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# **2012 Session Capital Budget Overview**

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**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

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*Analysis of the FY 2013 Maryland Executive Budget, 2012*

## ***Summary of Issues/Updates***

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***Lurkers – Significant Potential Commitments Not Currently in the Capital Improvement Program:*** State officials are actively engaged in discussions that could involve significant State funding support for a new regional teaching medical center in Prince George’s County and an expanded convention center in Baltimore City. Neither project is in the State’s *Capital Improvement Program* and would, therefore, require significant restructuring of plan to accommodate.

***Public Health Laboratory and State Center Update:*** This update examines the financing for the new State health laboratory. In addition, committee narrative is recommended to require updates on the status of the State Center redevelopment which is stalled due to litigation.

***Public-private Partnerships:*** The Joint Legislative and Executive Committee on Oversight of Public-private Partnerships submitted its final report in January 2012. Legislation introduced in the 2012 session, Senate Bill 358 and House Bill 576, primarily reflect the findings of the commission.

***Private Activity and Potential for Taxable Bond Issuance:*** This update examines the State’s use of tax-exempt general obligation bond financing for programs and projects that include some private activity use and could require the issuance of taxable bonds.

***State Support of the InterCounty Connector:*** After more than 50 years of planning and 5 years of construction, the majority of the InterCounty Connector is now open for business. The last remaining portion of the road (from I-95 to US 1) is underway, and completion is scheduled for 2014. Final State bond funding for the project is deferred to fiscal 2014.

***Labor Agreements and Contract Management:*** This update includes discussion of the State’s potential use of project labor agreements on public works projects and the expanded use of alternative project delivery methods.

***Bond Bill Project Requests for the 2012 Session:*** The 2012 session includes \$15 million for legislative initiative projects selected by the House and Senate.

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

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1. Capital Overview

Adopt committee narrative.

2. Maryland School for the Deaf – New Elementary Complex

Approve the \$131,000 de-authorization of general obligation bond funds authorized in the Maryland Consolidated Capital Bond Loan of 2006 for the Maryland School for the Deaf’s New Elementary Complex. The project is substantially complete, and the funds are no longer needed.

3. Maryland School for the Deaf – Main Building Parking Lot and Athletic Field

Approve the \$351,000 de-authorization of the general obligation bond funds authorized in the Maryland Consolidated Capital Bond Loan of 2009 for the Maryland School for the Deaf’s Main Building Parking Lot and Athletic Field project. The project is substantially complete, and the funds are no longer needed to complete the project.

4. Miscellaneous – National Children’s Museum

Approve the de-authorization of \$1.5 million authorized for the National Children’s Museum in the 2009 session as the project has been delayed.

5. Maryland School for the Deaf – New Cafeteria

Approve the \$376,000 de-authorization of general obligation bond funds authorized in the Maryland Consolidated Capital Bond Loan of 2009 for the Maryland School for the Deaf’s New Cafeteria project. The project is complete, and the funds are no longer needed.

6. Miscellaneous – National Children’s Museum

Approve the de-authorization of \$1.75 million authorized in the 2009 session for the National Children’s Museum as the project is delayed.

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7. Miscellaneous – National Children’s Museum

Approve the partial de-authorization of funds authorized in the 2009 session for the National Children’s Museum as the project is delayed.

8. Miscellaneous – National Children’s Museum

Approve the de-authorization of \$5 million authorized in the 2010 session for the National Children’s Museum as the project is delayed.

9. Miscellaneous – National Children’s Museum

Approve amendment to a 2011 session authorization for the National Children’s Museum to add acquisition as an authorized use.

10. Section 12 – InterCounty Connector

Approve the pre-authorization of \$21.5 million in general obligation bonds for the InterCounty Connector in fiscal 2014.

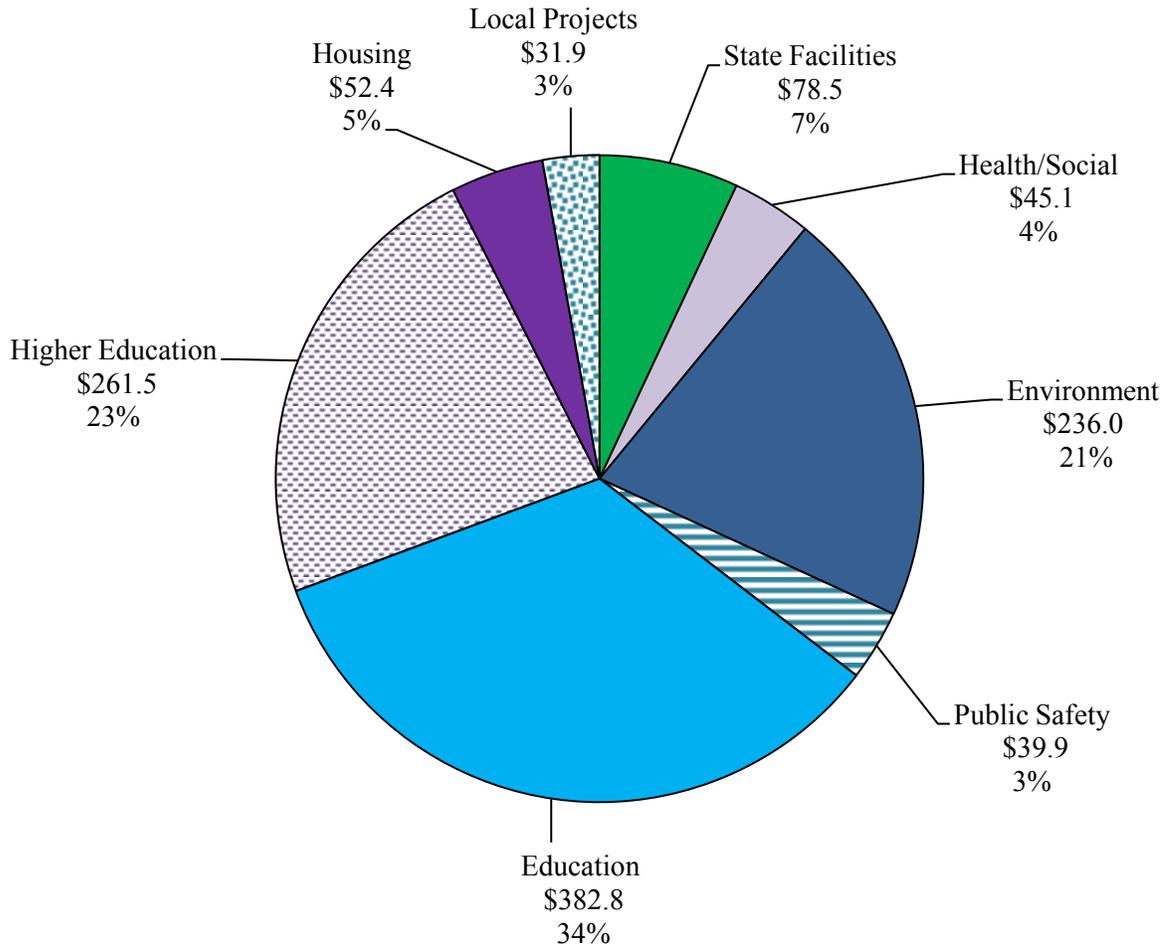
## 2012 Session Capital Budget Overview

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### **The Fiscal 2013 Nontransportation *Capital Improvement Program* Totals Approximately \$1.627 Billion**

- The program is funded by debt (\$1.128 billion, 69%) and current funds (\$505.3 million, 31%). The Capital Debt Affordability Committee (CDAC) recommended a general obligation (GO) debt limit of \$1.075 billion. CDAC also recommended a \$32.0 million limit for Academic Revenue Bonds (ARB). The Spending Affordability Committee concurred with both recommended limits.
- The capital program as introduced includes \$1.075 billion in GO debt for State-owned facilities and grant and loan programs. An additional \$37.9 million in GO bonds from prior years will be de-authorized, thus increasing the amount of GO debt included in the capital program to \$1,112.9 billion. The capital budget plan also includes the issuance of \$15.3 million of Qualified Zone Academy Bonds (QZAB), bringing the total to \$1.128.2 billion. Of the \$1.128.2 billion of new State tax-supported debt, \$166.6 million funds the replacement of the proposed fund balance and revenue transfers from a variety of environmental and natural resources special fund accounts; \$181.7 million represents debt pre-authorized in the Maryland Consolidated Capital Bond Loan (MCCBL) of 2011 excluding pre-authorized funds for fund balance and revenue transfer replacement; \$366.6 million funds school construction projects including QZAB and Aging Schools Program funded projects; and \$15.0 million is reserved for legislative community initiatives. **Exhibit 1** illustrates the GO bond distribution.

**Exhibit 1**  
**GO Bond Distribution**  
**(\$ in Millions)**



GO: general obligation

Source: Department of Budget and Management

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*2012 Session Capital Overview*

Top bond funded programs/projects are shown in **Exhibit 2**. **Exhibits 3** and **4** detail what is in the capital budget as introduced.

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**Exhibit 2**  
**Top General Obligation/Revenue Bond Funded Programs and Projects**  
**Fiscal 2013**

<u>Project Title</u>	<u>GO Bond</u>	<u>Revenue</u>	<u>Total Funds</u>
BPW: Public School Construction Program	\$351,393,000	\$0	\$351,393,000
DNR: Program Open Space	70,079,000	0	70,079,000
FSU: New Center For Communications and Information Technology	44,550,000	0	44,550,000
CSU: New Science and Technology Center	28,775,000	10,000,000	38,775,000
DSP: State Police Helicopter Replacement	38,674,000	0	38,674,000
MHEC: Community College Facilities Grant Program	37,726,000	0	37,726,000
UMBC: New Performing Arts and Humanities Facility	33,225,000	0	33,225,000
UMCP: Physical Sciences Complex	29,550,000	0	29,550,000
DNR: Chesapeake Bay 2010 Trust Fund	27,756,000	0	27,756,000
USMO: Facilities Renewal Program	10,000,000	17,000,000	27,000,000
MDE: Biological Nutrient Removal Program	26,760,000	0	26,760,000
DoIT: Public Safety Communications System	25,250,000	0	25,250,000
MSU: New School of Business Complex and Connecting Bridge	20,685,000	0	20,685,000
BPW: Facilities Renewal Fund	20,592,000	0	20,592,000
MDE: Enhanced Nutrient Removal	18,175,000	0	18,175,000
BPW: Qualified Zone Academy Bond Program	15,324,000	0	15,324,000
DHCD: Rental Housing Program	15,000,000	0	15,000,000
DNR: Rural Legacy Program	14,889,000	0	14,889,000
MDA: Maryland Agricultural Land Preservation Program	14,124,000	0	14,124,000
TU: Campuswide Safety and Circulation Improvements	13,812,000	0	13,812,000
DNR: Natural Resources Development Fund	10,874,000	0	10,874,000
UMMS: Trauma and Critical Care, and Emergency Medicine Services Expansion Project	10,000,000	0	10,000,000
UMCP: Campuswide Building System and Infrastructure Improvements	5,000,000	5,000,000	10,000,000
MISC: Prince George's Hospital System	10,000,000	0	10,000,000

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<u>Project Title</u>	<u>GO Bond</u>	<u>Revenue</u>	<u>Total Funds</u>
DNR: Critical Maintenance Program	8,394,000	0	8,394,000
DNR: Oyster Restoration Program	8,060,000	0	8,060,000
DHCD: Homeownership Programs	8,000,000	0	8,000,000
<b>Subtotal Top Funded Programs and Projects</b>	<b>\$916,667,000</b>	<b>\$32,000,000</b>	<b>\$948,667,000</b>
<b>Subtotal Other Programs and Projects</b>	<b>\$211,537,000</b>	<b>\$0</b>	<b>\$211,537,000</b>
<b>De-authorizations as Introduced</b>	<b>-\$37,880,000</b>	<b>\$0</b>	<b>-\$37,880,000</b>
<b>Total</b>	<b>\$1,090,324,000</b>	<b>\$32,000,000</b>	<b>\$1,122,324,000</b>

BPW: Board of Public Works  
 CSU: Coppin State University  
 DHCD: Department of Housing and Community Development  
 DNR: Department of Natural Resources  
 DoIT: Department of Information Technology  
 DSP: Department of State Police  
 FSU: Frostburg State University  
 MDA: Maryland Department of Agriculture  
 MDE: Maryland Department of the Environment

MHEC: Maryland Higher Education Commission  
 MISC: Miscellaneous  
 MSU: Morgan State University  
 TU: Towson University  
 UMBC: University of Maryland Baltimore County  
 UMCP: University of Maryland, College Park  
 UMMS: University of Maryland Medical System  
 USMO: University System of Maryland Office

Source: Department of Budget and Management

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**Exhibit 3**  
**Summary of the Capital Program Requests for the 2012 Session**  
**(\$ in Millions)**

<u>Function</u>	<u>Bonds</u>		<u>Current Funds (PAYGO)</u>			<u>Total</u>
	<u>General Obligation</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	
<b>State Facilities</b>						<b>\$146.6</b>
Facilities Renewal	\$38.3	\$0.0	\$0.0	\$0.0	\$0.0	
State Facilities Other	40.2	0.0	0.7	0.0	67.4	
<b>Health/Social</b>						<b>\$45.1</b>
Health Other	\$1.2	\$0.0	\$0.0	\$0.0	\$0.0	
Health State Facilities	11.1	0.0	0.0	0.0	0.0	
Private Hospitals	32.9	0.0	0.0	0.0	0.0	
<b>Environment</b>						<b>\$609.6</b>
Agriculture	\$16.0	\$0.0	\$0.0	\$9.6	\$0.0	
Energy	0.0	0.0	0.0	5.0	0.0	
Environment	62.6	0.0	0.0	307.7	44.8	
Maryland Environmental Service	7.5	0.0	0.0	0.0	0.0	
Natural Resources	150.0	0.0	0.0	2.8	3.6	
<b>Public Safety</b>						<b>\$47.8</b>
Local Jails	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	
State Corrections	1.2	0.0	0.0	0.0	7.9	
State Police	38.7	0.0	0.0	0.0	0.0	
<b>Education</b>						<b>\$382.8</b>
Education Other	\$10.0	\$0.0	\$0.0	\$0.0	\$0.0	
School Construction	372.8	0.0	0.0	0.0	0.0	
<b>Higher Education</b>						<b>\$293.5</b>
Community Colleges	\$44.4	\$0.0	\$0.0	\$0.0	\$0.0	
Medical System	20.7	0.0	0.0	0.0	0.0	
Morgan State University	8.5	0.0	0.0	0.0	0.0	
Private Colleges/Universities	4.0	0.0	0.0	0.0	0.0	
St. Mary's College	0.3	0.0	0.0	0.0	0.0	
University System	183.6	32.0	0.0	0.0	0.0	
<b>Housing/Community Development</b>						<b>\$106.1</b>
Housing	\$51.3	\$0.0	\$0.0	\$22.4	\$24.2	
Housing Other	1.2	0.0	7.0	0.1	0.0	
<b>Local Projects</b>						<b>\$31.9</b>
Local Project Administration	\$16.9	\$0.0	\$0.0	\$0.0	\$0.0	
Local Project Legislative	15.0	0.0	0.0	0.0	0.0	
<b>De-authorizations</b>						<b>-\$37.9</b>
De-authorizations	-\$37.9	\$0.0	\$0.0	\$0.0	\$0.0	
<b>Total</b>	<b>\$1,090.3</b>	<b>\$32.0</b>	<b>\$7.7</b>	<b>\$347.6</b>	<b>\$147.9</b>	<b>\$1,625.6</b>
<b>Fiscal 2012 Deficiencies</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$2.1</b>	<b>\$2.1</b>
<b>Transportation CTP</b>	<b>\$0.0</b>	<b>\$315.0</b>	<b>\$0.0</b>	<b>\$618.9</b>	<b>\$839.0</b>	<b>\$1,773.0</b>
<b>Grand Total Fiscal 2013</b>	<b>\$1,090.3</b>	<b>\$347.0</b>	<b>\$7.7</b>	<b>\$966.5</b>	<b>\$989.1</b>	<b>\$3,400.6</b>

CTP: Consolidated Transportation Program

PAYGO: pay-as-you-go

Source: Department of Budget and Management

**Exhibit 4  
Capital Program Request for the 2012 Session**

<b>Bonds</b>	<b>Current Funds (PAYGO)</b>
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Budget Code	Project Title	General Obligation	Revenue	General	Special	Federal	Total Funds
	<b>State Facilities</b>						
D55P04A	DVA: Crownsville Veterans Cemetery Expansion and Burial Capacity Phase III	\$0	\$0	\$700,000	\$0	\$0	\$700,000
DA0201A	MDOD: Accessibility Modifications	1,600,000	0	0	0	0	1,600,000
DE0201A	BPW: State House – Old Senate Chamber	3,000,000	0	0	0	0	3,000,000
DE0201B	BPW: Annapolis Post Office	3,782,000	0	0	0	0	3,782,000
DE0201C	BPW: Saratoga State Center – Garage Improvements	4,445,000	0	0	0	0	4,445,000
DE0201D	BPW: William Donald Schaefer Tower – Fire Alarm System	2,475,000	0	0	0	0	2,475,000
	BPW: Facilities Renewal Fund	20,592,000	0	0	0	0	20,592,000
DE0201F	BPW: Asbestos Abatement Program	2,000,000	0	0	0	0	2,000,000
DE0201G	BPW: Court of Appeals Building – Lobby and ADA Improvements	340,000	0	0	0	0	340,000
DE0201H	BPW: New Catonsville District Court	2,250,000	0	0	0	0	2,250,000
DH0104A	MD: Dundalk Readiness Center – Alterations and Addition	6,141,000	0	0	0	15,723,000	21,864,000
FB04A	DoIT: Public Safety Communications System	25,250,000	0	0	0	0	25,250,000
FB04B	DoIT: One Maryland Broadband Network	5,000,000	0	0	0	51,678,068	56,678,068

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
PA1301	DLLR: 1100 North Eutaw Street Elevator Replacements	1,620,000	0	0	0	0	1,620,000
	<b>Subject Category Subtotal:</b>	<b>\$78,495,000</b>	<b>\$0</b>	<b>\$700,000</b>	<b>\$0</b>	<b>\$67,401,068</b>	<b>\$146,596,068</b>
	<b>Health/Social</b>						
DA07A*	MDOA: Senior Citizens Activities Center Grant Program	\$1,150,000	\$0	\$0	\$0	\$0	\$1,150,000
MA01A*	DHMH: Federally Qualified Health Centers Grant Program	2,421,000	0	0	0	0	2,421,000
MI0401A	DHMH: Deer's Head Hospital Center	313,000	0	0	0	0	313,000
MM06C*	DHMH: Henryton Center – Abate Asbestos and Raze Buildings	3,530,000	0	0	0	0	3,530,000
MM06D	DHMH: Dorsey Run – Secure Evaluation and Therapeutic Treatment Center	2,150,000	0	0	0	0	2,150,000
RQ00A	UMMS: Trauma and Critical Care, and Emer. Medicine Services Expansion Project	10,000,000	0	0	0	0	10,000,000
RQ00B	UMMS: R Adams Cowley Shock Trauma Center Renovation – Phase I	3,500,000	0	0	0	0	3,500,000
VE01A	DJS: Baltimore Regional Treatment Center	3,000,000	0	0	0	0	3,000,000
VE01B	DJS: Southern Maryland Children's Center	2,068,000	0	0	0	0	2,068,000
ZA00G	MISC: Kennedy Krieger Institute	1,000,000	0	0	0	0	1,000,000
ZA00P	MISC: Prince George's Hospital System	10,000,000	0	0	0	0	10,000,000
ZA00Q	MISC: Sinai Hospital	1,000,000	0	0	0	0	1,000,000
ZA01A	MHA: Kennedy Krieger Children's Hospital	500,000	0	0	0	0	500,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
ZA01B	MHA: Howard County General Hospital	707,500	0	0	0	0	707,500
ZA01C	MHA: Franklin Square Hospital Center	1,000,000	0	0	0	0	1,000,000
ZA01D	MHA: Brook Lane Health Services	1,100,000	0	0	0	0	1,100,000
ZA01E	MHA: Northwest Hospital Center	700,000	0	0	0	0	700,000
ZA01F	MHA: Union Memorial Hospital	242,500	0	0	0	0	242,500
ZA01G	MHA: Upper Chesapeake Medical Center	750,000	0	0	0	0	750,000
	<b>Subject Category Subtotal:</b>	<b>\$45,132,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$45,132,000</b>
	<b>Environment</b>						
DA1302	MEA: Jane E. Lawton Program	\$0	\$0	\$0	\$2,500,000	\$0	\$2,500,000
DA1303	MEA: State Agency Loan Program	0	0	0	2,500,000	0	2,500,000
KA05A	DNR: Community Parks and Playgrounds	2,500,000	0	0	0	0	2,500,000
KA05B	DNR: Natural Resources Development Fund	10,874,000	0	0	0	0	10,874,000
KA05C	DNR: Program Open Space	70,079,000	0	0	2,500,000	3,000,000	75,579,000
KA05D	DNR: Critical Maintenance Program	8,394,000	0	0	0	0	8,394,000
KA05E	DNR: Waterway Improvement Fund	7,431,000	0	0	268,000	600,000	8,299,000
KA05F	DNR: Rural Legacy Program	14,889,000	0	0	0	0	14,889,000
KA1402A	DNR: Chesapeake Bay 2010 Trust Fund	27,756,000	0	0	0	0	27,756,000
KA17A	DNR: Oyster Restoration Program	8,060,000	0	0	0	0	8,060,000
LA11A	MDA: Maryland Agricultural Land Preservation Program	14,124,000	0	0	8,750,000	0	22,874,000
LA12A	MDA: Tobacco Transition Program	1,894,000	0	0	842,000	0	2,736,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
UA010312	MDE: Septic System Upgrade Program	0	0	0	17,000,000	0	17,000,000
UA01A	MDE: Enhanced Nutrient Removal	18,175,000	0	0	105,700,000	0	123,875,000
UA01B	MDE: Maryland Water Quality Revolving Loan Fund	7,143,000	0	0	156,571,000	34,286,000	198,000,000
UA01C	MDE: Maryland Drinking Water Revolving Loan Fund	3,004,000	0	0	28,436,000	10,560,000	42,000,000
UA04A1	MDE: Biological Nutrient Removal Program	26,760,000	0	0	0	0	26,760,000
UA04A2	MDE: Supplemental Assistance Program	5,000,000	0	0	0	0	5,000,000
UA04B	MDE: Water Supply Financial Assistance Program	2,500,000	0	0	0	0	2,500,000
UB00A*	MES: Infrastructure Improvement Fund	7,462,000	0	0	0	0	7,462,000
	<b>Subject Category Subtotal:</b>	<b>\$236,045,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$325,067,000</b>	<b>\$48,446,000</b>	<b>\$609,558,000</b>
	<b>Public Safety</b>						
QB0604A	DPSCS: Dorsey Run Correctional Facility – 560-bed Minimum Security Compound	\$1,200,000	\$0	\$0	\$0	\$7,900,000	\$9,100,000
WA01A*	DSP: State Police Helicopter Replacement	38,674,000	0	0	0	0	38,674,000
ZB02A	DPSCS: Wicomico County Detention Center	50,000	0	0	0	0	50,000
	<b>Subject Category Subtotal:</b>	<b>\$39,924,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,900,000</b>	<b>\$47,824,000</b>
	<b>Education</b>						
DE0202A	BPW: Public School Construction Program	\$351,393,000	\$0	\$0	\$0	\$0	\$351,393,000
DE0202AQ	BPW: Qualified Zone Academy Bond Program	15,324,000	0	0	0	0	15,324,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
DE0202B	BPW: Aging Schools Program	6,109,000	0	0	0	0	6,109,000
RA01A	MSDE: Public Library Capital Grant Program	5,000,000	0	0	0	0	5,000,000
ZA00M	MISC: Maryland School for the Blind	5,000,000	0	0	0	0	5,000,000
	<b>Subject Category Subtotal:</b>	<b>\$382,826,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$382,826,000</b>
	<b>Higher Education</b>						
RB22A*	UMCP: Physical Science Complex	\$29,550,000	\$0	\$0	\$0	\$0	\$29,550,000
RB22B	UMCP: Campuswide Building System and Infrastructure Improvements	5,000,000	5,000,000	0	0	0	10,000,000
RB22C	UMCP: University Learning and Teaching Center	2,050,000	0	0	0	0	2,050,000
RB22D	UMCP: Remote Library Storage Facility	435,000	0	0	0	0	435,000
RB23A*	BSU: Campuswide Site Improvements	2,166,000	0	0	0	0	2,166,000
RB23B	BSU: Natural Sciences Center	3,100,000	0	0	0	0	3,100,000
RB24A	TU: Campuswide Safety and Circulation Improvements	13,812,000	0	0	0	0	13,812,000
RB24B	TU: Smith Hall Expansion and Renovation	5,700,000	0	0	0	0	5,700,000
RB26A*	FSU: New Center for Communications and Information Technology	44,550,000	0	0	0	0	44,550,000
RB27A*	CSU: New Science and Technology Center	28,775,000	10,000,000	0	0	0	38,775,000
RB28A	UB: New Law School Building	4,037,000	0	0	0	0	4,037,000
RB31A*	UMBC: New Performing Arts and Humanities Facility	33,225,000	0	0	0	0	33,225,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
RB34A*	UMCES: New Environmental Sustainability Research Laboratory	1,150,000	0	0	0	0	1,150,000
RB36A	USMO: Facilities Renewal Program	10,000,000	17,000,000	0	0	0	27,000,000
RC00A*	BCCC: Main Building Renovation	6,686,000	0	0	0	0	6,686,000
RD00A	SMCM: Anne Arundel Hall Reconstruction	310,000	0	0	0	0	310,000
RI00A*	MHEC: Community College Facilities Grant Program	37,726,000	0	0	0	0	37,726,000
RM00A*	MSU: New School of Business Complex and Connecting Bridge	20,685,000	0	0	0	0	20,685,000
RM00B*	MSU: Facilities Renewal Projects	5,000,000	0	0	0	0	5,000,000
RM00C	MSU: New Jenkins Behavioral and Social Sciences Center	3,500,000	0	0	0	0	3,500,000
ZA00H	MICUA: Johns Hopkins University	1,000,000	0	0	0	0	1,000,000
ZA00I	MICUA: McDaniel College	1,000,000	0	0	0	0	1,000,000
ZA00J	MICUA: Notre Dame of Maryland University	1,000,000	0	0	0	0	1,000,000
ZA00K	MICUA: St. John's College	1,000,000	0	0	0	0	1,000,000
	<b>Subject Category Subtotal:</b>	<b>\$261,457,000</b>	<b>\$32,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$293,457,000</b>
	<b>Housing/Community Development</b>						
D40W1112	MDOP: Sustainable Communities Tax Credit Program	\$0	\$0	\$7,000,000	\$0	\$0	\$7,000,000
DW0110A	MDOP: African American Heritage Preservation Program	1,000,000	0	0	0	0	1,000,000
DW0110B	MDOP: Maryland Historical Trust Capital Grant Fund	150,000	0	0	120,000	0	270,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
S00A2502	DHCD: Community Development Block Grant Program	0	0	0	0	12,300,000	12,300,000
S00A2514	DHCD: MD-BRAC Preservation Loan Fund	0	0	0	4,000,000	0	4,000,000
SA24A	DHCD: Community Legacy Program	6,000,000	0	0	0	0	6,000,000
SA24B	DHCD: Neighborhood Business Development Program	2,350,000	0	0	1,900,000	0	4,250,000
SA24C	DHCD: Strategic Demolition and Smart Growth Impact Project Fund	5,000,000	0	0	0	0	5,000,000
SA25A	DHCD: Partnership Rental Housing Program	6,000,000	0	0	0	0	6,000,000
SA25B	DHCD: Homeownership Programs	8,000,000	0	0	500,000	1,900,000	10,400,000
SA25C	DHCD: Shelter and Transitional Housing Facilities Grant Program	2,000,000	0	0	0	0	2,000,000
SA25D	DHCD: Special Loan Programs	6,900,000	0	0	500,000	3,000,000	10,400,000
SA25E	DHCD: Rental Housing Program	15,000,000	0	0	15,500,000	7,000,000	37,500,000
	<b>Subject Category Subtotal:</b>	<b>\$52,400,000</b>	<b>\$0</b>	<b>\$7,000,000</b>	<b>\$22,520,000</b>	<b>\$24,200,000</b>	<b>\$106,120,000</b>
	<b>Local Projects</b>						
ZA00A	MISC: Alice Ferguson Foundation – Potomac Watershed Study Center	\$1,700,000	\$0	\$0	\$0	\$0	\$1,700,000
ZA00B	MISC: Annapolis High School	1,000,000	0	0	0	0	1,000,000
ZA00C	MISC: Baltimore Museum of Art	2,500,000	0	0	0	0	2,500,000
ZA00D	MISC: Baltimore City Convention Center	2,500,000	0	0	0	0	2,500,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
ZA00E	MISC: Charles E. Smith Life Communities – Revitz House Renovation	675,000	0	0	0	0	675,000
ZA00F	MISC: Everyman Theatre	1,000,000	0	0	0	0	1,000,000
ZA00L	MISC: Maryland Science Center	550,000	0	0	0	0	550,000
ZA00N	MISC: Maryland Zoo in Baltimore Infrastructure Improvements	5,000,000	0	0	0	0	5,000,000
ZA00O	MISC: Mount Vernon Square Redevelopment	1,000,000	0	0	0	0	1,000,000
ZA00R	MISC: USS Constellation Education Center and Heritage Center	1,000,000	0	0	0	0	1,000,000
ZA02	Local House Initiatives	7,500,000	0	0	0	0	7,500,000
ZA03	Local Senate Initiatives	7,500,000	0	0	0	0	7,500,000
	<b>Subject Category Subtotal:</b>	<b>\$31,925,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$31,925,000</b>
	<b>De-authorizations</b>						
ZF00	De-authorizations as Introduced	-\$37,880,000	\$0	\$0	\$0	\$0	-\$37,880,000
	<b>Subject Category Subtotal:</b>	<b>-\$37,880,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$37,880,000</b>
	<b>Nontransportation Subtotal Total</b>	<b>\$1,090,324,000</b>	<b>\$32,000,000</b>	<b>\$7,700,000</b>	<b>\$347,587,000</b>	<b>\$147,947,068</b>	<b>\$1,625,558,068</b>
	<b>Fiscal 2012 Deficiencies</b>						
QB0604A	DPSCS: Dorsey Run Correctional Facility – 560-bed Minimum Security Compound	\$0	\$0	\$0	\$0	\$2,100,000	\$2,100,000
	<b>Subject Category Subtotal:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,100,000</b>	<b>\$2,100,000</b>

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
	<b>Nontransportation Budget Total</b>	<b>\$1,090,324,000</b>	<b>\$32,000,000</b>	<b>\$7,700,000</b>	<b>\$347,587,000</b>	<b>\$150,047,068</b>	<b>\$1,627,658,068</b>
	<b>Transportation CTP</b>	<b>\$0</b>	<b>\$315,000,000</b>	<b>\$0</b>	<b>\$618,945,317</b>	<b>\$839,030,000</b>	<b>\$1,772,975,317</b>
	<b>Grand Total</b>	<b>\$1,090,324,000</b>	<b>\$347,000,000</b>	<b>\$7,700,000</b>	<b>\$966,532,317</b>	<b>\$989,077,068</b>	<b>\$3,400,633,385</b>

ADA: Americans with Disabilities Act  
 BCCC: Baltimore City Community College  
 BPW: Board of Public Works  
 BSU: Bowie State University  
 CSU: Coppin 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  
 DoIT: Department of Information Technology  
 DLLR: Department of Labor, Licensing, and Regulation  
 DPSCS: Department of Public Safety and Correctional Services  
 DSP: Department of State Police  
 DVA: Department of Veterans Affairs  
 FSU: Frostburg State University  
 MD: Military Department  
 MDA: Maryland Department of Agriculture  
 MD-BRAC: Maryland Base Realignment and Closure  
 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  
 MSDE: Maryland State Department of Education  
 MSU: Morgan State University  
 PAYGO: pay-as-you-go  
 SMCM: St. Mary's College of Maryland  
 TU: Towson University  
 UB: University of Baltimore  
 UMBC: University of Maryland Baltimore County  
 UMCES: University of Maryland Center for Environmental Science  
 UMCP: University of Maryland, College Park  
 UMMS: University of Maryland Medical System  
 USMO: University System of Maryland Office

## ***Overview Issues/Updates***

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### **1. Lurkers – Significant Potential Commitments Not Currently in the *Capital Improvement Program***

#### **Prince George’s Hospital Center**

On July 21, 2011, Prince George’s County, the State of Maryland, the University of Maryland Medical System (UMMS), the University System of Maryland (USM), and Dimensions Health Corporation, entered into a memorandum of understanding (MOU). The MOU outlined an 18-month, three-step process to develop the strategy, financing, and execution of a plan for UMMS to build a new regional teaching medical center and improve the primary care system in Prince George’s County, as well as for the University of Maryland, Baltimore (UMB) to establish a health sciences campus in conjunction with the new hospital. The first step of the process is currently underway and is anticipated to be completed in March 2012. During the 18-month process, UMMS and Dimensions Health Corporation will work collaboratively to increase the quality of care and to reduce operating losses at Prince George’s Hospital Center. The parties will also develop a plan to transfer the assets and to discharge Dimensions Health Corporation’s current debt and liabilities. The MOU indicates the State and Prince George’s County will seek funding as needed to sustain operations during the transition and to assist in the discharge of liabilities. This project is currently estimated to cost over \$600 million. It remains unclear how this plan will be financed; however, it is important to note that the State will likely fund a large portion of the project.

In accordance with the MOU signed on July 21, 2011, funding provided by the State and the county may be used for the following purposes: (1) to support Dimension’s continued provision of critical health care services during the transition; (2) to begin satisfaction of Dimension’s current liabilities; (3) to help facilitate cost containment measures necessary to stem current operating losses; and (4) to finance the State and county’s share of the cost to develop financial projections, site selection, and architectural plans for a new hospital facility in Prince George’s County.

#### **Restriction of Capital Budget Support in Fiscal 2012**

The Governor’s fiscal 2012 capital budget included \$4 million for infrastructure improvements to Prince George’s Hospital System. The planned uses of the \$4 million included both equipment replacement and infrastructure improvements for the system. Due to speculation that a new inpatient facility would be built to replace the Prince George’s Hospital Center, the Department of Legislative Services (DLS) recommended restricting funding for the improvement of the Prince George’s Hospital System until the transfer of ownership is complete, per language in the 2008 MOU, which dictated a long-term funding commitment for the system. DLS also advised that the grant funds in fiscal 2012 should not be used for Prince George’s Hospital Center if it is indeed scheduled to close. Ultimately, the General Assembly adopted language which required Prince George’s County and the Department of Health and Mental Hygiene to submit a report updating the budget committees on the planned use of the \$4 million in GO bonds.

## *2012 Session Capital Overview*

On October 20, 2011, the Governor and the Prince George's County Executive jointly signed a letter of intent that among other provisions reiterates the county and the State's commitment of capital funding in fiscal 2012, subject to the conditions set forth in the July 21, 2011 MOU outlined above. Additionally, the letter specifies that funding may be used for infrastructure improvements necessary to advance the goal of transitioning the system to a new owner (or owners) as outlined in the July 21, 2011 MOU. At the time of this writing, the fiscal 2012 capital funding for Prince George's Hospital System has not been released, and the fiscal 2013 budget includes an additional \$10 million in capital support.

### **Baltimore City Convention Center Expansion and Public-private Partnership**

In May 2011, private business leaders in Baltimore City introduced the concept of an expanded convention center in conjunction with a new arena and hotel. The arena and the hotel would be located on the corner of Conway and Charles Streets – the current site of the Sheraton Inner Harbor Hotel. Both would be privately funded.

The new hotel would be built on top of the arena. The new arena's concourse would be connected to a new convention center wing that would expand the center's size to 760,000 square feet (sq. ft.) – more than twice the size of the existing convention center. The convention center expansion would be built on the site of the existing convention center's east wing that is located on a Pratt Street site adjacent to the proposed site of the new arena.

Preliminary cost estimates for these projects are \$175 million to build the hotel, \$325 million to build the arena, and \$400 million to build the convention center expansion.

### **Market and Feasibility Study**

In July 2011, Baltimore City requested the Maryland Stadium Authority (MSA) to assist with the completion of an expanded convention center given a new hotel and arena. MSA released its report in early March 2012. Findings conclude that some indicators suggest that the market demand has potentially exceeded the convention center's current supply of space. It reports that without an expansion, convention and tradeshow activity will decline.

The study recommends the expansion of exhibit hall space (200,000 sq. ft. of new space), ballroom space (50,000 sq. ft.), and meeting space (40,000 sq. ft.). The new space would allow the center to host additional shows that cannot currently be accommodated, host more events simultaneously, and improve logistical efficiency. The study projects that an expanded center would host 17 to 25% more conventions and tradeshow and attract 30 to 38% greater attendance.

To contrast the increase in costs to the State, the study concludes that the expanded convention center results in an increase in tax revenue between 32 and 43%. Of that, 68% would occur at the State level. The project in total, including the convention center expansion, the new hotel, and the new arena, would result in direct spending of \$138 million to \$181 million annually and support 2,360 to 3,100 new jobs according to the study.

## **Financing**

The fiscal 2013 allowance includes \$2.5 million for preliminary design of the expanded center. The Department of Budget and Management (DBM) reports that the funds will help define the scope and cost of the proposed expansion and enable the development of a funding plan for the project.

Discussions in the private sector, as well as reports in the media, indicate there is willingness to privately support the construction of the new arena and the new hotel. This would leave the estimated \$400 million convention center expansion as the responsibility of the public sector.

The 2011 *Capital Improvement Program* (CIP) does not include any plans for funding the convention center expansion beyond the fiscal 2013 allowance for preliminary design. Further, Baltimore City has not made a financial commitment. Also, MSA does not have the statutory capacity to financially support the project. Finally, despite the expressed willingness for private sector investment in the larger development project, the State is not in possession of any written commitment toward that end.

### **Funding Large Multi-million Dollar Projects Not Already in the CIP Amidst Reduced Debt Capacity**

Although both the convention center and hospital projects appear to be gaining traction and certain milestones and agreements are underway, neither project is reflected in the current CIP. To the extent that funding commitments are solidified in the coming year, both projects would require a substantial restructuring of the five-year capital plan reflected in the CIP. This restructuring would come shortly after the most recent restructuring of the State's GO bond authorization schedule which came about due to limitations on State indebtedness. **Exhibit 5** shows the long-range plan reflects reduced levels of planned new GO bond authorizations compared to what was recommended by CDAC in its September 2009 report.

This downward revision in the level of authorizations keeps the State within affordability ratios which limit State debt outstanding to 4% of State personal income and limit State debt service costs to no more than 8% of revenues supporting State debt. In total, from the 2012 through 2017 session, this revision takes \$865 million out of the plan and results in a restricting of the State's CIP to account for this difference in out-year funding levels.

**Exhibit 5**  
**Proposed General Obligation Bond Authorizations**  
(\$ in Millions)

<u>Session</u>	<u>2009 September CDAC Proposed GO Bond Authorizations</u>	<u>2010 CDAC Proposed GO Bond Authorizations</u>	<u>2011 CDAC Proposed GO Bond Authorizations</u>	<u>Variance 2009 CDAC to 2010 CDAC</u>	<u>Variance 2008 CDAC to 2011 CDAC</u>
2012	\$1,050	\$925	\$1,075	-\$125	\$25
2013	1,080	925	925	-155	-155
2014	1,110	935	935	-175	-175
2015	1,140	945	945	-195	-195
2016	1,170	955	955	-215	-215
2017	1,200	1,200	1,050	0	-150
<b>Total</b>	<b>\$6,750</b>	<b>\$5,885</b>	<b>\$5,885</b>	<b>-\$865</b>	<b>-\$865</b>

CDAC: Capital Debt Affordability Committee

GO: general obligation

Source: Department of Budget and Management

## 2. Public Health Laboratory and State Center Update

### Maryland Public Health Laboratory Project Background

The Department of Health and Mental Hygiene (DHMH) is mandated to maintain a public health laboratory to provide testing, consulting, and regulatory support and to protect the citizens of Maryland against the spread of communicable and infectious diseases (Health-General Article 17-101). The current public health laboratory, located at 201 West Preston Street and occupied by DHMH since 1974, was deemed insufficient to meet the needs of a modern public health laboratory and is currently operating beyond its intended maximum capacity. The existing physical structure and design lacks the flexibility and capacity to add or delete a particular lab function with minimal renovation and disruption to utilities.

In July 2009, DHMH presented a number of alternative financing proposals for this project, which included funding the project with GO bonds, capital leases, operating leases, and public-private partnership (P3) arrangements. There was a consensus that arrangements that include the project in the debt affordability limits (GO bonds and capital leases) were more cost effective for the State than arrangements that did not (operating leases and P3s). In December 2009, after several years of extensive and intensive analysis, the budget committees authorized DHMH to allow the

Maryland Economic Development Corporation (MEDCO) to finance the design and construction of the new public health laboratory at the Life Sciences and Technology Park East.

In January 2010, the Board of Public Works (BPW) approved an Interagency Agreement between DHMH, the Department of General Services (DGS), and MEDCO, that among other provisions calls for MEDCO to finance and cause the design, development, and management of the new laboratory. The laboratory will be leased to DHMH. For debt affordability purposes, this is considered to be a capital lease and is included in the State's debt calculations.

### **Maryland Public Health Laboratory Project Financing Analysis**

In November 2011, MEDCO issued bonds to construct the facility. The par value of the MEDCO bonds sold was \$171 million. Another financing approach (and the approach recommended by DLS throughout the entire decision process) for this project would have been to issue GO bonds instead of MEDCO bonds and a lease. The Treasurer's financial advisor, Public Financial Management, Inc. (PFM), estimated the cost of issuing GO bonds instead of MEDCO bonds. **Exhibit 6** shows that the total GO bond debt service costs would be \$233 million, compared to \$244 million for MEDCO bonds.

The advantages of issuing GO bonds are:

- **Lower True Interest Cost (TIC):** PFM estimates a TIC of 2.68% for GO bonds, compared to 3.61% for the MEDCO bonds.
- **Lower Total Debt Service Costs:** Total debt service costs for GO bonds are \$233.0 million, compared to \$244.0 million for MEDCO bonds.
- **A Larger Premium That Can Be Applied to GO Bond Debt Service Costs:** As is the case with MEDCO bonds, the GO premium can be applied to support debt service costs. In the case of GO bonds, the premium is \$24.2 million, instead of \$16.0 million for MEDCO bonds.
- **Lower Net Present Value of Debt Service Costs:** DLS calculates that the net present value of \$35.2 million in savings is \$18.0 million.
- **Debt Service Payments Ending After 15 Years:** The MEDCO bonds mature in 20 years, and the GO bonds mature in 15 years. Consequently, the GO bonds have 5 less years of debt service payments.

The advantage of financing the project with MEDCO bonds is that it freed up \$171 million of GO bond funds that would have been used to fund the lab but instead were available to support other capital projects and programs. In addition, the MEDCO bonds have lower debt service payments before fiscal 2027. However, the conclusion is that issuing GO bonds is less expensive than issuing MEDCO bonds and leasing the facility.

**Exhibit 6**  
**Project Financing Compared to GO Bond Financing**  
**Fiscal 2012-2031**  
**(\$ in Millions)**

<u>Fiscal Year</u>	<u>Net Project Debt Service</u>	<u>Estimated GO Bond Debt Service</u>	<u>Premium Supporting GO Bond Debt Service</u>	<u>Savings</u>	<u>PV of Savings</u>
2012	\$0.0	\$3.7	\$24.2	\$20.5	\$20.5
2013	0.0	7.7	0.0	-7.7	-7.3
2014	6.2	17.1	0.0	-10.9	-10.0
2015	14.0	17.0	0.0	-3.1	-2.8
2016	14.0	17.1	0.0	-3.1	-2.7
2017	14.0	17.0	0.0	-3.1	-2.6
2018	14.0	17.1	0.0	-3.1	-2.5
2019	14.0	17.0	0.0	-3.1	-2.5
2020	14.0	17.0	0.0	-3.1	-2.4
2021	14.0	17.1	0.0	-3.1	-2.4
2022	14.0	17.1	0.0	-3.1	-2.3
2023	14.0	17.0	0.0	-3.1	-2.2
2024	14.0	17.1	0.0	-3.1	-2.2
2025	14.0	17.0	0.0	-3.1	-2.1
2026	14.0	17.1	0.0	-3.1	-2.1
2027	14.0	0.0	0.0	14.0	9.2
2028	14.0	0.0	0.0	14.0	8.9
2029	14.0	0.0	0.0	14.0	8.7
2030	14.0	0.0	0.0	14.0	8.5
2031	14.0	0.0	0.0	14.0	8.2
<b>Total</b>	<b>\$244.0</b>	<b>\$233.0</b>	<b>\$24.2</b>	<b>\$35.2</b>	<b>\$18.0</b>

GO: general obligation

PV: present value

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

Source: Wye River Group, Inc. and Public Financial Management, Inc., 2011

**Debt Affordability Projections and Assumptions**

From the outset, DLS and the State Treasurer’s Office maintained that whether structured as an operating lease or a capital lease, the annual debt service to finance any MEDCO-issued lease-revenue bonds would be counted as State debt under the Government Accounting Standards Board accounting principles and by the rating agencies. While DBM did not initially agree with this assessment, the department agreed to structure the lease as a capital lease with the understanding that it would count against the State’s debt limit in order to gain a more favorable bond financing rate. After being notified that the DHMH laboratory was to be financed using a tax-supported capital lease, the State Treasurer’s Office included this debt in the debt affordability analysis.

## **Impact on Operating Budget**

Under a MEDCO-issued revenue bond financing structure, general fund appropriations in the DHMH operating budget will be required annually to service the debt until fully retired. As shown in Exhibit 6, the annual impact on the State general fund is estimated at \$14 million based on a bond issuance of \$171 million for a 20-year term at an estimated TIC of 3.61%.

Furthermore, the decision to locate the new laboratory at the East Baltimore Biotechnology Park rather than at a 35-acre parcel of State-owned land located in Jessup, Maryland will require general fund appropriations to fund a negotiated payment in lieu of taxes (PILOT) to the developer. This payment is based on a pro-rata share of the tax increment financing (TIF) issued by Baltimore City in support of the larger biopark redevelopment and is estimated at an average annual payment of \$744,654, or \$18.6 million, over the 25-year term of the TIF bonds.

## **State Center Stalled in Litigation**

State Center is located in Baltimore City and refers to a grouping of office buildings in mid-town Baltimore City, generally bordering Preston Street, that houses a number of State agencies. The complex is sited on 28 acres with close proximity to the State Center Metro stop and the Cultural Center light rail station.

Redevelopment of the center has been under consideration at least since fall 2004, in part because the age and condition of the facilities require replacement or renovation. The Maryland Department of Transportation and the Maryland Department of Planning had been exploring transit-oriented development (TOD) opportunities within Baltimore City prior to DGS recommending the State Center Complex. TODs involve use of P3s to establish mixed use developments, improve transit connections, and economically revitalize areas adjacent to transit stations. According to TOD principles, the multi-phased redevelopment is intended to spur economic revitalization of the currently underutilized State-owned land in the proximity of the existing mass transit at State Center.

The basic concept underpinning the proposed multi-phase development entails the State ground leasing parcels in several phases to State Center LLC, with the State then renting office space from the developer. In addition to office space for the State, the developer proposes to construct private commercial office space, retail space including a grocery store, a mix of low and moderate income rental and market rates for sale housing, and parking.

## **Recent Contractual/Development Milestones**

### **Master Development Agreement**

In June 2009, the State Center Master Development Agreement (MDA) was approved by BPW. This agreement allowed for further ground and occupancy lease negotiations with the developer at each stage of the multi-phased redevelopment project. Although the overall size and scope of the redevelopment is to be undertaken in accordance with certain overall commercial, retail, residential, and State-occupied space requirements, as set forth in a Planned Unit Development

(PUD) agreement between the developer and Baltimore City, the approved MDA provides the developer with a degree of latitude concerning the amount and mix of space to be developed at each stage, as well as some flexibility on the development timeline. Likewise, the MDA also provides opportunities for the State to negotiate a buy-out and discontinue its participation in the project, should the State determine that the development is no longer viable or in its best interest.

### **Ground and Occupancy Leases**

In July 2010, BPW approved the ground and occupancy leases for the first phase of the development. While the basic terms as they relate to the State are outlined in more detail below, it is important to note that the multi-phased nature of the project and flexible overall development size, scope, and timeline complicate any cost benefit analysis but also allow the project to evolve to meet market conditions in both the supply and demand for office space and housing and access to capital by the developer. The substantial amount of changes made to the size and scope of the first development phase (and changes made in the terms of the proposed ground and occupancy leases since the MDA and Phase I ground and occupancy leases were approved) underscores the degree to which the entire project although loosely bounded by the PUD is somewhat evolutionary and dictated by market forces.

#### **Ground Lease**

The ground lease for Phase I extends for up to 90 years to include a 50-year base ground lease, a 25-year extension subject to approval by State Center LLC, and a 15-year extension subject to BPW approval. It is important to note that the first extension is not subject to BPW approval which is a distinction from customary ground leases of this nature. The parties negotiating on the State's behalf explain that this provision is necessary to ensure a sufficient long-term ground lease that will aid the developers' access to lower financing terms and thus cheaper capital costs.

#### **Occupancy Lease and Rent Terms**

The first phase entails the development of two new office towers and one underground parking garage on Parcels G and I-2. **Exhibit 7** illustrates the details of this phase. Parcel G would consist of 375,000 square foot (sq. ft.) of State office space, a 50,000 sq. ft. grocery store, 15,000 sq. ft. of retail, and 15,000 sq. ft. of private office space to complete the tower, which will be financed by State Center LLC. A three-level, below-grade, 928-space parking garage will also be sited on Parcel G, financed by MEDCO. The Transportation Trust Fund (TTF) will pay all debt service costs, offset by parking revenue from State employees and other users. It is proposed that State employees will begin paying \$56 a month in fiscal 2014, increasing by 3% annually. Parcel I-2 consists of a 125,000 sq. ft. office tower and 5,000 sq. ft. conference center to be occupied by the Maryland Transit Administration, which would move from State-owned space in the Schaefer Tower. This parcel would also include 15,000 sq. ft. of retail space.

**Exhibit 7**  
**Proposed Components of the State Center Phase I Operating Lease**

<u>Uses</u>	<u>Parcel G</u>	<u>Parcel I-2</u>	<u>Parking Garage<sup>2</sup></u>
State Office	375,000 sq. ft.	125,000 sq. ft.	
State Conference		5,000 sq. ft.	
Private Office	15,000 sq. ft. <sup>1</sup>		
Retail	15,000 sq. ft.	15,000 sq. ft.	
Grocery	50,000 sq. ft.		
Parking			928 spaces

<sup>1</sup>Potential private office space expansion of 125,000 sq. ft. and 150 residential units is planned when market conditions allow.

<sup>2</sup>Sited on Parcel G.

Source: Department of General Services

The currently negotiated and BPW-approved operating lease includes the following terms:

- a 20-year lease beginning in November 2013 (fiscal 2014) subject to annual appropriation provisions but which cannot be terminated for convenience. The inclusion of a termination for convenience clause is typically a customary provision in State occupancy leases;
- base rent starting at \$25.85/sq. ft.;
- pass-through rent starting at an estimated \$11.03/sq. ft., pending building design and negotiation of a PILOT with the Baltimore Development Corporation for an estimated \$2.50/sq. ft.;
- rent costs will increase 15% every five years; and
- rent start payments even if completion is delayed – this provision is said to be needed to provide a definite timeline on the accrual of project revenues needed to secure private market financing.

The Administration is assuming that this structure will be deemed to be an operating lease. **Exhibit 8** illustrates the estimated base, pass-through, and total rent for the 20-year operating lease. The estimated all-in cost per square foot would be approximately \$37/sq. ft. and increase to \$56/sq. ft. for the final 5 years of the 20-year term.

**Exhibit 8**  
**Estimated State Operating Lease Payments**  
**Parcels G and I-2 Combined**  
(\$ in Millions – Except Square Foot Cost)

<u>Fiscal Years</u>	<u>Base Rent</u>	<u>Pass-through Rent</u>	<u>Total Estimated Rent</u>	<u>Estimated Cost Per Square Foot</u>
2014-2018	\$12.529	\$5.515	\$18.044	\$37
2019-2023	14.408	6.342	20.750	42
2024-2028	17.093	7.239	24.332	49
2029-2033	19.657	8.388	28.045	56

Source: Department of General Services

The State would also be responsible for moving expenses, estimated at \$2.4 million for this phase only, as well as \$5.8 million over four years for mothballing costs for existing State Center space pending renovation by the developer.

**Parking Garage**

Construction of the 928-space parking garage is estimated to cost approximately \$35.0 million, financed by 22-year tax-exempt MEDCO bonds. The State would receive 50 spaces on a 24/7 basis for fleet vehicles and have access to 500 additional spaces during business hours. Debt service is estimated to exceed offsetting parking revenue by about \$2.3 million annually for a net loss to the TTF.

**State Revenues**

Under the current proposal, the State would receive revenues from a combination of annual ground lease payments, annual operating cash flows, and a share of capital events. The ground rent revenue structure, based on an initial base rent of \$2,000 per acre and annual base rent and increases by 15% every 5 years for the first 20 years, produces rather nominal annual revenue to the State ranging from approximately \$127,000 to \$192,000 through the first 20 years.

In addition to ground rent payments, the State will be repaid its pre-development costs in an amount up to \$1.34 million on Parcel G and up to \$379,000 on Parcel I-2 and on a proportional basis with the developer at the closing of the initial construction financing for each parcel. Any unpaid pre-development costs will be reimbursed with any later capital event on the respective parcel, and any State pre-development costs exceeding \$1.5 million will be reimbursed in subsequent phases. The more significant considerations that DLS notes were not part of the original agreement but incorporated later as the entire development was vetted in the public forum, including participation rent as follows:

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- 7% of annual net operating cash flows after the investors receive repayment of their equity investment, but on par with the investor return; and
- 7% of any capital events, consisting of sale or refinancing. Sale or refinancing by State Center LLC cannot occur until the earlier of:
  - seven years from commencement of the State office lease; or
  - 75% of the private and retail spaces are leased, including the proposed 125,000 sq. ft. private office tower proposed as part of Parcel G.

Even after the State's approval of the ground and occupancy leases in July 2010, a number of issues remain that will necessarily affect any final Phase I costs and by extension a final determination as to whether the approved occupancy lease may count against the State's debt limits. As it stands, any development of Phase I, including the parking garage, remains contingent upon (1) the developer obtaining private sector financing; (2) finalization of certain terms of the State's occupancy lease including any absolute rent commencement date necessary for private bond financing and satisfactory liquidation damage provisions to offset any delay in delivering State occupancy space beyond the State's absolute rent start date; and (3) final agreement on the PILOT agreement with Baltimore City for Phase I and finalized terms on the amount of pass-through rent. **DLS recommends committee narrative to require various reports concerning the above mentioned milestones.**

### **3. Public-private Partnerships**

Across the nation, there is growing interest in utilizing private sector financing as a means to maintain and expand capital infrastructure investment. P3s offer opportunities to share resources and project risks with the private sector and access private sector financial markets. However, P3s also involve significant fiscal considerations, including but not limited to (1) the disposition of State assets; (2) assignment of future revenues to private sector entities that would otherwise accrue to the State; and (3) the execution of capital and operating leases that obligate the State to long-term budget commitments.

Over the last several years, numerous attempts have been made in Maryland to provide adequate legislative oversight of P3s. Chapter 430 of 2004 created a basic reporting requirement for certain transportation contracts. Chapter 383 of 2007 created a statutory definition of transportation P3s and created notification requirements for certain transportation P3s. However, this legislation did not address all transportation P3s nor did it address nontransportation P3s.

To address some of these issues, Chapters 640 and 641 of 2010 were enacted as the State's first attempt at a comprehensive statutory framework for both transportation and nontransportation P3s. Chapters 640 and 641 slightly modified the definition of P3s, created separate titles in the State Finance and Procurement and Transportation articles for P3s, created additional notification

requirements for all State agencies, required an analysis of the project's impact on State debt, and established the Joint Legislative and Executive Commission on Oversight of Public-Private Partnerships (commission).

### **Joint Legislative and Executive Commission on Oversight of Public-private Partnerships**

The commission was chaired by Lt. Governor Anthony G. Brown and included 4 legislative representatives and 11 representatives from the Executive Branch. Its charge included assessing the oversight, best practices, and approval processes for P3s in other states; evaluating several statutory definitions; making recommendations concerning the appropriate manner of conducting legislative monitoring and oversight of P3s; and making recommendations concerning broad policy parameters within which P3s should be negotiated. The commission held six public meetings between August and December 2011. In total, the commission heard from over 30 experts who have worked extensively on P3s. In addition, the commission held a day-long public forum that was attended by more than 200 individuals, including representatives from labor, business, finance, public service, and higher education. The forum included breakout sessions that allowed attendees to provide input on the process for developing and reviewing P3s in Maryland.

The commission submitted its final report in January 2012. The commission's final report may be found at: <http://mlis.state.md.us/other/Public-PrivatePartnerships/FinalReport.pdf>. Senate Bill 358 and House Bill 576 were introduced in the 2012 legislative session and are primarily based on the findings of the commission.

### **Provisions of Senate Bill 358 and House Bill 576**

The bill revises several statutory definitions, creates a statement of public policy for the use of P3s, streamlines the legislative oversight process, clarifies legislative oversight reporting requirements, recommends a number of contract provisions that should be included in all P3 agreements, clearly establishes the authority of certain State agencies to enter into P3 agreements, and establishes a set of parameters within which P3s must be negotiated. A summary of the bill's key provisions are included below.

- **Definition of Public-private Partnership** – establishes a more robust definition focused on partnership and the delivery of assets. Additionally, provides that the current exclusion for P3s by USM that do not involve State funds be extended to Baltimore City Community College (BCCC), Morgan State University (MSU), and St. Mary's College of Maryland (SMCM).
- **Statement of State Policy on P3s** – establishes the public policy of the State to utilize P3s for infrastructure initiatives for (1) furthering the development and maintenance of infrastructure assets; (2) apportioning between the public sector and the private sector the risks involved in the development, operation, or maintenance of infrastructure assets; (3) fostering the creation of jobs; and (4) promoting the socioeconomic development and competitiveness of Maryland.

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- **Process for Identifying and Evaluating Potential P3s** – requires State agencies establish a formal process for reviewing and evaluating P3s and revise its regulations to reflect the commission’s recommendations. The process and revised regulations must be reviewed by the budget committees and the Joint Committee on Administrative, Executive, and Legislative Review (AELR).
- **Process for Legislative Oversight of P3s** – the bill creates a legislative oversight process consisting of two phases. Phase I requires agencies to submit a detailed report on a potential P3 and allots 45 days for the budget committees, DLS, the Comptroller, and the Treasurer to review and comment. Phase II allots 30 days for the budget committees, Department of Legislative Services, the Comptroller, and the Treasurer to concurrently review and comment on the proposed P3 agreement. During both phases, the report and proposed agreement must be made available for public review while proprietary information may be protected.
- **Workforce and P3s** – the federal Fair Labor Standards Act and State requirements for prevailing wage, living wage, and protections for State employees in the procurement of services at State-operated facilities apply to P3s. The bill notes that minority business participation is an important State policy and supports its use for P3 projects. In addition, agencies are encouraged to consider community benefit agreements for all P3s.
- **Role of State Financing, Use of Proceeds and Revenue-sharing** – the State should retain flexibility in the use of State funds and debt and other sources of financing for P3s. Additionally, any proceeds derived from a P3 must be returned to the fund that normally would have received revenues for that project, *i.e.*, proceeds from transportation P3s must be used for transportation. Finally, revenue-sharing agreements should be utilized to ensure that the State receives adequate and fair compensation from any proceeds derived from a P3.
- **Contract Provisions Required in All P3 Contracts** – the bill enumerates a number of contract provisions that must be included in all P3 agreements, including establishing a method for future increases in tolls, fees, and other charges related to the asset; minimum quality standards; oversight and remedies for default; and allowing for State inspection of facilities and audits.
- **Term Length Limits** – P3 agreements may not extend beyond 50 years unless BPW provides an exemption.
- **Procurement Methods** – the bill exempts P3s from Division II of the State Finance and Procurement Article but creates a parallel process for the solicitation, acceptance, and review of both solicited and unsolicited proposals.
- **Prospective Only** – the bill applies only to P3s that are developed after the bill’s enactment date of July 1, 2012.

#### **4. Private Activity and Potential for Taxable Bond Issuance**

The State's capital program supports a number of different public policy objectives, such as, health, environmental, public safety, education, housing, and economic development objectives. Federal government regulations allow the State to issue debt that does not require the buyer to pay federal taxes on interest earnings. In cases where investors do not pay federal income taxes, they are willing to settle for lower returns. Investors in taxable debt require higher returns to offset their tax liabilities. Consequently, the State can offer lower interest rates on tax-exempt bonds.

Federal laws and regulations limit the kinds of activities the proceeds from tax-exempt bonds can support. One such requirement limits private activities or private purposes of the bond proceeds to 5% of the bond sales proceeds. Another requirement limits the bonds to \$15 million for business use projects and \$5 million for business loans. Examples of programs that support private activities or uses include the Partnership Rental Housing and Neighborhood Business Development programs of the Department of Housing and Community Development; the Public Safety Communications program of the Department of Information Technology; and the Physical Sciences Complex at the University of Maryland, College Park (UMCP).

To avoid exceeding the private activity limits imposed in the federal regulations, the State has previously appropriated funds in the operating budget instead of issuing debt for private purpose programs and projects. Recent years' fiscal constraints have limited the amount of operating funds available for capital projects. To continue these programs, the State authorized GO bonds. In fiscal 2004, private purpose projects increased to approximately \$43 million and remained at a high level through fiscal 2006. As a result of this high level of private purpose projects, the State issued \$65 million in taxable bonds in fiscal 2005 and 2006. In fiscal 2011, the State began migrating private purpose programs from the operating budget into the capital budget which could impact decisions concerning the need to issue taxable debt in the near future. Furthermore, the fiscal 2013 GO bond program again authorized a substantial amount of private purpose debt; approximately \$54 million is proposed. Considering the strict limits that federal regulations place on private activity projects in tax-exempt debt, it appears as though there is a good chance that the State will need to issue taxable bonds again soon.

Each year, when DBM puts together its capital budget, it acknowledges that there are projects that have a private activity component, as shown in **Exhibit 9**.

**Exhibit 9**  
**Projected Private Activity Issuances**  
**Long-term Debt Commitments**  
**Fiscal 2013-2017**  
**(\$ in Thousands)**

<b>Dept.</b>	<b>Program</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
DHCD	Community Legacy Program	\$400	\$400	\$400	\$400	\$400	\$2,000
DHCD	Neighborhood Business Development	2,350	2,100	1,800	1,500	1,200	8,950
DHCD	Special Loans Programs	6,900	6,600	6,400	6,100	5,800	31,800
DHCD	Partnership Rental Housing Program	6,000	6,000	6,000	6,000	6,000	30,000
DHCD	Homeownership Programs	8,000	7,600	7,500	7,300	7,100	37,500
DHCD	Strategic Demolitions and Smart Growth Fund	5,000	0	0	0	0	5,000
DHCD	Rental Housing Programs	15,000	0	0	0	0	15,000
DoIT	Public Safety Communication	3,788	5,250	4,830	2,355	0	16,223
DNR	Waterway Improvement Fund	81	0	0	0	0	81
BPW	Annapolis Post Office	1,891	1,275	0	0	0	3,166
MSU	New School of Business Complex	438	25	0	0	0	463
UMCP	Physical Sciences Complex Phase I	1,478	265	0	0	0	1,743
FSU	Center for Communications and Information Technology	2,673	445	0	0	0	3,108
<b>Total Possible Private Activity Issuances</b>		<b>\$53,999</b>	<b>\$29,960</b>	<b>\$26,930</b>	<b>\$23,655</b>	<b>\$20,500</b>	<b>\$155,044</b>
<b>Total as Percent of GO Bond Authorization</b>		<b>5.0%</b>	<b>3.2%</b>	<b>2.9%</b>	<b>2.5%</b>	<b>2.1%</b>	<b>3.2%</b>

BPW: Board of Public Works  
 DHCD: Department of Housing and Community Development  
 DNR: Department of Natural Resources  
 DoIT: Department of Information Technology  
 FSU: Frostburg State University  
 GO: general obligation  
 MSU: Morgan State University  
 UMCP: University of Maryland at College Park

Source: Department of Budget and Management; 2012 *Capital Improvement Program*, January 2012

**Bond Sale Data Shows That Taxable Bonds Are More Expensive**

This is not the first time that the State has funded private purpose projects with GO bonds. After the 2001 recession, the State also moved capital projects from the operating budget to the capital budget. In calendar 2005, the State reached its limit with respect to private activity exemptions in tax-exempt issuances, and the State was forced to sell taxable debt. These sales provide data from actual bond sales that can be used to test the hypothesis that taxable debt is more expensive than tax-exempt debt.

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The State has had three taxable bond sales. After the sales, DLS prepared an analysis of the costs of the taxable bond sales and compared those costs with tax-exempt bond sales. **Exhibit 10** shows that \$65.0 million in taxable bond sales increased debt service costs by an estimated \$2.8 million.

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**Exhibit 10**  
**Cost of Taxable Debt Issuances**  
**(\$ in Millions)**

<b><u>Date of Issuance</u></b>	<b><u>Years to Maturity</u></b>	<b><u>Amount Issued</u></b>	<b><u>Total Debt Service</u></b>	<b><u>Additional Cost</u></b>
March 2, 2005	3	\$25.0	\$26.9	\$0.5
July 20, 2005	7	20.0	24.5	1.1
March 1, 2006	7	20.0	25.0	1.2
<b>Total</b>		<b>\$65.0</b>	<b>\$76.4</b>	<b>\$2.8</b>

Source: Department of Legislative Services, January 2011

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To allow some flexibility in public buildings financed with tax-exempt debt, federal regulations provide room for some small portion of private activity. However, this limit is small and cannot indefinitely support large private purpose projects.

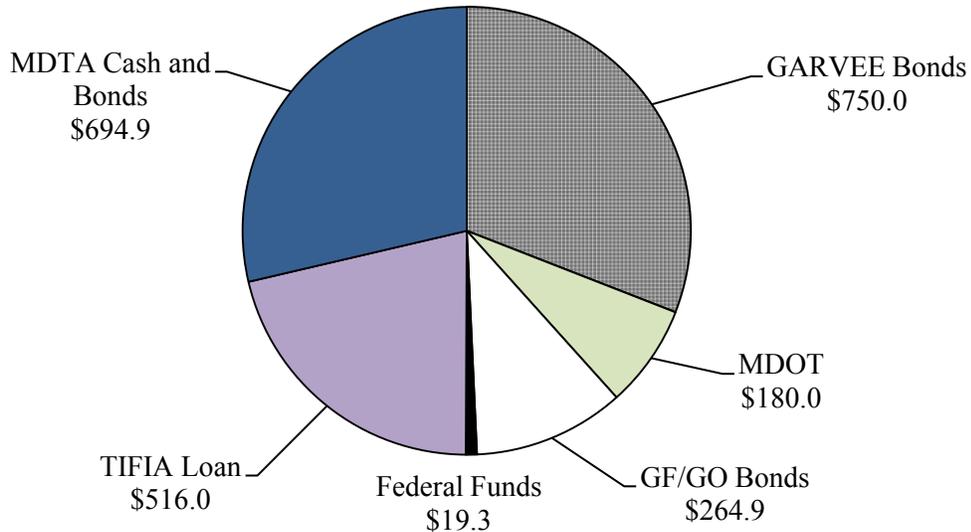
## **5. State Support of the InterCounty Connector**

After more than 50 years of planning and 5 years of construction, the majority of the InterCounty Connector (ICC) is now open for business. The first segment of the ICC, running from I-270/I-370 to MD 97/Georgia Avenue, opened to traffic on February 23, 2011. On November 22, 2011, the ICC from MD 97 to I-95 opened to traffic. The last remaining portion of the road (from I-95 to US 1) is underway, and completion is scheduled for 2014.

Average daily traffic on the facility has been in line with traffic forecasts. Forecasts of traffic and revenue on the ICC included a three-year ramp-up period to allow time for users to become aware the facility was open, adjust their commuting patterns, and understand the new tolling technology. Average daily traffic on the sections from I-370 to MD 650 are exceeding projections, sometimes by more than 30%, while traffic from MD 650 to I-95 is running slightly below projections.

The total cost of the project is \$2.4 billion. **Exhibit 11** provides the funding sources for the ICC.

**Exhibit 11**  
**Funding Sources for the ICC**  
**(\$ in Millions)**



GARVEE: Grant Anticipation Revenue Vehicle  
GF: general fund  
GO: general obligation  
ICC: InterCounty Connector  
MDOT: Maryland Department of Transportation  
MDTA: Maryland Transportation Authority  
TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority's January 2012 Financial Forecast, Version 2011-18

Chapters 471 and 472 of 2005 established a finance plan for the ICC. The original finance plan included general fund repayment of \$264.9 million that had been borrowed from the TTF in fiscal 2003 and 2004. Provisions in the Budget Reconciliation and Financing Acts (BRFA) of 2008 through 2011 altered the repayment schedule for this funding and allowed the use of GO bonds to repay this money. Through fiscal 2012, all but \$21.5 million of the required payments have been made. As noted in **Exhibit 12**, current statute provides final repayment of this amount in fiscal 2013, but the State's fiscal 2013 CIP defers this final payment to fiscal 2014. This deferral will not impact the project schedule as the project will not be substantially complete until fiscal 2014. To effectuate this deferred payment, the Administration offered an amendment to the BRFA of 2012 to change the final year of payments for the ICC from fiscal 2013 to 2014.

**DLS recommends concurring with the pre-authorization of \$21.5 million in GO bonds for fiscal 2014 for the ICC and concurring with the BRFA amendment to extend repayment into fiscal 2014.**

**Exhibit 12**  
**State Support of the InterCounty Connector**  
**Fiscal 2007-2014**

<b>Fiscal Year</b>	<b>Original Finance Plan</b>	<b>Current Finance Plan</b>	<b>Proposed Change</b>
2007	At least \$50.0 million GF	\$53.0 million GF	
2008	At least \$50.0 million GF		
2009	At least \$50.0 million GF		
2010	Balance to be repaid <sup>1</sup>	\$55.0 million GO bonds	
2011		\$89.3 million GO bonds	
2012		\$46.2 million GO bonds	
2013		\$21.5 million GO bonds	-\$21.5 million GO bonds
2014			\$21.5 million GO bonds

GF: general fund  
 GO: general obligation

<sup>1</sup> Chapter 203 of 2003 transferred \$314.9 million from the Transportation Trust Fund to the general fund to address a budget shortfall. After a repayment of \$50.0 million in fiscal 2006, Chapters 471 and 472 of 2005 directed that the remaining balance of \$264.9 million be paid to the Maryland Transportation Authority for construction of the InterCounty Connector. If payments of \$50.0 million had been made in fiscal 2007 through 2009, the balance to be repaid in fiscal 2010 would have been \$114.9 million.

Source: Department of Legislative Services

## 6. Labor Agreements and Contract Management

### Project Labor Agreement

Legislation introduced in the 2012 session (Senate Bill 219) would require the inclusion of a project labor agreement (PLA) in public work contracts if there is a determination that the PLA would advance certain State interest with respect to costs, efficiency, quality, safety, timeliness, skilled labor, or labor stability. The bill does not apply to projects valued at less than \$500,000 or in which State funds are paying less than half of the total project cost. A PLA is a project-specific, uniform agreement governing all crafts on a project and lasting only as long as the project. It establishes uniform terms and conditions that, where specified, supersede existing labor agreements for specific trades. It also typically requires nonunion contractors to pay collectively bargained wages and benefits to workers on the project, and to abide by union work rules, as established by the PLA. A PLA is intended to minimize disruptions on construction projects governed by multiple collective bargaining agreements governing different trades. Typical PLA provisions include:

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- collectively bargained wage rates and fringe benefit payments, even for nonunion labor;
- a requirement for waivers from negotiated apprentice ratios;
- no new negotiations on wages or benefits in effect at the start of the project;
- uniform work schedules;
- hiring conducted through union referral procedures, often with a defined percentage of nonunion contractors selected outside of those referral procedures;
- exclusive representation for appropriate labor organizations in each craft;
- strike and lockout prohibitions;
- dispute resolution procedures; and
- fringe benefit payment requirements.

Nonunion contractors can sign on to a PLA and work on a project, but doing so requires them to abide by the terms of the PLA. Therefore, many nonunion contractors choose not to sign on because they do not want to abide by union rules and requirements. To the extent that they do not, they are excluded from working on projects subject to PLAs.

### **Prevailing Wage Law**

State law does not address the inclusion of PLAs in public works projects. However, contractors working on eligible public works projects must pay their employees the prevailing wage rate. Eligible public works projects are those valued at more than \$500,000 and carried out by:

- the State; or
- a political subdivision, agency, person, or entity for which at least 50% of the project cost is paid for by State funds.

The State prevailing wage rate does not apply to any part of a public works project funded with federal funds for which the contractor must pay the prevailing wage rate determined by the federal government. Prevailing wages are defined in statute as the wages paid to at least 50% of workers in a given locality who perform the same or similar work on projects that resemble the proposed public works project. The State Commissioner of Labor and Industry is responsible for determining prevailing wages for each public works project and job category, subject to the advice and recommendations of a six-member advisory council appointed by the Governor.

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Maryland has not traditionally used PLAs for State-funded projects, and there is currently no statutory or regulatory authority to require their use on State projects. However, while it may not have the force of law, the Governor can direct agencies to include PLAs in contracts. If such provisions are in a request for proposal (RFP), and the contractor voluntarily and knowingly responds and executes a contract, then the contractor would be contractually bound. In the past year, the Administration has worked to develop criteria for how the State might proceed with PLA implementation.

During the 2011 session, the Administration halted all activity for the design and construction of a new Department of Juvenile Services (DJS) detention center at the Cheltenham Youth Facility pending a decision concerning how best to implement PLAs on State construction contracts. The decision to implement a PLA was not made until late January 2011 and after the design contract for the facility was approved by BPW in December 2010. The design stage was halted in March 2011 since neither a construction manager was retained and under contract by the State for the project, and there was no decision from the Administration regarding how best to implement PLAs.

### **Implementation: Technical Evaluation Criteria, Solicitation Agreements and State Goals, and Options**

Implementation of a PLA policy for the State was delayed pending the development of criteria for PLA on federal General Services Administration contracts in the Washington, DC region; there was concern that a PLA policy would generate significant backlash from the contractor community – the State sought a better appreciation for the pitfalls of implementing PLAs.<sup>1</sup> As footnote 1 indicates, there was substantial criticism regarding requiring PLAs – the final determination was to implement a point’s evaluation system at the federal level.

#### **Technical Criteria**

The Administration recently decided on a PLA strategy that would not make the implementation of a PLA a requirement but instead make it one of seven technical evaluation factors used in the evaluation of responses to project RFPs.

- A. Experience of Firm
- B. Management Approach
- C. Key Personnel
- D. Past Performance of Firm (including previous experience with PLA projects)
- E. Labor/Trade Apprenticeship and Training Programs

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<sup>1</sup> Shortly after President Barack H. Obama took office, he issued an executive order encouraging the use of PLA on federal projects of \$25 million or more (this continued the back and forth application of PLAs where President George W. Bush struck the application of PLAs that President William J. Clinton implemented through executive order). In April 2010, the federal General Services Administration issued criteria which more or less required a PLA for federal construction of certain types. This rankled the contractor community, and the requirement was withdrawn and later replaced with criteria that provided “points” under an evaluation system. Under this approach, a PLA is not mandatory rather a potential contractor gets evaluation “points” for agreeing to use a PLA.

- F. Project Labor Agreement
- G. Subcontracting
- H. Economic Benefits to the State

With respect to the Cheltenham project, a pre-award protest was filed in November 2011. DGS recently advised that final technical and price proposals are to be received and evaluated in March. The department intends to bring an item to BPW for award, even with a protest, in order to eliminate the existing conditions at Cheltenham.

## **Project Delivery and Management**

State agencies with procurement authority are increasingly using alternative project delivery methods.

### **Design-bid-build**

The traditional capital construction project delivery method is often referred to as design-bid-build (D/B/B). In the D/B/B method, the owner engages an architectural and engineering firm to prepare a design of the facility, including construction drawings, specifications, and contract packages. The completed design package is let out for bid to interested general contractors, with selection typically based on price; the lowest bidder typically wins the contract. Each contractor bases its price on contracts it has negotiated with specialty subcontractors. The general contractor, who had no role during the design phase, is responsible for constructing the facility in accordance with the design. Once the design phase ends and construction begins, the design firm's role is usually limited to responding to design questions on behalf of the owner.

- ***Advantages and Disadvantages:*** The perceived advantages of D/B/B are that the design is completed before construction phase is priced and that the construction phase can thus be bid simply on the basis of the lowest price. Certain disadvantages include the following: because the contractor does not participate in the design phase, the project loses the benefit of the contractor's perspective on materials, construction feasibility, and control of project costs (potentially resulting in change orders that may add to the price); the process can be slow and cumbersome; the competitive bidding process for the construction phase may encourage bidding to minimum specifications.

### **Construction Management and Construction Management at Risk**

In the construction management (CM) and construction management at risk (CMR) methods, a construction manager acts as both project coordinator during the design phase and also as general contractor. Construction may begin before the design phase is completed. A construction manager is engaged during the design phase and then throughout the project. The construction manager is often chosen on the basis of qualifications as opposed to price alone, and acts as a member of a collaborative design team, providing pre-construction services such as schedule, budget, and construction reviews. The construction manager may assist in determining whether the design can be

built within the budget; if not, the direction of the design work can be changed. At some point during the process, the construction manager and owner negotiate a guaranteed maximum price (GMP) for both the construction management services and the construction itself, based on a partially completed design and the construction manager's estimate of the cost of the remaining design and construction items. Often the terms of the contract provide the project owner (State agency) to seek competing proposals for a GMP.<sup>2</sup>

- **Advantages and Disadvantages:** The perceived advantage of CMR is the ability to incorporate a contractor's perspective into planning and design decisions and to fast-track early construction components prior to full completion of design. The contractor's expertise is thus used to avoid the dilemma common in government procurements: discovering after bids are received that the project design cannot be built within the project budget. A disadvantage of CMR is the adversarial relationship that may develop between the construction manager and the owner once construction begins and tensions arise over construction quality, the completeness of the design, and impacts to schedule and budget. Also, a construction manager providing a GMP may have less incentive than a contractor participating in a competitive sealed bidding process to submit the lowest possible price.

## **Authorized Use of Alternative Project Delivery Methods**

### **Public School Construction**

A local school board can use a delivery method very similar to CMR, including a GMP for local public school construction funded by the State's Public School Construction Program. Chapters 306 and 307 of 2004 established Section 4-126(b)(2) of the Education Article which authorizes the use of competitive negotiation for source selection in conjunction with CMR or other alternative project delivery arrangements for public school construction. Subsequent to this, BPW adopted regulations that govern the State's Public School Construction Program that deal with methods of both source selection and project delivery.

### **University System of Maryland**

USM, which is largely exempt from the State Procurement Law (State Finance and Procurement Article §11-203), uses CMR in a majority of its capital construction. The USM Board of Regents' policy concerning capital improvement projects, which is subject to BPW review and approval, favors the use of CMR for projects exceeding \$10 million in construction costs. USM typically begins the process by procuring a construction manager through competitive sealed

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<sup>2</sup> A typical practice is to require the construction manager to competitively bid the trade contracts before the GMP is negotiated. The construction manager typically acts as the general contractor during construction, assuming the risk of subcontracting the work and guaranteeing completion of the project at the fixed, negotiated GMP. The construction manager may bid and subcontract portions of the work at any time. In entering into the trade subcontracts, the construction manager assumes the risk that the total cost will exceed the GMP. The construction manager is thus liable to the owner for the subcontractors' performance and to the subcontractors for payment. A construction management at risk contract may provide that, if the ultimate cost of the project is below the GMP, both the owner and the construction manager may share the benefit of those cost savings.

proposals. In developing an RFP for a CMR award, USM requires that the construction manager provide various services during the design phase of the project (including constructability reviews and cost estimating), insists on close oversight of subcontracts entered into by the construction manager, requires submission of the GMP after its approval of the trade contractors, and includes provisions that USM and the construction manager share any cost savings at the end of the project under a specified formula. The construction manager is to rework the project design or rebid the trade contracts if the GMP exceeds the budget for construction. If USM, or BPW, rejects the GMP, the contract with the construction manager terminates. During construction, the construction manager acts essentially as a general contractor while continuing to assist and advise the university and its architect on continuing design issues.

### **General Authority to Use Alternative Project Delivery Methods**

State procurement law governing the State capital program recognizes that alternative construction methods, a concept that encompasses CMR and design-build methodologies, may be used to carry out capital projects. According to Section 3-602(g) of the State Finance and Procurement Article, total project funding may utilize alternative construction methods, such as (1) design/build, which involves a single solicitation to design and build the facility; (2) fast track, in which design and construction are implemented concurrently. Although CM and CMR do not always involve concurrent design and construction work, they could be considered a form of fast track that involves overlap of the design and construction phases of a project. The statute exempts any capital project funded by the TTF from various submissions and approvals required by the statute, but not from the authorization to use alternative construction methods.

### **BPW Approves Revised Project Delivery Methods**

The procurement advisor for BPW led a workgroup comprised of representatives from various State agencies with procurement authority (from the minority business community and from the contractor community) to evaluate the State's use of alternative project delivery methods. The group prepared a proposal that BPW approved at the March 24, 2010 meeting that would revise current regulations governing the use of alternative project delivery methods. The changes include:

- Propose State Procurement regulations to define and set forth procedures for certain construction project delivery methods. This new Code of Maryland Regulations (COMAR) subtitle will contain a chapter on Construction Management at Risk and a chapter on Design-Build. Approval of this item will authorize submitting the proposal to the AELR Committee and subsequent publication for public comment in the Maryland Register.
- Repeal BPW Advisory 1999-1, Pre-Approval for Design Build Contracts, which required construction agencies to seek pre-approval from the board when the agency plans to use the design-build project-delivery method.

- Repeal the directive contained in the Secretary's Agenda Item 30 (September 4, 1991) which required construction agencies to submit letters to the board giving advance notice when the agency plans to use the construction-management-at-risk project-delivery method.

### **Evaluation of State Agency Construction Procurement Practices**

Recently an independent evaluation of State agency construction procurement practices was conducted in response to committee narrative adopted in the *2008 Joint Chairmen's Report*. The Alpha Corporation conducted the evaluation and submitted its facts and findings in a report to the budget committees on November 26, 2008. The evaluation focused on nine State agencies having either partial or complete autonomy for the design and construction of their projects, including DGS, the Department of Public Safety and Correctional Services, State Highway Administration (SHA), UMCP, UMB, MSU, SMCM, the Maryland Environmental Service, and MSA. In addition, a private consultant also evaluated the pros and cons associated with various project delivery methods in connection with the proposed financing of the new DHMH public health laboratory. The following is an excerpt of the findings and conclusions contained in the Alpha report.

#### **Adequacy of Agency Policies and Procedures for Managing Projects**

Regarding formal policies and procedures for managing the pre-design, design, and construction phases of capital projects, Alpha concluded that all nine of the agencies subject to this review have in force sufficient guidance documents to effectively execute their capital programs. In addition, on the whole, all nine agencies are adhering closely to those guidance documents.

#### **Use and Effectiveness of Various Construction Contract Procurement Strategies**

The agencies are utilizing, with excellent success, several different construction contract procurement strategies. These include Design-Build (D/B), D/B/B, and Construction Management at Risk/Guaranteed Maximum Price (CMR/GMP). The agencies reported that they select the construction contract procurement strategy for the project at hand, generally depending upon its size and complexity.

For the 594 capital projects (\$2,226,854,945 total funding expenditure) completed by the nine agencies within the previous three years, 92% were executed using the D/B/B contract strategy while accounting for 70% of the total expenditures; 2% were executed using the (D/B) contract strategy while accounting for 4% of the total expenditures, and 6% were executed using the Construction Manager at Risk/Guaranteed Maximum Price (CMR/GMP) contract strategy while accounting for 26% of the total expenditures.

Excluding SHA projects during this timeframe (due to their large, singular statistical influence) and considering the 124 capital projects (\$1,162,531,918 total funding expenditures) completed by the remaining eight agencies, 67% were executed using the D/B/B contract strategy while accounting for 45% of the total expenditures; 5% were executed using the D/B contract strategy

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while accounting for 6% of the total expenditures; and 28% were executed using the CMR/GMP contract strategy while accounting for 49% of the total expenditures.

For a given contract strategy, the various agencies reported diverse levels of satisfaction with the results. It appears that none of the contract strategies generated unqualified satisfaction or dissatisfaction by the agencies. Agencies' positive reports on the use of the D/B/B indicated that the strategy enabled comprehensive control over all phases of a project. Positive reports on the use of the D/B indicated that for smaller projects, the strategy enabled more efficient execution, and the strategy was preferred when critical completion deadlines needed to be met. Positive reports on the use of the CMR/GMP indicated that the strategy resulted in higher quality construction documents, fewer change orders, and earlier project completion. Negative reports on the use of the D/B/B indicated that the strategy minimized the control over cost growth and change orders. Negative reports on the use of the D/B indicated that the strategy led to difficulties associated with inefficiencies within the D/B team, and the strategy required BPW approval.

Some of the agencies reported that they are either currently utilizing, or investigating the use of, contract strategies that they have historically not utilized before. These contract strategies included the D/B, D/B/B, and Design Assist/Integrated Project Delivery. Because these agencies' interest and/or involvement with these strategies are still in the early stages, it is premature to gauge their success in using them.

It is Alpha's estimation that the agencies' experiences and opinions, both individually and collectively as to the positive and negative aspects of the several construction contract procurement strategies, are consistent with industry views. Given the prolonged existence of each of the procurement contract strategies, there is unmistakably no "one size fits all" approach to managing the design and construction of capital projects. The three key goals of any capital project venture hold true: (1) a quality product; (2) delivered on time; and (3) at minimum cost. To that end, each of these procurement strategies, when applied skillfully by knowledgeable, committed individuals, has great potential for success; conversely, any of these procurement strategies, if not managed properly, can lead to failure or disappointment.

## **7. Bond Bill Project Requests for the 2012 Session**

Each year, legislators are called upon to sponsor bond bills which provide State capital grants to a variety of local organizations. The MCCBL of 2012 sets aside \$15.0 million of GO bond authorizations for local community initiatives of this type. As shown in **Appendix 2**, a total of 121 grant requests have been made through the introduction of bond bills in the aggregate of \$34.4 million of State funding.

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

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1. Adopt committee narrative.

### **Committee Narrative**

**Status Reports for the State Center Project:** The budget committees remain concerned about the status and costs of the State Center redevelopment project and plan to continue strong legislative oversight as the project continues to evolve. To this end, status reports are requested from the Department of General Services (DGS) and the State Treasurer as outlined below.

- By November 1, 2012, DGS shall submit a report to the committees which addresses the following issues:
  - **Construction Timeline for Phase I and Future Phases:** This should include a projected timeline for construction and operation of each component of Phase 1 and a projected timeline for each future phase.
  - **Baltimore City Payment in Lieu of Taxes (PILOT):** DGS should report the terms and conditions of the PILOT, as it relates to the property tax rate in Baltimore City as well as the effect on State rent for Phase I.
  - **Tax Increment Financing (TIF):** DGS should report on the amount and planned use of the TIF for the Phase I development. The report should also estimate the total expected amount of TIF bonds to be issued for the entire State Center project and on how proceeds will be used. In 2009, the Administration estimated total project costs that included \$314,254,055 in TIF proceeds for “project infrastructure.” To the extent that the current estimate is a different number, the report should explain how and why current estimates have changed.
  - **“All-in” Rent Cost:** The Administration should report the “all-in” rent cost to the budget committees as soon as it has been determined.
- DGS should report the following in conjunction with the submission of the allowance in January of each year.
  - **Impact of Phase I on the General Fund Budget:** A report on the effect of State Center rent on the general fund budget, including the new general fund rent cost to each agency renting space at State Center and actual documented general fund savings in the budgets of DGS, the Department of Health and Mental Hygiene, the Maryland Department of Planning, and any other agency

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where offsetting expense reductions for rent, utilities, security and any other expenditure savings are expected to be found.

- When actual lease terms for Phase I are available, the State Treasurer shall submit a final report to the committees which determines whether Phase 1 of State Center is a capital or operating lease.
- **Determination of State Center as an Operating or Capital Lease:** In 2010, the Treasurer determined that State Center appeared to be an operating lease on the basis of assumptions provided by DGS. However the committees are concerned that a final determination cannot be reached until actual lease terms are available. When lease terms are available, the Treasurer, in conjunction with the Comptroller, should make a final determination as to whether State Center is an operating or capital lease, for debt affordability purposes. The committees request that this analysis focus on whether the transfer of all facilities at the end of the ground lease from the developer to the State constitutes a capital lease. The Treasurer should also determine whether the present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair market value of the leased property. For this calculation the incremental borrowing rate should be from the most recent general obligation bond sale, and the cap rate should be based on the percent of financing and the rate of return for each component of financing for Phase I.
- DGS should also submit reports as needed if amendments to any State Center agreements are submitted to the Board of Public Works (BPW). A report should be submitted to the budget committees explaining the purpose and function of any proposed amendments, and what impact they will have on the agreement(s).

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Assessment of State Center as a capital or operating lease	Treasurer	After final lease terms are available
Status of State Center timeline, PILOT, TIP, “all-in” rent	DGS	November 1, 2012
Impact of State Center rent and cost savings effect on the general fund budget	DGS	With fiscal 2014 allowance and annually thereafter
Proposed amendments to any State Center Agreements	DGS	Prior to submission to BPW

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2. Approve the \$131,000 de-authorization of general obligation bond funds authorized in the Maryland Consolidated Capital Bond Loan of 2006 for the Maryland School for the Deaf's New Elementary Complex. The project is substantially complete, and the funds are no longer needed.
3. Approve the \$351,000 de-authorization of the general obligation bond funds authorized in the Maryland Consolidated Capital Bond Loan of 2009 for the Maryland School for the Deaf's Main Building Parking Lot and Athletic Field project. The project is substantially complete, and the funds are no longer needed to complete the project.
4. Approve the de-authorization of \$1.5 million authorized for the National Children's Museum in the 2009 session as the project has been delayed.
5. Approve the \$376,000 de-authorization of general obligation bond funds authorized in the Maryland Consolidated Capital Bond Loan of 2009 for the Maryland School for the Deaf's New Cafeteria project. The project is complete, and the funds no longer needed.
6. Approve the de-authorization of \$1.75 million authorized in the 2009 session for the National Children's Museum as the project is delayed.
7. Approve the partial de-authorization of funds authorized in the 2009 session for the National Children's Museum as the project is delayed.
8. Approve the de-authorization of \$5 million authorized in the 2010 session for the National Children's Museum as the project is delayed.
9. Approve amendment to a 2011 session authorization for the National Children's Museum to add acquisition as an authorized use.
10. Approve the pre-authorization of \$21.5 million in general obligation bonds for the InterCounty Connector in fiscal 2014.

## Back of Bill – GO Bond De-authorizations and Other Changes

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
DHMH: Community Health Facilities Grant Program	-\$1,600,000			Project not moving forward.	Concur.
MSU: Campuswide Utilities Upgrade				Extend termination to June 1, 2013.	Concur.
MSU: Campuswide Site Improvements				Extend termination to June 1, 2013.	Concur.
MES: Infrastructure Improvement Fund	-285,000			Substantial project completion.	Concur.
DPSCS: Local Jails and Detention Centers – Frederick County	-117,000			Design complete.	Concur.
MSD: New Elementary, Family Education, and Student Support Services Complex	-131,000			Substantial project completion.	Concur.
BPW General State Facilities: Construction Contingency Fund				Adds nontermination language.	Concur.
SU: New Teacher Education and Technology Complex	-300,000			Project complete.	Concur.
CSU: New Physical Education Complex	-1,139,000			Project complete.	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
DHMH: Clifton T. Perkins Hospital Center New Maximum Security Wing	-149,000			Project complete.	Concur.
DOD: Accessibility Modifications – UMCP Pocomoke Bldg. Elevator	-156,000			Extend authorization termination date.	Reject.
BPW: General State Facilities: Construction Contingency Fund				Eliminates termination provision.	Concur.
BPW: General State Facilities	-183,000			Project substantially complete.	Concur.
CSU: Health and Human Services Building	-344,000			Project complete.	Concur.
UMCES: Oyster Production Facility	-833,000			Expands authorized use.	Concur.
MSD: Main Building Parking Lot and Athletic Field	-351,000			Project substantially complete.	Concur.
MES: Infrastructure Improvement Fund – Elk Neck State Park	-1,151,000			Project not moving forward.	Concur.
Miscellaneous Grant Programs: National Children’s Museum	-1,500,000			Project delayed.	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
MSD: New Cafeteria – Frederick Campus	-376,000			Project complete.	Concur.
Miscellaneous Grant Programs: National Children’s Museum	-1,750,000			Project delayed.	Concur.
Miscellaneous Grant Programs: National Children’s Museum	-547,000			Project delayed.	Concur.
DNR: Natural Resources Development Fund				Modify authorized use of funds.	Concur.
BSU: New Fine and Performing Arts Building	-2,995,000			Project substantially complete.	Concur.
Miscellaneous Grant Programs: National Children’s Museum	-5,000,000			Project delayed.	Concur.
MHA: Carroll Hospital Center				Change grantee.	Amend.
DPSCS: New Youth Detention Facility	-16,923,000			Project on hold pending scope change.	Concur.
BPW: State House – Old Senate Chamber				Amend grant authorizing language.	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
DHCD: Neighborhood Business Development Program	-2,050,000			Fiscal 2012 special fund replacement – GO bond cancelled.	Concur.
Miscellaneous Grant Programs: National Children’s Museum				Amend authorization to include acquisition as an authorized use.	Concur.
MCCBL of 2011 Pre-authorization Act of 2012				Strikes Section 12 of the MCCBL of 2011 to delete individual pre-authorizations for the 2012 session – most projects added in as regular line item authorizations in MCCBL of 2012 located in Section 1.  <i>Notable exceptions include the following: (1) DPSCS New Youth Detention Facility which was pre-authorized for \$41.1 million, but the project is still on hold pending scope review; and (2) DJS New Youth Detention Center (Cheltenham) – \$23.5 million which is delayed due to an Administration decision concerning how to implement a Project Labor Agreement on the project.</i>	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
MCCBL of 2011 Pre-authorization Act of 2013				<p>Strikes Section 13 of the MCCBL of 2011 to delete individual pre-authorizations for the 2013 session – most projects added in the new Section 12 of the MCCBL of 2012 which pre-authorizes projects for the 2012 session.</p> <p><i>Notable exceptions again include the following:            (1) DPSCS New Youth Detention Facility which was pre-authorized for \$21.7 million, but the project is still on hold pending scope review; and (2) DJS New Youth Detention Center (Cheltenham) – \$23.5 million which is delayed due to an Administration decision concerning how to implement a Project Labor Agreement on the project.</i></p>	Concur.
MCCBL of 2011 Pre-authorization Act of 2014				Strikes Section 14 of the MCCBL of 2011 to delete individual pre-authorizations for the 2014 session – this only included \$7.3 million for helicopter replacement.	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
Section 12 – BPW: State House – Old House Chamber		\$2,100,000		Pre-authorization combined with funds authorized in the MCCBL of 2011 and proposed authorization included in the MCCBL of 2012 will allow construction contract approval by BPW.	Amend.
Section 12 – DNR: Program Open Space		30,678,000		Pre-authorization of diverted transfer tax – includes partial GO replacement of 2011 and 2012 revenues diverted to the general fund – \$15,093,000 of Stateside POS and \$15,585,000 of Local POS.	Amend.
Section 12 – DNR: Rural Legacy Program		9,456,000		Pre-authorization of diverted transfer tax – includes partial GO replacement of 2011 and 2012 revenues diverted to the general fund.	Concur.
Section 12 – MDA: Maryland Agricultural Land Preservation		12,653,000		Pre-authorization of diverted transfer tax – includes partial GO replacement of 2011 and 2012 revenues diverted to the general fund.	Concur.
Section 12 – DHMH: Henryton Center – Abate Asbestos and Raze Building		3,050,000		This pre-authorization in addition to the \$3,530,000 proposed for 2012 will allow a project contract award by BPW.	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
Section 12 – FSU: New Center for Communications and Information Technology		4,700,000		This pre-authorization in addition to the \$44,550,000 proposed for 2012 are required for a project contract award by BPW.	Concur.
Section 12 – CSU: New Science and Technology Center		47,050,000		This pre-authorization in addition to the \$28,775,000 proposed for 2012 are required for a project contract award by BPW.	Concur.
Section 12 – UMBC: New Performing Arts and Humanities Facility		30,060,000		This pre-authorization in addition to the \$33,225,000 proposed for 2012 are required for a project contract award by BPW.	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
Section 12 – MHEC: Community College Facilities Grant Program		29,140,000		This pre-authorization in addition to the \$37,726,000 proposed for 2012 required for a project contract award by BPW. This includes the following: (1) \$10,391 for the Cecil College Engineering and Math Building; \$1,096,000 for the Anne Arundel Community College Administration Building; (3) \$12,950,000 for the Community College of Baltimore County Catonsville F Building Renovation and Expansion; and (4) \$4,703,000 for the Harford Community College New Nursing and Allied Health Building.	Concur.
Section 12 – MSU: New School of Business Complex		43,550,000		This pre-authorization in addition to the \$20,685,000 proposed for 2012 required for a project contract award by BPW.	Concur.
Section 12 – DSP: Helicopter Replacement		24,250,000		This pre-authorization in addition to the \$38,674,000 proposed for 2012 required for continued procurement of helicopters as scheduled in the original BPW-approved contract.	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
Section 12 – Miscellaneous Grant Programs: InterCounty Connector		21,475,000		Final funding for ICC pushed back from the programmed MCCBL of 2012 funding to the MCCBL of 2013– note that the plan includes no use of general funds (\$10 million in general funds programmed in the 2011 CIP).	Concur.
Section 13 – DNR: Program Open Space			\$16,538,000	Pre-authorization of diverted transfer tax – includes partial GO replacement of 2012 revenues diverted to the general fund – \$7,900,000 of Stateside POS and \$8,638,000 of Local POS.	Amend.
Section 13 – DNR: Rural Legacy			4,867,000	Pre-authorization of diverted transfer tax – includes partial GO replacement of 2012 revenues diverted to the general fund.	Concur.
Section 13 – MDA: Maryland Agricultural Land Preservation Program			6,134,000	Pre-authorization of diverted transfer tax – includes partial GO replacement of 2012 revenues diverted to the general fund.	Concur.

<u>Project Title</u>	<u>De-authorized Project Funding</u>	<u>2013 Session Pre-authorization Amounts</u>	<u>2014 Session Pre-authorization Amounts</u>	<u>Comments Concerning Proposed Changes</u>	<u>DLS Recommendation</u>
Section 13 – MSU: New School of Business Complex			3,050,000	This pre-authorization in addition to the \$20,685,000 proposed for 2012 and \$43,550,000 pre-authorized for the 2013 session required for a project contract award by BPW.	Concur.
Section 13 – DSP: Helicopter Replacement			8,000,000	This pre-authorization (in addition to the \$38,674,000 proposed for 2012 and the \$24,250,000 pre-authorized for the 2013 session) is required for continued procurement of helicopters as scheduled in the original BPW-approved contract.	Concur.
<b>Total</b>	<b>-\$37,880,000</b>	<b>\$258,162,000</b>	<b>\$38,589,000</b>		
BPW: Board of Public Works BSU: Bowie State University CSU: Coppin State University DBED: Department of Business and Economic Development DHCD: Department of Housing and Community Development DHMH: Department of Health and Mental Hygiene DNR: Department of Natural Resources DPSCS: Department of Public Safety and Correctional Services DSP: Department of State Police FSU: Frostburg State University MCCBL: Maryland Consolidated Capital Bond Loan MDA: Maryland Department of Agriculture				MDOD: Maryland Department of Disabilities MDOP: Maryland Department of Planning MES: Maryland Environmental Service MHA: Maryland Hospital Association MHEC: Maryland Higher Education Commission MSD: Maryland School for the Deaf MSU: Morgan State University SU: Salisbury University UMBC: University of Maryland Baltimore County UMCES: University of Maryland Center for Environmental Science UMCP: University of Maryland, College Park	

## Legislative Projects – 2012 Session As Introduced

(Project Count: 121)

SB#	Senate Sponsor	HB#	House Sponsor	Fact Sheet	Project Title	Jurisdiction	Request Amount	Match	District #
<b>Statewide</b>									
681	Madaleno	973	Mizeur	X	Food & Friends, Inc.	Statewide	155,000	Hard	100 – Out-of-State
1031	Kasemeyer	1382	DeBoy	X	Maryland Food Bank Sustainability Project	Statewide	300,000	Hard	12A – Southwestern Baltimore County
		1458	Bohanan	X	Maryland Alliance of Boys and Girls Clubs – Renovations	Statewide	300,000	Soft(1,2)	
<b>Statewide – Subtotal</b>							<b>\$755,000</b>		
<b>Allegany</b>									
1026	Edwards	1378	Allegany County Delegation	X	Allegany Museum	Allegany	350,000	Soft(1,2)	1C – Allegany and Washington Counties
1025	Edwards	1377	Allegany County Delegation	X	Friends Aware, Inc. Site and Project Development	Allegany	634,000	Hard	1C – Allegany and Washington Counties
<b>Allegany – Subtotal</b>							<b>\$984,000</b>		
<b>Anne Arundel</b>									
12	Astle	48	Busch	X	Annapolis and Anne Arundel County Conference and Visitors Bureau – Roof Replacement	Anne Arundel	100,000	Soft(all)	30 – Eastern Anne Arundel County
582	Simonaire	1352	Kipke	X	Cisco Center	Anne Arundel	25,000	Hard	31 – Northeastern Anne Arundel County
578	Reilly	322	Love	X	Coordinating Center for Home and Community Care Building Facilities	Anne Arundel	600,000	Hard	33A – Western Anne Arundel County

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SB#	Senate Sponsor	HB#	House Sponsor	Fact Sheet	Project Title	Jurisdiction	Request Amount	Match	District #
1023	Astle	1395	Costa	X	Deale Elementary School Technology Enhancement Project	Anne Arundel	23,000	Hard	
84	DeGrange	64	Beidle	X	Hospice of the Chesapeake Renovation Phase 1	Anne Arundel	600,000	Soft(all)	
1056	DeGrange	1284	Beidle	X	Meade High School Concession Stand	Anne Arundel	150,000	Hard	32 – Northwestern Anne Arundel County
199	Astle	148	Beidle	X	Samaritan House Addition	Anne Arundel	100,000	Hard	30 – Eastern Anne Arundel County
24	Astle	49	Busch	X	Shiplap House	Anne Arundel	250,000	Soft(all)	31 – Northeastern Anne Arundel County
930	Astle	937	George	X	Sprinkler Assistance Revolving Fund	Anne Arundel	500,000	Grant	30 – Eastern Anne Arundel County
200	Astle	147	Beidle	X	YWCA Counseling and Community Service Building Renovation	Anne Arundel	325,000	Soft(all)	33B – Southwestern Anne Arundel County
<b>Anne Arundel – Subtotal</b>							<b>\$2,673,000</b>		
<b>Baltimore City</b>									
356	Jones-Rodwell	702	Mitchell	X	Academy of Success Community Empowerment Center	Baltimore City	500,000	Soft(all)	44 – Southeastern Baltimore City
371	Jones-Rodwell	305	Stukes	X	Arch Social Club Historic Site Restoration	Baltimore City	118,000	Hard	44 – Southeastern Baltimore City
504	Pugh	1317	B. Robinson	X	Baltimore Design School	Baltimore City	200,000	Hard	40 – North Central Baltimore City

SB#	Senate Sponsor	HB#	House Sponsor	Fact Sheet	Project Title	Jurisdiction	Request Amount	Match	District #
1008	Ferguson	655	McHale	X	Baltimore Museum of Industry	Baltimore City	200,000	Soft(1,2)	46 – Eastern Baltimore City
1049	Ferguson	795	Rosenberg	X	Brooks Robinson Statue – Babe Ruth Birthplace Foundation	Baltimore City	100,000	Soft(3)	
1052	McFadden	1451	Glenn	X	Community Resource Center	Baltimore City	500,000	Soft(U,all)	46 – Eastern Baltimore City
500	Pugh	1416	B. Robinson	X	Coppin Heights Urban Revitalization Project – Phase I	Baltimore City	140,000	Hard	40 – North Central Baltimore City
1088	McFadden	1459	Harrison		East Baltimore Historical Library	Baltimore City	250,000	Grant	
		1452	Haynes	X	Garrett-Jacobs Mansion	Baltimore City	300,000	Soft(2,3)	44 – Southeastern Baltimore City
972	Gladden			X	Grace Outreach Center	Baltimore City	90,000	Soft(U,1,2)	40 – North Central Baltimore City
502	Pugh	221	Tarrant	X	Healthy Start Client Service Center	Baltimore City	200,000	Hard(U)	40 – North Central Baltimore City
503	Pugh	1312	Tarrant	X	Institutes for Behavior Resources	Baltimore City	150,000	Hard	40 – North Central Baltimore City
92	Ferguson	153	Hammen	X	Meals on Wheels Green Building	Baltimore City	150,000	Soft(3)	46 – Eastern Baltimore City
1046	Conway				Miles Washington Family Support Center	Baltimore City	175,000	Soft(U,1,3)	
501	Pugh	1359	Conaway	X	Mt. Lebanon CDC Community Center and Gymnasium	Baltimore City	100,000	Soft(3)	40 – North Central Baltimore City

SB#	Senate Sponsor	HB#	House Sponsor	Fact Sheet	Project Title	Jurisdiction	Request Amount	Match	District #
289	Ferguson	246	Clippinger	X	National Aquarium Infrastructure	Baltimore City	4,000,000	Soft(2,3)	46 – Eastern Baltimore City
1091	Gladden	1454	Baltimore City Delegation	X	Park Heights Sports Complex	Baltimore City	250,000	Soft(3)	41 – Northwestern Baltimore City
423	Pugh	609	B. Robinson	X	Patricia and Arthur Modell Performing Arts Center at the Lyric's	Baltimore City	350,000	Hard	40 – North Central Baltimore City
93	Ferguson	152	Hammen	X	Patterson Park Public Charter School Facade Restoration	Baltimore City	50,000	Soft(3)	46 – Eastern Baltimore City
355	Jones-Rodwell	303	Stukes	X	PMO Community Youth Center	Baltimore City	300,000	Soft(2)	44 – Southeastern Baltimore City
305	Ferguson	672	McHale	X	Port Discovery	Baltimore City	250,000	Hard	46 – Eastern Baltimore City
154	Pugh	28	B. Robinson	X	Roland Water Tower Stabilization	Baltimore City	250,000	Soft(2,3)	40 – North Central Baltimore City
		231	Tarrant	X	Skatepark of Baltimore at Roosevelt Park	Baltimore City	150,000	Soft(1,2)	
		233	Tarrant	X	St. Francis Neighborhood Center	Baltimore City	200,000	Soft(1,2)	40 – North Central Baltimore City
955	Jones-Rodwell	1064	Mitchell	X	Walters Art Gallery – The Domino Project	Baltimore City	500,000	Hard	99 – Statewide
973	Ferguson	760	Clippinger		Woman's Industrial Exchange Upgrade	Baltimore City	50,000	Soft(U,1,3)	
<b>Baltimore City – Subtotal</b>							<b>\$9,523,000</b>		
<b>Baltimore</b>									
480	Zirkin	844	Stein	X	Acorn Hill Natural Play Area	Baltimore	215,000	Soft(2)	

SB#	Senate Sponsor	HB#	House Sponsor	Fact Sheet	Project Title	Jurisdiction	Request Amount	Match	District #
865	Mathias	505	Lafferty	X	Arrow Child and Family Ministries	Baltimore	154,000	Hard	42 – Central Baltimore County
939	Kasemeyer	1070	Malone	X	Catonsville Family Center Y	Baltimore	500,000	Hard	12A – Southwestern Baltimore County
195	Kasemeyer	697	DeBoy	X	Catonsville Rails to Trails	Baltimore	50,000	Soft(all)	12A – Southwestern Baltimore County
457	Kelley	417	Jones	X	Children’s Home Therapeutic Group Home Building	Baltimore	400,000	Soft(2)	10 – Western Baltimore County
201	Kasemeyer	693	DeBoy	X	Lansdowne Volunteer Fire Department	Baltimore	20,000	Soft(all)	12A – Southwestern Baltimore County
1060	Kasemeyer	1396	Malone	X	Lighthouse Youth and Family Services Center	Baltimore	34,000	Soft(2)	12A – Southwestern Baltimore County
854	Klausmeier	738	Baltimore County Delegation	X	Neighbor-Space of Baltimore County	Baltimore	150,000	Soft(3)	98 – Regional
719	Zirkin	633	Cardin	X	Owings Mills High School Stadium	Baltimore	100,000	Soft(U,2)	
723	Kelley	636	Morhaim	X	Turf Field Security Investment	Baltimore	200,000	Soft(1,2)	98 – Regional
900	Kasemeyer	428	DeBoy	X	William Donald Schaefer Memorial Garden	Baltimore	300,000	Hard	12A – Southwestern Baltimore County
<b>Baltimore – Subtotal</b>							<b>\$2,123,000</b>		
<b>Calvert</b>									
547	Dyson	419	Bohanan	X	Calvert Marine Museum Exhibition Building	Calvert	250,000	Hard	
304	Miller			X	Chesapeake Beach Skate Park	Calvert	150,000	Soft(all)	27B – Calvert County

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707	Miller			X	End Hunger Kitchen	Calvert	200,000	Soft(all)	27B – Calvert County
171	Miller			X	North Beach Fishing Platform	Calvert	100,000	Soft(all)	27B – Calvert County
<b>Calvert – Subtotal</b>							<b>\$700,000</b>		
<b>Caroline</b>									
38	Colburn	333	Conway	X	Senior Housing for the Disabled	Caroline	350,000	Hard	36 – Kent, Queen Anne’s, and Caroline Counties
100	Colburn	375	Cane	X	The Wharves at Choptank Crossing Heritage and Welcome Center	Caroline	192,000	Soft(2,3)	
<b>Caroline – Subtotal</b>							<b>\$542,000</b>		
<b>Carroll</b>									
192	Carroll County Senators			X	Goodwill Industries of Monocacy Valley – Westminster Renovation	Carroll	800,000	Hard	5A – Carroll County
<b>Carroll – Subtotal</b>							<b>\$800,000</b>		
<b>Cecil</b>									
1058	Astle	466	Rudolph	X	Jacob Tome Gas House	Cecil	100,000	Soft(2)	34B – Northern Cecil County
1057	Astle	534	James	X	Milburn Stone Theatre	Cecil	100,000	Hard	
<b>Cecil – Subtotal</b>							<b>\$200,000</b>		
<b>Charles</b>									
936	Miller	953	Proctor	X	Heritage House	Charles	100,000	Soft(all)	

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751	Middleton	1039	Charles County Delegation	X	Indian Head Center for the Arts Renovation	Charles	200,000	Soft(all)	28 – Charles County	
922	Middleton	1037	Charles County Delegation	X	Jude House	Charles	50,000	Soft(U,2)	28 – Charles County	
923	Middleton	1038	Charles County Delegation	X	Southern Maryland Carousel	Charles	25,000	Soft(2)		
<b>Charles – Subtotal</b>							<b>\$375,000</b>			
<b>Dorchester</b>										
1048	Colburn	1415	Cane	X	Chesapeake Grove Senior Housing and Intergenerational Center	Dorchester	250,000	Soft(1)	37B – Dorchester, Talbot and Caroline Counties	
<b>Dorchester – Subtotal</b>							<b>\$250,000</b>			
<b>Frederick</b>										
806	Brinkley	788	Clagett	X	Downtown Frederick Hotel and Conference Center	Frederick	250,000	Grant	3A – Frederick County	
800	Brinkley	240	Clagett	X	Goodwill Industries of Monocacy Valley	Frederick	300,000	Soft(3)	3A – Frederick County	
801	Brinkley	242	Clagett	X	Mental Health Association Building	Frederick	300,000	Soft(2,3)	3A – Frederick County	
<b>Frederick – Subtotal</b>							<b>\$850,000</b>			
<b>Harford</b>										
		1048	James	X	Aberdeen Youth Baseball Field	Harford	150,000	Hard		

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426	Glassman	530	DeBoy		Broad Creek Memorial Scout Reservation	Harford	400,000	Soft(1,2)	
<b>Harford – Subtotal</b>							<b>\$550,000</b>		
<b>Howard</b>									
933	Howard County Senators	1076	Howard County Delegation	X	Carroll Baldwin Hall	Howard	150,000	Soft(1)	13 – Southern Howard County
959	Robey	1273	Guzzone	X	Linwood Center	Howard	500,000	Hard	9A – Northern Howard County
935	Howard County Senators	1078	Howard County Delegation	X	Roger Carter Recreation Center	Howard	500,000	Hard	9A – Northern Howard County
932	Howard County Senators	1077	Howard County Delegation	X	South Branch Park	Howard	150,000	Hard	9A – Northern Howard County
934	Howard County Senators	1075	Howard County Delegation	X	Supported Living Facility	Howard	130,000	Hard	
<b>Howard – Subtotal</b>							<b>\$1,430,000</b>		
<b>Kent</b>									
383	Pipkin			X	Betterton Wastewater Treatment Plant	Kent	355,000	Hard	36 – Kent, Queen Anne’s, and Caroline Counties
<b>Kent – Subtotal</b>							<b>\$355,000</b>		
<b>Montgomery</b>									
917	Forehand	1171	Barve	X	City of Rockville – Swim and Fitness Center	Montgomery	200,000	Hard	17 – Central Montgomery County

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1039	Manno	1393	Kramer	X	Homecrest House – Edwards Building	Montgomery	40,000	Soft(all)	
279	Raskin	311	Hixson	X	Inter-Generational Center Expansion for Programs – Easter Seals Greater Washington – Baltimore Region	Montgomery	100,000	Hard	
509	Frosh	574	Frick	X	Lower Montgomery County Bikesharing System	Montgomery	750,000	Grant	16 – Southern Montgomery County
459	King	648	S. Robinson	X	Montgomery Village South Valley Park	Montgomery	125,000	Hard	39 – North Central Montgomery County
299	Montgomery	255	Luedtke	X	Muslim Community Center	Montgomery	250,000	Soft(1,2)	
220	Frosh	1144	Lee	X	National Center for Children and Families Youth Activities Center	Montgomery	250,000	Soft(2,3)	16 – Southern Montgomery County
381	Montgomery	601	Zucker	X	Olney Police Satellite Station	Montgomery	10,000	Hard	14 – Eastern Montgomery County
909	Garagiola	829	Dumais	X	Potomac Community Resources Home	Montgomery	50,000	Hard	15 – Western Montgomery County
159	Raskin	184	Hixson	X	Quebec Terrace Lighting	Montgomery	120,000	Soft(2)	20 – Southeastern Montgomery County
499	Forehand	1060	A. Kelly	X	TLC’s Katherine Thomas School	Montgomery	400,000	Hard	17 – Central Montgomery County
417	Forehand	547	Gilchrist	X	VisArts	Montgomery	25,000	Hard	
548	Montgomery	422	Kaiser	X	Woodlawn Barn Visitor’s Center	Montgomery	300,000	Soft(all)	
<b>Montgomery – Subtotal</b>							<b>\$2,620,000</b>		

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<b>Prince George's</b>									
		1430	Niemann		Battle of Bladensburg Visitor Center and Monument	Prince George's	500,000	Soft(1,3)	
54	Benson	482	Vaughn	X	City of Seat Pleasant Public Works Facility	Prince George's	500,000	Soft(1)	25 – Central Prince George's County
648	Ramirez	479	Niemann	X	Colmar Manor Police Station	Prince George's	250,000	Hard	47 – Eastern Prince George's County
204	Peters	274	Hubbard	X	Dinosaur Park Improvements	Prince George's	25,000	Soft(2)	23A – Northeastern Prince George's County
39	Ramirez	799	Summers	X	Elizabeth Seton High School Window Upgrades	Prince George's	50,000	Hard	47 – Eastern Prince George's County
682	Ramirez	642	Ivey	X	EzStorage Studios	Prince George's	30,000	Grant	47 – Eastern Prince George's County
970	Ramirez	1282	Summers	X	Family Crisis Center Security System	Prince George's	70,000	Soft(2)	47 – Eastern Prince George's County
1094	Muse	951	V. Turner	X	Forest Heights Town Hall Renovation	Prince George's	130,000	Soft(2,3)	26 – Southwestern Prince George's County
915	Currie	1390	Davis	X	Forestville Military Academy Track	Prince George's	245,000	Soft(U,all)	25 – Central Prince George's County
		1376	Walker	X	Fort Foote Elementary School Marquee Project	Prince George's	8,000	Soft(2)	26 – Southwestern Prince George's County
683	Ramirez	646	Ivey	X	Gateway Arts Center at Brentwood	Prince George's	20,000	Hard(U)	47 – Eastern Prince George's County
56	Benson	647	Howard	X	Glenarden Police Station	Prince George's	50,000	Soft(1)	

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55	Benson	663	Howard	X	Glenarden Veterans Memorial	Prince George's	175,000	Soft(1)	26 – Southwestern Prince George's County
1009	Peters			X	Green Branch Athletic Complex	Prince George's	3,000,000	Soft(1)	23A – Northeastern Prince George's County
490	Pinsky	714	Gaines	X	Hamilton Street Parking	Prince George's	950,000	Soft(1)	22 – Central Northern Prince George's County
734	Muse	1406	Walker	X	Harbor Light Community Development Center	Prince George's	40,000	Hard	26 – Southwestern Prince George's County
937	Miller	974	Proctor	X	Knights of St. John Woodville School Building	Prince George's	50,000	Soft(1)	
53	Benson	483	Vaughn	X	Labor of Love Learning Center	Prince George's	250,000	Hard	24 – Western Prince George's County
898	Currie	1389	Davis	X	Largo High School PTSA Track Renovation	Prince George's	245,000	Soft(U,all)	25 – Central Prince George's County
676	Rosapepe	406	Pena-Melnyk	X	Laurel Boys and Girls Club Renovation	Prince George's	200,000	Soft(all)	21 – Northwestern Prince George's County
842	Pinsky	793	Ross	X	Riverdale Park Youth and Community Center	Prince George's	400,000	Hard	22 – Central Northern Prince George's County
516	Currie	285	Davis	X	Riverdale Sportsplex	Prince George's	350,000	Soft(2,3)	25 – Central Prince George's County
733	Muse	1404	Walker	X	Southern Area Indoor Aquatic Center	Prince George's	100,000	Hard	26 – Southwestern Prince George's County

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981	Benson	1417	Vaughn	X	Street Lighting Enhancements	Prince George's	150,000	Soft(U,2)	24 – Western Prince George's County
172	Miller			X	University of Maryland Athletic Fields	Prince George's	250,000	Hard	21 – Northwestern Prince George's County
520	Currie	202	Griffith	X	Walker Mill Daycare Training Center	Prince George's	250,000	Soft(1,2)	25 – Central Prince George's County
<b>Prince George's – Subtotal</b>							<b>\$8,288,000</b>		
<b>Talbot</b>									
13	Colburn	3	Cane	X	Easton Head Start Center	Talbot	250,000	Hard	37B – Dorchester, Talbot, and Caroline Counties
<b>Talbot – Subtotal</b>							<b>\$250,000</b>		
<b>Washington</b>									
980	Young	749	Donoghue	X	Antietam Chapter #312 Korean War Veterans Monument	Washington	40,000	Soft(all)	
1070	Edwards			X	Lockhouse 44, Lock 44, and Western MD Railroad Lift Bridge	Washington	320,000	Soft(2,3)	2A – Washington County
<b>Washington – Subtotal</b>							<b>\$360,000</b>		
<b>Worcester</b>									
375	Mathias	332	Conway	X	Coastal Hospice at the Ocean Residence Project	Worcester	500,000	Soft(1,3)	

<b>SB#</b>	<b>Senate Sponsor</b>	<b>HB#</b>	<b>House Sponsor</b>	<b>Fact Sheet</b>	<b>Project Title</b>	<b>Jurisdiction</b>	<b>Request Amount</b>	<b>Match</b>	<b>District #</b>
275	Mathias	302	Conway	X	Ocean City Center for the Arts	Worcester	250,000	Soft(2)	
<b>Worcester – Subtotal</b>							<b>\$750,000</b>		
<b>Grand Total:</b>							<b>\$34,378,000</b>		

Match Key: 1 = Real Property; 2 = In Kind Contributions; 3 = Prior Expended Funds; U = Unequal Match