

DE0201
Board of Public Works

Capital Budget Summary

Capital Improvement Program
(\$ in Millions)

<i>Program</i>	<i>2013 Approp.</i>	<i>2014 Approp.</i>	<i>2015 Request</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>	<i>2019 Estimate</i>
-----------------------	--------------------------------	--------------------------------	--------------------------------	---------------------------------	---------------------------------	---------------------------------	---------------------------------

Facilities Renewal Fund	\$20.592	\$15.000	\$15.000	\$15.000	\$15.000	\$15.000	\$15.000
Fuel Tank Storage Replacement Program	0.000	1.400	1.000	1.000	0.000	0.000	0.000
Construction Contingency Fund	0.000	0.000	0.000	2.500	2.500	2.500	2.500
Total	\$20.592	\$16.400	\$16.000	\$18.500	\$17.500	\$17.500	\$17.500

<i>Fund Source</i>	<i>2013 Approp.</i>	<i>2014 Approp.</i>	<i>2015 Request</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>	<i>2019 Estimate</i>
---------------------------	--------------------------------	--------------------------------	--------------------------------	---------------------------------	---------------------------------	---------------------------------	---------------------------------

GO Bonds	\$20.592	\$16.400	\$16.000	\$18.500	\$17.500	\$17.500	\$17.500
Total	\$20.592	\$16.400	\$16.000	\$18.500	\$17.500	\$17.500	\$17.500

Summary of Issues

Underground Fuel Tanks: Existing fuel storage tanks across the State have reached or are reaching the end of their expected useful lives and must be replaced. Of these underground tanks, the Department of State Police (DSP) owns many that are currently in violation of environmental regulations. Short-term cost estimates to replace DSP's tanks differ between DSP, which reports that all underground tanks need to be replaced at a cost of \$7.3 million, and the Department of General Services (DGS), which reports that the \$3.4 million included in the *Capital Improvement Program* (CIP) between fiscal 2014 and 2016 is sufficient to address current violations. **DGS and DSP should comment on the rationale for their respective recommended approaches to addressing DSP fuel tank violations.**

Summary of Updates

Construction Contingency Fund: The current CIP anticipates authorizations to the Construction Contingency Fund (CCF) of \$2.5 million each year in fiscal 2016, 2017, 2018, and 2019. Given the current economic conditions, favorable bidding climate, and the current fund balance, DGS has sufficient unencumbered funds remaining to maintain program activity without authorizations in fiscal 2014 and 2015.

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 Tank Replacement Program.

3. SECTION 2 Board of Public Works Asbestos Abatement Program

Approve de-authorization of general obligation bond funds in the Asbestos Abatement Program.

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 William Donald Schaefer Tower – Replace Fire Alarm System

Approve de-authorization of general obligation bond funds to replace the fire alarm system in the William Donald Schaefer Tower.

Program Description

Fuel Tank Storage Replacement: This program funds the replacement and maintenance of fuel tanks. Most fuel tanks in the State are currently at the end of their expected useful lives, which average 30 years. Without replacement and/or repair of the tanks, State agencies risk federal fines of up to \$100,000 for violations, in addition to the environmental damage caused by leaking fuel.

Facilities Renewal Program: This program provides funds for the repair and rehabilitation of State-owned capital facilities. The Facilities Renewal Program funds projects that cost between \$100,000 and \$1,000,000, excluding higher education projects, which are funded through separate appropriations.

Construction Contingency Fund: This is a supplementary funding source for State construction projects. Expenditures from the fund must be approved by the Board of Public Works (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.

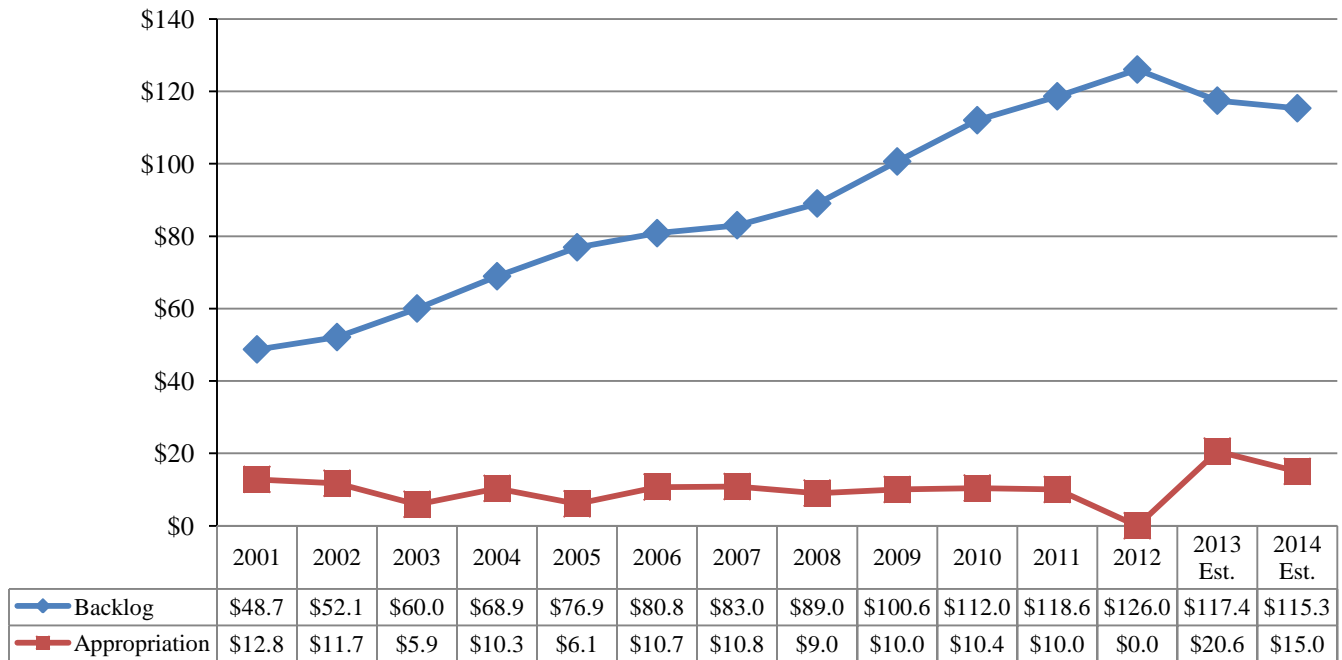
Budget Overview

Facilities Renewal Program

The Facilities Renewal Program is a continuing long-term effort which will require funding beyond fiscal 2019. As **Exhibit 1** shows, the current backlog for projects is over \$115.0 million. The current 2014 appropriation of \$15.0 million follows a \$20.6 million general obligation (GO) bond appropriation in fiscal 2013. DGS received no appropriation in fiscal 2012 for the program, based on the amount of outstanding unencumbered funds within the program. However, by the end of fiscal 2012, DGS reported only \$2.4 million in unencumbered funds. This was accomplished in part through hiring additional contractual project managers.

The only major change in the 2014 CIP within the BPW budget is that the Fuel Tank Storage Replacement Program increases from a planned \$0 to \$1 million in fiscal 2015. Funding for the Facilities Renewal Program remains at \$15 million.

Exhibit 1
Facility Renewal Funding and Backlog
Fiscal 2001-2014 Est.
(\$ in Millions)

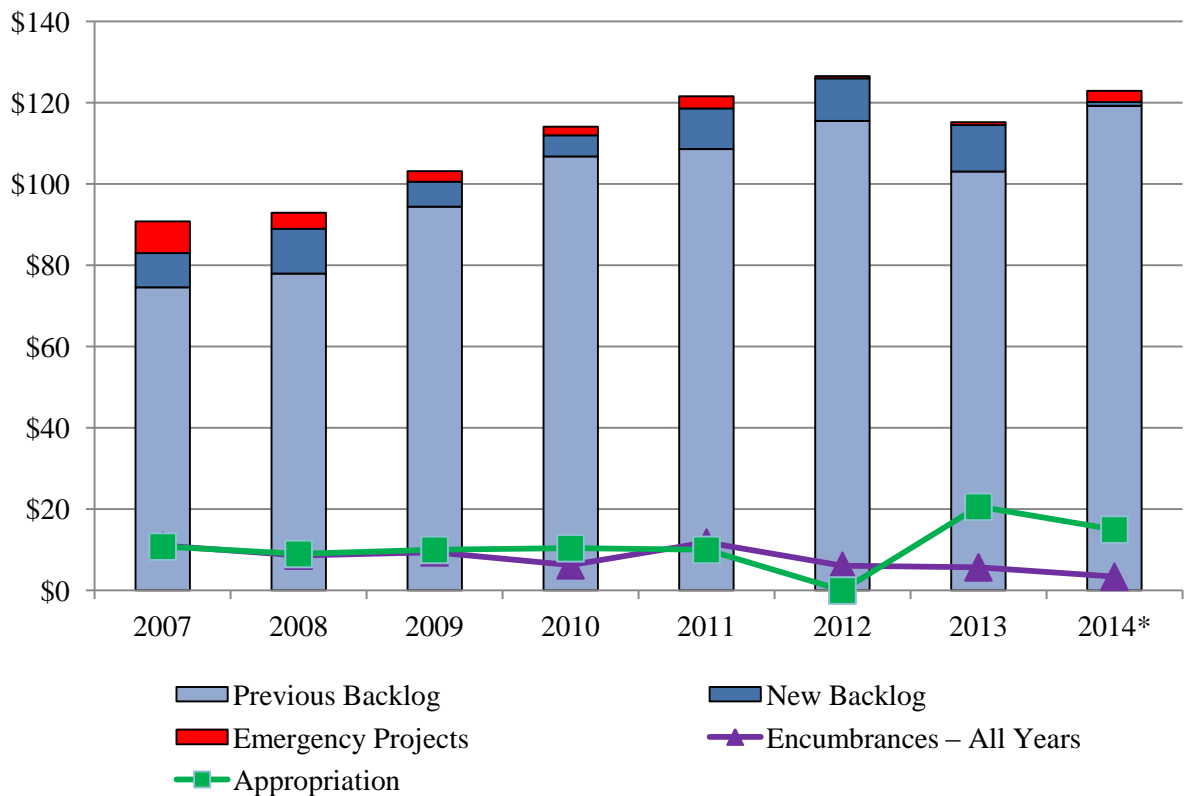


Source: Department of General Services

Halfway through fiscal 2014, DGS reports a total of \$5.4 million in encumbrances for the fiscal 2013 and 2014 appropriations, which total \$35.6 million when combined. Encumbrances for many projects in the backlog typically occur after up to two years. Though the fiscal 2013 and 2014 funds are largely unencumbered, the appropriations allow DGS to initiate the multi-year process for the list of projects included in the request. Additionally, the Department of Budget and Management Funding Request Summary indicates that the agency is expected to encumber all remaining funds, totaling \$33.6 million, by the end of the current fiscal year. As **Exhibit 2** shows, the most the agency has encumbered in any one year since fiscal 2007 is \$11.8 million. Therefore, it seems unlikely that the agency will be able to encumber such a large amount by the end of fiscal 2014. **DGS should comment on its ability to encumber all remaining unencumbered funds; the average time it takes to move projects through the procurement, design, and construction processes; any steps the agency has taken to improve this process; as well as any obstacles for those improvements.**

In addition to a total of 98 planned projects using unencumbered prior year funds available during fiscal 2014, DGS anticipates funding 47 projects at a cost of \$15.0 million using the fiscal 2015 appropriation. A \$15.0 million appropriation will allow DGS to reduce the backlog. The amount of reduction depends on how many new projects are added to the list during the relevant period and how many emergency projects DGS must address during the year. As Exhibit 2 shows, the average backlog added each year between fiscal 2007 and 2013 is about \$8.0 million per year, and the average cost for emergency projects each year between fiscal 2007 and 2013 is \$2.9 million per year. **Exhibit 3** shows the cost of projects on the backlog by agency. The majority of the total backlog cost stems from projects within DGS, the Department of Public Safety and Correctional Services, and the Department of Health and Mental Hygiene.

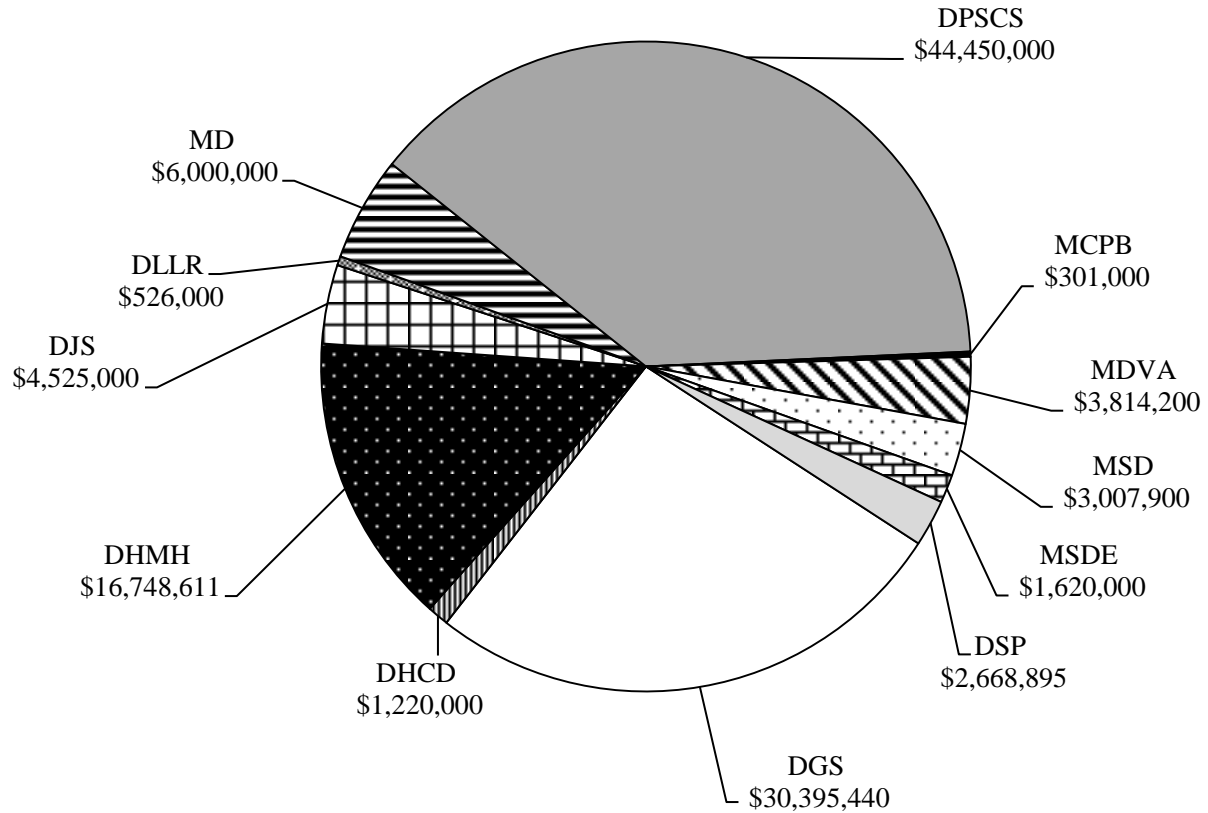
Exhibit 2
Facility Backlog, Emergency Projects, and Expenditures
Fiscal 2007-2014
(\$ in Millions)



*Through January 24, 2014.

Source: Department of General Services

Exhibit 3
Facilities Renewal Backlog by Agency



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
DPSCS: Department of Public Safety and Correctional Services
DSP: Department of State Police
MCPB: Maryland Center for Public Broadcasting
MD: Military Department
MDVA: Maryland Department of Veterans Affairs
MSD: Maryland School for the Deaf
MSDE: Maryland State Department of Education

Source: Department of General Services

Fuel Tank Storage Replacement

The 2014 CIP includes a \$1 million GO bond appropriation in the fiscal 2015 allowance and planned \$1 million GO bond appropriation for fiscal 2016 for the Fuel Tank Storage Replacement Program. This program began in fiscal 2014 with a \$1.4 million appropriation to fund the replacement and maintenance of fuel tanks. The 2014 appropriation was primarily the result of an implicit transfer of GO bond capacity from the de-authorizations of a total of \$1.3 million for the Ethanol Fueling Stations and Underground Heating Oil Storage Tank Replacement programs

Issues

1. Underground Fuel Tanks

In fiscal 2014, the State provided \$1.4 million in GO bonds through the Fuel Storage Tank System Replacement Program to predominantly replace DSP tanks in order to prevent potential soil contamination. In fiscal 2015, \$1.0 million in GO bonds has been included in the allowance; the CIP includes an additional \$1.0 million in GO bonds in fiscal 2016. The program was established to address remediation and replacement of underground fuel storage tanks in compliance with 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. Tank systems are individually evaluated to determine testing schedules. Tank owners are responsible for hiring a Maryland Department of the Environment (MDE) approved testing company for precision tightness testing. Failing tanks are to be replaced or repaired within 30 days of failing the test. Violators could be subject to a fine of \$10,000 per day, per violation, not to exceed \$100,000 per violation. MDE has been delegated authority to address any DSP fuel tank violations by EPA. It is additionally possible for tanks to be in violation for minor issues, such as failure to submit paperwork, post warning signs, or address minor non-tank leaks.

It is additionally possible for tanks to be found in violation for minor issues such as failure to submit paperwork, post warning signs, or address minor non-tank leaks. As of January 16, 2014, paperwork for 15 of 19 DSP underground storage tank sites had not been submitted properly.

Although MDE has yet to enforce penalties on DSP, if the department does not show progress in addressing these violations, EPA could step in to address the violations. The Maryland Transit Administration (MTA) had similar underground fuel tanks, many of which were in violation, which eventually prompted EPA involvement. In 2006, the Maryland Department of Transportation (MDOT) signed a consent agreement with EPA on behalf of MTA, which required MTA to pay penalties, fund a supplemental environmental project beyond the mandatory compliance, and bring their fuel tanks into compliance within a certain timeframe or else incur additional penalties. To avoid drastic steps being taken against DSP, the underground fuel tanks in violation must be brought into compliance within a reasonable timeframe.

Short-term cost estimates to address the fuel tank violations differ between DGS and DSP. DSP prefers a more aggressive approach and estimates it will cost \$7.3 million to raise all underground fuel tanks, whether they are currently in violation or not, in order to address current violations and prevent future compliance issues. This would also eliminate the need for certain inspections and repairs required for underground fuel tanks.

DGS estimates that the \$3.4 million in the CIP between fiscal 2014 and 2016 is sufficient to address current violations. DGS reports that not every underground fuel tank owned by DSP is out of compliance, and it is not a compliance requirement to raise every underground tank aboveground. In addition, DGS reports that several DSP fuel tanks that have failed recent DSP inspections have not necessarily failed due to an issue with the tank. Many failures are the result of other minor issues, such as failure to submit paperwork, post warning signs, or address minor non-tank leaks. DGS contends these issues are easier and far cheaper to address than raising each underground tank. Based on DGS's cost estimates, the GO bonds provided in the Fuel Tank Fund will be sufficient to address DSP's violations at this time; more GO bonds will be needed in future years if more fuel tanks are determined to be in violation. Under DGS's strategy, DSP would have to cover the costs and duties of the required inspections and costs to repair non-tank compliance issues.

DGS and DSP should comment on the rationale for their respective recommended approaches to addressing DSP fuel tank violations.

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 1** shows the CCF funding uses and sources from calendar 2003 through the end of calendar 2013. Subsequent to an \$868,000 expenditure for Emergency Demolition at the Henryton Hospital Center, the fund had a \$4,482,754 ending balance in calendar 2013. The last time the State provided direct authorization to the fund was in the 2008 session. The current CIP anticipates authorizations to the fund of \$2.5 million each year in fiscal 2016, 2017, 2018, and 2019. Given the current economic conditions, favorable bidding climate, and the current fund balance, DGS has sufficient unencumbered funds remaining to maintain program activity without authorizations in fiscal 2015.

Pre-authorizations and De-authorizations

As shown in **Exhibit 4**, there are three related de-authorizations and no pre-authorizations in the fiscal 2015 budget.

Exhibit 4 De-authorizations

<u>Project</u>	<u>De-authorized Amount</u>	<u>Reason</u>
Asbestos Abatement Program	\$280,220	Most imminent health hazards at State facilities have been addressed
Asbestos Abatement Program	500,000	Most imminent health hazards at State facilities have been addressed
William Donald Schaefer Tower – Replace Fire Alarm System	1,000,000	Project sufficiently complete

Source: Department of Budget and Management, 2014 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve funding for the Facilities Renewal Fund.
2. Approve funding for the Fuel Tank Replacement Program.
3. Approve de-authorization of general obligation bond funds in the Asbestos Abatement Program.
4. Approve de-authorization of general obligation bond funds in the Asbestos Abatement Program.
5. Approve de-authorization of general obligation bond funds to replace the fire alarm system in the William Donald Schaefer Tower.

Construction Contingency Fund Summary
Calendar 2004-2013
(\$ in Millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Beginning Balance	\$1.404	\$3.819	\$5.081	\$1.902	\$4.082	\$4.309	\$3.554	\$4.810	\$5.014	\$5.093
Fund Transfers In	0.950	7.695	0.638	7.596	0.372	0.399	1.256	1.080	0.654	0.644
Return of Unused Funds	0.614	0.000	0.000	0.001	0.207	0.394	0.000	0.000	0.140	0.000
Appropriation	2.000	0.834	0.000	2.000	0.500	0.000	0.000	0.000	0.000	0.000
Subtotal: Available Funds	\$4.967	\$12.348	\$5.719	\$11.500	\$5.160	\$5.102	\$4.810	\$5.889	\$5.807	\$5.737
Less Authorized Use of Funds										
Groundwater Remediation – Two Facilities	—	—	—	—	—	—	—	—	—	—
Springfield Hospital Food Service Center	—	—	—	—	—	—	—	—	—	—
Bloomsbury Square Demolition and Parking	\$0.198	—	—	—	—	—	—	—	—	—
140-bed Housing Unit – ECI	0.950	—	—	—	—	—	—	—	—	—
Statewide Underground Storage Tanks	—	\$0.273	—	—	—	—	—	—	—	—
Ventilation Improvements at WDC Academic and Admin. Complex at PSTC	—	1.750	—	—	—	—	—	—	—	—
Baltimore City Juvenile Justice Center	—	0.809	—	—	—	—	—	—	—	—
Dove Pathway Access at HSMC	—	2.000	—	—	—	—	—	—	—	—
Center for Business and Graduate Studies at BSU	—	0.150	—	—	—	—	—	—	—	—
St. John’s Archeological Site Exhibit at HSMC	—	1.211	—	—	—	—	—	—	—	—
Road/Parking Improvements at Calvert Cliffs	—	0.900	—	—	—	—	—	—	—	—
	—	0.175	—	—	—	—	—	—	—	—

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Coppin State University	—	—	\$1.902	—	—	—	—	—	—	—
Salisbury University	—	—	1.570	—	—	—	—	—	—	—
Maryland School for the Deaf – Columbia/Elevator	—	—	0.345	—	—	—	—	—	—	—
St. Mary’s College of Maryland – Student Services Building	—	—	—	\$1.675	—	—	—	—	—	—
Patuxent Institution. – Fire Safety Improvements	—	—	—	5.398	—	—	—	—	—	—
Baltimore City Community College – Main Building.	—	—	—	0.345	—	—	—	—	—	—
State House Piping at Annapolis	—	—	—	—	\$0.300	—	—	—	—	—
Parking Deck at Centreville	—	—	—	—	0.552	—	—	—	—	—
Oyster Production Facility at UMCES	—	—	—	—	—	\$1.058	—	—	—	—
Steam Distribution System at MCTC	—	—	—	—	—	0.490	—	—	—	—
New Rockville District Court	—	—	—	—	—	—	—	\$0.875	—	—
Maryland School for the Deaf – Bus Loop and Parking	—	—	—	—	—	—	—	—	\$0.395	—
Baltimore City Detention Center – Dining Facility	—	—	—	—	—	—	—	—	0.320	—
Sandy Point State Park – Bulkhead	—	—	—	—	—	—	—	—	—	\$0.386
Henryton Hospital Center – Emergency Demolition	—	—	—	—	—	—	—	—	—	0.868
Subtotal: Authorized Uses	\$1.148	\$7.267	\$3.817	\$7.418	\$0.852	\$1.548	\$0.000	\$0.875	\$0.715	\$1.254
Ending Balance	\$3.819	\$5.081	\$1.902	\$4.082	\$4.309	\$3.554	\$4.810	\$5.014	\$5.093	\$4.483

BSU: Bowie State University

ECI: Eastern Correctional Institution

HSMC: Historic St. Mary’s City

MCTC: Maryland Correctional Training Center

PSTC: Public Safety Training Center

UMCES: University of Maryland Center for Environmental Science

WDC: Women’s Detention Center

Source: Department of General Services