

**DE0201**  
**Board of Public Works – Capital**

***Capital Budget Summary***

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

<b>Projects</b>	<b>Prior Auth.</b>	<b>2020 Request</b>	<b>2021 Est.</b>	<b>2022 Est.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>	<b>Beyond CIP</b>
Replacement of Lawyer's Mall Underground Infrastructure (Anne Arundel)	\$5.000	\$6.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Rehabilitation of the Shaw House (Anne Arundel)	0.000	0.000	0.000	0.574	5.420	0.000	0.000
Renovations to the Louis L. Goldstein Treasury Building (Anne Arundel)	0.000	0.000	0.000	0.000	0.000	1.971	35.529
Renovations to the Legislative Services Building (Anne Arundel)	0.000	0.000	0.000	0.000	0.000	1.658	33.467
Education Building – 200 West Baltimore Street Renovations (Baltimore City)	0.000	0.000	0.000	0.000	1.400	1.090	28.910
<b>Total</b>	<b>\$5.000</b>	<b>\$6.000</b>	<b>\$0.000</b>	<b>\$0.574</b>	<b>\$6.820</b>	<b>\$4.719</b>	<b>\$97.906</b>

<b>Fund Source</b>	<b>Prior Auth.</b>	<b>2020 Request</b>	<b>2021 Est.</b>	<b>2022 Est.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>	<b>Beyond CIP</b>
GO Bonds	\$5.000	\$6.000	\$0.000	\$0.574	\$6.820	\$4.719	\$97.906
<b>Total</b>	<b>\$5.000</b>	<b>\$6.000</b>	<b>\$0.000</b>	<b>\$0.574</b>	<b>\$6.820</b>	<b>\$4.719</b>	<b>\$97.906</b>

CIP: *Capital Improvement Program*  
GO: general obligation

For further information contact: Patrick S. Frank

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

<b>Program</b>	<b>2018 Approp.</b>	<b>2019 Approp.</b>	<b>2020 Request</b>	<b>2021 Est.</b>	<b>2022 Est.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>
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Facilities Renewal Fund (Statewide)	\$15.014	\$20.586	\$35.763	\$27.861	\$30.000	\$20.976	\$20.746
Construction Contingency Fund (Statewide)	2.500	0.000	2.500	0.000	2.500	0.000	2.500
Fuel Storage Tank Replacement Program (Statewide)	0.000	0.000	1.000	1.000	1.000	1.000	1.000
<b>Total</b>	<b>\$17.514</b>	<b>\$20.586</b>	<b>\$39.263</b>	<b>\$28.861</b>	<b>\$33.500</b>	<b>\$21.976</b>	<b>\$24.246</b>

<b>Fund Source</b>	<b>2018 Approp.</b>	<b>2019 Approp.</b>	<b>2020 Request</b>	<b>2021 Est.</b>	<b>2022 Est.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>
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GO Bonds	\$17.514	\$20.586	\$39.263	\$28.861	\$33.500	\$21.976	\$24.246
<b>Total</b>	<b>\$17.514</b>	<b>\$20.586</b>	<b>\$39.263</b>	<b>\$28.861</b>	<b>\$33.500</b>	<b>\$21.976</b>	<b>\$24.246</b>

GO: general obligation

## ***Key Observations***

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- Major Commitment to Facilities Maintenance:** The Administration is substantially increasing its commitment to facilities renewal by increasing general obligation (GO) bond authorizations for capital facilities maintenance to \$35.8 million, an increase of \$15.2 million over fiscal 2019 GO bond authorizations. In the operating budget, 4 new positions are added so that the Department of General Services (DGS) can reconstitute the Statewide Facility Condition Assessment Unit.
- Biennial Funding for the Construction Contingency Fund (CCF) Is Proposed:** The recent pattern has been to authorize funds for the fund every other year. As planned in the *Capital Improvement Program* (CIP), fiscal 2020 proposes \$2.5 million for the fund, bringing available funds to an estimated \$9.5 million at the beginning of fiscal 2020.

- ***Authorizations for the Fuel Storage Tank Replacement Program Are Proposed:*** The Maryland Department of the Environment (MDE) has inspected Department of State Police (DSP) underground fuel tanks. A number of fuel tanks are close to the end of their useful lives. DGS projects that \$5 million will be needed to replace fuel tanks. The CIP includes \$1 million annually from fiscal 2020 to 2024.

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

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1. Construction Contingency Fund  
Approve.
2. Facilities Renewal Fund  
Adopt committee narrative.
3. Facilities Renewal Fund  
Approve.
4. Fuel Storage Tank Replacement Program  
Approve.
5. Lawyer’s Mall Underground Infrastructure Replacement  
Approve.

## ***Program Description***

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- ***Facilities Renewal Fund:*** 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 that 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.

- **CCF:** 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.
- **Fuel Storage Tank System 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 generally 30 years. Without replacement or repair of the tanks, State agencies may fail inspections conducted by MDE, possibly incurring federal fines of up to \$100,000. Additionally, in the event that a tank fails, fuel leakage would contaminate groundwater resources.

## ***Budget Overview***

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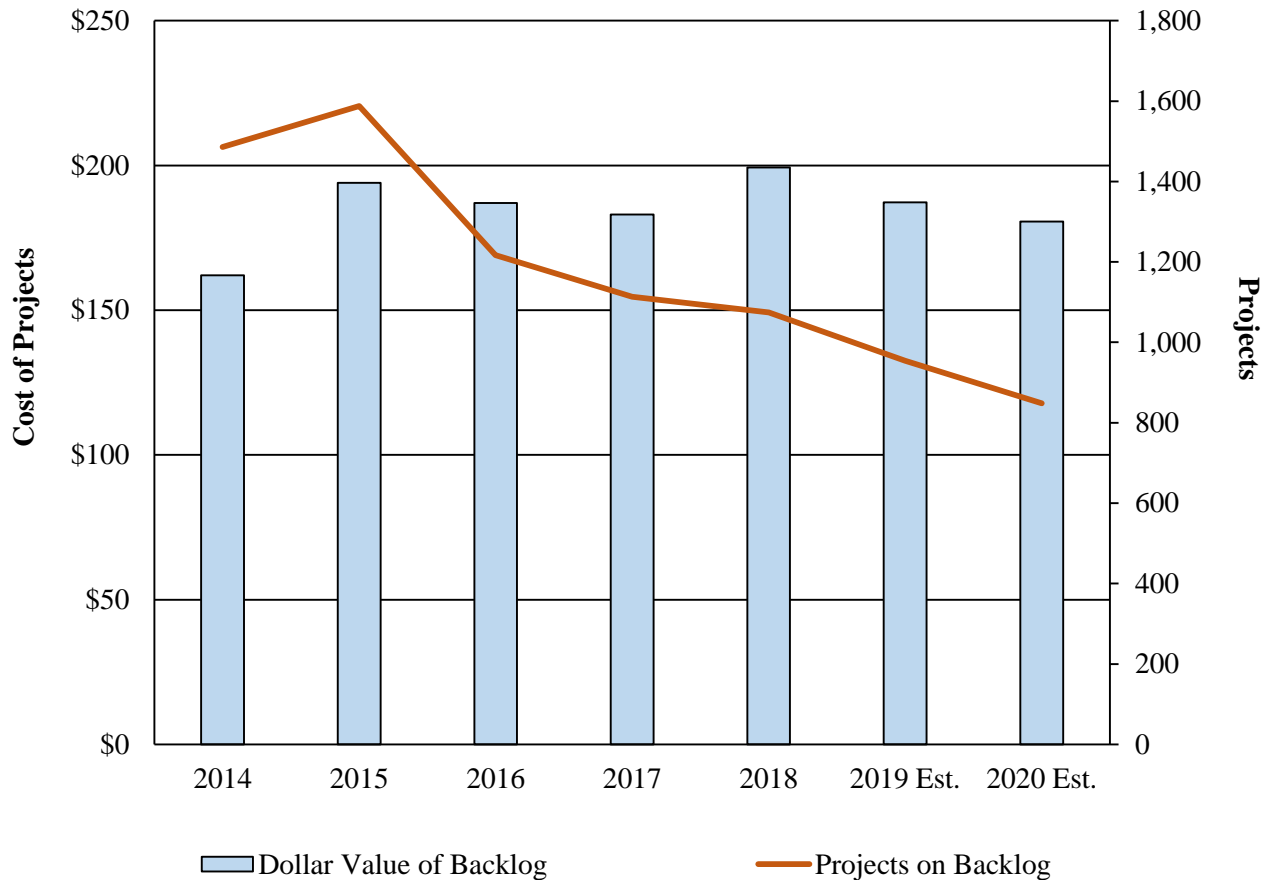
### **Facilities Renewal Fund**

Pursuant to Sections 4-407 and 4-408 of the State Finance and Procurement Article, the department is required to establish and supervise a comprehensive and continuing program of maintenance and repair of all public improvements. DGS' maintenance of State facilities includes both critical maintenance funded through the operating budget and facilities renewal funded through the capital budget. 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.

Under current practices, DGS has established programs to supervise and review the maintenance and repair of State facilities. These programs support agencies for which DGS has procurement authority and where the State owns the facility. Examining the condition of facilities is the responsibility of the State agencies in the facility. To assist agencies, DGS annually issues an updated *Preventive Maintenance Operations* packet that includes instructions and deadlines for submitting project justifications. These agencies are referred to as using agencies. This practice will change in fiscal 2020. DGS has received an additional 4 regular positions so that it can inspect facilities.

DGS compiles and tracks the information that it receives from agencies. DGS also assigns priorities to the projects. **Appendix 1** shows the priority classes, which are grouped into highest level, mid-level, and low-level. **Exhibit 1** shows that the backlog was \$193 million in fiscal 2018.

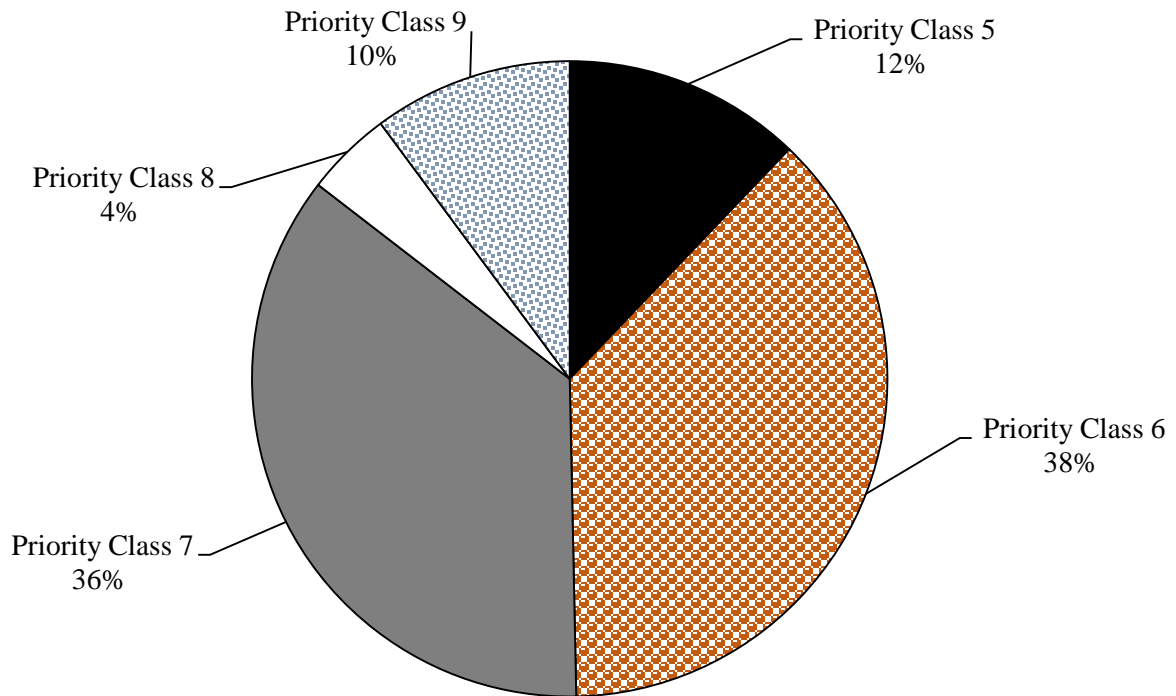
**Exhibit 1**  
**Facility Maintenance Backlog**  
**Fiscal 2014-2020 Est.**  
**(\$ in Millions)**



Source: Governor's Fiscal 2020 Budget Books

Projects in the first four categories pose a high risk of litigation, cessation or reduction of mandated services, fineable code violations, or serious life or safety issues. These projects are addressed as quickly as possible and are not on any backlog if there is adequate funding for them. **Exhibit 2** shows that 74% of capital facilities renewal projects are in Priority Class 6 or Priority Class 7. This is for projects that are depreciating at an accelerating rate, are near the end of their useful life, or need to be restored to get back to design effectiveness. Examples of Priority Class 6 and Priority Class 7 capital projects include renovating exteriors or replacing walk-in coolers.

**Exhibit 2**  
**Priority Classes for Capital Facilities Maintenance Backlog**  
**Fiscal 2019**



**Total Backlog: \$182 Million**

Source: Department of General Services

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**Administration Response to the Spending Affordability Committee Recommendation**

State facilities are quite old. Over three-quarters of DGS-operated State facilities are over 30 years old, and DGS advises that the average age of DGS-operated State facilities is 52 years. An aging infrastructure requires more effort and funding to maintain. The budget committees have expressed concerns about the condition of State facilities. In its December 2018 report, the Spending Affordability Committee (SAC) recommended that the State conduct a comprehensive assessment of the condition of State facilities.

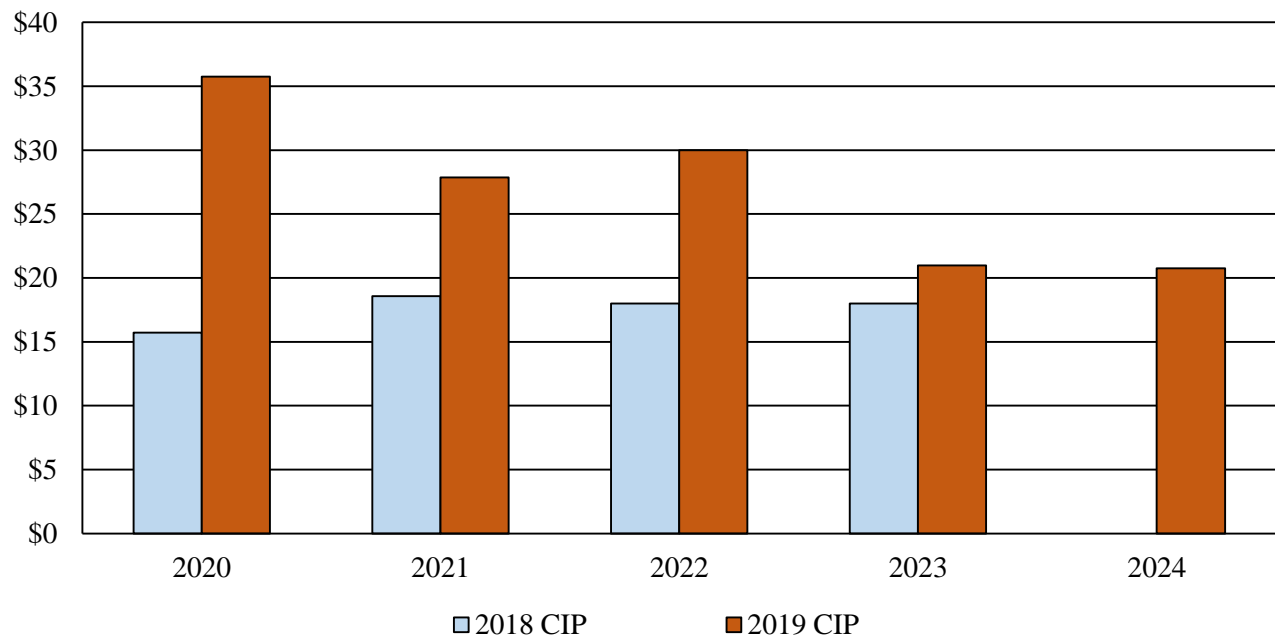
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The Administration has made efforts to support this recommendation. In this budget, DGS receives additional resources, such as:

- providing approximately \$267,400 to create 4 new regular positions and reconstituting the Statewide Facility Condition Assessment Unit;
- adding a \$2.5 million deficiency appropriation to fiscal 2019 statewide operating critical maintenance for a total of \$10 million;
- increasing fiscal 2020 statewide operating critical maintenance funding to \$12.5 million; and
- increasing GO bond authorizations for capital facilities renewal to \$35.8 million, an increase of \$15.2 million over fiscal 2019 GO bond authorizations, as shown in **Exhibit 3**. The exhibit also shows that support for maintenance declines in fiscal 2023 and 2024 back down to the levels in the 2018 CIP.

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**Exhibit 3**  
**Support for Facilities Maintenance in the**  
**2018 and 2019 *Capital Improvement Programs***  
**(\$ in Millions)**



CIP: *Capital Improvement Program*

Source: Department of Budget and Management

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**Exhibit 4** shows how the fiscal 2020 authorization is allocated.

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**Exhibit 4**  
**Allocation of Facility Renewal Funds**  
**Fiscal 2020**  
**(\$ in Thousands)**

	<u><b>Amount</b></u>
Specifically Identified Projects	\$19,603
Preventative Roof Replacements	6,160
Unanticipated Emergency Funds	5,000
Department of Public Safety and Correctional Services Projects	5,000
<b>Total</b>	<b>\$35,763</b>

Source: Department of Budget and Management

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Adding positions for the Statewide Facility Condition Assessment Unit is a positive step that allows DGS to assume a more direct role in facility management. Since the positions will be capital maintenance project engineers and architects, they should have the requisite skills to provide accurate data for DGS' databases. Having trained engineers is also likely to provide better data than facilities managers whose experience and skill sets may be uneven.

Included in the SAC recommendation was a comprehensive facility assessment. To prepare a comprehensive inventory of buildings and maintenance needs may take some time. Experience suggests that new positions are not hired until at least the fourth month of a new fiscal year. Once hired, the new staff will need to be trained, which takes more time. To move the work forward, the department should consider using a vendor to begin this process sooner and begin building the assessment. This would give DGS a head start on building a facilities inventory. **The department should be prepared to brief the budget committees on how it will implement the new Statewide Facility Condition Assessment Unit. This should include a discussion of how long it will take to hire and train new employees.**

### **Construction Contingency Fund**

The purpose of the CCF is to supplement funding if bids exceed the authorized funds, conduct value engineering, and cover change orders during the construction period of a project. To access the fund, DGS must provide written notice to the budget committees. The budget committees have 45 days to review and comment on the request. After legislative review, proposed transfers from the fund must be approved by BPW.



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The CCF is a continuing, nonlapsing fund that receives funding from a GO bond authorization or appropriation, unspent proceeds of an enabling act (such as unspent pay-as-you-go funds appropriated in the operating budget), or unspent GO bond authorizations. Unspent GO bond authorizations that exceed \$100,000 are usually deauthorized in a capital budget bill.

**Exhibit 5** shows that the fund should have \$9.5 million available at the end of fiscal 2019, if the proposed \$2.5 million authorization is approved.

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**Exhibit 5**  
**Construction Contingency Fund Activity**  
**Fiscal 2018-2019**  
**(\$ in Thousands)**

**2018 Activity**

<b>Fund Balance on June 30, 2017</b>	<b>\$3,846</b>
Appropriation	\$2,500
Board of Public Works Transfer into Fund on July 26, 2017	55
Recycled Balances of Projects Completed in 2017	82
Board of Public Works Transfer into Fund on January 3, 2018	178
Transfer to Department of State Police Air Crew Hanger on January 15, 2018	-600
Board of Public Works Transfer into Fund on May 16, 2018	220
<b>Fund Balance on June 30, 2018</b>	<b>\$6,281</b>

**2019 Activity**

Board of Public Works Transfer into Fund on December 19, 2018	\$712
Authorization Effective June 1, 2019	2,500
<b>Total Available Funds on June 30, 2019</b>	<b>\$9,493</b>

Source: Department of General Services; Board of Public Works

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Although this is a substantial amount, it is a reasonable balance for a billion dollar annual capital program. DGS advises that the department is aware of some current projects that may request substantial funding from the CCF. There are numerous projects in excess of \$25 million that could easily deplete the account. In addition, there are concerns that construction activity could accelerate, which could lead to more expensive bids and a greater need to use the CCF.

## **Fuel Storage Tank Replacement Program**

The Fuel Storage Tank Replacement Program provides funds to remove, replace, or upgrade State-owned fuel storage tanks. This program is primarily designed to correct gasoline fuel storage tank deficiencies at DSP barracks and other specified fueling facilities throughout the State. A significant number of existing underground gasoline fuel storage tanks at these locations have reached, or are nearing, the end of their useful lives, which is estimated to be 30 years. The fuel storage tanks will be replaced or upgraded to eliminate or prevent leakage problems and related soil contamination. Fuel leaks can contaminate groundwater and cause other environmental damage. Leaking tanks may also subject the State to significant regulatory penalties. The fiscal 2020 budget includes funding for two projects in two jurisdictions.

Proactively remediating fuel storage tanks through this program can also help the State avoid the negative budgetary impact of fines and expenses associated with emergency remediation and disposal of contaminated soil. State and federal regulations require underground fuel tanks to be tested every five years, with a mandatory 30-day replacement period for tanks failing the test. Emergency remediation in the event of a failed test is expensive and difficult for State agencies to complete. Violators are additionally subject to fines of up to \$10,000 per day, per violation, not to exceed \$100,000, for failing to quickly address leaks.

Current MDE inspection results for DSP's underground gasoline fuel storage tanks reveal serious deficiencies in the tanks that require expedient attention. MDE's inspections identify significant operational compliance (SOC) issues that include insufficient leak prevention and insufficient leak detection. Of the 18 DSP barracks tested, 3 had SOC failures for insufficient leak prevention and 10 had SOC failures for insufficient leak detection. SOC failures for insufficient leak prevention are serious because those failures indicate that the tank could be currently leaking or may begin to leak under certain conditions. SOC failures for insufficient leak detection are serious because DSP or DGS would not be able to accurately or quickly determine that a tank is leaking to prevent further harm. DGS is currently projecting that an additional \$5 million in funds will be needed in the CIP to replace tanks that are not currently leaking but have reached the end of their useful lives.

**Exhibit 6** shows planned activity in fiscal 2019 and 2020. With a \$1 million authorization, the Department of Budget and Management estimates that funds would be sufficient to replace tanks in Baltimore City and in Howard and Queen Anne's counties.

**Exhibit 6**  
**Fuel Storage Tank Replacement Program Activity**  
**Fiscal 2019-2020**  
**(\$ in Millions)**

<u>Activity</u>	<u>Amount</u>
<b>2019</b>	
Beginning Balance	\$2.00
Baltimore City Fuel Tank Design and Construction	-1.50
Reserved for Contingencies	-0.25
<b>Available for Fiscal 2020 Planning</b>	<b>\$0.24</b>
<b>2020</b>	
General Obligation Bond Authorization	\$1.00
Design Waterloo Barracks Replacement (Howard County)	-0.10
Construct Waterloo Barracks Replacement (Howard County)	-0.50
Design Centreville Barracks Replacement (Queen Anne's County)	-0.10
Construct Centreville Barracks Replacement (Queen Anne's County)	-0.50
<b>Available for Fiscal 2021 Planning</b>	<b>\$0.03</b>

Source: Department of Budget and Management

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## **Replacement of Lawyer's Mall Underground Infrastructure**

Lawyer's Mall is adjacent to the Maryland State House, Government House, and the Legislative Services Building in Annapolis. The mall is an open area with sidewalks, benches, and statues, including the Thurgood Marshall statue. This project renovates existing steam and chilled water lines that are experiencing leaks and are failing and includes (1) the removal and replacement of pavement, concrete, and masonry sidewalks; (2) supplying and installing steam heating, condensation, and chilled water piping; (3) relocating all other utilities in the way of the existing piping; and (4) temporarily relocating and returning statues upon completion of the project. The telecommunications and electrical infrastructure are also at the end of their functional life and will be replaced at the same time. Prior funds for design were provided from the Facilities Renewal Program.

The utilities under the mall were installed as early as the 1970s and are beyond their useful life. Repairs have been made, but there are still steam leaks that require chimneys to allow the steam to escape. Should the chilled water or steam piping fail, DGS advises that most, if not all, of the heating and cooling in the State House, Government House, and the Legislative Services Building will be inoperable. This is a high priority that is too large for the Facilities Renewal Fund.

This project is complicated because it is intertwined with the annual legislative session and other Annapolis projects. The project's construction period is 18 months, which requires fencing off the open area by the State House for that period, thus disrupting traffic during the 2019 legislative session and possibly the 2020 session.

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

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### **Shaw House**

The building houses units of the Executive Department, the Department of Information Technology, and the Maryland Department of Transportation. The project will renovate the historic Shaw House and annex located at 21 State Circle in Annapolis. The main structure was constructed in three major phases between 1723 and 1922, and the annex was constructed in 1950. The Shaw House is showing signs of (1) structural deterioration in the interior framing system and sagging floors; (2) chronic moisture penetration in the roof and foundation systems and the south chimney and wall; (3) deficient and uneven heating and cooling systems; (4) damaged and deteriorating walls and ceilings; and (5) limited Americans with Disabilities Act (ADA) accessibility. The project will also improve interior accessibility to the annex located immediately behind Shaw House. The 2020 CIP programs \$574,000 in design funds for the project in fiscal 2022.

### **Education Building**

The building houses the administrative offices of the Maryland State Department of Education and the Maryland Higher Education Commission. The project renovates the 10-story, 217,000 gross square foot (GSF) building at 200 West Baltimore Street in downtown Baltimore. This includes an upgrade and replacement of the heating, ventilation, and air conditioning (HVAC) and electrical systems; ADA upgrades throughout the building; telecommunications enhancements; restoration of the main lobby; replacement windows; and an upgrade to the building exterior. The preliminary cost estimate of this project totals approximately \$30 million, and planning is funded to begin with a \$1.4 million authorization in fiscal 2023.

### **Renovation of the Louis L. Goldstein Treasury Building**

The four-story, 91,095 net square feet (113,265 GSF) Louis L. Goldstein Treasury Building is located at 80 Calvert Street in the Annapolis Public Buildings and Grounds. The building was constructed in 1958 and is occupied by the Comptroller of the Treasury, the State Treasurer, and BPW. The scope of work is to include, but not be limited to, the complete renovation of the interior of the building on the second, third, and fourth floors and partial alterations on the first floor, consisting of all mechanical, electrical, and plumbing infrastructure upgrades; fire protection and security system upgrades; and ADA compliance upgrades. The estimated total cost of this project is \$37.5 million, with the first \$2 million authorization in fiscal 2024. This project is added to the 2019 CIP.

## **Renovation of the Legislative Services Building**

The Legislative Services Building, located in the Annapolis State Government Complex, was constructed in 1976 and has not undergone a substantial renovation since it was completed. Consequently, the building's mechanical, electrical, and HVAC systems have reached the end of their useful lives. The building's current HVAC system requires DGS to run the central Annapolis State Center chillers through the entire winter for this one building, which is inefficient and leads to substantial operating expenses.

The upgrades will include providing ADA accessibility in public restrooms and the Joint Hearing Room; mechanical, HVAC, and electrical systems infrastructure upgrades; and upgrades to the fire safety systems (fire detection and alarm), roof and window replacement, elevator upgrades, and adequate/appropriate space upgrades to relieve overcrowding and achieve proper functioning for the Department of Legislative Services staff. The project has received \$2 million in fiscal 2019 and is programmed to receive another \$1.7 million in fiscal 2024.

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

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1. Approve the \$2,500,000 general obligation bond authorization for the Construction Contingency Fund.
2. Approve the \$35,763,000 general obligation bond authorization for the Facilities Renewal Fund.
3. Adopt the following committee narrative:

**Assessment of State Facilities:** The budget committees are encouraged by the Administration's commitment to increase support for facilities maintenance. Fiscal 2020 authorizations are increased to \$38 million, and the Department of General Services (DGS) has received funding and regular positions for a Statewide Facility Condition Assessment Unit. DGS should submit a facility assessment to the budget committees. This assessment should examine the condition of State buildings, prioritize facilities maintenance and facilities renewal by condition, estimate resources required to rehabilitate facilities, and develop a spending plan to address these needs. If needed, DGS may procure consulting services to support this assessment. The report should be completed by November 1, 2020.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Facility assessment report	DGS	November 1, 2020

4. Approve the \$1,000,000 general obligation bond authorization for the Fuel Storage Tank Replacement Program.
5. Approve the \$6,000,000 general obligation bond authorization for the replacement of Lawyer's Mall Underground Infrastructure.

**Appendix 1**  
**Priority Classes Defined by the Department of General Services’**  
**Office of Facility Planning, Design, and Construction**

The prioritization process attempts to identify the consequences of not funding a project and bases the priority class on the following:

- **Highest Level:** Serious prolonged impact on facility mission.
  1. High risk of litigation from failure to provide a mandated service.
  2. High risk of cessation of a mandated service.
  3. High risk of reduction of a mandated service.
- **Mid-level:** Short-term impact on mission capability but a high level of economic risk.
  4. Fineable code violations, serious life, or safety issues.
  5. Destruction of related assets.
  6. Accelerated deterioration of the asset, end of normal life expectancy.
- **Low-level:** No impact on mission capability and low economic risk.
  7. Restoring an asset to its design effectiveness.
  8. Restoring an asset to design efficiency.
  9. Improving an asset above its original design effectiveness or efficiency.

Source: Department of General Services