

**DE0201  
Board of Public Works**

***Capital Budget Summary***

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

<b>Projects</b>	<b>Prior Auth.</b>	<b>2018 Request</b>	<b>2019 Est.</b>	<b>2020 Est.</b>	<b>2021 Est.</b>	<b>2022 Est.</b>	<b>Beyond CIP</b>
Annapolis Post Office Renovations	\$4.883	\$5.238	\$0.150	\$0.000	\$0.000	\$0.000	\$0.000
Harriet Tubman and Frederick Douglass Statues	0.000	0.300	0.000	0.000	0.000	0.000	0.000
<b>Total</b>	<b>\$4.883</b>	<b>\$5.538</b>	<b>\$0.150</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>

<b>Fund Source</b>	<b>Prior Auth.</b>	<b>2018 Request</b>	<b>2019 Est.</b>	<b>2020 Est.</b>	<b>2021 Est.</b>	<b>2022 Est.</b>	<b>Beyond CIP</b>
GO Bonds	\$4.883	\$5.538	\$0.150	\$0.000	\$0.000	\$0.000	\$0.000
<b>Total</b>	<b>\$4.883</b>	<b>\$5.538</b>	<b>\$0.150</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>

CIP: *Capital Improvement Program*  
GO: general obligation

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

<b>Program</b>	<b>2016 Approp.</b>	<b>2017 Approp.</b>	<b>2018 Request</b>	<b>2019 Est.</b>	<b>2020 Est.</b>	<b>2021 Est.</b>	<b>2022 Est.</b>
Facilities Renewal Fund	\$10.775	\$0.000	\$15.000	\$15.000	\$15.000	\$18.000	\$18.000
Construction Contingency Fund	2.500	0.000	2.500	\$0.000	2.500	\$0.000	2.500
<b>Total</b>	<b>\$13.275</b>	<b>\$0.000</b>	<b>\$17.500</b>	<b>\$15.000</b>	<b>\$17.500</b>	<b>\$18.000</b>	<b>\$20.500</b>

<b>Fund Source</b>	<b>2016 Approp.</b>	<b>2017 Approp.</b>	<b>2018 Request</b>	<b>2019 Est.</b>	<b>2020 Est.</b>	<b>2021 Est.</b>	<b>2022 Est.</b>
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GO Bonds	\$13.275	\$0.000	\$17.500	\$15.000	\$17.500	\$18.000	\$20.500
<b>Total</b>	<b>\$13.275</b>	<b>\$0.000</b>	<b>\$17.500</b>	<b>\$15.000</b>	<b>\$17.500</b>	<b>\$18.000</b>	<b>\$20.500</b>

GO: general obligation

Note: The fiscal 2016 figure for the Facilities Renewal Program includes \$2.2 million reprogrammed from the canceled Saratoga Center Garage Improvement project authorized in the Maryland Capital Consolidated Bond Loan (MCCBL) of 2012 and amended in the MCCBL of 2015.

## ***Summary of Issues***

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**Construction Contingency Fund:** The current *Capital Improvement Program* (CIP) anticipates authorizations to the Construction Contingency Fund (CCF) of \$2.5 million in fiscal 2018 and 2020. With inflation in the construction market and multiple agencies expected to request authorizations from the fund, the CCF may be underfunded.

## ***Summary of Recommended Bond Actions***

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1. Construction Contingency Fund

Approve \$2.5 million in general obligation bond funds for the Construction Contingency Fund.

2. Facilities Renewal Fund

Approve \$15 million of general obligation bond funds for the Facility Renewal Program.

3. Annapolis Post Office

Approve general obligation bonds for Annapolis Post Office renovation.

4. Harriet Tubman and Frederick Douglas Statues

Approve \$300,000 in general obligation bonds for construction of Douglass and Tubman Statues.

5. SECTION 2 – Board of Public Works – Asbestos Abatement Program

Approve de-authorization of \$100,000 for Asbestos Abatement Program.

6. SECTION 2 – Board of Public Works – Old Senate Chamber Reconstruction

Approve de-authorization of general obligation bond funds for Old Senate Chamber reconstruction.

## ***Program Description***

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***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 academic revenue bonds and institutional funds. 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 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 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***

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### **Harriet Tubman and Frederick Douglass Statues – State House**

The Governor’s budget includes \$300,000 in general obligation (GO) bonds for fiscal 2018 to construct memorial statues of Harriet Tubman and Frederick Douglass in or near the State House in Annapolis, Maryland. The statues will commemorate key roles of both Tubman and Douglass in not only Maryland history and also in U.S. history.

### **Annapolis Post Office Renovation**

The Annapolis Post Office was acquired by the State of Maryland in 2013. The acquisition cost totaled \$3,209,000. The postal service vacated the property in August 2015 due to poor structural and mechanical condition of the property. This property will remain vacant until significant renovations are made so that it may be occupied by State employees.

The 2018 CIP estimates that \$10.217 million in GO bonds will be used for the renovation of the Annapolis Post Office. This is an increase of \$1.229 million from the 2016 CIP. While the cost of estimated construction for fiscal 2018 has increased from \$3.859 million to \$5.088 million, equipment cost has decreased by \$150,000. A total of \$4.883 million of prior authorized funds was used to begin the construction of Phase I. Additionally, the Maryland Consolidated Capital Bond Loan Act 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.

The Department of General Services (DGS) building condition assessment for this project has identified significant deficiencies including the presence of hazardous substances such as mold, asbestos, and lead paint. The building’s heating, ventilation and air conditioning system and its mechanical and electrical systems are currently completely inoperable. To correct these issues, DGS has divided the work into three phases. Phase I will abate the hazardous structures by replacing the systems, as well as stabilizing the interior and exterior structure. Phase II will construct offices, conference rooms, and other additions that will meet State needs. Phase III, currently not included in the CIP, will add an additional 20,000 to 25,000 gross square feet by constructing an add-on over the parking lot.

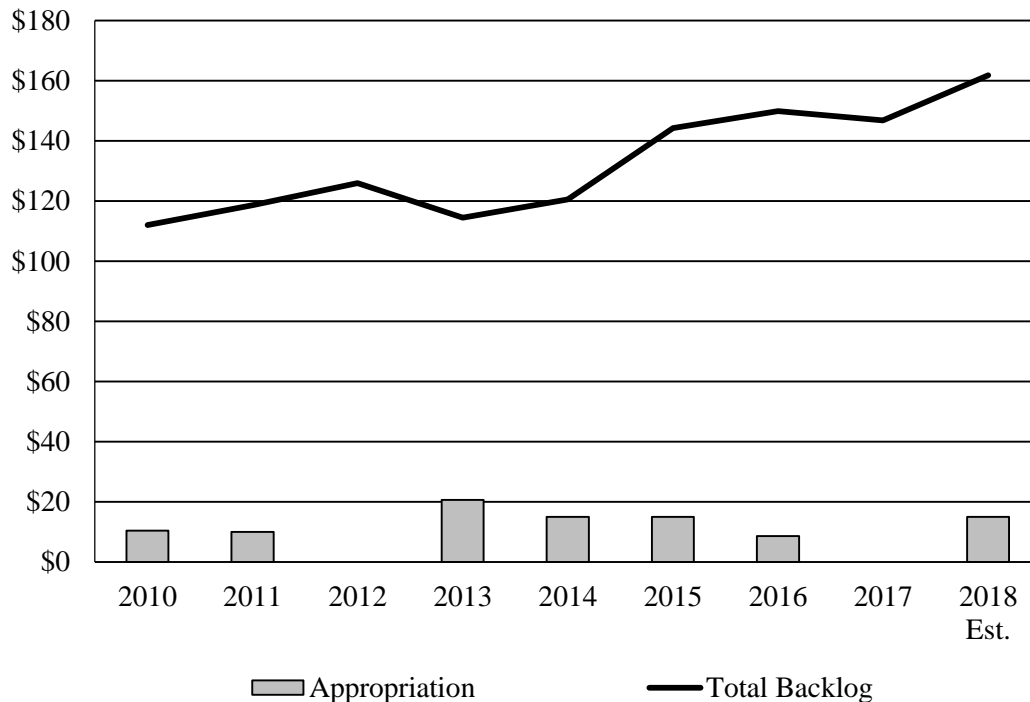
### **Facilities Renewal Program**

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 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. The

fiscal 2018 budget provides \$15 million of GO bonds to support the program. The 2017 CIP reflects annual funding of \$15 million through fiscal 2020 with an increase to \$18 million for fiscal 2021 and 2022.

**Exhibit 1** illustrates the relationship between facility renewal program annual funding levels and the project pipeline. When funding levels decline, the backlog of projects in the pipeline increases. Conversely, when funding levels are increased, DGS is able to work the project backlog down. Unfortunately, funding levels for the program have declined in recent budgets including two fiscal years where the program received no funding (fiscal 2012 and 2017). As a result, the project backlog has increased from an estimated \$118 million in fiscal 2013 to an estimated \$160 million for fiscal 2018. Despite declining funding levels, the department has been able to keep the backlog of projects at roughly \$150 million over the past several years due in part to the hiring of additional project managers and the implementation of new program procedures that streamlined the process of getting projects to bid phase. The current measure of the backlog by the agency is shown in **Appendix 1**.

**Exhibit 1**  
**Facility Renewal Funding and Backlog**  
**Fiscal 2010-2018 Est.**  
**(\$ in Millions)**



Source: Department of General Services

**Exhibit 2** shows the department’s total Facilities Renewal Fund unencumbered balance as of February 22, 2017, which is a \$9.8 million decrease from the \$33.0 million from fiscal 2016. DGS was able to encumber \$18.1 million in fiscal 2016. This is an increase of over \$5.0 million from fiscal 2015. DGS previously had not been able to encumber funds at a level sufficient enough to reduce the facilities renewal backlog. As previously discussed, improved internal policies and the hiring of additional project managers has significantly improved the department’s ability to manage the numerous projects it actively works on.

**Exhibit 2**  
**Authorization, Encumbrance, and Expenditure Data by Year of Capital Authorization**

<b>Fiscal</b>	<b>Funds</b>			<b>Balances</b>	
	<b>Total Authorized</b>	<b>Amount Encumbered</b>	<b>Amount Expended</b>	<b>To Be Encumbered</b>	<b>To Be Expended</b>
All Prior Years	\$62,500,866	\$61,521,846	\$61,373,299	\$979,020	\$1,127,567
2013	20,592,000	20,584,939	20,392,412	7,061	199,588
2014	15,000,000	15,000,000	13,360,819	0	1,639,181
2015	15,000,000	12,901,604	8,012,574	2,098,396	6,987,426
2016	8,555,000	1,805,139	705,150	6,749,861	7,849,850
<b>Subtotal</b>	<b>\$121,647,866</b>	<b>\$111,813,528</b>	<b>\$103,844,254</b>	<b>\$9,834,338</b>	<b>\$17,803,612</b>
2017	0	0	0	0	0
<b>Total</b>	<b>\$121,647,866</b>	<b>\$111,813,528</b>	<b>\$103,844,254</b>	<b>\$9,834,338</b>	<b>\$17,803,612</b>

Note: Figures are as of January 31, 2017.

Source: Department of Budget and Management

As reflected on the cover sheet of this analysis, the program did not receive any funding in fiscal 2017. Although the General Assembly restricted \$15.0 million in general funds for the program from the State Reserve Fund, those funds, like all of the funds that were restricted, were not appropriated. Absent any new funding, the department had to completely restructure its planned encumbrance activity for fiscal 2017, which resulted in the delay of many projects that would have otherwise been bid for construction during the fiscal year. This results from the manner in which the program is administered, whereby a portion of the funds it receives in the upcoming fiscal year are actually used to support the procurement of construction for projects already in the pipeline. This situation is exacerbated by the fact that the department annually receives, on average, \$4.5 million of emergency projects for which funds are not specifically earmarked to support that further diverts funding from already planned projects in the pipeline. Since there was no new funding to the program in fiscal 2017, new emergency projects that require immediate procurement and funding had to be supported by even further delays in already planned projects, many already through the design stage but awaiting construction funding.

**Exhibit 3** illustrates how the department is managing the program in fiscal 2017 without the influx of new funding. The department put most projects on hold that were being actively worked on by project managers to assess and target funding to the most immediate and pressing projects. Starting from an available unencumbered balance of \$12.2 million (although the funds were technically not encumbered, they were being held to support projects, most of which were already through or scheduled to finish the design phase and ready to proceed to construction in fiscal 2017), the funding strategy earmarked \$4.5 million for emergency projects not already in the pipeline based on historical levels, another \$2.9 million was set aside for contingencies for approximately 39 active projects so that any change orders or increases in cost to bid could be effectively handled without interruption, \$3.5 million was earmarked for the highest priority projects awaiting construction bid, and \$1.2 million was programmed for projects already in the construction bid phase. Based on this funding strategy, approximately \$8.8 million in projects already in the pipeline (with most already through the design phase and awaiting construction funding) are deferred until fiscal 2018. Moreover, the entire list of projects that supported the fiscal 2017 funding are left unfunded except a mold remediation project at the Jefferson Patterson Park Maryland Archaeological Conservation laboratory that was funded out of the pool of funds set aside for emergencies. A review of the list of projects that support the fiscal 2018 funding reveals that most now reappear on the list. Based on what has transpired, it is evident that the program is approximately \$10.7 million short of what would be needed to complete the projects both already in the pipeline and on the fiscal 2018 list. Depending upon the use of the \$12.2 million of unencumbered funds, there may be some funds available from this amount to support holdover and new projects, but that assessment will to be made as the fiscal year comes to a close, and the department assess its fiscal 2018 funding strategy. **Appendix 2** provides a status of the projects that supported the fiscal 2017 funding that was canceled.

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**Exhibit 3**  
**DGS Funds Projection**  
**Fiscal 2017 Funding Strategy**  
**(\$ in Millions)**

	<u>Fiscal 2017</u>
Available Unencumbered Funds	\$12.2
Emergency Project Set Aside	-4.5
Contingency Funds for Ongoing Projects	-2.9
Highest Priority Ready to Proceed Projects	-3.5
Projects Ready for Construction Award	-1.2
Remaining Unencumbered Balance	\$0.1

DGS: Department of General Services

Source: Department of General Services

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## *Issues*

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### **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. The CCF is funded through three sources: budget appropriation, unspent proceed on an enabling Act, and unspent portions of project funds appropriated under and annual General Construction Loan Act or Maryland Consolidated Capital Bond Loan Act.

Due to the rising cost of construction, State agencies may deplete the current balance of the CCF. It is reported that construction costs have risen 1.0% to 3.6% annually since 2010. DGS is aware of several projects that may request substantial funding from DGS within the next year. While there were no requests in fiscal 2016, in fiscal 2017, DGS has requested a transfer of \$2,000,000 for the Murphy Court of Appeals reducing the balance of the fund to \$3,341,854. **Appendix 3** shows CCF funding uses and sources from 2012 through 2017. **DGS should comment on the recent activity of expenditures in the fund balance and the funding level necessary to maintain the construction contingency fund.**

## *Summary of Other Projects in the Capital Improvement Program*

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Exhibit 4 shows projects removed from the CIP.

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**Exhibit 4**  
**Projects Removed from the *Capital Improvement Program***  
**Fiscal 2018**

<u>Project</u>	<u>Description</u>	<u>Reason for Deferral</u>
Fuel Storage Tank System Replacement Program	This program grants funds primarily to correct gasoline fuel storage tank deficiencies at Maryland State Police barracks.	Fiscal 2018 funding removed to allow the program to expend prior unencumbered funds. Funding is expected to be restored in fiscal 2019.

Source: Department of Budget and Management, 2017 *Capital Improvement Program*

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## ***De-authorizations***

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As shown in **Exhibit 5**, the fiscal 2018 capital budget bill de-authorizes funds for two projects.

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### **Exhibit 5 De-authorizations**

<b><u>Project</u></b>	<b><u>De-authorized Amount</u></b>	<b><u>Reason</u></b>
Asbestos Abatement Program	\$100,000	Funds not needed
Old Senate Chamber Reconstruction	\$475,000	Funds not needed for completion of reconstruction

Source: Department of Budget and Management, 2017 *Capital Improvement Program*

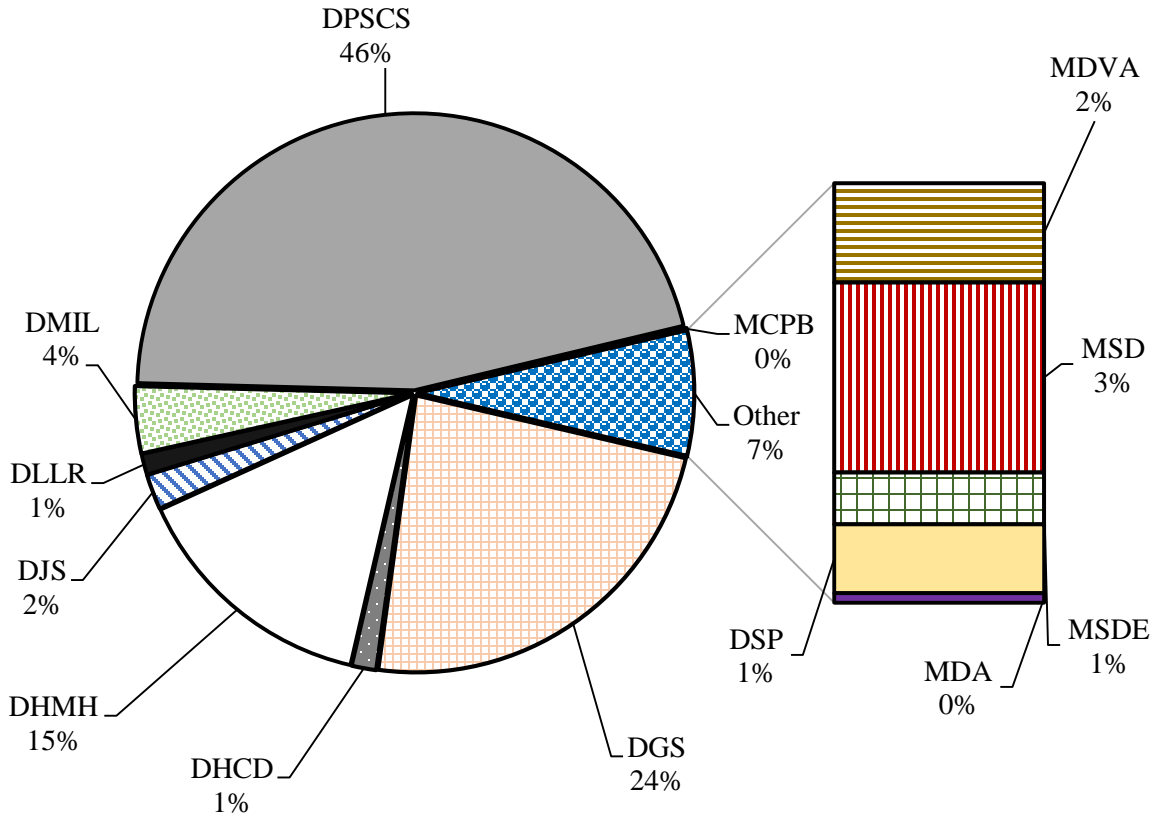
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## ***GO Bond Recommended Actions***

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1. Approve \$2.5 million in funding for Contingency Construction fund.
2. Approve \$15 million of general obligation bond funds for the Facility Renewal Program.
3. Approve the general obligation bonds for Annapolis Post Office renovation.
4. Approve funding for the construction of Harriet Tubman and Frederick Douglass statues.
5. Approve the de-authorization of \$100,000 for Asbestos Abatement Program.
6. Approve the de-authorization of general obligation bond funds for Old Senate Chamber.

### Appendix 1 Facilities Renewal Backlog by Agency



- DGS: Department of General Services
- DHMH: Department of Health and Mental Hygiene
- DHCD: Department of Housing and Community Development
- 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
- MDA: Maryland Department of Agriculture
- MDVA: Maryland Department of Veterans Affairs
- MSD: Maryland School for the Deaf
- MSDE: Maryland State Department of Education

**Appendix 2**  
**Fiscal 2017 Funded Projects Canceled by the Governor**

<b><u>Project/Description</u></b>	<b><u>Amount</u></b>	<b><u>Status</u></b>
Government House – Broken Slate Roof	\$100,000	On fiscal 2018 list
Schaefer Tower – Replace Membrane Roof	685,000	Not on fiscal 2018 list – moved to fiscal 2019
500 N. Hilton – Replace Roof	125,000	On fiscal 2018 list
RICA Baltimore – Replace Roof	530,000	On fiscal 2018 list
BCDC Jail Industries Building – Replace Roof	381,000	On fiscal 2018 list
Maryland Rehabilitation Center – Mechanical Penthouse – Replace Roof	20,193,000	On fiscal 2018 list
Spring Grove Hospital – Maintenance Mall – Replace Roof	141,000	On fiscal 2018 list
Headquarters – Building C – Replace Roof	150,000	On fiscal 2018 list
Backbone Youth Center Gym – Replace Metal Roof	150,000	On fiscal 2018 list
Central Laundry Building – Replace Roof	265,000	On fiscal 2018 list
Patuxent Institution Women’s Facility – Replace Roof	136,000	On fiscal 2018 list
RICA Montgomery Administration/School – Replace Roof	442,000	Not on fiscal 2018 list – moved to fiscal 2019
MCI-H – Central Warehouse – Replace Roof	890,000	Not on fiscal 2018 list – moved to fiscal 2019
MCI-H – Power Plant – Replace Roof	480,000	On fiscal 2018 list
MCI-H – Main Building – Replace Roof	365,000	Not on fiscal 2018 list – moved to fiscal 2019
MRDCC Baltimore – Replace Roof (Exterior Asphalt)	950,000	On fiscal 2018 list but for \$1.8 million
Legislative Service Building – Replace Fire Alarm	650,000	On fiscal 2018 list
Spring Grove Hospital – Tawes Building – Repair Elevator	210,000	On fiscal 2018 list but for \$290,000
Clifton T Perkins Hospital Administration Building – Replace Sprinkler System	265,000	On fiscal 2018 list
Potomac Center– Administration Building – Replace HVAC Phase II	1,080,000	On fiscal 2018 list but for \$750,000

*DE0201 – Board of Public Works*

<u>Project/Description</u>	<u>Amount</u>	<u>Status</u>
ECI – Replace Cell Door Tracks	653,000	On fiscal 2018 list but for \$1.435 million
RICA Montgomery – Replace Snow Guard System	120,000	Not on fiscal 2018 list – moved to fiscal 2019
Clifton T. Perkins – Patient Safety Enhancements	640,000	Not on fiscal 2018 list – moved to fiscal 2020
Crownsville 100 Community Place – HVAC	1,369,000	Not on fiscal 2018 list – using Saratoga funds
Annapolis Central Plant – Replace Main Electric Panel	500,000	On fiscal 2018 list
Barracks J – Mechanical/Electrical/Plumbing	2,450,000	On fiscal 2018 list

BCDC: Baltimore City Detention Center

ECI: Eastern Correctional Institution

HVAC: heating, ventilation, and air conditioning

MCI-H: Maryland Correctional Institution – Hagerstown

MRDCC: Maryland Reception, Diagnostic, and Classification Center

RICA: Regional Institute for Children and Adolescents

Source: Department of General Services

**Appendix 3**  
**Construction Contingency Fund Summary**  
**Calendar 2012-2017**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Beginning Balance</b>	<b>\$5,014,257</b>	<b>\$5,092,842</b>	<b>\$4,482,754</b>	<b>\$2,088,457</b>	<b>\$5,266,854</b>	<b>\$5,341,854</b>
Fund Transfers In	653,515	644,024	605,703	1,293,397	75,000	0
Return of Unused Funds	139,676	0	0	0	0	0
Appropriation	0	0	0	2,500,000	0	0
<b>Subtotal: Available Funds</b>	<b>\$5,807,448</b>	<b>\$5,736,866</b>	<b>\$5,088,457</b>	<b>\$5,881,854</b>	<b>\$5,341,854</b>	<b>\$5,341,854</b>
<b>Less Authorized Use of Funds</b>						
Maryland 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			
Deer’s Head Hospital Center – DHMH				\$615,000		
Murphy Court of Appeals						\$2,000,000
<b>Subtotal: Authorized Uses</b>	<b>\$714,606</b>	<b>\$1,254,112</b>	<b>\$3,000,000</b>	<b>\$615,000</b>	<b>\$0</b>	<b>\$2,000,000</b>
<b>Ending Balance</b>	<b>\$5,092,842</b>	<b>\$4,482,754</b>	<b>\$2,088,457</b>	<b>\$5,266,854</b>	<b>\$5,341,854</b>	<b>\$3,341,854</b>

DHMH: Department of Health and Mental Hygiene

UMCES: University of Maryland Center for Environmental Sciences

Source: Department of General Services