0.250
Frostburg State University	0.160
St. Mary's College of Maryland	0.124
University of Baltimore	0.110
Total	**$64.204**

BPW: Board of Public Works
DGS: Department of General Services

Source: Maryland Department of Disabilities

Identified need totals $64.2 million, 93% of which is on public college campuses. The Department of Public Safety and Correctional Services has the most need of nonhigher education institutions, with $3.1 million. It should be noted that the funding needs shown in the exhibit are only the identified needs at those State agencies. It is likely that some have other modification needs that are not covered in its transition plan in addition to other State agencies that have not yet submitted transition plans.

Transition plans are revised and resubmitted to MDOD on a three-year cycle, and the current round of updates were due in January 2014 for funding in fiscal 2016 through 2018. Without an update, even agencies that were previously eligible for funding will no longer have access to Access Maryland. The program focuses solely on State-owned facilities, and rented space is not eligible.

Ten agencies have not submitted transition plans to MDOD. Those agencies are Baltimore City Community College, the Department of Juvenile Services, Maryland Public Television, the Maryland School for the Deaf, the Department of Agriculture, the Department of Housing and Community Development, the Maryland State Police, the Department of Veterans Affairs, the Department of Human Resources (DHR), and the Maryland State Department of Education. MDOD indicates that many of these agencies requested funding through Access Maryland in the past, but have not submitted transition plans since it became a requirement of the program. DHR has expressed interest in the program, but much of its space in need of modification is rented.

Projects receiving funding from this program must complete design within two years of receiving approval from the General Assembly to remain eligible for funding. In addition, starting in fiscal 2010, agencies were required to initiate construction within six months of design completion. These policies are intended to ensure that projects are completed in a timely manner. In the event that a project is declared ineligible, the agency is not relieved of the obligation to make the modification, just that the project will not be funded using Access Maryland funds. MDOD has no way to ensure the project is actually completed. However, for most State agencies, Access Maryland is the only source of funds for accessibility modifications.

Budget Overview

The proposed fiscal 2017 GO bond authorization totals $0.75 million. However, due to a program balance from lower than expected project costs in prior years, total spending in fiscal 2017 is estimated to be $1.2 million. The CIP programs $1.6 million annually for fiscal 2018 through 2021.

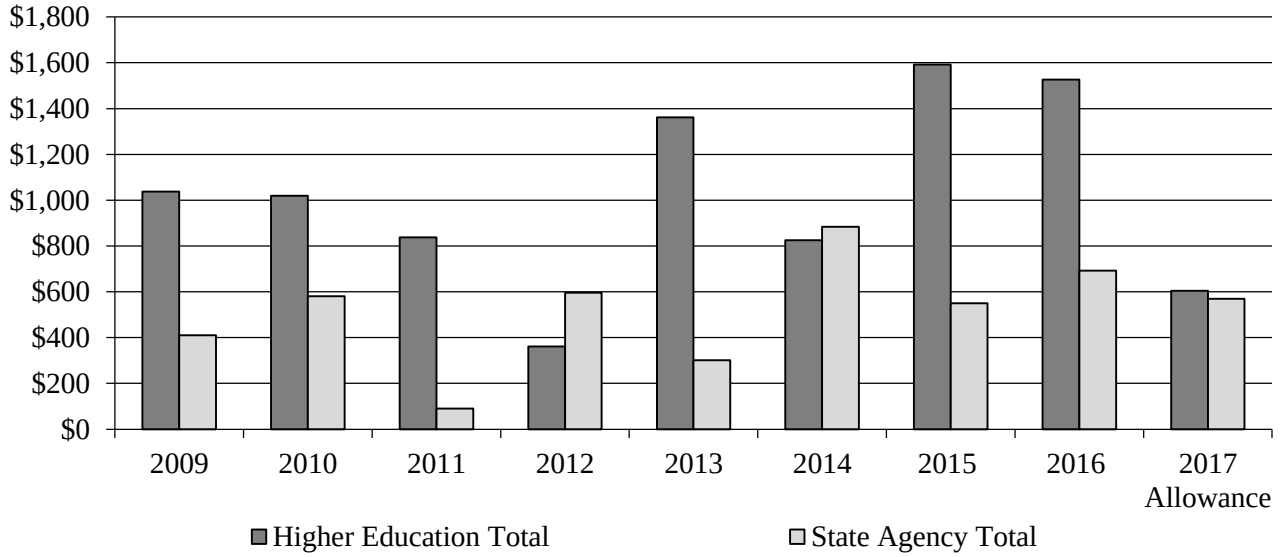
The eight projects included for funding in fiscal 2017 are comprised of five at higher education institutions (Salisbury University, the University of Maryland Baltimore County, the University of Maryland Eastern Shore, and St. Mary's College of Maryland), two at correctional facilities (Jessup Correctional Facility and Central Maryland Correctional Facility), and one at the Unicorn Fish Hatchery and Lake site. Projects in Access Maryland often receive funding over more than one fiscal year.

As of February 2016, nearly all funds authorized in fiscal 2015 and 2016 remain unencumbered. The total unencumbered balance is $3.5 million, with the majority from projects approved within two years that have not completed design. There are unencumbered funds from fiscal 2014 totaling $0.53 million. Most of the unencumbered balance from fiscal 2014 is due to projects that are still in design. These projects would need to complete design by the close of fiscal 2016. **MDOD should explain why some projects authorized in prior years are still in the design phase, focusing on why Access Maryland allows two years for design. Additionally, MDOD should comment on whether a design-build methodology would be more efficient.**

Higher Education Funding in Access Maryland

Higher education institutions have traditionally received the majority of funding under Access Maryland. In fiscal 2016, the University System of Maryland alone received $1.5 million. **Exhibit 2** shows that higher education received more funding than all other State agencies in each year since fiscal 2009, except for fiscal 2012 and 2014, and does so again in fiscal 2017. In fiscal 2017, the difference in programmed funding between higher education institutions and other State agencies is much smaller than in most prior years, although higher education institutions still receive 52% of all programmed funding.

Exhibit 2
Access Maryland Funding
Higher Educations Institutions Compared to All Other State Agencies
Fiscal 2009-2017



Source: Governor's Budget Books, Fiscal 2009-2016

GO Bond Recommended Actions

1. Approve.

Fiscal 2017 Projects

Subdivision	Agency	Project	Project Description	Estimated Cost	Prior Authorization	Fiscal 2017 Amount	Future Request	Total State Share (%)
Anne Arundel	DPSCS	Jessup Correctional Facility	Install accessible water fountains.	$42,000	$0	$42,000	$0	100.0%
Baltimore	UMBC	Campus Core	Improved accessibility for two academic buildings.	93,000	0	93,000	0	100.0%
Carroll	DPSCS	Central Maryland Correctional Facility	Install accessible bathroom/shower and wheelchair ramps.	499,920	59,920	440,000	0	100.0%
Queen Anne's	DNR	Unicorn Fish Hatchery and Lake Site	Install accessible fishing pier.	87,000	0	87,000	0	100.0%
Somerset	UMES	Student Services Center	Install accessible doors.	50,000	0	50,000	0	100.0%
St. Mary's	SMCM	Health and Counseling Center	Install accessible bathrooms.	40,000	0	40,000	0	100.0%
Wicomico	SU	Holloway Hall Main Wing Elevator	Install accessible elevator.	350,000	0	350,000	0	100.0%
Wicomico	SU	Holloway Hall North Entrance Ramp	Install entrance ramp.	72,000	0	72,000	0	100.0%
Statewide		Cash Flow and Available Funds Adjustment		-424,000		-424,000		100.0%
Total				**$809,920**	**$59,920**	**$750,000**	**$0**	

DNR: Department of Natural Resources
DPSCS: Department of Public Safety and Correctional Services
SMCM: St. Mary's College of Maryland
SU: Salisbury University
UMBC: University of Maryland Baltimore County
UMES: University of Maryland Eastern Shore

Source: Department of Disabilities

DA07
Department of Aging

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Senior Center Capital Grant Program	$0.000	$1.012	$1.680	$1.600	$1.600	$1.600	$1.600
Total	**$0.000**	**$1.012**	**$1.680**	**$1.600**	**$1.600**	**$1.600**	**$1.600**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds	$0.000	$1.012	$1.680	$1.600	$1.600	$1.600	$1.600
Total	**$0.000**	**$1.012**	**$1.680**	**$1.600**	**$1.600**	**$1.600**	**$1.600**

GO: general obligation

For further information contact: Jared S. Sussman Phone (410) 946-5530

Summary of Recommended Bond Actions

		Funds
1.	Senior Centers Capital Grant Program	$200,000 GO
	Reduce funding for the Harford Road Senior Center to $300,000 to reflect 50% of total project costs.	
	Total Reductions	**$200,000 GO**

Program Description

Program Description: The Senior Center Capital Grant Program provides financial assistance to local governments for the acquisition, design, construction, renovation, and equipping of senior centers. These centers provide programs and services to support seniors with health screening, congregate meals, continuing education, recreational programs, and information and assistance programs. The State may provide a grant of up to 50% of the project cost, not to exceed $800,000, and local governments are required to match State funds on a dollar-for-dollar basis.

There are 112 senior centers in Maryland serving the elderly population by offering health, social, nutrition, education, and recreational services – the core program offerings in senior centers. Programs beyond these core services are determined by the needs and preferences of the population in the centers.

Approval of two projects totaling $1,080,000 in general obligation (GO) bonds is included in the fiscal 2017 allowance, in addition to $600,000 for another project that was completed, although the funds were canceled.

Lifetime Limit on Project Funding

Section 10-504 of the Human Services Article limits funding for the lifetime of each senior center to $800,000, or 50%, of total costs. The two projects included in the allowance will reach the lifetime limit on funding due to funds that were approved over 20 years ago.

When the Senior Center Capital Grant Program was established, the lifetime funding limit was $300,000. In 1998, the lifetime limit was increased to $600,000, as some senior centers reached the previous limit. The limit was increased again in 2007 to the current level. Of the 112 senior centers in the State, 2 have reached the current lifetime limit, the North Laurel and Fallston Senior Centers. As noted, the 2 projects included in the fiscal 2017 allowance would reach the limit, if approved.

If the limit were relaxed to increase the amount of funding from $800,000 or to decrease the time limit to 10 or 20 years rather than the lifetime of the facility, then demand for the program would likely increase. SB 805 and HB 262 increase funding for the Senior Center Operating Fund. These bills could serve as a vehicle for amending the statutory provision that caps the Capital Grant program.

Budget Overview

The fiscal 2017 allowance totals $1.680 million in GO bonds for the Senior Center Capital Grant Program, leveraging $6.7 million in local matching funds. The Harford Road Senior Center in Baltimore City is programmed for renovations ($0.5 million in GO bonds) to address safety concerns and a need for interior and exterior upgrades. The Elkridge 50+ Center in Howard County is programmed for an expansion and renovations ($0.58 million in GO bonds) to address insufficient space and issues with the structural design of the existing building. The allowance includes an additional $0.6 million in GO bonds for the Somerset County Senior Center, which was completed in 2014, but the funds were canceled.

Harford Road Senior Center

Authorization Uses
($ in Millions)

Fund Uses	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Acquisition	$0.435	$0.000	$0.000	$0.435
Construction	0.000	0.600	0.000	0.600
Total	**$0.435**	**$0.600**	**$0.000**	**$1.035**

Authorization Sources
($ in Millions)

Fund Source				
State: 48.31%	$0.000	$0.500	$0.000	$0.500
Matching Fund: 51.69%	0.435	0.100	0.000	0.535
Total	**$0.435**	**$0.600**	**$0.000**	**$1.035**

Planned renovations of the Harford Road Senior Center include a new roof, a new fire alarm system, upgrades to the electrical systems, new flooring, new windows, and improved accessibility to the building. The Maryland Department of Aging (MDOA) indicates that deteriorating conditions have lowered interest in programs at the senior center. There are nearly 10,000 seniors living in the closest three zip codes to the senior center.

Many of the renovations are meant to address serious safety concerns. The building currently has no fire alarm system or properly working exit signs. There are exposed electrical wires in rooms and damaged electrical outlets. Glue for piping in the attic has deteriorated to a point that sewer gases are entering the attic. The heating, ventilation, and air conditioning system and roof need to be replaced in order to increase energy efficiency and improve air conditioning in the summer.

MDOA includes the cost of acquisition of the building in its calculation of matching funds. The acquisition costs totaled $435,000; however, they were incurred many years ago. The total project cost of $1.035 million includes the cost of acquisition. Without including the cost of acquisition, the allowance of $500,000 is 83.33% of the total project costs. **DLS recommends reducing the allowance to $300,000 or 50.0% of the total cost of the project.**

If $500,000 in funding included in the allowance is approved, then the Harford Road Senior Center will reach its lifetime $800,000 limit. This is due to approval of funding in the mid-1990s.

Elkridge 50+ Center

Authorization Uses
($ in Millions)

Fund Uses	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Construction	$0.000	$7.220	$0.000	$7.220
Total	**$0.000**	**$7.220**	**$0.000**	**$7.220**

Authorization Sources
($ in Millions)

Fund Source				
State: 8.03%	$0.000	$0.580	$0.000	$0.580
Matching Fund: 91.97%	0.000	6.640	0.000	6.640
Total	**$0.000**	**$7.220**	**$0.000**	**$7.220**

The Elkridge 50+ Center is housed within a 17,000 square foot facility, of which 2,929 square feet is dedicated to the senior center. The remainder of the facility houses the Elkridge Branch Library. After the expansion, the new facility will total 45,000 square feet, of which 10,000 square feet will be dedicated to the senior center.

The facility was originally designed as a library with a small space for the senior center included later. Lack of space limits the senior center's ability to hold concurrent programming.

The expansion will create a fitness center, office space for a Maryland Access Point information specialist, a multipurpose room, two classrooms, a lounge, and an outdoor terrace. The project is expected to be completed in one phase. Design began in July 2015. Construction is expected to be complete in December 2017.

The total project cost is $7.220 million with $580,000, or 8.03% in State funds. If $580,000 in funding included in the allowance is approved, then the Elkridge 50+ Center will reach its lifetime $800,000 limit. This is due to approval of funding in 1997.

Somerset County Senior Center

The Somerset County Senior Center was renovated in fiscal 2013. In fiscal 2007, $600,000 in GO bonds was appropriated to renovate the Waxter Senior Center. The project was canceled, and the appropriation was to be used for the Somerset County Senior Center. Upon completion of the project, it was determined that MDOA approved cancellation of the $600,000 appropriation, in line with the Comptroller's seven-year limit on appropriations. The allowance includes $600,000 in GO bonds to recover the previously appropriated funds. The department indicates that it will apply its oldest appropriations first in order to avoid expiration of funds in the future.

GO Bond Recommended Actions

1. Reduce funding for the Harford Road Senior Center to $300,000 to reflect 50% of total project costs.

DA0701A Senior Centers Capital Grant Program ..... $ 1,480,000

Allowance	Change	Authorization
1,680,000	-200,000	1,480,000

Explanation: The allowance includes the costs of acquisition of the building in the total project costs for the Harford Road Senior Center project. Including the costs of acquisition keeps the State funding below 50% of total project costs, as required by statute. Without including the cost of acquisition, which occurred many years ago, State funding is greater than 50%. This action reduces funding to reflect 50% of the total project costs.

Total General Obligation Bonds Reduction **$200,000**

DE0201
Board of Public Works

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Fuel Storage Tank Replacement Program	$0.000	$1.700	$2.000	$1.000	$1.000	$1.000	0.000
Annapolis Post Office Renovation	4.133	0.750	4.159	0.000	0.000	0.000	0.000
Total	**$4.133**	**$2.450**	**$6.159**	**$1.000**	**$1.000**	**$1.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$4.133	$2.450	$6.159	$1.000	$1.000	$1.000	$0.000
Total	**$4.133**	**$2.450**	**$6.159**	**$1.000**	**$1.000**	**$1.000**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Brandon R. Juhaish Phone (410) 946-5530

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Facilities Renewal Fund	$15.000	$10.775	$15.000	$15.000	$15.000	$15.000	$15.000
Construction Contingency Fund	0.000	2.500	0.000	2.500	0.000	2.500	0.000
Total	**$15.000**	**$13.275**	**$15.000**	**$17.500**	**$15.000**	**$17.500**	**$15.00**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
GO Bonds	$15.000	$13.275	$15.000	$17.500	$15.000	$17.500	$15.00
Total	**$15.000**	**$13.275**	**$15.000**	**$17.500**	**$15.000**	**$17.500**	**$15.00**

GO: general obligation

Summary of Updates

Construction Contingency Fund: The current CIP anticipates authorizations to the Construction Contingency Fund (CCF) of $2.5 million in fiscal 2018 and 2020. Given the uncertainty surrounding the construction market and future needs, funding every two years should ensure that the fund maintains a sufficient balance.

Saratoga State Center Garage: The 2013 CIP provided $4.4 million to construct garage improvements at the Saratoga State Center, but the 2015 *Joint Chairmen's Report* (JCR) de-authorized $2.2 million until a Memorandum of Understanding (MOU) was executed between the two parties. As of this writing, the Department of General Services (DGS) and Baltimore City have not established an MOU, and, following the restrictive language in the 2015 JCR, the budget committees released the $2.2 million to the Board of Public Works (BPW) General State Facilities, Facilities Renewal Fund.

Summary of Recommended Bond Actions

1. Facilities Renewal Fund

   Approve funding for the Facilities Renewal Fund.

2. Fuel Storage Tank Replacement Program

   Approve funding for the Fuel Storage Tank Replacement Program.

3. Annapolis Post Office

   Approve funding for the Annapolis Post Office Renovation.

4. SECTION 2 – Board of Public Works – Asbestos Abatement Program

   Approve de-authorization of general obligation bond funds in the Asbestos Abatement Program.

5. SECTION 2 – Board of Public Works – Annapolis Post Office

   Approve modification of the fiscal 2012 appropriation to allow construction.

6. SECTION 2 – Board of Public Works – William Donald Schaefer Tower – Replace Fire Alarm System

   Approve the partial de-authorization of the fiscal 2012 appropriation that reduces by $100,000.

7. SECTION 2 – Board of Public Works Annapolis Post Office Renovation

   Approve modification of the fiscal 2013 appropriation to allow construction.

8. SECTION 2 – Board of Public Works – State House Complex Security Upgrades

   Approve de-authorization of general obligation bond funds for the State House Complex Security Upgrades.

9. SECTION 12 – Board of Public Works – Annapolis Post Office

   Approve the pre-authorization of funds in fiscal 2018 to complete the renovation of the Annapolis Post Office.

Program Description

Fuel Storage Tank Replacement Program: This program funds the replacement and maintenance of fuel tanks that are currently at the end of their expected useful life, which is approximately 30 years. Without replacement and/or repair of the tanks, State agencies may fail inspections conducted by the Maryland Department of the Environment, possibly incurring federal fines of up to $100,000. Additionally, in the event that a tank fails, fuel leakage would contaminate groundwater resources.

Facilities Renewal Program: This program provides funds for the repair and rehabilitation of State-owned capital facilities that cost between $100,000 and $2,500,000, excluding higher education projects, which are funded through separate appropriations. Projects added to the program's backlog are prioritized by urgency with the intent of preventing further deterioration, loss of assets, and facility closure.

Construction Contingency Fund: This is a supplementary funding source for State construction projects. Expenditures from the fund must be approved by BPW and may only be used for State-owned capital projects that have already received funding authorization from the General Assembly in instances where the prior authorized funds are insufficient to fund the initial construction award or to cover change orders that do not increase the scope of a project.

Performance Measures and Outputs

The following review of performance data is only for the Facilities Renewal Program and communicates the value the State receives from funding the program.

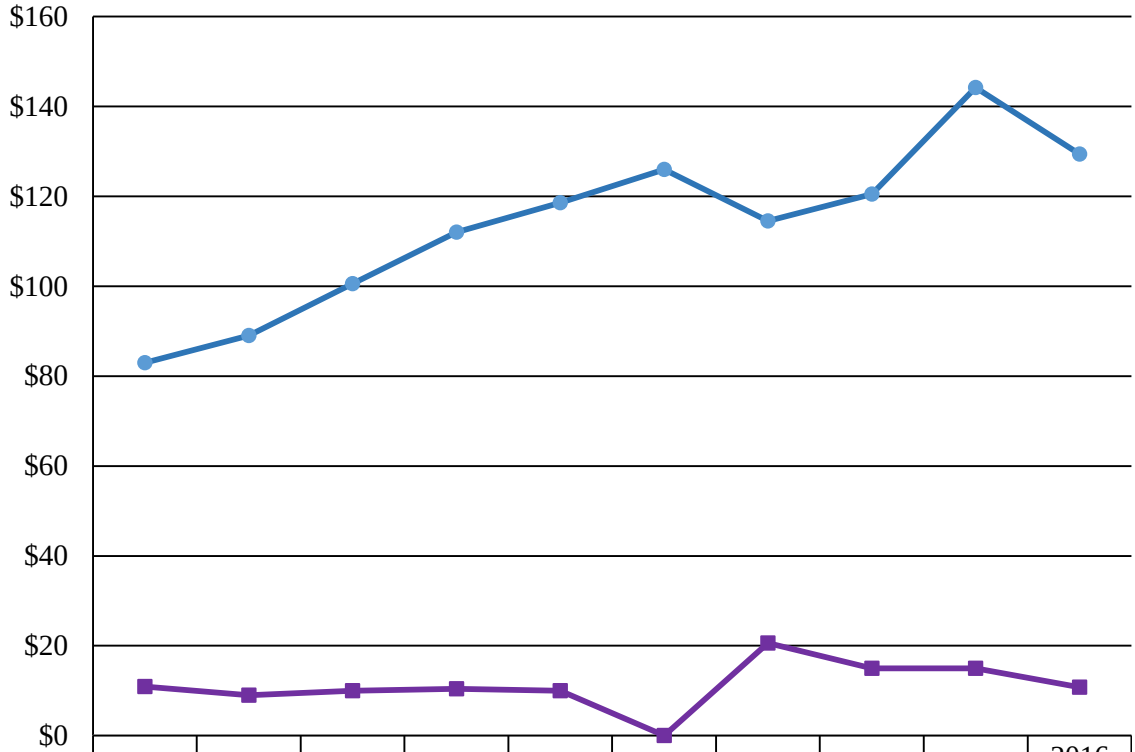
Facilities Renewal Program

The Facilities Renewal Program provides funds for the repair and rehabilitation of State-owned capital facilities that cost between $100,000 and $2,500,000, excluding higher education projects, the Maryland Department of Transportation, the Maryland Environmental Service, and the Department of Natural Resources, which are funded through separate appropriations. Projects added to the program are prioritized by urgency with the intent of preventing further deterioration, loss of assets, and facility closure.

Due to a number of constraints, including management, funding, and vacancies, the program has developed a significant backlog of projects over the past 10 years, growing from $83 million in fiscal 2007 to over $144 million in fiscal 2015, as shown in **Exhibit 1**. While the program will require funding beyond fiscal 2021, the fiscal 2017 budget includes $15 million in funding for 27 projects in 9 jurisdictions and is expected to reduce the backlog to $129.4 million. Additional funding over the next several fiscal years will allow DGS to reduce the backlog by several million dollars each year; due

to the nature of facility deterioration and the limited maintenance resources available, however, the backlog will likely increase as projects are discovered.

Exhibit 1
Facility Renewal Funding and Backlog
Fiscal 2007-2016 Est.
($ in Millions)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.
Total Backlog	$83.0	$89.0	$100.6	$112.0	$118.6	$126.0	$114.5	$120.5	$144.2	$129.4
Appropriation	10.9	9.0	10.0	10.4	10.0	0.0	20.6	15.0	15.0	10.8

Source: Department of General Services

Exhibit 1 demonstrates that although the State provided roughly $61 million from fiscal 2013 to 2016 to reduce the backlog, the State's backlog increased by nearly $15 million. This is partly due to the addition of newly discovered projects, but it is also a result of the department not encumbering all of the funds available. **DLS recommends that DGS discuss the department's administrative and staffing capacity to manage the volume of work that the proposed fiscal 2017 funding would require.**

Budget Overview

Facilities Renewal Program

Funding for facility renewal projects should be a State priority and funded at a level to ensure that DGS can address not only the most pressing projects, but also ones that may result in disruptions to agency operations or could become more serious and costly if not addressed. As referenced in the Performance Measures and Outputs section, the State has provided substantial funding to the program, but DGS has not always been able to encumber each year's appropriation; in fact, as shown in **Exhibit 2**, the department's total Facilities Renewal Fund unencumbered balance as of February 24, 2016, was just over $33 million. DGS reports that it has implemented new program procedures to ensure projects are processed and completed more quickly, thereby allowing it to encumber and expend higher amounts of authorized funds and further reduce the program's backlog. Additionally, the fiscal 2017 operating budget includes four new positions to support the department's Office of Facilities Planning, Design, and Construction, which directly manages the backlog of projects. **DLS has concerns that the annual encumbrance levels are not high enough to reduce the backlog. DGS should comment on what changes in staffing or new program procedures are needed to increase annual encumbrance levels to at least $20 million. DGS should also comment on its ability to encumber all remaining unencumbered funds; the average time that it takes to move projects through the procurement, design, and construction processes; steps the agency has taken to improve this process; as well as any obstacles challenging those improvements.**

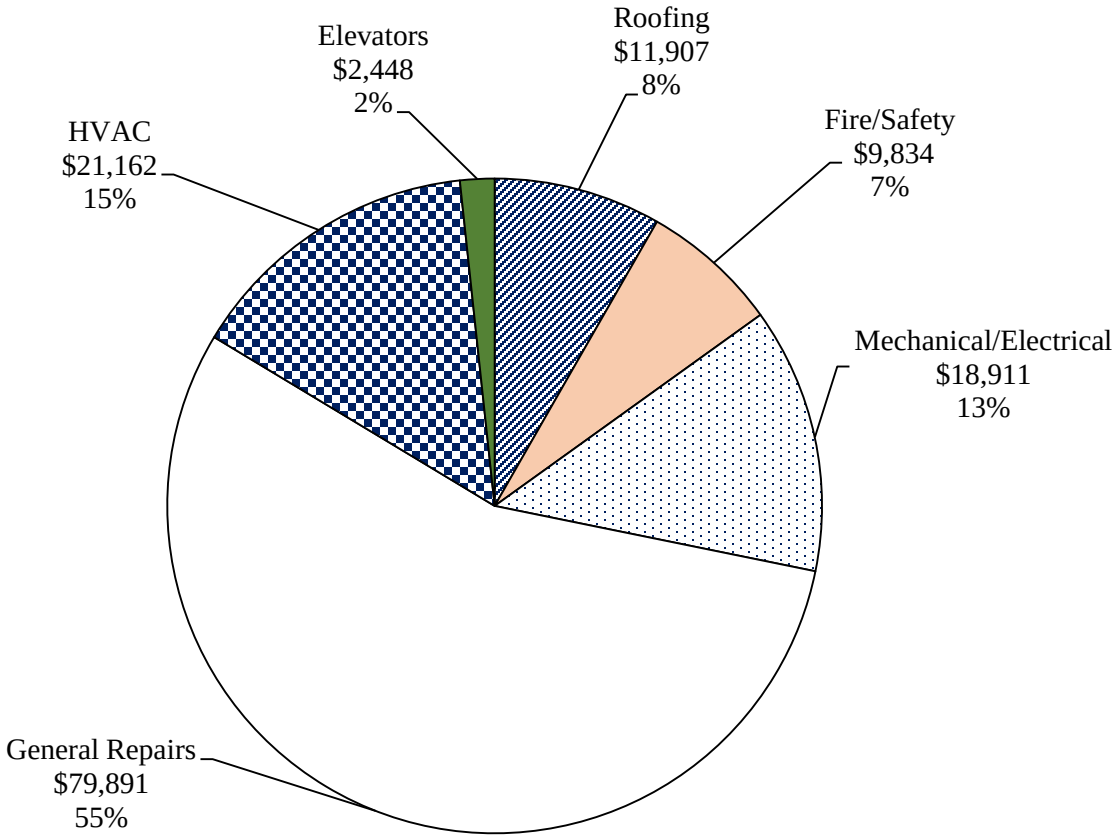
Exhibit 2
Authorization, Encumbrance, and Expenditure Data by Year of Capital Authorization
Fiscal 2012-2016
($ in Millions)

		Funds		Balances	
Fiscal Years	**Authorization**	**Encumbered**	**Expended**	**To Be Encumbered**	**To Be Expended**
Prior Years	$162.669	$162.669	$161.997	$0.000	$0.672
2012	0.000	0.000	0.000	0.000	0.000
2013	20.592	19.488	19.438	1.103	1.154
2014	15.000	6.585	3.186	8.415	11.814
2015	15.000	0.046	0.001	14.954	15.000
2016	10.775	0.075	0.005	8.480	8.550
Total	**$121.648**	**$86.372**	**$82.763**	**$33.055**	**$36.666**

Source: Department of General Services

Exhibit 3 provides further detail regarding the facility renewal backlog for each classification of the anticipated project type. **Appendix 1** shows the cost of projects on the backlog by agency. The majority of the total backlog comes from projects within the Department of Public Safety and Correctional Services, followed by projects within facilities managed by DGS.

Exhibit 3
Facilities Renewal Program Projects by Type of Work
($ in Millions)



HVAC: heating, ventilation, and air conditioning

Source: Department of General Services

Fuel Tank Storage Replacement

The Governor's budget includes $1.7 million in general obligation (GO) bonds to fund five projects. This replacement program began in fiscal 2014 with a $1.4 million appropriation to fund the replacement and maintenance of fuel tanks in order to prevent potential soil contamination and avoid violations of environmental regulations established by the Environmental Protection Agency (EPA). State and federal regulations require all motor fuel underground storage tanks to be inspected every three years by a Maryland-certified third-party inspector**. DGS should comment on the success of the program thus far and on the condition of the underground fuel tanks managed by the department. DGS should also comment on whether the funds provided in the CIP are adequate to maintain compliance with environmental regulations established by EPA.**

Annapolis Post Office Renovation

The Annapolis Post Office was acquired by the State of Maryland in fiscal 2013 when the State purchased it from the U.S. Postal Service for a total cost of $3,209,000. The postal service vacated the property in August 2015, and due to the poor structural and mechanical condition of the property, it continues to remain vacant and requires significant renovations before State employees can occupy it.

The 2016 CIP anticipates a total of $9.042 million in GO bond funds to renovate the Annapolis Post Office. Of this amount, $4.133 million in prior authorized funds will be combined with the fiscal 2017 request of $750,000 to begin the construction of Phase I, which will remove hazardous substances and replace various building systems. Additionally, the Maryland Consolidated Capital Bond Loan (MCCBL) of 2016 includes amendments to the fiscal 2012 and 2013 appropriations to allow previously authorized design funds, a total of $924,000, to be used for construction.

Upon completion of Phase I, the State plans to begin Phase II, which will build out office and conference room space to meet tenant needs, currently identified as the Governor's Office of Legal Counsel, the Administrative Financial Office, and the Secretary of State's Office. Phase III of the project plans to add 20,000 to 25,000 gross square feet of office space by building over the parking lot; however, this is not included in the current CIP due to the fact that occupants have not yet been identified. The Department of Budget and Management (DBM) recommends that funding for a future expansion of the Annapolis Post Office building wait until DGS has fully implemented its renovation project.

According to DBM, potential occupants currently lease approximately 200,000 square feet of office space in Annapolis, which consumes significant operating budget resources, provides less certainty regarding future office locations, and provides sub-optimal spatial configurations.

Updates

1. Construction Contingency Fund

Section 3-609 of the State Finance and Procurement Article establishes the CCF as a supplementary funding source for State construction projects. Expenditures from the fund must be approved by BPW and may only be used for State-owned capital projects that have already received funding authorization from the General Assembly in instances where the prior authorized funds are insufficient to fund the initial construction award or to cover change orders that do not increase the scope of a project. **Appendix 2** shows the CCF funding uses and sources from calendar 2011 through the end of calendar 2015.

Subsequent to a $3 million dollar expenditure for the Truitt facility, the fund had a $2,088,457 ending balance in calendar 2014. Due to four fund transfers from BPW, totaling $1,293,397, a new appropriation in the MCCBL 2016 in the amount of $2,500,000, and no expenditures in calendar 2015, the ending balance in the fund at the end of calendar 2015 was $5,881,854.30. The current CIP anticipates authorizations to the CCF of $2.5 million in fiscal 2018 and 2020. Given the uncertainty surrounding the construction market and future needs, funding every two years should ensure the fund maintains a sufficient balance.

2. Saratoga State Center Garage

The 2013 CIP provided $4.4 million to construct garage improvements at the Saratoga State Center; however, due to ownership disputes of buildings at 310 and 311 West Saratoga Street between Baltimore City and DGS, the 2015 JCR de-authorized $2.2 million until an MOU was executed between the two parties. DGS reports that it has met with the city and discussed solutions to resolve the dispute, including conveying surplus State property to the city to satisfy the disputed amount, but the city has yet to agree.

There are also other factors that challenge progress with the repairing the garage, namely the status of the State Center project. DGS reports that it is currently evaluating the available options and is committed to determining what the correct goals are for the State and Baltimore City, but at this time DGS is still evaluating the viability of commercial leased space in Baltimore City, the best use of State facilities in Baltimore City, the appropriate placement of State agencies and, the fiscal impact on the State budget.

As of this writing, DGS and Baltimore City have not established an MOU, and, following the restrictive language in the 2015 JCR, the budget committees released the $2.2 million to the BPW General State Facilities, Facilities Renewal Fund.

Summary of Other Projects in the Capital Improvement Program

Projects Removed from the *Capital Improvement Program*

Exhibit 4 shows the projects removed in the 2016 CIP that were programmed in the 2015 CIP to receive funding in the five-year plan.

Exhibit 4
Projects Removed from the *Capital Improvement Program*
Fiscal 2017
($ in Thousands)

Project	Description	Reason for Deferral
State House Complex Security Upgrades	This project was intended to provide video monitoring and door and window alarms throughout the Annapolis State House Complex to increase the security of staff, documents, and valuable State property.	Project ineligible for capital funding. The Department of General Services received a $911,683 deficiency appropriation for fiscal 2016 to support security upgrades. Additionally, the fiscal 2017 budget includes $911,683 for security upgrades.
Renovation of the Legislative Services Building	This project would have provided ADA accessibility, upgraded HVAC and electrical systems, and installed a new fire safety system.	Moved out beyond the scope of the five-year 2016 CIP to accommodate other budget priorities.

ADA: Americans with Disabilities Act
CIP: *Capital Improvement Program*
HVAC: heating, ventilation, and air conditioning

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Pre-authorizations and De-authorizations

As shown in **Exhibit 5**, the fiscal 2017 capital budget bill includes a pre-authorization of $4.2 million for fiscal 2018. In addition, the fiscal 2017 capital budget bill de-authorizes funds for three projects and adds modification language authorizing prior year funding to be used for future authorized projects that require construction work.

Exhibit 5
Pre-authorizations and De-authorizations
Fiscal 2018-2020

Pre-authorizations

Project	2018	2019	2020	Reason
Annapolis Post Office Renovation	$4,200,000	$0	$0	Pre-authorize funding to allow for the second phase to complete the renovations.

De-authorizations

Project	De-authorized Amount	Reason
Asbestos Abatement Program	$300,702	DGS does not expect to encumber the funds.
William Donald Schaefer Tower – Replace Fire Alarm System	100,000	This is a partial de-authorization, funds not needed.

Modifications

MCCBL	Project	Reason
2012	Annapolis Post Office	Amends to include and construction language.
2013	Annapolis Post Office Renovation	Amends to include and construction language.

DGS: Department of General Services
MCCBL: Maryland Consolidated Capital Bond Loan

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve funding for the Facilities Renewal Fund.

2. Approve the authorization of $1,700,000 in general obligation bond funds for the Fuel Storage Tank System Replacement Program.

3. Approve the authorization of $750,000 in general obligation bond funds to renovate the Annapolis Post Office.

4. Approve de-authorization of general obligation bond funds in the Asbestos Abatement Program.

5. Approve modification of the fiscal 2012 appropriation to allow construction.

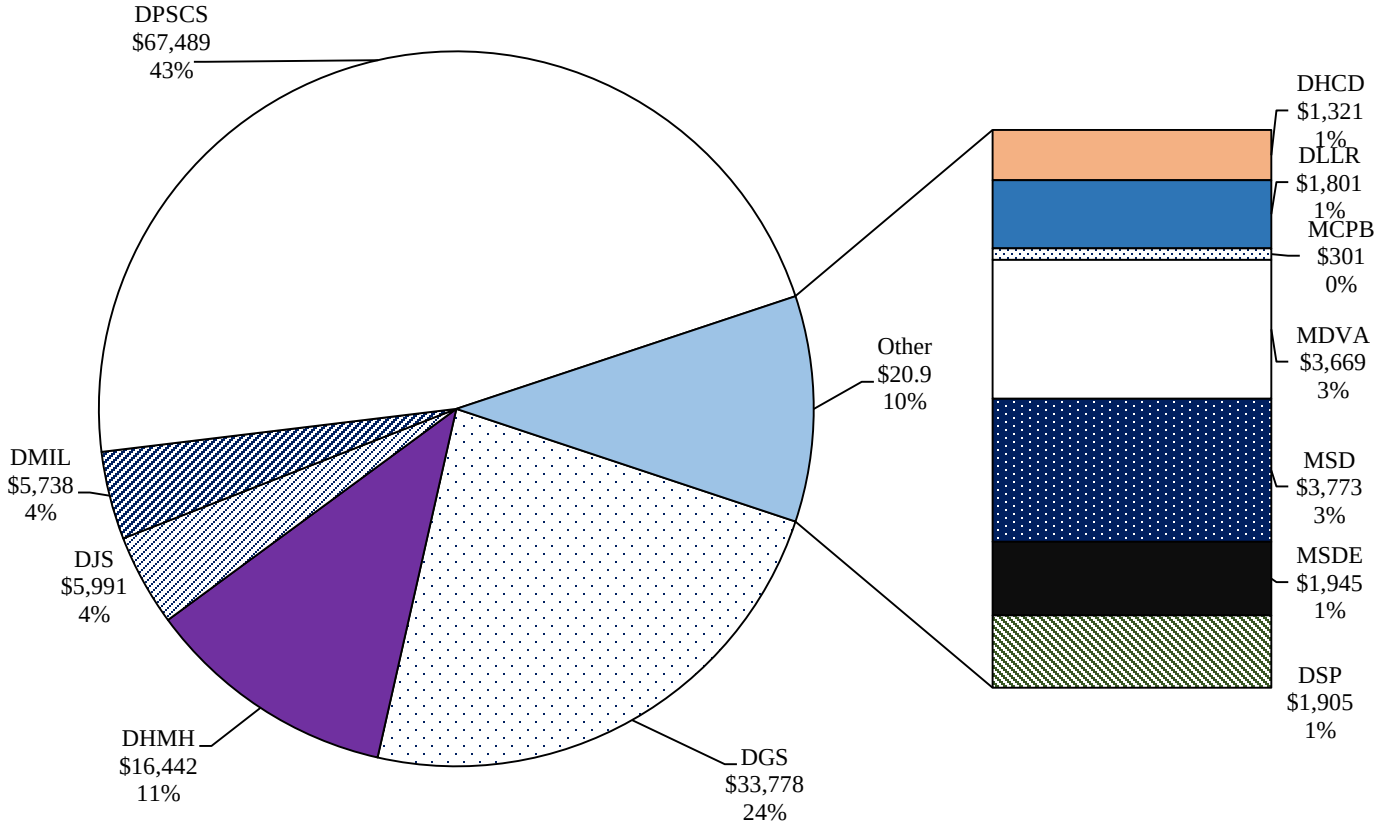
6. Approve the partial de-authorization of the fiscal 2012 appropriation that reduces by $100,000.

7. Approve modification of the fiscal 2013 appropriation to allow construction.

8. Approve de-authorization of general obligation bond funds for the State House Complex Security Upgrades.

9. Approve the pre-authorization of $4,200,000 in general obligation bond funds in fiscal 2018 for the second phase of work that will complete the Annapolis Post Office Renovation.

Facilities Renewal Backlog by Agency
($ in Millions)



DGS: Department of General Services
DHCD: Department of Housing and Community Development
DHMH: Department of Health and Mental Hygiene
DJS: Department of Juvenile Services
DLLR: Department of Labor, Licensing, and Regulation
DMIL: Military Department
DPSCS: Department of Public Safety and Correctional Services
DSP: Department of State Police
MCPB: Maryland Center for Public Broadcasting
MDVA: Maryland Department of Veterans Affairs
MSD: Maryland School for the Deaf
MSDE: Maryland State Department of Education

Source: Department of General Services

Construction Contingency Fund Summary
Calendar 2011-2015

	2011	2012	2013	2014	2015
Beginning Balance	**$4,809,643**	**$5,014,257**	**$5,092,842**	**$4,482,754**	**$2,088,457**
Fund Transfers In	1,079,614	653,515	644,024	605,703	1,293,397
Return of Unused Funds	0	139,676	0	0	0
Appropriation	0	0	0	0	2,500,000
Subtotal – Available Funds	***$5,889,257***	***$5,807,448***	***$5,736,866***	***$5,088,457***	***$5,881,854***
Less Authorized Use of Funds					
New Rockville District Court	$875,000				
MD School for the Deaf – Bus Loop and Parking		$394,606			
Baltimore City Detention Center – Dining Facility		320,000			
Sandy Point State Park – Bulkhead			$386,112		
Henryton Hospital Center Demolition			868,000		
R.V. Truitt Laboratory – UMCES				$3,000,000	
Subtotal – Authorized Uses	***$875,000***	***$714,606***	***$1,254,112***	***$3,000,000***	***$0***
Ending Balance	**$5,014,257**	**$5,092,842**	**$4,482,754**	**$2,088,457**	**$5,881,854**

BSU: Bowie State University
ECI: Eastern Correctional Institute
HSMC: Historic St. Mary's Commission
MCTC: Maryland Correctional Training Center
PSTC: Public Safety Training Center
UMCES: University of Maryland Center for Environmental Science
WDC: Women's Detention Center

DE0202
Public School Construction
Board of Public Works

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Public School Construction Program	$318.778	$318.190	$322.952	$250.000	$250.000	$250.000	$250.000
Supplemental Capital Grant Program	0.000	20.000	20.000	20.000	20.000	20.000	20.000
Aging Schools Program	6.109	6.109	6.109	6.109	6.109	6.109	6.109
Qualified Zone Academy Bonds	4.625	4.625	4.680	0.000	0.000	0.000	0.000
Nonpublic Aging Schools	3.500	3.500	3.500	0.000	0.000	0.000	0.000
Total	**$333.012**	**$352.424**	**$357.291**	**$276.109**	**$276.109**	**$276.109**	**$276.109**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds	$289.212	$314.234	$314.289	$276.109	$276.109	$276.109	$276.109
Nonbudgeted Funds	43.800	38.190	42.952	0.000	0.000	0.000	0.000
Total	**$333.012**	**$352.424**	**$357.291**	**$276.109**	**$276.109**	**$276.109**	**$276.109**

GO: general obligation

Note: Nonbudgeted funds in the out-years will depend on the amount of unencumbered funds that are reallocated by the local education agencies and the Interagency Committee on School Construction. Fiscal 2017 nonbudgeted funds are based on reverted funds available for the fiscal 2017 *Capital Improvement Program*.

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Summary of Issues

State Funding for Window Air Conditioning Units: Under current practice, State money may not be used for the purchase of window air conditioning (AC) units in school buildings due to the requirement that all State funded capital projects have a life expectancy of 15 years or more. There has been much debate over changing regulations to make window AC units eligible for capital funding in order to protect the health and wellbeing of students. Currently, 9% of schools in the State do not have AC, with especially large numbers in Baltimore and Garrett counties, as well as Baltimore City. The Department of General Services (DGS) has determined that addressing the need for AC through window units would require $9.5 million in State funding. The Board of Public Works (BPW) has approved a proposed regulation to make window units eligible for capital funding. Under the proposed regulation, approval of funding for window AC units would still be subject to the same process for approval as all other Public School Construction Program (PSCP) projects, requiring recommendation by the Interagency Committee on School Construction (IAC) and approval by BPW. This regulation is subject to review and comment by the Joint Committee on Administrative, Executive, and Legislative Review (AELR) before taking effect. **IAC should provide an updated estimate as to the costs of providing window AC units to those jurisdictions that would request them. IAC should also comment on the likelihood of jurisdictions making requests for window AC units and receiving recommendations for funding for those requests should the proposed regulation be approved.**

Rising Cost of School Construction: The cost of construction has a significant impact on the ability of the State to fund projects. According to IAC, significant increases have occurred in the cost of construction over the last year, accelerating the modest escalation trend since 2010. The State fiscal 2016 construction cost approved for projects planning to go to bid in July 2015, which was set July 2014, was $233 per square foot for new construction. Market conditions, however, indicated that this figure was significantly below the actual cost of construction in summer 2015. The new projected cost for projects anticipated to go to bid in July 2016 is $282 per square foot for new construction. IAC also assumes a cost of $336 per square foot for new construction with site development, fully 28.6% higher than the fiscal 2016 *Capital Improvement Program* (CIP). **IAC should comment on the specific reasons in the market driving the significant increases in cost assumptions.**

Summary of Recommended Bond Actions

1. Aging Schools Program

   Approve the Governor's $6.1 million general obligation bond fund authorization for the Aging Schools Program.

2. Public School Construction Program

   Approve the Governor's $280 million general obligation bond fund authorization for the Public School Construction Program.

3. Nonpublic Aging Schools Program

   Approve the Governor's $3.5 million general obligation bond fund authorization for the Nonpublic Aging Schools Program.

4. Supplemental Capital Grant Program for Local School Systems

   Approve the Governor's $20 million general obligation bond fund authorization for the Supplemental Capital Grant Program for Local School Systems.

5. Qualified Zone Academy Bond Program

   Approve the Governor's $4.7 million general obligation bond fund authorization for Qualified Zone Academy Bonds.

Program Description

Public School Construction

The State established the PSCP in 1971 to provide State contributions toward school construction costs in an attempt to give property tax relief to local governments and equalize educational facilities across the State.

IAC was created to oversee the PSCP, subject to BPW approval. Members of IAC include the State Superintendent of Schools, who serves as the chairperson; the Secretary of General Services; the Secretary of Planning; a member of the public appointed by the President of the Senate; and a member of the public appointed by the Speaker of the House. Each October, the Governor announces the proposed amount of funding for public school construction for the upcoming fiscal year. Local jurisdictions submit their annual and five-year CIP to IAC in October.

Annually, in October and November, PSCP staff reviews the CIP applications and recommends to IAC which projects should be funded based on certain criteria. Each December, IAC develops a list of eligible projects and decides which should be recommended to BPW for approval. IAC must recommend an initial allocation of up to 75% of the Governor's preliminary allocation for school construction before December 31 of each year. In January, BPW votes on IAC recommendations, and the projects approved by BPW become part of the State's proposed capital budget. The proposed budget is then submitted to the General Assembly for approval. Annually, by March 1, IAC is required

to submit recommendations to the Governor and General Assembly equal to 90% of the school construction allocation submitted by the Governor in the capital budget. In May, BPW allocates any remaining school construction funds to school construction projects recommended by IAC.

Aging Schools

The Aging Schools Program (ASP), administered by IAC, provides funds to local school systems for improvements, repairs, and deferred maintenance in public school buildings. Funding is specified in § 5-206 of the Education Article and provides a specific amount based on each school system's share of older space as compared to statewide totals. Originally, the basis of allocation was the proportion of pre-1960 square footage (sq. ft.) that had not been renovated. In Chapter 307 of 2004, the basis of allocation was changed to the proportion of pre-1970 sq. ft. that had not been renovated. Matching local funds are not required for State funds provided for the program. The State/local cost-share formula used for State-funded school construction projects in the CIP does not apply to the ASP.

Nonpublic Aging Schools

The Nonpublic Aging Schools Program, administered by IAC and the Maryland State Department of Education (MSDE), provides funds to nonpublic schools for improvements, repairs, school security improvements, and deferred maintenance in nonpublic school buildings. Funding has been provided for the program in each of fiscal 2014 through 2016. Funds are distributed to nonpublic schools currently participating in the Maryland Nonpublic Student Textbook Program using the same eligibility requirements as the ASP. Payment for work completed under this program will be through reimbursement to the grant recipient. No matching funds are required, but the nonpublic school is responsible for all project costs exceeding the amount of the grant.

Qualified Zone Academy Bonds

Funds from Qualified Zone Academy Bonds (QZAB) may be used in schools located in a federal Enterprise or Empowerment Zone or in schools in which at least 35% of the student population qualifies for free or reduced-price meals (FRPM). The State does not pay interest on QZAB issuances. Instead, the State repays the principal only, and the bondholder receives a federal tax credit in lieu of interest payments each year until the bond matures. Because QZABs are issued with the full faith and credit of the State, QZABs are considered State debt and are included in the State's general obligation (GO) bond debt outstanding and debt service in calculations of State debt affordability.

Federal law requires that schools that are granted QZAB funds receive a 10% private-entity match, which may be in the form of cash, in-kind goods and services, or field trips. The funds must be spent according to federal law (Section 1397E of the Internal Revenue Service code) on renovations and repairs. However, federal law authorizes other uses that are typically not eligible uses of Maryland GO bonds. In Maryland, eligible expenditures include but are not limited to asbestos and lead paint

abatement; upgrade of fire protection systems and equipment; plumbing and roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring for technology; and renovation projects related to education programs and services.

Supplemental Capital Grant Program

Chapter 355 of 2015 established the supplemental capital grant program to provide grants to local school systems that have enrollment growth that exceeds 150% of the statewide average or with more than 300 relocatable classrooms over a five-year period. The grants are for the construction and renovation of public school facilities and are supplemental to the funding for the public school construction program. Grant awards are subject to the State and local cost-share formula for each school system and require approval by BPW.

Budget Overview

School Construction Program

State and local governments share in the cost of school construction projects. **Exhibit 1** shows the State's share of eligible project costs for fiscal 2016 through 2018 by county. This share is based on a formula, which includes components to recognize local wealth and the proportion of low-income students, enrollment growth, economically distressed counties, and the local funding effort by counties. The local effort component of the formula includes bond and pay-as-you-go (PAYGO) funding provided by local governments for school construction. The State/local cost-share formula is required by Chapters 306 and 307 of 2004 to be updated every three years.

Exhibit 1
State Share of Eligible Costs for School Construction
Fiscal 2016-2018

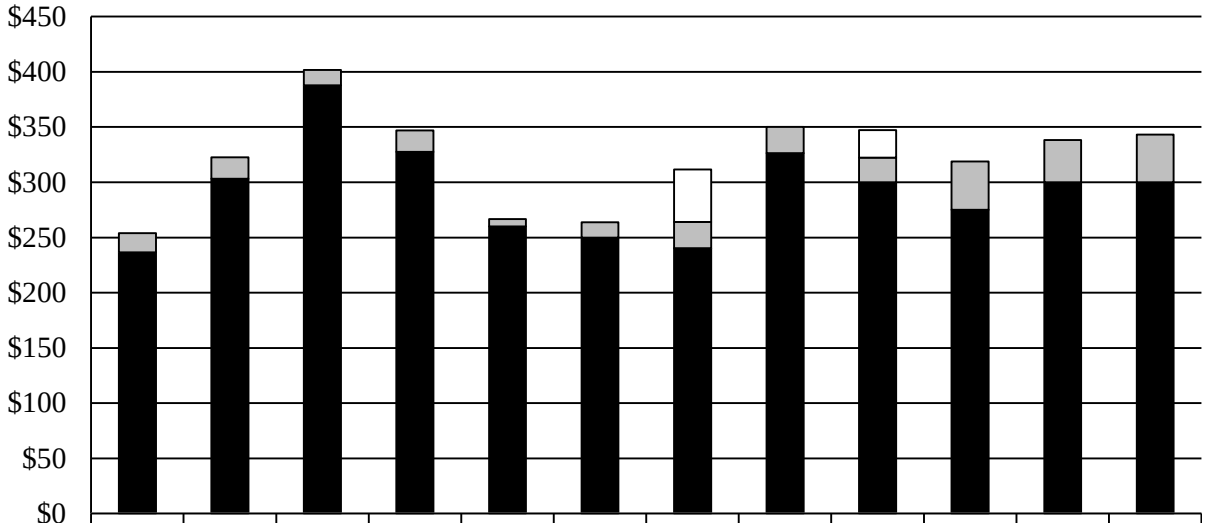
County	2016	2017	2018
Allegany	88%	83%	83%
Anne Arundel	50%	50%	50%
Baltimore City	93%	93%	93%
Baltimore	52%	52%	52%
Calvert	53%	53%	53%
Caroline	80%	80%	80%
Carroll	59%	59%	59%

County	2016	2017	2018
Cecil	64%	63%	63%
Charles	61%	61%	61%
Dorchester	76%	76%	76%
Frederick	64%	64%	64%
Garrett	50%	50%	50%
Harford	63%	63%	63%
Howard	55%	55%	55%
Kent	50%	50%	50%
Montgomery	50%	50%	50%
Prince George's	63%	63%	63%
Queen Anne's	50%	50%	50%
St. Mary's	59%	58%	58%
Somerset	100%	100%	100%
Talbot	50%	50%	50%
Washington	71%	71%	71%
Wicomico	97%	97%	97%
Worcester	50%	50%	50%
Maryland School for the Blind	93%	93%	93%

Source: Public School Construction Program

As illustrated by **Exhibit 2**, between fiscal 2006 and 2016, the State invested $3.3 billion in public school construction projects. This does not include $242.2 million that is classified as nonbudgeted out of the Contingency Fund, and $72.5 million was provided as PAYGO. Chapters 306 and 307 set a goal for the State to provide $2.0 billion for school construction in fiscal 2006 through 2013. The State exceeded the goal, providing $2.4 billion. Although the $250.0 million goal expired after fiscal 2013, annual funding has exceeded that amount every year since 2013. **Appendix 1** shows the total State allocation for public school construction between 1972 and the initial fiscal 2017 allocation. A discussion on the progress of public school facility improvements for Baltimore City Public Schools as part of Chapter 647 of 2013, the Baltimore City Public Schools Construction and Revitalization Act, is located in the Issues section of the IAC operating analysis.

Exhibit 2
State Funding for School Construction
Fiscal 2006-2017
($ in Millions)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
□ PAYGO	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$47.5	$0.0	$25.0	$0.0	$0.0	$0.0
▒ NB	17.2	19.6	13.9	19.6	6.7	13.7	23.7	23.6	22.3	43.8	38.2	43.0
■ GO	236.6	303.1	387.9	327.4	259.9	250.0	240.4	326.4	300.0	275.0	300.0	300.0

GO: general obligation
NB: nonbudgeted
PAYGO: pay-as-you-go

Note: Figures include new general obligation bonds, PAYGO, and unexpended funds that were previously authorized. Fiscal 2012 includes $47.5 million supplementary appropriation. Fiscal 2017 NB based on reverted funds available for the fiscal 2017 *Capital Improvement Program*.

Source: Public School Construction Program *Capital Improvement Programs*, Fiscal 2005-2017

Fiscal 2017 CIP

Seventy-five percent of the preliminary $280 million announced by the Governor in October 2015, or $210 million, was recommended for specific projects by IAC and approved by BPW in January 2016. Another $42 million in fiscal 2017 CIP funds was recommended by IAC in February 2016, totaling $252 million of the $280 million proposed budget. These actions satisfy the requirement that IAC submit recommendations by March 1, 2016, equal to 90% of the funding provided in the Governor's proposed capital budget.

Appendix 2 shows a summary of the proposed fiscal 2017 CIP by jurisdiction to date. This includes the amount of funding approved by BPW in January 2016 during the initial 75.0% allocation and the amount that IAC is recommending for approval by BPW equal to 90.0% of the capital allocation for school construction. The 90.0% fiscal 2017 CIP recommendations include the following:

- 32 major construction projects totaling $128.6 million, or 51.0%, of the distribution;
- 142 systemic renovation projects totaling $118.1 million, or 46.9%, of the distribution;
- 5 kindergarten projects totaling $5.0 million, or 2.0%, of the distribution; and
- 1 relocatable project for $238,000.

To date, IAC has recommended 180 projects for funding, 68% of the projects requested by local education agencies (LEA). As seen in Appendix 2, a total of $599.1 million in funding was requested, representing 263 projects. Of the total requested amount, approximately 79% ($472.8 million) is eligible for funding. The IAC 90% recommendation funds $252.0 million, or 53% of the eligible project requests. BPW approved 145 projects in January 2016; the remaining 35 projects and additional projects will be acted on by BPW in May 2016.

Appendix 3 shows the amount of capital program funds that local school systems have requested and are planning to request between fiscal 2017 and 2022. The amount of funds requested by LEAs for fiscal 2017 reflects a $29.1 million increase from the previous year's request.

Contingency Fund

Exhibit 3 shows the components of the contingency fund that are available for projects in fiscal 2017. IAC is required to report quarterly to the General Assembly and the Department of Legislative Services (DLS) on the contingency fund. The contingency balance reserved for LEAs was $42.7 million as of January 7, 2016, $42.6 million of which may be allocated toward the fiscal 2017 CIP. Combined with unreserved statewide contingency funds of $230,216, contingency funding available for fiscal 2017 projects totals $43.0 million.

Exhibit 3
Contingency Balance for Specific Local Education Agencies
Fiscal 2006-2008 and Fiscal 2010-2016

LEA	LEA Contingency Balance As of January 7, 2016	LEA Contingency Changes January to March[1]	LEA Contingency Reserves for Specific Programs or Initiatives[2]	LEA Contingency Funds Undetermined[3]	Current LEA Contingency Balance Available[4]
Allegany	$16,237,233	$0	-$124,125	$0	$16,113,108
Anne Arundel	2,721,451	-1,120,108	-20,000	-987,469	593,874
Baltimore County	10,181,231	-4,137,000	-3,831,684	0	2,212,547
Baltimore City	17,822,878	-2,703,190	-3,022,506	-352,810	11,744,372
Calvert	3,567,810	0	-22,000	0	3,545,810
Caroline	0	0	0	0	0
Carroll	474,522	0	-3	0	474,519
Cecil	132,851	0	-69,804	0	63,047
Charles	13,942	0	-13,942	0	0
Dorchester	928,488	-401,000	-117,000	0	410,488
Frederick	991,156	0	0	0	991,156
Garrett	77,244	0	0	0	77,244
Harford	630,616	0	0	0	630,616
Howard	2,361,751	-2,050,000	0	0	311,751
Kent	118,439	0	0	0	118,439[5]
Montgomery	3,076,649	0	-104,000	0	2,972,649
Prince George's	7,133,394	0	-4,992,249	0	2,141,145
Queen Anne's	318,457	0	-69,879	0	248,578
St. Mary's	591,065	0	-591,065	0	0
Somerset	144,345	0	-144,345	0	0
Talbot	38,353	0	-38,353	0	0
Washington	26,534	0	0	0	26,534
Wicomico	64,238	0	-18,348	0	45,890
Worcester	126,226	0	-126,226	0	0
MD School for the Blind	198,000	0	-198,000	0	0
Subtotal	***$67,976,873***	***-$10,411,298***	***-$13,503,529***	***-$1,340,279***	***$42,721,767***

LEA Reserved Contingency Balance Available for Fiscal 2017 CIP	**$42,721,767[4]**
Balance of Unreserved Contingency Fund Available for Fiscal 2017 CIP	**$230,216**
Total Contingency Balance available for fiscal 2017 CIP (Reserved and Unreserved)	**$42,951,983**

CIP: *Capital Improvement Program*
LEA: local education agency

[1] Fund adjustment resulting from the Interagency Committee on School Construction actions from January 2016 through March 2016.
[2] Includes the air conditioning initiative, the energy efficiency initiative, the enrollment growth and relocatable classroom initiative, and supplementary appropriation funds for specific LEAs.
[3] Includes CIP funds not designated by LEAs to be assigned pending LEA indication of preferences for fiscal 2016 or 2017 CIP.
[4]Total fiscal 2017 CIP contingency balance available for specific LEAs as of March 2016. If these funds are not allocated to LEAs within two years, they will revert to the statewide Unreserved Contingency Fund.
[5] Kent County Public School's fund balance may not be allocated in fiscal 2017, as it did not submit any projects for that year.
Source: Public School Construction Program

Qualified Zone Academy Bonds

As of December 31, 2015, Maryland had issued $91.2 million in QZABs, as shown in **Exhibit 4.** The most recent issuance of $4.6 million was authorized in Chapter 401 of 2015. Issuances prior to 2008 are allowed to accumulate interest under federal law, resulting in $3.0 million in total interest proceeds.

Exhibit 4
QZAB Proceeds and Expenditures as of December 31, 2015

Sale Year	Proceeds	Interest Income	Proceeds + Interest	Expenditures	Unexpended Balance	% Expended
2001	$18,097,984	$1,321,125	$19,419,109	$19,419,109	$0	100.0
2004	9,043,000	979,857	10,022,857	10,007,197	15,660	99.8
2006	4,378,000	327,855	4,705,855	4,705,355	500	99.9
2007	4,986,000	131,528	5,117,528	5,117,528	0	100.0
2008	5,563,000	73	5,563,073	5,563,073	0	100.0
2009	5,563,000	13,752	5,576,752	5,576,752	0	100.0
2010	4,543,000	13,209	4,556,209	4,556,209	0	100.0
2011	15,731,348	107,897	15,839,245	15,839,245	0	100.0
2012	15,166,643	55,498	15,222,141	15,222,141	0	100.0
2013	4,546,100	6,963	4,553,063	3,414,557	1,138,506	75.0
2014	4,622,100	10,624	4,632,724	1,615,921	3,016,803	34.9
2015	4,621,000	2,824	4,623,824	130,870	4,492,954	2.8
Total	**$96,861,175**	**$2,971,205**	**$99,832,380**	**$91,167,957**	**$8,664,423**	

QZAB: Qualified Zone Academy Bonds

Note: In anticipation of closing the 2008 QZAB account, the interest was transferred to the proceeds column. As $593,868 of the expenditures for the 2001 QZAB account was spent on nonqualified projects, this amount must be deducted from expenditures for federal tax purposes, reducing the percent expended to 96.7%.

Source: Interagency Committee on School Construction

Through fiscal 2009, Maryland allowed QZAB proceeds to be used only for renovation and repair (brick-and-mortar) projects as part of the ASP. Chapter 707 of 2009 expanded the use of previously authorized QZABs for equipment, affecting funds available from the 2007 and prior issuances. The expansion of the program to purchase equipment was not repeated in the years following fiscal 2010. Chapter 707 also authorized MSDE to allocate a portion of the funds to be accessed through competitive applications among eligible LEAs and authorized eligible public charter schools to apply for funds and allocated another portion targeted for MSDE Breakthrough Center projects.

HB 463 and SB 379 of 2016 would authorize the issuance of $4.7 million in QZABs by December 31, 2016. Approximately $1.1 million in currently unexpended balance has a spending deadline of December 19, 2016.

Aging Schools

The Budget Reconciliation and Financing Act (BRFA) of 2011 permanently authorized that either general funds or GO bonds be used to fund the ASP. The BRFA of 2012 rebased funding for the ASP at $6.1 million in fiscal 2013, returning the program to the fiscal 2011 level, and specified that future year funding is fixed at that level, rather than based on prior year funding beginning in fiscal 2013. However, Chapter 444 of 2012 increased the fiscal 2013 authorization for the ASP to $31.1 million. The fiscal 2014 capital budget included $8.1 million for the program. A total of $6.1 million in GO bonds was provided in fiscal 2015 and 2016 and is consistent with the fiscal 2017 authorization. **Exhibit 5** shows the fiscal 2016 and 2017 allocations by LEA.

Exhibit 5
Aging Schools Program Allocation
Fiscal 2015 and 2016

LEA	ASP Allocation 2016	Unexpended Allocation Prior 2012-2015	Total Allocation Available for 2016	ASP Allocation 2017
Allegany	$97,791	$97,791	$195,582	$97,791
Anne Arundel	506,038	634	506,672	506,038
Baltimore City	1,387,924	101,010	1,488,934	1,387,924
Baltimore	874,227	129,314	1,003,541	874,227
Calvert	38,292	0	38,292	38,292
Caroline	50,074	0	50,074	50,074
Carroll	137,261	0	137,261	137,261
Cecil	96,024	0	6,024	96,024
Charles	50,074	0	50,074	50,074
Dorchester	38,292	0	38,292	38,292
Frederick	182,622	0	182,622	182,622
Garrett	38,292	53,904	92,196	38,292
Harford	217,379	39,510	256,889	217,379
Howard	87,776	58,771	146,547	87,776
Kent	38,292	17,661	55,953	38,292
Montgomery	602,651	0	602,651	602,651
Prince George's	1,209,426	409,541	1,618,967	1,209,426
Queen Anne's	50,074	1,098	51,172	50,074
St. Mary's	50,074	15,254	65,328	50,074
Somerset	38,292	55,239	93,531	38,292
Talbot	38,292	4,499	42,791	38,292
Washington	134,904	180	135,084	134,904
Wicomico	106,627	12,836	119,463	106,627
Worcester	38,292	0	38,292	38,292
Totals 2015	**$6,108,990**	**$997,242**	**$7,106,232**	**$6,108,990**

ASP: Aging Schools Program
LEA: local education agency

Source: Interagency Committee on School Construction

Nonpublic Aging Schools

The Governor's fiscal 2017 capital budget includes $3.5 million for the Nonpublic Aging Schools program. Although this is the fourth consecutive year of funding, the 2016 CIP does not reflect funding beyond fiscal 2017 in the plan. Since the program was first funded in fiscal 2014, the State has provided $10.0 million not including the proposed fiscal 2017 amount. **Exhibit 6** shows the allocation of funds for fiscal 2016. A total of 184 nonpublic schools were approved to receive grant funding through the program, awarding nearly the whole allocation. This is five more schools than the number approved for fiscal 2015. The fiscal 2015 approved allocation was $3.6 million. MSDE has noted that schools do not always request reimbursement for the full amount that they were allocated, so these allocations are expected to be covered with existing funds. Restrictive language was placed on the fiscal 2016 authorization that required grant recipients to be only those nonpublic schools, excluding preschools, which met the eligibility requirements for funding through the Aid to Nonpublic Schools textbook and technology grants. The language also restricted an individual school's grant to no more than $100,000, contingent on the size of the school's FRPM population, amount of tuition charged to students, and average age of the facility. This language has also been applied to the fiscal 2017 authorization.

Exhibit 6
Nonpublic Aging Schools Program
Fiscal 2016 Allocation

County	Total Nonpublic Textbook Schools	Maximum Total Allocation	Schools Approved	Allocation Approved
Allegany	4	$18,350	2	$18,350
Anne Arundel	29	174,325	11	169,100
Baltimore City	46	770,700	28	697,794
Baltimore County	69	853,275	37	768,857
Calvert	3	27,525	3	27,525
Caroline	0	0	0	0
Carroll	13	0	0	
Cecil	5	91,750	4	73,700
Charles	11	64,225	5	51,700
Dorchester	0	0	0	0
Frederick	16	64,225	5	64,225
Garrett	0	0	0	0
Harford	12	73,400	4	64,514
Howard	22	155,975	9	138,425
Montgomery	55	568,850	27	533,440
Prince George's	47	596,375	31	557,458
Queen Anne's	2	0	0	0

County	Total Nonpublic Textbook Schools	Maximum Total Allocation	Schools Approved	Allocation Approved
St. Mary's	11	128,450	5	124,925
Somerset	1	9,175	1	9,175
Talbot	3	45,875	3	45,875
Washington	15	119,275	7	116,750
Wicomico	5	36,700	2	36,700
Worcester	1	0	0	0
Statewide	**370**	**$3,798,450**	**184**	**$3,498,513**

Source: Maryland State Department of Education

Supplemental Capital Grant Program

The supplemental capital grant program provides grants to local school systems that have enrollment growth that exceeds 150% of the statewide average or with more than 300 relocatable classrooms over a five-year period. Grants are allocated based on full-time equivalent enrollment. The grants are for the construction and renovation of public school facilities and are supplemental to the funding for the public school construction program. Projects funded are subject to the State and local cost-share formula for each school system and require approval by BPW. As of February 2016, $20.0 million has been recommended for funding by the IAC, $15.2 million of which has already been approved by BPW. **Exhibit 7** details the grant amounts allocated in fiscal 2016 and approved by IAC through February 2016, including funding that has been reserved to be spent in fiscal 2017. It also includes estimates for funding to be allocated in fiscal 2017. The fiscal 2017 budget provides $20.0 million to the six local school systems that are eligible for funding: Anne Arundel, Baltimore, Dorchester, Howard, Montgomery, and Prince George's counties. It is worth noting that proposed legislation (SB 271 and HB 722) would increase the annual amount for the program by $20.0 million, totaling $40.0 million. Should this legislation be enacted, the amounts detailed in Exhibit 7 for fiscal 2017 would double.

Exhibit 7
Supplemental Grant Authorization
Fiscal 2016 and 2017

Local Education Agency	2016 Funding Used in 2016	2016 Funding Reserved for 2017	New 2017 Funding Estimated
Anne Arundel	$1,046,000	$1,973,000	$3,019,000
Baltimore County	0	4,137,000	4,137,000
Dorchester	0	179,000	179,000
Howard	0	2,050,000	2,050,000
Montgomery	5,864,000	0	5,864,000
Prince George's	0	4,751,000[1]	4,751,000
Total	**$6,910,000**	**$13,090,000**	**$20,000,000**

CIP: *Capital Improvement Program*

[1]The authorization for Prince George's County was recommended for funding by the Interagency Committee for School Construction in February 2016.

Source: Interagency Committee on School Construction; Department of Legislative Services

Issues

1. State Funding for Window Air Conditioning Units

Under current practice according to Chapter 2 of Title 23, Subtitle 23 of the *Code of Maryland Regulations*, State money may not be used for the purchase of window AC units in school buildings due to the requirement that all State funded capital projects must have a life expectancy of 15 years or more, and the average life of window AC units is considerably lower than 15 years. IAC has also raised potential issues with regard to the use of window AC units, including the need for school electrical upgrades for their use, their energy efficiency, their noise generation, and their being subject to vandalism.

The State has made strides to increase the percentage of schools with AC. Based on surveys prepared by MSDE, the State has increased the total percentage of schools with AC from 78% in calendar 2004, to 91% in calendar 2016. This reflects the increase in the State's investment in school construction over that time period. Included in this investment is a $25.0 million initiative in fiscal 2014 to provide State funding grants for AC in schools that lacked central AC in spaces used for educational

instruction. As of November 2015, $20.0 million of funds under that initiative has been contracted and $9.6 million has been expended.

The use of window AC units to provide AC to schools and whether the regulations regarding their use should be changed has been the subject of much debate. This is due to concerns raised over the health and wellbeing of students subject to hot classrooms that do not have AC. According to survey data published by IAC in January 2016, 129 of the 1,404 schools in the State do not have air conditioning, or 9%. These survey results are detailed in **Exhibit 8**, and show that three jurisdictions (Baltimore and Garrett counties and Baltimore City) have AC in 72% of their schools or less.

Exhibit 8
Air Conditioning Survey Results
January 2016

Local Education Agency	Total Schools With Air Conditioning	Total Schools Without Air Conditioning	Percentage Without Air Conditioning
Allegany	21	1	5%
Anne Arundel	118	0	0%
Baltimore City	96	67	41%
Baltimore County	122	47	28%
Calvert	25	0	0%
Caroline	10	0	0%
Carroll	43	0	0%
Cecil	29	1	3%
Charles	38	0	0%
Dorchester	13	0	0%
Frederick	63	0	0%
Garrett	4	9	69%
Harford	53	1	2%
Howard	76	0	0%
Kent	8	0	0%
Montgomery	202	0	0%
Prince George's	209	0	0%
Queen Anne's	14	0	0%
St. Mary's	29	0	0%
Somerset	10	0	0%
Talbot	9	0	0%
Washington	47	0	0%
Wicomico	22	3	12%

Local Education Agency	Total Schools With Air Conditioning	Total Schools Without Air Conditioning	Percentage Without Air Conditioning
Worcester	14	0	0%
Total	**1,275**	**129**	**9%**

Note: "With Air Conditioning" means the general purpose classrooms in the school have cooling with either a central system or window units paid for through local funds. However, Baltimore City data includes school buildings with central air conditioning systems only, not schools cooled with window units. Projects funded in the State fiscal 2014 Air Conditioning Initiative are not included until work is 100% complete.

Source: Public School Construction Program

DGS performed research regarding the cost of the installation of window AC units. This research assumed that the cost of each individual unit, including proper installation, would be $4,200, and that the cost for necessary electrical upgrades would be $5,500 per unit. According to surveys taken in November 2015 inquiring whether jurisdictions would request funding for window AC units if they were made an eligible project type for PSCP funding programs, the three jurisdictions with the most need for AC reported that they would consider requesting window units for 1,561 classrooms. Based on the State cost share for these jurisdictions, the total cost for the State for these projects would be $9.5 million if they were to be approved, the details of which are available in **Exhibit 9.** DLS believes that this classroom count understates the total need of AC for classrooms, due to the large number of schools reporting needing AC in Baltimore City (67) and the relatively low accompanying number of classrooms in need of cooling (416), even considering that Baltimore City did not report on schools that provide AC with locally funded window units. It is also worth noting that among schools included in the survey results, 9 have received recommendations for funding for AC projects under the 90% CIP recommendation, 4 are due for renovation or replacement as part of Baltimore City's 21st Century School Initiative in the next two to four years, and 1 is to be vacated in 2019 as part of the plan.

In January 2016, BPW approved a proposed regulation to make window AC units eligible for capital funding. Under the proposed regulation, approval of funding for window AC units would still be subject to the same process for approval as all other PSCP projects, requiring recommendation by IAC and approval by BPW. This regulation is subject to review and comment by the Joint Committee on AELR before taking effect. **IAC should provide an updated estimate as to the costs of providing window AC units to those jurisdictions that would request them. IAC should also comment on the likelihood of jurisdictions making requests for window AC units and receiving recommendations for funding for those requests for funding should the proposed regulation be approved.**

Exhibit 9
Estimated Cost of Window Air Conditioning Units
November 2015 Survey

Local Education Agency	Classrooms Without AC	Cost for Window AC Units	State Cost Share	State Cost
Baltimore County	1,109	$10,757,300	52%	$5,593,796
Baltimore City	416	4,035,200	93%	3,752,736
Garrett County	36	349,200	50%	174,600
Total	**1,561**	**$15,141,700**		**$9,521,132**

AC: air conditioning

Note: Assumes cost of $9,700 per classroom.

Source: Department of General Services

2. Rising Cost of School Construction

The cost of construction has a significant impact on the ability of the State to fund projects. According to the fiscal 2017 CIP, significant increases have occurred in the cost of construction over the last year, accelerating the modest escalation trend since 2010. Past and projected costs for school construction are detailed in **Exhibit 10**. The State fiscal 2016 construction cost approved for projects planning to go to bid in July 2015, which was set July 2014, was $233 per square foot for new construction. Market conditions, however, indicated that this figure was significantly below the actual cost of construction in summer 2015. The new projected cost for projects anticipated to go to bid in July 2016 is $282 per square foot for new construction. IAC also assumes the cost of $336 per square foot for new construction with site development, fully 28.6% higher than the fiscal 2016 CIP.

IAC reports that the following factors contribute to cost escalation:

- **Market Conditions:** Increased opportunities in the private sector and other governmental entities has reduced competition for school construction projects; the recession has reduced the number of contractors as well as plant capacity; the recession reduced the availability of labor, particularly skilled; and contractor margins have increased as they have recovered from years of at- or below-cost bidding.

Exhibit 10
Past and Projected School Construction Costs
July 2003-July 2016
($/Square Foot)

Bid Date	Building (New Construction without Site Development)	Construction (New Construction with Site Development)
July 2003	$138.75	$155.40
July 2004	140.00	156.80
July 2005	157.00	175.84
July 2006	190.00	212.80
July 2007	215.00	240.80
July 2008	215.00	240.80
July 2009	224.00	250.88
July 2010	200.00	224.00
July 2011	200.00	224.00
July 2012	207.00	231.84
July 2013	215.00	240.80
July 2014	224.00	250.88
July 2015	233.00	260.96
July 2016	282.00	335.58

Source: Public School Construction Program; *Capital Improvement Program*, Fiscal 2017

- **Regulations/Codes/Standards:** Increased direct costs due to stormwater management, high-performance building standards, ventilation, accessibility, and energy code requirements, as well as prevailing wage rates and associated labor requirements, and emergency electrical power regulations; and increased indirect costs as contractors show a preference to bid in less highly regulated environments, reducing competition.

- **Schedule:** Longer times required to obtain permits, reducing the time available to complete the projects and resulting in higher costs associated with acceleration or phasing of construction activities.

- **Sites:** High development costs for sites that are less than ideal, requiring soil mitigation or extensive import/export of soils, combined with the increased cost of stormwater management to meet Maryland's regulatory requirements in effect since 2011.

IAC should comment on the specific reasons in the market driving the significant increase in assumptions.

Further discussion regarding potential cost saving options through alternative school construction delivery, and the commission announced by the Senate President and Speaker of the House to review the State's school construction policies, is located in the IAC operating analysis.

GO Bond Recommended Actions

1. Approve the Governor's $6.1 million general obligation bond fund authorization for the Aging Schools Program.

2. Approve the Governor's $280 million general obligation bond fund authorization for the Public School Construction Program.

3. Approve the Governor's $3.5 million general obligation bond fund authorization for the Nonpublic Aging Schools Program.

4. Approve the Governor's $20 million general obligation bond fund authorization for the Supplemental Capital Grant Program for Local School Systems.

5. Approve the Governor's $4.7 million general obligation bond fund authorization for Qualified Zone Academy Bonds.

Appendix 1

Total State Allocation for Public School Construction
Fiscal 1972 through Initial 2017 Allocation

Local Education Agency	Allocation	% of Total
Allegany	$109,461,846	1.49%
Anne Arundel	641,710,709	8.75%
Baltimore City	827,348,268	11.29%
Baltimore County	747,987,934	10.20%
Calvert	173,187,272	2.36%
Caroline	77,826,069	1.06%
Carroll	239,313,395	3.26%
Cecil	142,778,764	1.95%
Charles	256,841,542	3.50%
Dorchester	92,599,789	1.26%
Frederick	410,430,343	5.60%
Garrett	55,067,950	0.75%
Harford	338,996,349	4.62%
Howard	498,770,523	6.80%
Kent	20,800,390	0.28%
Montgomery	1,025,179,688	13.98%
Prince George's	813,774,626	11.10%
Queen Anne's	85,725,328	1.17%
St. Mary's	183,984,033	2.51%
Somerset	76,594,670	1.04%
Talbot	30,111,613	0.41%
Washington	177,254,833	2.42%
Wicomico	182,770,748	2.49%
Worcester	68,823,978	0.94%
MD School for the Blind	36,227,631	0.49%
Statewide	17,237,039	0.24%
Total	**$7,330,805,330**	100.00%

Source: Public School Construction *Capital Improvement Program*, Fiscal 2017

Appendix 2

Fiscal 2017 Public School Construction Funding
($ in Thousands)

Local Education Agency	IAC/BPW Approved 75%	90% Additional IAC Recommendation	90% Total Recommendation	Total Request	A/B Request	% A/B Request Funded*
Allegany	$5,800	$1,618	$7,418	$25,115	$25,115	30%
Anne Arundel	23,018	4,998	28,016	55,043	33,632	83%
Baltimore City	24,572	5,414	29,986	85,194	58,855	51%
Baltimore County	24,675	5,685	30,360	59,277	38,887	78%
Calvert	5,926	492	6,418	9,964	9,964	64%
Caroline	36	0	36	1,835	36	100%
Carroll	2,971	0	2,971	3,418	3,418	87%
Cecil	1,911	950	2,861	7,434	7,434	38%
Charles	2,217	0	2,217	15,599	2,217	100%
Dorchester	3,760	749	4,509	5,010	5,010	90%
Frederick	15,400	2,945	18,345	29,309	29,309	63%
Garrett	3,320	653	3,973	4,414	4,414	90%
Harford	7,472	738	8,210	8,732	8,732	94%
Howard	20,000	4,000	24,000	33,256	33,256	72%
Kent	0	0	0	0	0	n/a
Montgomery	25,700	5,700	31,400	149,958	138,186	23%
Prince George's	24,673	5,688	30,361	71,488	45,399	67%
Queen Anne's	683	0	683	833	683	100%
St. Mary's	1,037	142	1,179	1,273	1,273	93%
Somerset	1,430	164	1,594	1,771	1,771	90%
Talbot	0	0	0	0	0	n/a
Washington	3,958	564	4,522	4,847	4,847	93%
Wicomico	7,227	0	7,227	15,415	10,415	69%
Worcester	0	0	0	0	0	n/a
Maryland School for the Blind	4,214	1,500	5,714	9,902	9,902	58%
Total	**$210,000**	**$42,000**	**$252,000**	**$599,087**	**$472,755**	**53%**

BPW: Board of Public Works IAC: Interagency Committee on School Construction

*Percent of A or B projects funded as of the 90% total recommendation

Source: Public School Construction Program; Interagency Committee on School Construction

Appendix 3

Maryland Public School Construction Program
Summary of Capital Program Requests
Fiscal 2017-2022
($ in Thousands)

LEA	2017	2018	2019	2020	2021	2022	Total
Allegany	$25,115	$13,341	$433	$1,004	$294	$2,284	$42,471
Anne Arundel	55,043	62,462	60,098	53,987	70,906	52,864	355,360
Baltimore County	59,277	132,883	66,649	36,050	36,050	36,050	366,959
Calvert	9,964	14,575	12,535	6,690	1,086	10,666	55,516
Caroline	1,835	0	11,049	17,249	15,761	27,904	73,798
Carroll	3,418	10,012	14,896	33,044	25,950	6,823	94,143
Cecil	7,434	7,615	7,915	9,421	15,961	10,721	59,067
Charles	15,599	16,995	27,391	29,848	14,747	17,327	121,907
Dorchester	5,010	11,771	13,399	8,028	2,693	6,043	46,944
Frederick	29,309	29,971	2,837	29,863	27,820	31,328	151,128
Garrett	4,414	5,311	589	985	1,850	2,715	15,864
Harford	8,732	16,392	19,346	17,929	10,057	11,693	84,149
Howard	33,256	86,823	77,776	62,857	13,400	67,809	341,921
Kent	0	1,560	0	3,066	3,000	2,500	10,126
Montgomery	149,958	68,496	92,115	92,935	120,143	86,180	609,827
Prince George's	71,488	133,498	187,802	153,664	124,796	157,138	828,386
Queen Anne's	833	1,702	445	9,782	14,509	8,787	36,058
St. Mary's	1,273	1,030	10,257	10,776	5,617	7,491	36,444
Somerset	1,771	14,464	14,464	7,232	8,236	9,387	55,554
Talbot	0	0	8,870	400	4,255	0	13,525
Washington	4,847	6,167	11,244	11,614	12,827	9,878	56,577
Wicomico	15,415	21,496	14,473	17,279	29,724	18,900	117,287
Worcester	0	0	4,478	4,478	2,704	1,569	13,229
Baltimore City	85,194	96,284	77,674	69,614	68,661	67,562	464,989
Maryland School for the Blind	9,902	7,299	6,600	10,496	7,459	8,345	50,101
Total State	**$599,087**	**$760,147**	**$743,335**	**$698,291**	**$638,506**	**$661,964**	**$4,101,330**
Total Adjusted State	**$599,087**	**$790,553**	**$803,991**	**$785,482**	**$746,962**	**$805,380**	**$4,531,456**

LEA: local education agency

Total State: Estimated based on fiscal 2017 requests with no adjustment for inflation.
Total Adjusted State: Adjusted for inflation based on fiscal 2017 requests compounded at 4% per year.

Source: Public School Construction *Capital Improvement Program*, Fiscal 2017

DE0211

Judiciary

Board of Public Works

Capital Budget Summary

State-owned *Capital Improvement Program*

($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Catonsville District Courthouse	$6.750	$28.501	$41.550	$0.000	$0.000	$0.000	$0.000
Salisbury District Court Property	0.000	0.400	0.000	0.000	0.000	0.000	0.000
Shillman Building Conversion	0.000	0.000	0.000	0.000	0.961	1.175	30.513
New Court of Appeals Building	0.000	0.000	0.000	0.000	0.000	3.089	106.250
Total	**$6.750**	**$28.901**	**$41.550**	**$0.000**	**$0.961**	**$4.264**	**$136.763**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$6.750	$28.901	$41.550	$0.000	$0.961	$4.264	$136.763
Total	**$6.750**	**$28.901**	**$41.550**	**$0.000**	**$0.961**	**$4.264**	**$136.763**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Benjamin B. Wilhelm Phone (410) 946-5530

Summary of Recommended Bond Actions

1. New Catonsville District Court

   Approve $28,501,000 in general obligation bonds for the Catonsville District Court.

2. Salisbury District Court Multi-Service Center

   Approve $400,000 in general obligation bonds for the purchase of leased property at the Salisbury District Court site.

3. SECTION 12 – Judiciary – New Catonsville District Court

   Approve the pre-authorization of general obligation bond funds for fiscal 2018 totaling $40,853,000. This pre-authorization is necessary to fully fund construction of the new Catonsville District Court.

Performance Measures and Outputs

The Judiciary is composed of four courts and seven programs, which support the administrative, personnel, and regulatory functions of the Judicial Branch of the State government. Courts consist of the Court of Appeals, the Court of Special Appeals, circuit courts, and the District Court. The Chief Judge of the Court of Appeals is the administrative head of the State's judicial system. The Chief Judge appoints the State court administrator as head of the Administrative Office of the Courts to carry out administrative duties, which include data analysis, personnel management, education, and training for judicial personnel.

Baltimore County District Court Lags Other Jurisdictions on Timeliness Standards

The Judiciary incorporates case flow standards adopted by the Maryland Judicial Council into its annual Managing for Results data in order to evaluate access to justice; expedition and timeliness; equity, fairness, and integrity; independence and accountability; and public trust and confidence.

The Judiciary utilized standards set by the American Bar Association that determine the amount of time it should take to process a particular type of case. Those standards were modified due to existing statutes and rules that impact the way in which Maryland courts are required to process certain cases. The statewide case flow assessment submitted by the Judiciary analyzes cases that come through the District and circuit courts and, in particular, the timeliness with which those cases are terminated or otherwise disposed. The Judiciary reports case time standards for the District Court based on a random sample of cases from each district and applies a weighting based on the total number of cases in the district.

The time standards for District Court cases are set according to the following case types:

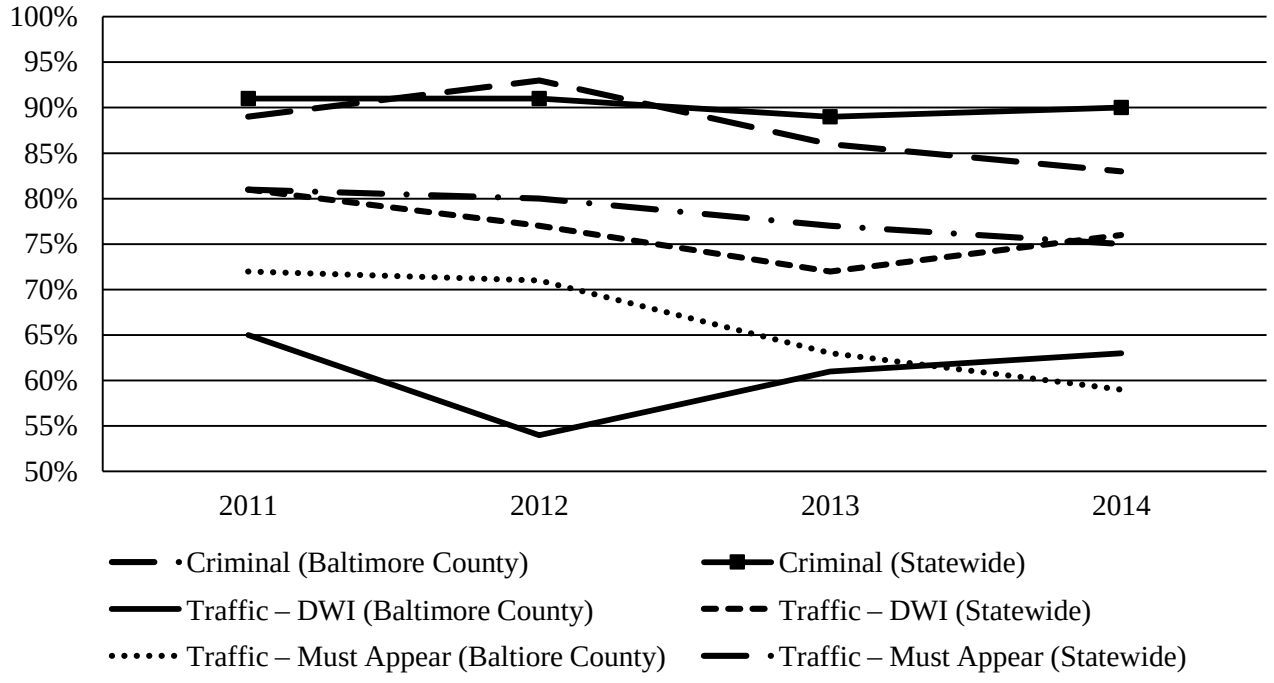
- **Criminal:** 180 days;
- **Traffic – Driving Under the Influence (DUI):** 180 days;
- **Traffic – Must Appear:** 180 days;
- **Traffic – Payable:** 120 days;
- **Civil – Large:** 250 days; and
- **Civil – Small:** 120 days.

For each case type, the goal is to terminate 98% of cases within the time standard.

Baltimore County has generally performed below the statewide averages for timeliness since fiscal 2011. As shown in **Exhibit 1**, the percent of cases cleared within the established time standard

in Baltimore County for the selected case types (Criminal, Traffic – DUI, and Traffic – Must Appear), only exceeded the statewide average for one case type (Criminal) once from fiscal 2011 through 2014. Timely clearance rates for the Criminal and Traffic – Must Appear dockets also slipped over the same period.

Exhibit 1
Baltimore County and Statewide District Court Performance
Percent of Cases Cleared within the Established Timeline
Fiscal 2011-2014



Source: Maryland Judiciary

The Judiciary has attributed this poor performance in Baltimore County to an insufficient number of judges and identified a need for a total of five additional District Court judges in the county, more than any other jurisdiction. Despite this identified need, the Judiciary has been unable to petition the General Assembly for the creation of these judgeships because there is currently no available courtroom space in the county. If the new Catonsville courthouse project proceeds, the Judiciary will have four additional courtrooms, which would substantially reduce the workloads countywide.

Budget Overview

The fiscal 2017 allowance includes $28.9 million in general obligation bonds for two Judiciary projects. This includes $28.5 million for construction of a new Catonsville District Court and $400,000 to purchase property to serve the Salisbury District Court/Multi-Service Center, which is currently leased by the State from the City of Salisbury.

New Catonsville District Court

The new Catonsville District Court would replace the current three-courtroom facility with a 74,312 net square foot, seven-courtroom facility in the same zip code as required by law. In addition to the District Court, the new facility would also house offices of Department of Public Safety and Correctional Services (DPSCS) Parole and Probation, the DPSCS Drinking and Driving Monitoring Program, the Department of Juvenile Services, and the Department of General Services (DGS). The 2017 *Capital Improvement Plan* (CIP) includes funding in fiscal 2017 to complete the design process and spreads construction funding for the project over fiscal 2017 and 2018.

The overall cost of the project has increased by $14.0 million above the fiscal 2016 CIP, all in fiscal 2018, due to design and construction costs for a parking garage. The original plan called for the construction of a 300-space surface parking lot on the site, based on conceptual site plans that were developed when the State purchased the property in 2004. Since that time, Department of Natural Resources (DNR) rules regarding reforestation and Maryland Department of the Environment (MDE) stormwater management requirements have changed, and the Department of Budget and Management (DBM) determined that these rules require the construction of a multi-level parking structure instead of a surface lot. The planned parking structure, which has a smaller footprint than an open lot will allow the site to maintain one acre dedicated to forest, as required by DNR, and construct 11 stormwater retention ponds on the site to comply with MDE regulations. Additionally, the parking structure will contain a total of 425 parking spaces. While the State is not subject to local zoning requirements, these additional spaces would bring the courthouse up to the parking standard established by the Baltimore County Zoning Code.

Construction costs for the courthouse building are estimated at $54.6 million; however, value engineering has been conducted that would reduce this cost by $4.3 million to $50.3 million by adjusting the design of the roof and exterior building elements. This anticipated reduction in cost is not reflected in the current CIP because the project has not been bid and, therefore, the final cost is not yet known.

Salisbury District Court/Multi-Service Center Land Acquistion

The State has leased property adjacent to the Salisbury District Court/Multi-Service Center from the City of Salisbury since 1984. The original lease called for the property to be used for surface parking but was later modified to allow for a portion of the State-owned courthouse to extend onto the

property, which it does. The terms of this lease require the State to either purchase the parcel or agree to a lease extension at a significantly increased rate. The original lease was scheduled to expire at the end of fiscal 2015, but the parties have agreed to extend the lease term to December 31, 2016, to allow the State to determine the appropriate course of action, given that it must retain the property. DBM has determined that it would cost $135,000 per year to lease the property going forward and that purchasing the property for $400,000 now is a better long-term solution.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Catonsville District Court						
	Estimated Operating Cost	$0.000	$0.000	$1.032	$1.015	$1.050
	Estimated Staffing	0	0	4	4	4
Total Operating Impact						
	Estimated Operating Cost	$0.000	$0.000	$1.032	$1.015	$1.050
	Estimated Staffing	0	0	4	4	4

Summary of Other Projects in the Capital Improvement Program

New Court of Appeals Building

There are two additional projects included in the CIP for the Judiciary. The first is the construction of a new Court of Appeals Building. The new building would include hearing rooms, chambers for judges, and offices for clerks for the Court of Appeals and the Court of Special Appeals. The site of the new facility will be located in Annapolis, as mandated by law. The Judiciary has previously suggested that the building be located on the State-owned property currently occupied by the C, D, and E pods of the Tawes Complex, which is currently occupied by DNR and is near the current Court of Appeals Building. Funding in the CIP includes $3.1 million for planning, and the estimated total cost of the project beyond the end of the CIP is $106.3 million. **The Department of Legislative Services (DLS) recommends that the Judiciary and DGS comment on the status of planning for the new Court of Appeals building, including the relocation of DNR offices in the Tawes Complex and the exploration of alternative locations. DLS recommends that Judiciary and DGS comment**

on alternatives to new construction and whether the Judiciary's needs could be addressed by renovating the current facility.

Shillman Building Conversion

The second additional project is the conversion of the Shillman Building in Baltimore City into facilities for the civil division of the Baltimore City District Court. The current facility occupied by the civil division has inadequate space for court functions, is not Americans with Disabilities Act compliant, and has significant maintenance problems including flooding and inadequate heating, ventilation, and air conditioning systems. The building, which is owned by Baltimore City, would be impossible to renovate to modern standards. The Judiciary has reported that suitable and affordable alternative sites are not currently available. Renovation of the Shillman building, which currently houses offices of the Department of Labor, Licensing, and Regulation; the Department of Health and Mental Hygiene; and DGS, as well as the District Court Commissioner's office for Baltimore City, has been determined to be the best available option. This plan would require that those agencies be relocated and that the building be converted into court space. The CIP includes $2.1 million for planning in fiscal 2020 and 2021, and the estimated total cost of the project is $30.5 million. **DLS recommends that the Judiciary and DGS comment on the status of the Shillman Building conversion and relocation plans for the agencies currently occupying the building. DLS further recommends that the Judiciary and DGS discuss the deficiencies of the current civil District Court facility for Baltimore City and whether the building will remain habitable until the Shillman Building project is complete and whether any contingency plans have been prepared in the event that the current facility becomes unusable before a new courthouse is complete.**

Projects Deferred in Fiscal 2017

As shown in **Exhibit 2**, one project scheduled in the 2015 CIP has been delayed in the 2016 CIP, the New Court of Appeals Building.

Exhibit 2
Projects Deferred
Fiscal 2017

Project	Description	Reason for Deferral
New Court of Appeals Building	Delay initial planning funds from fiscal 2020 to 2021	No plan in place for required relocation of the Department of Natural Resources

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Pre-authorizations and De-authorizations

Exhibit 3 details the one pre-authorization for the Judiciary: $40.9 million for fiscal 2018 to fund the remainder of construction of the Catonsville District Court in fiscal 2018, including a parking garage added to the project in the 2016 CIP.

Exhibit 3
Pre-authorizations
Fiscal 2018-2020
($ in Millions)

Project	2018	2019	2020	Reason
Catonsville District Court	$40.853	$0.000	$0.000	Remainder of required funds for construction.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve $28,501,000 in general obligation bonds for the Catonsville District Court.

2. Approve $400,000 in general obligations bonds for the purchase of leased property at the Salisbury District Court site. This action is necessary to avoid increased expenditures for rent under a new lease agreement for property that is the site of a State-owned building.

3. Approve the pre-authorization of general obligation bond funds for fiscal 2018 totaling $40,853,000. This pre-authorization is necessary to fully fund construction of the new Catonsville District Court.

FB04
Department of Information Technology

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Public Safety Communication System	$271.097	$15.000	$24.000	$17.500	$10.650	$0.000	$0.000
Total	**$271.097**	**$15.000**	**$24.000**	**$17.500**	**$10.650**	**$0.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$154.800	$15.000	$24.000	$17.500	$10.650	$0.000	$0.000
PAYGO GF	27.400	0.000	0.000	0.000	0.000	0.000	0.000
PAYGO FF	0.400	0.000	0.000	0.000	0.000	0.000	0.000
Nonbudgeted Funds	88.497	0.000	0.000	0.000	0.000	0.000	0.000
Total	**$271.097**	**$15.000**	**$24.000**	**$17.500**	**$10.650**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*
FF: federal funds
GF: general funds
GO: general obligation
PAYGO: pay-as-you-go

For further information contact: Patrick S. Frank Phone (410) 946-5530

Summary of Issues

Public Safety Communication System Project Is Delayed, Which Increases Costs: The Department of Budget and Management (DBM) authorizes $15.0 million. Last year, $28.5 million was planned. The funds are reduced as a cost containment measure. This adds $4.0 million to total project costs and delays realizing the public safety benefits associated with this project. **The Department of Legislative Services (DLS) recommends that funding for this project is restored to the levels programmed for fiscal 2017 in the 2015 session *Capital Improvement Program* (CIP).**

Summary of Updates

Joint Chairmen's Report Addressing High-speed Data Network Improvements: In the 2015 *Joint Chairmen's Report*, DBM, in consultation with the Department of Information Technology (DoIT), was required to report to the committees on high-speed data networks in State facilities. DBM was required to explain procedures for including the cost to connect new State-owned facilities to the State's data networks and ensure that such costs are included in its cost estimates for fiscal 2017 projects. The committees also requested that DoIT review State facilities, including long-term leases, to determine the need for improving connectivity. To the extent that any need was found, DoIT was charged with performing a cost-benefit analysis of the needed improvements. DBM advises that procedures are in place to fund capital project connectivity in the fiscal 2017 new construction. For facilities that are currently in use, DoIT monitors usage and upgrades, if necessary. DoIT is also moving facilities from older copper cables to fiber optic cables, if it is cost neutral.

Summary of Recommended Bond Actions

		Funds
1.	Public Safety Communications System	$13,500,000 GO
	Increase authorization to level proposed in fiscal 2015 capital budget plan.	
	Total Additions	**$13,500,000 GO**

Program Description

Program Description: DoIT supports Maryland's Executive Branch agencies as the principal procurement unit for information technology (IT) services and in establishing a long-range technology infrastructure, encouraging cross-agency collaboration, and advocating best practices for operations and major IT project development management. DoIT identifies and provides opportunities for State agencies to become more technologically efficient, reduce costs, and maximize the State's investment in IT and telecommunications assets.

Budget Overview

DoIT capital's fiscal 2017 request includes only one project, the Public Safety Communications System (PSCS) project. This provides an integrated statewide public safety wireless communication system and a primary radio communication system for public safety first responders throughout the State. The system uses the Public Safety 700 megahertz (MHz) spectrum licensed to the State by the Federal Communications Commission (FCC). The program is also referred to as Maryland First Responders Interoperable Radio System Team (Maryland FiRST).

The State has a contract with Motorola to build and renovate infrastructure for this project. Once completed, this radio system will be the primary operating radio system for all State agencies, providing a communications platform for State agencies and allowing for seamless interoperability among State users and first responders at all levels of government. Interoperable communications is the ability for first responders to transmit voice and data communications in real-time, regardless of agency or jurisdictional boundary.

The project has been divided into the following regions:

- Region 1A is the Maryland Transportation Authority;
- Region 1 is Central Maryland;
- Region 2 is the Eastern Shore;
- Region 3 is the nation's capital area and Southern Maryland; and
- Region 4 is Western Maryland.

Construction did not progress by regions. Instead, the project was divided into six construction phases. The Maryland map in **Exhibit 1** shows the construction schedule by phases, as well as the actual and estimated fiscal year of completion.

Exhibit 1
Schedule for Implementing Maryland FiRST
Fiscal Years Regions Become Operational

Source: Department of Information Technology, January 2016

Phase 3 is currently under construction. DoIT advises that Baltimore County has been operational since August 2015 while Harford and Cecil counties have been operational since October 2015. Testing for Frederick and Carroll counties was completed in December 2015. By June 2016, Anne Arundel and Howard counties should be operational. When Phase 3 is completed, 83% of the State's population will be covered by Maryland FiRST.

The 2016 session CIP modifies the general obligation (GO) bond authorizations required to complete this project. Last year's program assumed $28.5 million in fiscal 2017 and a total remaining cost of $63.2 million. This year's program reduces fiscal 2017 authorizations to $15.0 million but increases total remaining costs to $67.2 million. This delays completion of Southern Maryland's region from fiscal 2017 to 2020. The completion of the national capital area region is now scheduled for fiscal 2019, instead of fiscal 2018.

DBM advises that there have been delays to Region 3 that contribute to delaying Regions 5A and 5B. According to DBM, the project is delayed "due to limited debt capacity."

FCC, which licensed the public safety 700 MHz spectrum for the system, requires that the State meet two build-out benchmarks. The first was that the system provide "substantial service" to one-third of citizens by June 2014. This was achieved in calendar 2012 with the completion of Region 1A. The

second is that two-thirds of the population are provided service by June 2019. DoIT projects that this will be reached at the completion of Phase 3 in fiscal 2016.

Prior year costs increased by $4.5 million in fiscal 2016. The State Highway Administration provided funds to renovate and upgrade its radio communications towers in Western Maryland to ensure that such towers would be compatible with Maryland FiRST.

The system funded with this initiative has an objective of providing full on-street coverage but does not guarantee complete in-building coverage. Prior to implementing the system, an early estimate projected that as many as 230 additional towers may need to be built to provide in-building coverage. Since implementing the system, the coverage has proved to exceed expectations in a number of areas. As a result, the effort it would take to provide in-building coverage appears less than previously anticipated. In some cases, adding an antenna that goes through the building and can transmit from the top of the building is sufficient. **The department should brief the committees on what is required to provide in-building coverage. This should include a discussion of work and costs.**

Issues

1. Public Safety Communication System Project Is Delayed, Which Increases Costs

To slow the growth rate for GO bond debt service costs, the Administration intends to limit total new GO bond authorizations to $995 million in each year of the five-year CIP. For fiscal 2017, this is $34 million less than what was proposed in the 2015 CIP. To realize these savings, fiscal 2017 authorizations for some projects need to be reduced. DBM advises that authorizations for this project were reduced as a cost containment measure.

Exhibit 2 shows that the delay reduces authorizations by $13.5 million in fiscal 2017. However, overall authorizations increase by $4.0 million and project completion is delayed by two years.

Exhibit 2
2015 and 2016 *Capital Improvement Program* Planned Authorizations
Fiscal 2017-2020
($ in Thousands)

	2017	2018	2019	2020	Total
2015 *Capital Improvement Program*	$28,500	$34,650	$0	$0	$63,150
2016 *Capital Improvement Program*	15,000	24,000	17,500	10,650	67,150
Difference	**-$13,500**	**-$10,650**	**$17,500**	**$10,650**	**$4,000**

Source: Department of Budget and Management, January 2016

Department of Legislative Services Recommends Restoring Funding

DLS recommends that funding for this project is restored. The basis for this recommendation is that:

- **The Spending Affordability Committee (SAC) Recommended a Debt Limit Totaling $1,055 Million So Capacity Is Available:** SAC recognizes the need to slow capital spending but did not recommend shrinking the capital budget. Instead, 1% growth of last year's appropriation is recommended so that important initiatives can be funded. This provides sufficient authorization to restore full funding without displacing other projects;

- **It Costs More to Delay the Project:** As shown in Exhibit 2, slowing the pace of the total project build out through fiscal 2020 increases the total project cost by $4 million; and

- **The Benefits of the System, Which DBM Advises Are Substantial, Will Be Realized Sooner If the Funds Are Restored:** The system provides improved interoperability between local, State, and federal agencies. DBM advises that the system will "correct existing emergency communications deficiencies" and "thereby minimizing the loss of life and property." Maryland FiRST was used in April 2015 to support State and local agencies responding to disturbance following the death of Freddie Gray. "The completed portions of the PSCS have thus far been operating beyond expectations," according to DBM.

Updates

1. *Joint Chairmen's Report* Addressing High-speed Data Network Improvements

In the 2015 *Joint Chairmen's Report*, DBM, in consultation with DoIT, was required to report to the committees on high-speed data networks in State facilities. DBM is also required to explain procedures for including the cost to connect new State-owned facilities to the State's data networks and ensure that such costs are included in its cost estimates for fiscal 2017 projects. The committees also requested that DoIT review State facilities, including long-term leases, to determine the need for improving connectivity. To the extent that any need was found, DoIT is charged with performing a cost-benefit analysis of the needed improvements.

Background

DoIT operates networkMaryland, which is a high-speed data network that connects State agencies, libraries, schools, higher education institutions, and local governments. Since the network project began in 1999, network connectivity has become a required feature for State agencies.

DoIT noted that the prior years' capital projects cost estimate worksheets did not consider the cost of including high-speed data networks that connect to networkMaryland in State facilities. Often, the State contracts with private vendors, such as Verizon, to connect facilities with networkMaryland. There were concerns that facilities do not have sufficient capacity or require maintenance to upgrade aging fiber optic cables. Retrofitting these facilities could improve operations.

Fiscal 2017 Project Estimates

DBM advises that steps have been taken to ensure that high-speed data connectivity is now included in fiscal 2017 capital project cost estimates and will be included in future years. Steps are also taken to evaluate connectivity in facilities in use, including:

- DBM now provides DoIT with a list of new construction projects lacking high-speed connectivity data;
- DoIT reviews the list and makes recommendations about which options provide optimal value; and
- DoIT analyzes private contractor costs using a five-year timeframe[1] and compares this to one-time construction expenses.

[1] The five-year timeframe was selected because DoIT does not have confidence that bandwidth needs can be forecast beyond five years with any accuracy.

Connectivity for Existing Buildings

A key aspect of agency connectivity is the bandwidth that an agency needs. As such, DoIT advises that the department regularly evaluates usage. Procedures allow for automatic notification when agencies are close to exceeding their bandwidth. When an agency's utilization reaches 95% of its total bandwidth provided, DoIT is automatically notified and initiates an evaluation of need to increase bandwidth. To understand agency needs, DoIT also holds multi-agency forums to discuss evolving needs based on new applications and systems.

Another aspect is the type of technology. The State-owned network uses two types of technologies, copper cable and fiber optic cable. Copper cable is the older technology. Compared to fiber optic cable, copper cable is not easily expandable and more costly at high bandwidth levels. Fiber optic cable is also considered to be the most robust technology available. Newer technology has increased fiber optic's cost advantages so that it becomes less costly at 3 megabits per second (Mbps) than copper cable. Previously, the cost benefits of fiber optic technology were not realized until the required bandwidth exceeded 6 Mbps. DoIT has identified approximately 150 locations where the current copper connections can be replaced with fiber optic connections at no increase in State costs. These services are being migrated. Another benefit is that the additional cost of increasing bandwidth is quite small once the fiber optic connection exists. DoIT advises that it continues to monitor agency activity and evaluate alternative technologies that may be suitable for replacing current technology.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	*FY 2018*	*FY 2019*	*FY 2020*	*FY 2021*
Public Safety Communication System						
	Estimated Operating Cost	$14.8	$8.0	$6.9	$11.3	$13.4
	Estimated Staffing	0	0	0	0	0
Total Operating Impact						
	Estimated Operating Cost	**$14.8**	**$8.0**	**$6.9**	**$11.3**	**$13.4**
	Estimated Staffing	**0**	**0**	**0**	**0**	**0**

GO Bond Recommended Actions

1. Increase authorization to level proposed in fiscal 2015 capital budget plan.

FB04A Public Safety Communications System ..... $ 28,500,000

Allowance	Change	Authorization
15,000,000	13,500,000	28,500,000

Explanation: To accommodate lower general obligation bond authorization levels, the Department of Budget and Management (DBM) has revised the staged build-out schedule and reduced funding for this project from what was previously scheduled. Since the Spending Affordability Committee recommended a level of debt in excess of the Administration's level, capacity is available. Increasing the authorization and keeping the project on schedule is projected to reduce total project costs by $4 million. DBM advises that the system will "correct existing emergency communications deficiencies" and "thereby minimizing the loss of life and property." The Department of Legislative Services recommends that the project not be delayed so that total costs can be reduced and the benefits of this project are realized sooner.

Total Reductions **$13,500,000 GO**

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Community Health Facilities Grant Program	$5.183	$5.263	$4.758	$5.742	$5.250	$7.500	$7.500
Federally Qualified Health Centers	2.276	0.371	2.500	2.500	2.500	2.500	2.500
Total	**$7.459**	**$5.634**	**$7.258**	**$8.242**	**$7.750**	**$10.000**	**$10.000**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
GO Bonds	$7.459	$5.634	$7.258	$8.242	$7.750	$10.000	$10.000
Total	**$7.459**	**$5.634**	**$7.258**	**$8.242**	**$7.750**	**$10.000**	**$10.000**

GO: general obligation

For further information contact: Jordan D. More/Lindsey B. Holthaus Phone (410) 946-5530

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Dorsey Run Secure Evaluation and Therapeutic Treatment Center	$0.000*	$0.000	$0.637	$0.778	$8.825	$8.434	$0.000
Clifton T. Perkins Hospital Center	0.000	0.000	0.000	1.088	1.329	16.676	16.328
Total	**$0.000**	**$0.000**	**$0.637**	**$1.866**	**$10.154**	**$25.110**	**$16.328**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$0.000	$0.000	$0.637	$1.866	$10.154	$25.110	$16.328
Total	**$0.000**	**$0.000**	**$0.637**	**$1.866**	**$10.154**	**$25.110**	**$16.328**

CIP: *Capital Improvement Program*
GO: general obligation

* Funding in the amount of $2,150,000 is currently de-authorized by the capital budget bill as introduced for this project. In the 2015 session, an additional $1,150,000 was de-authorized for this project.

Summary of Issues

The Condition of State-owned Residential Treatment Facilities Needs to Improve: For the past several years, the condition of facility infrastructure systems in good/excellent condition, as well as the percentage of residential and program buildings meeting appropriate standards, codes, and client needs has remained relatively poor. While some improvement has been made, additional improvement will require more extensive capital investment. Currently, the Department of Health and Mental Hygiene (DHMH) is undertaking an Institutional Review, but it is unclear when this review, known as Phase II, will be complete. **DHMH should comment on the timeline for Phase II, as well as the plans they have for improving residential buildings at both Springfield and Western Maryland Hospital Center**.

Secure Evaluation and Therapeutic Treatment Center: This project has been delayed multiple times, most recently to conduct a building feasibility study, which estimated that the costs of building a new building were similar to the renovation that is currently planned. **As the costs of the two options are similar, the agency should comment on when it will make a final decision between the two.**

Rosewood Center Operating Costs: The Rosewood Center in Owings Mills is considered surplus property, and the State has recently been deciding how to dispose of the property, including for the disposition of the property to the Maryland Department of Veterans Affairs (MDVA) for a new cemetery. **The agency should comment on its plans to remediate parcel 2 and 3 for the disposition to MDVA.**

Summary of Recommended Bond Actions

1. Community Health Facilities Grant Program

   Approve $4,758,000 in general obligation bonds.

2. Federally Qualified Health Centers Grant Program

   Approve $2,500,000 in general obligation bonds.

3. SECTION 2 – Department of Health and Mental Hygiene – Patient Safety Improvements

   Approve the de-authorization of $214,934 in general obligation bonds.

4. SECTION 2 – Department of Health and Mental Hygiene – Secure Evaluation and Therapeutic Treatment Center

   Approve the de-authorization of $2,150,000 in general obligation bonds.

Budget Overview

Community Health Facilities Grant Program

DHMH's Community Health Facilities Grant Program provides capital grants for the acquisition, design, construction, renovation, and equipping of facilities that provide mental health, developmental disabilities, and substance use disorder services. The program is considered an integral part of the State's efforts to facilitate the de-institutionalization of the mentally ill and developmentally disabled by assisting in the funding of residential facilities within the community. It also seeks to develop community resources to prevent institutionalization of the addicted. The State may fund up to 75% of the cost of each project.

Proposed Fiscal 2017 Projects

For fiscal 2017, as shown in **Exhibit 1**, the department is proposing to support eight projects: four substance use disorder treatment projects, three community mental health projects, and one project for individuals with co-occurring mental illness and substance use disorders. Of the projects proposed in the fiscal 2017 program, most are routine requests. Three projects contain multi-year commitments, including the project for Tuerk House, Inc., in Baltimore City; the Avery Road Treatment Center in Montgomery County; and the Family Services, Inc., projects in Prince George's and Montgomery counties.

Exhibit 1
Fiscal 2017 Community Health Facilities Grant Program
Proposed Projects

Subdivision	Project Title	Project Detail	Estimated Cost	Prior Auth.	2017 Amount	Future Request	Total State Share (%)
Anne Arundel	Main Street Housing, Inc.	Acquire and renovate three properties for Main Street Housing, Inc., to provide independent housing for six individuals/families with psychiatric disabilities.	$696,000		$477,480		68.6%

Subdivision	Project Title	Project Detail	Estimated Cost	Prior Auth.	2017 Amount	Future Request	Total State Share (%)
Anne Arundel	Opportunity Ministries, Inc.	Renovate a 4,896 square foot (sq. ft.) building to create six units (two bedrooms each) of supportive recovery housing for women who have children or are currently pregnant and recovering from a substance use disorder.	879,053		659,290		75.0%
Anne Arundel	The Samaritan House, Inc.	Construct and renovate a 4,500 sq. ft. (16 unit) long-term residential drug and alcohol treatment and supportive services building.	1,383,464		750,000		54.2%
Baltimore City	Tuerk House, Inc.	Renovate a 25,570 sq. ft. building in West Baltimore to add 26 beds for individuals recovering from substance use disorders.	4,959,663	$137,000	700,000	$2,634,764	70.0%
Montgomery	Cornerstone Montgomery, Inc.	Renovate a 10,700 sq. ft. space for Cornerstone to co-locate comprehensive behavioral health and primary care services.	1,403,000		1,050,000		74.8%
Montgomery	Avery Road Treatment Center/ Montgomery County Government	Construct new 60-bed residential facility for individuals with substance use disorders to replace existing capacity on that same site.	12,592,334	414,000	1,026,604	2,173,396	28.7%

Subdivision	Project Title	Project Detail	Estimated Cost	Prior Auth.	2017 Amount	Future Request	Total State Share (%)
Regional	Family Services, Inc.	Acquire eight homes for housing for low-income adults with serious mental illness.	2,232,502		850,000	824,377	75.0%
Regional	Key Point Health Services, Inc.	Acquire adequate housing to provide 12 bedrooms for supportive housing to individuals with serious mental illness.	520,000		390,000		75.0%
Statewide	Cash Flow, Prior Commitments, and Available Funds Adjustment		-1,145,374		-1,145,374		100.0%
Total			**$23,520,642**	**$551,000**	**$4,758,000**	**$5,632,537**	

Source: Department of Health and Mental Hygiene

Fiscal 2017 Financial Analysis and Overall Program Activity

While the total fiscal 2017 State support for the eight projects is $5,411,374, the funding request for the fiscal 2017 Community Health Facilities Grant Program is based on the cash flow analysis provided in **Exhibit 2**. **Exhibit 3** summarizes prior year authorization encumbrance and expenditure data.

Exhibit 2
DHMH – Fiscal 2017 Community Health Facilities Grant Program
Cash Flow Analysis

State share of proposed fiscal 2017 projects	$5,411,374
Carryover of projects from prior year commitments	4,470,672
Funds available at the end of fiscal 2016	-3,024,756
Cash flow adjustment for fiscal 2017	-2,099,290
Total	**$4,758,000**

DHMH: Department of Health and Mental Hygiene

Source: Department of Health and Mental Hygiene; Department of Budget and Management

Exhibit 3
Community Health Facilities Grant Program Authorization Encumbrance and Expenditure Data
($ in Millions)

		Funds		Balances	
Fiscal Year	**Authorization**	**Encumbered**	**Expended**	**To Be Encumbered**	**To Be Expended**
Prior Years	$166.052	$166.052	$165.983	$0.000	$0.069
2012	3.568	3.568	3.482	0.000	0.086
2013	0.000	0.000	0.000	0.000	0.000
2014	5.250	5.250	4.061	0.000	1.189
2015	5.183	2.991	0.761	2.192	4.422
2016	5.263	0.000	0.000	5.263	5.263
Total	**$185.316**	**$177.862**	**$174.287**	**$7.455**	**$11.030**

Note: Data effective February 26, 2016. Numbers may not sum due to rounding.

Source: Department of Health and Mental Hygiene; Department of Budget and Management

Federally Qualified Health Centers Grant Program

Federally Qualified Health Centers (FQHC) are private, not-for-profit health care centers that provide comprehensive primary and preventive care to all individuals regardless of insurance status or their ability to pay. FQHCs exist in areas where economic, geographic, or cultural barriers limit access to primary health care for a substantial portion of the population.

Maryland currently has 17 traditional FQHCs and 1 FQHC look-alike health center with over 156 service sites. Forty-seven of the 156 sites are located in Baltimore City, and the remaining 110 sites are located in the following jurisdictions: Allegany, Anne Arundel, Baltimore, Caroline, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Kent, Montgomery, Prince George's, Queen Anne's, Somerset, St. Mary's, Talbot, Washington, Wicomico, and Worcester counties.

To qualify for designation as an FQHC, an area must first be designated by the federal government as a medically underserved area (MUA), or serve a medically underserved population (MUP), based on criteria established by the U.S. Department of Health and Human Services. Currently, Maryland has 59 medically underserved designations, 47 that are MUAs and 12 that are MUPs, an increase of four over the prior year.

The Secretary of Health and Mental Hygiene may recommend grants for up to 75% of eligible costs to counties, municipal corporations, and nonprofit organizations for the following activities related to establishing and maintaining FQHCs: conversion of public buildings; acquisition of existing buildings; renovation of existing space; purchase of capital equipment; or planning, design, and construction of new facilities.

As shown in **Exhibit 4**, the department is funding three projects in three jurisdictions in fiscal 2017, with total funding of $2.5 million.

Exhibit 4
Fiscal 2017 Federally Qualified Health Centers Grant Program
Proposed Projects

Subdivision	Project Title	Project Detail	Estimated Cost	Prior Auth.	2017 Amount	Future Request	Total State Share (%)
Baltimore City	Total Health Care, Inc.	Renovate space to create a new Patient Centered Medical Home.	$3,588,382	$126,000	$1,299,600	$835,081	63.0%
Montgomery	Community Clinic, Inc.	Renovate and equip space to fit-out six exam rooms, a reception/waiting area, provider office and two classrooms.	535,893	-	401,920	-	75.0%
Prince George's	Greater Baden Medical Services, Inc.	Construct a new facility to house all services, administrative offices, pharmacy, case management, and conference rooms.	2,432,752	436,00	818,403	545,597	73.9%
Statewide	Available Funds Adjustment		-19,923	-	-19,923	-	100.0%
Total			**$6,537,104**	**$562,000**	**$2,500,000**	**$1,380,678**	

Source: Department of Health and Mental Hygiene

While the total fiscal 2017 State support for the above projects is $3.2 million, the funding request for the fiscal 2017 FQHC Grant Program is based on the cash flow analysis provided in **Exhibit 5**. **Exhibit 6** summarizes prior year authorization encumbrance and expenditure data. It should be noted that only half of the funding for fiscal 2013 has been encumbered, similar to the amount from the prior year, and no funding from fiscal 2014 or 2015 has been encumbered yet. **The agency should provide a status of all outstanding projects expecting to encumber funds under this program.**

Exhibit 5
DHMH – Fiscal 2017 Federally Qualified Health Centers Grant Program Cash Flow Analysis
($ in Millions)

State share of proposed fiscal 2017 projects	$3.156
Funds available at the end of fiscal 2016	-0.656
Cash flow adjustment for fiscal 2017	0.000
Total	**$2.500**

DHMH: Department of Health and Mental Hygiene

Source: Department of Health and Mental Hygiene; Department of Budget and Management

Exhibit 6
Federally Qualified Health Centers Authorization Encumbrance and Expenditure Data
($ in Millions)

		Funds		Balances	
Fiscal Year	**Authorization**	**Encumbered**	**Expended**	**To Be Encumbered**	**To Be Expended**
Prior Years	$14.802	$14.802	$14.802	$0.000	$0.000
2012	2.002	1.985	1.943	0.017	0.059
2013	2.871	1.625	1.625	1.246	1.246
2014	0.660	0.000	0.000	0.660	0.660
2015	2.276	0.000	0.000	2.276	2.276
2016	0.371	0.000	0.000	0.371	0.371
Total	**$22.982**	**$18.412**	**$18.370**	**$4.570**	**$4.611**

Note: Data effective February 26, 2016. Numbers may not sum due to rounding.

Source: Department of Health and Mental Hygiene; Department of Budget and Management

Issues

1. The Condition of State-owned Residential Facilities Needs to Improve

As seen in **Exhibit 7**, the overall condition of the residential facilities that the State operates continues to be poor. Part of the reason for such low performing scores is that new standards for patient safety goals for psychiatric hospitals established in 2008 by the Joint Commission resulted in a significant downgrading of the percentage of buildings in compliance with requirements, standards, and needs. Capital funding totaling $4 million was provided in fiscal 2010 to make some of the necessary improvements, but these projects have since been completed. Funding above the amount expended was partially de-authorized in last year's capital budget with the remaining surplus proposed for de-authorization this year.

Exhibit 7
DHMH – Facility and Residential Building Conditions
Fiscal 2011-2015

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Condition of facility infrastructure systems (% in good/excellent condition)	89	89	89	91	91
Residential and program buildings meeting licensing standards, current building codes, and patient/client needs (%)	34	34	39	40	54

DHMH: Department of Health and Mental Hygiene

Source: Department of Health and Mental Hygiene

However, as also noted in prior operating analyses, the department's goal for the percentage of residential and program buildings meeting licensing requirements, current building standards, and patient/client needs is still remarkably low – 65% by the end of fiscal 2017 – and will remain so until significant capital projects are completed. The 2015 *Joint Chairmen's Report* (JCR) requested a plan from DHMH to update these facilities and bring them up to appropriate standards. The report was submitted on January 27, 2016. In the report, DHMH and the Department of Budget and Management stated that of the 44 residential buildings and 18 buildings used for programs across the State, only 8 buildings (12.9%) do not meet either licensing standards, current building codes, or patient/client needs. The report then identifies four projects that would need to be undertaken to bring these buildings up to standard, which are presented in **Exhibit 8**.

Exhibit 8
Residential Buildings in Need of Improvement

Facility	Work To Be Done	Cost	CIP
Clifton T. Perkins Hospital Center	Renovate the north wing building	$34,749,000	Yes.
Regional Institute for Children and Adolescents – Baltimore	New electrical for gymnasium; new roof for multi-purpose building; new heating, ventilation, and air conditioning (HVAC) for three dormitory buildings	900,000	Yes, except HVAC. ($740,000 already completed.)
Springfield Hospital Center	Demolition and replacement of the McKeldin building	18,000,000	No.
Western Maryland Hospital Center	Demolition and replacement of the main building	58,000,000	No.
	Total Costs	**$111,649,000**	

Source: Department of Health and Mental Hygiene

Despite the identified needs of these hospital centers, the 2016 *Capital Improvement Program* (CIP) currently only includes two major projects, both of which are deferred from the previous CIP. Currently, initial planning funding the Secure Evaluation and Therapeutic Treatment (SETT) facility is deferred again from fiscal 2017 to 2018, with all previously authorized funding for planning either being de-authorized last year or recommended for de-authorization in the current capital budget bill. More on this project is provided in Issue 2. The second project is the Clifton T. Perkins north wing renovation, but this project is further deferred until fiscal 2019. The only reason provided for this deferment is to stay within GO bond authorization limits, which calls into question the priority status of this project. While the project for the Regional Institute for Children and Adolescents – Baltimore will be taken care of through the Department of General Services Facilities Renewal Program, neither the Springfield nor Western Maryland Hospital Center projects are included in the current CIP, which begs the question on how DHMH will improve these facilities and bring them up to standard.

In addition to the JCR report, DHMH has recently completed what it calls Institutional Review Phase I. This report provides for a complete inventory of all State-owned property currently under the purview of DHMH. While this report provides a comprehensive overview of what DHMH and the State currently maintains in its inventory, there is no further indication as to a plan to bring these facilities up to current standards, including those included in Exhibit 8. DHMH has indicated that it is

currently conducting Institutional Review Phase II, which will determine a potential plan of elimination, consolidation, and/or replacement for all facilities that would best provide the services needed. However, it is unknown at this time when that is expected to be completed. **DHMH should comment on the timeline for Phase II, as well as the plans they have for improving residential buildings at both Springfield and Western Maryland Hospital Center.**

2. Secure Evaluation and Therapeutic Treatment Center

Prior to its closure in June 2009, the Rosewood Center was the only facility in Maryland that served the court-ordered forensic population with developmental disabilities. At the time that the closure announcement was made, the facility housed 166 residents. All of the residents were transferred, many of them to community-based placements in the Baltimore metropolitan area. Although the department implemented an interim plan for housing the forensic population at the Springfield Hospital Center (Sykesville SETT Center) and the Clifton T. Perkins Hospital Center (Jessup SETT), the facilities have an insufficient number of beds to accommodate the court-ordered admissions and lack additional space for vocational activities.

Due to the safety and capacity concerns, the Developmental Disabilities Administration (DDA) received capital funding in fiscal 2011 to begin planning and design of a new, consolidated SETT unit to replace both existing units, and had advised that the renovation and consolidation of the Sykesville Unit would provide sufficient residential and program space to effectively provide secure evaluation and therapeutic treatment with 54 beds. The construction was to originally begin in fiscal 2014 and be completed in fiscal 2015. The department implemented a number of initiatives to reduce patients' lengths of stay and better facilitate the transition of individuals to alternative, community-based settings. These initiatives addressed capacity concerns and the department revised down the number of beds needed at the new facility, increasing the timeline for design. The project has been delayed most recently to conduct a building feasibility study to identify whether or not the project should include renovation and new construction or solely new construction.

Background

DDA is charged with serving individuals that are identified through the court system in need of treatment that qualify for DDA services. The individuals referred to DDA are either found not criminally responsible or incompetent to stand trial by the courts. Although it is the court's final decision as to the placement status of the individual, DDA does make recommendations on the best place for treatment for the individual. Specifically, individuals presenting dangerous behaviors that threaten public safety are referred to SETT units, while individuals presenting behaviors that do not pose a threat to public safety remain in the community with support and services as needed. DDA's mission is to serve individuals (including forensically involved individuals) in the least restrictive setting possible.

Since fiscal 2009, DDA has served court-ordered individuals in SETT units instead of in State Residential Centers. Two SETT units are operated by DDA: one for evaluation and short-term treatment and one for treatment on a longer term basis. The evaluation and short-term treatment unit

is securely located on the grounds of the Clifton T. Perkins Hospital in Jessup. This unit houses a maximum of 12 individuals for 21 to 90 days. During the evaluation phase, DDA completes competency and behavioral evaluations and develops individual, comprehensive service plans. The longer term therapeutic treatment facility is securely located on the grounds of Springfield Hospital in Sykesville. This unit has capacity for 20 individuals who have been appropriately identified through evaluation at the Jessup unit.

Project Status

The fiscal 2017 capital budget bill de-authorizes all prior authorizations for design of SETT units. The building feasibility study, identifying costs for renovation and new construction or solely new construction, was completed in November 2015. The study identified an estimated cost of $12.7 million to renovate and construct an addition to the Muncie Building to create a consolidated 32-bed SETT facility and a $13.0 million cost to solely construct a new facility. A preliminary estimation by DHMH in March 2014 identified costs of $19.0 million for renovation and new construction and $33.0 million for solely new construction. The 2016 CIP includes $16.7 million in construction costs for renovation and construction. **As the costs are similar for a new building and renovation with a new building, the agency should comment on when it will make a final decision between the two.**

3. Rosewood Center Operating Costs

Amid repeated findings by the Office of Health Care Quality concerning safety issues related to the buildings and grounds of the facility, Rosewood Center closed in June 2009. A 2008 JCR required the department to submit a report evaluating the possible uses of the property. The original Rosewood campus included approximately 690 acres of land. Since 1978, the State has disposed of approximately 434 acres, of which roughly one-third is protected by the Maryland Environmental Trust Conservation Easement. The proceeds from all sales of the property are deposited into the Community Services Trust Fund to benefit individuals on DDA's waiting list.

The property at Rosewood Center contains three parcels. Of the three parcels, Parcel 3 would require major remediation with some remediation of Parcel 2, and a little of Parcel 1. All parcels contain deteriorated, asbestos-filled buildings. DHMH submitted a report in August 2009 in response to the 2008 JCR request that addressed the use of the remaining 178 acres and 37 buildings that make up the Rosewood Center campus. After the announcement of the closure, an interagency committee was formed by the Maryland Department of Planning to review the possible uses of the campus and to set agreed upon principles for the disposition of the property. The State Clearinghouse completed its review of the property in December 2009 and recommended that the State declare the 178 acres and 37 buildings to be surplus to the State and to offer to sell the property to Stevenson University.

The Board of Public Works declared 117 acres on Parcel 1 surplus to the needs of the State and recommended future disposal to Stevenson University to expand the university with educational offices and open space use. However, the status of the adjacent parcels may hinder the university from acquiring the site. MDVA is also interested in 61 acres from Parcel 3 and possibly Parcel 2 for the Garrison Forest Veteran Cemetery. Previously, the State had planned to demolish the asbestos-contaminated buildings,

remove and dispose of hazardous debris, and generally restore the site prior to disposition at an estimated cost of $8.1 million. However, no funding is included in the capital budget for remediation. It is unclear whether the property can be disposed of without resolving the demolition and remediation. By not disposing of the property, the State has to pay costs to keep the facility safe and maintained. **Exhibit 9** shows the operating expenditures since the closure of the Rosewood Center in fiscal 2009, primarily due to maintenance and personnel. The agency will have spent more than $17.0 million over the eight-year period.

Exhibit 9
Rosewood Operating Funds Since Closure
Fiscal 2010-2017

Fiscal Years	GF Support
2010	$3,638
2011	2,643
2012	1,992
2013	2,036
2014	1,900
2015	2,212
2016 Appropriation	1,541
2017 Allowance	1,386
Total	**$17,348**

Note: A share of the total costs each year is due to workers' compensation payments ($5.6 million over an eight-year period).

Source: Department of Health and Mental Hygiene

The agency can exercise different options in disposing of the property, including the following:

- The funding for remediation of the property could continue to go unfunded and the agency could hope to dispose of the property to Stevenson University, or another willing agent. It should be noted that by not remediating the property, the State will not have oversight over the remediation process and would need to rely on the buyer to ensure the property is effectively remediated to ensure no future liability. Additionally, the agency risks not being able to dispose of the property and continuing to pay operating costs to maintain the property.

- The agency could remediate the property, allowing MDVA to expand the Garrison Forest Cemetery on Parcels 2 and 3. This option would likely give the State a more favorable position in terms of disposing Parcel 1 to Stevenson University or marketing Parcel 1 to prospective buyers. This will serve the purpose of returning the property to productive use.

Summary of Other Projects in the Capital Improvement Program

Projects Deferred in Fiscal 2017

Deferred projects for fiscal 2017 are shown in **Exhibit 10**. Both projects were previously discussed.

Exhibit 10
Projects Deferred
Fiscal 2017

Project	Description	Reason for Deferral
Dorsey Run Secure Evaluation and Therapeutic Treatment Center	Planning funding deferred to fiscal 2018, construction to fiscal 2020	To conduct a building feasibility study.
Clifton T. Perkins Hospital Center	Planning funding deferred to fiscal 2019	Schedule delays and to meet State debt limits.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

De-authorizations

There are two de-authorizations for DHMH as shown in **Exhibit 11**. The first is a partial de-authorization of $214,934 from fiscal 2010 for patient safety improvements at psychiatric hospitals and residential treatment centers throughout the State, which was previously discussed. This brings the total funding for this project down from $3,830,000 to $3,615,066. The second de-authorization is for the SETT unit, which was also previously discussed.

Exhibit 11
De-authorizations

Project	De-authorized Amount	Reason
Department of Health and Mental Hygiene Patient Safety Improvements	$214,934	Project completed under budget.
Dorsey Run Secure Evaluation and Therapeutic Treatment Center	2,150,000	Projected deferred to fiscal 2018.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve $4,758,000 in general obligation bonds for the Community Health Facilities Grant Program.

2. Approve $2,500,000 in general obligation bonds for the Federally Qualified Health Centers Grant Program.

3. Approve the de-authorization of $214,934 in general obligation bonds for Patient Safety Improvements.

4. Approve the de-authorization of $2,150,000 in general obligation bonds for the Secure Evaluation and Therapeutic Treatment Center.

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Division of Correction							
MCIH Perimeter Security Upgrade	$0.000	$1.042	$10.034	$9.824	$1.500	$0.000	$0.000
MCTC Housing Unit Windows and Heating System Replacement	16.819	0.655	0.000	0.677	5.932	5.763	0.000
Jessup Region Electrical Infrastructure Upgrade (Anne Arundel)	0.000	0.382	0.467	7.423	7.210	0.000	0.000
ECI High Temperature Hot Water System Improvements	4.925	1.945	0.000	0.000	0.000	0.000	0.000
Division of Pretrial Detention							
Baltimore Justice Center	0.000	18.270	37.956	183.050	145.000	64.819	0.000
Demolition of Buildings at the Baltimore City Correctional Complex (Baltimore City)	0.000	16.581	16.925	0.000	0.000	0.000	0.000
BCDC Youth Detention Center	33.736	3.647	0.000	0.000	0.000	0.000	0.000
Total	**$55.480**	**$42.522**	**$65.382**	**$200.974**	**$159.642**	**$70.582**	**$0.000**

BCDC: Baltimore City Detention Center
CIP: *Capital Improvement Program*
ECI: Eastern Correctional Institution
MCIH: Maryland Correctional Institution – Hagerstown
MCTC: Maryland Correctional Training Center

For further information contact: Hannah E. Dier Phone (410) 946-5530

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$55.480	$42.522	$65.382	$200.974	$159.642	$70.582	$0.000
Total	**$55.480**	**$42.522**	**$65.382**	**$200.974**	**$159.642**	**$70.582**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

Summary of Issues

Baltimore City Facility Plan: Upon closing the existing Baltimore City Men's Detention Center (MDC) in August 2015, the Department of Public Safety and Correctional Services (DPSCS) has developed an accelerated plan for replacing the entire detention facility over a period of five years, with demolition of existing Baltimore City Correctional Complex buildings and design of the new Baltimore Justice Center (BJC) starting in fiscal 2017. A total of $34.9 million is provided in fiscal 2017 to begin demolition of existing structures in the correctional complex and design of the new BJC, which is estimated to cost more than $475.0 million in total. **The Department of Legislative Services (DLS) recommends reducing the fiscal 2017 funding for demolition to $2.5 million for planning, removing the fiscal 2017 funding for the new BJC to $2.0 million for planning, and removing the fiscal 2018 pre-authorization for demolition.**

Summary of Recommended Bond Actions

Funds

1. Perimeter Security Improvements

   Approve funding to upgrade the perimeter security.

2. Housing Unit Windows and Heating Systems Replacement

   Approve funding to replace the housing unit windows and heating systems.

3. Jessup Region Electrical Infrastructure Upgrade

   Approve funding to upgrade the electrical infrastructure.

4. Hot Water and Steam System Improvements

   Approve funding to improve the high temperature hot water system.

5. Demolition of Buildings at the Baltimore City Correctional Complex — $14,000,000 GO

   Reduce fiscal 2017 general obligation bond funding for demolition of buildings at the Baltimore City Correctional Complex.

6. New Baltimore Justice Center — $16,270,000 GO

   Reduce fiscal 2017 general obligation bond funding for the Baltimore Justice Center to $2 million for planning.

7. New Youth Detention Center

   Approve funding to construct a 60-bed detention facility for youth with adult charges.

8. SECTION 12 – Department of Public Safety and Correctional Services Demolition of Buildings at the Baltimore City Correctional Complex — $16,925,000 P1

   Reduce fiscal 2017 general obligation bond funding for demolition of buildings at the Baltimore City Correctional Complex.

Total Reductions — **$30,270,000 GO**
$16,925,000 P1

Performance Measures and Outputs

DPSCS is responsible for the operation of all State correctional and Baltimore City detention facilities for the purpose of protecting the people of Maryland and providing a safe and secure environment capable of contributing to the ultimate reintegration of inmates into society as law-abiding citizens. In total, DPSCS operates 24 State correctional and detention facilities with a current operating capacity of nearly 25,100.

Shortly after the start of fiscal 2016, DPSCS implemented a departmentwide reorganization. Between approximately September 2012 and April 2015, the department's functional units (parole and

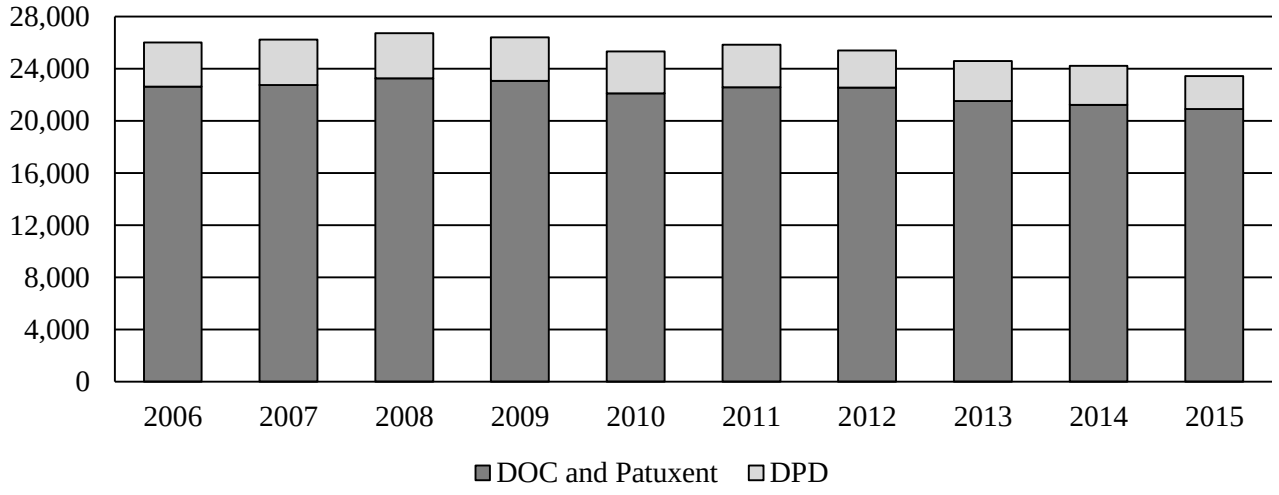
probation, corrections, and detention) were organized regionally in an effort to improve successful offender re-entry and lower recidivism. However, the department has now returned to its former organizational structure of individual agencies for each function, which includes the Division of Correction, the Division of Parole and Probation, the Patuxent Institution, and the Division of Pretrial Detention (DPD).

DPSCS is also responsible for administration of the Local Jails and Detention Centers Capital Grant Program, which is discussed in a separate analysis.

State Inmate Population and Capacity

The DPSCS correctional population experienced significant growth in the 1990s through fiscal 2003. Since fiscal 2003, however, the State inmate population has experienced an overall decline. **Exhibit 1** provides average daily population (ADP) data since fiscal 2006 for the inmate population housed in DPSCS correctional and detention facilities. Fiscal 2003 saw the highest ADP numbers in the last 15 years, reaching over 23,500 inmates. Since then, the ADP has declined by more than 2,900 inmates, or 12.4%, to its most recent low of 20,602 inmates in fiscal 2015.

Exhibit 1
Average Daily Population
Offenders under DPSCS Jurisdiction
Fiscal 2006-2015



ADP: average daily population
DOC: Division of Correction
DPD: Division of Pretrial Detention
DPSCS: Department of Public Safety and Correctional Services

Source: *DPSCS Annual ADP Reports*, Fiscal 2006-2015

The Baltimore City detention ADP has also declined over the past decade. In fiscal 2015, the DPD detainee ADP was 2,515, nearly 28.0% lower than the most recent high of 3,492 in fiscal 2007. It should be noted, though, that the department saw a decline in arrests and bookings in Baltimore City in fiscal 2015, which is, in part, attributed to the Freddie Gray case and ensuing civil unrest. The fiscal 2014 detainee ADP of 2,992 is 14.3% lower than the fiscal 2007 ADP. However, this does not include short-term sentenced inmates that in any other jurisdiction would place them in a local detention center. As of January 2016, there were 546 inmates with sentences of 18 months or less departmentwide, and 350 of those were sentenced to less than 12 months. Of the inmates sentenced to 18 months or less, just more than 55.0% were housed in facilities other than one of the two Baltimore City detention facilities; of the inmates sentenced to under 12 months, almost one-third were housed in facilities other than one of the two Baltimore City detention facilities. Although this is not ideal policy, it has helped the department address problems in the past with overcrowding in its Baltimore City facilities and logistical concerns with maintaining sight and sound separation among male, female, and juvenile detainees.

Exhibit 2 shows the agency's current capacity versus the January 2016 ADP, delineating between conventional and nonconventional bed use. The exhibit also indicates the relationship of the population with the current operational bed capacity. This differs from the design capacity in that it counts beds which are created through the use of double-celled and nonconventional bedspace. As such, the reported capacity of each facility can vary from year to year, as operational shifts are made for the housing of inmates.

Exhibit 2

January 2016 ADP versus Operational Capacity

Facility	Total Capacity	Occupied Conventional Beds	Occupied Nonconventional Beds	ADP January 2016
Maximum and Administrative Security				
Chesapeake Detention Facility (Formerly MCAC)[1]	-	-		-
Maryland Correctional Institution – Women[2]	887	796		796
Maryland Reception, Diagnostic, and Classification Center[3,5]	808	695		695
North Branch Correctional Institution	1,487	1,292		1,292
Western Correctional Institution[4]	1,738	1,623		1,623
Patuxent Institution	1,286	812	86	898
Total Maximum and Administrative Beds	**6,206**	**5,218**	**86**	**5,304**
Medium Security				
Eastern Correctional Institution[4]	2,777	2,615		2,615
Jessup Correctional Institution[4]	1,875	1,779		1,779
Maryland Correctional Institution – Hagerstown	2,044	1,506	368	1,874
Maryland Correctional Institution – Jessup	1,068	992	50	1,042

Facility	Total Capacity	Occupied Conventional Beds	Occupied Nonconventional Beds	ADP January 2016
Maryland Correctional Training Center (HU 5 under Renovation)[4]	2,551	2,082		2,082
Roxbury Correctional Institution	1,795	1,743		1,743
Total Medium Beds	**12,110**	**10,717**	**418**	**11,135**
Minimum Security				
Baltimore City Correctional Center	508	498		498
Brockbridge Correctional Facility	651	619		619
Central Maryland Correctional Facility	516	456		456
Dorsey Run Correctional Facility (Opened 11/2013)	549	540		540
Eastern Correctional Institution – Annex	608	595		595
Metropolitan Transition Center (West Wing Closed)	642	430		430
Total Minimum Beds	**3,474**	**3,138**	**0**	**3,138**
Pre-release Beds				
Baltimore Pre-Release Unit (Demolished 2015)[6]	-	-		-
Eastern Pre-Release Unit	180	173		173
Maryland Correctional Training Center HED/EHU	346	342		342
Poplar Hill Pre-Release Unit	192	165		165
Southern Maryland Pre-Release Unit	180	172		172
Total Pre-release Beds	**898**	**852**	**0**	**852**
Pretrial Detention				
Baltimore Pretrial Complex (Formerly Baltimore City Detention Center)[5]	1,450	1,089		1,089
Baltimore Central Booking and Intake Center	948	721		721
Total Pretrial Detention Beds	**2,398**	**1,810**	**0**	**1,810**
Total DPSCS	**25,086**	**21,735**	**504**	**22,239**

ADP: average daily population
DPSCS: Department of Public Safety and Correctional Services
HED/EHU: Harold E. Donnel Building and Emergency Housing Unit
HU: Housing Unit
MCAC: Maryland Correctional Adjustment Center

[1] As of September 2010, the Chesapeake Detention Facility (CDF) houses only federal detainees but remains a State-operated facility. The capacity of CDF is 576, and the January 2016 ADP was 408.
[2] Maryland Correctional Institution for Women is the only facility for female inmates, and therefore houses women of all security levels. The security level is defined as administrative with a small number of women classified as maximum.
[3] The security level of the Maryland Reception, Diagnostic, and Classification Center (MRDCC) is maximum; however, only a fraction of inmates are actually classified as maximum.
[4] The Western Correctional Institution, Eastern Correctional Institution, Jessup Correctional Institution, and Maryland Correctional Training Center are regional intake facilities classified as administrative security.
[5] Upon closure of the Baltimore City Men's Detention Center (MDC), the remaining Baltimore City Detention Center (BCDC) buildings were renamed the Baltimore Pretrial Complex (BPC). BPC consists of the Women's Detention Center,

Jail Industries building, BCDC Annex, and the Wyatt building. The depopulation of the MDC resulted in the relocation of some detainees to MRDCC and the Metropolitan Transition Center.
[6] Baltimore Pre-Release Unit was depopulated and closed in January 2015, and subsequently demolished for construction of the new Youth Detention Center. The population is now housed at the Jail Industries building, which is part of BPC.

Source: Department of Public Safety and Correctional Services

The January ADP data indicates that the inmate population is about 2,850 beds below bed capacity. Excluding the two detention facilities, the State sentenced inmate population is about 2,250 beds below capacity. Compared to similar data provided during the 2015 session, DPSCS has increased nonconventional bed use by 12 beds, primarily due to an increase of 80 nonconventional beds at the Maryland Correctional Institution – Hagerstown (MCIH).

DPSCS has decreased the use of nonconventional beds by 40 at the Maryland Reception, Diagnostic, and Classification Center (MRDCC), which did not require the use of any nonconventional beds in fiscal 2015, and by 28 beds at the Patuxent Institution. This brings the total number of maximum/administrative security level nonconventional beds to 86, down from 154 in fiscal 2014. The Patuxent Institution provides unique mental health services to the offender population through several particular programs, which may not be available at other institutions. Therefore, although the administrative/maximum security population is approximately 1,000 offenders below capacity, it would be difficult to relocate these offenders in order to reduce the reliance on nonconventional bedspace at the Patuxent Institution.

DPSCS continues to maintain 50 nonconventional beds at the Maryland Correctional Institution – Jessup. Combined with the increase in nonconventional beds used at MCIH, the total number of nonconventional beds used in the medium security was 418 in fiscal 2015. The department maintains a certain level of nonconventional bedspace to ensure that the department has capacity for fluctuations in the population level, in particular as it relates to classification level.

Baltimore City Men's Detention Center Closure and Offender Population Shifts

In July and August 2015, DPSCS depopulated and closed MDC. The depopulation increased the number of facilities housing pretrial detainees from just the Baltimore Pretrial Complex (BPC) and the Baltimore Central Booking and Intake Center (BCBIC), to also include the Metropolitan Transition Center (MTC) and MRDCC. Most of the 764 detainees depopulated from MDC were transferred to MRDCC or buildings that now comprise BPC, such as the Jail Industries building. A small amount of detainees were also relocated to MTC to perform dietary work. All Baltimore City pretrial inmates are still detained at facilities in Baltimore City.

DPSCS also orchestrated the transfer of 832 sentenced inmates between facilities across the State in order to depopulate MDC, transferred the pretrial population from MDC to housing separated from the sentenced inmate population, and maintained comparable programming for transferred inmates. As a result, the overall size of the sentenced inmate population housed in Baltimore City facilities has been reduced. Sentenced inmates previously housed at MTC (582 inmates) were

transferred to facilities in Jessup and Hagerstown, as well as the Baltimore City Correctional Center (BCCC) and MRDCC. Smaller numbers of sentenced inmates were transferred from BCCC to various facilities across the State. Prior to the depopulation of MDC, parole violators from the Baltimore City region were held at MRDCC. Seventy-eight parole violators were moved to facilities in Hagerstown and Jessup while others remained in the city. Parole violators held in Baltimore City are now located at MTC.

Budget Overview

DPSCS receives $42.5 million in fiscal 2017 funding for seven projects, four that are either ongoing or have been scheduled to begin in fiscal 2017 in previous *Capital Improvement Programs* (CIP), one that has been accelerated in the CIP by a year, and two that are new to the Governor's CIP. The two new projects concern the department's revised facility plan following the closure of MDC in August 2015. Nearly $16.6 million is provided in fiscal 2017 to begin planning and demolition of buildings at the Correctional Complex in Baltimore City (CCBC), and an additional $18.3 million is provided to begin design of a new BJC, which replaces previous plans to construct new Baltimore City men's and women's detention centers and associated facilities and infrastructure. The department also receives a pre-authorization of $16.9 million to complete the demolition in fiscal 2018. These new projects are discussed in more detail in the Issues section of this analysis.

The remaining $7.7 million in fiscal 2017 general obligation bond funding for DPSCS will support five projects: upgrading the perimeter security at MCIH, replacing the windows and heating systems in housing units at the Maryland Correctional Training Center (MCTC), upgrading the Jessup region electrical infrastructure, improving the high temperature hot water system at the Eastern Correctional Institution (ECI), and completing construction of a new 60-bed youth detention facility in Baltimore City.

Maryland Correctional Institution – Hagerstown Perimeter Security Upgrade

MCIH is a medium security correctional facility with an ADP of almost 2,100 inmates. The perimeter fence, sections of which date back to 1942, needs to be replaced in order to address issues with deterioration, poor visibility, and insufficient space in the gate house and visitor center, as well as to add an intrusion alarm system and detection devices. This project has been included in the Governor's CIP with funding beginning in fiscal 2017 since the 2014 session CIP.

The current perimeter fence at MCIH consists of a 12-foot inner fence and an 18-foot outer fence with rolls of razor ribbon in between. As the facility has expanded, the fence has been repaired and expanded with materials of different heights, fabrics, and configurations. The proposed new fence will replace the current patchwork with 16-foot inner and outer fences equipped with an approach notification system, fence sensor system, and motion activated visual monitors consistent with departmental fencing policy for medium security facilities. The new surveillance hardware will be housed in a new main tower, which will have an attached sally port to serve as the main entrance to the

facility. Additionally, this project will include 8-foot fences within the perimeter fence to separate areas of the complex.

Because the existing visitor registration center and gatehouse will fall within the boundary of the new perimeter fence, this project will also include construction of a new visitor registration center and gatehouse outside the new fence in order to allow for searches to be conducted prior to entrance into the facility. The new visitor center and gatehouse will be sized to accommodate the separation of staff and visitors, as well as a larger amount of inmate visits. The current visiting space was designed to support only 900 inmates, which is less than half the ADP for the facility. Finally, a new perimeter patrol road will be constructed around all new facility enhancements in order to allow for a quick response in the event of a security breach.

Replacing the 12-foot-high perimeter with one of 16 feet, an intrusion alarm, and a fence-approach detection system will require $1.0 million in planning funds in fiscal 2017. In fiscal 2018, $10.5 million is needed to begin construction, with an additional $12.1 million provided for construction and preliminary equipment purchases in fiscal 2019 and 2020. The total cost of the project is currently estimated at $22.4 million, down from the $24.0 million estimate reflected in the 2015 session CIP.

Maryland Correctional Training Center Housing Unit Windows and Heating Systems Replacement

The six housing units at MCTC need new windows and heating systems due to high maintenance costs, energy losses, and security breaches. The project is being completed in three phases, with a total estimated cost of $29.8 million. This is slightly higher than the estimate provided last year because the construction inspection and testing contract bids came in higher than anticipated; however, this is still about $2.4 million below the original project cost estimate of $32.2 million. The total project cost for completion of Phase I (Housing Units 1 and 2), which was finished in June 2014, was $7.7 million.

The Maryland Consolidated Capital Bond Loan (MCCBL) of 2014 included a fiscal 2016 pre-authorization of $3.9 million to complete Phase I. However, the department was able to complete Phase I under budget and redirect about $2.6 million of the previously authorized funds to design and construction of Phase II (Housing Units 5 and 6). The approved fiscal 2016 amount of $1.4 million for Phase II, therefore, was $2.5 million below the planned fiscal 2016 amount included in the fiscal 2015 CIP. Based on the bids received, however, the department needs an additional $655,000 to complete Phase II. This funding is included as the recommended fiscal 2017 amount, bringing the new total project cost for Phase II to $9.8 million. Design for Phase II began in September 2013, utilizing the previously authorized funds from Phase I. Phase II construction began in December 2014, and will be completed in December 2016. The current CIP provides for Phase III (Housing Units 3 and 4) design funding in fiscal 2018 and construction funding in fiscal 2020.

It is anticipated that the completion of the project will reduce the costs associated with providing excessive heat, hot water, and staff overtime due to system failures and leakages. The department

reports that although it has realized energy savings, it is unable to quantify the savings for one or two housing units because the steam supplying the system also serves three adjacent facilities. DPSCS has indicated that it may be able to measure differential savings once all phases of the project are complete.

Jessup Region Electrical Infrastructure Upgrade

Design funding has been accelerated by one year in the Governor's CIP to begin replacement of the Jessup region electrical infrastructure, which provides power to six correctional facilities, Maryland Environmental Services plants, and a firing range in Anne Arundel County. The existing grid, which is more than 40 years old, does not provide reliable uninterrupted power, and also is unable to support any additional buildings. The more than 120 buildings serviced by the current infrastructure include 4,500 inmates and 1,600 State employees.

The Jessup electrical system has failed at least seven times over the past six years. Each time the system fails, the department incurs repair costs and custodial overtime costs for operation of gates and additional security patrols. During outages, affected facilities must operate under lockdown. Recent electrical system failures include:

- in July 2015, an outage at Brockbridge Correctional Facility (BCF) lasted approximately 24 hours before power was restored, at a cost of $10,000;

- in November 2015, Baltimore Gas and Electric (BGE) lines failed, costing the State $5,000 to investigate and repair, and resulting in several momentary outages over a 48-hour repair period; and

- in early February 2016, BCF experienced yet another failure to the electrical standby system as a result of the failing electrical infrastructure. Repairs to the standby system, which provides back-up power for all perimeter lights and gates, are expected to cost from $50,000 to $60,000.

In addition to the cost of repairs, Maryland Correctional Enterprises (MCE) plants on the Jessup region electrical grid have experienced lost income during power failures. DPSCS reports that it is typical for outages to last 12 to 24 hours before power is restored due to the time it takes for an electrical contractor to respond and obtain necessary materials. Power failures at correctional facilities also represent a significant safety risk for inmates and staff. DPSCS facilities rely on cameras and outdoor lighting to monitor the perimeter and gates at all times. Although the department has relied on additional officers to staff utilities during power outages, the risk of contraband entering facilities is still increased. BCF in particular has historically had issues with contraband, regardless of outages, due to the facility's proximity to surrounding woods.

There are two main reasons for the infrastructure failures: the main transformer does not have the capacity for the anticipated future load growth based on the peak load provided by BGE and one of the main substation transformers does not meet the National Electrical Testing Association

recommended levels for explosive gases. Additionally, the main switching station lacks the proper protection relays to disconnect from power in the event of a single phase event. In calendar 2011, the BGE feeders lost one phase, causing widespread failure of electronic devices and motors throughout the region.

The electrical infrastructure upgrade will include a voltage utilization upgrade from 4.16 kilovolts to 13.2 kilovolts. The upgrade will also include installation of demarcation switchgear, consistent with BGE standards. DPSCS receives $382,000 to begin planning for this project in fiscal 2017. In total, the project is estimated to cost about $15.5 million and is expected to be complete in February 2020.

Eastern Correctional Institution High Temperature Hot Water System Improvements

The Maryland Environmental Service Co-generation facility produces 270 degree water and supplies it to the facility through a series of manholes and underground piping. The existing high temperature hot water system at ECI is 26 years old, leaking, undersized for the facility, underground, and plagued with maintenance issues. The system was designed and built for a capacity of 1,440 inmates and staff and now serves a population of over 3,570 inmates and staff. The increased demand, age, and maintenance issues have resulted in increased repair and labor costs, liabilities for inmates and staff safety, and inefficient operation.

Several underground locations are experiencing corrosion, causing the facility to lose thermal heat and water into the manholes. Many manholes have cracked and crumbling walls, and several are currently impossible to access and have corroded, unserviceable valves. In 2010, production was interrupted at the MCE laundry facility and the ECI kitchen as a result of collapsed pipes requiring extensive repair. A sinkhole formed, and steam was only minimally available. The central kitchen was closed, and ECI brought in cook-chill food from the Hagerstown kitchen. MCE experienced lost profits and increased operating costs. The cost of the system repair was $80,000. In 2014, the system experienced two major failures in the steam line supplying the laundry and kitchen, resulting in repairs of $287,000. Most recently, in August 2015, the hot water distribution piping experienced a failure, resulting in the loss of 500 to 700 gallons of water per hour. An emergency piping replacement project cost the department approximately $240,000.

Failure of the system would stop service to all or a portion of the 13 buildings at the facility, including housing units and support services buildings. Were this to occur, ECI would be unable to maintain a safe temperature, particularly during winter months when a failure is most likely to happen. The facility's emergency alternate heat response system would require initial set up of up to 12 to 16 hours for the housing units. The lack of hot water would also cause health issues.

The department received approximately $4.9 million in fiscal 2016 to begin replacement of the existing hot water and steam system and renovation of the mechanical rooms to encompass all needed accessories required for improved service in order to prevent future failures, reduce health and safety risks, and decrease maintenance costs. The request for proposals will be advertised in March 2016, and

the project is scheduled to be complete by January 2018. Approximately $2.0 million is provided in fiscal 2017 to complete construction of the new system, consistent with the General Assembly's fiscal 2017 pre-authorization amount included in the MCCBL of 2015.

Youth Detention Center

Funding to create a new Youth Detention Center (YDC) in Baltimore City was initiated after the General Assembly added $2.6 million during the 2013 session to design a new 60-bed facility for youth charged as adults in the Maryland Criminal Justice System. This project was originally planned to renovate and construct an expansion to the existing Baltimore Pre-Release Unit (BPRU) and Occupational Skills and Training Center (OSTC) within CCBC. According to a calendar 2000 investigation by the U.S. Department of Justice, the conditions in the current detention center facility do not provide adequate program or education space for youth charged as adults and do not comply with sight and sound separation requirements.

Construction of a detention facility in Baltimore City for this particular youth population has a long history. DPSCS had originally designed a facility to house 180 youth between the ages of 14 and 18 who were facing felony charges in the adult court system. In response to downward population trends and urging from the advocacy and legislative communities, DPSCS revised the facility capacity to 120 beds. An additional analysis of the youth-charged-as-adult population data and interest from the General Assembly in evaluating current statute regarding the treatment of this population resulted in the current proposed 60-bed facility.

The youth-charged-as-adult population at the BPC, formerly Baltimore City Detention Center (BCDC), has declined dramatically, as judges are utilizing discretion to place youth in Department of Juvenile Services (DJS) facilities. The January 2016 ADP for youth awaiting trial at BPC was 10. DJS has indicated that on any given day, approximately 40 youth are detained at the Baltimore City Juvenile Justice Center (BCJJC) while pending action from the adult court. As DJS and DPSCS began to work in coordination with the courts to relocate juveniles in Baltimore City from BPC to BCJJC, the number of courtesy holds has also increased. Between fiscal 2012 and 2013, this number increased by nearly 150%, from 34 to 84 youth. Certain youth, such as those who have been waived to adult court, are unable to be detained in DJS facilities and must remain in DPSCS custody. As such, there continues to be a need for a youth detention facility at BPC.

Approximately $3.6 million is provided in fiscal 2017 to complete construction and equip the facility, slightly above the $3.3 million pre-authorized for fiscal 2017 in the MCCBL of 2015. In total, the project is estimated to cost $37.4 million, up from $29.7 million that was estimated two years ago. When the project was proposed during the 2013 session, the plan was to renovate the existing BPRU and OSTC facilities. Upon investigation from the architect, DPSCS received a program modification for demolition of the BPRU building, construction of a replacement facility, and renovations of OSTC due to unfavorable building constructions in BPRU. The project is on schedule to be completed at the end of calendar 2016.

Issues

1. Baltimore City Facility Plan

CCBC includes approximately 27 acres and houses over 3,000 inmates and detainees within the complex. The land-locked site is bounded by the Jones Falls Expressway to the west and residential communities to the north, south, and east, limiting construction of new facilities to the existing footprint. The former BCDC includes the oldest buildings still in use within the complex. The original Baltimore City jail was constructed in 1801 on the site of the current BCDC. A replacement facility was completed in 1859; between 1859 and 1999, the facility underwent 11 renovations. The current Women's Detention Center (WDC) to house female detainees was opened in 1967. Since 1991, more than $65 million has been authorized for BCDC capital improvements.

Despite the improvements and expansion completed over the years, the existing structures within the Correctional Complex, specifically at BCDC, have a variety of significant shortfalls. In addition to inadequate housing, the facilities lack program space, are inefficiently designed, and pose life safety and accessibility risks. The design of the facilities create poor lines of sight, which increase the potential for assaults. The existing barred cells and keyed doors are particular impediments to maintaining officer safety and reducing the flow of contraband throughout the facility.

Jerome Duvall, et al. v. Lawrence Hogan, Jr., et al.

As a result of ongoing conditions and issues related to BCDC, in June 2015, a motion was filed by the American Civil Liberties Union (ACLU) on behalf of Baltimore City detainees to reopen a partial settlement agreement (PSA). This case has an extensive history, and was previously reopened in August 2009, when plaintiffs alleged that the administration failed to resolve ongoing issues that related to the deaths of 24 inmates over the prior five-year period. The most recent June 2015 motion alleges that the terms of the 2009 settlement have not been met and seeks relief in the form of a preliminary injunction requiring DPSCS to implement 10 improvements related to the alleged environmental and hygiene issues, including deficiencies that affect health, safety, and security.

In November 2015, DPSCS and ACLU announced that a settlement agreement had been reached, requiring the State to make improvements to the detainee health care system and facilities. The settlement also includes assessment by independent monitors in order to ensure the State's compliance with the settlement. Although the settlement agreement has been reached, it has not yet been signed by the judge. The Prison Litigation Reform Act requires that all settlement agreements must be posted for class notice and subject to a fairness hearing before being signed by the judge. The class notice was posted in December 2015, and the fairness hearing is scheduled for April 2016, after which it can be signed.

Since the filing of the June 2015 motion to reopen the PSA, DPSCS has made several changes to address the plaintiffs' allegations, most notably the August 2015 closure of MDC and the relocation of detainees to other State facilities in Baltimore City. Most of the 764 detainees depopulated from

MDC were transferred to MRDCC or buildings that now comprise BPC, such as the Jail Industries building. A small amount of detainees were also relocated to MTC to perform dietary work. All Baltimore City pretrial offenders are still detained at facilities in Baltimore City.

Additionally, DPD has made approximately $2.1 million in repairs at BPC and MTC to address temperature control, ventilation, shower, sewage, and other physical condition issues. Both of these facilities, as well as MRDCC, currently house pretrial detainees. DPD has also entered into a maintenance services contract, at an additional cost of $1.5 million. This $3.6 million in maintenance and repairs is part of the $4.8 million general fund deficiency appropriation included with the Governor's allowance for DPD. In November 2015, the Board of Public Works approved the payment of $450,000 in full settlement of the plaintiff's claim for attorney's fees and costs; however, final payment is subject to the approval of the settlement.

Plan to Replace Baltimore City Detention Center

As a result of ongoing concerns and costs regarding the aging infrastructure of MDC, and associated litigation, in July and August 2015, DPSCS depopulated and closed MDC. Most of the 764 detainees depopulated from MDC were transferred to MRDCC or buildings that now comprise BPC, such as the Jail Industries building. A small amount of detainees were also relocated to MTC to perform dietary work. All Baltimore City pretrial offenders are still detained at facilities in Baltimore City.

Prior to the closure of MDC, the Governor's CIP included a plan to replace BCDC facilities in phases:

- construction of a 60-bed YDC, which will be completed in fiscal 2017 and is discussed in further detail in the Budget Overview section of this analysis;

- construction of a 512-bed replacement for the WDC. The 2015 session CIP included funding for design of this project in fiscal 2017. The project was estimated to cost $180.8 million in total and be completed in fiscal 2020;

- construction of a new kitchen and power plant at BCDC beginning in fiscal 2018, and totaling an estimated $16.5 million; and

- construction of a 2,304-bed replacement for MDC in three phases at a total cost of $495.0 million. The 2015 session CIP included funding for design of the first phase in fiscal 2020.

However, upon closing the existing MDC, DPSCS has now developed an accelerated plan for replacing the entire detention facility over a period of five years, with demolition of existing CCBC buildings and design of the new BJC starting in fiscal 2017.

Demolition of Buildings at the Baltimore City Correctional Complex

The new facility plan for Baltimore City includes demolition of 11 structures within the correctional complex, including the existing WDC, MDC, Administrative Building, BCDC Power Plant, BCDC Annex, Wyatt building, MTC C-block, a wall running through the middle of the site, MTC West Wing, BCDC Post 1 Entrance Building, MTC Power Plant, and Building A. Buildings to be demolished are illustrated in **Appendix 1**. MDC, MTC C-Block, and MTC West Wing are currently unoccupied due to age and security issues.

The depopulation of MDC affords the department the opportunity to complete demolition in one phase, rather than the previous multi-phase plan that required shifting particular populations to coincide with the demolition and construction timelines. Demolition is programmed over two fiscal years in the CIP, at a total cost of $33.5 million. The design of the demolition accounts for approximately $2.6 million of the total cost, and is scheduled to take five months to complete. The remaining $30.9 million in construction costs is for demolition, scheduled from March through December of 2017. In fiscal 2017, $14.0 million is provided for demolition and $16.9 million is pre-authorized for demolition in fiscal 2018.

New Baltimore Justice Center

In fiscal 2017, $18.3 million is provided for the department to begin design of the new BJC so that construction can begin shortly after demolition is completed. The new facility is intended to replace all current detention centers and support facilities, except YDC, which includes MDC, WDC, medical space, visitation, a full service kitchen, and other support functions. WDC, MDC, and kitchen and power plant projects included in previous CIPs have therefore been removed from the current CIP.

The design of BJC's detention facilities is a pod style based on the new Richmond Detention Center in Virginia. The six-floor facility plan includes all necessary housing areas and support services, with a bridge connecting the facility to BCBIC and a building connecting the facility to the administrative tower of MTC. The portion of BJC designated for men's detention will have 10 dorm pods for minimum security housing, 24 cell pods for medium security housing, and 4 cell pods for maximum security housing, for a total male capacity of 2,368. The women's detention portion of the facility will have 5 dorm pods for minimum and medium security housing and 3 cell pods for maximum security housing, for a total female capacity of 352. Each pod will have its own recreation space. Shared spaces in the new BJC include administrative space, intake, lobbies, health services, visitation, a library, security space, a recreation center, laundry, a maintenance and storage area, a central production kitchen, and emergency power for the entire complex. The medical, food service, and maintenance areas of the proposed BJC will support all CCBC facilities. **Appendix 2** shows the proposed footprint of the new facility.

As a result of the continued decline in the detention population over the past decade, DPSCS requested an update to the jail population projections completed for the *2013 Facilities Master Plan* in order to determine the BJC bedspace need. The revised projections are built on historical population data from fiscal 1998 through 2015. However, 2015 data was excluded from the model because the

low ADPs are likely related to the Freddie Gray case and ensuing civil unrest. Based on current trends, the male and female jail populations are projected to continue decreasing, both in terms of totals and as a percentage of the Baltimore City population. When a peaking factor of 9.8% is applied to the projections in order to account for seasonal variations in the detention short-term sentenced populations, there is a projected female prison bed need of 341 for women and 3,296 for men in fiscal 2020. These projections further decrease to 295 for women and 3,138 for men in fiscal 2025. Including the 951 male beds available at BCBIC, the department believes the BJC design capacity should be sufficient to accommodate the projected population.

The consolidation of the construction projects decrease the construction cost and timeline for the new BJC from the previous BCDC replacement plan. **Exhibit 3** compares the scale and cost of the previous BCDC replacement plan with the new BJC plan. The Governor's CIP includes a total of $449.1 million for design, construction, and equipment of the new BJC over a five-year period ending in May 2021. Design is estimated to cost a total of $34.2 million, including the $18.3 million provided in fiscal 2017. Construction, which is estimated to start in May 2018, is anticipated at this time to cost $403.5 million. DPSCS also estimates BJC will require $11.4 million for equipment purchases.

Exhibit 3

Baltimore City Detention Center Replacement Plan Comparison

	BJC Plan	Previous Plan
Men's Detention Center		
Area (square feet)	406,754	944,569
Operating Capacity	2,368	2,304
Women's Detention Center		
Area (square feet)	150,446	256,985
Operating Capacity	352	512
Shared Spaces/Support		
Area (square feet)	232,300	27,500[1]
Cost		
Demolition	$33,506,000	$28,800,000
New Construction/Equipment	442,807,484	749,961,000

BJC: Baltimore Justice Center

[1] Does not include previous plan to replace medical space.

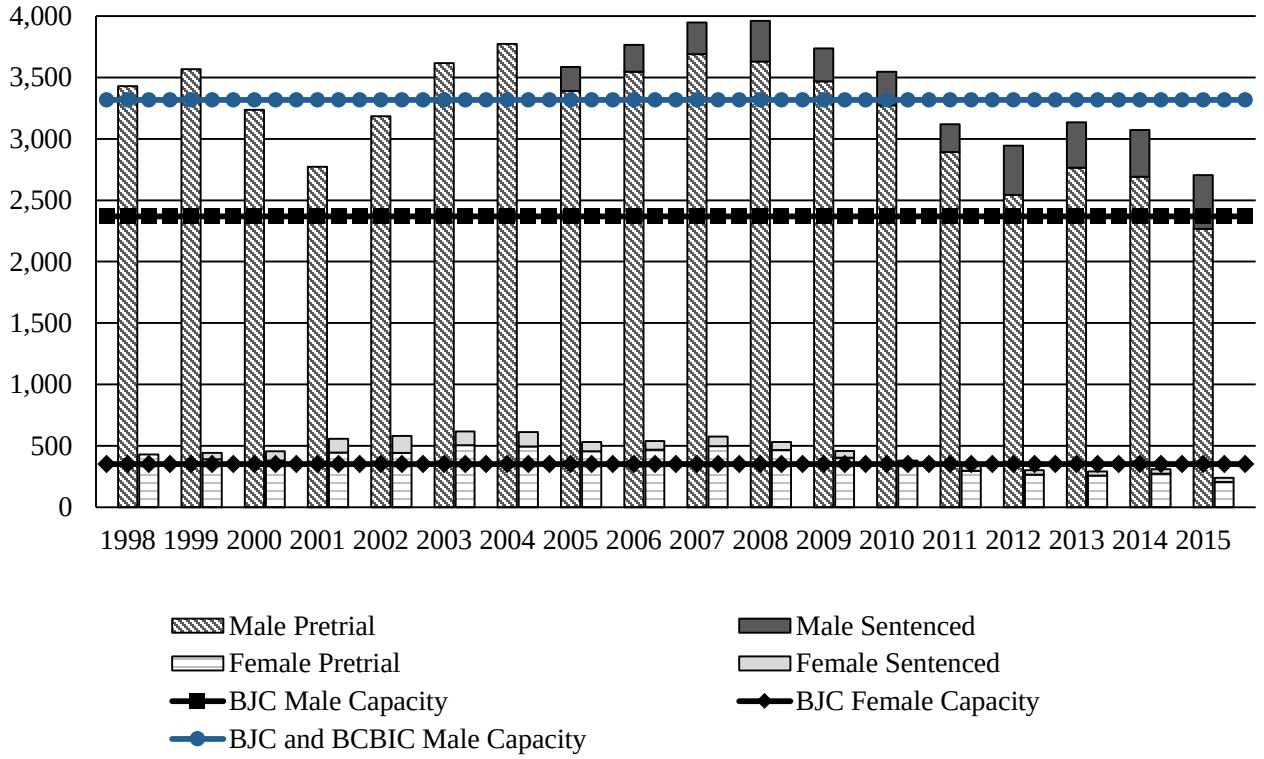
Note: Administrative space is shared in the proposed BJC plan and was separate by facility in the previous plan.

Source: Department of Public Safety and Correctional Services

Areas of Concern

Although trends locally and nationally indicate jail populations will continue to decline, historically, criminal justice data is cyclical. Increases or decreases in offender populations are often directly related to changes in criminal justice policies. If the population of the Baltimore City detention and short-term sentenced populations continues to decrease as projected, the design capacity of the new BJC will be adequate. If, however, the trends were to shift and the population began to increase, the population could easily exceed the design capacity. **Exhibit 4** illustrates the historic detention and short-term sentenced ADP data used in the population projection, as well as the proposed BJC and existing BCBIC male and female operating capacity. As shown, the bedspace at BCBIC and the bedspace to be provided in the new BJC would have been nearly 650 offenders below the fiscal 2007 and 2008 ADP, not including population surges that occur throughout the year. Additionally, the 2015 revised jail population projection update indicates that including peaking and classification factors, the fiscal 2014 male and female bedspace need was 3,827, about 200 beds below the combined BCBIC and BJC operating capacity.

Exhibit 4
Baltimore City Historical Pretrial and Short-term Sentenced ADP
Fiscal 1998-2015



BJC: Baltimore Justice Center

Source: *2015 Supplement to the Facilities Master Plan – Jail Population Projections Update*

Another consideration when evaluating the proper size of this facility is its location. The facility is to be constructed within the existing correctional complex. Once the facility is built, if the population were to exceed capacity, the only option for future modification is to build upward, which can be a difficult and expensive undertaking. The population projection is only for the next 10 years, which is a fraction of the lifespan of the existing detention centers. Thinking long-term and given the site constraints, undersizing the project could become a serious issue in the future.

A program plan for the demolition component of this project has been submitted to the Department of Budget and Management (DBM) for review, but has not yet been approved. The program plan for construction of the new BJC has not yet been submitted to DBM. Additionally, the Governor submitted a letter to the General Assembly dated February 18, 2016, withdrawing his funding support for this project for fiscal 2017. Since at this time, the project still appears to be a priority of the Administration, it is assumed the funding deferral is for all years and that the overall scope and funding plan removal is anticipated with the 2016 CIP just pushed back one year. **DLS recommends reducing the fiscal 2017 funding for demolition to $2.5 million for planning, removing the $16.9 million pre-authorization in fiscal 2018 for demolition, and reducing the fiscal 2017 funding for the new BJC to $2.0 million for planning.**

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
BCDC Youth Detention Center					
Estimated Operating Cost	$0.607	$0.443	$0.443	$0.443	$0.443
ECI High Temperature Hot Water System Improvements					
Estimated Operating Cost	$0.156	$0.130	$0.000	$0.000	$0.000
New Baltimore Justice Center					
Estimated Operating Cost	$0.000	$0.000	$0.000	$0.000	*
MCTC Housing Unit Windows and Heating System Replacement					
Estimated Operating Cost	$0.000	$0.000	$0.104	$0.156	$0.520
MCIH Perimeter Security Upgrade					
Estimated Operating Cost	$0.000	$0.143	$0.312	$0.156	$0.000
Total Operating Impact					
Estimated Operating Cost	**$0.763**	**$0.600**	**$0.860**	**$0.756**	**$0.496**

* Scope not fully developed, thus operating impact cannot be accurately calculated. DPSCS expects the project to yield a net savings.

BCDC: Baltimore City Detention Center
ECI: Eastern Correctional Institution
MCIH: Maryland Correctional Institution – Hagerstown
MCTC: Maryland Correctional Training Center

Projects Removed from the *Capital Improvement Program*

Exhibit 5 includes projects removed from the CIP.

Exhibit 5
Projects Removed from the *Capital Improvement Program*
Fiscal 2017

Project	Description	Reason for Deferral
BCDC Women's Detention Center	Construction of a 512-bed replacement facility to house female detainees and short-term sentenced female offenders from Baltimore City.	Replaced by the BJC project.
BCDC Men's Detention Center	Construction of a 2,304-bed replacement facility in three phases to house male detainees and short-termed sentenced male offenders from Baltimore City.	Replaced by the BJC project.
BCDC New Kitchen and Power Plant	Replacement of the kitchen and power plant at BCDC, which were to be demolished for construction of the new BCDC Men's Detention Center, under the previous replacement plan.	Replaced by the BJC project.

BCDC: Baltimore City Detention Center
BJC: Baltimore Justice Center

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve $1.1 million in planning funds to upgrade the perimeter security at the Maryland Correctional Institution – Hagerstown.

2. Approve $655,000 in construction funds to replace the windows and heating systems in two housing units at the Maryland Correctional Training Center in Hagerstown.

3. Approve $382,000 in planning funds to upgrade the electrical infrastructure in the Jessup region.

4. Approve $1.9 million in construction funds to improve the high temperature hot water system at the Eastern Correctional Institution.

5. Reduce fiscal 2017 general obligation bond funding for demolition of buildings at the Baltimore City Correctional Complex.

QT04A	Demolition of Buildings at the Baltimore City Correctional Complex	$ 2,581,000

Allowance	**Change**	**Authorization**
16,581,000	-14,000,000	2,581,000

Explanation: This action reduces funding for demolition of buildings at the Baltimore City Correctional Complex to only include $2.5 million in design funds.

6. Reduce fiscal 2017 general obligation bond funding for the Baltimore Justice Center to $2 million for planning.

QT04B	New Baltimore Justice Center	$ 2,000,000

Allowance	**Change**	**Authorization**
18,270,000	-16,270,000	2,000,000

Explanation: Reduce funding for design of the new Baltimore Justice Center to only include funds for procurement of a project construction management firm to assist in the oversight and design of the project, including budget and program plan verification.

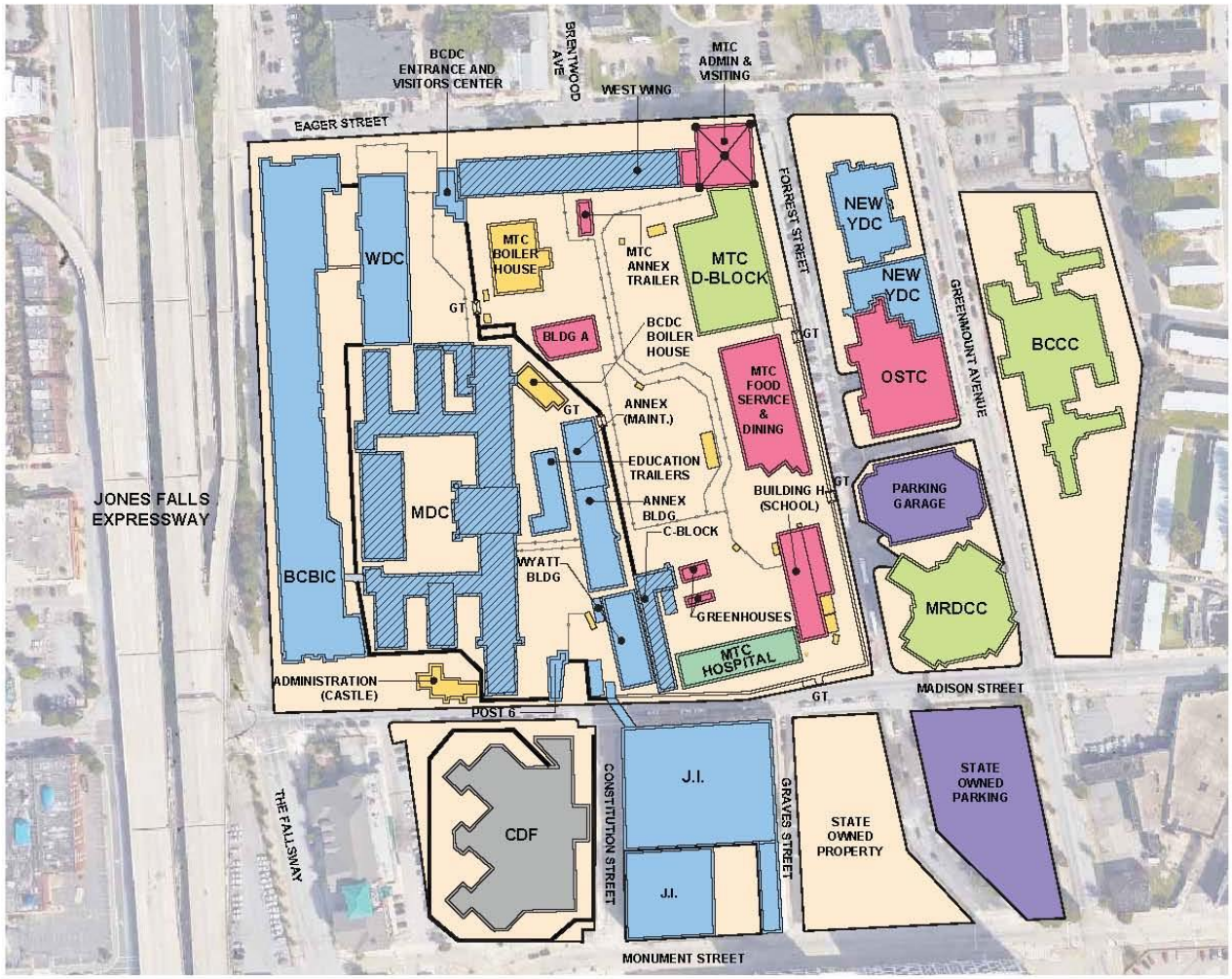
7. Approve $3.6 million in construction and equipment funds to complete the 60-bed detention facility in Baltimore City for youth with adult charges.

8. Reduce fiscal 2017 general obligation bond funding for demolition of buildings at the Baltimore City Correctional Complex.

ZF4600	SECTION 12 – Department of Public Safety and Correctional Services – Demolition of Buildings at the Baltimore City Correctional Complex	$ 0

Explanation: This action removes the fiscal 2018 pre-authorization for funds to demolish buildings at the Baltimore City Correctional Complex.

Total General Obligation Bonds Reduction	**$30,270,000**
Total Pre-authorization (2017) Reduction	**$16,925,000**
Total Reductions	**$47,195,000**



Larry Hogan, Governor

Boyd K. Rutherford, Lt. Governor

Stephen T. Moyer, Secretary

David N. Bezanson, Assistant Secretary, Capital Programs

Katherine Z. Dixon, AIA, Director, DCCFM

PENZA+BAILEY ARCHITECTS

EXISTING BUILDINGS

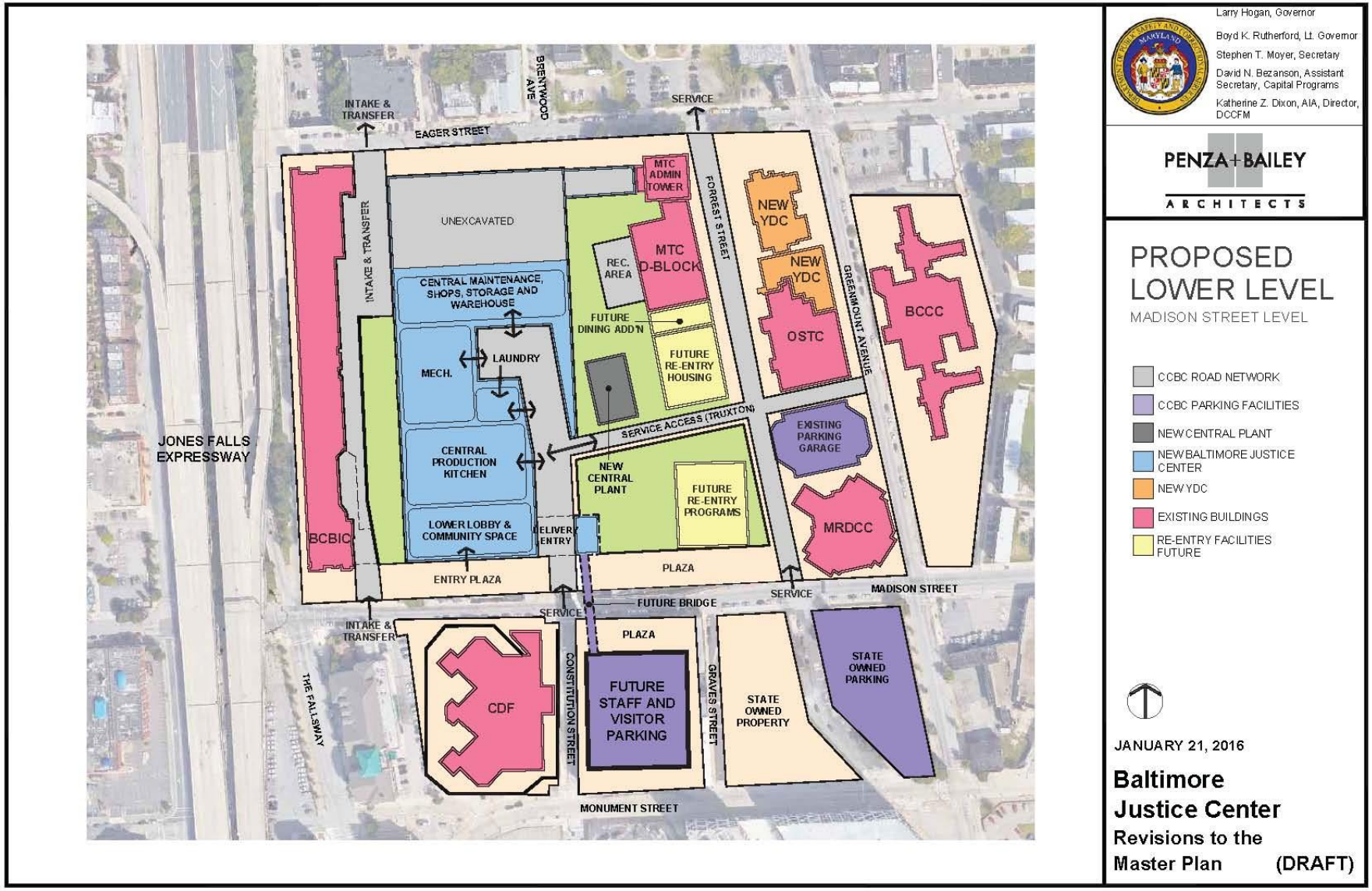
- EXISTING CCBC SITE LIMITS
- EXIST CHESAPEAKE DETENTION FACILITY (FEDERAL POPULATION)
- EXIST CCBC PARKING LOT FACILITY
- PRE-TRIAL DETENTION BUILDINGS DEPOPULATED
- PRE-TRIAL DETENTION FACILITIES
- MTC D-BLOCK / MRDCC / BCCC
- OPERATIONAL SUPPORT AND ADMINISTRATION BUILDINGS
- MTC HOSPITAL
- MTC SUPPORT FACILITIES
- SECURITY FENCING
- GT GUARD TOWER

JANUARY 21, 2016

Baltimore Justice Center

Revisions to the Master Plan (DRAFT)

Source: Department of Public Safety and Correctional Services



Source: Department of Public Safety and Correctional Services

ZB02

Local Jails and Detention Centers

Department of Public Safety and Correctional Services

Capital Budget Summary

Grant and Loan *Capital Improvement Program*

($ in Millions)

P-1

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Local Jails and Detention Centers	$0.000	$0.829	$2.891	$4.547	$2.500	$2.500	$2.500
Total	**$0.000**	**$0.829**	**$2.891**	**$4.547**	**$2.500**	**$2.500**	**$2.500**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds	$0.000	$0.829	$2.891	$4.547	$2.500	$2.500	$2.500
Total	**$0.000**	**$0.829**	**$2.891**	**$4.547**	**$2.500**	**$2.500**	**$2.500**

GO: general obligation

For further information contact: Hannah E. Dier Phone (410) 946-5530

Summary of Issues

Justice Reinvestment Initiative: Chapter 42 of 2015 established Maryland's Justice Reinvestment Coordinating Council (JRCC) to develop policy recommendations to reduce the State's incarcerated population, reduce spending on corrections, and reinvest in strategies to increase public safety and reduce recidivism. The council's final recommendations include encouraging counties to develop reentry programs and house State inmates nearing release. To the extent that local correctional systems determine existing facilities are inadequate to support efforts to expand reentry programs and house State offenders nearing release, the Local Jails and Detention Centers Capital Construction Program could see an increase in funding requests in future years. **The Department of Public Safety and Correctional Services (DPSCS) should comment on the availability of the Local Jails and Detention Centers Capital Construction Program to support reentry efforts at the local level. Montgomery County should comment on the unique physical characteristics of its pre-release center that aid the county in addressing the needs of the pre-release population.**

Summary of Recommended Bond Actions

1. Local Jails and Detention Centers

   Adopt committee narrative requiring the Department of Public Safety and Correctional Services to submit a report providing local jail and detention center population statistics.

2. Montgomery County Pre-Release Center

   Approve funding for renovation of the Montgomery County Pre-Release Center Dietary Center.

3. Prince George's County Correctional Center

   Approve funding for renovation and expansion of the Prince George's County Medical Unit.

Program Description

In order to meet the needs of growing inmate populations at the local level, the State pays a minimum of 50% of eligible costs for construction or expansion of local detention centers. If a county can demonstrate that a portion of the expansion is necessary to house additional offenders serving between 6- and 12-month sentences due to changes in sentencing made by Chapter 128 of 1986, then the State provides 100% of funding for that portion of the project.

DPSCS processes the applications for State funding. The department determines the portion of the project cost eligible for State participation. State funds may only be used for costs directly related to incarceration. Ineligible costs include, but are not limited to, air conditioning; single cells; maintenance work on current facilities; utility connections; and space not directly attributable to detention functions, such as office space.

Legislation enacted in Chapter 246 of 2004 clarified that the local inmates that DPSCS must use to determine anticipated confinement levels at a local correctional facility should reflect only those inmates who are serving sentences between 6 and 12 months, rather than all inmates sentenced to 12 months or less. If DPSCS determines that the anticipated confinement of those inmates serving between 6 and 12 months in a county's local correctional facility would exceed the capacity of the local correctional facility, the State must pay 100% of the costs to construct a new facility or to expand the existing local correctional facility.

Local Jail and Detention Center Inmate Population

As a result of discrepancies in the reporting of population statistics for inmates held in local correctional facilities, the committees began requesting an annual report providing a variety of data on facility bed capacity and the size of the inmate population, with the first *Local Jails and Detention Center Annual Population Statistics Report* submitted summarizing fiscal 2008 data. **Appendix 1** provides information found in the fiscal 2015 *Local Jails and Detention Center Annual Population Statistics Report.*

Exhibit 1 shows average daily population (ADP) by jurisdiction from fiscal 2011 through 2015. The number of inmates decreased by 1,207 inmates, or 13.6%, over the past five years. Additionally, the annual decline from fiscal 2014 to 2015 is 2.6 percentage points higher than the five-year annual rate of decline: 6.2% compared to 3.6%. In fact, the overall ADP for local jails and detention centers peaked in fiscal 2007 at 9,973 and has since consistently declined each year, for a cumulative reduction of just under 23.0%. Approximately 64.0% of the overall reduction can be attributed to four counties: Anne Arundel, Baltimore, Montgomery, and Wicomico. Over the past five years, Montgomery County has had the largest reduction, at 279 offenders, followed by Anne Arundel County at 187 offenders, Baltimore County at 176 offenders, and Prince George's County at 173 offenders. Somerset and Talbot counties had the fastest average annual decline rate, decreasing 14.6% and 11.8%, respectively. Four counties (Carroll, Cecil, Queen Anne's, and Worcester) had an increased fiscal 2015 offender population compared to fiscal 2011. Cecil County had the largest increase of 43 offenders, followed

by Worcester County at 37 offenders. Worcester and Queen Anne's counties had the fastest average annual growth rates, both above 20.0%.

Exhibit 1
Average Daily Population and Inmate Growth by Jurisdiction
Fiscal 2011-2015

County	2011	2012	2013	2014	2015	% Change 2014-15	# Change 2011-15	% Change 2011-15	Average Annual Growth
Allegany	170	150	153	136	134	-1.5%	-36	-21.2%	-5.8%
Anne Arundel	874	822	768	764	687	-10.1%	-187	-21.4%	-5.8%
Baltimore	1,393	1,392	1,211	1,260	1,217	-3.4%	-176	-12.6%	-3.3%
Calvert	234	213	224	249	202	-18.9%	-32	-13.7%	-3.6%
Caroline	105	108	97	106	105	-0.9%	0	0.0%	0.0%
Carroll	213	210	209	228	233	2.2%	20	9.4%	2.3%
Cecil	247	271	271	257	290	12.8%	43	17.4%	4.1%
Charles	460	416	361	344	351	2.0%	-109	-23.7%	-6.5%
Dorchester	167	171	160	129	127	-1.6%	-40	-24.0%	-6.6%
Frederick	441	394	380	360	405	12.5%	-36	-8.2%	-2.1%
Garrett	51	62	64	53	49	-7.5%	-2	-3.9%	-1.0%
Harford	425	395	410	414	414	0.0%	-11	-2.6%	-0.7%
Howard	308	308	340	349	304	-12.9%	-4	-1.3%	-0.3%
Kent	87	70	65	71	69	-2.8%	-18	-20.7%	-5.6%
Montgomery	1,038	953	877	784	759	-3.2%	-279	-26.9%	-7.5%
Prince George's	1,181	1,293	1,347	1,200	1,008	-16.0%	-173	-14.6%	-3.9%
Queen Anne's	102	86	112	136	123	-9.6%	21	20.6%	4.8%
Somerset	94	99	77	69	50	-27.5%	-44	-46.8%	-14.6%
St. Mary's	232	242	280	236	217	-8.1%	-15	-6.5%	-1.7%
Talbot	104	85	84	74	63	-14.9%	-41	-39.4%	-11.8%
Washington	333	383	385	344	296	-14.0%	-37	-11.1%	-2.9%
Wicomico	475	446	401	365	387	6.0%	-88	-18.5%	-5.0%
Worcester	155	200	261	261	192	-26.4%	37	23.9%	5.5%
Total	**8,889**	**8,769**	**8,537**	**8,189**	**7,682**	**-6.2%**	**-1,207**	**-13.6%**	**-3.6%**

Source: Local Jails and Detention Centers Annual Population Statistics Reports, Fiscal 2011-2015

The reduction of the inmate population is evident in the comparison of ADP to local facility operating capacity, as illustrated in **Exhibit 2**. Across the State, local operating capacity is 3,619 below

the fiscal 2015 total local inmate population. In comparison, the total excess capacity in fiscal 2009 was 2,188 beds.

Exhibit 2
Local Jails and Detention Centers
Fiscal 2015 Population Versus Capacity by County

County	ADP	Operational Capacity	Exceeded Capacity	ADP as a Percent of Capacity
Allegany	134	234	-100	57%
Anne Arundel	687	1,175	-488	58%
Baltimore	1,217	1,513	-296	80%
Calvert	202	228	-26	89%
Caroline	105	125	-20	84%
Carroll	233	185	48	126%
Cecil	290	324	-34	90%
Charles	351	460	-109	76%
Dorchester	127	285	-158	45%
Frederick	405	533	-128	76%
Garrett	49	64	-15	77%
Harford	414	766	-352	54%
Howard	304	343	-39	89%
Kent	69	83	-14	83%
Montgomery	759	1,399	-640	54%
Prince George's	1,008	1,524	-516	66%
Queen Anne's	123	148	-25	83%
Somerset	50	120	-70	42%
St. Mary's	217	245	-28	89%
Talbot	63	144	-81	44%
Washington	296	393	-97	75%
Wicomico	387	530	-143	73%
Worcester	192	480	-288	40%
Total	**7,682**	**11,301**	**-3,619**	**68%**

ADP: average daily population

Source: Local Jails and Detention Centers Annual Population Statistics Reports, Fiscal 2011-2015

Montgomery County, which experienced annual population decline of 7.5% between fiscal 2011 and 2015, had the largest amount of excess bed space, with 640 beds in excess of fiscal 2015 ADP. Prince George's County also had excess bed space above 500, and Anne Arundel and Harford counties had excess bed space above 350. In terms of population as a percentage of total capacity, Worcester and Somerset counties have the most room for growth. Only 1 county had an inmate population in excess of operational capacity, down from 3 counties in fiscal 2014. In fiscal 2015, Carroll County had an ADP of 48 offenders more than its operational capacity and reported that it had at least one inmate in excess of operational capacity for every day of the fiscal year. Cecil County reported that it had an ADP of 50 offenders more than its detention center operational capacity; however, the community correctional center was below capacity by 84 beds on average. Three additional counties (Calvert, Queen Anne's, and St. Mary's) also noted populations in excess of capacity for at least 10 days out of the year. Alternatively, the remaining 18 counties never had the inmate population exceed capacity.

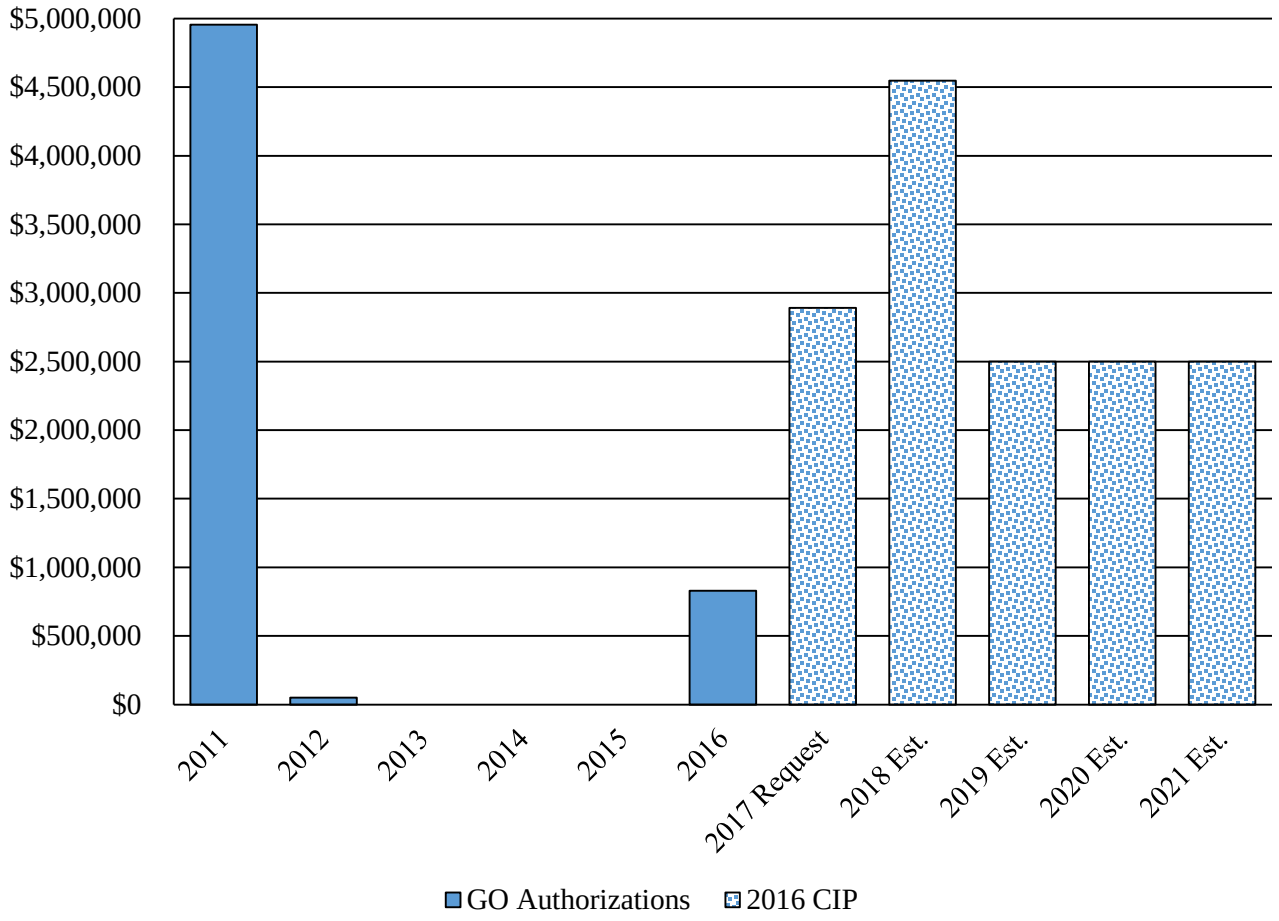
The provision of population data, like that provided in Appendix 1, is integral to helping the State prioritize the projects that receive funding each year, especially when the amount of funding requested exceeds funding available. **As such, the Department of Legislative Services (DLS) recommends that the budget committees continue to adopt narrative requiring DPSCS to submit a report providing population statistics by jurisdiction in order to accurately assess the capacity needs of local jails and detention centers.**

Budget Overview

Fiscal 2017 Proposed Budget

Exhibit 3 shows the funding history for the Local Jails and Detention Centers Capital Construction Program. Between fiscal 1999 and 2009, an average of $10.2 million in general obligation (GO) bonds were authorized each year for local jail projects. However, the amount included for this purpose decreased significantly beginning in fiscal 2010, as counties opted to defer projects. In three of the past seven years, there were no requests for funding and, therefore, no funding authorizations. The reduction in funding for the Local Jails and Detention Centers Capital Construction Program is indicative of both the constraints in the State's capital budget, as well as constraints in county budgets, which limits counties' abilities to provide the necessary fund match for proposed projects.

Exhibit 3
Local Jails and Detention Centers Capital Construction Program Funding
Fiscal 2011-2021 Est.



CIP: *Capital Improvement Program*
GO: general obligation

Source: Department of Legislative Services

The fiscal 2017 capital budget includes nearly $2.9 million to continue design and construction of two projects: renovation and expansion of the Prince George's County Medical Unit and renovation of the Montgomery County Pre-Release Center Dietary Center. This is about $200,000 more than was estimated in the prior *Capital Improvement Program* (CIP), primarily due to cost increases for the Montgomery County project.

Prince George's County Medical Unit Renovation and Expansion

Project Description: The Prince George's County Medical Unit includes sick call, infirmary, and administration spaces. The main purpose of the expansion is to double capacity and provide an improved, safer environment for the inmates, staff, and corrections officers. The proposed expansion will require complete demolition of the existing space, an expanded ground floor, and creation of a second floor level.

($ in Millions)

Fund Uses	**Prior Appropriation**	**FY 2017 Request**	**Future Estimated**	**Estimated Total**
Planning	$1.097	$0.000	$0.000	$1.097
Construction	0.000	4.975	4.974	9.949
Equipment	0.000	0.000	1.300	1.300
Total	**$1.097**	**$4.975**	**$6.274**	**$12.346**

Fund Source				
State: 50%	$0.549	$2.488	$3.137	$6.174
Matching Fund: 50%	0.548	2.487	3.137	6.172
Total	**$1.097**	**$4.975**	**$6.274**	**$12.346**

The fiscal 2016 budget authorized $549,000 in GO bond funding for design, and the fiscal 2017 budget includes nearly $2.5 million in GO bond funding to begin construction of this project. Design for the project began in July 2015 and is estimated to be complete in August 2016. Construction, which is planned to begin in October 2016, is expected to last through April 2018. The total project cost is estimated to be $12.3 million, with $6.2 million funded by the State.

The Prince George's County jail is one of only three jails in the State that provides onsite infirmary care. The infirmary provides routine medical and mental health services to inmates and manages inmates returning from hospital care, inmates with suspected communicable diseases, inmates on suicide watch, inmates on limited intravenous therapy, and inmates under medical observation. After construction in 1984, the Prince George's County Medical Unit underwent an expansion in 2002 of approximately 2,880 gross square feet (GSF). As a result of the expansion, the medical unit gained additional ward beds, isolation cells, and officer security stations. The expansion did not provide additional space for examinations, treatment, or administrative services. The current proposed expansion will increase the size of the medical unit to provide additional medical services, double the amount of available beds, and address needs associated with insufficient administrative space, storage space, and holding cells. The expansion will also alter the physical layout of the facility to enhance security.

Although the county's ADP has remained relatively stable over the past decade, the county reports an increased need for inmate medical services, resulting in a lack of space within the medical unit. The county has noted an increase in the number of inmates diagnosed with diabetes, hypertension, and seizures. The county saw a five-year high of 476 inmates with diabetes in calendar 2012. The

portion of the county inmate population diagnosed with hypertension increased dramatically between calendar 2010 and 2011 and has since consistently remained above 800. The medical unit currently serves approximately 100 inmates per eight-hour shift, with a maximum of only 19 inmates permitted in the sick call section at any given time. Since there is no exam room in the medical unit currently, inmates must be taken from the infirmary to sick call for examination and treatment.

The expansion will also address needs associated with the undersized and poorly located administrative and pharmacy spaces. While two administrative personnel have offices within the medical unit, other administrators are currently located in spaces intermingled with exam rooms, holding cells, and storage rooms. The nurses' station, for example, is in a former lab space that is not centrally located. The pharmacy cannot accommodate the increased number of staff required during change of shift when medication counts must be witnessed. There is also a shortage of pharmaceutical storage space and no sink, which further complicates operating in the small space. Additionally, the pharmacy can only be accessed from inside the female ward. The county reports that over 25% of the inmate population is on medications for chronic ailments including asthma, human immunodeficiency virus, insulin dependent diabetes mellitus, thyroid disorders, seizures, and major psychiatric disorders requiring daily dispensing and administration of medications.

Another concern with the current medical unit relates to security. The medical unit's space limitations have prevented on-site specialty care, necessitating the referral of inmates to offsite specialty clinics. With the proposed expansion, the county will be able to provide orthopedic, podiatry, ophthalmology, optometry, endocrinology, and neurology services on site. This will reduce costs and security risks associated with transporting inmates outside of the correctional facility. The county also plans to relocate a centralized officer's station within the sick call area in order to improve sightlines and increase the number of holding cells in the medical unit to separate inmates for security and safety reasons.

Recommendation: DLS recommends the approval of $2,488,000 in GO bond funding for renovation and expansion of the Prince George's County Medical Unit.

Montgomery County Pre-Release Center Dietary Center Renovation

Project Description: This project will enable the dietary center to meet increased demand for food service in a safe and efficient fashion. The dietary center's kitchen, built as part of the original facility in 1978, was designed for 100 residents and 45 staff and has not been upgraded with current equipment nor expanded to meet the current demand. The current population includes approximately 150 residents, up to 20 nonresidents in the home confinement electronic monitoring program, and 65 full-time employees, as well as visitors.

($ in Millions)

Fund Uses	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Planning	$0.560	$0.805	$0.000	$1.365
Construction	0.000	0.000	5.438	5.438
Equipment	0.000	0.000	0.206	0.206
Total	**$0.560**	**$0.805**	**$5.644**	**$7.009**

Fund Source				
State: 50%	$0.280	$0.403	$2.822	$3.505
Matching Fund: 49%	0.280	0.402	2.822	3.504
Total	**$0.560**	**$0.805**	**$5.644**	**$7.009**

The fiscal 2016 budget authorized $280,000 in GO bond funding to begin design of the renovation and addition, and the fiscal 2017 budget includes $403,000 in GO bond funding to complete design. Design began in July 2015 and is expected to be complete in January 2017. Construction is proposed to take two years to complete, beginning in July 2017. The total project cost is estimated to be $7.0 million, with $3.5 million funded by the State. This is an increase of about $360,000 over the estimate at the time of the prior CIP, increasing the State's share of the project cost by about $175,000.

The Montgomery County Pre-Release Center, a minimum security facility, was built in 1978 for a maximum occupancy of 100 inmates. Shortly after opening, the facility was expanded to increase bed space to accommodate 173 inmates. The expansion was limited to living space and did not include any expansion of the dietary center, which to date is only designed to serve up to 100 individuals. Currently, the facility serves between 130 and 167 inmates, as well as staff and visitors. The increased population and age of the facility have led to insufficient and inadequate space, as well as aging infrastructure and equipment.

The dietary center serves three meals daily to inmates and staff. The size of the population has resulted in an increased quantity of food materials delivered and meals produced daily. The facility was built without a loading dock, which complicates deliveries and lengthens delivery times. The actual kitchen area is very narrow and has poor sightlines, creating a security risk. The facility also has minimal food storage space, particularly given the increased population size. The facility's outdated 1994 freezer is located outside of the building. Dry food storage is divided between multiple places, which complicates food preparation. Due to the undersized dining area, meals must be served in multiple shifts with long lines. Overcrowding of the dining area reduces visible surveillance and supervision of offenders, creating a security risk. The dining area is also utilized as visitor and programming space. The facility has visitors seven days a week and may receive up to 50 visitors each day. However, noises caused by food preparation and clean up frequently interrupt visitation and programming.

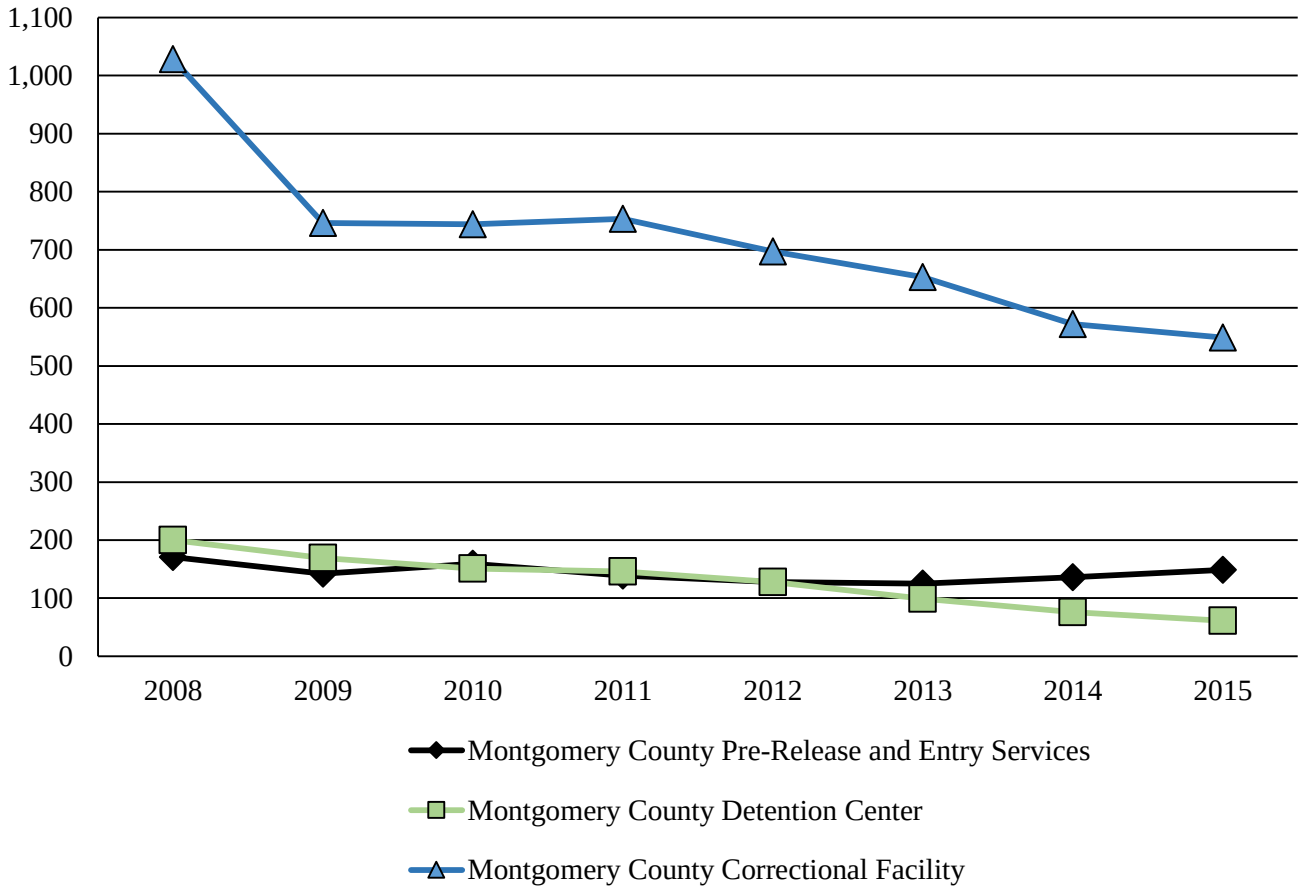
The majority of the equipment in the dietary center is original to the facility and was installed in 1978. The equipment is deteriorating with everyday use and age. Procuring replacement parts has

become difficult because of the age of the equipment, which complicates and prolongs repairs. The county reports that the kitchen equipment; refrigeration equipment; warmers; dishwashing equipment; heating, ventilation, and air conditioning system; and emergency equipment require replacements. The roof for the dietary center also suffers from age-related deficiencies and leaks over the dining area and kitchen.

The proposed expansion will construct an addition to the existing dietary center. The renovation will add 2,500 GSF to the existing 4,905 GSF dietary center, plus an additional 800 GSF of outdoor dining and loading space. The kitchen will receive an additional 540 square feet, while the dining area will expand by 900 square feet, and freezer and storage space will be consolidated to one area. The dining area expansion will include mobile partitions to allow certain sections to be closed off during visiting hours and special events. The expansion will also include staff restrooms to meet the Americans with Disabilities Act compliance, office space for personnel, modern equipment, and improvements to the serving line. Equipment upgrades and replacement of the roof over the renovated and newly constructed area are also included in the proposed expansion.

As shown in **Exhibit 4**, although the ADPs for the county's detention and corrections centers have decreased over the past decade, the ADP for the pre-release center has remained fairly stable. The county notes that typically all male housing beds in the facility are full and the only vacancies that usually occur are in the female housing unit. The county attributes the stable population levels in the pre-release center to changes in policies and practices that increase the portion of the offender population that is eligible for placement in the pre-release program and encourages the prompt placement of eligible offenders into that facility.

Exhibit 4
Montgomery County Department of Correction and Rehabilitation
Average Daily Population
Fiscal 2008-2015



Source: Local Jails and Detention Centers Annual Population Statistics Reports, Fiscal 2008-2015

Recommendation: DLS recommends approval of $403,000 in GO bond funding for renovation of the Montgomery County Pre-Release Center Dietary Center.

Issues

1. Justice Reinvestment Initiative

The Justice Reinvestment Initiative (JRI) is a national data-driven approach spearheaded by the U.S. Bureau of Justice Assistance, the Council of State Governments (CSG), and the Pew Charitable Trusts (Pew) to improve public safety and reduce criminal justice spending. JRI was brought to Maryland by Chapter 42 of 2015, an emergency measure that established Maryland's JRCC in the Governor's Office of Crime Control and Prevention. JRCC was tasked with (1) convening an advisory stakeholder group including organizations with expertise in certain criminal justice issues; (2) conducting roundtable discussions to seek public input; (3) using a data-driven approach to develop a statewide framework of sentencing and corrections policies to further reduce the State's incarcerated population, reduce spending on corrections, and reinvest in strategies to increase public safety and reduce recidivism; and (4) requesting technical assistance from the CSG Justice Center and the Public Safety Performance Project of Pew to develop the policy framework.

The council reviewed State criminal justice data and research on sentencing and corrections practices in order to develop policy recommendations. Based on its research and review, the council developed 19 recommendations and 6 reinvestment strategies, some of which relate to local jail and detention center operations and offender populations. In particular, the council's final December 2015 report recommends establishing a grant fund for counties with proposals for initiatives, such as reentry programs, to reduce recidivism and control corrections costs. The report also recommends providing funds to support local detention centers that house State offenders for the final months of their incarceration in the counties to which they are returning. A small number of counties currently operate reentry facilities or programs. Most notable is the Montgomery County Pre-Release Center, which was built in 1978 and serves upwards of 150 offenders. In previous years, the Montgomery County Pre-Release Center has held a small number of State inmates nearing release.

To the extent that local correctional systems determine existing facilities are inadequate to support efforts to expand reentry programs and house State offenders nearing release, the Local Jails and Detention Centers Capital Construction Program could see an increase in funding requests in future years. **DPSCS should comment on the availability of the Local Jails and Detention Centers Capital Construction Program to support reentry efforts at the local level. Montgomery County should comment on the unique physical characteristics of its pre-release center that aid the county in addressing the needs of the pre-release population.**

GO Bond Recommended Actions

1. Adopt committee narrative requiring the Department of Public Safety and Correctional Services to submit a report providing local jail and detention center population statistics.

   Local Jails and Detention Centers Population Statistics Report: As overseer of the Local Jails and Detention Center Capital Improvement Program, the committees direct the Department of Public Safety and Correctional Services (DPSCS), on an annual basis, to coordinate the submission of local jail and detention center population statistics on behalf of the counties and provide that information in a report to the budget committees. At a minimum the report shall include:

   - the operational capacity for each facility, making note of specialized population beds which cannot be used by general population inmates;
   - the total average daily population for the fiscal year for total population and separated by male and female offenders;
   - the number of days the population exceeded operational capacity;
   - the most consecutive days the population exceeded capacity;
   - the range in the number of inmates exceeding operational capacity;
   - the average amount the population exceeded capacity; and
   - the peak inmate population.

   Receipt of this information for every county on an annual basis would allow the General Assembly, the Department of Budget and Management, DPSCS, and the counties to better assess local jail and detention center capital needs. The report shall be submitted to the budget committees no later than September 1, 2016, and annually thereafter.

Information Request	**Author**	**Due Date**
Local jails and detention centers population statistics report.	DPSCS	September 1, 2016, and annually thereafter

2. Approve funding for renovation of the Montgomery County Pre-Release Center Dietary Center.

3. Approve funding for renovation and expansion of the Prince George's County Medical Unit.

Fiscal 2015 Local Jails and Detention Centers Annual Population Statistics Report

Facility	Operating Capacity of Facility			Specialized Population Beds	Total ADP for Fiscal Year			Days Population Exceeds Capacity	Most Consecutive Days Population Exceeded Operational Capacity	Range in Inmates Exceeded Operational Capacity	Average Amount Population Exceeded Capacity	Peak Inmate Population
	Male	Female	Total		Male	Female	Total					
Allegany County Detention Center	204	30	234	26	106	28	134	0	0	0	0	172
Anne Arundel County Detention Center – Jennifer Road Facility	609	26	635	95	393	29	422	0	0	0	0	482
Anne Arundel County Detention Center – Ordnance Road Facility	420	120	540	0	219	46	265	0	0	0	0	401
Baltimore County Department of Corrections	1,289	224	1,513	237	1,071	146	1,217	0	0	0	0	1,422
Calvert County Detention Center	212	16	228	36	166	36	202	64	16	1-49	15	277
Caroline County Detention Center	107	18	125	6	88	17	105	0	0	0	0	120
Carroll County Detention Center	173	12	185	10	193	40	233	365	365	29-87	54	269
Cecil County Community Correctional Center	108	16	124	0	30	10	40	0	0	0	0	63
Cecil County Detention Center	168	32	200	200	207	43	250	365	365	24-78	49	278
Charles County Detention Center	428	32	460	202	309	42	351	0	0	0	0	446
Dorchester County Detention Center	245	40	285	14	110	17	127	0	0	0	0	139
Frederick County Adult Detention Center	355	50	405	77	304	50	354	0	0	0	0	400
Frederick County Adult Work Release Center	112	16	128	0	45	6	51	0	0	0	0	63
Garrett County Detention Center	56	8	64	2	39	10	49	0	0	0	0	63
Harford County Detention Center	650	116	766	54	356	58	414	0	0	0	0	476
Howard County Detention Center	301	42	343	134	276	28	304	0	0	0	0	379
Kent County Detention Center	75	8	83	4	57	12	69	0	0	0	0	83
Montgomery County Correctional Facility	896	132	1,028	116	505	44	549	0	0	0	0	620
Montgomery County Detention Center	178	22	200	0	57	4	61	0	0	0	0	82
Montgomery County Pre-Release and Entry Services	142	29	171	0	135	14	149	0	0	0	0	164
Prince George's County Department of Corrections	1,407	117	1,524	350	927	81	1,008	0	0	0	0	1,098
Department of Corrections for Queen Anne's County	128	20	148	2	95	28	123	117	91	0-22	13	162
Saint Mary's County Detention Center	221	24	245	6	181	35	217	17	5	1-11	4	256
Somerset County Detention Center	104	16	120	2	42	8	50	0	0	0	0	58
Talbot County Detention Center	130	14	144	10	52	11	63	0	0	0	0	83
Washington County Detention Center	339	54	393	92	249	47	296	0	0	0	0	338
Wicomico County Department of Corrections	451	79	530	92	309	78	387	0	0	0	0	418
Worcester County Jail	414	66	480	27	165	27	192	0	0	0	0	205
Total	**9,922**	**1,379**	**11,301**	**1,794**	**6,686**	**995**	**7,682**	**928**	**842**	**0**	**135**	**9,017**

ADP: average daily population
Source: Fiscal 2015 Local Jails and Detention Centers Annual Population Statistics Report

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
State Library Resource Center – Renovation	$35.875	$29.060	$34.678	$4.512	$0.000	$0.000	$0.000
Total	**$35.875**	**$29.060**	**$34.678**	**$4.512**	**$0.000**	**$0.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$35.875	$26.410	$32.028	$4.512	$0.000	$0.000	$0.000
Nonbudgeted Funds	0.000	2.650	2.650	0.000	0.000	0.000	0.000
Total	**$38.875**	**$29.060**	**$34.678**	**$4.512**	**$0.000**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Kyle D. Siefering Phone (410) 946-5530

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Public Library Grant Program	$5.000	$5.000	$5.000	$5.000	$5.000	$5.000	$5.000
Total	**$5.000**	**$5.000**	**$5.000**	**$5.000**	**$5.000**	**$5.000**	**$5.000**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
GO Bonds	$5.000	$5.000	$5.000	$5.000	$5.000	$5.000	$5.000
Total	**$5.000**	**$5.000**	**$5.000**	**$5.000**	**$5.000**	**$5.000**	**$5.000**

GO: general obligation

Summary of Recommended Bond Actions

1. Public Library Capital Grant Program

   Approve the $5 million general obligation bond fund authorization for the Public Library Grant Program.

2. State Library Resource Center

   Approve the $26.4 million general obligation bond fund authorization to provide continued funding for the State Library Resource Center renovation project.

3. SECTION 12 – Maryland State Department of Education – State Library Resource Center

   Approve the fiscal 2018 pre-authorization of $30.5 million for the State Library Resource Center renovation project.

4. SECTION 13 – Maryland State Department of Education – State Library Resource Center

   Approve the fiscal 2019 pre-authorization of $3.5 million for the State Library Resource Center renovation project.

Budget Overview

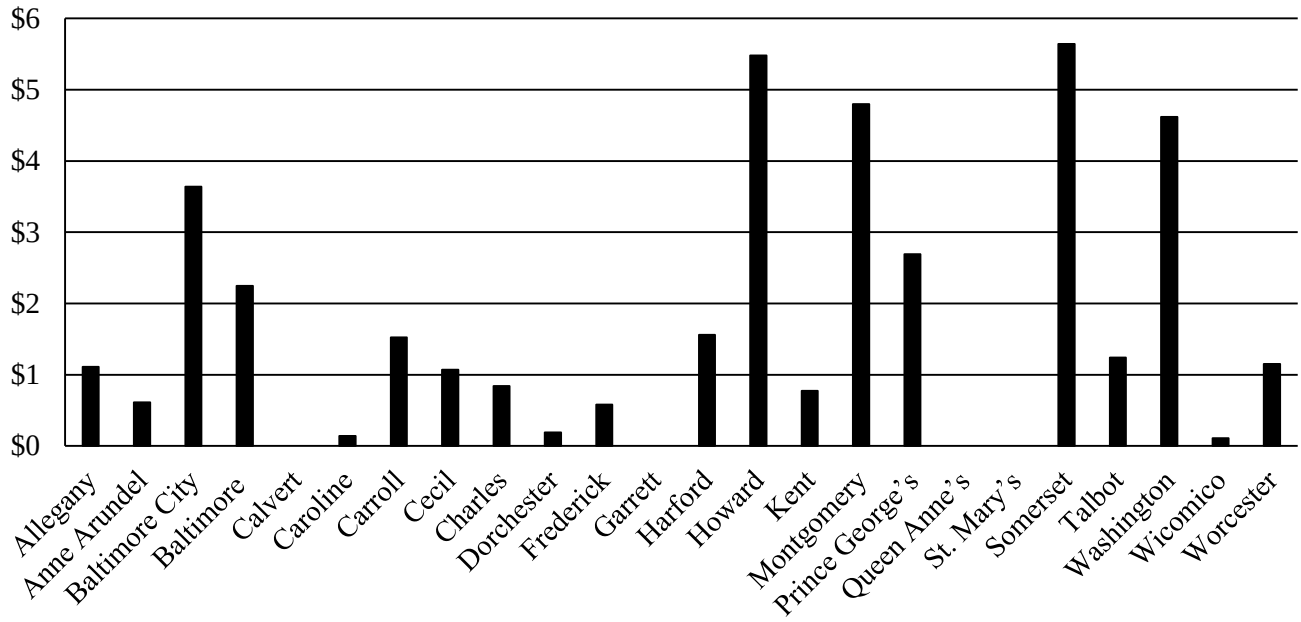
Public Library Capital Grant Program

The Public Library Capital Grant Program was established by Chapter 494 of 2006 and first received funding in fiscal 2008. The program provides funds to local libraries and library systems for capital improvements to existing libraries or construction of new facilities.

Section 23-510 of the Education Article mandates $5 million in annual funding for a capital grant program for public library projects. The Maryland State Department of Education's (MSDE) Division of Library Development Services (DLDS) is responsible for administering the program. To apply for a grant, local public library systems must develop a countywide library plan to file with DLDS and produce a master plan describing the capital projects approved by the applicant's governing body. DLDS reviews applications and submits recommendations to the State Board of Education for approval. The list of approved projects is then forwarded to the Department of Budget and Management for funding. Grants from the program require a match from any combination of county, municipal, or private sources. State grants may not be less than $20,000 and may fund 50% to 90% of a project's cost as calculated by the wealth based cost-sharing formula enacted by the General Assembly in 2014.

The total allocation for the program since the inaugural 2008 authorization is shown in **Exhibit 1**. Of the 24 library systems, 20 have received at least one grant for a local library. Somerset County has received the largest share of the total allocations ($5.6 million), followed by Howard ($5.5 million), Montgomery ($4.8 million), and Washington ($4.6 million) counties. **Appendix 1** shows annual appropriations by county.

Exhibit 1
Total Library Grant Allocation
Fiscal 20008-2016
($ in Millions)



Source: Department of Legislative Services

Over the eight years that the Public Library Capital Grant Program has existed, the number of projects and jurisdictions receiving allocations has fluctuated. Between the fiscal 2008 and 2012 authorizations, the number of jurisdictions receiving library grant funding declined from 16 to 6, and the total number of projects receiving funding decreased from 20 to 9 projects. Total State funding for the program, however, more than doubled. The decrease in projects is likely reflective of the fiscal constraints experienced by both the State and local governments during that time period. Since the fiscal 2011 authorization, there has been a slight increase in both the number of projects and jurisdictions receiving allocations. In fiscal 2014, the most recent peak in projects and funding, 11 jurisdictions received funding for 11 projects, with individual allocations ranging from $21,000 to $3.0 million.

Fiscal 2017 proposed projects appear in **Exhibit 2**. The fiscal 2017 Public Library Capital Grant allocation totals $5 million. In total, 11 projects are recommended for nine jurisdictions. Allocation amounts per project range from $117,000 for Anne Arundel County to renovate a space for the Odenton Library to be an Innovation Laboratory, to $1 million for Frederick County for the construction of a new Walkersville Library.

Exhibit 2
Public Library Capital Grant Program Project List
Fiscal 2017
($ in Thousands)

County	Project Description	Estimated Cost	Prior Auth.	2017 Amount	Future Request	Total State Share
Allegany	South Cumberland Library – Renovate 8,200 square foot (SF) library space	$1,870	$957	$720		89.7%
Anne Arundel	Odenton Library – Renovate 1,400 SF library space into an Innovation Laboratory	234		117		50.0%
Frederick	Walkersville Library – Construct new 15,400 SF library	6,687		1,000		15.0%
Harford	Aberdeen Library – Replace 25,000 SF roof and 37 windows	388		194		50.0%
Kent	Chestertown Library – Renovate 3,100 SF children's area and replace HVAC system	383	46	145		49.9%
Montgomery	Bethesda Library – Renovate 27,280 SF library, including new roof, new HVAC system, bathrooms, staff work space, *etc*.	1,223		500		40.9%
Montgomery	Quince Orchard Library – Renovate 17,991 SF library, including security system, restrooms, meeting rooms, *etc*.	1,223		500		40.9%

County	Project Description	Estimated Cost	Prior Auth.	2017 Amount	Future Request	Total State Share
Montgomery	White Oak Library – Renovate 16,205 SF library, including new conference rooms, restrooms, upgraded HVAC system, *etc.*	1,223		500		40.9%
Washington	Hancock Library – Construct new 7,500 SF library	5,659	1,634	300		34.2%
Wicomico	Salisbury Library – Renovate library space, including HVAC unit replacements, flooring repair, and restroom improvements.	381		320		84.0%
Worcester	Berlin Library –- Construct new 11,189 SF library	5,607	1,083	704	$916	48.2%
Total		**$24,878**	**$3,720**	**$5,000**	**$916**	

HVAC: heating, ventilation, and air conditioning

Source: Department of Budget and Management

As shown in Exhibit 2, though projects are eligible for a State match at 50% to 90% of the total project cost, the State percentage of the total project cost in a given year is often not the amount eligible for funding, as projects may have received prior authorizations from the State, and project costs may include ineligible expenses such as paint and carpeting with less than a 15-year life. Moreover, in some cases, libraries will not request funding for the entire eligible amount. Given the limited resources available for the program, some library systems may limit the size of the request to improve the odds of receiving funding. In addition, some systems may not be able to match the entire eligible State amount. Finally, the review committee may not recommend fully funding a project request to ensure geographic diversity in the allocation of funds.

It is worth noting that as of December 2015, the program had $8.9 million in unexpended funds. Of these unexpended funds, $1.2 million is from fiscal 2013 and $1.0 million is from fiscal 2014, making them three and four years old, respectively. **MSDE should comment on why these funds have not yet been expended.**

State Library Resource Center – Renovation

The Enoch Pratt Free Library is a State Library Resource Center. Education Article § 23-205 specifies that the State is responsible for supporting the State Library Resource Center capital costs. The fiscal 2017 budget includes $26.41 million in general obligation bond funds to continue construction funding for the renovation of the Enoch Pratt Free Library. Baltimore City has pledged $2.65 million in matching funds for the project in fiscal 2017, with an estimated $2.65 million to be provided for fiscal 2018.

The Enoch Pratt Free Library, established in 1933, has never been fully renovated. As a State Library Resource Center, the library provides books, information, services, and resources that cannot be provided by individual libraries. The project will address major mechanical; electrical; structural; and heating, ventilation, and air conditioning (HVAC) issues related to aging infrastructure and an inappropriate configuration of space. The facility does not meet fire code, is not Americans with Disabilities Act (ADA) compliant, and contains asbestos. The building's HVAC system, installed in 1950, has not been updated and is inadequate to control interior climate and humidity, posing a threat to library collections and making the top floor unusable in some seasons. Many windows are original and do not close completely. The library has moved collections into inappropriate spaces to accommodate new technology. For example, a computer laboratory is now located in a portion of the front lobby, and the multi-media section is located in a former sitting room and office space. Because the library employs more staff than the building was designed for, offices have been added to hallways. Moreover, the building does not have any meeting or conference space for individual study or private meetings. The renovation project will provide updated wiring for modern technology, upgraded lighting, refinish worn interiors, and clean and restore original murals. The renovation will provide adequate office, training, and meeting space; replace mechanical, electrical, plumbing, HVAC, and elevator systems; and address fire code and ADA compliance issues.

A program for the renovation and construction of an addition to the Enoch Pratt Free Library was approved in 1996. While the addition was completed in 2003, the renovation was deferred due to funding constraints. Funding was provided again in fiscal 2014 to restart and complete the design of the project.

The project has encountered delays in the design process, which has impacted the construction timeline. During the 2014 session, MSDE anticipated design to be complete in December 2014, with construction anticipated to begin in February 2015. The Department of General Services (DGS) negotiated with the original architect to revise the original plans; however, issues with fee negotiations and the awarding of funding delayed the start of the redesign until June 2014. As a result of the delays, construction was expected to begin in December 2015, nearly a year behind the original anticipated schedule. To help offset the delays, DGS planned to eliminate the traditional four-month bid/award time between design completion and construction by hiring a construction management firm. Gilbane Building Company (Gilbane) was selected in fall 2015. It has been overseeing pre-construction activities such as testing of paint, wood refinishing, and potential hazardous materials since December 2015. DGS went before the Board of Public Works in March 2016 to award Gilbane the balance of construction funds. The contract is for a guaranteed maximum price which, if approved, would allow for subcontractors work to begin in April 2016.

Updated cost estimates have resulted in a $500,000 decrease in the total project cost. To date, the renovation project has been provided $35.9 million in prior authorizations, including $10.0 million in design funding and $25.9 million in construction funding. The fiscal 2017 capital budget provides nearly $29.1 million to continue funding the construction costs, including the matching funds from Baltimore City. The proposed authorization is $3.2 million more than what was anticipated in the 2015 *Capital Improvement Program* (CIP). The 2016 CIP also anticipates increased costs for the project in fiscal 2018 (approximately $7.3 million more) but substantially decreased costs in fiscal 2019 (approximately $11.0 million less), all of which reflect updated cash flow needs of the project based on spring 2016 construction commencement.

Summary of Other Projects in the Capital Improvement Program

As shown in **Exhibit 3**, there is one related project removed from the CIP.

Exhibit 3
Projects Removed from CIP
Fiscal 2017

Project	Description	Reason for Deferral
Eastern Shore Regional Library	Funding deferred from fiscal 2018–2020	Funding deferred due to other budget priorities

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Pre-authorizations

Exhibit 4 details the pre-authorizations included in the CIP.

Exhibit 4
Pre-authorizations
($ in Millions)

Pre-authorizations				
Project	**FY 18**	**FY 19**	**FY 20**	**Reason**
State Library Resource Center – Renovation	30.528	3.512	0.000	Pre-authorization is needed to award construction contract for the project.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve the $5 million general obligation bond fund authorization for the Public Library Grant Program.

2. Approve the $26.4 million general obligation bond fund authorization to provide continued funding for the State Library Resource Center renovation project.

3. Approve the fiscal 2018 pre-authorization of $30.5 million for the State Library Resource Center renovation project.

4. Approve the fiscal 2019 pre-authorization of $3.5 million for the State Library Resource Center renovation project.

Public Library Capital Grants Authorizations
Fiscal 2008-2016
($ in Thousands)

County	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Allegany	$63.0	$0	$0	$0	$0	$0	$90.0	$157.0	$800.0	$1,110.0
Anne Arundel	82.8	94.5	0	0	0	50.0	70.0	286.0	30.0	613.3
Baltimore City	270.0	744.0	400.0	0	400.0	0	0	1,826.1	0	3,640.1
Baltimore	135.0	708.0	255.0	610.0	0	370.2	0	0	170.0	2,248.2
Calvert	0	0	0	0	0	0	0	0	0	0
Caroline	89.6	0	50.0	0	0	0	0	0	0	139.6
Carroll	135.0	437.0	307.0	210.0	233.0	47.0	157.0	0	0	1,526.0
Cecil	90.0	0	562.5	0	0	0	420.0	0	0	1,072.5
Charles	0	0	0	0	800.0	0	21.0	20.0	0	841.0
Dorchester	0	0	0	0	0	0	191.1	0	0	191.1
Frederick	144.0	398.0	0	0	0	0	41.0	0	0	583.0
Garret	0	0	0	0	0	0	0	0	0	0
Harford	0	0	373.0	0	0	0	0	0	1,187.5	1,560.5
Howard	90.0	320.0	800.0	500.0	927.7	2,670.0	125.0	46.0	0	5,478.7
Kent	198.0	191.0	0	0	0	0	0	387.0	0	776.0
Montgomery	221.0	655.0	0	975.0	1,145.3	1,000.0	0	0	800.0	4,796.3
Prince George's	101.7	0	320.0	400.0	0	489.0	0	0	1,381.0	2,691.7
Queen Anne's	0	0	0	0	0	0	0	0	0	0
St. Mary's	0	0	0	0	0	0	0	0	0	0
Somerset	22.5	179.0	0	0	0	250.0	3,000.0	2,189.0	0	5,640.5
Talbot	0	.0	0	1,240.0	0	0	0	0	0	1,240.0
Washington	270.0	184.0	800.0	675.0	890.9	0	1,597.3	200.0	0	4,617.2
Wicomico	45.0	0	20.0	0	0	43.9	0	0	0	108.9
Worcester	67.5	0	0	0	0	0	0	0	1,082.9	1,150.4
Total	**$2,025.0**	**$3,910.5**	**$3,887.5**	**$4,610.0**	**$4,397.0**	**$4,920.1**	**$5,712.4**	**$5,111.1**	**$5,451.4**	**$40,025.0**

Note: In fiscal 2016, funds were rescinded for two projects (Towson Branch Library heating, ventilation, and air conditioning replacement and the balance of site acquisition award for a new Northeast Branch in Cecil County.) The rescinded funds were reallocated to provide additional funding to the new Havre de Grace Branch in Harford County ($187,500), the renovation of the Davis Branch in Montgomery County ($50,000), the renovation of the Little Falls Branch in Montgomery County ($50,000), and the renovation of the Bowie Branch in Prince George's County ($163,900) shortly after the conclusion of the 2015 session.

Source: Maryland State Department of Education

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Health Sciences Facility III	$196.842	$95.150	$3.600	$0.000	$0.000	$0.000	$0.000
Central Electric Substation	0.000	5.000	2.890	11.000	12.000	12.000	36.522
Total	**$196.842**	**$100.150**	**$16.290**	**$11.000**	**$12.000**	**$12.000**	**$36.522**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$155.792	$86.000	$6.490	$11.000	$12.000	$12.000	$36.522
Other	41.050	14.150	9.800	0.000	0.000	0.000	0.000
Total	**$196.842**	**$100.150**	**$16.290**	**$11.000**	**$12.000**	**$12.000**	**$36.522**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Garret T. Halbach Phone (410) 946-5530

Summary of Issues

Cost Sharing an Expensive, New Project in the *Capital Improvement Program*: The fiscal 2017 *Capital Improvement Program* (CIP) has a new project for an electrical substation to power the University of Maryland, Baltimore (UMB) campus. This project is not only new to the CIP but also very expensive, with a current estimate of around $80.0 million in total. Adding such a large project to the CIP has disrupted the timing of funding for other projects in the CIP.

Summary of Recommended Bond Actions

		Funds
1.	Central Electric Substation and Electrical Infrastructure Upgrades Reduce general obligation bond support and add language for a report on cost sharing.	$2,500,000 GO
2.	Central Electric Substation and Electrical Infrastructure Upgrades Reduce general obligation bond support and add language for a report on cost sharing.	
3.	Health Sciences Research Facility III and Surge Building Approve.	
4.	SECTION 12 – University of Maryland, Baltimore – Health Sciences Research Facility III Approve the pre-authorization for the 2017 session.	
	Total Reductions	**$2,500,000 GO**

Budget Overview

UMB has two projects in the fiscal 2017 CIP.

Health Sciences Facility III

The Governor's proposed 2016 session capital budget includes $81.0 million to continue construction and to purchase equipment for the Health Sciences Facility (HSF) III. This new research building is very large, at just under 225,000 net square feet, and will cost $305.4 million when completed, including $65.0 million in combined nonbudgeted funds from UMB and the University of Maryland Medical System (UMMS).

The fiscal 2017 budget bill programs $81.0 million in State support to continue construction and begin equipping HSF III in fiscal 2017, the same amount that was pre-authorized in the Maryland Consolidated Capital Bond Loan of 2015 for the 2016 session. Nonbudgeted fund support from UMB has remained fixed at $65.0 million, and State support through general obligation (GO) bonds totals $240.4 million. The University of Maryland Medical Center will contribute at least $10.0 million toward UMB's total planned contribution to the total cost of HSF III. UMB reports that the total nonbudgeted fund support of $65.0 million has been secured. Overall, despite the project's scope and cost, there are no significant changes to the design, net assignable square feet (NASF), cost, or construction scheduling from the prior year.

The total project cost had been increased about 10% in fiscal 2015 due to an increase in the scope of the building – the revised plan added 2 shell floors to the structure so that the entire facility now includes a basement, 10 occupied floors, and 2 mechanical floors. The first 6 floors have a slightly larger footprint due to added dry laboratory components. Floors 7 through 10 are slightly smaller. Overall, the only change so far has been the design phase extending one month, which concluded in October 2014. The final construction completion date remains September 2017.

To date, prior authorizations totaling $196.8 million covered design, demolition costs, and some construction costs. The fiscal 2014 budget provided $21.6 million to complete design, begin site work, and demolish Hayden Harris Hall to ready space for HSF III at UMB's downtown Baltimore City campus. Demolishing the 40-year-old vacant Hayden Harris Hall, the former dental school building, was necessary as UMB found this building could not accommodate the mechanical, electrical, and plumbing systems required for a modern research building. The dental school was relocated to a new, adjacent building in 2006. Demolition began in July 2013 with asbestos abatement and interior work and concluded in February 2014. All site work and excavation activities, including relocation of underground utilities, were then completed by July 2014. Construction officially began in June 2014. The fiscal 2015 budget provided $49.0 million and the fiscal 2016 budget provided $81.6 million, both to continue construction of HSF III.

HSF III will augment UMB's medical research programs by adding new research laboratory and office space. While the current science facilities were built with prior best practices of offering

about half the laboratory support space in relation to laboratory space, current guidelines suggest that there needs to be a one-to-one match of laboratory space to laboratory support space, which includes cold rooms, tissue culture rooms, and freezers. This is due to the expanding nature of many federal research grants. Additionally, HSF II did not add any animal facility space, so HSF III would create nearly 20,000 NASF of vivarium space. It also offers approximately 133,000 NASF in research laboratory space and 22,000 NASF in office space. Unlike many other higher education capital projects, HSF III includes no classroom space, as laboratory space does not technically generate any weekly student contact hours, even though graduate students may be working in these laboratories.

The two unfinished shell floors will total about 44,000 NASF. This accounts for the majority of the 45,639, or 25.4%, increase in NASF over the original design plan in fiscal 2014. As stated in prior years, UMB does not plan to seek additional State GO bond support to finish these floors. For this modification, UMB essentially swapped out planned renovations for Howard Hall in the CIP for the shell space. The current plan is to complete the shell space soon after HSF III construction ends using research grants and federal contracts, which allow equipping and space finishing. UMB has used this process in the past for facilities belonging to the School of Medicine. Although there is currently concern over levels of federal research grants given federal sequestration and other ongoing federal reductions, UMB is confident that it will be able to obtain funding to finish the shell space in HSF III.

Central Electric Substation and Electrical Infrastructure Upgrades

The second project in fiscal 2017 programs $5.0 million in State support to design construction of a new electrical substation for UMB and related, supporting subprojects. This requires acquiring land to relocate an existing recycling facility as the recycling facility occupies the ideal site for the new substation, as well as upgrading the existing electrical infrastructure of the campus. The total estimated cost in the five-year CIP is $42.9 million, but the project is currently planned to extend until fiscal 2025 and cost approximately $79.4 million. However, this final project cost is very preliminary as there are several subprojects and phases, and UMB does not yet have a firm grasp on how much electrical work is actually necessary. As currently envisioned, the total project will consist of:

- acquiring land for the new recycling station;
- designing and constructing the new recycling station on that land;
- demolishing the old recycling station to create space for the new substation;
- designing and constructing the new substation;
- repairing or replacing existing electrical conduits to UMB's facilities from both the new and existing substations; and
- renovating the switchgear of the existing electrical substation.

This will be a lengthy, complicated, and expensive project coming directly on the heels of HSF III. UMB considers this project to be a life and safety issue as the existing electrical substation, located 40 feet below ground on Greene Street, is approximately 50 years old and is unfortunately located over a high water table, so it is susceptible to water penetration. Replacement parts for this substation can only be found with difficulty on the secondary market. In the event of an outright failure, the entire UMB campus may be forced to shut down, jeopardizing the safety of students, faculty, and patients, as well as tens of millions of dollars in scientific research. The station has recently failed twice, once in November 2011 due to a part failure which knocked out power for 12 hours, and again in January 2016 due to a water leak. The latter outage cut power to 20 buildings for 2 hours. Fortunately, this was during an academic break, so fewer students and faculty were on campus, and it was during the winter when electrical demand is significantly lower than in the summer. If such an event happened in the summer months, UMB would be forced to switch entirely to backup generators that are extremely expensive and only viable for short amounts of time.

The existing, failing substation sits to the south of campus to connect to a transformer station operated by Baltimore Gas and Electric (BGE) near Camden Yards. UMB wants to build the new substation on the recycling plant's site because the electrical duct bank to that site already exists and that it is university-owned property on the north side of the campus that will enable the new substation to connect to an entirely different BGE station. This will give greater redundancy to the campus' power grid. Unfortunately, the electrical duct bank, which contains the cables from the existing substation to UMB's facilities, is many decades old. As UMB makes upgrades to the cabling, it has to access electrical duct banks, which increasingly fail or collapse, requiring on-the-spot replacement. Part of this project would be a thorough inventory of the integrity of the electrical duct banks and replacing what is in poor condition.

Finally, UMB's electrical demand is steadily increasing by about 2% a year. When HSF III comes online in fiscal 2018, UMB will not yet exceed maximum electrical capacity, but it will put UMB on a trajectory to exceed capacity no later than fiscal 2024. Outside of this project, UMB does not have a realistic way to satisfy its own electrical needs. All of these improvements are informed by a UMB *Infrastructure Investment Plan* finished in April 2015.

Issues

1. Cost Sharing an Expensive, New Project in the *Capital Improvement Program*

Need for Substation Foreseeable

As indicated in UMB's 2015 *Infrastructure Investment Plan*, UMB has never come close to meeting the University System of Maryland (USM) Board of Regent's (BOR) goal for institutions to reinvest 2% of facilities replacement value annually. Due to prior decisions to underfund facilities maintenance, UMB estimates current deferred maintenance costs to be more than $300 million and the replacement value of facilities systems at $2.3 billion. The electrical substation project is part of that

price tag and is also new in the fiscal 2017 CIP. While UMB had incorporated elements of this project in one previous request under an umbrella campus infrastructure improvements package to the USM BOR for fiscal 2016, this project was never included in a prior CIP. Although UMB felt the urgency for this project increase greatly in recent years (even before the January 2016 power failure), it is not clear what the institution's long-term plan was, given the addition of several large new buildings to campus and ever growing electricity consumption flowing through one substation built in 1966.

Given the necessity of sufficient and reliable electricity to UMB, both for its academic and research efforts, the Department of Legislative Services (DLS) recognizes the importance of this project. However, the $79.8 million price tag is uninformed by design work, and the USM cost center does not have nearly as much experience dealing with planning large-scale utility infrastructure in a dense urban setting as it does with the academic buildings frequently included in the CIP.

The President should comment on the lack of long-term infrastructure planning and maintenance that brought UMB into a position where it finds its electrical distribution system compromised and failing.

Fiscal Constraints on State Resources

The Governor's 2016 CIP sets annual new GO bond authorizations at $995 million. This is the second consecutive year that the Governor's CIP has reduced planned GO bond authorization levels. Relative to the plan articulated in the December 2014 Spending Affordability Committee Report, the current CIP reduces GO bond authorizations level by $1.17 billion over just the five years covering fiscal 2017 through 2021. Fulfilling many of the State's capital infrastructure needs will require creative funding solutions including partnerships and shared funding responsibilities with the State's higher education institutions. With respect to higher education, the State's primary focus should be in providing funds that support projects that expand or enhance facilities that support student access to degrees and research opportunities. Projects that are essentially facilities renewal, while important in their own right, should be secondary in priority and considered and evaluated under cost sharing options in order for the State to focus funding to support new or renovated academic space.

UMB was able to provide significant nonbudgeted support for HSF III, and there are several major stakeholders in Baltimore City who would benefit from a stable and modernized electrical grid in the urban core. To date, Baltimore City and BGE have not indicated a great willingness to work with UMB on this project in spite of conduit maintenance fees recently increasing to ensure that the electrical conduits do not fail. UMB does indicate that UMMS may be interested in contributing money for replacing conduits that serve both UMB and UMMS buildings on the south side of campus, indicating one potential partnership for this capital project.

DLS recommends that the State cost share the entire electrical substation project 50/50 with UMB, which would reduce the fiscal 2017 authorization by $2.5 million in GO bonds. DLS also recommends narrative requesting a report from UMB identifying how it will cost share this project using institutional resources.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Health Sciences Facility III						
	Estimated Operating Cost	$0.000	$4.540	$9.613	$9.760	$9.912
	Estimated Staffing	0	10	11	11	11
Central Electric Substation						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$0.000	$0.000
	Estimated Staffing	0	0	0	0	0
Total Operating Impact						
	Estimated Operating Cost	**$0.000**	**$4.540**	**$9.613**	**$9.760**	**$9.912**
	Estimated Staffing	**0**	**10**	**11**	**11**	**11**

According to the 2016 CIP, HSF III will impact the fiscal 2018 operating budget by about $4.5 million due to general costs for fuel and utilities, supplies and materials, and amortized equipment. Costs also include 10 new regular positions to maintain the facility, the same as the prior CIP.

Pre-authorizations

Exhibit 1 shows HSF III pre-authorized in fiscal 2018 for $3.4 million.

Exhibit 1
Pre-authorizations
($ in Millions)

Project	FY 18	FY 19	FY 20	Reason
Health Sciences Facility III	$3.400	$0.000	$0.000	Pre-authorizations are required for Board of Public Works approval of the construction contract in fiscal 2017.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Reduce general obligation bond support and add language for a report on cost sharing.

RB21A	Central Electric Substation and Electrical Infrastructure Upgrades	$ 2,500,000

Allowance	Change	Authorization
5,000,000	-2,500,000	2,500,000

Explanation: This reduces State general obligation bond support by $2.5 million and adds language for a report for the University of Maryland, Baltimore to determine how it will cost share this project.

2. Reduce general obligation bond support and add language for a report on cost sharing.

Report on Cost Sharing the Electrical Substation Project: The budget committees are concerned by the appearance of the University of Maryland, Baltimore's (UMB) new, large capital project in the 2016 Capital Improvement Plan, the electrical substation project, despite ongoing need for new or renovated academic buildings across higher education. UMB should submit a report by December 1, 2016, on how it will cost share this project equally between State and institutional funds.

Information Request	Author	Due Date
Report on cost sharing the electrical substation project	UMB	December 1, 2016

3. Approve the $81 million in general obligation bonds for the construction of the Health Sciences Research Facility III on the campus of the University of Maryland, Baltimore.

4. Approve the pre-authorization of $3.4 million in general obligation bonds for the 2017 session for the construction of Health Sciences Facility III on the campus of the University of Maryland, Baltimore.

Total General Obligation Bonds Reduction **$2,500,000**

RB22
University of Maryland, College Park
University System of Maryland

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
A. James Clark Hall – New Bioengineering Building	$64.460	$69.955	$30.452	$3.608	$0.000	$0.000	$0.000
Brendan Iribe Center for Computer Science and Information	9.028	51.809	81.713	0.00	0.000	0.000	0.000
Edward St. John Learning and Teaching Center	106.930	5.100	0.000	0.000	0.000	0.000	0.000
New Cole Field House	28.046	68.836	50.303	7.815	0.000	0.000	0.000
Campuswide Building System and Infrastructure Improvements	45.000	0.000	0.000	5.000	10.000	15.000	60.000
Total	**$253.464**	**$195.700**	**$162.468**	**$16.423**	**$10.000**	**$15.000**	**$60.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$138.880	$97.555	$105.187	$11.423	$0.000	$5.000	$30.000
Revenue Bonds	40.000	7.500	15.000	5.000	10.000	10.000	30.000
Nonbudgeted Funds	74.584	90.645	42.281	0.000	0.000	0.000	0.000
Total	**$253.464**	**$195.700**	**$162.468**	**$16.423**	**$10.000**	**$15.000**	**$60.000**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Sara J. Baker Phone (410) 946-5530

Summary of Recommended Bond Actions

1. A. James Clark Hall – New Bioengineering Building

   Approve continued funding of the construction of the A. James Clark Hall – New Bioengineering Building.

2. Brendan Iribe Center for Computer Science and Innovation

   Approve continued funding of the construction of the Brendan Iribe Center for Computer Science and Innovation.

3. Edward St. John Learning and Teaching Center

   Approve funding to complete construction and equip the Edward St. John Learning and Teaching Center.

4. New Cole Field House

   Approve continued funding of the design and construction of the New Cole Field House.

5. SECTION 12 – University of Maryland, College Park – A. James Clark Hall – New Bioengineering Building

   Approve pre-authorization of $11.2 million to continue construction.

6. SECTION 12 – University of Maryland, College Park – Brendan Iribe Center for Computer Science

   Approve pre-authorization of $69.6 million to complete construction.

7. SECTION 12 – University of Maryland, College Park – New Cole Field House

   Approve pre-authorization of $12.2 million to continue construction.

8. SECTION 13 – University of Maryland, College Park – A. James Clark Hall – New Bioengineering Building

   Approve pre-authorization of $3.5 million to complete construction.

9. SECTION 13 – University of Maryland, College Park – New Cole Field House

   Approve pre-authorization of $6 million to continue construction.

Budget Overview

A. James Clark Hall – New Bioengineering Building

The A. James Clark Hall – New Bioengineering Building will house the Fischell Department of Bioengineering and the Robert E. Fischell Institute for Biomedical Devices providing needed space and allowing for the continued expansion and growth of the Bioengineering program. The initial estimated cost of the facility in the 2014 *Capital Improvement Program* (CIP) totaled $137.0 million but increased $37.0 million to $174.0 million in the 2015 CIP due to the addition of a sixth floor, which will house an animal care facility. The cost has since been revised, decreasing $5.5 million to $168.5 million due to the project being accelerated by the General Assembly. To keep the project on a schedule that would complete construction by June 2017, the General Assembly increased the amount of funding in fiscal 2016, adding $10.0 million in general obligation (GO) bonds and amending the 2015 session Academic Revenue bill to increase the amount authorized in the bill by $20.0 million to enhance the fiscal 2016 funding for the project. Language was also included to provide pre-authorizations of $45.4 million and $54.1 million for the Maryland Consolidated Capital Bond Loans of 2016 and 2017, respectively. Construction and equipment funding of $30.5 million and $3.6 million is programmed in the 2016 CIP for fiscal 2018 and 2019, respectively. The project leverages $20.0 million in private donations and $1.9 million in institutional funds.

The facility will include research and instructional laboratories, classrooms, office and conference space, and animal care facilities, addressing several issues constraining the growth of the Bioengineering Program. This includes the lack of space and specialized facilities, separate location of functions, and inadequate and insufficient animal care space. The current space no longer meets the needs of the rapidly expanding Fischell Department of Bioengineering. It is projected that the department will increase from 34 faculty, 10 staff, and 398 majors in fiscal 2012 to 58 faculty, 19 staff, and 600 majors by fiscal 2021. The recently created Robert E. Fischell Institute of Biomedical Devices is expected to have 24 faculty and 18 staff by fiscal 2021. Research expenditures are also projected to increase from $5.4 million in fiscal 2011 to $24.5 million in fiscal 2021.

The department is currently housed in four buildings occupying a total of 30,926 net assignable square feet (NASF), which lack state-of-the-art research space and equipment needed to be competitive. There is also a lack of open innovative space that includes flexible laboratory and construction space where faculty, students, and industrial partners can construct prototypes of their ideas while working on commercializing their products. The facility will provide collaboration and display space for project-based curriculum that requires students, faculty, and researchers to work together to develop test ideas, solve problems, and engage in collaborative activities, as well as space to display student research projects. Furthermore, being located in multiple buildings requires faculty and staff to travel between buildings to conduct administrative procedures and hinders collaboration. The department will vacate 23,845 NASF of existing space in four buildings that will be used to address other space needs and will retain 7,081 NASF in the Kim Engineering Building.

The facility will include team-based project space. All engineering majors participate in one or more team-based design courses in which teams build prototypes of their designs. Current space is

overcrowded and bioengineering students do not have any dedicated space for fabrication and prototyping.

Bioengineering research increasingly relies on the use of small animals, but the program has no dedicated small animal holding and procedure area. When space is needed, researchers borrow space from other researchers – and if space is available, it is not adequate to meet their needs, thereby limiting the type of research that can be conducted. Furthermore, the University of Maryland, College Park (UMCP) has multiple animal care facilities located across campus. This makes animal care difficult and inefficient in implementing quality care and consistent rearing conditions and requires redundant support facilities increasing the operational costs. If the inadequacies of its current facilities are not addressed, UMCP is at risk of losing its Association for Assessment and Accreditation for Laboratory Animal Care accreditation. This would impede UMCP's ability to secure research funds and weaken its efforts in the biosciences in areas such as neuroscience that requires the use of mammals and other vertebrates in research. This will be the first phase in a two-project solution to address animal care space deficiencies and will replace three existing facilities.

The facility will provide 184,239 gross square feet (GSF)/101,301 NASF and will provide 19,202 NASF of instructional laboratory and classroom space, 42,383 NASF of research space, 16,500 NASF of animal care space, and 19,908 NASF of office and conference space. The facility will alleviate shortages in instructional laboratory and classroom space by 11,964 NASF and 7,232 NASF, respectively, and office space by 19,908 NASF.

Brendan Iribe Center for Computer Science and Innovation

The Brendan Iribe Center for Computer Science and Innovation will house the Department of Computer Science and the University of Maryland Institute for Advanced Computer Studies (UMIACS), providing space needed to support the growth of the department and facilitate the integration of modern teaching and research activities. The facility will be designed with flexible space and be adaptable to the changing needs of the department.

This project was added to the 2015 CIP with State funding programmed to commence in fiscal 2018. UMCP used $9.0 million in private donations to initiate and complete the design of the facility in fiscal 2015 and 2016. The General Assembly expressed intent to accelerate the project by one year by adding language to the 2015 capital budget to provide pre-authorizations of $27.0 million and $67.5 million in GO bonds for the Maryland Consolidated Capital Bond Loans of 2016 and 2017, respectively. In addition, $10.0 million of Academic Revenue Bonds were programmed for fiscal 2019, which UMCP requested be accelerated to fiscal 2018. The current budget for the project is $142.6 million; however, the total estimated cost of the project is $150.0 million. While the project leverages $38.0 million in private donations, UMCP plans to raise an additional $7.5 million for a total of $45.5 million to cover the difference in the budgeted and total cost of the project. If UMCP is not able to raise the additional $7.5 million by the start of construction in August 2016, then approximately 36,200 GSF/19,100 NASF will be constructed as shell space that will be fitted out when the additional private donations are raised. The current budget of $142.6 million reflects the shell space.

The Department of Computer Science and UMIACS are primarily located in the A.V. Williams Building with most classes held in the Computer Science Instructional Center (CSIC). Due to a lack of space, UMIACS also occupies space in Hornbake Library and in the Biomolecular Science Building. Once the project is complete, the department and UMIACS will vacate a total of 77,870 NASF: 65,130 NASF in the A.V. Williams Building, 4,352 NASF in Hornbake Library, and 8,388 NASF in the Biomolecular Science Building. The vacated space in these buildings will be used to address other space needs. The department will retain 4,117 NASF of computer server space in the A.V. Williams Building since it shares infrastructure with UMCP's main data center. In addition, due to the expected enrollment growth in the computer science program, the department will need to retain most of its classroom space in CSIC in addition to the space provided in the Iribe Center.

The facility will provide space to accommodate the department's anticipated growth in its instructional and research programs. The number of undergraduate majors is projected to increase 48.7% from 1,647 in fall 2014 to 2,450 in fall 2023, and graduate majors by 43.4% from 244 to 350 during the same time period. It is projected that the number of faculty will increase from 137 in fiscal 2013 to 211 in fiscal 2023 with an associated growth in staff. Classroom space in CSIC is traditional with fixed rows and seats facing the front of the room. Current teaching methods focus more on collaborative learning requiring flexible seating allowing for small group work and using blended learning practices, which combine classroom and online instruction. The facility will provide more classroom space per student. While the State guideline provides 20 NASF per student, the new learning environment requires more space, which according to UMCP is 24.4 NASF per student for computer science students. The 21,330 NASF of classroom space in the Iribe Center combined with the 13,946 NASF in CSIC will provide a total of 35,276 NASF of classroom space. While the space will be available to all departments, priority will be given to the Department of Computer Science.

In addition, to accommodate the tutoring demand of 1,700 students, the facility will provide 2,700 NASF of tutoring space. Current space cannot meet student demand as indicated by the long lines that form during tutoring hours, resulting in many students not receiving tutoring services needed to be academically successful.

The facility will also provide space for faculty and students to meet, study, or collaborate on projects. Current space is limited, fully utilized, and too large for small group collaborations. Work study or meetings between a student and a teaching assistant are held in open spaces in larger offices that lack privacy. The facility will have 57 formal and informal conference and study rooms ranging in size from 80 NASF to 300 NASF with 8 rooms providing seating for 2 people, 38 rooms with seating for 6, and 11 rooms with seating for 11. In addition, the facility will include a multipurpose/community space in which faculty and students can collaborate with industry and community partners.

Specialized research laboratories for virtual reality, robotics, motion capture, and hacker/maker spaces are either insufficient or do not exist. This limits the ability of faculty to compete for sponsored research grants and provide students with the hands-on training needed to obtain the skills necessary for jobs in the technology field. Furthermore, due to a lack of research space in the A.V. Williams Building, UMIACS research functions are located in two buildings, thereby creating space inefficiencies and limiting collaboration among faculty and students. This has resulted in faculty having two offices: one in the A.V. Williams Building, and the other where they conduct research.

The new facility allows for the consolidation of functions of three buildings into one, eliminating duplicate faculty offices and providing shared research space. Due to the efficiencies that will be achieved by this consolidation, the facility will be able to accommodate a 66% increase in full-time equivalent faculty and staff with only a 6% increase in office space and 54% of the growth in principal investigators with a 16% increase in research space.

Overall, the facility will provide 215,600 GSF/113,720 NASF and will provide 60,255 NASF of office space; 21,330 NASF and 2,700 NASF of classroom and open laboratory space, respectively; 14,620 NASF of research space; and 11,610 NASF of conference, meeting, and study space.

New Cole Field House

This project will renovate and expand the Cole Student Activities building that will house the Center for Sports Medicine, Health, and Human Performance (in partnership with the University of Maryland, Baltimore (UMB) School of Medicine), the Academy for Innovation and Entrepreneurship, and the Terrapin Performance Center – a full-size indoor football field and new training facilities.

The General Assembly added language to the 2014 capital budget pre-authorizing $5.0 million in GO bonds to begin design of the facility in fiscal 2016. The project was added to the 2015 CIP and included $25.0 million in GO bonds to fund the academic portion of the facility with $7.0 million programmed for design in fiscal 2016: $5.0 million in GO bonds, and $2.0 million in nonbudgeted funds. Language was added in the 2015 capital budget reducing the funding for design by $3.0 million to reflect the State's share of the academic portion of the project. The 2016 CIP restores the $3.0 million in GO bonds in fiscal 2017 and accelerates the project by a year by including $65.8 million in nonbudgeted funds for construction of the facility. In fiscal 2018, $12.2 million of GO bonds and $38.1 million in nonbudgeted funds are programmed to continue construction, and $7.8 million in GO bonds is programmed in fiscal 2019 to complete construction and equip the academic portion of the facility. The project leverages $130.0 million in private funding, of which $105.0 million will be from a combination of private donations, institutional funds, and clinical revenue generation from the center. UMCP plans to raise $90.0 million in private donations; however, given the nature of donations in which it can take three to five years before the institution actually receives the funds, UMCP will receive a bridge loan from the University System of Maryland starting in fiscal 2017, which could total $90.0 million. To date, UMCP has raised approximately $45.0 million. In addition, $25.0 million will come from Big Ten revenues. The estimated cost of the project is $155.0 million. **The President should comment on what funds will be used to pay back the bridge loan if they fall short of raising $90.0 million in private donations.**

The Center for Sports Medicine, Health, and Human Performance will increase access to sports medicine and occupational health services and advance innovative solutions to improve human performance. Research conducted at the center will focus on human performance and medical and sports biomechanics. Human performance will mainly focus on brain, neural, and behavioral activity of different populations including athletes, first responders, and the elderly recovering from depressive episodes. Sports biomechanics will focus on kinesiology and human motion including athletes, firefighters, military personnel, and recovering patients.

The center will enhance the ability of the institutions to recruit clinical scientists and faculty, compete for research funding, promote innovation, and better serve the students. Currently, UMB occupies 3,600 NASF of clinical space in the town of College Park, offering primary and orthopedic services. The facility will provide 10,875 NASF of clinical space to meet the needs of the local area and 17,088 NASF of research laboratory space. Clinical services increased 16% and patient visits 40% since fiscal 2013. It is projected that patient visits in orthopedics will increase from approximately 4,300 in fiscal 2015 to 13,000 in fiscal 2020. UMCP projects its faculty/medical staff to increase from 41 in fiscal 2019 to 78 in fiscal 2024, while UMB anticipates an increase from 45 to 83 during the same time period.

The facility will allow for the expansion of the Academy for Innovation and Entrepreneurship. The university lacks specialized space that allow students taking innovation and entrepreneurial classes to leave their work-in-progress in the classroom as they conduct their semester long projects, ventures, or prototypes. The facility will provide 8,600 NASF of classroom space and 2,750 NASF of open laboratory space.

The project also includes the Terrapin Performance Center, an indoor football training and practice facility. UMCP is the only school in the Big Ten conference that does not have an indoor training facility, thereby affecting its ability to attract and recruit top student athletes and coaches. The facility will provide practice, medical, and staff facilities allowing UMCP to be competitive with the rest of the conference.

Edward St. John Learning and Teaching Center

The Edward St. John Learning and Teaching Center will provide 14 technologically advanced classrooms, replacing 8 large, obsolete lecture halls that are located in buildings throughout the campus, and includes 9 general chemistry laboratories. The 2016 CIP provides $5.1 million to complete construction and equip the facility. The total cost of the facility is $112.0 million and leveraged $10.0 million in private donations and $7.6 million in institutional funds.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
A. James Clark Hall – Bioengineering Building					
Estimated Operating Cost	$0.398	$2.110	$4.673	$4.735	$4.800
Estimated Staffing	1	5	5	5	5
Brendon Iribe Center for Computer Science and Innovation					
Estimated Operating Cost	$0.000	$0.668	$2.493	$4.455	$4.532
Estimated Staffing	0	1	5	5	5
Edward St. John Learning and Teaching Center					
Estimated Operating Cost	$1.311	$2.802	$2.855	$2.910	$2.967
Estimated Staffing	3	4	4	4	4
New Cole Field House					
Estimated Operating Cost	$0.000	$0.000	$3.103	$5.612	$5.715
Estimated Staffing	0	0	7	7	7
Total Operating Impact					
Estimated Operating Cost	**$1.709**	**$5.580**	**$13.124**	**$17.712**	**$18.014**
Estimated Staffing	**4**	**10**	**21**	**21**	**21**

Other Significant Funding or Scope Changes to Projects in the *Capital Improvement Program*

Between fiscal 2013 and 2016, $10 million in funding was provided annually, equally from GO bonds and revenue bonds, to fund campuswide building system and infrastructure improvements to address the backlog of deferred maintenance, particularly those related to UMCP's failing infrastructure. In the 2015 CIP, funding was deferred in fiscal 2017 and 2018 to accommodate other university priorities. While the project is still included in fiscal 2019 and beyond, in the 2016 CIP GO bond funding in fiscal 2019 and 2020 have been eliminated in order to accommodate other university priorities, leaving $5 million in revenue bonds to fund the project in fiscal 2018 and another $10 million in revenue bonds programmed for fiscal 2019.

Pre-authorizations

Exhibit 1 shows the pre-authorizations for Clark Hall, Brendan Iribe Center, and the New Cole Field House as previously discussed.

Exhibit 1
Pre-authorizations
Fiscal 2018-2019
($ in Millions)

Project	2018	2019	Reason
A. James Clark Hall	$25.5	$3.6	Allows completion of construction.
Brendan Iribe Center for Computer Science	67.6		Allows completion of construction.
New Cole Field House	12.2	7.8	Allows completion of construction.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve $62.5 million in general obligation bonds to continue construction of the A. James Clark – New Bioengineering Building.

2. Approve $27.0 million in general obligation funds to continue construction of the Brendan Iribe Center for Computer Science and Innovation.

3. Approve $5.1 million in general obligation bonds to complete construction and equip the Edward St. John Learning and Teaching Center.

4. Approve $3.0 million in general obligation bonds to continue design and construction of the Human Performance and Academic Research Facility housed in the New Cole Field House.

5. Approve pre-authorization of $11.2 million in general obligation bond funds for fiscal 2018 to continue construction of the A. James Clark Hall – New Bioengineering Building.

6. Approve pre-authorization of $69.6 million in general obligation bonds in fiscal 2018 to complete construction of the Brendan Iribe Center for Computer Science and Innovation.

7. Approve pre-authorization of $12.2 million in general obligation bonds for fiscal 2018 to continue construction of the Human Performance and Academic Research facility located within the New Cole Field House.

8. Approve pre-authorization of $3.5 million in general obligation bonds for fiscal 2019 to complete construction of the A. James Clark Hall – New Bioengineering Building.

9. Approve pre-authorization of $6 million in general obligation bond funds for fiscal 2019 to continue construction of the Human Performance and Academic Research facility located within the New Cole Field House.

RB23
Bowie State University
University System of Maryland

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Natural Sciences Center	$70.670	$31.501	$0.000	$0.000	$0.000	$0.000	$0.000
Total	**$70.670**	**$31.501**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$70.670	$31.501	$0.000	$0.000	$0.000	$0.000	$0.000
Total	**$70.670**	**$31.501**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

Summary of Recommended Bond Actions

1. New Natural Sciences Center

   Approve.

2. SECTION 2 – Bowie State University – New Fine and Performing Arts Center

   Approve.

For further information contact: Garret T. Halbach Phone (410) 946-5530

Budget Overview

The fiscal 2017 budget programs $28.2 million to complete construction and $3.3 million to equip the new Natural Sciences Center (NSC), for total State support of $31.5 million. As shown in **Exhibit 1**, two years ago, the 2014 *Capital Improvement Program* (CIP) had programmed a total project cost of $89.4 million versus the 2015 and 2016 CIPs, which both had the project cost at about $102.0 million. Large cost overruns following the 2014 CIP totaled $12.8 million, or 14.3%.

Exhibit 1
Changes in Programmed Funding for the Natural Sciences Center
2014-2016 *Capital Improvement Programs*
($ in Millions)

	2014	2015	2016	$	% Changes 2014-2016
Planning	$8.900	$8.602	$8.602	-0.3	-3.3%
Construction	77.500	90.618	90.269	12.8	16.5%
Equipment	3.000	3.300	3.300	0.3	10.0%
Total	**$89.400**	**$102.520**	**$102.171**	**12.8**	**14.3%**

Source: Department of Budget and Management

At the time construction funding was first authorized, the demolition phase was expected to commence in October 2014. However, in large part as a result of the impending funding gap, which caused delays in the project execution, the commencement of construction did not take place until February 2015.

When completed, the new NSC facility will provide modern laboratory and office space for expanding Bowie State University (BSU) programs in physical sciences, nursing, and mathematics. The project scope also includes demolishing both the Wiseman Center and the Crawford Science Building. In combination with the completion of a new Student Center Building in August 2013 and the State-funded Fine and Performing Arts Center in early 2012, this will substantially alter BSU's central campus space.

The NSC project includes the following components:

- **Demolition of the Wiseman Center –** This was completed in March 2015 and created space on campus for construction of NSC.

- **Construction of the Modified NSC –** This now includes additional facilities for nursing and mathematics research and classes, as well as necessary structural components mistakenly left out in the initial design.

- **Demolition of the Crawford Science Building –** When NSC is complete, the Crawford Building will be demolished between May and November 2017, as the latter building is inadequate for current teaching needs, and the space can be repurposed as a plaza in front of the new Student Center.

NSC will help improve BSU by creating a new teaching and research laboratory and classroom space. While the current science facility, the Crawford Science Building, offers about 15,000 net assignable square feet (NASF) for laboratory space, according to the 2016 CIP, NSC will offer about 39,000 NASF for laboratory space. NSC also includes space for a greenhouse, lounge, central services, and data processing that are all important for improving educational spaces at BSU. NSC will also have about 16,000 NASF for offices and about 12,000 NASF for classrooms. While the 2013 CIP documentation noted that NSC had about 85,672 net square feet (NSF), current documentation shows 87,890 NSF, an increase of 2,218 NSF, or 2.6%, mostly due to increased classroom laboratory space.

The overall NSC project includes demolition costs for the Crawford Science Building as BSU has abandoned plans to renovate the Crawford Science Building after the completion of NSC. The Crawford Science Building cannot accommodate the mechanical, electrical, and plumbing systems required for a modern science building. In addition, although the building was remodeled in 1991, it is estimated to be cost prohibitive to meet modern fire and Americans with Disabilities Act requirements due to structural design, such as low ceiling heights and interior load-bearing walls. The demolition of the Crawford Science Building will enable a renovated plaza to be placed in front of the new Student Center, the first Leadership in Energy and Environmental Design-certified building on campus, which opened in August 2013.

As a result of this change, the project scope was expanded to include the Department of Nursing and the Department of Mathematics, as these departments will no longer be able to stay in the Crawford Science Building. While the nursing program is housed in the Center for Learning and Technology (CLT), it uses the Crawford Science Building for core science components. CLT does not have space for program growth, and the Crawford Science Building, as noted above, lacks sufficient space. NSC will add extensive new laboratory space for the nursing program to increase enrollment and to provide specialized spaces that simulate various clinical spaces found in a hospital, such as an operating room or a pediatric unit. NSC will also offer modern facilities for hazardous material storage, which are not currently available in the Crawford Science Building. Classrooms will be larger to accommodate more students, and NSC will include a lecture hall that can seat 100 students. Office layouts will improve to meet the State guideline of 166 NASF, whereas the Crawford Science Building only offers 90 NASF per office.

NSC will assist in attracting students to science, technology, engineering, and mathematics (STEM) fields and retaining students over the course of their studies. In fall 2012, natural sciences, mathematics, and nursing generated about 25.0% of all weekly student contact hours on campus. In fall 2014, BSU rejected a total of 658 qualified nursing students for undergraduate and graduate

programs because it did not have the physical space to teach them. NSC would provide enough space for all of those students and would also help attract and retain highly qualified STEM faculty and staff. Finally, as all undergraduate students are required to take a science class with a laboratory component to meet general education requirements, NSC will serve as a means to introduce all students to STEM disciplines. Although total student headcount declined 4.7% in fall 2015, and 5.1% among first-time, full-time students, BSU believes enrollment will grow again in the future.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Natural Sciences Center						
	Estimated Operating Cost	$0.000	$0.967	$1.939	$1.975	$2.011
	Estimated Staffing	0	2	3	3	3
Total Operating Impact						
	Estimated Operating Cost	**$0.000**	**$0.967**	**$1.939**	**$1.975**	**$2.011**
	Estimated Staffing	**0**	**2**	**3**	**3**	**3**

According to the 2016 CIP, NSC will impact the fiscal 2018 operating budget by $1.0 million and grow to $1.1 million in fiscal 2018 due to general costs for fuel and utilities, supplies and materials, and amortized equipment. This total operating cost is about $0.9 million higher than it had been in the 2015 CIP, and the 2016 CIP no longer reflects any operating costs in fiscal 2017 due to the later project completion date. Costs also rise to reflect 3 new positions required to maintain the facility and additional costs in running the building when it is completed in fiscal 2018. This matches the 2014 CIP but is a decrease from 4 positions listed in the 2013 CIP.

Pre-authorizations and De-authorizations

BSU has one de-authorization for $100,799 from the New Fine and Performing Arts Center due to the funds not being needed to complete the project.

GO Bond Recommended Actions

1. Approve $31.5 million in general obligation bonds for the construction and equipping of the new Natural Sciences Center on the campus of Bowie State University.

2. Approve the de-authorization of $0.1 million in general obligation bonds for the construction of the New Fine and Performing Arts Center at Bowie State University due to the funds not being needed.

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
New Science Facility	$5.700	$6.150	$36.000	$72.150	$63.819	$0.000	$0.000
New College of Health Professions Building	0.000	0.000	0.000	0.000	5.266	6.437	144.547
Total	**$5.700**	**$6.150**	**$36.000**	**$72.150**	**$69.085**	**$6.437**	**$144.547**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$5.700	$6.150	$36.000	$62.150	$53.085	$1.437	$144.547
Revenue Bonds	0.000	0.000	0.000	2.000	7.000	5.000	0.000
Nonbudgeted Funds	0.000	0.000	0.000	8.000	9.000	0.000	0.000
Total	**$5.700**	**$6.150**	**$36.000**	**$72.150**	**$69.085**	**$6.437**	**$144.547**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Sara J. Baker Phone (410) 946-5530

Summary of Recommended Bond Actions

1. New Science Facility

   Approve continued funding for the design of the New Science Facility.

Budget Overview

New Science Facility

The New Science Facility will house the College of Science and Mathematics providing space that will accommodate enrollment growth and allow for the expansion of academic programs. The facility was added to the 2014 *Capital Improvement Program* (CIP) to replace the Smith Hall expansion and renovation project. A detailed engineering review and assessment of Smith Hall revealed significant deficiencies in the building envelope, making full replacement of the building facades necessary. Furthermore, the existing structural system cannot accommodate the additional weight of the rooftop mechanical equipment needed for a modern science facility, and structural modifications would be needed to bring the building up to current codes. Given these deficiencies, three conceptual schemes were considered with the construction of a new facility, deemed as the best solution that would meet Towson University's (TU) science needs.

The 2014 CIP programmed $3.5 million in fiscal 2016 to complete design of the project, however, the project was deferred one year in the 2015 CIP due to concerns about the size and scope of the project, resulting in the university examining the project. The 2016 CIP programs $6.5 million in fiscal 2017 to complete design with construction funding totaling $166.1 million split funded over fiscal 2018 through 2020. The total cost of the project was reduced by $4.0 million, from $187.8 million to $183.8 million, due to constructing 16,000 gross square feet (GSF)/9,000 net assignable square feet (NASF) as shell space to be fitted out at a later date with non-State funds. The project leverages $17.0 million in nonbudgeted funds including: $5.0 million in private donations; $5.0 million of institutional funds; and $7.0 million in an equipment loan from University System of Maryland (USM). TU plans to raise the $5.0 million in private donations over the next 36 months but due to the nature of donations in which receipt of the funds may not correspond with the cash flow of the project, TU may require a bridge loan from USM. In addition, $4.0 million in Academic Revenues Bonds will be used in lieu of general obligation (GO) bonds in fiscal 2019 and 2020, as programmed in the 2016 CIP. Overall, this reduces GO bonds funding for this facility by $25.0 million.

Due to the age of the building – Smith I and II were built in 1964 and 1976, respectively – it can no longer support the instructional technology used in today's classes or meet the space needs of the academic programs currently housed in the building. All of the buildings systems and components are original and are past the industry standard lifecycle. The heating, ventilation, and air conditioning systems no longer have the capacity to adequately support the building, resulting in some interior spaces being unusable during hot weather, while the lack of humidity control has caused the growth of mold

in some academic and support spaces. Air handlers and unit ventilators are corroded from the inside and discharge metal particles. In addition, plumbing lines and valves are corroded, particularly in the chemistry laboratories, which have flooded classrooms, thereby limiting the use of these rooms.

Smith Hall lacks adequate laboratory space to support the demand for the general education courses and prerequisite science courses required for those majoring in the health profession programs. Only a limited number of these courses can be offered each semester, resulting in students being waitlisted for these classes that tend to be overcrowded and can result in increasing students' time to degree. The problem is exacerbated by the growth in enrollment in the College of Science and Mathematics, which increased 16.1% from 5,967 students in fall 2009 to 6,926 students in fall 2014. Enrollment is projected to grow 30.0% by fall 2024 to 9,000 students. Furthermore, the current layout of permanent laboratory benches and concrete block walls in Smith Hall does not allow rooms to be easily configured to support new technologies or changes in curriculum and research.

The 316,000 GSF/184,730 NASF facility will provide 74,365 NASF and 22,550 NASF of instructional laboratory and classroom space that will help meet the demand for enrollment in science courses due to the large number of science, technology, engineering, mathematics, and health profession majors. The facility will also provide 39,350 NASF of research space, 1,980 NASF of animal quarter space, and 27,065 NASF of office space, which will not only meet the research needs of faculty but provide opportunities for students to gain experience through research assistantships.

Summary of Other Projects in the Capital Improvement Program

Projects Deferred in Fiscal 2017

Initial design funds for the New College of Health Professions Building are deferred from fiscal 2018 to 2020, as shown in **Exhibit 1**. Planned funding for facility first appeared in the 2013 CIP to address deficiencies in laboratory space and support growing enrollment in the allied health fields. Since that time, other priorities, including the $184.0 million TU New Science Facility, have moved initial funding back in the CIP from what was initially planned when the project first appeared in the CIP. The facility will consolidate the college's programs, which are currently dispersed in five buildings across campus none of which has the quality or quantity of space needed to accommodate increasing enrollments in the health professions. The estimated cost of the project is $156.3 million.

Exhibit 1
Projects Deferred
Fiscal 2017

Project	Description	Reason for Deferral
New College of Health Professions Building	Construct a facility to provide space for the College of Health Professions.	To remain within State debt affordability ratios.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve $6.2 million in general obligation bonds to continue design of the New Science Facility.

RB28
University of Baltimore
University System of Maryland

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Langsdale Library Renovation	$3.775	$13.300	$6.527	$0.000	$0.000	$0.000	$0.000
Total	**$3.775**	**$13.300**	**$6.527**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$3.775	$9.300	$3.527	$0.000	$0.000	$0.000	$0.000
Other	0.000	4.000	3.000	0.000	0.000	0.000	0.000
Total	**$3.775**	**$13.300**	**$6.527**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Garret T. Halbach Phone (410) 946-5530

Summary of Updates

Acquisition of Postal Service Property: The University of Baltimore (UB) has outlined an agreement to acquire a United States Postal Service (USPS) facility adjacent to UB's urban campus. The agreement specifies that UB must find a suitable new site for the postal service to relocate, including a new facility.

Summary of Recommended Bond Actions

1. Langsdale Library

   Approve.

2. SECTION 12 – University of Baltimore – Langsdale Library

   Approve the pre-authorization for the 2017 session.

Budget Overview

The fiscal 2017 budget programs $13.3 million to complete design and begin construction and equipping of renovations of the Langsdale Library at UB. No State support was programmed in fiscal 2016 in order to remain within debt affordability limits and to ensure that UB had sufficient time to raise $7.0 million in nonbudgeted funds to cover design changes in the renovation program. The fiscal 2017 amount is $0.2 million less than what was programmed in the 2015 *Capital Improvement Plan* (CIP) due to decreases in the equipment list, although the institution reports this funding may be needed in fiscal 2018 to fund the approved equipment list.

Overall, the project is $10.6 million over what was programmed in the 2014 CIP due to the institution's decision to hold a design competition for the library, as it had done for the John and Frances Angelos Law Center, which opened in April 2013. UB received six conceptual ideas, but the associated construction costs were $2.0 million to $6.0 million above the $11.1 million construction budget in the current CIP. UB paused planning to study the submissions to better understand why the cost estimates were significantly higher. Some of the increase was due to Americans with Disabilities Act compliance measures. Because none of the initial design submissions met cost requirements, the actual design phase was delayed. Working with the design winner, combined with the one-year delay programmed in the 2015 CIP, stretched the design time from 7 to 19 months. Consequently, the construction start date slipped from December 2014 to July 2016. The total construction length has also increased from 12 months to 15 months to reflect significant design changes.

The two main changes in the final schematic design stage driving the increase in cost are a new glass façade for the library and an atrium. This will give the new building a distinct, modern look versus the original plain brick exterior built in 1965, as well as provide a better insulated building envelope and a light-filled entryway. While the façade was a design element proposed by the competition winner, the decision to build the atrium was separate and informed by the very poor condition of the auditorium in the library. The renovation cost for just the auditorium was estimated to be between $1.5 million to $1.8 million for what was, ultimately, only a 4,200 gross square foot (GSF) room with 200 seats. UB reports that it has four comparable rooms on campus ranging from 160 to 300 seats, and the demolition and repurposing of the old Langsdale Library auditorium will not adversely affect its academic programs or the library's function.

Due to the scope change, UB has committed to a total of $7.0 million in nonbudgeted funds toward this project and has raised about $5.8 million to date. The 2014 CIP had total project costs increasing from $12.2 million to $13.0 million, while the 2016 CIP has total costs of $23.6 million, a significant increase of $10.6 million, or 82%. The $7.0 million in nonbudgeted funds cover just under two-thirds of that increase, with an additional $3.6 million in State funds covering the remainder.

This project is deemed necessary due to the rapid deterioration of the existing library facility. When completed, the renovated library will provide modern study space and office space for UB's expanding enrollment. The project will use surge space made available from the completion of the State-funded John and Frances Angelos Law Center, which will leave the old law library vacant. Additionally, in fall 2007, UB enrolled freshmen undergraduates through a First- and Second-year Program (FSP) for the first time since becoming a public institution. The first FSP cohort graduated in spring 2011. With the addition of full cohorts of undergraduate students, rather than just undergraduate transfer students, UB's enrollment has grown from 3,401 full-time equivalent students (FTES) in fiscal 2007 to 4,321 FTES in fiscal 2015. This rapid expansion in the student body has put pressure on the Langsdale Library meant for general student use.

Renovation to the nearly 37,000 net assignable square foot (NASF) Langsdale Library will help improve UB by creating new office and study space, as well as modern library services. Langsdale Library was built in 1965 and has had no major renovations. It is primarily based around stack space for library materials, whereas UB believes the future of libraries is to provide more common space for group work and to convert many library materials to electronic formats to reduce the amount of stack space. Overall stack space will decrease from about 14,600 NASF to 8,000 NASF. Office space will increase from about 4,000 NASF to 4,500 NASF and study space from about 11,400 NASF to 14,700 NASF. Additional improvements include new electrical wiring to allow more information technology (IT) to function in the building, and improved mechanical systems to improve temperature and humidity control, which is important for both stacks and IT. Langsdale Library will also include space for media production, exhibits, a lounge, and central building services.

Updates

1. Acquisition of Post Office Facility

Between UB and the Jones Falls Expressway/I-83 sits a 2.5 acre USPS vehicle maintenance facility built in 1963. The structure is between the main administration building of the campus, the Academic Center, and the new bookstore and residential complex on Mt. Royal Avenue, making it a prime location for future campus expansion as outlined in UB's *2008-2018 Facilities Master Plan Update*. As UB's campus abuts I-83 and is already in a dense part of downtown Baltimore in the Station North district, its options for land acquisition and expansion are very limited.

In March 2014, UB sought Board of Public Works' (BPW) approval to enter into an exchange agreement with USPS. The terms include UB locating and purchasing a new facility for USPS that does not impair vehicle maintenance operations in any way. UB located and purchased a site on Ashland Avenue for $0.8 million. Additional expenses for building a new 30,000 GSF USPS facility brings the total to about $9.1 million from UB's plant fund. UB will also need to procure easements for USPS to operate its vehicles at the new location and conduct environmental remediation. Finally, UB will accept the current USPS facility as is, assuming any environmental concerns from 50 years of vehicle maintenance. A preliminary environmental assessment suggested remediation would not be excessively expensive or time consuming.

BPW will need to approve UB's accepting, acquiring, and transferring of real property, as well as construction contracts for the new USPS facility. In August 2015, UB received approval from BPW to hire a design/build contractor for replacement of the vehicle maintenance facility. USPS representatives are participating in the design process, and once the design is finalized and bid packages are completed, UB will seek BPW approval for the construction contract. The timeframe for USPS relocating its personnel and vehicles to the new Ashland site is sometime in fiscal 2019.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Langsdale Library Renovation						
	Estimated Operating Cost	$0.000	$0.014	$0.340	$0.340	$0.339
	Estimated Staffing	0	0	0	0	0

UB anticipates a modest increase, $0.3 million, in expenses for running the new library due to increases in utilities. Existing personnel are sufficient to manage the renovated building.

Pre-authorizations

UB has one pre-authorization for $3.2 million in fiscal 2018 to complete the renovations to Langsdale Library.

GO Bond Recommended Actions

1. Approve $9.3 million in general obligation bonds for renovation and equipping of the Langsdale Library on the campus of the University of Baltimore.

2. Approve the pre-authorization of $3.2 million in general obligation bonds for the 2017 legislative session for the renovation of Langsdale Library on the campus of the University of Baltimore.

RB29
Salisbury University
University System of Maryland

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Athletic Field Replacement	$0.000	$0.575	$0.000	$0.000	$0.000	$0.000	$0.000
Total	**$0.000**	**$0.575**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$0.000	$0.575	$0.000	$0.000	$0.000	$0.000	$0.000
Total	**$0.000**	**$0.575**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Garret T. Halbach Phone (410) 946-5530

Summary of Issues

Intercollegiate Athletics in the Capital Budget: Salisbury University (SU) would receive $0.6 million in general obligation (GO) bonds for an intercollegiate athletics (ICA) project in fiscal 2017, despite having spent $18.9 million on a renovated Sea Gull Stadium out of its own plant funds and recently increasing its per student athletics fee.

Summary of Recommended Bond Actions

		Funds
1.	Sea Gull Stadium	$575,000 GO
	Delete funds to begin construction of a new athletic field.	
	Total Reductions	**$575,000 GO**

Budget Overview

The Sea Gull Stadium turf field replacement project will replace the existing 101,436 square foot synthetic turf field as the binding material has failed and the field has experienced a significant amount of fiber loss. Impact testing of the field indicates the turf has compacted greatly from a measurement of 124 Gmax in 2007 to 171 Gmax in 2013. According to industry standards, a measurement of 200 Gmax or greater is considered unsafe to play on. Consequently, the surface of the field has become uneven and hard, which creates tripping hazards for athletes. A new turf field will be installed that complies with safety standards. The dimensions of the field will not change.

Fiscal 2017 funding would construct these improvements between July and September 2016, with total construction time estimated to be between six and eight weeks. This project is new to the *Capital Improvement Plan* (CIP) of 2017. As the turf is synthetic, there is no operating budget impact from this project.

Issues

1. Intercollegiate Athletics in the Capital Budget

The justification for the new SU turf field project is that it will "support the University's athletic programs and to make its facilities comparable to other institutions in its athletic conference." Although ICA projects have been funded by GO bonds in the past, they have historically not been a priority in the State's CIP. Foremost, the field has a life expectancy of less than 15 years, the benchmark for State funding of capital projects. Furthermore, the State has not funded ICA improvements at a National Collegiate Athletic Association Division III institution and this would create a new precedent for Frostburg State University (FSU) and St. Mary's College of Maryland (SMCM), and possibly independent institutions, to expect State support for ICA projects in the future. In fiscal 2007, SU utilized ICA funds for the turf field. When FSU last needed a new turf field, FSU also used university funds.

SMCM is in the CIP to relocate its ICA fields to create space for a new academic building in the center of its campus. While SMCM's project includes GO bonds, it also includes institutional support for that project, and the new building to be constructed has an academic component. SU's project has neither of those features. Furthermore, SU's field will be for the exclusive use of its four Division III teams that need a turf field, rather than the general student body, as was the case for track and field improvements at Bowie State University in fiscal 2014.

The new field would complement the rebuilt Sea Gull Stadium, which should be completed in March 2016. The stadium's cost totaled $19.4 million, with about $18.9 million paid by SU's plant fund and the remaining $0.5 million from private donations. It is unclear how the $0.6 million turf field was left out of the $19.4 million stadium renovations, especially since SU was aware of the field's poor impact testing in 2013, a year before construction began on the new stadium. In addition, SU reported the life expectancy of this turf field is about eight years, suggesting that the field would need to be replaced in fiscal 2015, regardless of impact testing, so the turf field replacement should be a capital cost the university plans on in its regular ICA budget.

Between fiscal 2012 and 2015, SU's resident undergraduate tuition increased 6% annually, exceeding the annual 3% increase at the other USM institutions and Morgan State University. This tuition adjustment was approved by the University System of Maryland Board of Regents to bring SU's tuition in line with peer institutions' tuition rates. This brought in more funding to spend on financial aid, campus services, and improvements. In addition, the athletics fee increased by $250, or 54.2%, per student from fiscal 2010 to 2016. This includes a 19.1%, or $88, increase in just fiscal 2011. This fee is entirely separate from the general student recreation fee. The institution also has an estimated $57.7 million remaining in the fiscal 2016 closing fund balance.

The Department of Legislative Services recommends that funding for the new turf field be deleted from the fiscal 2017 capital budget as the institution has adequate funds available to replace the field without direct State support. Given the amount of institutional support for a new stadium and the significant increase in athletic fees, the President should comment on why

SU cannot pay for a new turf field out of its ICA budget, as was done in fiscal 2007. If that is not possible, the President should comment on why SU cannot use annual USM facilities renewal funding or fund balance for this purpose.

GO Bond Recommended Actions

1. Delete funds to begin construction of a new athletic field.

RB29A Sea Gull Stadium $0

Allowance	Change	Authorization
575,000	-575,000	0

Explanation: This deletes $0.6 million to begin construction of a new athletic field at Sea Gull Stadium on the campus of Salisbury University because the institution should fund this project out of its athletics budget.

Total General Obligation Bonds Reduction **$575,000**

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Interdisciplinary Life Sciences Building	$10.100	$2.640	$10.000	$41.504	$65.398	$0.000	$0.000
Total	**$10.100**	**$2.640**	**$10.000**	**$41.504**	**$65.398**	**$0.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$10.100	$2.640	$10.000	$41.504	$65.398	$0.000	$0.000
Total	**$10.100**	**$2.640**	**$10.000**	**$41.504**	**$65.398**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*

Summary of Recommended Bond Actions

1. Interdisciplinary Life Sciences Building

   Approve continued funding of the design for the Interdisciplinary Life Sciences Building.

2. SECTION 2 – University of Maryland Baltimore County – New Performing Arts and Humanities Facility

   Approve the de-authorization of $1 million.

3. SECTION 2 – University of Maryland Baltimore County – New Performing Arts and Humanities Facility

   Approve the de-authorization of $1 million.

For further information contact: Sara J. Baker Phone: (410) 946-5530

Budget Overview

Interdisciplinary Life Sciences Building

The Interdisciplinary Life Sciences Building will address a shortage of teaching space to support science, technology, engineering, and mathematics (STEM) programs and provide interdisciplinary research space supporting life sciences and graduate education. Additionally, it will address deficiencies in research support facilities including animal research space.

The 2014 *Capital Improvement Plan* (CIP) deferred funding for the project for one year from fiscal 2016 to 2017 and programmed $4.3 million to initiate design in fiscal 2017, as shown in **Exhibit 1**. The General Assembly accelerated the project by two years in 2014 by authorizing $4.1 million to begin design and included language expressing the intent that construction funds would be authorized in the Maryland Consolidated Capital Bond Loan of 2016 and 2017. The 2015 CIP programmed $6.0 million in fiscal 2016 to continue design and $8.3 million in fiscal 2017 to complete design and begin construction. In fiscal 2015, the General Assembly pre-authorized $53.0 million and $43.0 million for construction in fiscal 2018 and 2019, respectively. While the 2016 CIP programs $2.6 million in fiscal 2017 to complete design, funding for construction was deferred to fiscal 2018 with $105.1 million for construction split funded over three years from fiscal 2018 to 2020. The total cost of the project increased $3.9 million since the 2015 CIP from $125.7 million to $129.6 million due to deferring construction of the project by one year and extending construction from two to three years.

Exhibit 1
Changes in Funding Timeline
Fiscal 2015-2020

	2015	2016	2017	2018	2019	2020
2014 CIP			$4.3	$5.5	**$56.9**	
2014 GA	$4.1	**Intent for constuction funding**				
2015 CIP	4.1	$6.0	**8.3**	**30.0**	**77.3**	
2015 GA	4.1	6.0	**8.3**	**53.0**	**43.0**	
2016 CIP	4.1	6.0	2.6	**10.0**	**41.5**	**$65.4**

Design
Construct and Equip
Design and Construct

CIP: *Capital Improvement Program*
GA: General Assembly

Source: *Capital Improvement Program*; Department of Legislative Services

The University of Maryland Baltimore County (UMBC) relies on active learning instructional methods in STEM disciplines in which students work in small groups to solve problems and develop ideas and principles needed for a deeper understanding of the material. These classrooms are configured differently from the traditional instructional spaces and incorporate more technology. UMBC has two active-learning classrooms that are used all day during the week. Additional active-learning classrooms are needed in order to accommodate the enrollment growth in STEM programs, and multi-disciplinary teaching laboratories are needed to support courses taught in the active-learning classrooms to provide hands-on experiments in a wet laboratory setting. Overall, between fall 2011 and 2014, undergraduate and graduate STEM enrollment grew 29.3% leading to a shortage of classroom and teaching laboratories.

There is a shortage of interdisciplinary research space supporting life sciences and graduate education resulting in UMBC not being unable to grow research programs and limiting its ability to compete for research grant and contract funding. Currently, life science research laboratory space is located in various buildings throughout campus and is fully occupied. Furthermore, there are no research laboratories designed to support interdisciplinary research.

The animal research facilities are insufficient to perform animal procedures and lack dedicated quarantine rooms. The animal facilities are currently located in two locations: (1) 2,361 net assignable square feet (NASF) in the Biological Sciences building that was designed more than 30 years ago; and (2) 1,976 NASF in Sondheim Hall, a general classroom building not designed for this purpose. The facilities have poor ventilation and inadequate humidity control leading to odor and the presence of allergens. An insufficient number of procedure spaces results in the animals being transported to the principal investigator's laboratory for routine procedures. The lack of quarantine rooms puts all animals in the facility at risk of being infected. If one animal becomes infected, this results in the need to treat all of the animals to prevent the spread of infections, which is expensive and time-consuming. In addition, animal research protocols involving the use of biological agents that are infectious to humans cannot be performed. The existing facility in the Biological Sciences building is at full capacity and can only accommodate six researchers. Furthermore, existing facilities cannot be retrofitted to gain the Association for Assessment and Accreditation of Laboratory Animal Care accreditation, thereby affecting UMBC's ability to obtain funding for animal-based research.

Overall, the CIP will provide 131,000 gross square feet/70,857 NASF of space, which includes 17,721 NASF and 6,701 NASF of classroom and teaching laboratory space, respectively; 27,859 NASF of research laboratory space; and 10,726 NASF of office space. In addition, 6,072 NASF is provided for animal facilities.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Interdisciplinary Life Sciences Building						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$0.686	$3.006
	Estimated Staffing	0	0	0	1	3
Total Operating Impact						
	Estimated Operating Cost	**$0.000**	**$0.000**	**$0.000**	**$0.686**	**$3.006**
	Estimated Staffing	**0**	**0**	**0**	**1**	**3**

GO Bond Recommended Actions

1. Approve $2.6 million in general obligation bonds to continue design of the Interdisciplinary Life Sciences Building.

2. Approve the de-authorization of $1 million in general obligation bonds to construct and equip the new Performing Arts and Humanities Facility.

3. Approve the de-authorization of $1 million in general obligation bonds to construct the new Performing Arts and Humanities Facility.

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Southern Maryland Regional Higher Education Center	$4.200	$3.061	$0.000	$36.100	$38.600	$0.000	$0.000
Biomedical Sciences and Engineering Facility	14.016	0.000	0.000	0.000	16.000	122.500	30.484
Total	**$18.216**	**$3.061**	**$0.000**	**$36.100**	**$54.600**	**$122.500**	**$30.484**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$17.216	$3.061	$0.000	$36.100	$54.600	$122.500	$30.484
Nonbudgeted Funds	1.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	**$18.216**	**$3.061**	**$0.000**	**$36.100**	**$54.600**	**$122.500**	**$30.484**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Sara J. Baker Phone (410) 946-5530

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Capital Facilities Renewal	$17.000	$17.000	$17.000	$17.000	$17.000	$17.000	$17.000
Total	**$17.000**	**$17.000**	**$17.000**	**$17.000**	**$17.000**	**$17.000**	**$17.000**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Revenue Bonds	$17.000	$17.000	$17.000	$17.000	$17.000	$17.000	$17.000
Total	**$17.000**	**$17.000**	**$17.000**	**$17.000**	**$17.000**	**$17.000**	**$17.000**

Summary of Issues

Research Space Guidelines: The State guidelines used to calculate research space needs at institutions have not been reevaluated or revised since developed in 1999 and do not reflect current research practices. This results in the research space needs of an institution being significantly overestimated.

Summary of Recommended Bond Actions

1. University of Maryland System

   Adopt committee narrative requesting revised research space guidelines.

2. Southern Maryland Regional Higher Education Facility

   Approve continued funding of the Southern Maryland Regional Higher Education Center.

Budget Overview

Southern Maryland Regional Higher Education Center

This project will provide a third academic facility on the Southern Maryland Higher Education Center (SMHEC) campus to support new education, research, and professional training programs. Language was included in the 2013 capital budget providing $1.5 million to the University System of Maryland Office and $250,000 grant to the Southern Maryland Navy Alliance and Board of Commissioners of St. Mary's County to design the new facility. Restrictive language was placed on the $1.5 million appropriation requiring a formal agreement between the Southern Maryland Higher Education Council and the Southern Maryland Navy Alliance on the roles and responsibilities of each in the construction and operation of the facility and a report assessing the educational needs in Southern Maryland. The Memorandum of Understanding and report were submitted in December 2013, in which it was recommended that the scope of the project be expanded from 38,121 gross square feet (GSF)/23,108 net assignable square footage (NASF) to 84,388 GSF/ 50,633 NASF to include more engineering teaching laboratories and research space. As a result, the estimated cost of the project increased from $13.4 million to $78.3 million as programmed in the 2015 *Capital Improvement Program* (CIP). Language was added in the 2014 and 2015 capital budget providing $1.0 million and $0.5 million, respectively, to continue design of the project. The cost of the project increased to $82.0 million in the 2016 CIP due to the inclusion of the auditorium, which will be funded with a $1.0 million contribution from St. Mary's County, and an increase in equipment costs.

The facility will support local and regional initiatives related to Unmanned Autonomous Systems (UAS) which, due to its location near the Naval Air Warfare Center Aircraft Division at Patuxent River, is expected to generate significant UAS activity in the tri-county region of Calvert, Charles, and St. Mary's counties. In addition, the University of Maryland, College Park (UMCP) has established a test site for UAS at the St. Mary's County Regional Airport as part of the Mid-Atlantic Aviation Partnership with Virginia and New Jersey.

The facility will increase the availability of undergraduate engineering programs by expanding existing programs and offering new programs. UMCP plans to start offering an undergraduate electrical engineering program in fall 2016, primarily for Navy personnel, limiting enrollment to 10 students. The Naval Air Weapons Aviation Center has agreed to provide 10 full scholarships when the program begins in fall 2016. While the current facilities do not have the research or laboratory space needed to support the electrical engineering program, UMCP will retrofit existing classroom space into laboratory space. While not ideal or a permanent solution, the retrofitted laboratory can work for the short term. Once the new facility is completed, UMCP plans to expand enrollment in the electrical engineering program to 20 students. Specialized research space is needed to conduct flight testing of UAS, which needs space that has 20-foot ceilings. Research conducted at the new facility will support UMCP UAS test site and the Navy, in which it is estimated that within 8 to 10 years, research funding could range from $3 million to $5 million annually.

Classrooms in the two buildings at SMHEC are too small with only three rooms able to accommodate a maximum of 32 students. However, institutions offering programs at SMHEC require larger classrooms that can accommodate 36 students. The new facility includes five classrooms that can hold 36 students. Furthermore, the additional classroom space will allow for the expansion of other academic programs, increasing the number of program offerings from 86 to 105 graduate and upper-division bachelor degree programs.

The facility will also provide additional conference space to accommodate demand for training programs and conferences. SMHEC held 1,262 training programs serving approximately 87,500 people between fiscal 2011 and 2015. In fiscal 2015, SMHEC turned away 31 events due to the lack of space. The facility includes a 330-seat auditorium that will be funded by St. Mary's County.

Overall, the facility will provide 12,797 NASF and 6,230 NASF of classroom and instructional laboratory space, respectively; 14,175 NASF of research space; 5,280 NASF of conference space; and 4,903 NASF of office space.

Capital Facilities Renewal

This annual facilities renewal program provides funding for infrastructure improvements at various facilities at the University System of Maryland (USM) institutions. Capital facilities renewal funds are allocated among institutions on a pro rata share of self-reported replacement costs for all State-funded academic facilities. Funding for fiscal 2017 includes $17 million in revenue bonds that will enable USM to undertake 32 projects at 11 institutions.

The consequences of not keeping up with facilities renewal projects are that aging buildings need more frequent and expensive maintenance work; electrical and mechanical systems become less effective, impacting academic and research activities; and the eventual failure of the facility leading to closure or loss of space. As of fall 2013, the GSF of all USM facilities totaled 39.0 million, of which 21.9 million GSF are State-supported space with a replacement value of $7.5 billion. UMCP has the most square footage of any institution, totaling 13.9 million, including 7.8 million GSF of State-supported space. The University of Maryland, Baltimore (UMB) has the second highest square footage totaling 6.5 million, which includes 4.0 million GSF of State-supported space. USM estimates that the current backlog of deferred maintenance is $1.8 billion, with UMCP comprising 37.9%, or $670.9 million, of the backlog as shown in **Exhibit 1**.

A priority of USM is to maintain an adequate annual investment in the maintenance and renewal of its capital assets, and its policies are intended to reduce the existing backlog of deferred maintenance. To this end, the USM Board of Regents (BOR) adopted a policy for annual operating facility renewal spending based on a target guideline of 2.0% of the replacement value of campus buildings in which the institution's annual operating expenditures increase by 0.2% unless there are "systemwide funding constraints." However, facility renewal operating expenditures from fiscal 2007 to 2016 grew, on average, only 0.5% and declined 27.8%, or $17.5 million, between fiscal 2010 and 2014, as shown in **Exhibit 2**. This is partly because in times of budget shortfalls, institutions typically first turn to reducing spending on facilities renewal projects. In fiscal 2014, total expenditures, including Academic

Revenue Bonds (ARB), reached a low of $62.3 million. While the amount of operating expenditures increased by $6.2 million in fiscal 2015, it decreased by $4.4 million in fiscal 2016. In fiscal 2017, spending on facilities renewal is budgeted to increase by $10.0 million reflecting renewal as a priority of BOR and the Chancellor, in which Presidents will be held accountable for meeting the BOR target of annually increasing expenditures on renewal until it reach the 2.0% target.

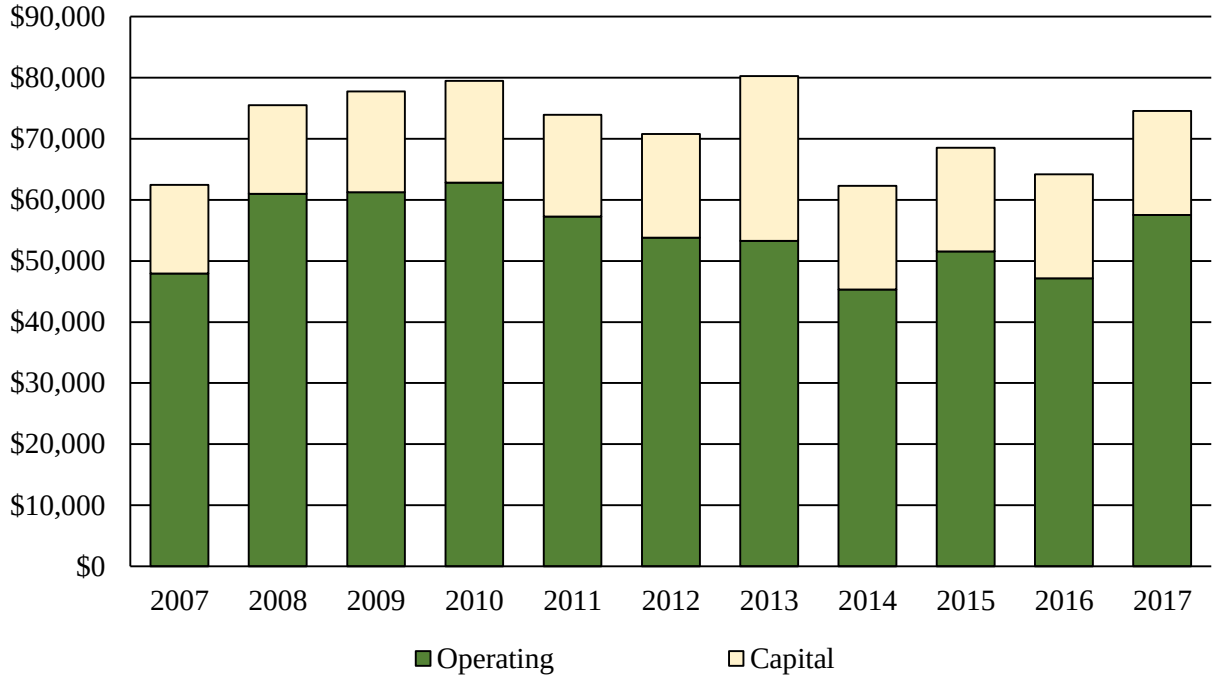
Exhibit 1
Building-related Deferred Maintenance Backlog
($ in Thousands)

University of Maryland, College Park	$670,947,171
University of Maryland Baltimore County	189,354,795
Towson University	182,275,000
University of Maryland, Baltimore	220,387,093
Salisbury University	119,133,315
Bowie State University	100,342,905
Coppin State University	85,183,000
University of Maryland Eastern Shore	60,266,520
University of Baltimore	55,886,136
Frostburg State University	45,207,750
University of Maryland Center for Environmental Science	43,023,420
Total	**$1,772,007,105**

Note: Estimated backlog reflects maintenance/repairs and required replacements delayed to the future for budgetary reasons. Maintenance is preventative work, and repair is to restore damaged or worn-out facilities or systems to normal operating condition. Capital renewal amount is for facilities and systems that are past their useful life and, therefore, in a "deferred" status. Does not include planned capital maintenance or corrections to address programmatic obsolescence and modernization.

Source: University System of Maryland

Exhibit 2
Operating and Capital Spending on Facility Renewal
Fiscal 2007-2017
($ in Thousands)

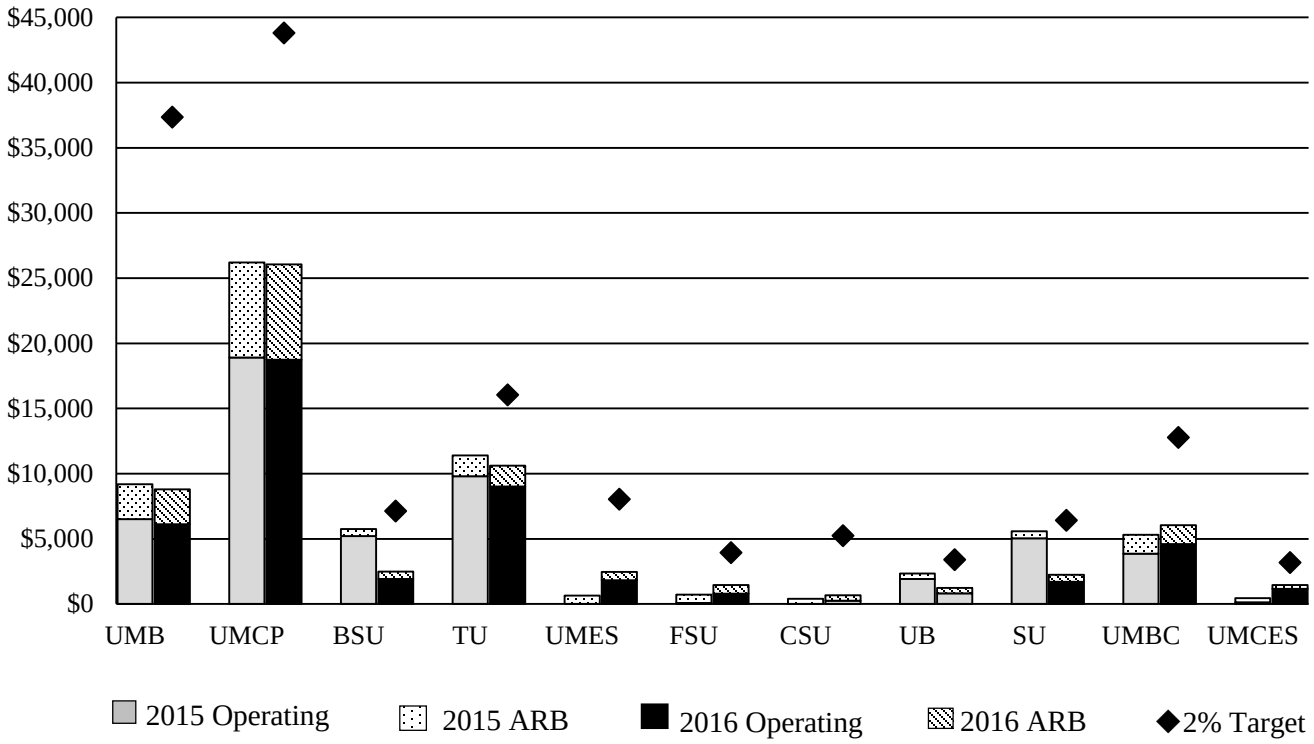


Note: Fiscal 2013 includes a one-time $10 million authorization of general obligation bond funding to fund renewal projects at institutions.

Source: University System of Maryland

Exhibit 3 shows the allocation of the fiscal 2015 and 2016 operating expenditures and ARBs for facilities renewal and the 2.0% target. In order for USM to meet the 2.0% target, institutions would need to spend a total of $150.6 million on deferred maintenance. In fiscal 2016, expenditures totaled $64.2 million, equivalent to 0.9% of the replacement value of State-supported assets, which is $4.4 million less than was spent in fiscal 2015. UMCP and Towson University (TU) accounted for 54.9% of the facility renewal expenditures in fiscal 2015, but in fiscal 2016, both decreased expenditures by 0.6% and 6.8%, respectively. Despite this reduction, spending in fiscal 2016 is equivalent to 1.2% and 1.3% of the replacement values to State-supported space at UMCP and TU, respectively. Coppin State University and the University of Maryland Eastern Shore did not use any operating budget funds in fiscal 2015 for facility renewal and, instead, relied on their shares of the ARBs to fund projects.

Exhibit 3
University System of Maryland
Operating and Capital Facility Renewal Expenditures
Fiscal 2015-2016
($ in Thousands)



ARB: Academic Revenue Bonds
BSU: Bowie State University
CSU: Coppin State University
FSU: Frostburg State University
SU: Salisbury University
TU: Towson University
UB: University of Baltimore
UMB: University of Maryland, Baltimore
UMBC: University of Maryland Baltimore County
UMCES: University of Maryland Center for Environmental Sciences
UMCP: University of Maryland, College Park
UMES: University of Maryland Eastern Shore

Note: UMCP includes $5 million in general obligation bonds and $5 million in ARBs to fund campuswide building system and infrastructure improvements; UMUC does not have a spending target due to the unique nature of its facilities profile, which includes leased buildings and buildings that are off-campus or outside of the State.

Source: University System of Maryland

Institutions also transfer operating funds to the plant fund to be used on deferred maintenance projects that will address the $1.8 billion backlog. Plant funds are a group of accounts similar to a savings account, in which institutions can set aside funds from the operating budget to be used for

anticipated capital expenditures. As shown in **Exhibit 4**, the total State-supported plant fund balance for deferred maintenance totals $87.6 million in fiscal 2016 with TU and Bowie State University accounting for 52.0%, or $45.5 million, with $27.3 million and $18.3 million, respectively, in the plant fund. These funds are designated for specific renewal projects such as infrastructure upgrades; window replacement; and replacement of heating, ventilation, and air conditioning systems.

Exhibit 4
State-supported Plant Fund for Deferred Maintenance
Fiscal 2016
($ in Thousands)

University of Maryland, Baltimore	$13,016
University of Maryland, College Park	13,347
Bowie State University	18,253
Towson University	27,279
University of Maryland Eastern Shore	7,286
Frostburg State University	1,445
Coppin State University	0
University of Baltimore	1,301
Salisbury University[1]	0
University of Maryland University College	0
University of Maryland Baltimore County	5,655
Total	**$87,581**

[1] Salisbury University lists specific projects rather than categorize funds as part of the deferred maintenance funds.

Source: University System of Maryland

Issues

1. Research Space Guidelines

The purpose of facilities planning is to develop an affordable, feasible plan that will meet the future needs of an institution by identifying type, quantity, and location of spaces needed by departments. In order to develop a plan, an institution needs to accurately evaluate the current and projected space needs of a program or department. The first step is to inventory the current space and compare it to guidelines to determine if a department has a space surplus or deficit. Guidelines are then used to project space needs based on projected growth of a department, *i.e.*, enrollment growth is used to calculate future need for classroom space. However, determining the current and future research space needs is more complex than calculating classroom space needs due to the diverse types of research conducted among departments, in which some require large, specialized laboratory space while others need space for computer workstations.

Maryland Guidelines

In Maryland, the public four-year institutions are required to annually submit their current space inventories through the *Facilities Inventory Report* to the Maryland Higher Education Commission (MHEC). Data in this report is used as a basis to calculate the current and projected academic and research space needs in the Space Guidelines Application Program. Projected space inventories are calculated by adding or deleting space based on capital projects expected to be completed within 10 years. Current and projected 10-year enrollment growth is used to calculate the academic space needs of institutions. Research space needs are based on full-time (FT) faculty and the projected growth in research faculty. Once the space allowance for academic and research space is calculated, it is compared to the current inventory to determine if an institution has a surplus or deficit in a particular category (*i.e.*, classroom, teaching laboratory, research, and office space).

In 2006, MHEC reevaluated and revised the space guidelines for academic space because similar factors were used to determine needs and calculate projections. The standards for research space were not reviewed because it required the use of other factors for measurement and projections that "have never been completely reviewed to determine whether they are the best and most valid factors to use." The current research space guidelines were developed in 1999 and are not reflective of the current practices such as the increase in collaborative research between disciplines or do not account for the varying research space needs of programs, which can range from computer workstations to a large engineering laboratory. As shown in **Exhibit 5**, the guidelines are based on two modules that are determined by the discipline of the FT faculty member, prorated by the terminal degree offered in that discipline.

Using outdated guidelines could result in the research space deficit at an institution being overstated, as illustrated in **Exhibit 6**. In fiscal 2013, UMB's deficit is twice the current inventory, while UMCP's deficit exceeds the current inventory.

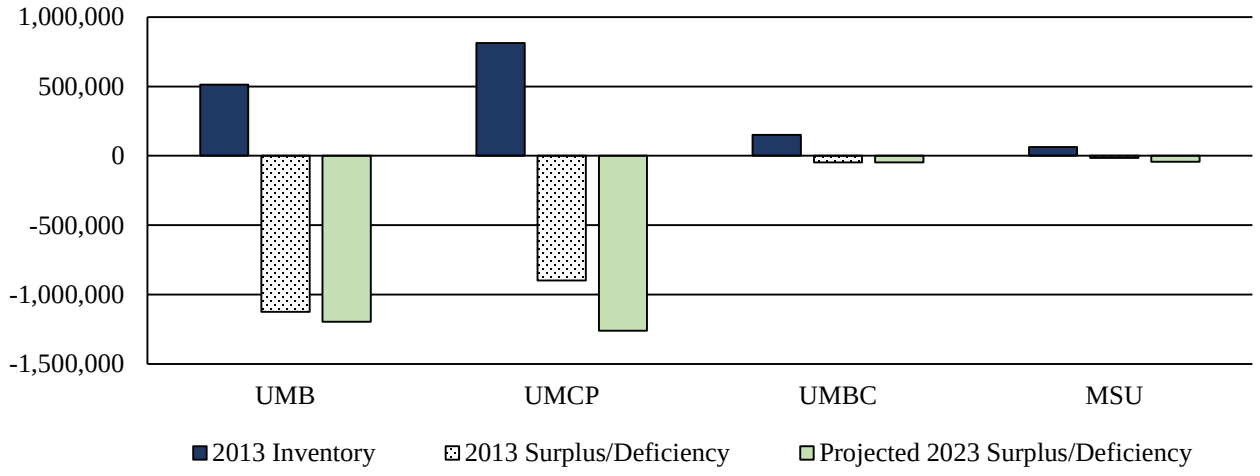
Exhibit 5
Maryland's Research Space Guidelines

Module	Discipline	Limits
1,000 NASF	Agriculture and Natural Resources; Biological Sciences; Engineering; Fine and Applied Arts	One module per full-time faculty in disciplines that award doctorates; one-half for those with master's as the highest degree; and one-tenth when a bachelor's is the highest degree awarded
650 NASF	Architecture and Environmental Design; Health Professions; Home Economics; Physical Science; and Psychology	

NASF: net assignable square footage

Source: *Maryland Capital Improvement Planning Process and Capital Facilities Space Guidelines for Higher Education*, 2006; Maryland Higher Education Commission

Exhibit 6
Research Space Inventory and Deficit
Fiscal 2013 and Projected 2023



MSU: Morgan State University
UMB: University of Maryland, Baltimore
UMBC: University of Maryland Baltimore County
UMCP: University of Maryland, College Park

Source: Maryland Higher Education Commission, *Four-year Public Colleges and Universities Space Surplus/Deficiency*, Fall 2013, Projected 2023

Other Approaches

In developing space guidelines, other states and systems reviewed procedures and standards used at other research institutions. In general, research space guidelines are either calculated based on (1) research expenditures per faculty (FT or equivalent); or (2) discipline per faculty, for example, the allowance for economics faculty is 20 assignable square footage (ASF), while mechanical engineering is 300 ASF. **Exhibit 7** provides a comparison of research space guidelines at a few systems and research institutions.

Exhibit 7
Selected Systems and Institution's Research Space Guidelines

System/Institution	Approach	Allowance
Utah	ASF/FTE varies by type of institution; applied at an institutional level; and considered averages	Research institutions: 465 ASF/FTE Nonresearch institutions: 35 ASF/FTE
Minnesota	ASF/headcount faculty involved in research	20 to 600 ASF depending on discipline
California (Berkeley)	ASF/FT faculty and student researcher; six categories based on type of research	50 to 750 ASF; total includes office and research space
Stanford (Private)	Space module per principle investigator based on one of five types of research laboratory	Modules based on type of research laboratory *i.e.*, wet, dry, computer, and instrumentation laboratories

ASF: assignable square footage
FTE: full-time equivalent

Source: University System of Maryland

At the request of the Department of Legislative Services (DLS), USM calculated the research space needs at its three research institutions using the Maryland model and one of the models shown in Exhibit 7. As shown in **Exhibit 8**, the Maryland guidelines greatly over estimate the amount of research space needed when compared to other models. **Given these preliminary results, DLS recommends that USM, MHEC, the Department of Budget and Management, and Morgan State University develop research space guidelines that more accurately reflect the space needs of the research being conducted at the institutions.**

Exhibit 8
Projected Research Space Deficit
Comparison of Maryland to Other Models

Institution	Model		Maryland
University of Maryland, Baltimore	Utah	-834,575 ASF	-1,618,188 NASF
University of Maryland, College Park	Minnesota	Ranges from 98,520 ASF to -385,630 ASF	-884,673 NASF
University of Maryland Baltimore County	California	-102,458 ASF	-203,000 NASF

Source: University of Maryland, Baltimore; University of Maryland, College Park; University of Maryland Baltimore County

Summary of Other Projects in the Capital Improvement Program

Projects Deferred in Fiscal 2017

As shown in **Exhibit 9**, initial construction funding for the Biomedical Sciences and Engineering Facility at the Universities of Shady Grove is deferred from fiscal 2017 to 2020. The General Assembly included language in the 2012 capital budget pre-authorizing $5.0 million in fiscal 2014 to begin design of the facility. The 2013 CIP programmed $6.0 million in fiscal 2015 to continue design of the facility; however, based on the expected cash flow requirement, only $4.3 million was needed. In fiscal 2016, $4.7 million was provided to complete design of the facility. The 2016 CIP programs $16.0 million for construction in fiscal 2020.

The Governor's rationale for moving the commencement of the construction phase back four years reflects the decision to make room for other capital priorities identified by the Administration while also remaining within limits established for new GO bond authorization. The Governor's 2016 CIP, which limits new GO bond authorizations to $995.0 million for each of the five years of the plan, results in a significant reduction from what was programmed in the 2015 CIP. This necessitated reprogramming the timing of planned funding for some projects. In as much as this project was programmed in the 2015 CIP to receive a significant level of funding, $72.0 million in fiscal 2017 and another $56.0 million in fiscal 2018, it was easier to move this project further back in the five-year CIP than to revise the timing of funding for a multiple number of other smaller projects. While the decision to defer the Biomedical Sciences and Engineering Facility at the Universities of Shady Grove may have been consistent with the drafting of a five-year CIP that stays within the Governor's limits for new GO bond authorizations while funding other priorities, the project is cued up to begin the construction

phase at the beginning of fiscal 2017. Delaying the start of construction for this project until the tail end of fiscal 2020 is estimated to require an additional $21.5 million, which reflects both the need to extend the design contact through project completion as well as the impact of an additional four years of inflationary increases used by the cost centers in determining estimated total project costs.

Exhibit 9
Projects Deferred
Fiscal 2017

Project	Description	Reason for Deferral
Biomedical Sciences and Engineering Facility	Construct a new building to provide specialized laboratory space for new and existing programs.	To remain within State debt affordability ratios.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Adopt the following committee narrative:

Revising Research Space Guidelines: Public four-year institutions are required to annually submit their current space inventories through the Facilities Inventory Report to the Maryland Higher Education Commission (MHEC). This data is used as the basis to calculate the current and projected academic and research space needs of an institution. While the academic space standards were reevaluated and revised in fiscal 2009, the research space guidelines have not been reevaluated or revised since being developed in fiscal 1999 and, therefore, are not reflective of current research practices such as the increase in collaborative research between disciplines or do not account for the varying research space needs of programs, which can range from computer workstations to a large engineering laboratory. When comparing the results of Maryland's model to that used by other systems or institutions, the Maryland model greatly overestimates the needed research space. Therefore, the budget committees request that the University System of Maryland, MHEC, the Department of Budget and Management, and Morgan State University develop and recommend research space guidelines that more accurately reflect the space needs for researchers. The report should be submitted to the budget committees by December 15, 2016.

Information Request	**Authors**	**Due Date**
Revising research space guidelines	University System of Maryland MHEC Morgan State University Department of Budget and Management	December 15, 2016

2. Approve $3.1 million in general obligation bonds to continue design of a third building on the Southern Maryland Regional Higher Education campus.

RC00
Baltimore City Community College

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Loop Road Improvements	$0.000	$0.248	$0.371	$2.932	$2.931	$0.000	$0.000
Liberty Learning Center	0.000	0.000	0.000	2.050	16.550	17.600	0.000
Total	**$0.000**	**$0.248**	**$0.371**	**$4.982**	**$19.481**	**$17.600**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$0.000	$0.248	$0.371	$4.982	$19.481	$17.600	$0.000
Total	**$0.000**	**$0.248**	**$0.371**	**$4.982**	**$19.481**	**$17.600**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

Summary of Issues

Bard Building Demolition Estimate Over $4 Million: After a very low demolition estimate of $1.2 million for the Bard Building in December 2013, Baltimore City Community College (BCCC) has a newer estimate of over $4.0 million from December 2015. Now the college will have to determine the source of demolition funds such as its own fund balance, issuing debt, or State general obligation (GO) bonds.

For further information contact: Garret T. Halbach Phone (410) 946-5530

Summary of Recommended Bond Actions

1. Liberty Campus Loop Road, Inner Loop and Entrance Improvements

   Approve.

2. SECTION 2 – Baltimore City Community College – Main Building Renovation

   Approve.

Budget Overview

The 2016 *Capital Improvement Program* (CIP) provides $0.2 million to begin design of a loop road and related safety, infrastructure, and site improvements to the Liberty Campus of BCCC. The principal outcome of this project will be to create a circular roadway around the campus to allow easier entry and exit of personal vehicles, as most students commute to school by car. This will make the campus similar in appearance to other Maryland two- and four-year institutions that frequently have prominent ring roads.

Inclusion of a right-turn-only lane in the project scope is on hold for further evaluation. The April 2015 unrest near BCCC, which required the campus to shut down abruptly, revealed the poor ability of the campus to respond to an emergency evacuation. It took more than two hours to clear out all students, faculty, and staff because there is only one exit off of campus. BCCC has raised the issue that a right-turn-only lane from Druid Park Drive (the interior campus road) onto Liberty Heights Avenue would significantly increase the ability of the campus to handle traffic on a day-to-day basis and in emergencies. However, it is worth noting that traffic was prohibited from turning right during the April incident, so such a lane would not have greatly increased the ability of the campus to evacuate.

A right-turn-only lane, at a minimum, would be costly because of the steep embankment between the grade at which BCCC's buildings sit and the lower elevation of Liberty Heights Avenue. The Department of General Services (DGS) and the Department of Budget and Management (DBM) believe BCCC underestimated construction costs in the steep terrain between the northeastern edge of campus and Liberty Heights Avenue. To resolve this, DBM extended the project to fiscal 2020, one year beyond what was programmed in the fiscal 2015 CIP. As currently programmed in the 2016 CIP, the project does not include this element. The need for the lane was still deemed significant, so DGS and DBM have decided that BCCC should include the lane's concept as a design alternate for the project to be considered in the 2017 CIP. It is also not clear if BCCC has engaged Baltimore City about potential intersection design changes along Liberty Heights Avenue or any other concerns regarding student safety along the four-lane road. **The President should brief the committees concerning any conversations between BCCC and Baltimore City regarding potential**

ingress/egress traffic patterns and street changes and pedestrian safety improvements along Liberty Heights Avenue.

DGS also found BCCC's Part II plan inadequate and requested that BCCC reengage with the architect consultant that helped prepare the program plan for the project to better prepare for the eventual contract award. For this reason, while the 2016 CIP has design planned to begin in July 2016, it will likely not begin until January 2017 with construction set to begin in November 2017.

By completing a loop road, the Liberty Campus will have a more defined limit for future developments, such as the Liberty Learning Commons. It will also correct existing deficiencies in certain parking lots and will enhance the overall appearance and student experience on campus. This will include new paving, curbs, retaining walls, lighting, and signage. It will also reconstruct the stairway from campus down to Liberty Heights Avenue, which is used by students who park on Liberty Heights Avenue or across the street at BCCC's Bon Secours campus. Although prior discussions had broached the topic of a pedestrian bridge, that is not included in this project. In total, the project includes:

- 108,000 square feet of resurfaced paving of existing roadways;
- 802 linear feet of new roadway;
- 460 linear feet of concrete retaining walls; and
- 8,000 square feet of new sidewalk.

Issues

1. Bard Building Demolition Estimate Over $4 Million

BCCC's Bard Building is a six-story, 168,891 gross square feet academic building constructed in 1977. It is located on a 2.4-acre parcel in downtown Baltimore City near the Inner Harbor. BCCC leased half of the city block that it owns to the Baltimore Jewish Council for what became the Baltimore Holocaust Memorial in 1979. Emergency mold remediation in fiscal 2007 and 2008 failed, and the Bard Building was abandoned in fiscal 2010. It has been vacant and deteriorating for six years. BCCC reports it costs about $100,000 per year to maintain minimal services required by law at the facility.

In January 2014, BCCC notified DBM and the Department of Legislative Services (DLS) that it wanted to proceed with demolition of the Bard Building using a preliminary DGS demolition estimate that put the total cost between $0.5 million and $1.2 million. This estimate seemed very low given the location of the building in the dense urban core of Baltimore and the building's size. Budget bill language in the operating budgets of fiscal 2015 and 2016 indicated legislative intent that BCCC not

proceed with demolition without a program plan approved by DBM. The fiscal 2015 language also indicated that BCCC should use its operating fund balance to hire a contractor for a thorough demolition estimate.

That estimate was turned in to DBM and DLS in December 2015 and concluded that demolition would cost $4.5 million for the Bard Building plus either $0.1 million to protect the memorial in place or $0.3 million to relocate the memorial to another site. The cost of another site was not discussed, but a comparable half-block parcel of land could be significantly expensive depending on its location in the Baltimore metropolitan area. Furthermore, while the removal option saves the memorial's central flame statue and some smaller aspects, it demolishes the concrete walls and paved areas, which would presumably be rebuilt at the new location. This suggests that the actual cost for relocating the memorial will be considerable. **The President should comment on discussions with the Baltimore Jewish Council regarding the possible relocation of the Holocaust Memorial and potential costs.**

The demolition consultant found there may be substantial salvageable material in the Bard Building that was abandoned in place, including desks, shelving, fume hoods, and doorways, but it is unlikely these will significantly reduce the cost of the project. Any demolition would require the closure of city streets for months of work and considerable coordination with Baltimore City for utility work. Potential sources of funding to cover the new demolition estimate include:

- **Operating Fund Balance or Student Fees:** For many years, BCCC has maintained a sizable operating fund balance of over $25.0 million. While some of this funding is restricted, much of it is unrestricted, having built up due to vacant personnel positions for many years. BCCC also collects a capital facilities fee from all students that goes toward a capital reserve account that totaled $1.6 million as of June 30, 2015. BCCC has recently increased campus fees for the first time in seven years, suggesting it could raise more funding from this source. However, the campus is also struggling with an ongoing student enrollment decline and plans on using fund balance to cover deferred maintenance.

- **Academic Revenue Bonds:** BCCC has authority in statute, most recently revised in the 2009 session, to issue up to $65.0 million in debt, similar to the State's public four-year institutions. The college has never pursued this authority, despite requesting it. The Bard Building's relatively small capital project cost presents an opportunity to use this authority given that the college would likely have rental revenue afterward to repay the bonds.

- **GO Bonds:** Although not in the 2016 CIP, the General Assembly could expedite the Bard Building's demolition process by programming GO bonds for this purpose. This would likely be the surest path toward demolishing the building in a timely manner, but BCCC currently has no program plan submitted to DBM.

- **Public-private Partnership:** BCCC could also consider a joint redevelopment with a private developer or even with Baltimore City. An agreement with a developer has already fallen through once before in spring 2012, but the opportunity remains given the proximity to the Inner Harbor. The State Department of Assessment and Taxation puts the entire site's value at $31.9 million for taxable purposes, if the site was privately owned.

The total demolition work outlined here would simply return the site to grade level with bare dirt. Redevelopment of the site is an entirely separate issue, and it may not be prudent to demolish the site before BCCC has a long-term plan for its reuse, including whether there will be academic space for BCCC within a new facility at this site.

The President should comment on what funding the college may pursue to finally realize the demolition of the Bard Building and a reasonable timeline for using the Bard Building's site again for productive purposes.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Loop Road Improvements						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$0.009	$0.009
	Estimated Staffing	0	0	0	0	0
Liberty Learning Center						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$0.000	$0.000
	Estimated Staffing	0	0	0	0	0
Total Operating Impact						
	Estimated Operating Cost	**$0.000**	**$0.000**	**$0.000**	**$0.009**	**$0.009**
	Estimated Staffing	**0**	**0**	**0**	**0**	**0**

BCCC expects very small operating costs for the Liberty Road improvements mostly related to electricity for additional campus lighting.

Summary of Other Projects in the Capital Improvement Program

BCCC has one other project in the 2016 CIP, the Liberty Learning Center. This project would demolish the existing Bard Library on the Liberty Campus to construct a modern library facility of two to three stories with study space and computer laboratories. The Bard Library building is wholly separate from the Bard Building in downtown Baltimore. The library project has been pushed back in the CIP from fiscal 2018 to 2019 to allow BCCC to study what it actually needs. The last program plan dates from calendar 2009 and needs to be updated to reflect changing campus enrollments and a constrained State capital budget. Most pressing is the lack of surge space for the library's resources and staff to occupy while the Bard Library building is demolished. That question will have to be resolved before the project proposal can move forward.

Projects Deferred in Fiscal 2017

As shown in **Exhibit 1**, the Liberty Learning Center has been delayed one fiscal year, from fiscal 2018 to 2019.

Exhibit 1
Projects Deferred
Fiscal 2017

Project	Description	Reason for Deferral
Liberty Learning Center	New library to replace Bard Library on the Liberty Campus.	BCCC needs more time to study modern library needs and functions.

BCCC: Baltimore City Community College

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

De-authorizations

BCCC has one de-authorization for $141,807 because the funds are not needed for the Main Building renovations on the Liberty Campus.

GO Bond Recommended Actions

1. Approve the $0.2 million in general obligation bonds for the design of the loop road improvements on the Liberty Campus of Baltimore City Community College.

2. Approve the de-authorization of $0.1 million in general obligation bonds for the construction of renovations to the Main Building on the Liberty Campus of Baltimore City Community College.

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Campus Infrastructure Improvements	$0.000	$2.641	$2.440	$2.889	$4.081	$0.000	$0.000
New Academic Building and Auditorium	0.000	1.800	6.295	9.187	17.458	35.766	5.476
Total	**$0.000**	**$4.441**	**$8.735**	**$12.076**	**$21.539**	**$35.766**	**$5.476**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$0.000	$2.700	$8.735	$9.576	$21.539	$35.766	$5.476
Federal Funds	0.000	1.741	0.000	0.000	0.000	0.000	0.000
Nonbudgeted Funds	0.000	0.000	0.000	2.500	0.000	0.000	0.000
Total	**$0.000**	**$4.441**	**$8.735**	**$12.076**	**$21.539**	**$35.766**	**$5.476**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Garret T. Halbach Phone (410) 946-5530

Summary of Recommended Bond Actions

1. Campus Infrastructure Improvements

   Approve.

2. New Academic Building and Auditorium

   Approve.

Budget Overview

Campus Infrastructure Improvements

The 2016 *Capital Improvement Program* (CIP) programs $0.9 million in general obligation (GO) bonds for Phase IA of campus infrastructure improvements at St. Mary's College of Maryland (SMCM). First in the 2014 CIP for fiscal 2017, the infrastructure improvements consist of three phases and is comparable to prior State support going to the University System of Maryland and Morgan State University for similar purposes. The scope for SMCM includes a wide range of infrastructure renewal projects throughout the campus such as construction of a pedestrian/bicycle pathway and bridge along Maryland Route 5, replacement of mechanical equipment at the library and Montgomery Hall, new windows at Calvert Hall, and other improvements. GO bonds total $10.3 million for the entire project in the 2016 CIP. This is a decrease from the 2015 CIP, when the project totaled $16.0 million in GO bonds due to the inclusion of construction funds for Phase IV, totaling $5.7 million. Excluding the now canceled Phase IV, total State support for the entire infrastructure project increased $60,000 from the 2015 to 2016 CIP as a result a change in rounding used in the CIP. Federal funding totaling $1.7 million for Phase IA in fiscal 2017 was first recognized in the 2016 CIP, taking total funding for the entire project up to $12.1 million.

The federal funds are from a Transportation Alternatives Program grant for the pedestrian/bicycle trail component of the project along Route 5. The federal funds are budgeted within the State Highway Administration's capital budget and will reimburse costs expended by SMCM. Phase IB will focus on elevator replacement and miscellaneous facilities improvements. Phase II will focus on heating, ventilation, and air conditioning systems; roofs; doors; and windows across campus. Phase III will focus on shoreline improvements around St. John's Pond, roadway repairs, the expansion of a loop road node on the north campus, and new electronic card readers throughout campus. Phase IV has been canceled as it was deemed noncritical in nature. The college has stated that despite all three of these project phases occurring from fiscal 2017 to 2020 at the State's smallest four-year campus by net assignable square feet (NASF) and enrollment, the college is capable of sequencing the projects to minimize the impact on students, faculty, and staff.

New Academic Building Combined with Athletic Field Relocation Project

The 2015 CIP included two related projects: a new academic building with an auditorium and relocation of existing athletic fields to make room for the new building. The 2016 CIP combines these two projects into one to emphasize the necessity of both for SMCM. The combined cost of both projects has decreased from $78 million in the 2015 CIP to $76 million in the 2016 CIP, a decrease of 2.5%.

Relocation of athletic fields includes the design and construction of new outdoor sports facilities to replace existing facilities that will be displaced by the new academic building and auditorium. Additionally, SMCM would like to install artificial turf to improve the durability of its athletic fields and offer facilities comparable to peer institutions. This project relocates athletic fields from space in the middle of the main campus to adjacent land owned by the college across Mattapany Road, which is maintained by the college. This frees up a significant amount of space for capital projects on campus without placing future academic buildings across major roads. The new sports facilities will include artificial turf, and utility work in Phase I and Phase II will include a new grass field and track, outdoor seating, lockers, storage facilities, concessions, and an announcer's booth. The total cost is expected to be $11.3 million, with the college contributing $2.5 million. Design of the relocation will also occur in two phases from July 2016 to March 2018.

The Department of Legislative Services had previously raised the issue of funding the athletic field relocation as it directly provides State support for intercollegiate athletic (ICA) facilities, which traditionally has occurred on a very limited basis. ICA facilities have never been a priority for GO bonds, let alone in the State Plan for Postsecondary Education. However, this ICA project includes non-State funds to reduce the State support for ICA facilities and is directly tied to an academic component. SMCM has also previously used State funding to relocate a water tower to create space for its new student services building, so relocating the athletic fields is consistent with how SMCM has used capital planning resources in the past. Finally, SMCM estimates it may save up to $20,000 a year in upkeep by switching from a grass field to artificial turf.

The new building enabled by the field relocation originally included a new space for SMCM's music department and a 712-seat auditorium. Currently, the largest auditorium on campus seats only 216 people, or 15% of the student population. The 2014 CIP programmed funding to add space for the education department and a study/learning commons to provide a hub for students in the north campus. This moderate change in scope was informed by a new facility master plan finished in fall 2014. Currently, the music department is in Montgomery Hall, an overcrowded, 37-year-old building. Under the revised scope, if the education department moves into the new facility, the science, technology, engineering, and mathematics programs will have more space in Goodpaster Hall. In total, the new building is now estimated at about 31,000 NASF. The facility would also address growing space deficiencies in office and study space. Site work for this project includes a 200-vehicle parking lot, as well as landscaping and relocating existing utilities.

For just the building, the 2014 CIP's final cost was $60.5 million, the 2015 CIP cost was $66.7 million, and the 2016 CIP's cost is now $64.7 million. This is an increase of $4.2 million, or 7%, over two years ago but a slight decrease versus the 2015 CIP due to construction time being reduced. The 2015 increase was due to an update of the regional construction factor used by the Department of

Budget and Management to estimate project costs. This factor for Southern Maryland increased from 0.95 to 1.05, or 10%, for projects in fiscal 2016 and beyond. Initial design funding is programmed in fiscal 2017 at $1.8 million for both the building and field relocation. Design is expected to start in January 2017, and the facility should be complete in summer 2022.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Campus Infrastructure Improvements						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$0.000	$0.000
	Estimated Staffing	0	0	0	0	0
New Academic Building and Auditorium						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$0.148	$0.028
	Estimated Staffing	0	0	0	0	0
Total Operating Impact						
	Estimated Operating Cost	$0.000	$0.000	$0.000	$0.148	$0.028
	Estimated Staffing	0	0	0	0	0

Operating impact estimates currently include athletic field equipment in fiscal 2020 that will likely be covered by the official equipment list when it is reviewed, so operating expenditures will likely be much closer to what is shown in fiscal 2021.

GO Bond Recommended Actions

1. Approve $0.9 million in general obligation bonds for the design and construction of campus infrastructure improvements on the campus of St. Mary's College of Maryland.

2. Approve $1.8 million in general obligation bonds for the design of the athletic field relocation and the new academic building and auditorium on the campus of St. Mary's College of Maryland.

RE01
Maryland School for the Deaf

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Water Main Replacement – Frederick Campus	$0.300	$2.735	$0.000	$0.000	$0.000	$0.000	$0.000
Veditz Building Renovation – Frederick Campus	0.000	0.000	0.000	0.113	1.578	0.000	0.000
High School Boys' and Girls' and Middle School Residences – Frederick Campus	0.000	0.000	0.000	0.000	0.000	0.709	22.561
Total	**$0.300**	**$2.375**	**$0.000**	**$0.113**	**$1.578**	**$0.709**	**$22.561**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$0.300	$2.375	$0.000	$0.113	$1.578	$0.709	$22.561
Total	**$0.300**	**$2.375**	**$0.000**	**$0.113**	**$1.578**	**$0.709**	**$22.561**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Kyle D. Siefering Phone (410) 946-5530

Summary of Recommended Bond Actions

1. Water Main Replacement Project

   Approve the $2.7 million general obligation bond authorization to complete construction of the Water Main Replacement Project – Frederick Campus.

Budget Overview

Water Main Replacement – Frederick Campus

The project will replace the existing water supply system at the Maryland School for the Deaf (MSD), including the water main supply line, valves, and fire hydrants on the main campus, the Veditz Building, and the Benson Gymnasium. The current water main supply line is deteriorating and has experienced breaks, which lower water pressure and lead to costly repairs. In addition, the current water main does not meet fire code, because it does not provide adequate water pressure for fire sprinkler systems. The project will construct a replacement system that will have sufficient water pressure to meet fire codes and future demand.

Design funds were authorized in the fiscal 2015 capital bill to accelerate the project in order to provide important fire safety improvements to MSD. Total recommended funding for the project is $3.0 million, which is $300,000 less than the previous estimate due to a more developed design, detailed cost estimate, and planning documents, beyond conceptual cost factors that were not apparent when the project was approved. Construction is anticipated to commence by October 1, 2016, and take approximately 15 months to complete. The project cost estimate included 10% construction contingency instead of the customary 5% because the project is principally site and utility work with potential unforeseen conditions.

Summary of Other Projects in the Capital Improvement Program

Veditz Building Renovation – Frederick Campus

Funds are included in the five-year *Capital Improvement Program* (CIP) to support the Veditz Building renovation on the Frederick campus, beginning in fiscal 2019. The project will renovate the upper level of the Veditz Building to provide space for the Middle School and Career and Technology Education (CTE) program. The configuration, lighting, and acoustics of the existing space are not compatible with the requirements of the instructional programs. The renovation will redesign this space into middle school classrooms and computer laboratories for the CTE program. The estimated cost of this project totals $1.7 million, $341,000 less than previous estimates. Design funding is programmed for fiscal 2019 and construction in fiscal 2020.

High School Boys' and Girls' and Middle School Residences – Frederick Campus

Funds are included in the five-year CIP to construct a new high school boys' residence and student center, high school girls' residence and satellite health center, and middle school residence and central offices. New residences are required to address Americans with Disabilities Act and fire code deficiencies, allow for proper student supervision, and to provide a more home-like environment for students. The estimated cost of the project totals $23.3 million. Initial design is programmed for fiscal 2021 with any remaining funding beyond the scope of the five-year CIP.

GO Bond Recommended Actions

1. Approve the $2.7 million general obligation bond authorization to complete construction of the Water Main Replacement Project – Frederick Campus.

RI00
Maryland Higher Education Commission

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Community College Construction Grant Program	$65.405	$54.926	$59.386	$60.000	$60.000	$60.000	$60.000
Total	**$65.405**	**$54.926**	**$59.386**	**$60.000**	**$60.000**	**$60.000**	**$60.000**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds	$65.405	$54.926	$59.386	$60.000	$60.000	$60.000	$60.000
Total	**$65.405**	**$54.926**	**$59.386**	**$60.000**	**$60.000**	**$60.000**	**$60.000**

GO: general obligation

For further information contact: Garret T. Halbach Phone (410) 946-5530

Summary of Recommended Bond Actions

1. Community College Facilities Grant Program

   Approve.

2. SECTION 12 – Maryland Higher Education Commission – Community College Facilities Grant Program

   Approve the pre-authorization for fiscal 2018.

3. SECTION 13 – Maryland Higher Education Commission – Community College Facilities Grant Program

   Approve the pre-authorization for fiscal 2019.

4. SECTION 14 – Maryland Higher Education Commission – Community College Facilities Grant Program

   Approve the pre-authorization for fiscal 2020.

Program Description

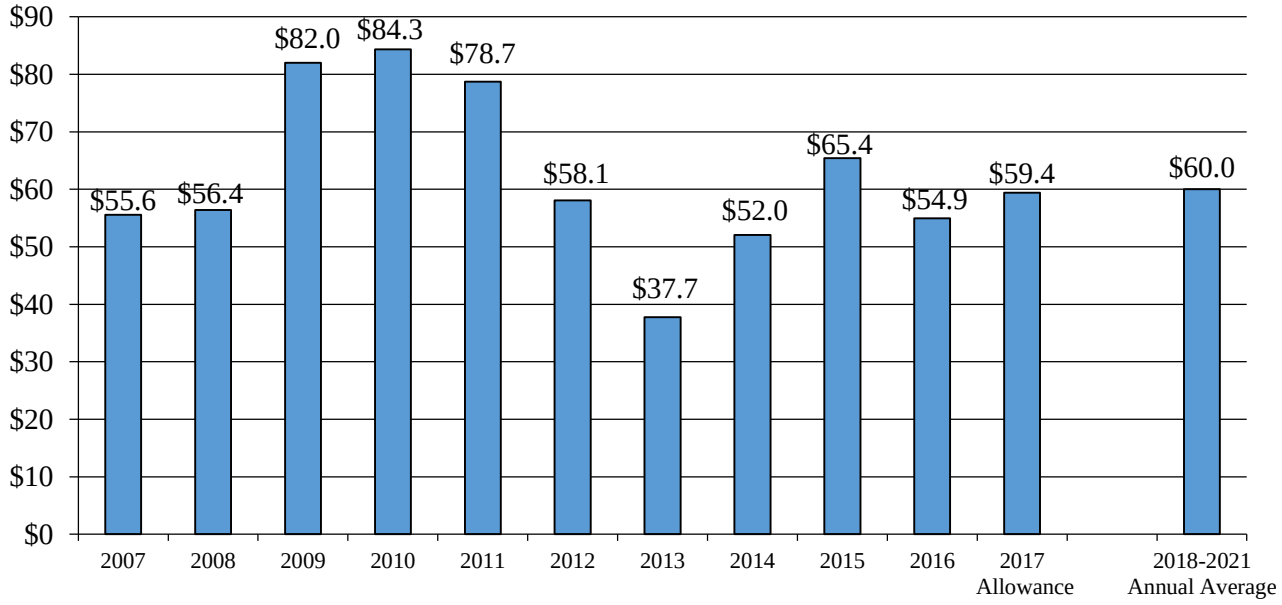
The Community College Facilities Grant Program assists counties in improving the facilities and infrastructure of locally operated community colleges. For regional colleges, State support may total up to 75% of project costs, while other community colleges may receive between 50% and 70% of costs from the State, depending on the wealth of the jurisdiction.

The fiscal 2017 allowance provides funds for 13 projects at 9 community colleges versus 16 projects at 11 community colleges in the fiscal 2016 budget. Funding in 2017 covers all phases: design, construction, renovation, and equipment. Some projects include more than one phase: 1 project is a design and build and 4 projects are build and equip. However, while the fiscal 2016 budget included design work for 6 projects, the fiscal 2017 capital budget includes funds to design only 1 new renovation project. Twelve of the 13 projects include construction in fiscal 2017, with 7 of these projects continuing with construction or equipment in fiscal 2018.

Budget Overview

Fiscal 2017 funding is $4.5 million, or 8.1% higher than fiscal 2016. This is based on a funding level of $60.0 million per year for the Maryland Higher Education Commission's (MHEC) Community College Construction Grant Program as reflected in the *Capital Improvement Plan* (CIP). As recently as the 2014 CIP, community colleges had been programmed at $80.0 million per year in the out-years. **Exhibit 1** shows how funding levels have changed since fiscal 2007. Funding levels peaked in fiscal 2009 through 2011 with a high of $84.3 million in fiscal 2010. Authorizations were somewhat lower in fiscal 2012 through 2015 as the recession impacted State general obligation (GO) bond authorization levels and some local governments' ability and willingness to provide local funding participation. Although State authorization levels rebounded slightly in fiscal 2015, the program is now slated to receive $60.0 million annually through fiscal 2021 rather than the $80.0 million annual funding level programmed in the 2014 CIP.

Exhibit 1
Community College Capital Grant Program
Fiscal 2007-2021
($ in Millions)



Note: Does not include funding for Baltimore City Community College, as that college's capital funding receives a separate authorization in the capital budget.

Source: Maryland Higher Education Commission

Exhibit 2 shows the list of proposed projects in the priority order of the Maryland Association of Community Colleges (MACC). Under current guidelines, priority projects are those that incorporate certain project types, project phases, and facility categories. Additional factors include inventory status, age of facilities, funding history, and overall college priority. The combination of factors reflects the complexity of elements that impact project viability and funding priority. MHEC adopted slightly revised prioritization rules in February 2014 to ensure that the model used is in line with PlanMaryland and Green Building concepts. Every community college project must also address workforce shortage concerns and institutional capacity for the project. MHEC also oversees the cost-sharing formula for counties. These percentages are based on county wealth and total enrollments of certain student populations. Projects carry their assigned State share, without change, through the life of the project. Based on this formula, the State will contribute 50% to 75% of the eligible costs of a project. Colleges must provide a guarantee that local funding is in place for a project before it is included in the capital budget. However, in recent years, due to local fiscal pressures, some counties have backed out from or delayed their commitments to projects already accounted for in the MHEC pipeline. Most recently, Cecil County could not provide a firm commitment for its match for Cecil College, so the college's project was removed from consideration in fiscal 2017.

Actual spending totals $63.2 million, but a program fund balance transfer of $3.8 million allows for only $59.4 million in new GO bonds to be authorized. The balance accumulates as actual spending on previously approved projects comes in lower than the amount authorized. The leftover funds are recycled to new projects in the next capital budget. As of March 2016, the actual program fund balance held by MHEC totals approximately $9.7 million. However, the Department of Budget and Management (DBM) and MHEC have reevaluated the equipment list at Harford Community College and have recommended that an additional $0.1 million from the fund balance be used for that project in fiscal 2017 to fully meet the equipment bid packages for that project. This does not change the GO bond authorization.

The practice of split funding the construction phase of projects continues in fiscal 2017. Projects are cash flowed by DBM, meaning that project funding may be divided over a number of fiscal years to provide funding only as needed to service the construction contract for the project to stay on schedule. This limits the amount of funding that must be encumbered from year to year, although encumbrances still occur, which means more projects can be funded simultaneously by the State. Projects funded in fiscal 2017 are in all stages of design, construction, and equipping. For some projects, this may be the second or third year of State funding, such as Prince George's Community College's (PGCC) Lanham Hall renovation.

In order to signal intent from the State that more funding will be forthcoming to complete a project, which enables institutions to sign multi-year contracts with construction services vendors, pre-authorizations are provided in the capital budget bill. This is a common practice for large capital projects and five community college projects introduced in the fiscal 2017 capital budget bill are split funded.

Exhibit 2
Fiscal 2017 Proposed Projects
In Maryland Association of Community Colleges Priority Order
($ in Millions)

Ranking	Community College	Project Name	Project Phase	Pre-authorized 2015 MCCBL	New Funding		Total Funds FY 2017	Pre-authorized FY 2018
1	Baltimore County	Hilton Mansion Renovation	Construction	$1.244	$0.000		$1.244	
2	Garrett	STEM Building 200 Renovation and Addition	Construction	3.623	0.314		3.937	
3	Howard	Science, Engineering, and Technology Building	Construction+	6.214	4.100		10.314	
4	Montgomery	Sciences and Applied Studies Building	Construction	9.370	-0.009	*	9.361	
5	Prince George's	Lanham Hall Renovation and Addition	Construction+	8.626	1.746		10.372	
6	Prince George's	Queen Anne's Academic Center Renovation and Addition	Construction	18.286	-9.000	*	9.286	$17.288
7	Wor-Wic	Academic and Administration Building Renovation	Construction+	3.053	0.000		3.053	
8	Harford	Edgewood Hall Renovation and Expansion	Construction	0.529	0.268		0.797	
9	Hagerstown	Learning Resource Center Renovation	Construction+		1.918		1.918	
10	Garrett	Community Education and Performing Arts Center	Design		0.685		0.685	2.992
11	Frederick	Monroe Center Renovation	Design+		2.255		2.255	0.681
12	Montgomery	Rockville Student Services Center	Construction		8.000		8.000	19.856
13	Baltimore County	Health Careers and Technology Building	Construction		2.000		2.000	5.000
	Total			**$50.945**	**$12.277**		**$63.222**	**$45.817**
	Program Balance/Surplus as Introduced						-$3.836	
Total Governor's Proposed Budget							**$59.386**	

MCCBL: Maryland Consolidated Capital Bond Loan

STEM: science, technology, engineering, and mathematics

*Total funds authorized in fiscal 2017 are less than those pre-authorized due to new split funding schedules.

Source: Department of Budget and Management; Maryland Association of Community Colleges

The pre-authorizations for fiscal 2018 total $45.8 million, or 76.4%, of the 2016 CIP's $60.0 million for community colleges in that year. This leaves only $14.2 million in total funding for new projects or contingencies, which may severely constrain capital budget flexibility for community colleges. This is a slight improvement over one year ago, when, after pre-authorizations and with $60.0 million in the CIP, community colleges had only $9.1 million for new projects in the next fiscal year. The MACC model will be pressed to determine the most effective use of the limited unrestricted funding. Large capital projects, such as those recently seen at Montgomery College and PGCC, will be under increasing scrutiny with less GO programmed in the five-year CIP as it will be more difficult for the State to support such large facilities across all campuses. How the 15 local community colleges work within both a lower amount of programmed funding and continuing high levels of pre-authorizations will make meeting the State's higher education goals more challenging. Although not shown in Exhibit 2, $13.5 million is pre-authorized for fiscal 2019, and another $10.5 million is pre-authorized for fiscal 2020.

Another issue is the increasing cost of projects. One year ago, PGCC had indicated a willingness to use value engineering to reduce the total cost of its $88.0 million renovation and expansion of Queen Anne's Hall, which totals 98,173 net assignable square feet (NASF). However, the construction contract went out in January 2016 with no significant revisions. On the other hand, Howard Community College accepted value engineering of $7.0 million to its new Science, Technology, Engineering, and Mathematics (STEM) Building and will now design, construct, and equip 84,200 NASF for $76.5 million. In just one capital project, PGCC will spend the equivalent of 147% of the annual State matching funds for all 15 local community colleges in the CIP.

The Secretary of MHEC should comment on how more colleges can receive funding for projects given the size of recently funded projects at several campuses. The Secretary should also comment on the merits of instituting a cap on the amount of State funding for projects as a means of spreading the funding support to more projects on the MHEC priority list to ensure that funds are available to more institutions.

Fiscal 2017 Capital Projects

- **Baltimore County – Hilton Mansion Rehabilitation – Fiscal 2017 Amount: $1.2 Million for Construction and Equipment:** Funding is included for constructing and equipping renovations of the historic 16,898 gross square feet (GSF) Hilton Mansion at the Community College of Baltimore County's (CCBC) Catonsville campus. The mansion dates to 1838 and was last updated in the 1920s and subsequently has extremely dated life and safety systems and is in need of renovations. Renovations will bring the structure up to code, including asbestos abatement, and create modern classroom space in the building for the Hospitality and Restaurant Management program, which is currently located in rental space in Reisterstown, and for the Global Education program.

The State's total contribution is programmed at 50.0%, or $3.0 million, of the total project cost. In addition to CCBC's direct support, matching funds also include a federal National Endowment for the Humanities grant and private donations. Design ran from July 2011 through October 2012, with construction beginning in March 2016 and concluding in May 2017. The project will renovate 7,5115 NASF, creating modernized space consisting of 2,742 NASF of classroom space; 2,241 NASF of office and conference space; and 1,727 NASF of laboratory space to support the classrooms.

- **Baltimore County – Health Careers and Technology Building Renovation and Expansion – Fiscal 2017 Amount: $2.0 Million for Construction:** Funding is provided in fiscal 2017 to begin construction of the renovation and addition to the Health Careers and Technology Building, formerly the N Building, on the Essex campus of CCBC; design funding was split funded based on the project schedule over two years. The structure was built in 1981 for the business and management programs, and only minor renovations have since occurred. It is currently the home of the School for the Health Professions. The renovation and addition will include science laboratories, lecture space, and faculty offices.

  Baltimore County has committed $28.3 million for this project, down $1.0 million from one year ago. State support is about 50.0%, or $28.9 million. Most State support, $26.0 million, is programmed for fiscal 2019 and 2020. Design began in December 2014 and will conclude in August 2016. During the 2015 session, the county agreed to forward fund the design phase with county funds, which freed up funding that was then applied to the historic mansion project. The county forward funding kept the design phase on schedule. Construction will last from November 2016 through February 2020. This project renovates 31,664 NASF and, with an addition, adds 42,276 NASF to the CCBC Essex campus. Of the total space, 39,876 NASF is laboratory space; 15,994 NASF is office space; and 14,390 NASF is classroom space.

- **Frederick County – Monroe Center Renovation – Fiscal 2017 Amount: $2.3 Million for Design and Construction:** Funding is included for design and construction of the renovations of the 55,000 GSF Monroe Center that was purchased by Frederick County in 2007. Frederick Community College owns 42,000 GSF of the building, while the county owns the remainder. Funds for this project will be used only for the college's space. This project will reconfigure the former factory's large hallways and temporary walls, which had been hastily reconfigured upon acquisition in 2007, into modern learning spaces for workforce development programs including welding, carpentry, manufacturing, and veterinary assistance.

  In addition to the State fiscal 2017 authorization, the current out-year commitment would provide another $1.8 million for construction and equipment. The State's total contribution is programmed at 58.0%, or $4.0 million, of the total project cost. This project is new to the 2016 CIP, but design began in July 2015 and is scheduled to finish in April 2016, with construction running from July 2016 until May 2017, with final equipment not programmed until fiscal 2018. The project will renovate 31,500 NASF to create modern space consisting of 17,200 NASF of class laboratories space; 4,200 NASF for classroom space; and the remainder spread across various functions such as office space, storage space, and mechanical systems.

- **Garrett County – Community Education and Performing Arts Center – Fiscal 2017 Amount: $0.7 Million for Design:** Funding is included for design of the renovation and expansion of the 10,960 GSF 800 Building to house three departments: Continuing Education; Workforce Development; and Fine and Performing Arts. The 800 Building served as a gymnasium since 1972 but has largely fallen into disuse since the college's new recreation center opened in 2012. The updated building will house modern spaces for theater and music courses and performances, including a 400-seat auditorium, and will provide space for community gatherings such as the Garrett Lakes Arts Festival. This requires an addition of approximately 7,700 NASF that will also accommodate modern office space for academic staff.

  In addition to the State fiscal 2017 authorization, the current out-year commitment would provide another $6.7 million for construction and equipment. The State's total contribution is programmed at 50.0%, or $7.4 million, of the total project cost. This project is new to the 2016 CIP and has design scheduled from September 2016 through September 2017, with construction running from December 2017 until September 2019, indicating that this project will be split funded. The project will renovate 9,082 NASF and add 7,668 NASF, which will create 13,810 NASF of conference and performing arts space, 2,290 NASF for offices, and 650 NASF to be used mostly for storage.

- **Garrett County – STEM Building Renovation and Addition – Fiscal 2017 Amount: $3.9 Million for Construction:** Funding is included for construction of total renovation of the 15,000 GSF STEM Building. The updated building will house modern laboratories, dedicated classroom space, faculty offices, and consolidate STEM programs into one location on campus. An addition of approximately 6,500 GSF will accommodate all required modern architectural and engineering functions.

  In addition to the State fiscal 2017 authorization, the current out-year commitment would provide another $0.3 million for equipment. The State's total contribution is programmed at 50.0%, or $4.6 million, of the total project cost, $0.4 million more than the CIP one year ago. Design began in December 2015 and should end in July 2016. Construction should last from October 2016 through April 2018, ending six months later than the 2015 CIP projected. The project will renovate 12,630 NASF, including 6,300 NASF of laboratory space; 3,240 NASF in classroom space; and 2,040 NASF in office space.

- **Harford County – Edgewood Hall Renovation and Expansion – Fiscal 2017 Amount: $0.7 Million for Equipment:** Funding is included to furnish equipment for the Edgewood Hall renovations and expansion to address the age of building systems and insufficient space. The facility was built in 1994, with only minor renovation since. Poor building envelope design has caused drywall to rot after only 20 years, and the heating, ventilation, and air conditioning system is already difficult to repair due to its age and cannot be easily switched from heating to cooling, or vice versa. The project would also add 6,500 GSF consisting of two single-story additions to house office and support space and two multi-purpose laboratories and restrooms.

The State's total contribution is programmed at 53.0%, or $4.3 million, down from $4.9 million one year ago. Construction began in June 2015 and should be complete in June 2016 with equipment finishing out the project in fiscal 2017. The project will add or renovate 24,704 NASF, including 7,283 NASF of classroom space; 6,217 NASF of laboratory space; and 5,328 NASF of office space.

- **Howard County – New Science, Engineering, and Technology Building – Fiscal 2017 Amount: $10.3 Million for Construction and Equipment:** Funding is included to complete construction and equipping of the new Science, Engineering, and Technology building to accommodate continued growth at Howard Community College, the only community college in Maryland to experience enrollment growth from fiscal 2013 to 2016. Construction funding has been split over three years based on the project's schedule. Design took longer than anticipated, and realignment of needs and funding resulted in rounds of value engineering that delayed this project by one year. Overall, it will bring together STEM programs on campus in modern facilities with more adaptable room layouts and new classroom technology.

  The State share of this project is programmed at 50.0%, or $38.3 million. Design ran from December 2011 until September 2014, and construction began in October 2014 and should conclude in October 2016. The project will add 84,200 NASF including 63,860 NASF in class laboratory space; 11,310 NASF in office space, and 3,400 NASF in general space.

- **Montgomery County – Science and Applied Studies Building Renovation and Addition – Fiscal 2016 Amount: $9.4 Million for Construction:** Funding is provided to continue construction of the renovation and addition to Rockville Sciences West. Construction was split funded over fiscal 2016 and 2017 based on the estimated cash flow and schedule. Classrooms and class laboratories in the current facility are not conducive to current teaching methods, and the infrastructure is not able to support the technology load required of the science and math courses offered in the building. The project is being coordinated with Rockville Science Center and Rockville Sciences East projects. This project involves renovating and expanding a new third floor and addressing space shortages in a building dating from 1978 on the Germantown campus. Renovated space in this building will house Student Services until a new Student Services Center is constructed, which is now included in the 2016 CIP.

  The estimated total project cost is $40.0 million with the State contribution set at 49.0%, or $19.6 million, the same as in the prior CIP. In addition to the State's fiscal 2017 authorization, the current out-year commitment would provide another $2.3 million for construction and equipment. Design began in June 2013 and finished three months late in September 2015. Construction was delayed from September 2015 to April 2016 and will now conclude in June 2018, rather than September 2017, effectively a year later. This project renovates 39,855 NASF. Of the total space, 25,696 NASF is class laboratory space; 4,037 NASF is general space; and 3,194 NASF is office space.

- **Montgomery County – Rockville Student Services Center – Fiscal 2017 Amount: $8.0 Million for Construction:** Funding is provided to begin construction of the new Student

Services Center to centralize student administrative services into a "one stop shop" at Montgomery College's largest campus in Rockville. The primary focus of this facility is administrative, rather than academic as it unifies admissions, registration, financial aid, and the bursar, and also provide training and assessment space typical of a student center. The project will also house the School of Education, central utilities for the campus, and the information technology hub for the campus. This project immediately follows upon the Rockville Science Center and Rockville Sciences East projects.

The estimated total project cost is $75.1 million with the State contribution set at 50.0%, or $37.3 million. In addition to the State's fiscal 2017 authorization, the current out-year commitment would provide another $24.3 million for construction and equipment. Construction was split funded based on the estimated cash flow and schedule, with the county to match the majority of funding in fiscal 2017 and the State the majority of funding in fiscal 2018. Design began in July 2014 and is scheduled to conclude in July 2016. Construction is scheduled to last from September 2016 through September 2018. This project constructs 70,200 NASF, consisting of 40,648 NASF of office and meeting space; 15,293 NASF of class laboratory space; and 8,549 of meeting space.

- **Prince George's County – Lanham Hall Renovation and Addition – Fiscal 2017 Amount: $10.4 Million for Construction and Equipment:** The capital budget includes funding to finish construction and equipment for the renovation and expansion of Lanham Hall, which is over 40 years old and requires asbestos abatement and major mechanical upgrades. This project also provides space for the Middle College High School Partnership with Prince George's County. It will also consolidate space for workforce development and continuing education programs and services as well as provide adequate space for a print shop and mailroom to serve the entire Largo campus. Project costs had increased due to unforeseen issues that were not included in the program estimate such as asbestos abatement and rebuilding storm drain systems.

  The estimated total project cost is $33.2 million with the State contribution set at 58.0%, or $19.4 million, the same as in the prior CIP. Design began in June 2013 and finished in June 2015. Construction is planned from October 2015 to June 2017, three months later than anticipated. This project renovates 48,728 NASF and adds 7,530 NASF.

- **Prince George's County – Queen Anne's Academic Center Renovation and Addition – Fiscal 2017 Amount: $9.3 Million for Construction:** The capital budget includes funding to continue construction of the new music and performing arts building at PGCC. The current facility is inadequate given the programs' current enrollment levels and teaching methods required for arts education. The facility is not Americans with Disabilities Act-compliant and also has failing physical infrastructure. This project will be split funded due to its very large size. The overall cost of the building has increased 16.8% since design started. The cost increase is a concern given that this is a renovation and addition project, rather than an entirely new construction project. Renovation is preferred for capital funding because of the belief that this is a more efficient use of finite State resources. However, this project's growing costs call into question the original assessment that a new building would, in fact, be more expensive.

Additionally, the State should be particularly concerned when cost overruns are this large, as this project will crowd out other community college facilities projects in the out-years at the same time that PGCC has another large project underway, Lanham Hall.

The estimated total project cost is $88.0 million with the State contribution set at 57.0%, or $49.9 million. In addition to the State's fiscal 2017 authorization, the current out-year commitment would provide another $21.3 million in fiscal 2018 and 2019 for construction and equipment. Design began in January 2014 and finished in July 2015. Construction began in January 2016 and will run through July 2018. This project renovates 22,852 NASF and adds 79,137 NASF. Of that amount, 44,266 NASF is laboratory space; 25,533 NASF is general use space; and 12,600 NASF is classroom space.

- **Washington County – Learning Resource Center Renovation – Fiscal 2017 Amount: $1.9 Million for Construction and Equipment:** Funding is included for constructing and equipping renovations of noncontiguous portions of the 57,308 GSF Learning Resource Center for various purposes including a new backup server room, expanding campus safety areas, modernized classrooms, and replacing climate control systems. Portions of the building have been remodeled, but other parts of the building are dated and need improvements. The central aspect of this project will be removing the library stack space to create four classrooms, five offices, and one conference room.

  The State's total contribution is programmed at 63.0%, or $1.9 million, of the total project cost. Hagerstown self-funded the design component of this project, which runs from November 2014 through April 2016. Construction is scheduled from July 2016 through June 2017. The project will renovate 34,015 NASF and remove 6,385 NASF, leaving 12,208 NASF of modernized classroom space; 8,084 NASF of office and meeting space; and 4,639 NASF of central service space. The remainder is mostly class laboratory and study space.

- **Regional – Wor-Wic Academic and Administrative Building/Maner Technology Center Renovation – Fiscal 2017 Amount: $3.0 Million for Construction and Equipment:** Funding is provided in fiscal 2017 for constructing and equipping the renovation of an existing 1,463 NASF office suite that will accommodate the Institutional Advancement staff and provide space for future staff needs in the marketing department. This project will also modernize restrooms that were constructed in 1994 and update elevators. Finally, a 20-year-old infrastructure system will be replaced with a new high-efficiency hybrid geothermal system that will provide a heat pump and chiller support to three campus buildings.

  The project is estimated to cost $8.6 million, an increase of $4.1 million from one year ago, with the State's share at 71.0%, or $6.1 million. An unsuccessful bid attempt in fiscal 2016, coupled with problematic design of the geothermal component led to the cost increase, although the college anticipates a program modification approved in October 2015, will keep the project within its new approved budget. This small project renovates 1,463 NASF, all of it office space. Design ran from April 2014 to August 2015, and construction is to run from April 2016 to June 2017, although this schedule is now unlikely given the cost overrun.

GO Bond Recommended Actions

1. Approve $59.4 million in general obligation bonds for the Community College Facilities Grant Program.

2. Approve the pre-authorization for $45.8 million in general obligation bonds for the 2017 legislative session for the Community College Facilities Grant Program.

3. Approve the pre-authorization for $13.5 million in general obligation bonds for the 2018 legislative session for the Community College Facilities Grant Program.

4. Approve the pre-authorization for $10.5 million in general obligation bonds for the 2019 legislative session for the Community College Facilities Grant Program.

RM00
Morgan State University

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
New Behavioral and Social Sciences Center	$40.704	$35.900	$2.800	$0.000	$0.000	$0.000	$0.000
New Student Services Support Building	1.600	0.000	1.297	3.541	39.136	37.521	0.000
Jenkins Demolition	0.000	0.000	0.000	0.245	3.142	0.000	0.000
Total	**$42.304**	**$35.900**	**$4.097**	**$3.786**	**$42.278**	**$37.521**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$42.304	$35.700	$4.097	$3.786	$42.278	$37.521	$0.000
Nonbudgeted Funds	0.000	0.200	0.000	0.000	0.000	0.000	0.000
Total	**$42.304**	**$35.900**	**$4.097**	**$3.786**	**$42.278**	**$37.521**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Sara J. Baker Phone (410) 946-5530

Summary of Recommended Bond Actions

1. New Behavioral and Social Sciences Center

   Approve continued funding for construction of the New Behavioral and Social Sciences Center.

2. SECTION 2 – Morgan State University – Campuswide Site Improvements

   Approve de-authorization of funds.

3. SECTION 2 – Morgan State University – Campuswide Site Improvements II

   Approve language amending Campuswide Site Improvements.

4. SECTION 2 – Morgan State University – New Center for Built Environment

   Approve de-authorization of $0.3 million.

5. SECTION 2 – Morgan State University – Soper Library Demolition

   Approve de-authorization of $0.1 million.

6. SECTION 12 – Morgan State University – New Behavioral and Social Sciences Center

   Approve pre-authorization of $2.8 million to complete construction.

Budget Overview

New Behavioral and Social Sciences Center

This facility will replace the Jenkins Behavioral and Social Science Building, which was constructed in 1974, is in poor condition, and cannot be economically renovated. The size, scope, and cost of the project significantly increased in the 2015 *Capital Improvement Program* (CIP) as compared to what was programmed a year earlier in the 2014 CIP. The size of the project increased by 5,757 net assignable square feet (NASF)/23,299 gross square feet (GSF) to 74,462 NASF/148,229 GSF due to the addition of academic and operational space including a dean's office suite, reconfiguration of classroom space, a mechanical penthouse, and teaching laboratory space. This resulted in the total cost of the project increasing $12.0 million from $67.4 million to $79.4 million. The 2016 session capital budget provides $35.7 million to continue to construct and capital equip the facility. This is $2.7 million higher than programmed in the 2015 CIP and is based on the projected cash flow of the project. Morgan State University (MSU) will also provide $0.2 million to outfit cafeteria space. Construction commenced in February 2015 and is expected to conclude in August 2017.

The new facility will provide 12,661 NASF of classroom laboratory space – more than enough to meet the need of 9,512 NASF based on current enrollment projections. As with the classroom space, the facility was designed on a previous higher enrollment projection; therefore, some space may be used to meet the needs of other programs. The lack of laboratory space in the current facility has resulted in students receiving instruction in the classroom and not gaining hands-on experience needed to function effectively in the workplace or be competitive with students from other institutions. The inadequate space also affects the ability of MSU to attract and retain high-quality faculty and students.

The facility will also provide 17,375 NASF of office space, 8,940 NASF of research space, and 1,134 NASF of animal facility space.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Project Name					
Estimated Operating Cost	$0.000	$1.687	$2.832	$2.883	$2.936
Estimated Staffing	0	4	4	4	4
Total Operating Impact					
Estimated Operating Cost	$0.000	$1.687	$2.832	$2.883	$2.936
Estimated Staffing	0	4	4	4	4

Summary of Other Projects in the Capital Improvement Program

Projects Deferred in Fiscal 2017

Preliminary design funds of $1.6 million were added to the 2014 session capital budget bill to start the design of the New Student Services Support Building in fiscal 2015, one year ahead of the schedule programmed in the 2014 CIP. However, detailed design funding for the facility was deferred from fiscal 2016 to 2017 in the 2015 CIP and is deferred for another year in the 2016 CIP to fiscal 2018 (as shown in **Exhibit 1**). It should be noted that the Board of Public Works recently approved MSU to award a contract for design services despite having authorization to spend only 20% of the funds needed to design the facility. Furthermore, the size, scope, and cost of the project has increased since the 2015 CIP. The size of the project increased by 4,350 NASF/8,220 GSF from 71,595 NASF/130,000 GSF to 75,945 NASF/138,220 GSF due to the inclusion of the Office of Information Technology and several small spaces such as a breakroom to meet the needs of the building's occupants. The total cost of the project increased $3.1 million from $79.95 million to $83.10 million due to the increase in size and deferring the project for a year. **The President should comment on why a design contract was put out to bid before knowing if funding to continue design would be included in the capital budget.**

Exhibit 1
Projects Deferred
Fiscal 2017

Project	Description	Reason for Deferral
New Student Services Support Building	Construct a new facility to house student service functions.	Deferred for other priorities.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Projects Removed from the *Capital Improvement Program*

Exhibit 2 shows that there was one project removed from the CIP in fiscal 2017.

Exhibit 2
Projects Removed from the *Capital Improvement Program*
Fiscal 2017

Project	Description	Reason for Deferral
McMechen Surge	Renovate space to provide surge space for remaining occupants in the Jenkins building.	Requested by the university.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Pre-authorizations and De-authorizations

Exhibit 3 shows the de-authorizations of $0.4 million for campuswide site improvements, $0.3 million for the New Center for the Built Environment and Instructure Studies facility, and $0.1 million for the demolition of Soper Library. The de-authorization for the Campuswide Site Improvements is due to the cancellation of Phases 2 through 4. For the other projects, the funds are not needed because the projects were completed.

Exhibit 3
De-authorizations
($ in Millions)

Project	De-authorized Amount	Reason
Campuswide Site Improvements	$417,853	Phases 2-4 canceled
New Center for the Built Environment and Infrastructure Studies	250,000	Project completed
Soper Library Demolition	128,238	Project completed

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve $35.7 million in general obligation bonds to continue construction and equip the New Behavioral and Social Sciences Center.

2. Approve the de-authorization of $0.4 million in general obligation bonds for campuswide site improvements.

3. Approve language amending campuswide site improvements.

4. Approve the de-authorization of $250,000 in general obligation bonds for the New Center for the Built Environment and Infrastructure Studies.

5. Approve de-authorization of $128,238 of general obligation bonds for the Soper Library Demolition.

6. Approve pre-authorization of $2.8 million in general obligation bond funds for fiscal 2018 to complete construction and equip the New Behavioral and Social Sciences Center.

RP00
Maryland Public Broadcasting Commission

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
Maryland Public Television – Transmission Systems Replacement	$0.800	$0.150	$0.550	$1.950	$1.150	$0.000	$4.600
Maryland Public Television – Studio A Renovation and Addition	0.000	0.000	0.600	3.220	4.620	0.000	8.440
Total	**$0.800**	**$0.150**	**$1.150**	**$5.170**	**$5.770**	**$0.000**	**$13.040**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$0.800	$0.150	$1.150	$5.170	$5.770	$0.000	$13.040
Total	**$0.800**	**$0.150**	**$1.150**	**$5.170**	**$5.770**	**$0.000**	**$13.040**

CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Sierra S. Boney Phone (410) 946-5530

Summary of Recommended Bond Actions

1. Maryland Public Broadcasting Commission

   Approve the $150,000 in general obligation bond funding for the Maryland Public Broadcasting Commission Transmission Systems Replacement.

Budget Overview

Replacement Transmission Equipment

The Maryland Public Broadcasting Commission (MPBC) has six digital transmitter sites for its Maryland Public Television (MPT) broadcasting. The equipment is located in Owings Mills, Annapolis, Salisbury, Frederick, Hagerstown, and Oakland.

MPBC replaced much of its transmission equipment as part of the digital conversion project, which started in calendar 2000. That equipment is now nearing the end of its useful life and must be replaced. Many of the transmission system's components are beyond their useful lives, and replacement components do not exist and must be custom built. For other components, original manufacturers do not provide technical support. These factors mean that it is more effective to replace rather than repair the transmission systems.

Without replacing the transmitters, MPT risks going off air for the estimated 20% of viewers who obtain the station via the over-the-air signal and for cable and satellite customers. An outage leading to an unplanned replacement could result in a lengthy period without a broadcast signal, which in turn, could lead to a loss of the rights to the channel under the Federal Communication Commission (FCC) regulations.

The fiscal 2015 budget included $400,000 to begin replacing equipment at the MPT sites in Owings Mills and Annapolis. The agency has purchased radio parts, interconnection equipment, and an uninterruptable power supply. The fiscal 2016 budget included another $400,000 to continue with purchases for larger transmission replacement in Owings Mills and Annapolis, and begin replacing equipment connecting various transmitter sites and the uninterruptable power supply at the Hagerstown location. The fiscal 2017 allowance includes $150,000 to replace exciters at the Hagerstown location. The cost for this piece of equipment is $50,000 with the remainder of the funds being used to replace outdated equipment such as fiber cables, waveguide, receivers, and broadcast dishes.

MPT's request included the replacement of several broadcasting antenna in fiscal 2020. However, there is uncertainty regarding the replacement of these antennae. First, the federal government is conducting an auction of low-frequency broadcasting channels. FCC has planned these auctions in order to use these lower frequencies for Wi-Fi connections. Broadcasters like MPT will therefore be shifted to a higher broadcasting frequency. This process is referred to as the "repacking"

process. Upon completion of the auctions (which will take place in March 2016), proceeds obtained will be distributed to broadcasters to replace some equipment, including antennae, as necessitated by the repacking process. MPT spread its fiscal 2019 request into fiscal 2020 because MPT will also replace the towers that extend from the transmitter base. This is a part of the overall transmission system. As a result of this federal repacking process, there is the potential for federal funds to replace antennas in two to three years. Because the amount of this funding is unknown, the antennae replacement is not included in the Capital Improvement Program.

Summary of Other Projects in the Capital Improvement Program

There is an additional project to expand Studio A, which is the largest MPT studio. There are several issues with the studio that warrants renovation including restrooms that do not meet the ADA guidelines, and there is insufficient seating for live performances or town hall meetings. There is also a need for mechanical; electrical; and heating, ventilation, and air conditioning repairs. The loading dock for the studio combined with the low ceilings complicate equipment transfers and prohibit full functionality.

GO Bond Recommended Actions

1. Approve the $150,000 in general obligation bond funding for the Maryland Public Broadcasting Commission Transmission Systems Replacement.

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
R Adams Cowley Shock Trauma Center Renovation – Phase II	$8.650	$5.250	$1.600	$2.000	$0.000	$0.000	$0.000
Neonatal Intensive Care Unit, Labor and Delivery Suite, Infrastructure Upgrades, Outpatient Center	26.000	4.000	10.000	10.000	0.000	0.000	0.000
Total	**$34.650**	**$9.250**	**$11.600**	**$12.000**	**$0.000**	**$0.000**	**$0.000**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$34.650	$9.250	$11.600	$12.000	$0.000	$0.000	$0.000
Total	**$34.650**	**$9.250**	**$11.600**	**$12.000**	**$0.000**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*
GO: general obligation

Summary of Recommended Bond Actions

1. Capital Infrastructure Improvements

   Approve $4,000,000 in general obligation bonds.

2. R Adams Cowley Shock Trauma Center Phase II

   Approve $5,250,000 in general obligation bonds.

3. SECTION 2 – University of Maryland Medical System – New Diagnostic and Treatment Facilities

   Approve de-authorization of $282,866 in general obligation bonds.

Budget Overview

The two projects for the University of Maryland Medical System (UMMS) proposed for funding in the fiscal 2017 budget have previously received State support.

R Adams Cowley Shock Trauma Center Renovation – Phase II

The first project for UMMS is $5.25 million in fiscal 2017 to continue the renovation of space and upgrade of capital equipment for the R Adams Cowley Shock Trauma Center Renovation – Phase II project. Proposed improvements include central heating, ventilation, and air conditioning systems; elevators; plumbing; electrical and security systems; patient rooms and support space; a helipad deck; clinical equipment; communications; and information technology. Total cost is expected to be $35.0 million, with the State share of $17.5 million spread over fiscal 2014 through 2019. The total commitment from the State remains the same in the 2016 *Capital Improvement Program* (CIP) as it was in the 2015 CIP.

Neonatal Intensive Care Unit, Labor and Delivery Suite, Infrastructure Upgrades, and Outpatient Center

The second project for UMMS is $4.0 million in funding for various upgrades throughout the hospital. Individual pieces of the overall project include:

- **Neonatal Intensive Care Unit (NICU)** – This portion of the project is intended to improve patient care in the NICU, which is located at the University of Maryland Medical Center (UMMC) University Campus. The total cost for the NICU renovation is $40.9 million, and the NICU was completed and occupied in September 2015.

- **Labor and Delivery Suite** – This portion of the project is intended to improve the labor and delivery facilities within the UMMC University Campus, which currently fail to meet modern best practice standards of care. This portion of the project is slated to cost $22.0 million, with construction beginning in late February 2017 and completion scheduled for 12 months later.

- **Infrastructure Upgrades** – This portion of the project includes the modernization of 11 elevators in the North and South hospitals on the UMMC University Campus. The total cost for this modernization is $15.0 million. The work began in October 2015, and will take approximately 26 months to complete.

- **Outpatient Center** – This portion of the project is intended to construct a five-story outpatient center at the UMMC Midtown Campus to provide the appropriate physical space for ambulatory services. This project is estimated to cost $57.4 million. Construction is expected to begin sometime within fiscal 2017.

The total estimated cost for all of these projects is $135.4 million, with a total State commitment of $50.0 million. This is an increase in total project costs of $71.8 million due to the inclusion of the outpatient center, once again, within the scope of this project. The General Assembly has already authorized $26.0 million for these projects in prior years, and funding is included in the current CIP at $4.0 million for fiscal 2017 and $10.0 million for fiscal 2018 and 2019. Thus, the total State commitment to these projects remains at $50.0 million, which is in line with the intent language included in last year's capital budget bill by the General Assembly.

It should be noted that UMMS is receiving funding for other projects through the Maryland Hospital Association Private Hospital Grant Program. Funding in the amount of $1,000,000 is proposed to renovate a floor dedicated to serve mothers and babies at the University of Maryland St. Joseph Medical Center, and another $150,000 would provide funds to renovate the patient waiting and registration areas at the University of Maryland Rehabilitation and Orthopedic Institute.

Although UMMS has received funding for various projects throughout the years from the State, the current CIP includes no additional funding for UMMS after fiscal 2019.

Pre-authorizations and De-authorizations

As shown in **Exhibit 1**, there is one de-authorization for UMMS. This is for the New Diagnostic and Treatment Facilities project, which was authorized for fiscal 2009. The funds are no longer required because the project was completed below the authorized amount.

Exhibit 1
De-authorizations

Project	De-authorized Amount	Reason
UMMS New Diagnostic and Treatment Facilities	$282,866	Project completed under budget.

UMMS: University of Maryland Medical System

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve $4,000,000 in general obligation bonds for the Neonatal Intensive Care Unit, Labor and Delivery Suite, Infrastructure Upgrades, and Outpatient Center.

2. Approve $5,250,000 in general obligation bonds for the R Adams Cowley Shock Trauma Center.

3. Approve de-authorization of $282,866 in general obligation bonds for the University of Maryland Medical System New Diagnostic and Treatment Facilities.

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Description	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
State Water and Sewer Infrastructure Improvement Fund	$9.079	$16.471	$24.825	$18.105	$13.702	$16.046	$13.360
Total	**$9.079**	**$16.471**	**$24.825**	**$18.105**	**$13.702**	**$16.046**	**$13.360**

Description	2015 Approp.	2016 Approp.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
GO Bonds	$9.079	$16.471	$24.825	$18.105	$13.702	$16.046	$13.360
Total	**$9.079**	**$16.471**	**$24.825**	**$18.105**	**$13.702**	**$16.046**	**$13.360**

GO: general obligation

For further information contact: Andrew D. Gray Phone: (410) 946-5530

Summary of Updates

Master Plan Update: The Maryland Environmental Service (MES) completed a revision of its Water and Wastewater Master Plan in September 2011. Staff was planning to complete an update and distribute a revised plan in January 2014. MES now notes that the 2014 Master Plan update was sent to the Department of Budget and Management (DBM) on February 26, 2016.

***Cost-benefit Analysis of the Proposed Third Boiler for the Eastern Correctional Institution – Co-generation Plant*:** The Department of Legislative Services (DLS) recommended that MES prepare and deliver to DBM a cost-benefit analysis on the proposed fiscal 2020 low-pressure steam boiler procurement. The analysis determined that the present value of the current facility's operation and maintenance costs without the third boiler are lower than the present value of the new facility's operating and maintenance costs with the capital costs for the additional boiler. However, it appears that the 8% discount rate used for the cost-benefit analysis may have skewed the results in favor of eliminating the new boiler from the plan.

New Department of Juvenile Services Detention Center's Wastewater Treatment Options: The Department of Juvenile Services (DJS) is constructing a new detention center on the site of the former Thomas O'Farrell Youth Center in Carroll County. New water and sewer utilities are needed because the previous service deteriorated to the point that it needed to be abandoned. MES and its consultant determined new service lines connecting to the Carroll County system could be constructed and only three easements from private property owners are needed, not 19 as determined by the previous consultant; all other easements are on State-owned property.

Summary of Recommended Bond Actions

1. Infrastructure Improvement Fund

   Approve the $24,825,000 general obligation bond authorization for the Infrastructure Improvement Fund.

2. SECTION 12 – Maryland Environmental Service – Infrastructure Improvement Fund

   Approve the pre-authorization of $6,767,000 in general obligation bonds for split-funded Infrastructure Improvement Fund construction projects in fiscal 2018.

3. SECTION 13 – Maryland Environmental Service – Infrastructure Improvement Fund

   Approve the $702,000 general obligation bond pre-authorization in fiscal 2019 for a split-funded Infrastructure Improvement Fund construction project.

Program Description

MES was created by statute (Chapter 240 of 1970) as an independent agency. Executive Order 01.01.1971.11 stipulated that MES has responsibility for the operation and maintenance of all State-owned sewage treatment and solid waste disposal facilities. MES then became incorporated into the Department of Natural Resources (DNR) in 1972. During the 1993 session, the General Assembly adopted legislation (Chapter 196 of 1993) that created MES as an instrumentality of the State and a public corporation independent of DNR. MES provides technical services including engineering, design, financing, construction, and operation of water supply and wastewater treatment facilities, among other activities.

The State Water and Sewer Infrastructure Improvement Fund was established to provide for capital improvements of State-owned and operated water treatment and wastewater treatment plants (WWTP); water distribution and sewer collection systems; and water towers. Since fiscal 1999, funding for capital maintenance projects relating to water and WWTPs has been budgeted under MES. Prior to this, the State budgeted capital maintenance funds for these projects in the Department of General Services' Facilities Renewal Program. Facilities renewal funds pay for major rehabilitation activities at State-owned facilities. This change was made in order to display more clearly the capital cost of MES-operated State facilities. As of February 2016, MES operates and maintains 963 projects; however, an individual facility may have multiple projects going on at any time. Some of the 963 projects are at 261 State-owned facilities, such as the Poplar Island Environmental Restoration Project, the Hart-Miller Island Dredged Material Containment Facility, Cox Creek Dredged Material Containment Facility, and a regional yard debris composting facility.

Performance Measures and Outputs

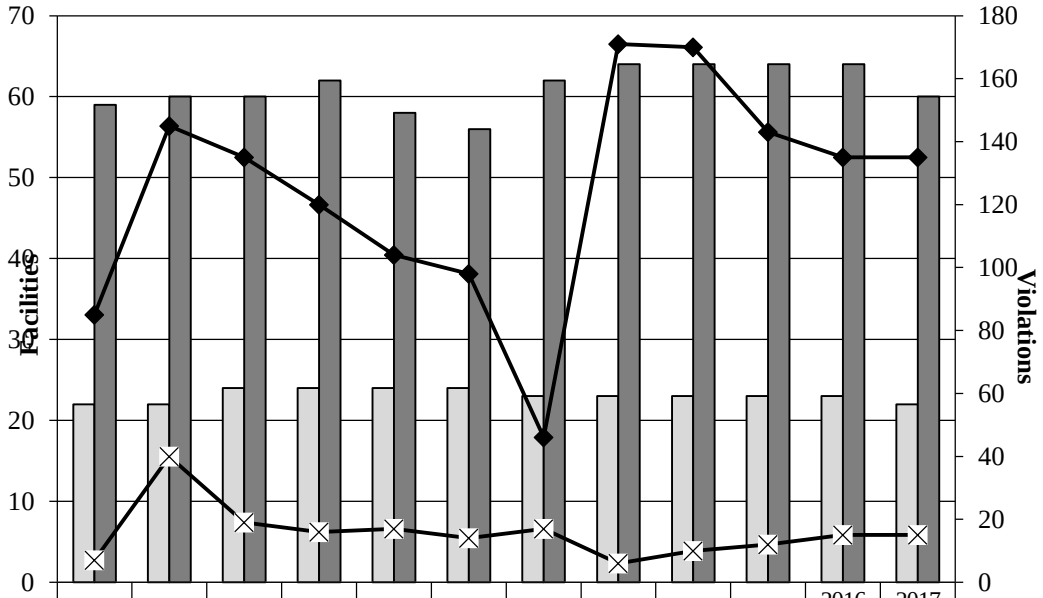
The MES performance measures relate to three goals, one of which is to improve the environment through MES activities. One output for this goal is a reduction in the number of local/corporate and State National Pollutant Discharge Elimination System violations. In addition, while not necessarily a performance measure, the discharge permits for the WWTPs that MES operates is a critical factor in its capital budget plan.

State National Pollutant Discharge Elimination System Violations

Exhibit 1 shows that MES has a greater number of local/corporate clients than State clients and that, in general, local/corporate discharge permit violations are a higher percentage of overall violations than would be indicated by their share of the total number of facilities. Previously, this measure specified National Pollutant Discharge Elimination System violations, but MES notes that the violations include groundwater discharges as well and so the more general category of discharge permits is used instead. The number of local/corporate facility violations increased substantially between fiscal 2012 (46) and 2013 (171). MES indicates that the increase in the number of local/corporate facility violations in recent years is primarily due to two troublesome facilities. MES

notes that construction was completed at one of the troublesome facilities and the other facility is no longer being operated by MES. As a result, the number of local/corporate facility violations has decreased in fiscal 2015 (143).

Exhibit 1
Local/Corporate and State Discharge Permit Violations
Fiscal 2006-2017 Est.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.	2017 Est.
No. of State Facilities	22	22	24	24	24	24	23	23	23	23	23	22
No. of Local/Corporate Facilities	59	60	60	62	58	56	62	64	64	64	64	60
Discharge Permit Violations for State Facilities	7	40	19	16	17	14	17	6	10	12	15	15
Discharge Permit Violations for Local/Corporate Facilities	85	145	135	120	104	98	46	171	170	143	135	135
Compliance Level					99.8%	99.8%	99.9%	99.8%	99.8%	99.8%	99.9%	99.9%

Source: Governor's Budget Books, Fiscal 2007-2016; Maryland Environmental Service

Between fiscal 2006 and the 2017 estimate, State facilities have averaged 12% of the total violations while accounting for 27% of the facilities handled by MES. MES has indicated in the past that the reason for this low percentage of violations at State facilities is MES's ability to use State funding to make improvements at State treatment facilities. In contrast, MES is dependent upon its corporate clients, including small municipalities, to fund improvements, which they may not always have the resources to do.

Budget Overview

The *Capital Improvement Program* (CIP) has changed between the 2015 and 2016 editions, as shown in **Exhibit 2**. The 2015 CIP amount programmed for fiscal 2017 was $25.250 million, which has been reduced to $24.825 million in the 2016 CIP due to updated projected schedules and cash flow needs. For the out-years, the major difference is the estimated cost for the Eastern Correctional Institution (ECI) – Co-generation Plant Upgrades project as shown in **Exhibit 3**. The estimated ECI – Co-generation Plant Upgrades cost has been reduced from $21,345,000 to $4,321,000, or $17,024,000, as a result of a number of items being removed from the program including a third boiler.

Exhibit 2
2015 and 2016 *Capital Improvement Program* Comparison
($ in Millions)

Projects	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
2016 CIP	$24.825	$18.105	13.702	$16.046	$13.360
2015 CIP	25.250	25.500	11.950	23.850	–
Difference	**-$0.425**	**-$7.395**	**$1.752**	**-$7.804**	**$13.360**

CIP: *Capital Improvement Program*

Note: The State Water and Sewer Infrastructure Improvement Fund is funded by general obligation bonds. No funding is reflected beyond the CIP because that is the five-year planning period used by the Administration. Estimates for programmed funding for fiscal 2021 for the 2015 CIP are outside the five-year planning period.

Source: *Capital Improvement Program*, 2015 and 2016

Exhibit 3
Project Cost Estimate Differences
Fiscal 2016 and 2017
($ in Thousands)

Subdivision	Title	2015 CIP	2016 CIP	Difference	Explanation
Somerset	ECI – Co-generation Plant Upgrades	$21,345	$4,321	-$17,024	Program revised resulting in decrease of funds requested.
Somerset	ECI – WWTP Upgrade	27,133	26,730	-403	Reduction in escalation rate.
Allegany	WCI – Wastewater Pump Station Improvements	1,730	1,693	-37	Reduction in escalation rate.
Washington	MCI-H – WWTP Upgrade	13,614	13,582	-32	Reduction in escalation rate.
Baltimore County	Camp Fretterd – Water and WWTP and Water Distribution System Upgrades	2,670	2,670	0	
Charles	Southern Pre-Release Unit – WWTP Improvements	4,198	4,198	0	
Frederick	Cunningham Falls State Park – Water Treatment Plant	4,000	4,000	0	
Queen Anne's	Eastern Pre-Release – WWTP	4,450	4,450	0	
Prince George's	Cheltenham Youth Center – WWTP Plant	7,050	7,115	65	Change in estimated midpoint date.

Subdivision	Title	2015 CIP	2016 CIP	Difference	Explanation
Regional	State Well Upgrades	500	1,060	560	Inclusion of two additional wells: Backbone Mountain and Meadow Mountain wells join the existing Savage Mountain and Dan's Mountain wells.
Totals		**$86,690**	**$69,819**	**-$16,871**	

CIP: *Capital Improvement Program*
ECI: Eastern Correctional Institution
MCI-H: Maryland Correctional Institution – Hagerstown
WCI: Western Correctional Institution
WWTP: wastewater treatment plant

Source: Maryland Environmental Service; Department of Legislative Services

Fiscal 2016 Project Status

MES's plan is to encumber $22,545,549 in fiscal 2016. The current encumbrance status is shown in **Exhibit 4**. The majority of projects appear to be making progress in their respective project phases. The two exceptions are the Cunningham Falls State Park – Collection and Distribution System project, which is in the construction phase but MES is still negotiating costs with a bidder, and the Rocky Gap State Park – WWTP Improvements project, which is also funded for construction but project design is only 95% complete. Of note, the program for the ECI – Co-generation Plant Upgrades project has been modified, although MES notes that design is in progress.

Exhibit 4
Status of Encumbering Funding in Fiscal 2016

Project	Current Activity	2016 (Planned)	Est. Cost	Status
ECI – WWTP Upgrade	Construction	$6,271,000	$27,133,000	Project design complete and awaiting MDE construction permit before advertising.
MCI – Hagerstown – WWTP Upgrade	Construction	4,372,531	7,652,531	Project under construction.
Southern Pre-Release Unit – WWTP Improvements	Construction	3,719,000	4,198,000	Project under construction.
Rocky Gap State Park – New WTP	Construction	1,805,000	6,173,000	Project completed and balance to be used for WWTP.
ECI – Co-generation Plant Upgrades	Planning and Construction	1,681,000	10,065,000	Project CIP program revised with design in progress and boiler feed pumps procured.
Rocky Gap State Park – WWTP Improvements	Construction	1,461,000	4,514,000	Project design 95% complete.
Freedom WWTP Upgrade	Construction	1,131,000	25,661,000	Project under construction.
Charlotte Hall Veterans Home – WWTP Improvements	Construction	1,000,000	4,100,000	Project under construction.
Cheltenham Youth Center – WWTP	Planning	1,000,000	7,650,000	Project under design.
Cunningham Falls State Park – Collection and Distribution System	Construction	988,035	1,238,000	Negotiating costs with bidder.
Western Correctional Institution – Wastewater Pump Station Improvements	Construction	750,000	1,730,000	Project under construction.
New DJS Female Detention Center – Water and Sewer Utilities	Planning	400,000	4,610,000	Project under design.
Cunningham Falls State Park – WTP	Planning	350,000	4,000,000	Project under design.
Eastern Pre-Release – WWTP	Planning	350,000	4,450,000	Project under design.
State Well Upgrades	Planning	50,000	500,000	Project under design.

Project	Current Activity	2016 (Planned)	Est. Cost	Status
Camp Fretterd – WTP, WWTP, and Water Distribution System Upgrades	Planning	16,983	2,670,000	Project under design.
Cash Flow Adjustment	Planning, Construction, Equipment	-2,800,000	0	Not applicable.
Totals		**$22,545,549**	**$116,344,636**	

CIP: *Capital Improvement Program*
DJS: Department of Juvenile Services
ECI: Eastern Correctional Institution
MCI: Maryland Correctional Institution
MDE: Maryland Department of the Environment
WTP: water treatment plant
WWTP: wastewater treatment plant

Note: The ECI – Co-generation Plant Upgrades project cost has been reduced since last year.

Note: The estimated cost for two projects reflects funding that is not in the 2016 CIP for the Maryland Environmental Service as follows: MCI – Hagerstown – WWTP Upgrade includes funding from the Bay Restoration Fund through MDE, and Freedom WWTP Upgrade includes funding from the Bay Restoration Fund and from Carroll County.

Source: Department of Budget and Management; Maryland Environmental Service

Fiscal 2017 Funding and Projects

The MES fiscal 2017 authorization includes $24.8 million in general obligation (GO) bonds for 14 projects, including State well upgrades, and the $2.8 million adjustment funding from fiscal 2016. As introduced, the 2016 session capital budget bill includes pre-authorizations for fiscal 2018 and 2019 to provide the funding authority for the Board of Public Works (BPW) to approve construction contracts without all of the funds authorized in fiscal 2017. The 14 projects included in the fiscal 2017 allowance, as well as the $2.8 million adjustment funding from fiscal 2016, are shown in **Exhibit 5.** Exhibit 5 reflects the projects that are completed with fiscal 2017 funding, the projects that are in the construction phase that need fiscal 2018 pre-authorizations to be completed, the 1 project that requires fiscal 2019 funding to be completed – ECI – Co-generation Plant Upgrades, and all the projects that are in the planning stage and thus do not need pre-authorized funding to bid out construction contracts.

Exhibit 5
Fiscal 2017 Project Funding

State Unit	Project	Jurisdiction	Est. Cost	Prior Approp.	2017 Request	Phase	Future Req.
Projects Completed in Fiscal 2017							
Maryland Correctional Institution – Hagerstown	WWTP Upgrade	Washington	$13,582,000	$5,090,000	$2,000,000	Construction	$0
Western Correctional Institution	WW Pump Station Improvements	Allegany	1,693,000	900,000	793,000	Construction	0
State Water Storage	Greenbrier State Park Tanks	Washington	339,000	0	339,000	Planning and Construction	0
Southern Pre-Release Unit	WWTP Improvements	Charles	4,198,000	3,913,000	285,000	Construction	0
Projects Receiving Fiscal 2018 Pre-authorization							
Eastern Correctional Institution	WWTP Upgrade	Somerset	26,730,000	15,015,000	8,943,000	Construction	2,772,000
Cunningham Falls State Park	WTP	Frederick	4,000,000	350,000	2,555,000	Construction	1,095,000
Eastern Pre-Release	WTP	Queen Anne's	4,450,000	350,000	3,000,000	Construction	1,100,000
Camp Fretterd	W&WWTP and Water Distribution System Upgrades	Baltimore County	2,670,000	197,000	1,473,000	Construction	1,000,000
Projects Receiving Fiscal 2018 and 2019 Pre-authorizations							
Eastern Correctional Institution	Co-generation Plant Upgrades	Somerset	4,321,000	1,681,000	1,138,000	Planning and Construction	1,502,000
Projects Not Receiving Pre-authorizations							
Cheltenham Youth Center	WWTP	Prince George's	7,115,000	400,000	305,000	Planning	6,410,000
Victor Cullen	WWTP Upgrades	Frederick	4,742,000	0	373,000	Planning	4,369,000
Woodstock	WWTP Upgrades	Baltimore County	4,077,000	0	356,000	Planning	3,721,000
Fair Hill Natural Resources Management Area	WTP and Distribution System Upgrades	Cecil	1,963,000	0	180,000	Planning	1,783,000

State Unit	Project	Jurisdiction	Est. Cost	Prior Approp.	2017 Request	Phase	Future Req.
State Well Upgrades	State Well Upgrades	Regional	1,060,000	50,000	285,000	Planning and Construction	725,000
Other							
Cash Flow Adjustment		Statewide	0	-2,800,000	2,800,000		0
Total			**$80,940,000**	**$25,146,000**	**$24,825,000**		**$24,477,000**

WTP: water treatment plant
WW: wastewater
W&WWTP: water and wastewater treatment plants
WWTP: wastewater treatment plant

Source: Department of Budget and Management Capital Budget Worksheets

Projects

- **Maryland Correctional Institution – Hagerstown – Wastewater Treatment Plant Upgrade:** The requirement to upgrade to enhanced nutrient removal (ENR) technology as 1 of the 67 major WWTPs and the need to provide for other upgrades to support the following improvements: install denitrification filters, an ultraviolet disinfection system, a plant effluent supply line to the press building, a carbon source for further denitrification, a lime silo, an automated control system, and a new belt filter press; rehabilitate the headworks; and upgrade two clarifiers and launder covers for the remaining two clarifiers. The fiscal 2017 allowance includes $2,000,000 in GO bonds for construction for the third year of three years of split funding. In last year's analysis, MES noted that shifting funding into fiscal 2017 was of concern due to the timeframe to meet the calendar 2017 Watershed Implementation Plan commitment to upgrade all 67 major WWTPs to enhanced removal technology. It is also noted in the fiscal 2017 Maryland Department of the Environment's (MDE) capital analysis that the project may not be completed on time. However, it appears that the project could still be completed by the June 30, 2017, deadline since construction is estimated to end in June 2017. The project completion date appears to have been extended somewhat due to only one bid being received for the project in April 2015, as a result of a short four-week bid period. The bid period was extended to six weeks in August 2015, and seven bids were received. The overall project cost has decreased from $13,614,000 to $13,582,000, or $32,000, due to a reduction in the escalation rate. Of note, the overall project cost reflects $6.492 million in Bay Restoration Fund funding from MDE.

- **Western Correctional Institution – Wastewater Pump Station Improvements:** The age and overall condition of the wastewater pump station supports the following improvements: install two climber screens and two compactors to address large debris, build a 12-foot by 12-foot headworks building extension to house the new screen system, upgrade the control system and relocate it above ground, rehabilitate and retrofit the existing concrete wet well in order to address hydrogen sulfide corrosion, install new submersible pumps to replace the dry pit submersible vacuum pumps, and install necessary valves and connection fittings to provide for a bypass pump in case of an emergency. The overall project cost has decreased by $37,000 due to a reduction in the escalation rate, which was 6.5% but has been reduced to 4.0%. The fiscal 2017 authorization is $793,000 in GO bonds to complete construction.

- **State Water Storage – Greenbrier State Park Tanks:** Two water storage tanks at Greenbrier State Park are in need of reconditioning due to coating failure and corrosion on the interior of the tanks. Fiscal 2017 funding of $339,000 in GO bonds is provided for planning ($45,000) and construction ($294,000) in order to demolish and remove the existing tanks and to construct a new welded steel pressure tank for water storage and distribution. As part of an established water tank evaluation program, MES inspected the tanks in 2014 and found them to have coal tar – a possible carcinogen – coating on the interior of the tanks. The architectural and engineering basic services are 16.0%, which is rather high but MES notes that the fee for basic design services generally tends to be higher for small capital projects and that the basic design

includes estimated fees that may be necessary for testing and certification of the pressurized structural steel to ensure it meets American Society of Mechanical Engineers standards.

- **Southern Pre-Release Unit – Wastewater Treatment Plant Improvements:** Several wastewater treatment process problems identified in a recent field assessment and a new discharge permit support the following improvements: rehabilitate and upgrade the extended aeration package treatment plant; install an ultraviolet disinfection system; and replace pumping and piping equipment. As noted in last year's analysis, the original scope has changed, more stringent WWTP standards are needed because the decision has been made to discharge to a stream all-year round instead of to a spray field from spring through fall. This change was necessitated by interference with the Charles County Police Department shooting range operations. MES notes that discharge limits were revised on January 16, 2014, and the final discharge permit was issued by MDE in June 2014. As a result of the updated discharge limits and perhaps other factors, the project timeline appears to have slipped again from a November 2016 completion date to a September 2017 completion date. The fiscal 2017 allowance includes $285,000 in GO bonds for completing construction.

- **Eastern Correctional Institution – Wastewater Treatment Plant Upgrade:** The ECI WWTP upgrade project is required by a consent order. More specifically, funding is needed in order to meet a discharge permit issued on March 1, 2012, that will be effective on January 1, 2018. The overall project has been divided into four phases. To date, the project has received funding as follows: $269,000 in fiscal 2008, $6,961,000 in fiscal 2009, $1,514,000 in fiscal 2013, and $6,271,000 in fiscal 2016. The fiscal 2008 and 2009 funding provided for the completion of the first phase – the design and construction of a new equalization tank, which was completed in December 2010 – and the second phase – the design and construction of a new headworks, the area for the screening out of debris that can cause problems for equipment in later stages of treatment. The fiscal 2013 funding provided for design of the third and fourth phase of the improvements – the construction of a new membrane bioreactor WWTP – and included the following specific activities: replacement of the existing Carrousel plant with the membrane bioreactor, construction of postmembrane bioreactor denitrification and effluent filtration phosphorus removal, refurbishment of the ultraviolet disinfection system, improvement of the biosolids handling systems, upgrade of the electrical and process control systems, and upgrade of the reclaimed water use system. The fiscal 2016 funding of $6,271,000 provided for beginning construction of the third and fourth phases. Fiscal 2017 funding of $8,943,000 in GO bonds provides for additional funding for the third phase – primarily the construction of bioreactor process train 1. The final plant is designed to treat 1,140,000 gallons per day, which consists of 720,000 gallons per day for treatment of wastewater and 420,000 gallons per day for treatment of ammonia and phosphorus in the rejected water from the reverse osmosis drinking water process that has to be treated before it can be discharged. There is a pre-authorization of $2,772,000 in GO bonds for fiscal 2018.

- **Cunningham Falls State Park – Water Treatment Plant:** The deteriorated condition of the existing water treatment plant (WTP) has required the purchase of water; between June 16, 2014, and July 12, 2014, water purchase costs were $11,784. In order to resolve the

unreliable system, MES intends to install a WTP system, upgrade the electrical system and controls, modify piping and valves to allow flexible operation, and install an appropriately sized clear well to ensure sufficient water to clear the filter of particles through a process called backwashing. MES notes that the schedule to complete design in July 2016 and to begin construction in December 2016 has slipped a couple of months since it has taken longer than expected to receive test results from several years ago as well as information on the classification of the system, which determines the level of treatment required. The fiscal 2017 funding is $2,555,000 in GO bonds for beginning construction. There is a pre-authorization of $1,095,000 in GO bonds for fiscal 2018. **DLS recommends that MES comment on the updated schedule anticipated to be received from the architect/engineer.**

- **Eastern Pre-Release – Wastewater Treatment Plant:** The Eastern Pre-Release WWTP is not capable of meeting its discharge permit, issued in November 2013. Of note, MES was required to submit a Wastewater Capacity Management Plan to MDE because flow at the WWTP has exceeded 80% of its capacity for more than three years. The fiscal 2017 funding of $3,000,000 in GO bonds is programmed to begin construction of elements of the plan submitted to MDE. The funding would be used to begin construction of the WWTP, which includes adding a new facility consisting of an equalization tank, wastewater screens, a new treatment process, and a new ultraviolet disinfection system, and expand the treatment capacity. Fiscal 2018 funds are planned for completing construction of the WWTP and both dredging the existing 1.5-acre lagoon treatment system and decommissioning it such that the site is restored to its pre-existing condition. The replacement of the lagoon is intended to protect groundwater, which would need to be pumped and treated if contaminated. MES notes that design is ahead of schedule and is expected to be completed in June 2016 instead of October 2016. There is a pre-authorization of $1,100,000 in GO bonds for fiscal 2018.

- **Camp Fretterd – Water and Wastewater Treatment Plants and Water Distribution System Upgrades:** The Camp Fretterd Water and WWTPs and Water Distribution System project last received funding in fiscal 2015. Design was initially anticipated to begin in July 2014 but MES had difficulty locating utility and other records for the facilities at the project site and also had to wait until the Maryland Military Department had completed an evaluation of the proposed expansion of their facilities. The evaluation is complete and the revised flow projections are included in the design of this project. Water source, distribution, treatment deficiencies, and wastewater treatment deficiencies support the following improvements: construct a new backup well and new elevated water tank or a booster station with automated controls and install an advanced onsite wastewater treatment system and miscellaneous improvements. The fiscal 2017 allowance includes $1,473,000 in GO bonds to begin construction. The new discharge permit for the facility was issued in July 2015 and requires total nitrogen be reduced to a yearly maximum loading of 320 pounds with a monthly average total nitrogen concentration of 20 milligrams per liter that must be met by July 2017. MES notes that design is still on track to be completed by April 2016. There is a pre-authorization of $1,000,000 in GO bonds for fiscal 2018.

- **Eastern Correctional Institution – Co-generation Plant Upgrades:** The upgrade is necessitated by the wear-and-tear on the co-generation plant and the frequent power lapses because the plant is only able to generate 78% of the ECI's electricity needs. As of last year, this multi-phase (four phases) project was estimated to cost $21,345,000. The project has since been reduced substantially in scope – elimination of a third boiler, three of the four planned boiler feed pump replacements, and other components – to $4,321,000 due to the outcome of a cost-benefit analysis of adding a third boiler, the availability of operating and contingency funds, and MES's interest in not reducing available funding for other projects. The fiscal 2017 authorization of $1,138,000 is split between design ($212,000) and construction ($926,000) funding, which will complete Task 2 – replacement of oil cooled breakers, utility yard transformer, and retubing the dump condenser. There is a pre-authorization of $800,000 in GO bonds for fiscal 2018 and $702,000 in GO bonds for fiscal 2019.

- **Cheltenham Youth Center – Wastewater Treatment Plant:** A new DJS detention center was anticipated to begin design in fiscal 2017, and the existing WWTP was anticipated to have elevated ammonia levels due to concentration of urine in low-flow water fixtures. This supported the following improvements: replace the existing rotating biological contactors; upgrade the chemical storage and feed system; upgrade the sanitary collection system; upgrade the electrical, communication, and supervisory control and data acquisition systems; and upgrade the control building to provide adequate office space, laboratory space, and lockers in accordance with the latest building codes. The fiscal 2017 allowance includes $305,000 in GO bonds for completing design of the project, which MES notes is planned for December 2016.

- **Victor Cullen Wastewater Treatment Plant Upgrades:** The Victor Cullen WWTP Upgrades project consists of upgrades to the headworks, equalization tank, primary clarifiers, solids handling process, control building, reclamation of the original WWTP site, and rehabilitation of the wastewater collection system. These upgrades are recommended since the plant is over 25 years old and is designed around an outdated trickling filter wastewater treatment system. The fiscal 2017 funding of $373,000 in GO bonds funds design of the project. Construction funding has been delayed until fiscal 2019 and 2020, due to fiscal 2018 budget constraints. Of note, the current permit essentially expired January 31, 2016, and MDE has not issued a draft permit. MES notes that delaying construction funding means that there is the possibility that a more stringent permit will be issued that cannot be met by the existing facility.

- **Woodstock – Wastewater Treatment Plant Upgrades:** The existing WWTP at the Woodstock Job Corp Training Center is nearing the end of its usefulness as indicated by the corrosion of its steel tanks and the sewage treatment process failing its National Pollutant Discharge Elimination System permit. The fiscal 2017 capital budget includes $356,000 in GO bonds to design the project. Improvements include the replacement of the existing plant with a new compact WWTP that will include a screening and grit removal system, an equalization basin, a biological treatment system with clarification and sludge management system, and the installation of security fence to prevent vandalism. MES notes that a new more

stringent permit will be issued after the current permit expires in September 2019, but that the planned upgrade will meet the ENR-level requirements.

- **Fair Hill Natural Resources Management Area – Water Treatment Plant and Distribution System Upgrades:** The water treatment system at Fair Hill Natural Resources Management Area has deficiencies as follows: the water treatment plant lacks a heating and ventilation system, the water storage tank is corroded and must be drained every year or it will freeze, and the water distribution system is in poor condition and does not have an adequate amount of control/isolation valves or fire hydrants. The fiscal 2017 design funding of $180,000 in GO bonds will eventually provide for the construction of the following: a new water treatment building with laboratory area, heating and ventilation system, and room for chemical storage; new water lines throughout the complex and fire hydrants for water distribution; and an elevated water storage tank. Of note, MES will need to coordinate with DNR on the upgrade project since the fiscal 2017 capital budget also includes design funds for a project to upgrade camping facilities at Fair Hill Natural Resources Management Area.

- **State Well Upgrades:** Fiscal 2017 funding of $285,000 in GO bonds is programmed for the construction of new wells at Dan's Mountain State Park and for design of the new wells at Meadow Mountain Youth Center and Backbone Mountain Youth Center. The current wells are either inadequate or inoperable relative to the goal of meeting the demand for potable water. The project includes the review of hydrogeological data, performance of hydrogeological surveys, implementation of test borings and possible surface geophysical methods to find water bearing fracture zones, and construction of potable water wells at each park. MES notes that architect and engineer (A/E) basic services are 12.8% because the rate also includes the cost of the hydrogeologists for groundwater investigation and siting of the well location and necessary laboratory testing of the water quality.

Updates

1. Master Plan Update

MES completed a revision of its Water and Wastewater Master Plan in September 2011. Staff was planning to complete an update and distribute a revised plan in January 2014. MES now notes that the 2014 Master Plan update was sent to DBM on February 26, 2016.

2. Cost-benefit Analysis of the Proposed Third Boiler for the Eastern Correctional Institution – Co-generation Plant

In MES's fiscal 2016 capital budget analysis, DLS recommended that MES prepare and deliver to DBM a cost-benefit analysis on the proposed fiscal 2020 low-pressure steam boiler procurement as part of MES's fiscal 2017 request package. MES anticipated at the time that the addition of the

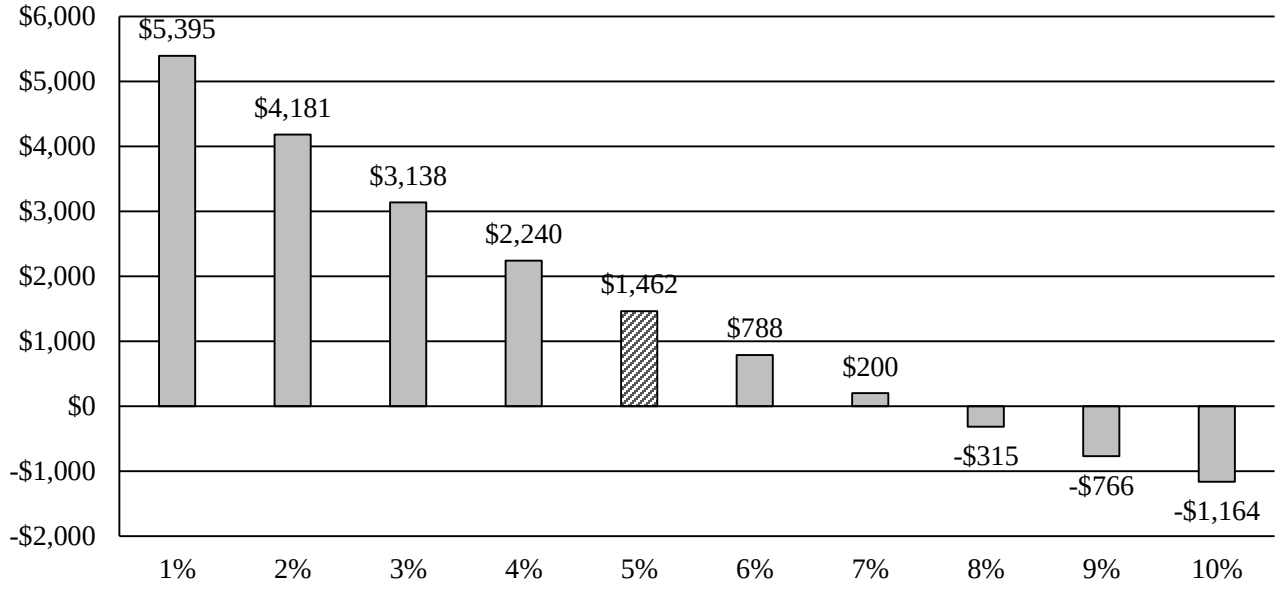
proposed low-pressure steam boiler in fiscal 2020, at a cost of $7,700,000, would address the low-pressure/low-temperature steam needs of the ECI – Co-generation plant and allow the high-pressure/high-temperature steam to be used for power generation. Furthermore, MES noted that the combined heat and power generation facility's benefits outweigh those of the utility grid even though a cost-benefit analysis comparing the power cost from the electrical grid and the co-generation plant had not been conducted in years.

MES contracted with HDR, Inc. to conduct a cost-benefit analysis of the addition of a third boiler at the co-generation plant. The analysis determined that the present value of the current facility's operation and maintenance costs without the third boiler are lower than the present value of the new facility's operating and maintenance costs with the capital costs for the additional boiler. However, the 8% discount rate used for the cost-benefit analysis may have skewed the results in favor of eliminating the new boiler from the plan. A more reasonable discount rate is the State's coupon rate for debt which is in the 5% range. As shown in **Exhibit 6**, the net benefit of a third boiler using a 5% discount rate is $1.5 million. MES notes that, even using a 5% discount rate, there is sufficient volatility in the energy market and risk of a service disruption while installing a third boiler that reduces the net benefit from the third boiler. MES recommends that the proposal to add a third boiler be reevaluated after the current round of upgrades to the plant are completed and energy markets stabilize.

Exhibit 6

Net Benefit of New Boiler on Operations Costs Compared by Discount Rate

($ in Thousands)



Note: A reasonable estimate of the coupon rate on the State debt that would support the new boiler is 5%.

Source: Maryland Environmental Service; Department of Legislative Services

3. New Department of Juvenile Services Detention Center's Wastewater Treatment Options

DJS is constructing a new detention center on the site of the former Thomas O'Farrell Youth Center in Carroll County. New water and sewer utilities are needed because the previous service deteriorated to the point that it needed to be abandoned. For fiscal 2016, $400,000 in planning funding was requested. This funding would be used to complete the design of the project, which was evaluated according to five options shown in **Exhibit 7**. MES and its consultant determined new service lines connecting to the Carroll County system could be constructed and only 3 easements from private property owners are needed, not 19 as determined by the previous consultant; all other easements are on State-owned property. MES notes that the A/E basic services for the project are 12.7%, or $500,147, because of the need to develop and chart the piping alignment and prepare plats for easements. For the initial evaluation, the A/E was given a notice to proceed on January 28, 2015, with a contract end date of June 30, 2015. The A/E contract scope included evaluation of all five options in terms of costs and feasibility, and recommendation of a solution. BPW approved the design contract on February 26, 2016, and the MES Board of Directors approved it on February 29, 2016. MES held a kickoff meeting with the A/E, Department of General Services, DJS, and DJS' design team on March 7, 2016.

Exhibit 7
New Department of Juvenile Services Detention Center – Wastewater Treatment Plant Improvements Options

Option	Description	Comment	Cost
Option A	Run water and sewer traveling through roadway to the nearest water and sewer connections.	Requires only three easements from private property owners and is the preferred option due to the lowest annual operation and maintenance costs	$2,521,675
Option B	Run water and sewer along the alignment of the abandoned water main.	Difficult to maintain.	2,712,645
Option C	Run the sewer along the same route as the existing abandoned force main and run water main the same as Option B.	Difficult to maintain.	2,528,370
Option D	Run water main the same as Option A and the sewer the same as Option C.	Difficult to maintain.	2,349,425
Option E	Construct onsite water and wastewater treatment systems.	Highest annual operating and maintenance costs	To be determined.

Source: Maryland Environmental Service

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Camp Fretterd – Water and Wastewater Treatment Plants and Water Distribution System Upgrades					
Estimated Operating Cost	$0.000	-$0.043	-$0.052	-$0.052	-$0.052
Estimated Staffing (Contractual Full-time Equivalents (FTE))	0	0	0	0	0
Explanation: The Camp Fretterd – Water and Wastewater Treatment Plant and Water Distribution System Upgrades project reflects the savings from no longer needing to transport wastewater for offsite treatment.					
Cheltenham Youth Center – Wastewater Treatment Plant					
Estimated Operating Cost	$0.000	$0.000	$0.000	$0.013	$0.003
Estimated Staffing (Contractual FTEs)	0.0	0.0	0.0	0.0	0.0
Explanation: The Cheltenham Youth Center – Wastewater Treatment Plant project reflects increased power and chemical use after the upgrade and the need to outfit new office space.					
Cunningham Falls State Park – Water Treatment Plant					
Estimated Operating Cost	$0.000	$0.000	$0.002	$0.002	$0.002
Estimated Staffing (Contractual FTEs)	0	0	0	0	0
Explanation: The Cunningham Falls State Park – Water Treatment Plant reflects the need for increased power use and chemicals due to installation of an advanced wastewater treatment plant system.					
Eastern Correctional Institution – Wastewater Treatment Plant Upgrade					
Estimated Operating Cost	$0.000	$0.000	$0.000	-$0.010	-$0.010
Estimated Staffing (Contractual FTEs)	0	0	0	0	0
Explanation: The Eastern Correctional Institution – Wastewater Treatment Plant Upgrade reflects the reduced cost (a decrease from $72/ton to $50/ton because of the shift from an unstabilized sludges that would need to be disposed of at a landfill to a lime-stabilized, class B sludge, which can be land applied) for sludge disposal after the upgrade, which is offset partially by an increase for chemicals for membrane cleaning and biosolids stabilization.					

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Eastern Pre-Release – Wastewater Treatment Plant					
Estimated Operating Cost	$0.000	$0.000	$0.000	$0.004	$0.005
Estimated Staffing (Contractual FTEs)	0	0	0	0	0
Explanation: The Eastern Pre-Release – Wastewater Treatment Plant reflects the need for increased power and chemical use as a result of the upgrade.					
Maryland Correctional Institution – Hagerstown – Wastewater Treatment Plant Upgrade					
Estimated Operating Cost	$0.000	$0.006	$0.006	$0.006	$0.006
Estimated Staffing (Contractual FTEs)	0	0	0	0	0
Explanation: The Maryland Correctional Institution – Hagerstown – Wastewater Treatment Plant Upgrade reflects the need for increased electricity for ultraviolet disinfection and chemical supplies such as methanol or MicroC as a supplemental carbon source.					
Southern Pre-Release Unit – Wastewater Treatment Plant Improvements					
Estimated Operating Cost	$0.000	$0.001	$0.001	$0.001	$0.001
Estimated Staffing (Contractual FTEs)	0	0	0	0	0
Explanation: The Southern Pre-Release Unit – Wastewater Treatment Plant Improvements reflects the need for increased electricity for ultraviolet disinfection and chemical supplies for membrane cleaning.					
Victor Cullen Wastewater Treatment Plant Upgrades					
Estimated Operating Cost	$0.000	$0.000	$0.000	$0.001	$0.001
Estimated Staffing (Contractual FTEs)	0	0	0	0	0
Explanation: The Victor Cullen Wastewater Treatment Plant Upgrades reflects the increased cost of utilities and increased chemical use.					
Western Correctional Institution – Wastewater Pump Station Improvements					
Estimated Operating Cost	$0.000	-$0.001	-$0.001	-$0.001	-$0.001
Estimated Staffing (Contractual FTEs)	0	0	0	0	0
Explanation: The Western Correctional Institution – Wastewater Pump Station Improvements reflects the assumption of electricity savings due to new high efficiency motors.					

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Woodstock – Wastewater Treatment Plant Upgrades					
Estimated Operating Cost	$0.000	$0.000	$0.000	$0.000	$0.001
Estimated Staffing (Contractual FTEs)	0	0	0	0	0
Explanation: The Woodstock – Wastewater Treatment Plant Upgrades reflects the need for additional chemicals.					
Total Operating Impact					
Estimated Operating Cost	**$0.000**	**-$0.037**	**-$0.044**	**-$0.037**	**-$0.045**
Estimated Staffing (Contractual FTEs)	**0**	**0**	**0**	**0**	**0**

Consolidated Administrative Expenses – All Programs
($ in Millions)

	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Sources:			
Special Funds			
DNR – Maryland Park Service	$0.151	$0.162	$0.164
Subtotal – Special Funds	**$0.151**	**$0.162**	**$0.164**
General Funds (Other State Reimbursable Projects)	$0.545	$0.614	$0.582
Total Funds	**$0.696**	**$0.776**	**$0.746**
Uses:			
Direct Expenses	$0.635	$0.757	$0.727
Indirect Expenses (Legal, Marketing, Asset Management)	0.061	0.019	0.019
Total Direct and Indirect Expenses	**$0.696**	**$0.776**	**$0.746**

DNR: Department of Natural Resources

MES's administrative expenses increase from $695,752 in fiscal 2015 to $776,071 in fiscal 2016. Costs decrease to $746,117 in fiscal 2017. MES's administrative expenses are divided into (1) work on capital improvement projects; and (2) staff charges for the annual budget request, master plan updates, and questions posed by DBM and DLS. The main reason for the reduction in administrative expenses between fiscal 2016 and 2017 is a reduction in the overhead rate charged for capital improvement projects This was offset partially by an increase in funding for salary increases, fringe benefits, and overhead.

Pre-authorizations and De-authorizations

The fiscal 2017 capital budget bill includes the pre-authorization of $6,767,000 for fiscal 2018 and $702,000 for fiscal 2019, as reflected in **Exhibit 8**. **DLS recommends that the pre-authorization of $6,767,000 for fiscal 2018 and $702,000 for fiscal 2019 be approved.**

Exhibit 8
Pre-authorizations and De-authorizations

Pre-authorizations

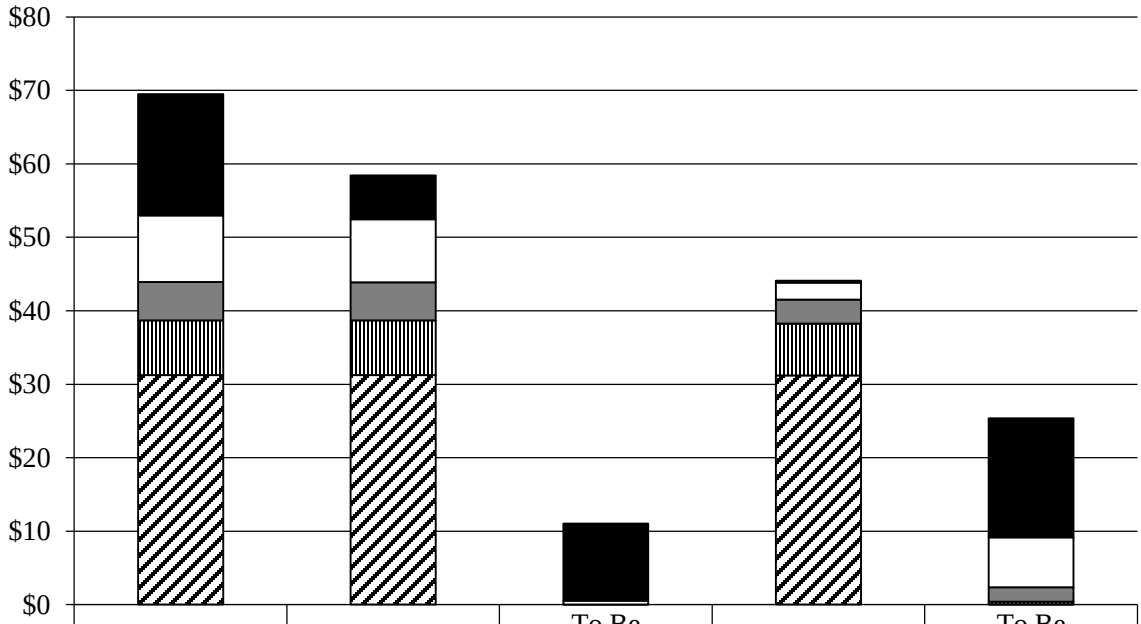
Project	FY 18	FY 19	FY 20	Reason
Eastern Correctional Institution – Wastewater Treatment Plant	$2,772,000	$0	$0	Allow for split funding of construction over fiscal 2017 and 2018
Eastern Pre-Release – Wastewater Treatment Plant	1,100,000	0	0	Allow for split funding of construction over fiscal 2017 and 2018
Cunningham Falls State Park – Water Treatment Plant	1,095,000	0	0	Allow for split funding of construction over fiscal 2017 and 2018
Camp Fretterd – Water and Wastewater Treatment Plants and Water Distribution System	1,000,000	0	0	Allow for split funding of construction over fiscal 2017 and 2018
Eastern Correctional Institution – Co-generation Plant Upgrades	800,000	702,000	0	Allow for split funding of construction over fiscal 2017, 2018, and 2019
Total	**$6,767,000**	**$702,000**	**$0**	

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Encumbrances and Expenditures

The MES encumbrance and expenditure history for the State Water and Sewer Infrastructure Improvement Fund is shown in **Exhibit 9**. Overall, $69.5 million in GO bonds have been authorized. Of this amount, MES has encumbered $58.4 million; $11.1 million remains to be encumbered. The majority of the funding remaining to be encumbered was authorized in fiscal 2015 and 2016.

Exhibit 9
Infrastructure Improvement Fund Encumbrances and Expenditures
Program Inception through January 2016
($ in Millions)



	Authorization	Encumbered	To Be Encumbered	Expended	To Be Expended
Total	$69.464	$58.411	$11.053	$44.077	$25.387
■ 2016	16.471	5.967	10.504	0.255	16.216
□ 2015	9.079	8.551	0.528	2.301	6.778
▩ 2014	5.200	5.200	0.000	3.243	1.957
▥ 2013	7.462	7.441	0.021	7.073	0.389
▨ Prior Years	31.252	31.252	0.000	31.206	0.046

Note: No funding was provided in either fiscal 2011 or 2012.

Source: Maryland Environmental Service

GO Bond Recommended Actions

1. Approve the $24,825,000 general obligation bond authorization for the Infrastructure Improvement Fund to provide funds to design, construct, and equip water and wastewater facility improvements for State institutions.

2. Approve the pre-authorization of $6,767,000 in general obligation bonds for split-funded Infrastructure Improvement Fund construction projects in fiscal 2018. The projects include Camp Fretterd – Water and Wastewater Treatment Plants and Water Distribution System Upgrades ($1,000,000), Cunningham Falls State Park – Water Treatment Plant ($1,095,000), Eastern Correctional Institution – Co-generation Plant Upgrades ($800,000), Eastern Correctional Institution – Wastewater Treatment Plant ($2,772,000), and Eastern Pre-Release – Wastewater Treatment Plant ($1,100,000).

3. Approve the $702,000 general obligation bond pre-authorization in fiscal 2019 for a split-funded Infrastructure Improvement Fund construction project – Eastern Correctional Institution – Co-generation Plant Upgrades.

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
New Female Detention Center	$5.025	$15.168	$29.178	$16.059	$0.000	$0.000	$0.000
BCJJC – Education Expansion	0.000	0.000	0.572	0.699	7.861	7.967	0.000
Meadow Mountain Youth Center	0.000	0.000	0.000	0.000	1.287	1.573	35.601
Hickey School – New Detention Center	0.000	0.000	0.000	0.000	0.000	3.294	95.044
Total	**$5.025**	**$15.168**	**$29.750**	**$16.758**	**$9.148**	**$12.834**	**$130.645**

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.	Beyond CIP
GO Bonds	$5.025	$15.168	$29.750	$16.758	$9.148	$12.834	$130.645
Total	**$5.025**	**$15.168**	**$29.750**	**$16.758**	**$9.148**	**$12.834**	**$130.645**

BCJJC: Baltimore City Juvenile Justice Center
CIP: *Capital Improvement Program*
GO: general obligation

For further information contact: Rebecca J. Ruff Phone (410) 946-5530

Summary of Recommended Bond Actions

1. New Female Detention Center

   Approve approximately $15.2 million in general obligation bonds for the New Female Detention Center in Carroll County.

2. SECTION 2 – Department of Juvenile Services – Lower Shore Treatment Center

   Approve the de-authorization of funds for the Lower Shore Treatment Center.

3. SECTION 12 – Department of Juvenile Services – New Female Detention Center

   Approve the pre-authorization of fiscal 2018 construction funding for the New Female Detention Center.

4. SECTION 13 – Department of Juvenile Services – New Female Detention Center

   Approve the fiscal 2019 pre-authorization of funds to complete construction of the New Female Detention Center.

Performance Measures and Outputs

The Department of Juvenile Services (DJS) provides individualized care and treatment to youth under the age of 18 who violate criminal law, are likely to violate that law, or are likely to endanger themselves or others. This responsibility is carried out through residential and nonresidential care programs. The State's capital program addresses the facilities in which residential programs are provided, which include:

- community residential facilities, such as group homes, which are programs designed to prevent youth from being placed in a secure residential facility, or to facilitate the return of previously institutionalized youth to the community;

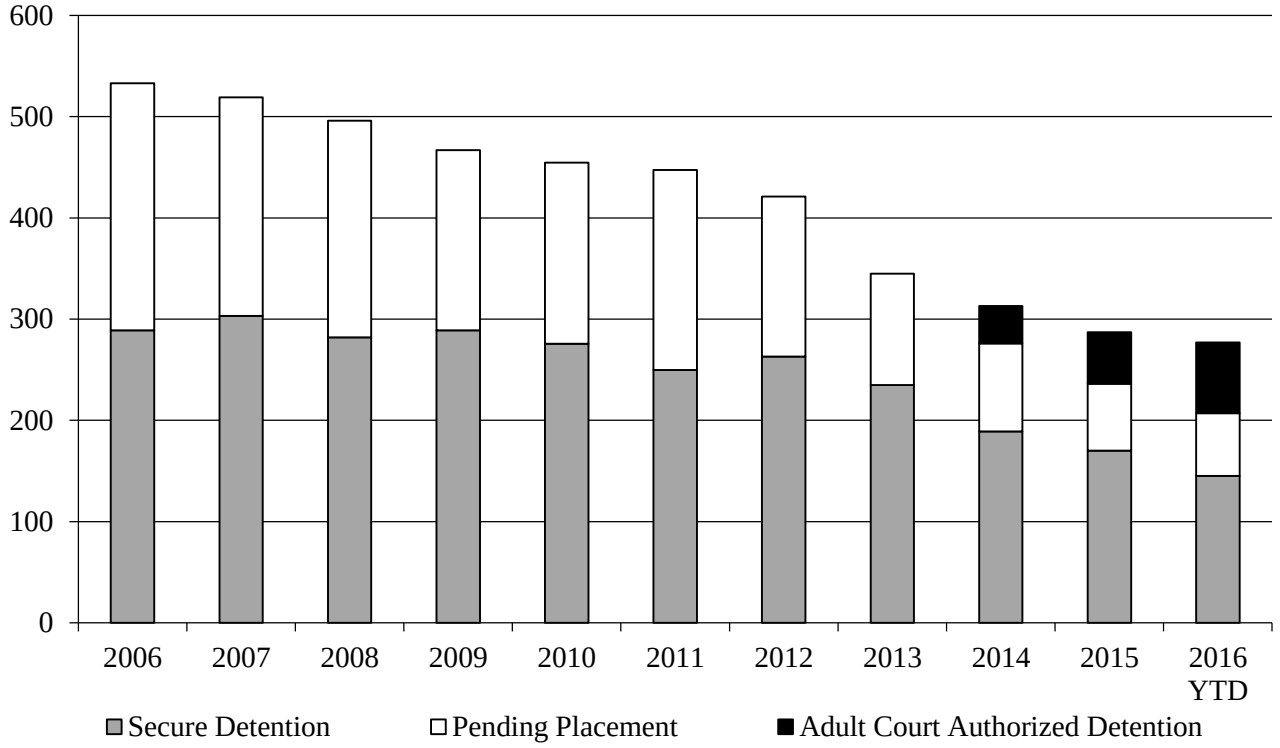
- secure detention facilities, which hold youth who have been authorized for emergency detention by a DJS intake officer, have been accused of an offense, which would be a crime if committed by an adult, or have been ordered detained by a court. These facilities also hold youth who have been adjudicated delinquent and pending placement to a committed program; and

- secure committed facilities, which hold youth who are entrusted to the department for long-term treatment in a secure setting.

Secure Detention

Arrest rates for juveniles between the ages of 10 and 17 continue to decline, falling 37.3% over the past five years, with a decrease of 13.8% in the most recent year-over-year change. Approximately 23,400 complaints were referred to the department in fiscal 2015, reflective of a 6.6% decrease from the previous year. Nearly half of the complaints referred to the department did not require court intervention. Formal cases declined by 11.0% in fiscal 2015, to just below 12,000 cases. This, combined with increased use of alternative to detention programs and the implementation of the continuum of care, has had a noticeable impact on the department's secure detention population, as evidenced in **Exhibit 1**.

Exhibit 1
Department of Juvenile Services Detention Facilities
Average Daily Population
Fiscal 2006-2016 Year-to-date



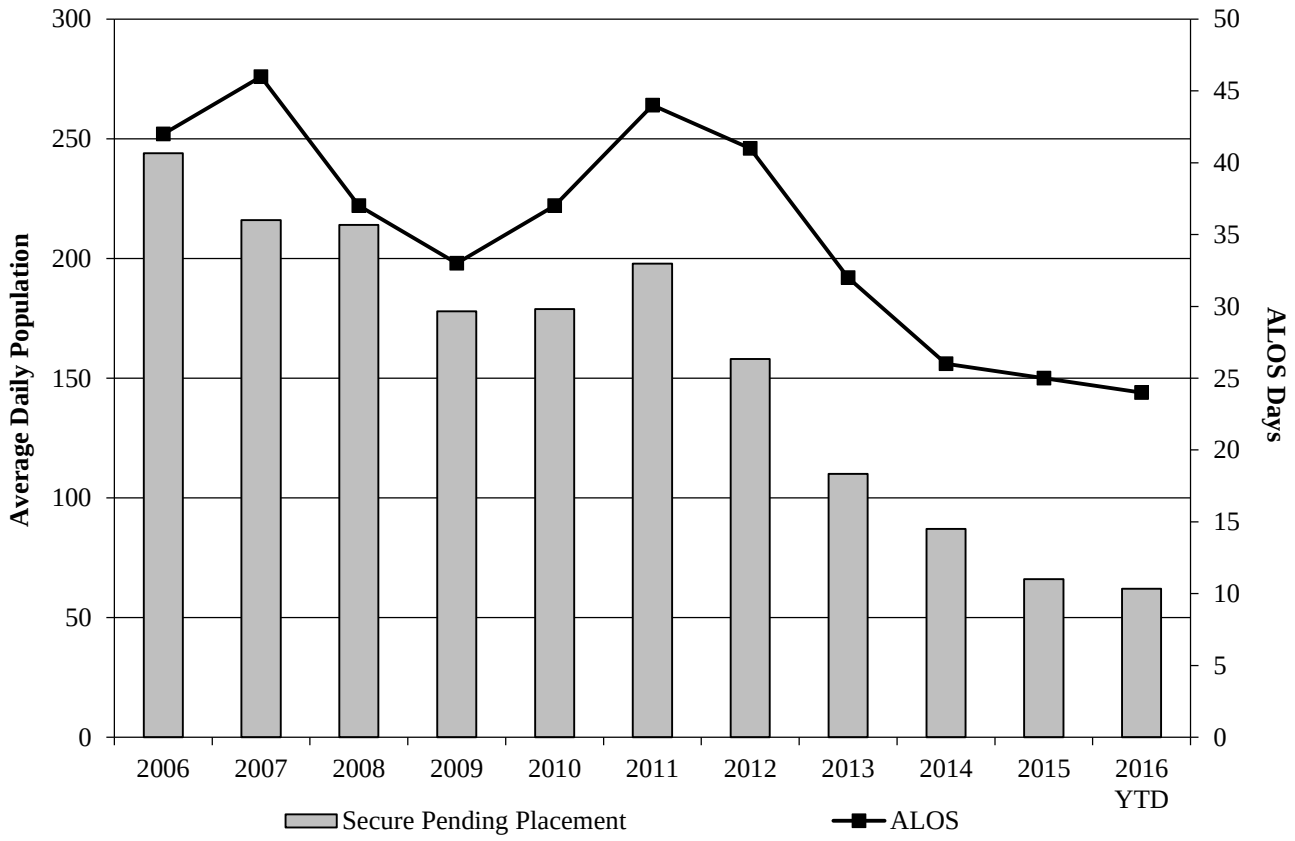
YTD: year-to-date

Note: Fiscal 2016 data is through December 2015.

Source: Department of Juvenile Services

There were nearly 300 fewer pre-adjudication and pending placement youth detained in DJS facilities in fiscal 2015 compared to a decade ago, reflecting a 56% decrease since fiscal 2006. Comparing year-over-year change, the detention population decreased by 8% between fiscal 2014 and 2015 to an average daily population (ADP) of 287 youth, despite a nearly 38% increase in the adult court authorized detention population. As **Exhibit 2** illustrates, the fiscal 2015 pending placement ADP of 66 youth marked the second consecutive year that the pending placement population was below 100 youth, and a 24% reduction from the previous fiscal year.

Exhibit 2
Pending Placement Average Population and Length of Stay
Fiscal 2006-2016 Year-to-date



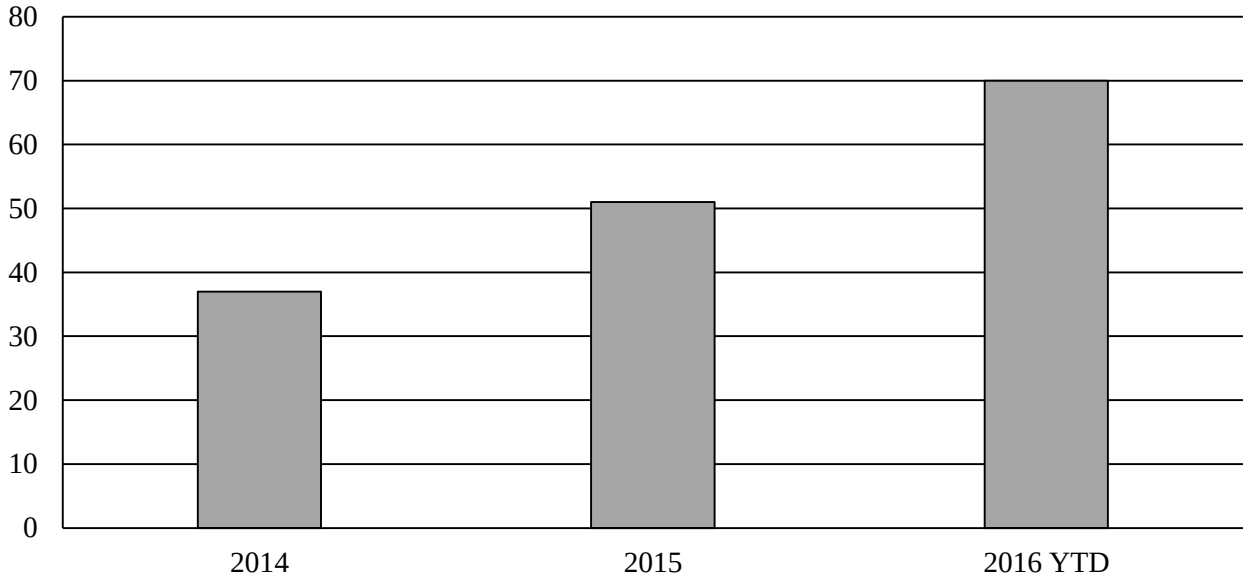
ALOS: average length of stay
YTD: year-to-date

Note: Fiscal 2016 data is through December 2015.

Source: Department of Juvenile Services

Effective October 1, 2015, courts are required to order a youth charged as an adult who is eligible for transfer to the juvenile system to be held in a juvenile detention facility, while pending that transfer decision, with a few exceptions. DJS has seen a significant increase in its youth charged as adult population in the past two years (**Exhibit 3**). In fiscal 2014, DJS had an ADP of 37 youth charged as adults held in its facilities. That number has increased to an ADP of 70 youth for the first six months of fiscal 2016, an increase of 89%. Given the significant decreases in other DJS detention populations, the department has been able to absorb this increase; however, the new legislation has been in effect for less than six months. The full extent of the impact on the DJS detention population is not fully known, and the potential exists for significantly increasing the ADP. For example, DJS estimated that the total statewide youth charged as adult population in fiscal 2015 was an ADP of 128 youth, of which 51 were held in DJS facilities. Under the new legislation, it is anticipated that DJS will house the majority of these youth. The projected population for fiscal 2017 is 160 youth, which would mean a 129% increase over the current fiscal 2016 level.

Exhibit 3
Adult Court Authorized Detention
Average Daily Population
Fiscal 2014-2016 Year-to-date



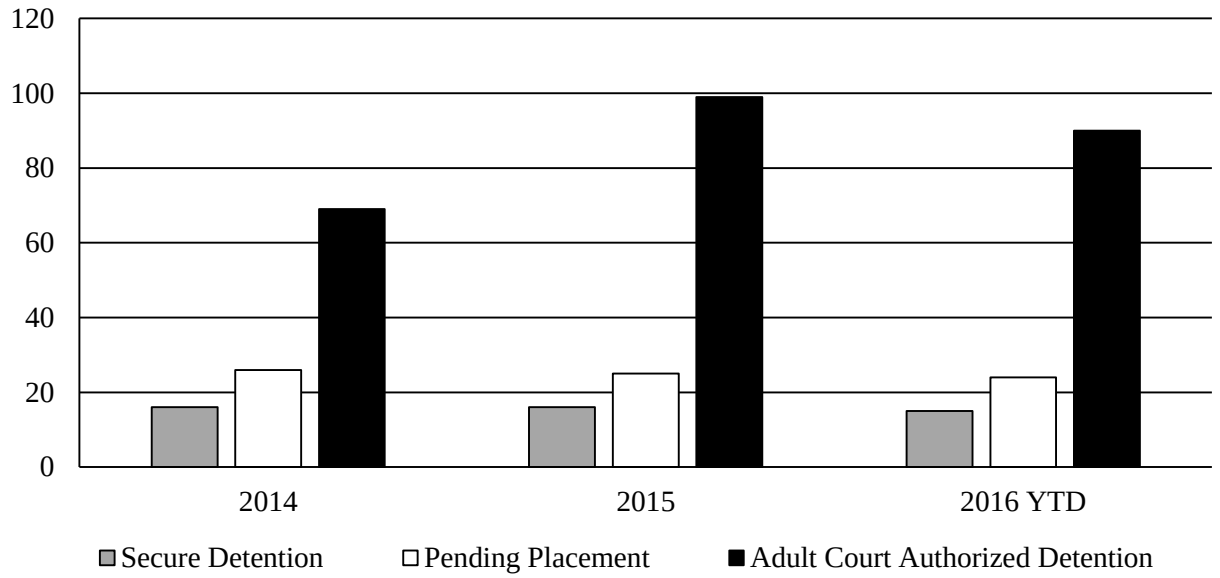
YTD: year-to-date

Note: Fiscal 2016 data is through December 2015.

Source: Department of Juvenile Services

These youth also have significantly longer lengths of stay than other detention populations (**Exhibit 4**), which can impact facility operations. The average length of stay (ALOS) for a youth in secure (pre-adjudication) detention was 16 days in fiscal 2015. With improvements to the pending placement population through the continuum of care, DJS lowered the ALOS for pending placement youth to 25 days. The ALOS for the youth charged as adult population, however, was at 99 days in fiscal 2015, which is more than two months longer than other populations.

Exhibit 4
Average Length of Stay for Youth in DJS Detention Facilities
Fiscal 2014-2016 Year-to-date



YTD: year-to-date

Note: Fiscal 2016 data is through December 2015.

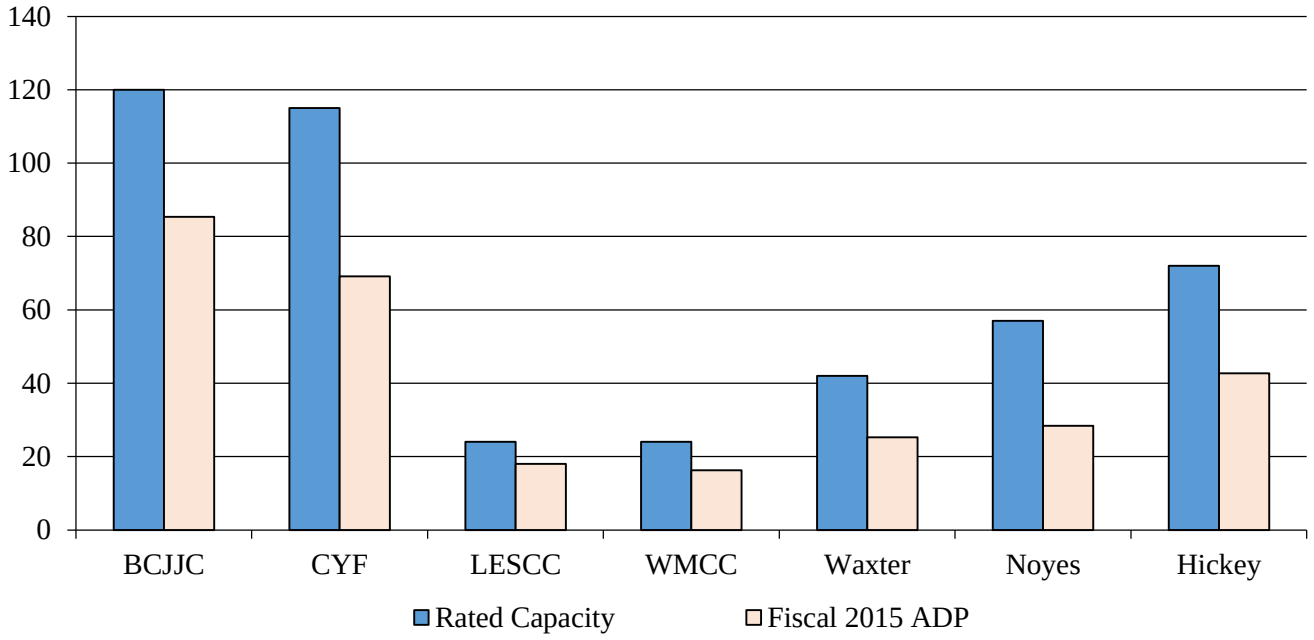
Source: Department of Juvenile Services

Exhibit 5 compares the rated capacity for each DJS detention facility to the fiscal 2015 population. As a whole, the detention population occupied 63% of available bedspace in fiscal 2015, with each facility operating significantly under capacity. The fiscal 2015 detention ADP was 216 youth below the total rated capacity for all detention facilities, meaning that the department could likely absorb any additional increase in the youth charged as adult population.

The Lower Eastern Shore Children's Center and the Baltimore City Juvenile Justice Center (BCJJC) operated closest to capacity in fiscal 2015, utilizing 75% and 71% of available bedspace,

respectively. BCJJC also operated with the highest ADP (85 youth), as Baltimore City has the highest population of youth held in detention pending action from the adult courts. Cheltenham Youth Facility (CYF) currently houses detained youth from the Metro and Southern regions, as DJS has been unable to garner support for constructing a detention facility in the Southern Region. In fiscal 2015, CYF operated at 60% of its current capacity of 115 beds; the ADP was 69 youth. When the new detention center at CYF opens at the start of fiscal 2017, the rated capacity of the facility will decrease to 72 beds. Most recently, CYF's ADP was 79 youth in January 2016. With the increase in the adult authorized detention population, DJS will have to evaluate how best to manage the Southern and Metro detention populations with the reduced capacity for those regions.

Exhibit 5
Department of Juvenile Services
Fiscal 2015 Population versus Rated Capacity
Detention Facilities



ADP: average daily population
BCJJC: Baltimore City Juvenile Justice Center
CYF: Cheltenham Youth Facility
LESCC: Lower Eastern Shore Children's Center
WMCC: Western Maryland Children's Center

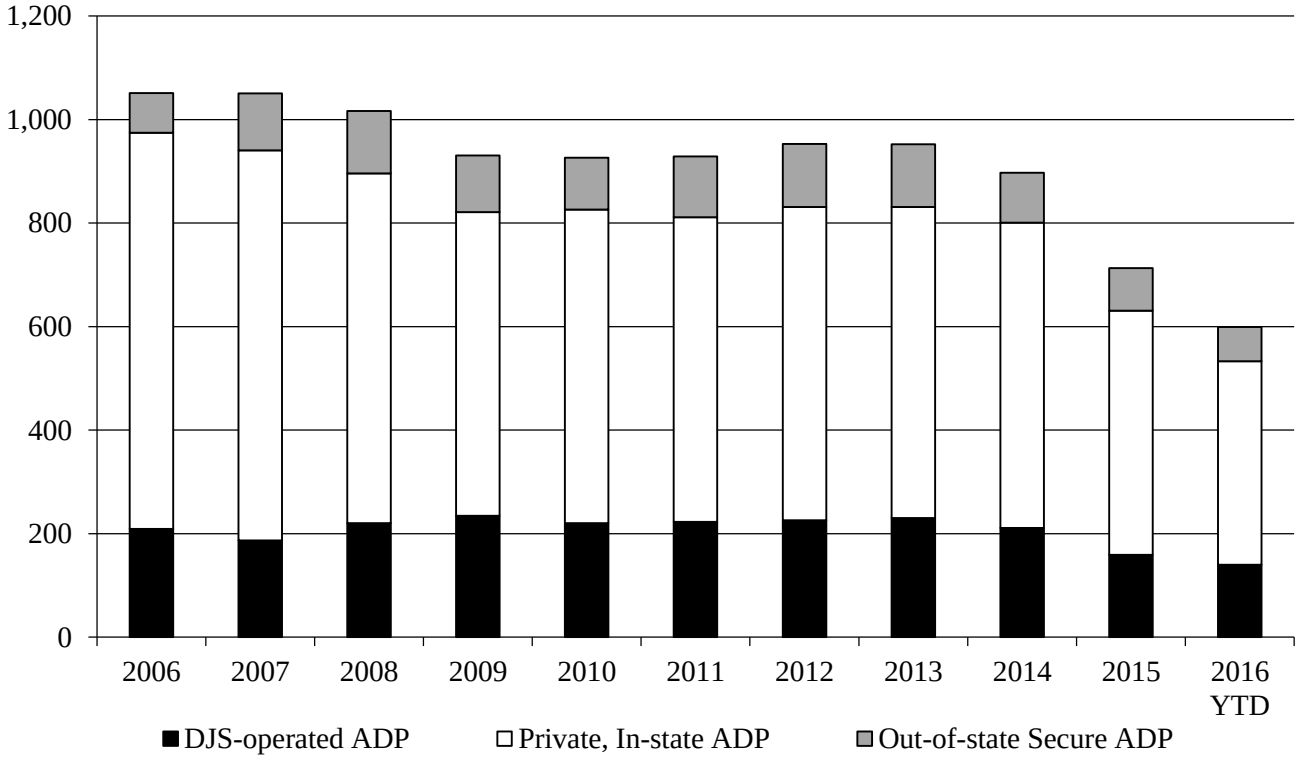
Note: Fiscal 2015 ADP includes youth held in Department of Juvenile Services facilities pending adult charges.

Source: Department of Juvenile Services, Fiscal 2015 *Data Resource Guide*

Secure Committed Facilities

Exhibit 6 illustrates the ADP of youth in all types of committed residential programs. The out-of-home committed population declined for the second consecutive year in fiscal 2015. The population rose slightly between fiscal 2011 and 2013 (3%), as the department increased its efforts to move youth out of pending placement status and into committed residential programs more quickly. Since then, as the effects of declining populations in other areas of the juvenile justice system have worked their way through, the out-of-home committed ADP has declined by 240 youth, or 25%. In fiscal 2015, an ADP of 711 youth were in committed residential programs. Data through the first six months of fiscal 2016 shows a significant decline of nearly 16% to an ADP of 599 youth.

Exhibit 6
Committed Residential Placements
Fiscal 2006-2016 Year-to-date



ADP: average daily population
DJS: Department of Juvenile Services
YTD: year-to-date

Source: Department of Juvenile Services

Of all youth in committed residential placements, slightly less than 90% remain in-state. Since fiscal 2013, the out-of-state population has declined by an ADP of 39 youth, or 32%. Preliminary data from fiscal 2016 shows a continued decline to an out-of-state ADP of 66 youth. This is likely the result of more available in-state capacity due to the population declines experienced across all aspects of the juvenile justice system. Nearly three-quarters of youth committed to in-state residential placements are placed in private per diem facilities (a mix of foster care, group homes, substance abuse, and mental health treatment programs, residential treatment centers, and staff secure facilities). In fiscal 2015, an average of 631 youth was committed to an in-state residential placement, with 393 of those youth placed in privately operated programs.

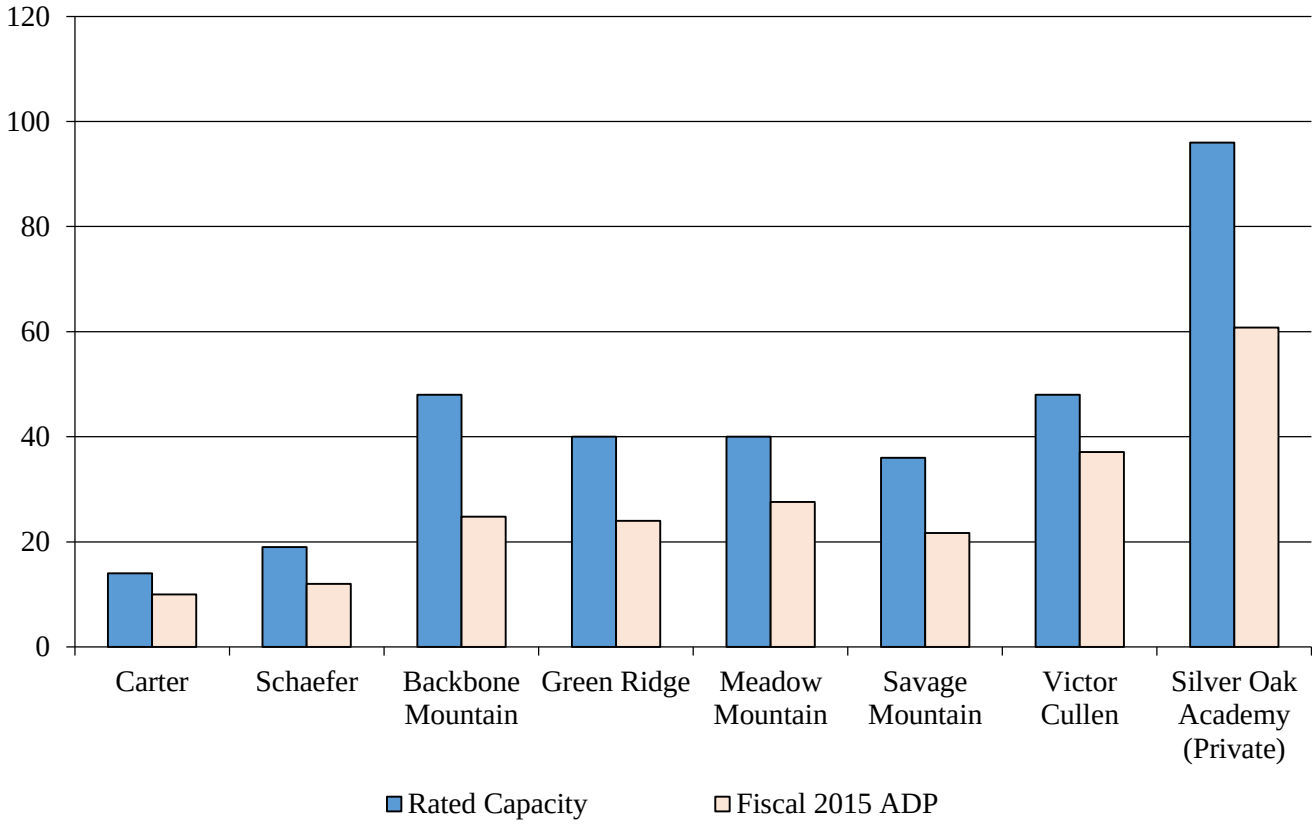
The ADP for State-run committed facilities was 158 youth in fiscal 2015, a 25% decrease from the previous fiscal year. Data from the first six months of fiscal 2016 indicates a 13% decline, to an ADP of 140 youth, meaning that all DJS secure committed facilities are operating under capacity. **Exhibit 7** provides a comparison of each facility to the fiscal 2015 population. This data also includes population and capacity information for the privately run Silver Oak Academy in Carroll County because this private facility exclusively services DJS youth. The residential committed population accounted for 64% of total committed capacity in fiscal 2015. All State-run committed programs, with the exception of Victor Cullen, operated below 75% capacity in fiscal 2015. Victor Cullen operated at 77% capacity.

Modifications to the Committed Facility Complement

DJS is modifying its State-operated facility complement in fiscal 2017. The department is closing the William Donald Schaefer House, a 19-bed residential substance abuse treatment facility for male youth in Baltimore City, due to cost containment. The treatment program lasts up to 120 days and serves male youth between the ages of 13 and 18. The ADP for the facility in fiscal 2015 was 12 youth. DJS intends to provide the same services to those youth through the existing substance abuse treatment program at the Meadow Mountain Youth Camp in the Western Region.

In addition, DJS is implementing physical plant changes to increase the security level at the Savage Mountain Youth Center, located in the Western Region. With the anticipated addition of a fence around the facility's perimeter, the Savage Mountain Youth Center will upgrade to a hardware secure facility. DJS has certified the availability of $1.5 million in fiscal 2016 funding for use by the Department of General Services (DGS) to procure the fence. In order to achieve the appropriate youth-to-staff ratio for a hardware secure facility, the rated capacity will be reduced from 36 to 24 beds. Total State-operated hardware secure beds will increase to 72 beds. Operating the Savage Mountain Youth Center as a hardware secure facility provides the department with an additional in-state option to accommodate youth who pose a flight risk at a less secure facility.

Exhibit 7
Department of Juvenile Services
Fiscal 2015 Population versus Rated Capacity
Committed Residential Programs



ADP: average daily population

Source: Department of Juvenile Services, Fiscal 2015 *Data Resource Guide*

Budget Overview

DJS receives nearly $15.2 million in fiscal 2017 to continue funding the acquisition and design costs, in addition to beginning construction, for a new 48-bed female detention center on the grounds of the former Thomas O'Farrell Center. The new facility will allow for female detention services to be relocated from the existing detention building located at the Thomas J. S. Waxter Center (Waxter Center) in Anne Arundel County. The Waxter Center has a myriad of issues that hinder security and the department's ability to provide adequate programming for the detained female population. These issues broadly include insufficient education space, outdated and aging infrastructure, and poor sightlines in the housing units. The new facility will house administrative, operational, support, and programmatic functions, providing female youth with a 8:1 youth-to-staff ratio and adequate space for gender-specific programming. The existing facility houses a maximum of 42 predispositional and pending placement female youth from across the State. The capacity of the new facility will be 48 beds in order to also accommodate the female detention population currently housed at the Alfred D. Noyes Children's Center. The fiscal 2015 statewide female ADP was 37, most of whom will be housed at the new facility. In addition, the facility will house up to an estimated 9 juveniles charged as adults in accordance with Chapter 442 of 2015.

The new female detention center will be sited on the grounds of the former Thomas O'Farrell Center in Marriotsville, Carroll County. Five buildings currently standing on the site will be demolished as part of the project. A total of $5.0 million has already been authorized for design and $25,000 for acquisition costs associated with obtaining easements for new water and sewage lines. The fiscal 2017 allowance provides an additional $125,000 for acquisition, $664,000 for design, and $14.4 million to begin construction. This is approximately $15.3 million below the fiscal 2017 anticipated authorization. Construction funding has been reduced to reflect schedule delays resulting from the need to evaluate options for implementing utilities. The fiscal 2017 capital budget also pre-authorizes $28.8 million and $14.4 million in construction funding for fiscal 2018 and 2019, respectively. Equipment funding is reduced based on anticipated need. Offsetting these reductions is the addition of $660,000 for an enlarged facilities maintenance building. Previous designs assumed use of the maintenance facilities at the Hickey School in Baltimore County, which is a considerable distance from the O'Farrell Center site.

DJS has been working with DGS and the Maryland Environmental Service (MES) to complete a feasibility study to identify the best option for connecting the property with public water, sewer, natural gas, and enhanced electrical service. MES will provide water and sewer utilities for the facility under a separate capital project, as it has been determined that new water and sewer systems must be built to serve the new detention facility. The current plan for providing water and sewer includes connecting into the county's systems, which requires obtaining real estate easements from privately owned properties and other State agencies.

Design and construction for the detention facility runs concurrent with the utility project. The fiscal 2016 capital budget provided $400,000 for MES to begin design of the project. The design contract was approved in February 2016. DJS began design of the detention facility in March 2015. The project schedule for construction, anticipated to begin in February 2017, allows over a year to obtain the necessary easements. The anticipated completion dates for the utility and facility projects

are August 2018 and February 2019, respectively. The total estimated cost to MES for the utility project is $4.6 million. The total estimated cost of the detention facility is $65.4 million.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement – State-owned Projects
($ in Millions)

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
New Female Detention Center						
	Estimated Operating Cost	$0.000	$0.000	$1.277	$2.410	$2.128
	Estimated Staffing			34	34	34
Total Operating Impact						
	Estimated Operating Cost	**$0.000**	**$0.000**	**$1.277**	**$2.410**	**$2.128**
	Estimated Staffing			**34**	**34**	**34**

Summary of Other Projects in the Capital Improvement Program

There are three additional projects provided for DJS in the 2016 *Capital Improvement Program* (CIP) that do not receive funding in fiscal 2017:

- ***BCJJC Education Expansion* –** Serious education space deficiencies have resulted in the use of the staff break room, visitation room, records storage room, and a bulk storage room to provide education services. The 2016 CIP anticipates $572,000 in design funds in fiscal 2018, similar to what was planned in the previous year's CIP. Once begun, this project will construct a new three-story building to accommodate expanded education and support services space at the Baltimore City detention facility. The total project cost is estimated to be $17.1 million, a nearly $2.0 million decrease from the estimate provided in the 2015 CIP. The final year of funding for the project would be fiscal 2021.

- ***Meadow Mountain Youth Center* –** Funding is programmed in fiscal 2020 to begin planning for the construction of two new buildings to replace the existing dormitory, administration, school, health, and facilities maintenance buildings. The existing facilities hinder security and lack programmatic capacity. The total project cost is estimated to be $38.5 million.

- ***Charles H. Hickey Jr. School – New Detention Center –*** Design funding is planned for fiscal 2021 to construct a new detention center and combined services building on the grounds of the Charles H. Hickey Jr. School to serve male youth and the youth charged as adult population. The new facility will be located on the Pratt Campus and serve as a replacement to the existing obsolete detention buildings located on the Fletcher Campus. The Pratt Campus is currently partially utilized. The new facility, estimated to cost $98.3 million, will include space for housing, dietary services, education, somatic and behavioral health, recreation, administrative support, *etc*.

Projects Removed from the *Capital Improvement Program*

Exhibit 8 details the three projects deleted from the 2016 CIP. The 2015 CIP had programmed funding for the design and construction of three new treatment centers located throughout the State. As evidenced in the previously discussed population analysis, all facets of the juvenile justice system have experienced population declines. The out-of-state committed population has decreased significantly, all State-run facilities are operating under capacity, and pending placement populations are at historically low levels. As such, the need to construct new treatment facilities is no longer warranted and the projects have been canceled.

Exhibit 8
Projects Removed from the *Capital Improvement Program*
Fiscal 2017

Project	Description	Reason for Deletion
CYF – New Treatment Center	48-bed secure treatment center	Population decline no longer warrants the project.
Eastern Shore Treatment Center	36-bed secure treatment center	Population decline no longer warrants the project.
Baltimore Regional Treatment Center	48-bed secure treatment center	Population decline no longer warrants the project.

CYF: Cheltenham Youth Facility

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

Pre-authorizations and De-authorizations

Exhibit 9 provides details on the $43.1 million in construction funding pre-authorized for the New Female Detention Center and the de-authorization of $300,000 in fiscal 2015 funding provided for the design of a new Eastern Shore Treatment Center. That project has been deleted from the CIP; significant population declines no longer necessitate the facility.

Exhibit 9
Pre-authorizations and De-authorizations
Fiscal 2018-2020
($ in Millions)

Pre-authorizations

Project	2018	2019	2020	Reason
New Female Detention Center	$28.758	$14.379	$0.000	Based on anticipated construction cash flow.

De-authorizations

Project	De-authorized Amount	Reason
Lower Shore Treatment Center	$0.300	Project canceled.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve approximately $15.2 million in general obligation bonds for continued acquisition, design, and construction of the New Female Detention Center on the grounds of the Thomas O'Farrell Center, located in Carroll County.

2. Approve the de-authorization of $300,000 in fiscal 2015 general obligation bonds provided to design the Lower Shore Treatment Center.

3. Approve the fiscal 2018 pre-authorization of $28.8 million in general obligation bonds for the New Female Detention Center.

4. Approve the fiscal 2019 pre-authorization of $14.4 million to complete construction of the New Female Detention Center.

ZA00
Miscellaneous Grant Programs

Capital Budget Summary

Summary of State-owned Projects Funded in Governor's Request
($ in Millions)

Projects	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
Angel's Watch Shelter	$0.000	$0.750	$0.000	$0.000	$0.000	$0.000
Arthur Perdue Stadium	0.270	0.775	1.000	0.000	0.000	0.000
Center Stage	1.000	3.000	6.000	0.000	0.000	0.000
Charles E. Smith Life Communities	0.000	0.400	0.800	0.000	0.000	0.000
Chesapeake Bay Maritime Museum	0.250	0.250	0.250	0.000	0.000	0.000
Historic Annapolis	0.250	1.000	0.000	0.000	0.000	0.000
Kennedy Krieger Institute	7.500	1.750	0.000	0.000	0.000	0.000
Maryland Zoo in Baltimore*	33.500	2.500	2.500	2.500	5.000	5.000
National Sailing Hall of Fame	0.250	1.000	2.000	0.000	0.000	0.000
Peale Center	0.000	0.400	0.000	0.000	0.000	0.000
Sinai Hospital	0.000	2.000	4.000	0.000	0.000	0.000
Western Maryland Scenic Railroad	0.000	0.400	0.000	0.000	0.000	0.000
Subtotal – This Analysis	***$43.020***	***$14.225***	***$16.550***	***$2.500***	***$5.000***	***$5.000***
Maryland Hospital Association		$4.237	$5.000	$5.000	$5.000	$5.000
Maryland Independent College and University Association		8.000	8.000	8.000	8.000	8.000
Prince George's Hospital	$65.000	27.500	67.500	40.000	0.000	0.000
Subtotal – Separate Analysis	***$65.000***	***$39.737***	***$80.500***	***$53.000***	***$13.000***	***$13.000***
Total	**$108.020**	**$53.962**	**$97.050**	**$55.500**	**$18.000**	**$18.000**

.

For further information contact: Tonya D. Zimmerman Phone (410) 946-5530

Fund Source	Prior Auth.	2017 Request	2018 Est.	2019 Est.	2020 Est.	2021 Est.
GO Bonds	$108.020	$53.962	$97.050	$55.500	$18.000	$18.000
Total	**$108.020**	**$53.962**	**$97.050**	**$55.500**	**$18.000**	**$18.000**

GO: general obligation

*Funding from Maryland Consolidated Capital Bond Loan of 2007 through Maryland Consolidated Capital Bond Loan of 2015.

Note: Future funding for miscellaneous grants, excluding Maryland Zoo in Baltimore, are shown in the 2016 *Capital Improvement Program* as future requests, but are not reflected in the 2016 *Capital Improvement Program.* The amounts requested are listed in fiscal 2018. This chart does not include matching and other non-miscellaneous grants GO bond funds for these projects.

Summary of Recommended Bond Actions

Funds

1. Angel's Watch Shelter

   Approve.

2. Arthur Perdue Stadium

   Approve.

3. Center Stage

   Approve.

4. Charles E. Smith Life Communities

   Approve.

5. Chesapeake Bay Maritime Museum

   Approve.

6. Historic Annapolis

   Approve.

Funds

7. Kennedy Krieger Institute

   Approve.

8. Maryland Zoo in Baltimore

   Approve.

9. National Sailing Hall of Fame

   Approve.

10. Peale Center

    Approve.

11. Sinai Hospital of Baltimore

    Approve.

12. Western Maryland Scenic Railroad

    Approve.

13. SECTION 2 – Local Senate Initiatives – Community Post

    Approve the de-authorization.

14. SECTION 2 – Local Senate Initiative – Heritage Trail and Saint Helena Park

    Approve the de-authorization.

15. SECTION 2 – Local Senate Initiatives – MacDonald Knolls Center I

    Approve the de-authorization.

16. SECTION 2 – Local Senate Initiatives – The Arc of Montgomery County Group Home

    Approve the de-authorization.

		Funds
17.	SECTION 2 – Local House Initiatives – Community Post Approve the de-authorization.	
18.	SECTION 2 – Local House Initiatives – MacDonald Knolls Center Approve the de-authorization.	
19.	SECTION 2 – Miscellaneous Grant Programs – Maryland Food Bank Approve change to specify project locations.	
20.	SECTION 2 – Miscellaneous Grant Programs – Sports Legends Museum Renovations Amend de-authorization to allow a portion of the funds to be used for the Babe Ruth Birthplace Museum.	$50,000 DA
	Total Reductions	**$50,000 DA**

The Maryland Consolidated Capital Bond Loan (MCCBL) of 2016 includes general obligation (GO) bond funding for a variety of miscellaneous grants. A few of these grants and programs are contained in separate analyses, but the remainder are presented in this combined analysis. Fiscal 2017 GO bond funds for grants contained in this analysis total $14.2 million. Some of these projects are reflected in the 2016 *Capital Improvement Program* (CIP) with future funding requests, even though no out-year funds are planned in the 2016 CIP for miscellaneous grants in this analysis, except the Maryland Zoo in Baltimore.

Budget Overview

Angel's Watch Shelter

Project Description: The funding for this project will be used to construct a new Angel's Watch Shelter in Waldorf. The need for services at the current facility greatly exceeds its current capacity.

($ in Millions)

Fund Use	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Acquisition	$0.000	$0.321	$0.000	$0.000
Planning	0.000	0.768	0.000	0.768
Construction	0.000	2.872	0.750	3.622
Equipment	0.000	0.279	0.000	0.279
Other	0.000	0.250	0.000	0.250
Total	**$0.000**	**$4.490**	**$0.750**	**$5.240**

Fund Source				
State: 42.9%	$0.000	$2.250	$0.000	$2.250
Matching Fund: 57.1%	0.000	2.240	0.750	2.990
Total	**$0.000**	**$4.490**	**$0.750**	**$5.240**

Comments: In 2013, the existing Angel's Watch Shelter facility in Waldorf was only able to accept 74 of the 688 clients referred to it due to the lack of capacity. A new site would increase the program's capacity by 50% and allow the shelter to increase capacity to 60 people, as well as provide space for 20 additional emergency shelter clients during hypothermia alerts. The new facility would also add amenities such as a community room, dining room, computer room, library, fitness room, and play area.

The total cost of the project is estimated to be $5.24 million with the State contributing 42.9% of this amount. The fiscal 2017 allowance provides $750,000 for construction for this miscellaneous project grant, and the recipient anticipates another $750,000 for construction in fiscal 2018, which is

not reflected in the 2016 CIP and is shown as matching funds in the earlier chart. The project also anticipates an additional $1.5 million in State funds in the form of a grant from the Department of Housing and Community Development's Shelter and Transitional Housing Facilities Grant Program, which is reflected in the fund summary chart.

Recommendation: Approve.

Arthur Perdue Stadium

Project Description: The fiscal 2017 capital budget includes $775,000 in GO bond funds to restore and modernize Arthur Perdue Stadium in Wicomico County. Specifically, the project covers several phases of renovations that include the replacement of field lighting and baseball field, clubhouse and batting cage modernization, restoration of building's exterior and seating bowl, heating and ventilation replacement, spectator seating and video board replacement, and fan amenity upgrades. State funds in the fiscal 2017 allowance will allow for the projects under Phase 3 to commence as discussed below.

($ in Millions)

Fund Use	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Planning	$0.150	$0.150	$0.100	$0.400
Construction	1.700	1.270	0.900	3.870
Equipment	0.000	0.000	0.000	0.000
Total	**$1.850**	**$1.420**	**$1.000**	**$4.270**

Fund Source				
State: 47.9%	$0.270	$0.775	$1.000	$2.045
Matching Fund: 52.1%	1.580	0.645	0.000	2.225
Total	**$1.850**	**$1.420**	**$1.000**	**$4.270**

Note: The 2016 CIP reflects a future funding request for the project and thus it is reflected in the exhibit. However, the 2016 CIP does not actually program future funding for the project and so the State's future commitment is indeterminate.

Comments: In June 2012, Wicomico County requested that the Maryland Stadium Authority (MSA) perform a market and economic impact study of the Arthur Perdue Stadium to determine what enhancements are necessary to keep the facility competitive. The study was released in October 2014. It makes several recommendations for improvements to the stadium including seating improvements, structural repair, fan amenities, a multi-use boardwalk deck, parking, museum, and office space. The study estimates that the improvements would increase stadium earnings from $4.6 million to between $5.1 million to $5.3 million.

Additionally, the agreement between the county and the team (Delmarva Shorebirds – a minor league affiliate of the Baltimore Orioles) is contingent on specified facility improvements. The agreement was signed in June 2015 and would expire in 2037. However, failure to make facility improvements as outlined in the agreement would enable the team to cease operations or relocate.

Phase 1 of the project has been completed and included renovations to the clubhouses, batting cages, and tunnel. Phase 2 began in August 2015 and includes replacing the field lighting; turf restoration; improvements to the heating, ventilation, and water systems; and the removal of the water

tower. The State contributed $270,000 in GO bond funding to these renovations. These funds have yet to be encumbered.

The current State request ($775,000) would be dedicated to Phase 3 of the project. Phase 3 includes seating improvements, the construction of a 360-degree circulation deck, a new video board, new fan amenities, and various repair projects. Total costs of Phase 3 are expected to be $2.9 million and would extend into fiscal 2018.

The total State contribution for the project is expected to be $2.045 million, or 47.9%, of the total. The county will contribute the vast majority of the remaining funds. However, the franchisee will contribute $200,000 to defray some of the costs. The project is scheduled for completion by the end of calendar 2017.

Recommendation: Approve.

Center Stage

Project Description: The fiscal 2017 capital budget includes $3 million in GO bond funds to renovate, equip, and expand Center Stage in Baltimore City. Specifically, the project includes the design and renovation of the existing facility to improve functionality and the design and construction of a new children's theater, education center, and entryway. Additionally, plans include the renovation of the dining, lobby, ticketing, and restroom spaces. Offices and the Head Theater (one of the facility's main auditoriums) would also benefit from renovations and improvements.

($ in Millions)

Fund Use	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Planning	$2.250	$0.000	$0.000	$2.250
Construction	0.000	7.600	14.000	21.600
Equipment	0.000	0.000	3.100	3.100
Other	0.250	1.100	1.032	2.382
Total	**$2.500**	**$8.700**	**$18.132**	**$29.332**

Fund Source				
State: 34.1%	$1.000	$3.000	$6.000	$10.000
Matching Fund: 65.9%	1.500	5.700	12.132	19.332
Total	**$2.500**	**$8.700**	**$18.132**	**$29.332**

Note: The 2016 CIP reflects a future funding request for the project and thus it is reflected in the exhibit. However, the 2016 CIP does not actually program future funding for the project and so the State's future commitment is indeterminate.

Comments: Center Stage is the official State Theater (along with the Olney Theater, which is the State Summer Theater). The theater was launched in 1963. Currently, the facility houses two auditoriums that host a variety of productions and draws approximately 100,000 visitors per year. The planned improvements are estimated to increase the number of visitors to over 150,000 annually, including an increase in the number of school-age visitors.

Much of the theater's programmatic components are considered obsolete, including production equipment, stage mechanics, and lighting and audio equipment. The theater also reports that its public spaces are inadequate and configured in a manner that often create overcrowding and confusion for visitors. Operational components of the theater are also in need of replacement and repair. Elevators, food service spaces, and restrooms are worn and inefficient. Further, the heating and ventilation systems are over 20 years old.

The addition of an education site would include a rehearsal space and classroom to house community events and outreach programming. The theater advises that this addition will enable it to welcome 30,000 students each year, more than doubling current numbers. Further it would enable children's programming on multiple days each week as compared to the current once-a-week schedule.

Fiscal 2017 marks the second year of State GO bond support for the project. In 2014, the State provided $1.0 million for the planning phase. An architectural firm has been retained and a master plan was devised to incorporate all planned improvements. Further, a construction contractor has also been retained, and final planning has been completed. To date, matching funds of $1.5 million have been raised. However, of that amount, $200,000 was provided through the Department of Commerce's Preservation of Cultural Arts program, as required by the Budget Reconciliation and Financing Act of 2014. Ongoing fundraising events, such as the 2016 *Baltimore Sun* online auction, are expected to contribute to the remaining matching fund needs. Construction is recently underway (January 2016) with an expected construction timeline of 13 months.

It should also be noted that the theater gets consistent operating fund support through grants from the Maryland State Arts Council that range from $450,000 to $550,000 annually. Additionally, GO bond funding was provided to the theater in 1999 and in 2005 for various renovation needs.

Recommendation: Approve.

Charles E. Smith Life Communities

Project Description: The Revitz House, on the campus of the Charles E. Smith Life Communities (CESLC), is an independent living community for seniors and adults with disabilities. Renovations on the 39-year-old building began in 2010, totaling $7.2 million for unrelated projects. The project request includes upgrading the generator, replacing windows, and renovating the bathrooms, kitchen, and dining room.

($ in Millions)

Fund Use	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Planning	$0.000	$0.010	$0.080	$0.090
Construction	0.000	1.305	1.400	2.705
Equipment	0.000	0.285	0.120	0.405
Total	**$0.000**	**$1.600**	**$1.600**	**$3.200**

Fund Source				
State: 37.5%	$0.000	$0.400	$0.800	$1.200
Matching Fund: 62.5%	0.000	1.200	0.800	2.000
Total	**$0.000**	**$1.600**	**$1.600**	**$3.200**

Note: The 2016 CIP reflects a future funding request for the project and thus it is reflected in the exhibit. However, the 2016 CIP does not actually program funding for the project and so the State's future commitment is indeterminate.

Comments: The upgrades and renovations included in the 2016 CIP are intended to address safety and resident comfort concerns as well as improving efficiencies and reducing operating costs.

CESLC became aware of the need for a new generator after the 2012 derecho storm. The current generator covers limited emergency functions. The generator upgrade will allow for nearly 100% power during outages, which will make it possible for residents to remain in their apartments and eliminate the need to replace perishable food.

Apartments within the building were built for a younger and less frail population. They have bathtubs that create a safety hazard and limit accessibility. The bathroom renovation will replace the tubs with walk-in showers that include hand rails and grab bars. The renovations will also repair tiles and improve lighting in the bathroom.

CESLC indicates that the windows in the Revitz House are nearing the end of their useful life. They are drafty and leak, resulting in increased costs for the residents. New windows will increase energy efficiency and prevent leaks, reducing costs for residents.

The kitchen and dining room renovation will replace an aging kitchen that will improve operating and maintenance costs. It will also create a multipurpose space that can be used by the residents for social, educational, and recreational activities.

The project will cost $3.2 million divided evenly over fiscal 2017 and 2018. CESLC is seeking $400,000 in State funds with $1.2 million in matching funds in fiscal 2017. CESLC expects Montgomery County ($400,000), private philanthropy ($400,000), and approval of a bond bill ($400,000) to provide the matching funds. To date, no funds have been raised.

Although not reflected in the fund summary, the State provided $2 million from fiscal 2009 through 2013 for various other renovations to the Revitz House.

Recommendation: Approve.

Chesapeake Bay Maritime Museum

Project Description: The Chesapeake Bay Maritime Museum (Talbot County) is devoted to the maritime heritage of the Chesapeake Bay. It is located on Navy Point in St. Michael's, Maryland, and consists of a campus of 16 historic buildings (built before 1945), 21 nonhistoric buildings (built between 1945 and the present), and an historic drawbridge. The museum's mission is to preserve and explore the history, environment, and people of the Chesapeake Bay. Its vision is to be the premier maritime museum for studying, exhibiting, preserving, and celebrating the important history and culture of the Chesapeake Bay – the largest estuary in the United States. Several large museum attractions include the 1879 Hooper Strait Chesapeake Lighthouse, the original Knapps Narrows drawbridge, and arguably the largest collection of Chesapeake Bay boats in the world. The museum is also known for its Apprentice for a Day Public Boatbuilding program and receives approximately 66,000 visitors per year.

The fiscal 2017 allowance includes $250,000 in GO bonds for addressing the immediate capital needs on the campus as a result of years of deferred maintenance that now compromises safety, security, and the mission of the museum. Of note, HB 206 and SB 140 (Creation of a State Debt – Talbot County – Chesapeake Bay Maritime Museum) have been introduced in the 2016 legislative session to provide $250,000 for the museum in response to a bond bill request.

($ in Millions)

Fund Use	**Prior Approp.**	**FY 2017 Request**	**Future Estimated**	**Estimated Total**
Planning	$0.028	$0.028	$0.028	$0.084
Construction	0.289	0.289	0.289	0.866
Equipment	0.183	0.183	0.183	0.550
Total	**$0.500**	**$0.500**	**$0.500**	**$1.500**

Fund Source				
State: 50%	$0.250	$0.250	$0.250	$0.750
Matching Fund: 50%	0.250	0.250	0.250	0.750
Total	**$0.500**	**$0.500**	**$0.500**	**$1.500**

Note: The 2016 CIP reflects a future funding request for the project and thus it is reflected in the exhibit. However, the 2016 CIP does not actually program future funding for the project and so the State's future commitment is indeterminate.

As shown in **Exhibit 1**, the museum has received $1.28 million from the State through fiscal 2016. The fiscal 2016 funding of $250,000 is the only funding that is directly tied to the current project being proposed and is the only project funding that the museum designates as not having been completed.

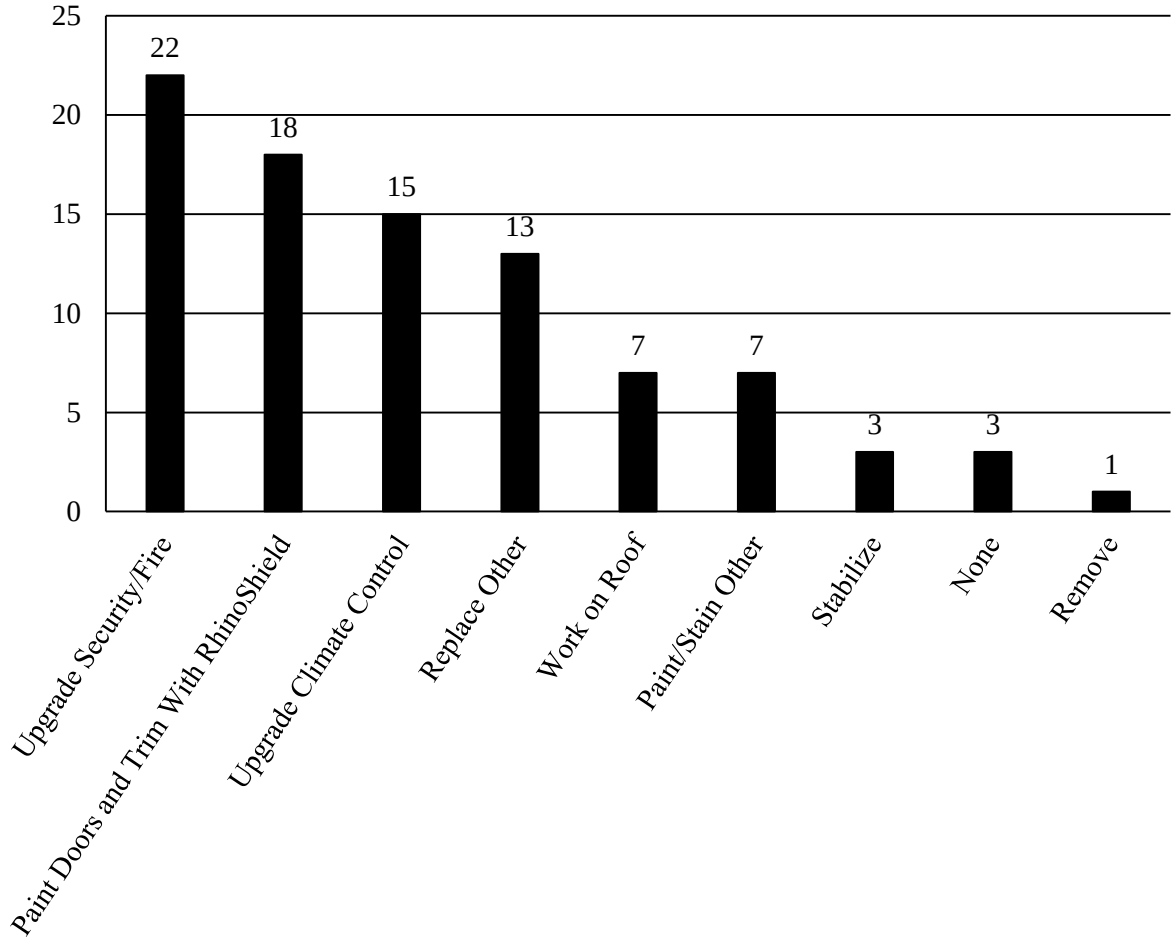
Exhibit 1
Chesapeake Bay Maritime Museum
Fiscal 2001-2016

Year and Funding	Activity	Amount	Status	Relationship to Fiscal 2017 Funding
Fiscal 2001-2012	Grants to the Chesapeake Bay Maritime Museum, Inc. for design, construction, and equipping of new buildings, and for the renovation and restoration of existing facilities and exhibits and bulkhead between fiscal 2001 and 2012 ($930,000); and a grant from the Waterway Improvement Program to replace the bulkhead in fiscal 2009 ($99,000).	$1,029,000	Completed	None
Fiscal 2016	Grant to the Chesapeake Bay Maritime Museum, Inc. for acquisition, planning, design, construction, repair, renovation, reconstruction, and capital equipping.	250,000	In Progress	Continuation
Total		**$1,279,000**		

Source: Capital Improvements Authorized by the General Assembly 1999 through 2015; Chesapeake Bay Maritime Museum

As shown in **Exhibit 2**, the museum's 37 buildings, both historic and nonhistoric, and 1 bridge (Knapps Narrows drawbridge) have an extensive list of needs. Of these, 1 building needs to be removed, and 3 have no needs at this time. The remaining structures have an average of 2.2 each, with the greatest needs being upgrading security/fire systems, painting doors and trim with Rhino Shield – a ceramic coating solution, and upgrading climate controls. In particular, the Knapps Narrows drawbridge (a 95-foot-long and 20-foot-wide overhead counterweight bascule span bridge built in 1934) is in need of resurfacing based on an agreement with the State to maintain it. The museum notes that the bridge contributed to the Tilghman Island Historic District before being moved and has been determined to be eligible for listing on the National Register of Historic Places by Maryland's State Historic Preservation Officer.

Exhibit 2
Count of Chesapeake Bay Maritime Museum Needs
Fiscal 2017 and Beyond



Note: The 37 buildings and 1 bridge may have more than one need.

Source: Chesapeake Bay Maritime Museum

Comments: The museum has received a significant amount of State funding over the years, which appears to reflect the substantial physical plant need. The sheer number of buildings and the Knapps Narrows drawbridge would be a sufficient challenge for upkeep, but the museum must also comply with St. Michaels Historic District building requirements for materials and visual approval; noncompliance could mean the denial of building permits or other forms of enforcement after a building permit is issued. In addition, the museum must comply with Maryland Historical Trust treatments for,

among other activities, stabilizing deteriorated roof systems because otherwise the museum could be ineligible to receive State funding, such as bond bills. Finally, the museum notes that it plans on expanding its attendance to 100,000 by 2020, an approximately 52% increase. In order to do this, the museum notes that it is in the second year of a planned seven-year capital campaign titled *Reaching Forward*, which will raise more than an estimated $20 million in order to meet visitor demand generated by increased marketing, new exhibitions, and greater numbers of restorations and events. The museum notes that it used Maryland Historical Trust Revolving Loan Fund funding in the past, but that this funding is not a good match for its current needs because all of the planned capital work is for mission-related structures, which do not have revenue streams that could be used to repay a loan.

Recommendation: Approve.

Historic Annapolis

Project Description: Restore the historic James Brice House so that it may be opened to the public for tours, exhibits, and research, as well as continue to serve as office space for Historic Annapolis, Inc. (HA). The work will address a number of structural and material deficiencies in the exterior and interior of the property, while also providing a number of necessary modifications that will allow for public access and visitation. As outlined in the scope of work below, there are three phases of execution that coincide with the availability of funds.

- **Phase I** will use $1.0 million in GO bond funds provided in fiscal 2017 and $250,000 in prior authorization matching funds (provided by HA) (from the MCCBL of 2015 authorization) to upgrade the electrical, mechanical, and plumbing infrastructure, as well as provide exterior stabilization.

- **Phase II** will use the $250,000 GO bond authorization in the MCCBL of 2015 to address accessibility and safety elements.

- **Phase III** will complete the restoration of the eighteenth century historic exterior and interior elements. HA plans on requesting an additional $1.5 million in fiscal 2018 to complete Phase III; however, this amount is not shown in the 2016 CIP and, therefore, is reflected as matching funds in the following chart.

($ in Millions)

Fund Use	**Prior Approp.**	**FY 2017 Request**	**Future Estimated**	**Estimated Total**
Planning	$0.250	$0.150	$0.039	$0.439
Construction	0.250	0.600	1.500	2.350
Equipment	0.000	0.250	0.000	0.250
Total	**$0.500**	**$1.000**	**$1.539**	**$3.039**

Fund Source				
State: 41.1%	$0.250	$1.000	$0.000	$1.250
Matching Fund: 58.9%	0.250	0.000	$1.539	1.789
Total	**$0.500**	**$1.000**	**$1.539**	**$3.039**

Comments: In December 2014, the State of Maryland purchased the James Brice House from the International Masonry Institute (IMI) and asked HA to manage, preserve, and share the property with the public as part of its stewardship of State-owned property collections. Accordingly, HA worked with Colonial Williamsburg experts to evaluate the property and identify the restoration needs required to ensure that the property is both properly preserved and safe for public visitation. Their evaluation

identified a number of exterior and interior deficiencies that would compromise public safety if uncorrected, as well as significant deterioration of materials that require restorative work. As reflected in the 2016 CIP, the cumulative cost for restoration of the James Brice House is approximately $3 million.

While under the ownership of IMI, the James Brice House received $400,000 from the State through a GO bond authorization in the MCCBL of 2006 that supported some exterior repairs and renovations; additionally, IMI repaired and modernized both the east and west wings of the property in prior years, which HA currently uses for office space (west wing) and for informational sessions and conferences (east wing). Thus, the primary purpose of the GO bond funds will support the restoration work necessary for the preservation of and safe public access to the James Brice House.

Though the fiscal 2017 request of $1 million is requested without a matching requirement, HA is currently executing a 10-year strategic plan to raise approximately $4 million to $6 million in private funding. Should private funding become available, HA has suggested that its fiscal 2018 request may be reduced.

Recommendation: Approve.

Kennedy Krieger Institute

Project Description: The project supports the construction of a new Comprehensive Center for Autism and Other Neurodevelopmental Disabilities, now known as the Harry and Jeanette Weinberg Autism and Rehabilitation Center, at the Kennedy Krieger Institute's East Baltimore Campus. The center will be built in the 800 block of North Broadway in Baltimore City. When complete, the center will consist of seven stories including offices, conference rooms, public spaces (including a lobby), and space for programs. Program space, which includes research space, training space for health care professionals, and treatment programs for children will use 70% of the net square footage in the building. Fiscal 2017 funding will primarily support construction ($6.4 million). Additional funding in fiscal 2017 will be used for equipment ($1.0 million) and planning ($0.3 million). Kennedy Krieger Institute also indicates that $1.2 million of fiscal 2017 costs will be needed for financing related costs such as capitalized interest during project construction and cost of issuing the loan.

($ in Millions)

Fund Use	**Prior Approp.**	**FY 2017 Request**	**Future Estimated**	**Estimated Total**
Planning	$1.000	$0.300	$0.300	$1.600
Construction	20.700	6.400	3.100	30.200
Equipment	2.000	1.000	0.000	3.000
Total*	**$23.700**	**$7.700**	**$3.400**	**$34.800**

Fund Source				
State: 26.6%	$7.500	$1.750	$0.000	$9.250
Matching Fund: 73.4%	16.200	5.950	3.400	25.550
Total	**$23.700**	**$7.700**	**$3.400**	**$34.800**

*Excludes $1.2 million in fiscal 2017 that Kennedy Krieger Institute indicates will be needed for financing related costs for the project.

Comments: The State has provided funding for this project through the MCCBL annually since the 2011 session (fiscal 2012 through 2017), providing a total State commitment to the project of $9.25 million. The 2016 CIP does not include any out-year funding for this project. However, the Kennedy Krieger Institute anticipates requesting an additional $1.0 million in fiscal 2018, which is expected to be the final request for this project. If this additional funding is provided, the total State funding for the project ($10.25 million) would be 29.5% of the total project cost.

In prior year support for this project, the authorizing language has required Kennedy Krieger Institute to provide matching funds for the grant. The organization has received Board of Public Works (BPW) certification for the matching fund requirements for the fiscal 2012 through 2016 authorizations.

The language in the MCCBL of 2016 does not require Kennedy Krieger Institute to provide matching funds; however, to complete the project, additional matching funds are anticipated. The matching funds include an $8.0 million grant from the Weinberg Foundation, as well as additional funding pledged from an ongoing capital campaign ($3.05 million). Additional funding will be provided through bank financing. Kennedy Krieger Institute anticipates that the bank financing will be in place prior to the start of construction.

The size of the facility has been reduced from 136,376 gross square feet (GSF) (100,000 net square feet) to 101,150 GSF (85,410 net square feet), a reduction of 25.8% in GSF, due to detailed planning that identified the needs for each activity occupying the center. These changes led to a reduction in the total project cost from $48.5 million to $36.0 million.

Although early design concept work began in calendar 2011, the detailed design planning that led to the reduced scope did not begin until calendar 2015. As a result, while earlier timeline estimates indicated that construction would begin in calendar 2014, Kennedy Krieger Institute now anticipates beginning construction in summer 2016 and be completed during calendar 2018 (after a construction period of approximately 24 months).

Recommendation: Approve.

Maryland Zoo in Baltimore

Project Description: The Maryland Zoo in Baltimore is a 140-year-old institution situated on 135 acres of land. Over the years, the zoo has expanded and now occupies 45 acres of the 135-acre parcel. In order to address facility's needs, the zoo maintains a comprehensive list of needed improvements that are grouped into four categories:

- Basic infrastructure improvements include projects that address life safety issues for zoo visitors and staff, as well as for animal welfare for the collection.
- Strategic service improvements include projects such as the renovation of food service areas and improvements to lighting, signage, and restrooms.
- Exhibit/attraction improvements include the construction and renovation of animal enclosures and displays in an effort to enhance the visitor experience.
- Compliance with the U.S. Department of Agriculture (USDA) and the Association of Zoos and Aquariums (AZA) includes, among other things, updating facilities to meet new guidelines for elephants.

The zoo has completed a number of projects in each of these categories and anticipates addressing improvements across the aforementioned categories through fiscal 2021 as reflected in the 2017 CIP. The zoo received $5.0 million in GO bonds for fiscal 2016 and has used the funds for:

- basic infrastructure improvements ($2.6 million);
- exhibit/attraction improvements ($1.5 million); and
- compliance with AZA guidelines ($850,000).

($ in Millions)

Fund Use	**Prior Approp.**	**FY 2017 Request**	**Future Estimated**	**Estimated Total**
Planning	$0.000	$0.275	$1.650	$1.925
Construction	0.000	2.150	12.900	15.050
Equipment	0.000	0.075	0.450	0.525
Total	**$0.000**	**$2.500**	**$15.000**	**$17.500**

Fund Source				
State: 100%	$0.000	$2.500	$15.00	$17.500
Matching Fund: 0%	0.000	0.000	0.000	0.000
Total	**$0.000**	**$2.500**	**$15.000**	**$17.500**

Comments: The fiscal 2017 capital budget proposes $2.5 million in GO bonds for the Maryland Zoo. The zoo's fiscal 2017 basic infrastructure projects total $1.0 million and include correcting life-safety/USDA/Animal Welfare Act/AZA deficiencies. Additionally, the zoo will use $750,000 to replace the four-kilovolt electric service line. The fiscal 2017 capital budget also includes $750,000 for the second year of a three-year project to upgrade and expand the giraffe and lion exhibits.

Stable Operating Outlook for Zoo

Exhibit 3 shows zoo attendance for fiscal 2011 through 2015 by visitor group type. While attendance increased by nearly 14.0% over the five-year period, attendance grew by only 0.4%, or 1,688 visitors, in fiscal 2015 compared to 2014. Much of the growth in fiscal 2015 occurred among member admissions and visitors entering by passes. Member admissions increased by 24,446, or 18.9%, and visitors entering by passes increased by 1,573, or 8.6%. The passes category includes those entering the zoo without paying an admission fee, excluding vendors, contractors, and school groups.

Exhibit 3
Maryland Zoo in Baltimore – Attendance by Groups
Fiscal 2011-2015

	2011	2012	2013	2014	2015	# Change 2014-15	% Change 2014-15	% Change 2011-15
General	154,899	180,904	163,197	190,933	169,117	-21,816	-11.4%	9.2%
Member	123,721	137,868	126,194	129,687	154,133	24,446	18.9%	24.6%
School	81,521	87,750	88,383	85,852	83,337	-2,515	-2.9%	2.2%
Passes	14,470	3,321	22,388	18,374	19,947	1,573	8.6%	37.9%
Total	**374,611**	**409,843**	**400,162**	**424,846**	**426,534**	**1,688**	**0.4%**	**13.9%**

Source: Maryland Zoological Society

In contrast to member and pass admissions, the number of visits through general admission decreased by 11.4%, or 21,816 patrons. Those attending from school visits also decreased in fiscal 2015 with a total of 83,337 patrons attending, reflecting a decrease of approximately 3.0% from the previous year. The zoo attributes the decline in these two categories in fiscal 2015 primarily to the civil unrest in Baltimore City during the period of April 27 to May 6, 2015.

Exhibit 4 shows the changes in zoo revenues and expenses from fiscal 2012 to 2015, as detailed in the audited financial statements. Notable changes in the zoo's fiscal 2015 revenues and expenditures include the following:

Exhibit 4
Maryland Zoo in Baltimore – Audited Financial Statements
Fiscal 2012-2015

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2014-2015 $ Change	2014-2015 % Change
Revenue, Gains, and Other Support						
Grants and Awards	$11,597	$10,643	$18,293	$9,759	-$8,534	-47%
Contributions	549	1,759	1,247	860	-387	-31%
In-kind Donations	832	810	831	977	146	18%
Education Programs	8	248	262	247	-16	-6%
Visitor Revenue	2,729	2,693	3,026	3,098	73	2%
Investment Income	1	15	24	1	-24	-97%
Membership Dues	1,210	1,374	1,373	1,662	290	21%
Insurance Recoveries	1,154	28	1,389	112	-1,277	-92%
Special Events	464	438	420	517	98	23%
Other Revenue	343	19	10	77	67	666%
Total	**$18,887**	**$18,027**	**$26,875**	**$17,310**	**-$9,565**	**-36%**
Expenses						
Program Services	$12,233	$12,897	$13,410	$14,238	$828	6%
Supporting Services	3,080	2,803	2,836	2,622	-214	-8%
Fundraising	525	532	849	925	76	9%
Total	**$15,838**	**$16,232**	**$17,095**	**$17,786**	**$691**	**4%**
Net Income	**$3,049**	**$1,796**	**$9,780**	**-$475**	**-$10,256**	**-336%**

Source: Maryland Zoological Society Consolidated Financial Statements, June 30, 2012, 2013, 2014, and 2015

- **Grants and Awards:** Grants and awards decreased by nearly $8.6 million, or 47%, in fiscal 2015. Grants and awards generally consist of public funding from State and local jurisdictions for both operating and capital funds. The zoo reports that the decrease reflects the grant of $7.0 million that the State provided in fiscal 2014 for capital improvements, namely the Penguin Coast exhibit.

- **Contributions:** Contributions declined by $387,407, or 31%, in fiscal 2015. Contributions are comprised of annual donations from individuals and corporations, excluding memberships, and are often provided in support of specific exhibit projects. The zoo reports that contributions received in fiscal 2014 included a higher number of private capital gifts related to the Penguin Coast exhibit. The fiscal 2015 decline reflects the reduced capital spending, primarily due to the conclusion of the penguin project, and the one-time nature of contributions. Fiscal 2015

contributions thus reflect a more normal flow of capital contributions. The operating component of the zoo's annual fund contributions actually increased year-over-year by approximately $30,000.

- **In-kind Donations:** In-kind donations increased by $145,618, or 18%, in fiscal 2015. In-kind donations are noncash donations that the zoo received, in large part, from Baltimore City; the increase thus reflects general increases in rent, waste removal services, and electricity costs donated by the city.

- **Visitor Revenue:** Visitor revenue increased by $72,793, or 2%, in fiscal 2015. Visitor revenue is obtained from admission ticket sales, concession commissions, enjoyment of rides (net of revenue sharing paid to vendors), and facility rentals. The category of visitor revenue does not include membership sales.

- **Membership Dues:** Membership dues increased by $289,892, or 21%, in fiscal 2015. This increase is consistent with the approximately 19% increase in membership attendance in fiscal 2015. There were three changes that helped contribute to the zoo's increase in member dues for fiscal 2015. The first change was a discount program that incentivized existing members to renew their memberships before they expired, thereby increasing the retention rate of members and increasing total revenues. The second change involved restructuring membership levels to simplify the sales process. The third change was an increase in membership pricing; *e.g.*, prices for the most popular family membership levels, basic and plus, were increased by $3 and $10, respectively.

- **Insurance Recoveries:** Insurance recoveries decreased by $1,276,704, or 92%, in fiscal 2015. Fiscal 2014 insurance recoveries were much higher due to the receipt of payment for the damages that developed in the Maryland Aviary and the African Aviary as a result of two snowstorms that occurred in February 2010.

- **Special Events:** Special events revenue increased by $97,662, or 23%, in fiscal 2015. The zoo runs special events throughout the year that appeal to different age groups and demographics; with Brew at the Zoo, which takes place over the Saturday and Sunday of Memorial Day weekend, continuing to be the largest event in both revenue and attendance. Other events include Oktobearfest, Breakfast with the Animals, Bunny BonanZOO (Easter), ZooBoo (Halloween), Sex at the Zoo (Valentine's Day), and the Zoo Zoom event (an eight kilometer race through the zoo).

- **Program Expenses:** Program expenses increased by approximately $690,544, or 4%, primarily due to increases in the cost of personnel expenses, but also due to increases in fundraising. The personnel-related expenses include the upgrading of key animal care positions, an increase in the health care costs and enrollments, the addition of revenue generating positions, and an across-the-board increase for staff related to the mandatory minimum wage increase that began in calendar 2015. Fundraising included categories that support the revenue generating activities, such as marketing, event expenses, and technology improvements.

Recommendation: Approve.

National Sailing Hall of Fame

Project Description: The National Sailing Hall of Fame (NSHOF) is a proposed sailing museum to be located on Department of Natural Resources (DNR) property located at the Annapolis Harbor next to the City Dock. The State property includes a 1,134 square foot building that formerly housed the Natural Resources Police Area 3 headquarters, until the headquarters moved to a new facility at Sandy Point State Park in fall 2009, as well as access to adjacent piers. The building is known as the Captain William H. Burtis House and is located at 69 Prince George Street. Since calendar 2010, NSHOF has taught mathematics and science through sailing in Anne Arundel County Public Schools at the site to science, technology, engineering, and mathematics students and has provided free sailing programs to the public.

A project timeline follows.

- **Feasibility Study:** In December 2007, MSA released a feasibility study on the merits of the site and the viability of the NSHOF museum venture, which cost $85,000 to develop. The study concluded that NSHOF at the DNR site is a feasible venture, can leverage additional tourism, and could enhance downtown Annapolis.

- **Department of Legislative Services (DLS) Concerns:** DLS noted in the fiscal 2009 DNR pay-as-you-go capital budget analysis that the plans to develop the DNR property raised several policy issues, two of which are as follows: NSHOF intended to convey the adjacent Phillips Seafood porch property (73, 75, 77, and 79 Prince George Street) to the State and then lease it back from the State; and uncertainty surrounded the level of the State's future funding involvement in the development of NSHOF. Fiscal 2009 operating budget bill language restricted certain DNR funding until a report was submitted on the concerns raised.

- **Intergovernmental Review:** The State clearinghouse conducted an intergovernmental review of the proposed change in use and lease of the DNR property and released its recommendation on July 16, 2008. A comment received from Chief Counsel Robert N. McDonald in the Maryland Attorney General's Office, Opinions, Advice, and Legislative Division noted that the State's sovereign immunity from local planning and historic preservation laws would stay with the property and the proposed sailing museum on it. The State clearinghouse recommended that the use of the land be changed and that the land be leased to NSHOF with conditions, including the following: NSHOF should demonstrate the financial and administrative capacity to complete the project prior to beginning any stage of construction.

- **Agreement to Lease and Temporary Interim Lease:** On February 24, 2010, NSHOF and the State entered into an agreement to lease and an interim lease for a 50-year time period at $1 per year. Of note, the three State properties are valued at a combined $2,360,333 as of July 1, 2015. The temporary interim lease allowed NSHOF to use the site while it works on the multiple trigger events that must be satisfied before the agreement to lease is fulfilled and construction may begin. The trigger events included the demonstration of financial and administrative capacity and the transfer to the State of Parcel 73, 75, 77, and 79 Prince George Street (also

known as the Phillips Seafood porch property), purchased by NSHOF for $2.85 million. The financial and administrative capacity trigger events included (1) construction of exterior and structural building improvements of no less than $12.0 million, interior and exhibit improvements of no less than $7.5 million, and streetscape and site infrastructure improvements of no less than $1.0 million; (2) establishment of an operating endowment fund of no less than $5.0 million, an educational endowment fund of no less than $3.0 million, a maintenance fund of no less than $2.00 per square foot of improvements per year or an amount commercially reasonable in the discretion of the State; and (3) a reserve fund with an initial deposit of $250,000 with annual contributions of $0.50 per GSF of improvements, and a casualty fund with either an insurance policy of $2.5 million per casualty or an initial deposit of $2.5 million plus any additional funds necessary to maintain a $2.5 million level. The agreement to lease and temporary interim lease had a February 23, 2012 termination date.

- **Amendments to Agreement to Lease and Temporary Interim Lease:** On February 21, 2012, and again on October 30, 2014, the agreement to lease and temporary interim lease were amended. The conditions were modified on February 21, 2012, to extend the termination date to February 23, 2015, because the trigger events had not been met and to reflect different insurance liability requirements. The conditions were again modified on October 30, 2014, to (1) extend the termination date to February 23, 2017; (2) remove the proposal, until further notification, to convey the Phillips Seafood porch property to the State; (3) reduce the operating endowment fund and educational endowment fund contributions to no less than $1.0 million each; (4) reduce the project scope to construction of exterior and structural building improvements of no less than $5.5 million, interior and exhibit improvements of no less than $1.0 million, and electrical and streetscape/site infrastructure improvements of no less than $1.0 million; and (5) reduce the maintenance fund requirement to no less than $1.00 per square foot of improvements per year or an amount commercially reasonable in the discretion of the State.

- **Funding Requirements:** Chapter 436 of 2014 (MCCBL of 2014) restricted the fiscal 2015 authorization of $250,000 in GO bond authorization until the Board of Directors of NSHOF submitted an amended lease that was approved by BPW, provided information on the amount of State funding expected to be requested for the project, and completed all of the trigger events for the agreement to lease to go into effect. Subsequently, Chapter 495 of 2015 (MCCBL of 2015) removed the requirement that NSHOF submit the documentation noted above prior to expending or encumbering grant funds. NSHOF notes that the fiscal 2015 funding has not been obligated yet but was matched with $250,000 in Merrill Foundation funding.

- **Sale of Phillips Seafood Porch Property:** NSHOF notes that it received an unsolicited bid to sell the Phillips Seafood porch property, which it then sold on October 27, 2015, for $2.85 million. However, due to the financing that allowed the property's original purchase, the net value of the sale to NSHOF was $794,000.

The fiscal 2017 capital budget includes $1.0 million in GO bonds to design, construct, and equip NSHOF. The total project funding is $7.0 million, which includes $0.5 million in prior years for

planning split between NSHOF ($0.25 million) and the State ($0.25 million); $5.5 million in fiscal 2017 and 2018 for construction funding split between the State ($1.0 million) and NSHOF ($4.5 million); and $1.0 million in fiscal 2017 for exhibition funding paid for by NSHOF.

($ in Millions)

Fund Use	**Prior Approp.**	**FY 2017 Request**	**Future Estimated**	**Estimated Total**
Planning	$0.500	$0.000	$0.000	$0.500
Construction	0.000	3.500	2.000	5.500
Equipment	0.000	1.000	0.000	1.000
Total	**$0.500**	**$4.500**	**$2.000**	**$7.000**

Fund Source				
State: 46.4%	$0.250	$1.000	$2.000	$3.250
Matching Fund: 53.6%	0.250	3.500	0.000	3.750
Total	**$0.500**	**$4.500**	**$2.000**	**$7.000**

Note: The 2016 CIP reflects a future funding request for the project and thus it is reflected in the exhibit. However, the 2016 CIP does not actually program future funding for the project and so the State's future commitment is indeterminate. The estimate for use of the additional funding is shown as construction but could be shared with other purposes.

Further discussions with NSHOF indicate a more complete funding picture reflecting the reliance on $2.0 million in State funding in fiscal 2018, or a future year, and the intent at some point to raise $6.75 million in naming opportunities in order to fund construction and demonstrate financial and administrative capacity to fulfill the agreement to lease trigger events. Only after fulfilling the trigger events will NSHOF be able to commence construction.

Comments: The State has provided NSHOF every opportunity to succeed – an arguable advantage in the intergovernmental review process by DNR signing a Memorandum of Understanding with NSHOF, which has led to an essentially free 50-year lease on prime Annapolis real estate worth $2.36 million with sovereign immunity from local planning and historic preservation laws. Yet, it does not appear NSHOF has been able to fulfill any of the trigger events included in the agreement-to-lease, most importantly the demonstration of financial and administrative capacity. As noted above, NSHOF *has received* a modification to the agreement that allows for a reduction in the scope of the project, reducing the overall construction and equipping costs from $20.5 million to $7.5 million (this does not include the various other accounts required). At the same time, the 2016 CIP reflects a future request from the State of $2.0 million for the project, which means that the State would be contributing substantially to NSHOF's demonstration of financial and administrative capacity. Finally, NSHOF notes that the now twice-amended lease termination date probably will need to be amended again in order to extend the project timeline in order to allow enough time for money to be raised to fulfill the agreement to lease trigger events and then only subsequently to complete construction.

Recommendation: Approve, but consider limiting the overall State contribution to NSHOF.

Peale Center

Project Description: This project will enable the Peale Center for Baltimore History and Architecture, Inc. (Peale Center) to replace the roof; heating, ventilation, and air conditioning; and other systems of the historic Peale Museum in Baltimore City. Funds will also be used to add a café for patrons; restore windows, interior finishes, and exterior masonry; and make the building compliant with the Americans with Disabilities Act by replacing restrooms and adding an exterior elevator.

($ in Millions)

Fund Use	**Prior Approp.**	**FY 2017 Request**	**Future Estimated**	**Estimated Total**
Planning	$0.000	$0.000	$0.000	$0.000
Construction	0.400	0.400	0.000	0.800
Equipment	0.000	0.000	0.000	0.000
Total	**$0.400**	**$0.400**	**$0.000**	**$0.800**

Fund Source				
State: 50%	$0.000	$0.400	$0.000	$0.400
Matching Fund: 50%	0.400	0.000	0.000	0.400
Total	**$0.400**	**$0.400**	**$0.000**	**$0.800**

Comments: The Peale Museum is the oldest museum building in the United States but has been essentially vacant since the closure of the Municipal Museum of Baltimore in 1997. The Peale Center has entered into a 50-year lease of the property with Baltimore City to renovate the museum and reopen the facility as a museum and education center with an emphasis on the history of Baltimore and of the Peale Museum, with the building itself serving as an exhibit.

The fiscal 2017 capital budget provides $400,000 of GO bonds to the Peale Center to assist in the construction phase of the Peale Museum renovation. Baltimore City has already committed a total of $400,000 in matching funds to the project, which has a total estimated construction cost of $3.0 million. Peale Center representatives have reported that in addition to the $400,000 in city funds, the organization has raised approximately $700,000 from other sources and is actively seeking grants and donations to fund the remainder of the project.

Recommendation: Approve.

Sinai Hospital of Baltimore

Project Description: The Governor's fiscal 2017 capital budget includes $2 million of GO bond funds to assist Sinai Hospital of Baltimore for the design, construction, and capital equipping of a new community primary and specialty care complex. When completed, the complex will concentrate Sinai's community health and wellness services in two adjacent buildings intended to improve access to primary and chronic health care clinics.

- **Primary and Chronic Care Clinic:** This 33,000 GSF building will house multiple programs that focus on major chronic diseases known to affect the primary service area population. In addition to a primary care clinic, the facility will house a congestive heart failure clinic, diabetes clinic, pulmonary clinic, infectious disease and HIV clinic, integrated behavior and population health center that targets the needs of low-income patients, and disease management and education centers.

- **Cardiovascular and Specialty Care:** This 72,700 GSF building will house outpatient and inpatient programs that focus on cardiac diagnostic and prevention.

($ in Millions)

Fund Use	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Acquisition	$0.000	$0.000	$0.000	$0.000
Planning	0.000	4.209	0.408	4.617
Construction	0.000	12.694	12.210	24.904
Equipment	0.000	0.000	2.083	2.083
Total	**$0.000**	**$16.903**	**$14.701**	**$31.604**

Fund Source				
State: 19.0%	$0.000	$2.000	$4.000	$6.000
Matching Fund: 81.0%	0.000	14.903	10.701	25.604
Total	**$0.000**	**$16.903**	**$14.701**	**$31.604**

Note: The 2016 CIP reflects a future funding request for the project and thus it is reflected in the exhibit. However, the 2016 CIP does not actually program future funding for the project and so the State's future commitment is indeterminate.

Comments: The design phase of the project is currently underway using principals of Integrated Project Design, which is a design build methodology that will incorporate continual input from clinicians and hospital staff to better ensure that the clinical spaces will accommodate the clinical programs. The construction phase is expected to commence in September 2016 with both buildings constructed simultaneously. The complex is expected to be completed within two years from commencement of construction. Although the 2016 CIP does not reflect any future State commitment

to the project, Sinai has advised that it intends to seek a total State commitment of $6.0 million, or roughly 19%, of the total estimated project costs, as reflected in the funding uses and sources chart above. Sinai is principally using available operating reserves to finance the project but also has recently started a philanthropic capital campaign with the goal of matching the $6.0 million it ultimately seeks from the State. The State is a frequent and consistent funding partner in support of a multiple number of Sinai capital projects having provided a total of $13.5 million since the 2002 session in the form of direct grants to Sinai and grants administered through the Maryland Hospital Association.

Recommendation: Approve.

Western Maryland Scenic Railroad

Project Description: This project is the rebuild of the steam locomotive "Chesapeake and Ohio #1309" for the nonprofit Western Maryland Scenic Railroad (WMSR). The locomotive provides power to WMSR trains taking 40,000 tourists a year between Cumberland and Frostburg, Maryland. The locomotive is needed to replace the current locomotive that is due for a federally mandated rebuild.

($ in Millions)

Fund Use	Prior Approp.	FY 2017 Request	Future Estimated	Estimated Total
Planning	$0.000	$0.000	$0.000	$0.000
Construction	0.480	0.400	0.000	0.880
Equipment	0.000	0.000	0.000	0.000
Total	**$0.480**	**$0.400**	**$0.000**	**$0.880**

Fund Source				
State: 45.4%	$0.000	$0.400	$0.000	$0.400
Matching Fund: 54.6%	0.480	0.000	0.000	0.4800
Total	**$0.480**	**$0.400**	**$0.000**	**$0.880**

Comments: WMSR is the cornerstone of the Allegany County economy. WMSR is working to return the Baldwin Locomotive Works #1309 (also called the Mallet) to service. The locomotive was built in September 1949 and has been previously preserved and displayed at the Baltimore and Ohio (B&O) Museum of Baltimore since 1972. The locomotive arrived in Cumberland from the B&O Museum in July 2014 and is expected to be the largest and most powerful regularly operated steam locomotive in the country in July 2016. WMSR has taken donations and offered Bronze, Silver, and Gold level sponsorship opportunities for supporters of the locomotive returning to operation.

Recommendation: Approve.

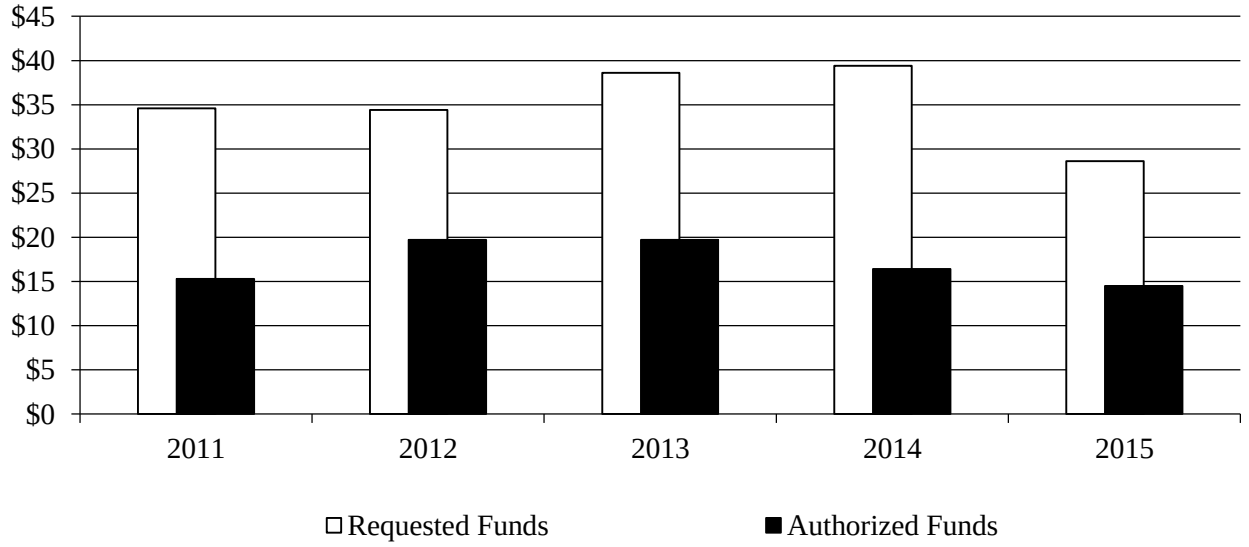
Local Initiatives

Bond Bill Project Requests for the 2016 Session

Each legislative session, legislators are called upon to sponsor bond bills that provide State capital grants to a variety of local organizations throughout the State. Typically, the annual MCCBL sets aside $15.0 million of GO bond authorizations for local community initiatives of this type. However, the Governor's fiscal 2107 capital budget did not include a set aside of bond funds for such projects. Despite the lack of earmarked funding, members have submitted legislative initiative requests in the event that funds can be identified during the legislative session. As shown in **Appendix 1,** as of March 1, 2016, a total of 150 grant requests have been made through the introduction of bond bills that aggregate to $32.4 million of State funding.

Exhibit 5 shows funding provided for local initiative projects for the 2011 through 2015 sessions. Annually, the amount of funding requested exceeds total authorized funding by at least a 2 to 1 factor.

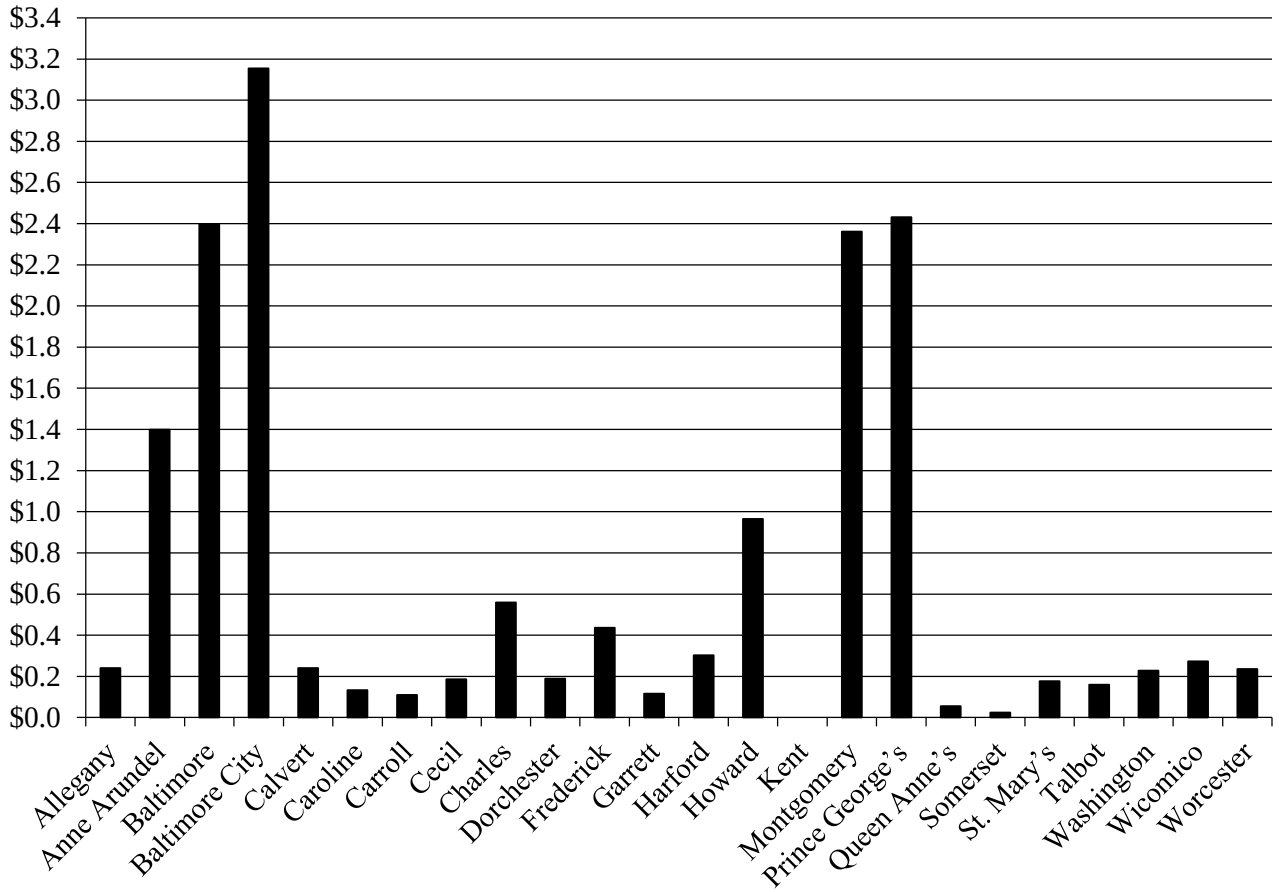
Exhibit 5
Bond Bill Funding
2011-2015 Sessions
($ in Millions)



Source: Maryland Consolidated Capital Bond Loan of 2011 through 2015 Sessions

Exhibit 6 shows the funding distribution for local initiative projects across all jurisdictions of the State for the 2011 through 2015 sessions.

Exhibit 6
Average Annual Bond Bill Funding
2011-2015 Sessions
($ in Millions)



Source: Maryland Consolidated Capital Bond Loan of 2011 through 2015 Sessions

New Section Would Establish an Administrative Process for Addressing Technical Difference in Grant Authorization Language

As introduced, the capital budget bill includes a new section to the bill, Section (1)(9), that establishes an administrative process for handling instances where there may be some technical differences including, among others, the name of the grantee, description of the project, or scope of

authorized work. Up to now, when certain technical differences are identified by either the Department of Budget and Management, the Department of General Services, the Office of the State Treasurer, the Office of the Comptroller, or BPW, it often results in unnecessary delays in executing grant agreements with grantee organizations or the ability of grantee organizations to access State grant funds authorized for their project.

The new language would allow certain identified technical differences in grant authorizations to be handled through a process of notification to DLS and unless DLS provides written objections to BPW within 45 days of being notified of the technical differences, the board may approve the use of funds notwithstanding the technical differences.

Prior Authorizations

Amendments to prior authorizations usually relate to extending the time for the recipients of the bond proceeds to obtain matching funds or conforming the bond authorization to certain provisions required by law on the encumbrance of funds within seven years. The changes may also relate to other provisions in the bond authorization, such as the name of the grantee or the purpose of the grant or loan. Starting in the 2015 session, unless the requests require emergency legislation, prior authorization requests no longer require the introduction of separate legislation but instead are administered as legislative-sponsored requests for amendments to the sessions' MCCBL for budget committee consideration. **Appendix 2** shows the requested changes to prior authorizations made in the 2016 session.

Prior authorizations and De-authorizations in Bill as Introduced

Exhibit 7 presents information on changes to one MCCBL of 2015 authorization and de-authorizations for seven projects (one for the MCCBL of 2015 and six from the MCCBL of 2008). Six of these projects are local legislative initiatives, and two are miscellaneous grants.

Exhibit 7
Prior Authorizations and De-authorizations in Bill as Introduced

Prior Authorizations

Project	Reason
Maryland Food Bank Miscellaneous Project matching fund grant from MCCBL of 2015	Change locations from southern and northern Maryland, to specify locations of two new branches (Cecil County and the City of Salisbury)

De-authorizations

Project	De-authorized Amount	Reason
Sports Legends Museum Renovations Miscellaneous Project Matching Fund Grant from MCCBL of 2015	$250,000 DLS recommends reducing the de-authorization based on funding needs for a project included in the funding	Museum has closed
Heritage Trail and Saint Helena Park – Local Senate Initiative MCCBL of 2008	175,000	Funds have not been used and the funds are available only for seven years
MacDonald Knolls Center – Local Senate Initiative MCCBL of 2008	175,000	Funds have not been used and the funds are available only for seven years
MacDonald Knolls Center – Local House Initiative MCCBL of 2008	250,000	Funds have not been used and the funds are available only for seven years
Arc of Montgomery County Group Homes – Local Senate Initiative MCCBL of 2008	125,000	Funds have not been used and the funds are available only for seven years

Project	**De-authorized Amount**	**Reason**
Community Post – Local Senate Initiative MCCBL of 2008	125,000	Funds have not been used and the funds are available only for seven years
Community Post – Local House Initiative MCCBL of 2008	175,000	Funds have not been used and the funds are available only for seven years

MCCBL: Maryland Consolidated Capital Bond Loan

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve general obligation bond funding for Angel's Watch Shelter.

2. Approve general obligation bond funding for Arthur Perdue Stadium.

3. Approve general obligation bond funds for Center Stage.

4. Approve $400,000 in State funds for the Revitz House Capital Improvements Project.

5. Approve the $250,000 general obligation bond authorization to provide a grant to the Board of Governors of the Chesapeake Bay Maritime Museum, Inc. for the acquisition, planning, design, construction, repair, renovation, reconstruction, and capital equipping of the Chesapeake Bay Maritime Museum, subject to the requirement that the grantee provide an equal and matching fund for this purpose.

6. Approve $1,000,000 in general obligation bond funding for the restoration of the James Brice House.

7. Approve $1.75 million of general obligation bond funding for Kennedy Krieger Institute new Comprehensive Center for Autism and Other Neurodevelopmental Disabilities.

8. Approve $2,500,000 in general obligation bond funding for the Maryland Zoo in Baltimore to support infrastructure improvements.

9. Approve the $1,000,000 general obligation bond authorization to provide a grant to the Board of Directors of the National Sailing Hall of Fame and Museum, Inc. to design, construct, and equip a new facility for the National Sailing Hall of Fame.

10. Approve the general obligation bond funding for the Peale Center.

11. Approve general obligation bond funding for Sinai Hospital of Baltimore.

12. Approve general obligation bond funding for the Western Maryland Scenic Railroad.

13. Concur with the de-authorization of $125,000 for Community Post from the 2008 session Local Senate Initiatives as the project has been canceled.

14. Concur with the de-authorization of $175,000 for the Heritage Trail and Saint Helena Park 2008 session Local Senate Initiative as the project has been canceled.

15. Concur with de-authorization of $175,000 for the MacDonald Knolls Center from the 2008 session Local Senate Initiatives as the project has been canceled.

16. Concur with de-authorization of $125,000 for The Arc of Montgomery County Group Homes from the 2008 session Local Senate Initiatives.

17. Concur with the de-authorization of $175,000 for the Community Post from the 2008 session Local House Initiatives as the project has been canceled.

18. Concur with the de-authorization of $250,000 for the MacDonald Knolls Center from the 2008 session Local House Initiatives as the project has been canceled.

19. Approve change to the 2015 Maryland Consolidated Capital Bond Loan authorization to specify the location of projects to be completed through the grant to the Maryland Food Bank.

20. Amend de-authorization to allow a portion of the funds to be used for the Babe Ruth Birthplace Museum

ZF4000	SECTION 2 – Miscellaneous Grant Programs – Sports Legends Museum Renovations	$ 0

Add the following language:

~~Sports Legends Museum Renovations~~ **BABE RUTH BIRTHPLACE MUSEUM RENOVATION**. Provide a grant to the Board of Directors of the Babe Ruth Birthplace Foundation, Inc. to assist in the funding design, construction, and equipping of renovations of ~~the Sports Legends Museum Exhibit and~~ the Babe Ruth Birthplace Museum, subject to the requirement that the grantee provide an equal and matching fund for this purpose~~, provided that this authorization may not be encumbered or expended until:~~

~~(a) The Maryland Stadium Authority (MSA) provides the budget committees with written certification that the Board of Directors of the Babe Ruth Birthplace Foundation, Inc. has either paid all rents due and owed under its lease with MSA for space leased at Camden Station at Camden Yards or reached a satisfactory agreement on the disposition of outstanding rental payments under the lease; and .....~~

~~(b) The Board of Directors of the Babe Ruth Birthplace Foundation, Inc. and MSA have developed and submitted a long-term funding sustainability plan to the budget committees that address improvements to the Sports Legends Museum's financial stability. .....~~

~~The budget committees shall have 45 days to review and comment~~
(Baltimore City) ..... [250,000]
~~0~~
50,000

Explanation: This action amends the de-authorization to enable the Babe Ruth Birthplace Foundation Inc. to use funds for renovations for the Babe Ruth Birthplace Museum.

Total De-authorization GO Bonds Reduction **$50,000**

Legislative Projects – 201 6 Session As Introduced

(Project Count: 150)

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
Allegany							
1045	Edwards	1539	Allegany County Delegation	Friends Aware Facility	Allegany	$150,000	Soft (all)
1044	Edwards	1538	Allegany County Delegation	Frostburg Museum Relocation Project	Allegany	150,000	Soft (1)
900	Edwards	987	Allegany County Delegation	Lefty Grove Statue	Allegany	75,000	Soft (U, all)
						$375,000	
Anne Arundel							
478	Astle	536	Busch	206 West Social Enterprise Project	Anne Arundel	$250,000	Hard
180	Reilly	480	Saab	Arundel Volunteer Fire Department Community Center	Anne Arundel	400,000	Soft (all)
50	Reilly	1592	Malone	Belvoir-Scott's Plantation Historic Manor House	Anne Arundel	90,000	Soft (2)
		338	Carey	Broadneck High School Field House	Anne Arundel	250,000	Grant
419	Simonaire	415	Kipke	Downs Park Amphitheater	Anne Arundel	100,000	Soft (all)
672	DeGrange	1234	Carey	Glen Burnie High School Field House and Concession Stand	Anne Arundel	500,000	Soft (all)
1095	Astle	1593	McMillan	Hammond-Harwood House Preservation	Anne Arundel	100,000	Hard
60	Reilly	235	Malone	Historic Linthicum Walks	Anne Arundel	120,000	Soft (2)
		1523	Beidle	Kuethe Historical and Genealogical Research Center	Anne Arundel	12,000	Soft (1, 2)
668	Simonaire	776	Kipke	Lake Shore Athletic Association	Anne Arundel	50,000	Hard

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
		473	Beidle	Samaritan House	Anne Arundel	200,000	Soft (1, 3)
1090	Simonaire	1244	Carey	Sun Valley Park Playground	Anne Arundel	50,000	Grant
154	Reilly	175	Sophocleus	The Arc of the Central Chesapeake Region	Anne Arundel	300,000	Hard
479	Astle	618	Beidle	William Brown House at Historic London Town	Anne Arundel	125,000	Soft (2, 3)
25	Reilly	302	Malone	Woods Community Center	Anne Arundel	325,000	Hard
850	Astle	1380	McMillan	YWCA Domestic Violence Safe House Shelter	Anne Arundel	100,000	Hard
						$2,972,000	
Baltimore City							
486	Pugh	1564	B. Robinson	A Penn-North Initiative Youth Violence Prevention Center	Baltimore City	$400,000	Soft (3)
790	Ferguson	432	Clippinger	Baltimore Museum of Industry	Baltimore City	500,000	Soft (1)
789	Ferguson	433	Lierman	Baltimore Regional Education and Training Center	Baltimore City	500,000	Soft (all)
165	Gladden		Oaks	Berean Child Care Center	Baltimore City	160,000	Soft (1, 3)
197	Nathan-Pulliam	690	Haynes	Community Empowerment and Wellness Center	Baltimore City	500,000	Soft (U, 1, 2)
562	Ferguson	143	Hammen	Creative Alliance Project	Baltimore City	600,000	Soft (all)
918	Gladden	942	Rosenberg	Cylburn Arboretum Carriage House and Nature Museum	Baltimore City	500,000	Soft (U, all)
279	McFadden	1606	Glenn	Dr. Christina Phillips Community Center	Baltimore City	300,000	Soft (1, 3)
490	Pugh	899	Conaway	Druid Hill Park at Auchentoroly Terrace	Baltimore City	100,000	Hard
487	Pugh	1096	Hayes	Garrett-Jacobs Mansion Access and Safety Project	Baltimore City	400,000	Soft (2, 3)
347	Gladden	1302	Carter	Get Involved Community Center	Baltimore City	350,000	Soft (U, all)
1098	Klausmeier	1597	Oaks	Girl Scouts of Central Maryland Urban Program and STEM Center	Baltimore City	250,000	Soft (1)

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
1161	Ferguson			Harbor Point Parks and Infrastructure	Baltimore City	250,000	Soft (1,3)
791	Ferguson	407	Lierman	Health Care for the Homeless Dental Clinic	Baltimore City	17,500	Hard (U)
	McFadden	1526	Branch	International Black Fire Fighters Museum	Baltimore City	250,000	Soft (2, 3)
492	Pugh	1045	Hayes	Itineris Foundation	Baltimore City	100,000	Hard
803	Pugh	1055	Hayes	James Mosher Baseball League Field Enhancement	Baltimore City	45,000	Soft (3)
491	Pugh	1565	B. Robinson	Kappa Alpha Psi Youth and Community Center	Baltimore City	250,000	Soft (1, 3)
792	Ferguson	1049	Clippinger	Leadenhall Community Outreach Center	Baltimore City	500,000	Soft (2, 3)
798	Pugh	1044	B. Robinson	Lexington Market	Baltimore City	500,000	Hard
458	Conway	418	M. Washington	Maryland State Boychoir ADA Improvements	Baltimore City	325,000	Soft (2)
568	Gladden		Rosenberg	Maryland State Society Daughters of the American Revolution Headquarters	Baltimore City	75,000	Soft (2, 3)
701	Nathan-Pulliam	1610	Haynes	Multifamily Low-income Housing Project	Baltimore City	200,000	Soft (2)
489	Pugh	1567	B. Robinson	Orchard Street Church	Baltimore City	25,000	Soft (2)
563	Ferguson			Port Discovery Children's Museum	Baltimore City	500,000	Grant
1053	Gladden	1613	Carter	Progressive Education Center Playground	Baltimore City	150,000	Soft (U, 3)
827	Conway	1308	M. Washington	Restoration Gardens 2	Baltimore City	300,000	Hard
1067	Ferguson	1535	Hammen	Robert Long House	Baltimore City	40,000	Soft (1, 3)
488	Pugh	1566	B. Robinson	Sarah's Hope	Baltimore City	200,000	Hard
394	Conway	48	M. Washington	Scottish Rite Temple Preservation and Restoration	Baltimore City	300,000	Soft (all)
796	Pugh	1093	B. Robinson	St. Francis Neighborhood Center	Baltimore City	500,000	Soft (2)
1013	Conway	1218	McIntosh	Stony Run Path	Baltimore City	300,000	Soft (3)

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
316	McFadden	478	McCray	Ulman Cancer Fund Home for Young Adult Cancer Patients and Caregivers	Baltimore City	200,000	Soft (all)
1012	Conway	1036	Anderson	Woodbourne Center Vocational Program	Baltimore City	125,000	Hard
						$9,712,500	
Baltimore							
251	Kasemeyer	1609	Lam	Arbutus Volunteer Fire Department	Baltimore	$130,000	Soft (all)
		1600	Brooks	Baltimore Humane Society Animal Safety and Energy Efficiency Plan	Baltimore	165,000	Soft (all)
399	Brochin	552	Lafferty	Desert Storm, Operation Enduring Freedom, and Operation Iraqi Freedom Memorial	Baltimore	75,000	Soft (3)
205	Kasemeyer	328	Hill	Good Shepherd School	Baltimore	100,000	Soft (all)
892	Zirkin	935	Hettleman	HopeWell Cancer Support Center	Baltimore	500,000	Soft (3)
889	Zirkin	765	Hettleman	Irvine Nature Center Native American Village	Baltimore	150,000	Soft (all)
357	Zirkin	80	Morhaim	Jemicy School Lower and Middle School Campus Gymnasium	Baltimore	250,000	Soft (3)
1027	Zirkin	210	Stein	Jewish Community Center of Baltimore – Gordon Center	Baltimore	100,000	Hard
203	Brochin	89	Lafferty	Limekilns and Log House Stabilization Project at Cromwell Valley Park	Baltimore	200,000	Soft (2, 3)
703	Nathan-Pulliam	941	Sydnor	Morning Star Family Life Center	Baltimore	630,000	Soft (U, all)
364	Brochin	625	Lafferty	Radebaugh Park	Baltimore	200,000	Soft (1)
1151	Zirkin			Talmudical Academy Gymnasium	Baltimore	500,000	
1115	Brochin	1587	West	The Maryland Regional Agricultural Arena and Learning Center	Baltimore	500,000	Soft (2)
365	Brochin	945	Lafferty	Towson Manor Park	Baltimore	80,000	Hard
						$3,580,000	

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
Caroline							
1118	Eckardt	1219	Mautz	Mt. Pleasant Heritage Preservation Community Education Center	Caroline	$200,000	Soft (2)
1002	Hershey	959	Ghrist	Sharp Road Community Park	Caroline	100,000	Soft (U, 2, 3)
						$300,000	
Carroll							
952	Carroll County Senators	894	Carroll County Delegation	Sykesville Freedom District Fire Department	Carroll	$50,000	Soft (1)
298	Carroll County Senators	176	Carroll County Delegation	The Arc of Carroll County Building Renovation	Carroll	100,000	Soft (2)
						$150,000	
Cecil							
714	Cecil County Senators	767	Cecil County Delegation	YMCA of Cecil County Outdoor Pool	Cecil	$300,000	Hard
						$300,000	
Charles							
		624	Charles County Delegation	Hospice House of Charles County	Charles	$305,000	Soft (1, 2)
1011	Middleton	125	Charles County Delegation	Indian Head Center for the Arts Renovation	Charles	130,000	Soft (2)
988	Middleton	957	Charles County Delegation	Maryland Veterans Memorial Museum Land Acquisition	Charles	225,000	Soft (all)
						$660,000	
Dorchester							
391	Eckardt	907	Sample-Hughes	Chesapeake Grove Senior Housing and Intergenerational Center	Dorchester	$500,000	Soft (1)

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
138	Eckardt	774	Adams	Dorchester County Family YMCA	Dorchester	250,000	Soft (3)
972	Peters	1203	C. Wilson	Patriot Point	Dorchester	500,000	Hard
						$1,250,000	
Frederick							
871	Young			Barbara Hauer Fritchie Foundation Facility	Frederick	$90,000	Hard
641	Hough			Brunswick Heritage Museum Building	Frederick	100,000	Hard
862	Young	323	Krimm	Emergency Family Services Shelter	Frederick	25,000	Soft (3)
720	Young	273	K. Young	Frederick Memorial Hospital Dental Clinic	Frederick	100,000	Soft (1, 3)
1030	Hough			Helen Smith Studio	Frederick	50,000	Soft (1, 2)
642	Hough			Northwest Trek Conservation and Education Center	Frederick	50,000	Soft (2)
		1555	Folden	Tuscarora High School Concession Stand	Frederick	50,000	Soft (all)
						$465,000	
Garrett							
683	Edwards	1057	Beitzel	Emergency Operations Center	Garrett	$250,000	Soft (all)
1087	Edwards	1585	Beitzel	Friendsville Veterans Memorial	Garrett	100,000	Soft (2)
						$350,000	
Harford							
731	Norman			Aberdeen B & O Railroad Station	Harford	$50,000	Soft (U, 2)
		1577	Lisanti	American Indian First Contact Waterfront Heritage Park	Harford	500,000	Soft (1, 2)
567	Cassilly	793	Impallaria	Center for the Visual and Performing Arts Amphitheater	Harford	200,000	Hard
396	Norman			Historical Society of Harford County Building Restoration	Harford	100,000	Soft (2, 3)

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
1117	Jennings			Rockfield Park Pavilion	Harford	116,000	Soft (2)
						$966,000	
Howard							
613	Howard County Senators	653	Howard County Delegation	Community Action Council Food Bank Facility	Howard	$300,000	Hard
40	Kasemeyer	621	Howard County Delegation	Environmental Education Center Renovation and Expansion	Howard	250,000	Soft (all)
611	Howard County Senators	652	Howard County Delegation	Huntington Park	Howard	150,000	Soft (3)
612	Howard County Senators	656	Howard County Delegation	Solomon's Lodge #121	Howard	19,000	Soft (1)
610	Howard County Senators	651	Howard County Delegation	South Branch Park	Howard	100,000	Soft (3)
609	Howard County Senators	650	Howard County Delegation	Vantage House Retirement Community Renovations	Howard	250,000	Soft (2)
						$1,069,000	
Montgomery							
1138	Madaleno	1629	Carr	A Wider Circle Community Service Center	Montgomery	200,000	Soft (2, 3)
987	Zucker	997	Kaiser	Damascus High School Turf Field	Montgomery	$200,000	Hard
1051	Raskin	1534	Hixson	Easter Seals Inter-Generational Center	Montgomery	100,000	Hard
975	Lee	1275	Kelly	Friendship Heights Village Center	Montgomery	250,000	Hard
443	Manno	902	Kramer	Homecrest House	Montgomery	120,000	Soft (2, 3)
438	Lee	702	Frick	Jewish Community Center of Greater Washington Children's Playground	Montgomery	150,000	Hard
1022	Manno	1512	Kramer	Jewish Foundation for Group Homes	Montgomery	100,000	Hard

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
1133	Raskin	1614	Hixson	Martin Luther King Jr. Recreational Park Improvements	Montgomery	100,000	Soft (2, 3)
230	Feldman	695	A. Miller	Maryland SoccerPlex Fields	Montgomery	750,000	Soft (2, 3)
985	Zucker	897	Luedtke	Maydale Nature Center	Montgomery	75,000	Soft (2, 3)
444	Manno	901	Kramer	Melvin J. Berman Hebrew Academy	Montgomery	100,000	Soft (U, 1, 2)
1102	Manno	905	Morales	Montgomery Hospice Casey House	Montgomery	120,000	Hard
	Madaleno	1225	Gutierrez	Noyes Children's Library Renovation and Expansion	Montgomery	100,000	Hard
221	Kagan	469	Barve	Olde Towne Park Plaza	Montgomery	300,000	Hard
986	Zucker	985	Kaiser	Olney Theatre Center	Montgomery	150,000	Soft (1)
984	Zucker	988	Kaiser	Our House Youth Home	Montgomery	50,000	Hard
1105	Raskin	1583	Hixson	Pinecrest Local Park Improvements	Montgomery	100,000	Soft (all)
685	Kagan	923	Gilchrist	Rockville Swim and Fitness Center	Montgomery	175,000	Hard
983	Zucker	991	Kaiser	Sandy Spring Museum	Montgomery	40,000	Hard
1152	Madaleno	1625	Kramer	Torah School of Greater Washington	Montgomery	300,000	Soft (3)
838	Feldman	924	Fraser-Hidalgo	Western Piedmont Trail Connectivity	Montgomery	125,000	Soft (1, 3)
						$3,605,000	
Prince George's							
1050	Muse			Accokeek Volunteer Fire Department	Prince George's	$150,000	Soft (1)
675	Peters	1231	Vallario	American Legion Post 381 Annex	Prince George's	100,000	Soft (1)
705	Currie	1214	Davis	Bishop McNamara High School Dining Hall and Student Center	Prince George's	200,000	Soft (2, 3)
1048	Muse	1528	Knotts	Camp Springs Elks Lodge No. 2332	Prince George's	20,000	Soft (2, 3)
207	Miller			Community Support Systems Food Pantry	Prince George's	10,000	Soft (all)
710	Ramirez	951	Fennell	Elizabeth Seton High School Athletic Field	Prince George's	30,000	Grant
		1056	Valderrama	Fil-American Multicultural Center	Prince George's	200,000	Soft (1, 2)

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
253	Benson			Glenarden Apartments Redevelopment Project	Prince George's	1,100,000	Hard
		938	Walker	Hillcrest Heights Community Center Pool	Prince George's	250,000	Soft (1)
782	Rosapepe			Hollywood Streetscape	Prince George's	200,000	Hard
1046	Ramirez	1514	Tarlau	Joe's Movement Emporium	Prince George's	100,000	Hard
1017	Pinsky	1517	Gaines	Maryland Multicultural Youth Centers	Prince George's	200,000	Soft (2)
727	Currie	1208	D. Barnes	Mt. Ephraim Multipurpose Room	Prince George's	100,000	Soft (1)
254	Benson			Net Zero Energy District Fairmount Heights Project	Prince George's	500,000	Soft (all)
68	Ramirez	287	Tarlau	New Horizons Disability Job Training and Recycling Center Phase II	Prince George's	250,000	Hard (U)
		1623	Davis	Olde Mill Community and teaching Center	Prince George's	75,000	Soft (1)
1049	Muse			Piscataway Park	Prince George's	100,000	Soft (2, 3)
925	Ramirez	952	Fennell	Port Towns Family Health and Wellness Center	Prince George's	250,000	Soft (U, 2)
814	Pinsky	954	Gaines	Pyramid Atlantic Art Center	Prince George's	300,000	Hard
817	Peters	1081	Valentino-Smith	Tabernacle Church of Laurel Gymnasium	Prince George's	25,000	Soft (1)
255	Benson	207	Barron	The Arc of Prince George's County	Prince George's	300,000	Hard
						$4,460,000	
St. Mary's							
1147	Waugh			Historic Sotterly Plantation	St. Mary's	$100,000	Soft (2, 3)
172	Miller			Historic St. Mary's City Commission – Dove Pier	St. Mary's	300,000	Grant
						$400,000	

SB#	Senate Sponsor	HB#	House Sponsor	Project Title	Jurisdiction	Request Amount	Match
Talbot							
140	Eckardt	206	Mautz	Chesapeake Bay Maritime Museum	Talbot	$250,000	Hard
139	Eckardt	208	Mautz	Phillips Wharf Aquaculture Jobs Training Center	Talbot	250,000	Soft (1)
						$500,000	
Washington							
743	Serafini			Doey's House	Washington	$100,000	Hard
		893	B. Wilson	Robert W. Johnson Community Center	Washington	445,000	Soft (2)
744	Serafini			The Maryland Theatre	Washington	100,000	Hard
						$645,000	
Wicomico							
		1576	Sample-Hughes	Habitat for Humanity of Wicomico County	Wicomico	$120,000	Hard
1042	Mathias	1612	Wicomico County Delegation	Ward Museum of Wildfowl Art	Wicomico	300,000	Hard
						$420,000	
Worcester							
1034	Mathias	1573	Otto	Delmarva Discovery Center and Museum	Worcester	$200,000	Soft (1)
						$200,000	
Grand Total						**$30,954,500**	

Match Key: 1 = real property; 2 = in kind contribution; 3 = prior expended funds; U = unequal match

2016 Session Prior Authorization Requests

Project Name	Jurisdiction	Purpose
Allegany Museum	Allegany County	Extend the grant termination date from December 1, 2015, to June 1, 2018.
Meade High School Concession Stand – 2012	Anne Arundel County	Extend the grant termination date from December 1, 2015, to June 1, 2018.
Meade High School Concession Stand – 2013	Anne Arundel County	Extend the matching fund deadline from June 1, 2016, to June 1, 2018.
Reece Road Community Health Center	Anne Arundel County	Extend the grant from June 1, 2016, to June 1, 2018.
Samaritan House Addition	Anne Arundel County	Strike "Addition" from the title of the grant. Extend the grant termination date from December 1, 2015, to June 1, 2018.
East Baltimore Biotechnology Park	Baltimore City	Add language allowing the grant funds to be used for the construction of retail space.
East Baltimore Historical Library – 2012	Baltimore City	Extend the grant termination date from December 1, 2015, to June 1, 2018. Adds "the Board of Directors of the East Baltimore Community School, Inc." as a co-grantee.
East Baltimore Historical Library – 2014	Baltimore City	Add "the Board of Directors of the East Baltimore Development, Inc." as a co-grantee.
East Baltimore Historical Library – 2014	Baltimore City	Extend the matching fund requirement from June 1, 2016, to June 1, 2018. Add "the Board of Directors of the East Baltimore Development, Inc." as a co-grantee.
L.A.M.B. Community Resource Center	Baltimore City	Extend the grant termination date from December 1, 2015, to June 1, 2017.
Liberty Elementary Early Childhood Center	Baltimore City	Change the grantee from "the Mayor and City Council of the City of Baltimore" to "the Baltimore City Board of School Commissioners".

Project Name	Jurisdiction	Purpose
Roland Water Tower Stabilization	Baltimore City	Extend the grant termination date from December 1, 2015, to June 1, 2019. Change the grantee to "the Roland Park Community Foundation".
Angel Park	Baltimore County	Add "Perry Hall Recreation Council" as a grantee.
Kingsville Volunteer Fire Company	Baltimore County	Remove the matching fund requirement.
Landsdowne Volunteer Fire Department	Baltimore County	Extends the termination date form December 1, 2015, to December 1, 2018.
Jefferson Patterson Park and Museum (Department of Planning)	Baltimore County	Extend the grant termination date from June 1, 2016, to June 1, 2018.
Omaha Beach Chapter 7 Disabled Veterans Building project (Formerly End Hunger Warehouse)	Calvert County	Remove the matching fund requirement. Change the project location from Calvert County to Prince George's County.
Jacob Tome Gas House	Cecil County	Extend the grant termination date from December 1, 2015, to June 1, 2017.
Bel Alton High School Community Development Center	Charles County	Change the name of the grantee from "the Board of Directors of the Bel Alton High School Alumni Association Community Development Corporation" to "the Board of County Commissioners of Charles County". Extend the grant termination date from June 1, 2016, to June 1, 2017.
Piscataway Indian Museum	Charles County	Extend the matching fund deadline from June 1, 2016, to June 1, 2018.
Southern Maryland Carousel – 2012	Charles County	Extend the grant termination date from December 1, 2015, to June 1, 2018. Amend the project scope from the "Southern Maryland Carousel" to the "Southern Maryland Carousel project". Change the project location from "La Plata" to "Charles County".
Downtown Frederick Hotel and Conference Center	Frederick County	Extend the grant termination date from December 1, 2015, to June 1, 2017.

Project Name	Jurisdiction	Purpose
Head Start Program Retrofitting (Repurpose to Community Action Counsel Food Bank Facility)	Howard County	Extend the matching fund requirement from June 1, 2016, to June 1, 2018. Change the name of the project to the "Community Action Council Food Bank Facility". Change the grantee to "the Board of Directors of the Community Action Council of Howard County, Maryland, Inc". Allow the grant funds to be used for capital purposes related to the facility. Extend the grant termination date from June 1, 2021, to June 1, 2023.
Lower Montgomery County Bikesharing System	Montgomery County	Extend the grant termination date from December 1, 2015, to June 1, 2017.
Mansfield Kaseman Health Center	Montgomery County	Extend grant termination date from June 1, 2015, to June 1, 2017.
Muslim Community Center	Montgomery County	Extends the matching fund deadline from June 1, 2016, to June 1, 2018. Changes the name of the project from "Muslim Community Center" to "Muslim Senior Facility".
Potomac Community Resources Home	Montgomery County	Extend the grant termination date from December 1, 2015, to June 1, 2018.
Quebec Terrace Lighting	Montgomery County	Remove the matching fund requirement.
Warren Historical Site – Loving Charity Hall	Montgomery County	Extend the termination date from June 1, 2016, to June 1, 2018.
Art Works Now Project	Prince George's County	Extend the matching fund deadline form June 1, 2016, to June 1, 2018.
Art Works Now Project (repurposed from Community Forklift Facility)	Prince George's County	Extend the matching fund deadline from June 1, 2016, to June 1, 2018. Extend the grant termination date from June 1, 2016, to June 1, 2019.

Project Name	Jurisdiction	Purpose
Bowie Boys and Girls Club Pole Barn Structure	Prince George's County	Extend the matching fund requirement form June 1, 2016, to June 1, 2018. Change the name of the project to "Whitemarsh Park". Change grantee to "the Mayor and City Council of the City of Bowie". Allow the grant funds to be used for capital purposes related to a restroom and concession building at Whitemarsh Park. Extend the grant termination date from June 1, 2021, to June 1, 2023.
Capitol Heights Seat Pleasant Boys and Girls Club Initiative	Prince George's County	Extend the matching fund deadline to June 1, 2018. Extend the grant termination date to June 1, 2019. Change the grantee from "the Board of Directors of the Prince George's County Boys and Girls Club, Inc." to "the Board of Directors of the Capitol Heights Seat Pleasant Boys and Girls Club, Inc.". Expand the purpose of the project to include indoor and outdoor sports equipment at various facilities.
Hamilton Street Parking	Prince George's County	Extend the grant termination date from December 1, 2015, to June 1, 2017.
New Carrollton Playground and Open Space Project	Prince George's County	Extend the matching fund deadline from June 1, 2016, to June 1, 2018.
Prince George's Arts and Humanities Council Creative Business Incubator (Repurposed)	Prince George's County	Extend the matching fund deadline from June 1, 2016, to June 1, 2018. Extend the grant termination date from June 1, 2015, to June 1, 2019.
Riverdale Park Town Hall Expansion	Prince George's County	Extend the matching fund requirement from June 1, 2015, to June 1, 2017. Extend the grant termination date from June 1, 2015, to June 1, 2018.
Riverdale Welcome Center	Prince George's County	Extend the time to present evidence of a matching fund from June 1, 2016, to June 1, 2018.
Chesterwye Center – Jessie's House	Queen Anne's County	Expand the scope of the project to include a storage facility. Extend the grant termination date from December 1, 2014, to June 1, 2018.

Project Name	Jurisdiction	Purpose
Bending Water Park	Somerset County	Extend the grant termination date from June 1, 2015, to June 1, 2018.
Little Sisters of the Poor – St. Martin's Home	Statewide	Delete "of the roof and windows" from the purpose of the grant.
Lockhouse 44, Lock 44, and Western Maryland Railroad Lift Bridge	Washington County	Extend the grant termination date from December 1, 2015, to June 1, 2018.
Delmarva Discovery Center and Museum	Worcester County	Add "the Board of Directors of the Delmarva Discovery Center and Museum, Inc." as a co-grantee.

ZA00HIJ

Maryland Independent College and University Association

Miscellaneous Grant Programs

Capital Budget Summary

Grant and Loan *Capital Improvement Program*

($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
MICUA Projects	$9.000	$9.600	$8.000	$8.000	$8.000	$8.000	$8.000
Total	**$9.000**	**$9.600**	**$8.000**	**$8.000**	**$8.000**	**$8.000**	**$8.000**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds	$9.000	$9.600	$8.000	$8.000	$8.000	$8.000	$8.000
Total	**$9.000**	**$9.600**	**$8.000**	**$8.000**	**$8.000**	**$8.000**	**$8.000**

GO: general obligation
MICUA: Maryland Independent College and University Association

Summary of Recommended Bond Actions

1. Capitol Technology University

   Approve.

2. The Johns Hopkins University

   Approve.

3. Maryland Institute College of Art

   Approve.

For further information contact: Garret T. Halbach Phone (410) 946-5530

Performance Measures and Outputs

Funds are provided for grants to assist the State's private colleges and universities with costs of constructing and renovating academic facilities and infrastructure. The grants leverage institutional resources and private donations, which must at least match the State appropriation for each project. The 13 eligible institutions are represented by the Maryland Independent College and University Association (MICUA), established in 1971. MICUA institutions are a critical component for meeting the State's goals in postsecondary education. MICUA recently reported that its member institutions serve over 63,000 students in the State and grant about 14,600 degrees and certificates annually. Receiving about 2% of the State's capital higher education budget, MICUA institutions serve about 17% of the State's higher education students and produce about 28% of degrees conferred in Maryland.

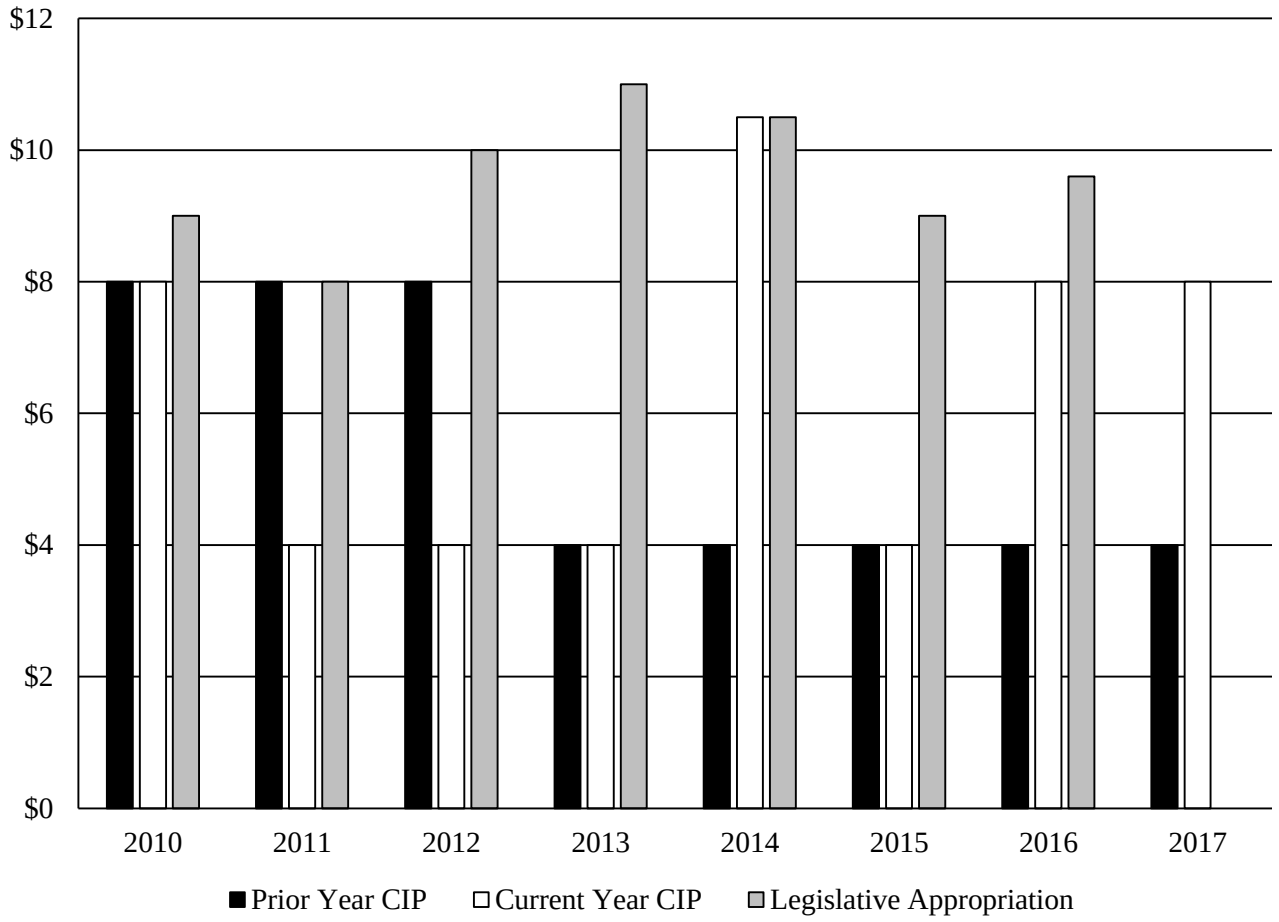
Budget Overview

As shown in **Exhibit 1**, while the final fiscal 2015 and 2016 budgets had programmed $9.0 million and $9.6 million, respectively, in State support, the fiscal 2017 budget programs only $8.0 million for three new MICUA projects. This is equal to the smallest amount of State funding that MICUA has received in the legislative appropriation in the past six years, $8.0 million in fiscal 2011. However, while the *Capital Improvement Program* (CIP) had shown only $4.0 million in each out-year for MICUA projects since fiscal 2012, it now shows $8.0 million in each out-year. The General Assembly has increased MICUA funding over the CIP amount in six of the past seven years.

Exhibit 2 shows the MICUA capital program appropriations from fiscal 1996 to 2016. Since fiscal 1996, the State has provided $149.9 million for projects at 13 institutions. The Johns Hopkins University (JHU) has received the most funding at $36.3 million, or 24%. The next largest recipient is Notre Dame of Maryland University, which has received $16.6 million, followed by the Maryland Institute College of Art (MICA), which has received $15.4 million. The remaining 10 institutions received $81.6 million, or about $8.2 million each, on average. This exhibit excludes Baltimore International College, which is no longer eligible to receive State capital funding due to its partnership with a for-profit university in January 2012, and Sojourner-Douglass College, which closed in July 2015. By full-time equivalent student enrollment, JHU accounts for about 47% of enrollment, while Loyola University of Maryland has about 12% and Stevenson University about 9% of total MICUA enrollment. The remaining 10 institutions average about 1,400 students per campus and accounted for only 33% of the total MICUA enrollment in fiscal 2015. As well as having the largest enrollment, JHU is also the only independent research institution by Carnegie classification in the State, so it has greater financial need for capital improvements than smaller, nonresearch-oriented campuses. While institutions are generally to receive funding only once every three years to ensure that all institutions receive funding, there is also a policy that institutions with interim presidents or newly appointed presidents may not participate in the MICUA capital program. This is partly the reason why JHU is on the proposed funding list in fiscal 2017, despite having last received capital funding in fiscal 2016 and 2014.

Exhibit 1 illustrates that MICUA often receives more funding than the amount proposed when the capital budget is introduced. **To the extent that the committees are inclined to support additional funding for MICUA projects above the $8 million proposed by the Governor, MICUA should brief the committees on projects currently in the pipeline to which additional funding could be directed.**

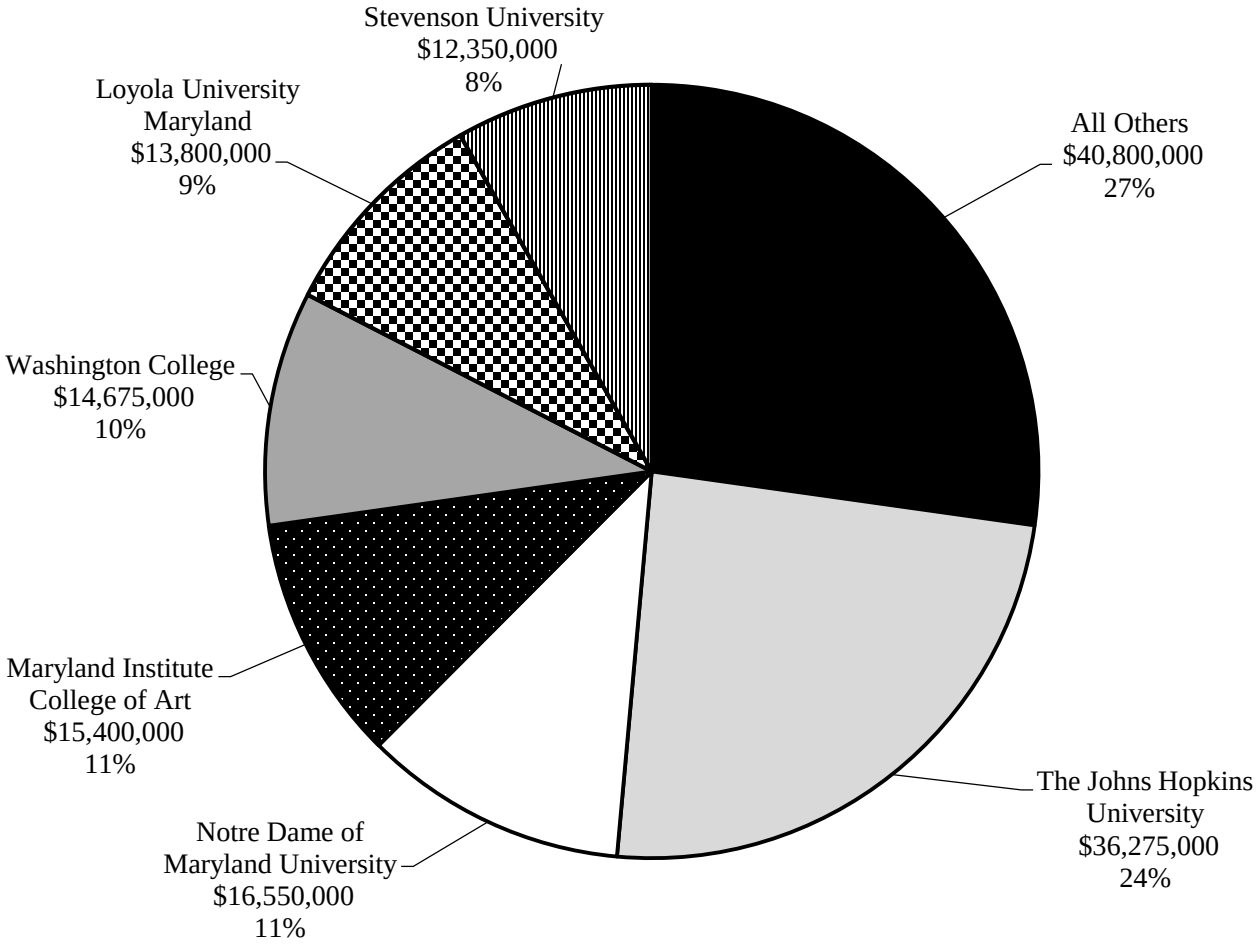
Exhibit 1
Historic Funding for MICUA Projects
Fiscal 2010-2017
($ in Millions)



CIP: *Capital Improvement Program*
MICUA: Maryland Independent College and University Association

Source: Department of Budget and Management

Exhibit 2
Maryland Independent College and University Association
Capital Appropriations
Fiscal 1996-2016
($ in Millions)



Note: Includes only funding appropriated through the Maryland Independent College and University Association's capital budget program. Excludes institutions that are no longer eligible for this program.

Source: Maryland Independent College and University Association

Capitol Technology University

Authorization Uses
($ in Millions)

Description	Prior Authorization	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Planning	$0.000	$0.261	$0.000	$0.000	$0.000	$0.000
Construction	0.000	3.024	0.000	0.000	0.000	0.000
Total	**$0.000**	**$3.285**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

Authorization Sources
($ in Millions)

Description	Prior Authorization	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds (42.6%)	$0.000	$1.400	$0.000	$0.000	$0.000	$0.000
Nonbudgeted (57.4%)	0.000	1.885	0.000	0.000	0.000	0.000
Total	**$0.000**	**$3.285**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

This project will construct a 99,000 gross square feet (GSF) multipurpose building including student housing and academic spaces on the Laurel campus of Capitol Technology University (CTU), formerly Capitol College. State support will only be applied toward the 9,086 GSF portion that is academic in nature. The non-State supported portion of the budget includes student housing and dormitory space to accommodate 255 students. The entire facility accommodates expected growth at CTU, which focuses on the fields of cybersecurity, computer science, engineering, robotics, and telecommunications. Fiscal 2017 funding will cover design and construction. Design is scheduled from May 2015 to May 2016, with construction from August 2016 through July 2017.

CTU currently has insufficient classroom, laboratory, and residential space to meet growing enrollment in its science, engineering, technology, and mathematics (STEM) programs. New programs coming online include an undergraduate degree in mobile computing and game programming and a certificate in secure software development. Existing classrooms and learning facilities are inadequate and were mostly designed in the 1980s and 1990s, a very long time ago in the rapidly changing field of technology education. Electrical output in current facilities is at capacity, and most classrooms are set up as traditional lecture spaces rather than as computer labs or for group projects. The new building will allow classes to move out of the old buildings and enable later renovations of the existing spaces. CTU has had success in the rapidly growing field of cybersecurity, assisted by its location in the

Baltimore-Washington corridor, which has many governmental and contractor cybersecurity employers. Expansion of CTU's ability to educate students on cybersecurity and related computer skills will help the State graduate students with in-demand employment skills. CTU is unique for its employment guarantee for all undergraduate students, which states every student will have a competitive salary offer within 90 days of graduation, indicating its firm commitment to student success. In addition, CTU is a majority minority institution by student enrollment, reaching many underrepresented groups in STEM fields, such as racial/ethnic minorities and women.

The total State share of this project is projected to be 42.6%. The last fiscal year in which CTU received MICUA capital funding was in the 2009 Maryland Consolidated Capital Bond Loan (MCCBL) for $2.5 million for the new Leadership and Innovation Institute building, although this was de-authorized in the 2011 legislative session's MCCBL.

The President should comment on the status of $1.9 million in private donations that make up part of the institution's required match for State funding for this project and on the certainty that State support will be used for this project.

The Johns Hopkins University

Authorization Uses
($ in Millions)

Description	Prior Authorization	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Planning	$0.000	$2.488	$0.000	$0.000	$0.000	$0.000
Construction	0.000	27.548	0.000	0.000	0.000	0.000
Total	**$0.000**	**$30.036**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

Authorization Sources
($ in Millions)

Description	Prior Authorization	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds (11.0%)	$0.000	$3.300	$0.000	$0.000	$0.000	$0.000
Nonbudgeted (89.0%)	0.000	26.736	0.000	0.000	0.000	0.000
Total	**$0.000**	**$30.036**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

This project will renovate 30,100 GSF of space in Macaulay Hall for the Krieger School of Arts and Sciences (KSAS) on JHU's Homewood Campus in Baltimore City. The structure is functionally inadequate, with obsolete infrastructure and insufficient space for the school's academic needs. The renovation will create 19,400 net assignable square feet (NASF) of modern research space, including an electron microscopy suite, which will serve the entire campus and the Baltimore research and development community. Fiscal 2017 funding will cover design and construction. Design is scheduled from August 2015 to August 2016, with construction from September 2016 through December 2017.

Macaulay Hall's current layout is unchanged since it was built 51 years ago and is based on 1960s laboratory design principles, which distinctly split every floor into office space on one side and laboratory space on the other side. By modernizing the building and removing hard partitions that silo traditional laboratory space, the facility will be transformed into a highly flexible, well-equipped academic building to support interdisciplinary collaboration for undergraduate education and research. Renovating this space into eight modern laboratories will increase the building's adaptability for contemporary uses and will allow for larger lab group sizes of up to 20 researchers. The Undergraduate Teaching Laboratory, completed in 2014 with State support, will serve as a conceptual model for Macaulay Hall's renovations.

Infrastructure serving Macaulay Hall is also outdated, life safety systems are inadequate, the building is not Americans with Disabilities Act compliant, and 7,500 NASF of laboratory space in the building is actually vacant as personnel have moved to newer and better facilities on the Homewood Campus. This means the renovations will not significantly disrupt any activity on campus. Finally, renovations will enable KSAS to attract high-quality faculty and improve student-to-faculty ratios on campus by enabling KSAS to hire eight additional faculty. The basement of the building also houses the Integrated Imaging Center, which uses sophisticated microscopes, benefiting undergraduate and graduate research students.

The total State share of this project is projected to be only 11%. The last fiscal year in which JHU received MICUA capital funding was in fiscal 2016, which was also for renovations to laboratory space, but for the Bloomberg School of Public Health on the JHU medical campus.

Maryland Institute College of Art

Authorization Uses
($ in Millions)

Description	Prior Authorization	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Planning	$0.000	$0.651	$0.000	$0.000	$0.000	$0.000
Construction	0.000	7.458	0.000	0.000	0.000	0.000
Total	**$0.000**	**$8.109**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

Authorization Sources
($ in Millions)

Description	Prior Authorization	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds (40.7%)	$0.000	$3.300	$0.000	$0.000	$0.000	$0.000
Nonbudgeted (59.3%)	0.000	4.809	0.000	0.000	0.000	0.000
Total	**$0.000**	**$8.109**	**$0.000**	**$0.000**	**$0.000**	**$0.000**

This project will demolish the existing three-story 15,000 GSF facility at 100 Dolphin Street in Baltimore City owned by MICA and construct a new 25,000 GSF academic facility at the same location to house the Center for Product Design and Printmaking. While MICA considered adaptive reuse, which was very successful for the Mt. Royal Station structure, the Dolphin Building is structurally unsound with multiple failing building systems and, despite being a century old, has not been deemed to have significant historic value. A new facility would offer technology-based prototyping laboratories and modern seminar and presentation space dedicated to printmaking and three-dimensional design. This will enable the college to consolidate its digital print labs and print equipment and to add a new academic program in Product Desig?n. Fiscal 2017 funding will cover design and construction. Design is scheduled from June 2015 to March 2016, with demolition and construction from May 2016 through October 2017.

MICA's current facilities are insufficient to meet its growing enrollment and emerging technologies used in art and design programs. This demolition and construction project will allow the institution to adapt to changing curricular and equipment needs for art programs. Without this new building, MICA reports it would not be able to further expand its enrollment, which is currently about 2,200 students. Additionally, MICA would be forced to close the Dolphin building in the near future due to its deteriorating condition. MICA believes a new focus on technology-based industries will keep MICA at the forefront of design trends and attract 80 to 100 new students to campus. The new academic program, Product Design, focuses on product development and commercialization, which enables more interdisciplinary collaboration between the fine arts, engineering, and business to explore design across many fields including consumer products, retail packaging, safety equipment, and fashion.

The total State share of this project is projected to be 40.7%. The last fiscal year in which MICA received MICUA capital funding was in fiscal 2014 for $4 million to renovate its Falls Road warehouse and the Fox Building for graduate student art space.

The President should comment on the status of $3.6 million in private donations that make up part of the institution's required match for State funding for this project.

GO Bond Recommended Actions

1. Approve the $1.4 million in general obligation bonds for the planning, design, construction, renovation, and capital equipping of the new Living and Learning Center at Capitol Technology University.

2. Approve the $3.3 million in general obligation bonds for the planning, design, construction, renovation, and capital equipping of renovations to Macaulay Hall at The Johns Hopkins University.

3. Approve the $3.3 million in general obligation bonds for the planning, design, construction, renovation, and capital equipping of the demolition of the Dolphin Building and the construction of a new academic building at the Maryland Institute College of Art.

ZA00N

Prince George's Hospital System

Miscellaneous Grant Programs

Capital Budget Summary

Grant and Loan *Capital Improvement Program*

($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Prince George's Hospital System New Regional Medical Center	$15.000	$30.000	$27.500	$67.500	$40.000	$0.000	$0.000
Total	**$15.000**	**$30.000**	**$27.500**	**$67.50**	**$40.000**	**$0.000**	**$0.000**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds	$15.000	$30.000	$27.500	$67.500	$40.000	$0.000	$0.000
Total	**$15.000**	**$30.000**	**$27.500**	**$67.500**	**$40.000**	**$0.000**	**$0.000**

GO: general obligation

Summary of Recommended Bond Actions

1. Prince George's Hospital System

   Approve the $27,500,000 general bond authorization to continue design, construction, and equipping of the new regional medical center in Prince George's County.

For further information contact: Lindsey B. Holthaus Phone (410) 946-5530

Program Description

The Prince George's Hospital System (PGHS), currently operated by Dimensions Healthcare System, consists of several parts: Prince George's Hospital Center (PGHC), a 269-bed acute-care hospital and regional referral center; Laurel Regional Hospital, a 138-bed acute-care community hospital; and the Bowie Health Center. The system has experienced losses in market share, revenue losses, low liquidity, significant deferred capital needs, poor bond ratings, and a disadvantageous payor mix. Both the State and Prince George's County have provided significant financial support in recent years in order to keep the system functional and avoid significant operational deficits, potential bankruptcy, and even closure.

The State, Prince George's County, and the Dimensions Healthcare System entered into a Memorandum of Understanding (MOU) in calendar 2008 to provide financial support to the hospital that included a commitment of $150 million in operating funds over five years, split equally between each party, and $24 million in State capital funding over three years. The MOU was updated in calendar 2011 to include the University of Maryland Medical System (UMMS) and the University System of Maryland.

The State fulfilled the requirements of the July 2011 MOU by providing $60 million in operating support and $24 million in capital support between fiscal 2012 and 2015.

In accordance with the updated MOU, this project will construct a new regional medical center, Prince George's Regional Medical Center (PGRMC), and make improvements to existing health facilities in PGHS. The fiscal 2017 allowance includes $27.5 million in general obligation (GO) bond funding to continue design, construction, and equipping of the new regional medical center.

Budget Overview

PGHC has continued to confront financial problems that have not been successfully resolved since they started in fiscal 1999. Between fiscal 1999 and 2001, PGHC had a net financial loss of over $40 million. Due to the financial difficulties, PGHC entered into two restructuring engagements by national turnaround companies. Additionally, from fiscal 2002 to 2005, there were three different governmentally mandated oversight groups, the most recent of which was the result of an MOU between the State and Prince George's County in February 2004. After the Health Services Cost Review Commission (HSCRC) was reluctant to raise rates in the absence of a viable "Recovery and Restructuring" plan for PGHC in fiscal 2003, the State and Prince George's County signed an MOU to provide financial support to the hospital and create a financial action plan designed to support and enhance the medical services provided by PGHC, Laurel Regional Hospital, and other health care facilities managed by Dimensions Healthcare System.

In accordance with the MOU, the county and the State appointed an oversight committee that received interim reports from a management consultant on a recovery/restructuring plan. Both the county and the State committed funding, including $5.0 million in GO bond funding from the State, for

capital needs and $30.0 million in funds from Prince George's County. The oversight committee recommended replacing Dimensions Healthcare System and determining the level of interim funding needed to allow the health care system to continue operating until a new owner had been identified. The MOU terminated in October 2006. However, between fiscal 2002 and 2007, $15.8 million and $13.0 million were provided by the State to the hospital system in operating and capital funding, respectively.

In fiscal 2008, the Prince George's County Hospital Authority was established (Chapter 680 of 2008 subsequently amended by Chapters 116 and 117 of 2009). The authority was established as a State entity to implement a competitive bidding process for transferring the PGHS to a new owner or owners. Following the creation of the authority and stemming from the desire to facilitate the transfer of the health care system by providing financial support to the new owners to assist their efforts to stabilize and improve the system, the State and the county entered into an MOU in 2008 that specified the terms and conditions of the financial support provided by each party. In January 2010, the authority announced that it did not believe that the system could be sold, and the authority expired without a transfer in place.

As set forth in the MOU, both the State and Prince George's County have provided significant financial support in recent years in order to keep the system functional and avoid significant operational deficits, potential bankruptcy, and even closure. The MOU articulated a total of $222 million in operating and capital support between fiscal 2009 and 2015.

The MOU did not articulate operating support beyond fiscal 2015, and the fiscal 2016 appropriation did not include an operating subsidy for the system nor additional capital funds to support existing PGHS infrastructure improvements. However, $15 million of general funds included by the Governor in Supplemental Budget No. 1 provides an operating grant in fiscal 2017 to the Board of Directors of UMMS to assist in the transition to the new PGRMC. Intent language also commits the State to an additional $15 million to be provided in fiscal 2018 and 2019 and $5 million to be provided in fiscal 2020 and 2021 for a total of $55 million. Proposed legislation in the 2016 session would increase the fiscal 2018 funding to $30 million in the absence of a $15 million deficiency appropriation in fiscal 2016.

Fiscal 2017 Capital Support

State support for the project is currently programmed at $200.0 million over five years. Through fiscal 2017, the State has authorized $92.5 million in GO bond funds, which UMMS is currently using to support the design stage of the project. Prince George's County will provide an additional $208.0 million toward the cost of the new facility, which is structured to be available in one lump sum upon approval of the certificate of need (CON) application by the State. The CON application has yet to be approved. The remaining UMMS contribution is expected to come from the issuance of debt – specifically, with annual debt service funded through the inclusion of debt service within hospital rates. However, HSCRC, which sets standard rates that hospitals may charge for the purchase of care, must grant approval for debt service to be included in the hospital's rates.

Although the State's total funding commitment for the project has remained at $200 million, the timing of State funding has been modified to more closely align the State's funding with anticipated project expenditures. **Exhibit 1** shows recent changes in the State's programmed funding commitment.

Exhibit 1
Recent Changes in State Funding Plan
($ in Millions)

Fiscal Year	2013 Session CIP	2014 Session CIP	2014 Session MCCBL	2015 Session MCCBL	2016 Session CIP
2014	$20.0	$20.0	$20.0	$20.0	$20.0
2015	20.0	30.0	15.0	15.0	15.0
2016	20.0	30.0	40.0	30.0	30.0
2017	20.0	30.0	35.0	45.0	27.5
2018	120.0	90.0	90.0	90.0	67.5
2019					40.0
Total	**$200.0**	**$200.0**	**$200.0**	**$200.0**	**$200.0**

CIP: *Capital Improvement Program*
MCCBL: Maryland Consolidated Capital Bond Loan

Source: Department of Budget and Management; Department of Legislative Services

As demonstrated in Exhibit 1, the intent language in the Maryland Consolidated Capital Bond Loan (MCCBL) of 2014 scheduled $40.0 million in capital funding for the project in fiscal 2016. However, due to reduced debt capacity, the MCCBL of 2015 reduces this amount by $10.0 million while increasing scheduled fiscal 2017 funding in an equal amount (therefore, leaving total funding for the project intact). The MCCBL of 2015 had scheduled $45.0 million in capital funding for the project in fiscal 2017 and $90.0 million in fiscal 2018. However, to align funding with the timing of expenditures, the 2016 *Capital Improvement Plan* (CIP) reduces those amounts by $17.5 million and $22.5 million, respectively while increasing fiscal 2019 funding in an equal amount.

Costs for the design, construction, and capital equipping for PGRMC are estimated to total $651.2 million. The estimate is preliminary as the design process is still underway. In addition, the preliminary estimate does not include any enhancements to the existing primary care network in the county or the discharge of the Dimension Healthcare Corporation's current liabilities. Prince George's County and the State are each expected to contribute $208.0 million to the funding of this project, however the CIP only includes $200.0 million. Legislation proposed in the 2016 session would include an additional $8.0 million in capital funds for fiscal 2019.

Current Status of the Project

It had been envisioned that PGRMC would be located in a central area of Prince George's County with convenient access to tertiary care for residents of Prince George's and other Southern Maryland counties. Several sites were considered, and the Largo Town Center was ultimately selected. Construction of site work and infrastructure was expected to begin in September 2015 with the beginning of the construction phase overlapping with the completion of design.

Site selection is one component for the CON application that is currently under review by the Maryland Health Care Commission (MHCC). UMMS advises that among other factors being considered by MHCC is the formation of a companion rate agreement by HSCRC. UMMS further advises that it submitted an amendment to its CON application in February 2015 and expected its application to be docketed imminently – at which point legal challenges to the project, if any, could be raised. Any opposition to the application (or related circuit court action) could delay the CON application process. Dimensions Healthcare System was notified in August 2015 that MHCC appointed a commissioner reviewer.

Although the actual size and scope of the new facility is predicated on the completion of the CON application process, UMMS received approval from the State to allow State funds to be used for design so that the project will remain on schedule and on budget.

GO Bond Recommended Actions

1. Approve the $27,500,000 general bond authorization to continue design, construction, and equipping of the new regional medical center in Prince George's County.

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
($ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Private Hospital Grant Program	$5.193	$3.612	$4.237	$5.000	$5.000	$5.000	$5.000
Total	**$5.193**	**$3.612**	**$4.237**	**$5.000**	**$5.000**	**$5.000**	**$5.000**

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
GO Bonds	$5.193	$3.612	$4.237	$5.000	$5.000	$5.000	$5.000
Total	**$5.193**	**$3.612**	**$4.237**	**$5.000**	**$5.000**	**$5.000**	**$5.000**

GO: general obligation

For further information contact: Jordan D. More Phone (410) 946-5530

Summary of Recommended Bond Actions

1. Maryland Hospital Association

   Adopt committee narrative requesting a report on the Maryland Hospital Association Grant Program encumbrances and expenditures.

2. Adventist Behavioral Health and Wellness

   Approve $392,000 in general obligation bonds.

3. Anne Arundel Health System

   Approve $500,000 in general obligation bonds.

4. Doctors Community Hospital

   Approve $500,000 in general obligation bonds.

5. Edward W. McCready Hospital

   Approve $239,000 in general obligation bonds.

6. Medstar Franklin Square Hospital

   Approve $877,000 in general obligation bonds.

7. Medstar Montgomery Medical Center

   Approve $300,000 in general obligation bonds.

8. Shady Grove Medical Center

   Approve $279,000 in general obligation bonds.

9. University of Maryland Rehabilitation and Orthopedic Institute

   Approve $150,000 in general obligation bonds.

10. University of Maryland, St. Joseph Medical Center

    Approve $1,000,000 in general obligation bonds.

11. SECTION 2 – Maryland Hospital Association – Union Center of Cecil County – Outpatient Center

    Approve the de-authorization of $110,000 in general obligation bonds.

12. SECTION 2 – Maryland Hospital Association – Meritus Medical Center

    Approve the de-authorization of $500,000 in general obligation bonds.

Budget Overview

The Private Hospital Facilities Grant Program is designed to provide State support for the capital needs of Maryland's independent hospitals. Established in 1994, the program provides grants to assist in new construction and major renovations to hospitals that promote State health objectives. The projects are selected annually for funding by a committee appointed by the Maryland Hospital Association (MHA). MHA represents 66 institutions. The 11-person selection committee consists of 7 hospital trustees and 4 hospital executives from throughout the State.

Each project had customarily been identified through an individual bond bill, although in time, the projects were ultimately folded into the capital bill. Beginning in fiscal 2010, the projects have been included in the capital bill as introduced.

The criteria used to rate applications for funding under this program are:

- how the project will improve patient care, particularly access to primary and preventive services;
- how the project improves the patient safety environment;
- how the project serves unmet community, health, and related social needs;
- whether project services are supplied by a sole provider;
- whether the project is in an underserved area;
- whether the project is of a regional or statewide significance;
- how the project encourages collaboration and the development of provider networks; and
- whether the community has demonstrated financial support for the project.

Exhibit 1 details the nine projects proposed for funding in fiscal 2017.

Exhibit 1
Maryland Hospital Association
Private Hospital Grant Program

Subdivision	Project Title and Purpose	Total Estimated Cost	Fiscal 2017 State Share Amount	State Share (%)
Anne Arundel	**Anne Arundel Health System, Inc.:** Renovate the main waiting area and reconfigure space to accommodate group therapy and ambulatory detoxification programs for the Pathways program.	$1,250,000	$500,000	40.0%
Baltimore City	**University of Maryland Rehabilitation and Orthopedic Institute:** Renovate and enlarge patient waiting and registration areas.	300,000	150,000	50.0%
Baltimore County	**MedStar Franklin:** Relocate the inpatient cancer services unit from an undersized location to a renovated space.	1,752,800	877,000	50.0%
Baltimore County	**University of Maryland St. Joseph Medical Center, Inc.:** Renovate a floor dedicated to serving mothers and babies to support a minimum of five new suites.	2,000,000	1,000,000	50.0%
Montgomery	**Adventist Behavioral Health and Wellness:** Renovate space for the Behavioral Health Outpatient program.	800,000	392,000	49.0%
Montgomery	**Shady Grove Medical Center:** Renovate space to create a Neonatal Intensive Care Unit lounge and space for the Pediatric Outpatient Rehabilitation program.	570,000	279,000	48.9%
Montgomery	**MedStar Montgomery Medical Center:** Renovate the Maternal Newborn Center Special Care Nursery and Inpatient Unit.	1,020,100	300,000	29.4%
Prince George's	**Doctors Hospital, Inc.:** Renovate the primary care practice areas, patient exam rooms, and physician and laboratory office space in order to establish the Doctors Community Healthcare Center.	1,000,000	500,000	50.0%
Somerset	**Edward W. McCready Hospital:** Renovate a 19-bed inpatient unit to provide space for inpatient and outpatient behavioral health services.	606,000	239,000	39.4%
Total		**$9,298,900**	**$4,237,000**	

Source: Maryland Hospital Association; Department of Budget and Management

The total amount in the allowance is currently $4.2 million, which is below the $5.0 million that is traditionally included for this program in the *Capital Improvement Program*. MHA notes that due to concerns surrounding the new All-payer Model Contract, which replaced the State's previous Medicare waiver and requires that hospitals be placed on global budgets to be regulated by the Health Services Cost Review Commission, hospitals around the State are still having to reevaluate how much they can spend under their global budgets for capital needs as well as what capital projects would best help hospitals meet the goals of the waiver.

De-authorizations

The fiscal 2017 capital bill also includes two de-authorizations for prior year hospital projects, which are presented in **Exhibit 2**. The first is a de-authorization of $110,000 in general obligation (GO) bonds for Union Hospital of Cecil County – Outpatient Center. The second is a de-authorization of $500,000 in GO bonds for Meritus Medical Center. In both instances, the projects were initially requested before the new All-payer Model Contract was in effect, and the new payment model is shifting the goals and priorities of hospitals in regard to capital investment. For example, Meritus Medical Center had initially intended to use their funds to build out a wellness and rehabilitation center. However, with the new incentives under the All-payer Model Contract, Meritus now intends to reapply to create a primary care center in the future.

Exhibit 2
De-authorizations

Project	De-authorized Amount	Reason
Union Hospital of Cecil County – Outpatient Center	$110,000	No longer moving forward due to the All-payer Model Contract.
Meritus Medical Center	500,000	No longer moving forward due to the All-payer Model Contract.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

At this time, it should also be noted that it is unclear how many previously authorized projects are currently affected by the All-payer Model Contract and have the potential not to move forward. This is because the Department of Budget and Management (DBM) does not include in their capital worksheets the amount of funds encumbered and expended to date as they do with most other grant and loan programs included in the capital budget. **The Department of Legislative Services (DLS) recommends that DBM annually report encumbrances and expenditures for the Private Hospital**

Grant Program in the capital worksheets submitted in support of the Governor's annual capital budget. Further, DLS recommends that MHA submit a report providing further detail on these projects.

GO Bond Recommended Actions

1. Adopt committee narrative requesting a report on the Maryland Hospital Association Grant Program encumbrances and expenditures.

   Maryland Hospital Association Grant Program Encumbrances and Expenditures: The past couple years have included de-authorizations of entire projects contained within the Maryland Private Hospital Grant Program due to concerns surrounding the All-payer Model Contract and its effect on capital projects and priorities. Currently, the Department of Budget and Management does not include data on the amount of encumbrances and the amount expended to date for this grant and loan program in the capital worksheets, nor does the Maryland Hospital Association include this information in its annual submission requesting funds from the Governor. The budget committees request a report detailing the amounts encumbered, unencumbered, and expended to date of all Maryland Hospital Association Private Hospital Grant Program projects. Further, the budget committees request that this data be included in capital worksheets submitted in support of the Governor's annual capital budget.

Information Request	**Author**	**Due Date**
Encumbrances and expenditures of the Maryland Hospital Association Private Hospital Grant Program	Maryland Hospital Association	December 1, 2016

2. Approve $392,000 in general obligation bonds for Adventist Behavioral Health and Wellness.

3. Approve $500,000 in general obligation bonds for Anne Arundel Health System, Inc.

4. Approve $500,000 in general obligation bonds for Doctors Hospital, Inc.

5. Approve $239,000 in general obligation bonds for Edward W. McCready Hospital.

6. Approve $877,000 in general obligation bonds for MedStar Franklin Square Hospital Center.

7. Approve $300,000 in general obligation bonds for MedStar Montgomery Medical Center.

8. Approve $279,000 in general obligation bonds for Shady Grove Medical Center.

9. Approve $150,000 in general obligation bonds for University of Maryland Rehabilitation and Orthopedic Institute.

10. Approve $1,000,000 in general obligation bonds for University of Maryland St. Joseph Medical Center.

11. Approve the de-authorization of $110,000 in general obligation bonds for Union Hospital of Cecil County – Outpatient Center.

12. Approve the de-authorization of $500,000 in general obligation bonds for Meritus Medical Center.