
2016 Session Capital Budget Overview

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

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Analysis of the FY 2017 Maryland Executive Budget, 2016

Summary of Issues

Department of State Police Capital Program Concerns: The Department of State Police (DSP) operates 23 barracks in addition to many other support facilities throughout the State. The average age of the department’s buildings, many of which were constructed to serve a smaller population, is 39 years. According to DSP, the large number of buildings within its facility complement, combined with recent fiscal constraints, have contributed to difficulties with properly maintaining the aging facilities and infrastructure. This, along with long-term vacancies within the department’s capital program, has resulted in a neglected and relatively stagnant capital program. **The Department of Legislative Services (DLS) recommends adding committee narrative requiring DSP to complete an updated facility master plan.**

Summary of Updates

Construction Process Review: The 2015 *Joint Chairman’s Report* (JCR) included narrative directing the Department of Budget and Management (DBM), the Department of General Services (DGS), and the University System of Maryland (USM) to report on the State’s abilities and effectiveness in managing capital construction projects. The report draws heavily from a report provided in 2008, the *2008 Alpha Corporation* report, which found that DGS and USM utilized different processes and procedures for managing projects, and both performed well and effectively utilized State resources. Specifically, the report found that DGS and USM had adequate policies and procedures in place, were effectively managing project schedules, and effectively minimized disputes and delays.

Summary of Recommended Bond Actions

	<u>Funds</u>
1. New Cumberland Barrack and Garage	\$550,000 GO
Add funds to design a new barrack and garage facility in Cumberland.	
2. New Cumberland Barrack and Garage	
Adopt narrative directing the Department of State Police to develop and submit an updated facilities master plan.	
3. SECTION 2 – Historic St. Mary’s City Commission – Maryland Heritage Interpretive Center	
Approve language extending fund termination date.	

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4. SECTION 2 – Department of Labor, Licensing, and Regulation –
1100 North Eutaw Street Elevator Replacement

Approve partial de-authorization of funds not needed to complete the project.

Total Additions **\$550,000**

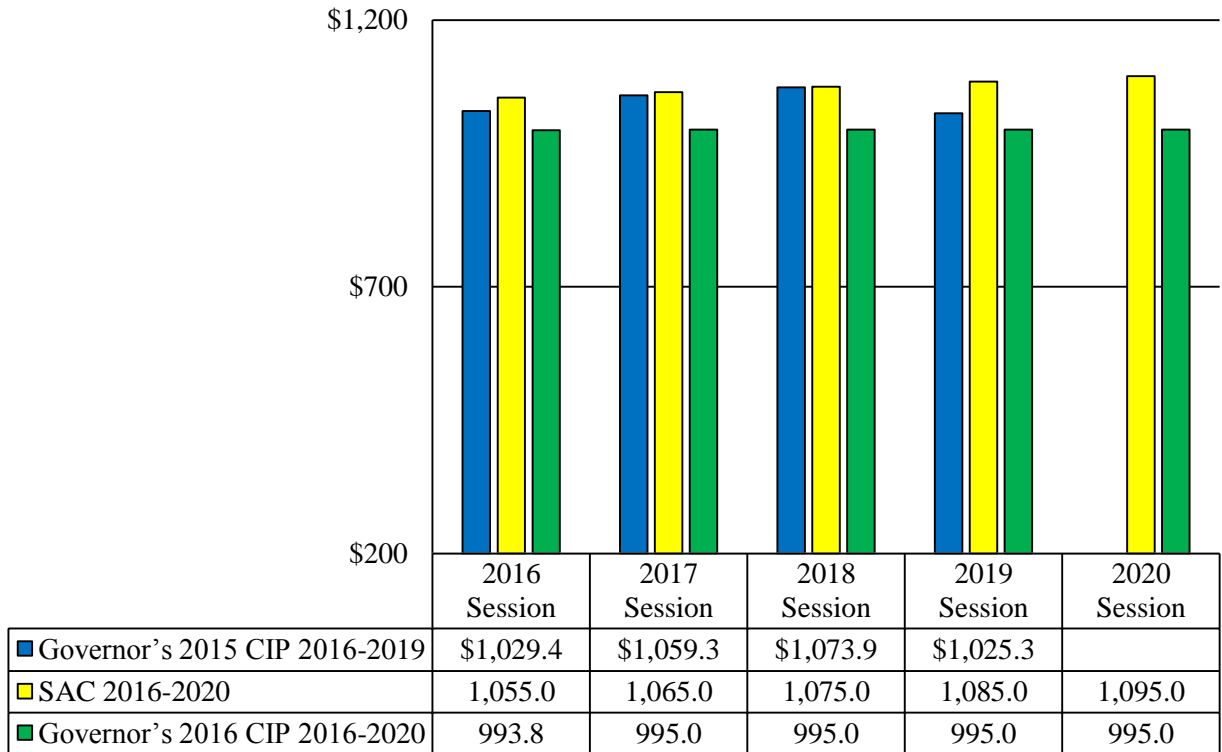
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Reduced General Obligation Bond Authorization Levels

New general obligation (GO) bond authorizations for the 2016 session total \$1.002 billion, comprised of \$993.8 million in new authorizations and \$8.6 million in the reprogramming of de-authorizations proposed in the bill. As shown in **Exhibit 1**, the Governor’s planned level of new GO bond authorizations are below the levels established by the Spending Affordability Committee (SAC) and below the levels forecast in the 2015 session *Capital Improvement Program (CIP)*. Over the five-year plan, the Governor’s proposal removes \$209.0 million of planned new GO bond authorizations from what was forecast in the 2015 CIP for the four years that the two plans overlap, and \$401.0 million below what SAC recommended in its December 2015 interim report (where it recommended limiting the growth in new GO bond authorizations at 1% annually based off of the \$1.045 billion authorized in the 2015 session).

Additional debt authorizations include \$24.5 million of Academic Revenue Bonds for USM projects, which is \$30.0 million under what was authorized last session. The decrease results from language added to Chapter 471 of 2015 that increased authorization levels by \$20.0 million above what was programmed for fiscal 2016, for a total of \$54.5 million, to support the funding plan for the New Bioengineering Building at the University of Maryland, College Park (UMCP). The language stipulated that the additional \$20.0 million authorized in fiscal 2016 should be deducted from authorization levels programmed in the 2015 session CIP for fiscal 2017 and 2018 by \$10.0 million each, thereby keeping the total amount of academic debt authorizations for the five-year CIP planning level consistent with what was programmed in the 2015 session CIP. The budget also includes \$4.7 million of Qualified Zone Academy Bonds (QZAB) for QZAB-qualified K-12 capital-eligible projects in accordance with the criteria established under the Aging Schools Program. **Exhibit 2** illustrates the GO bond distribution.

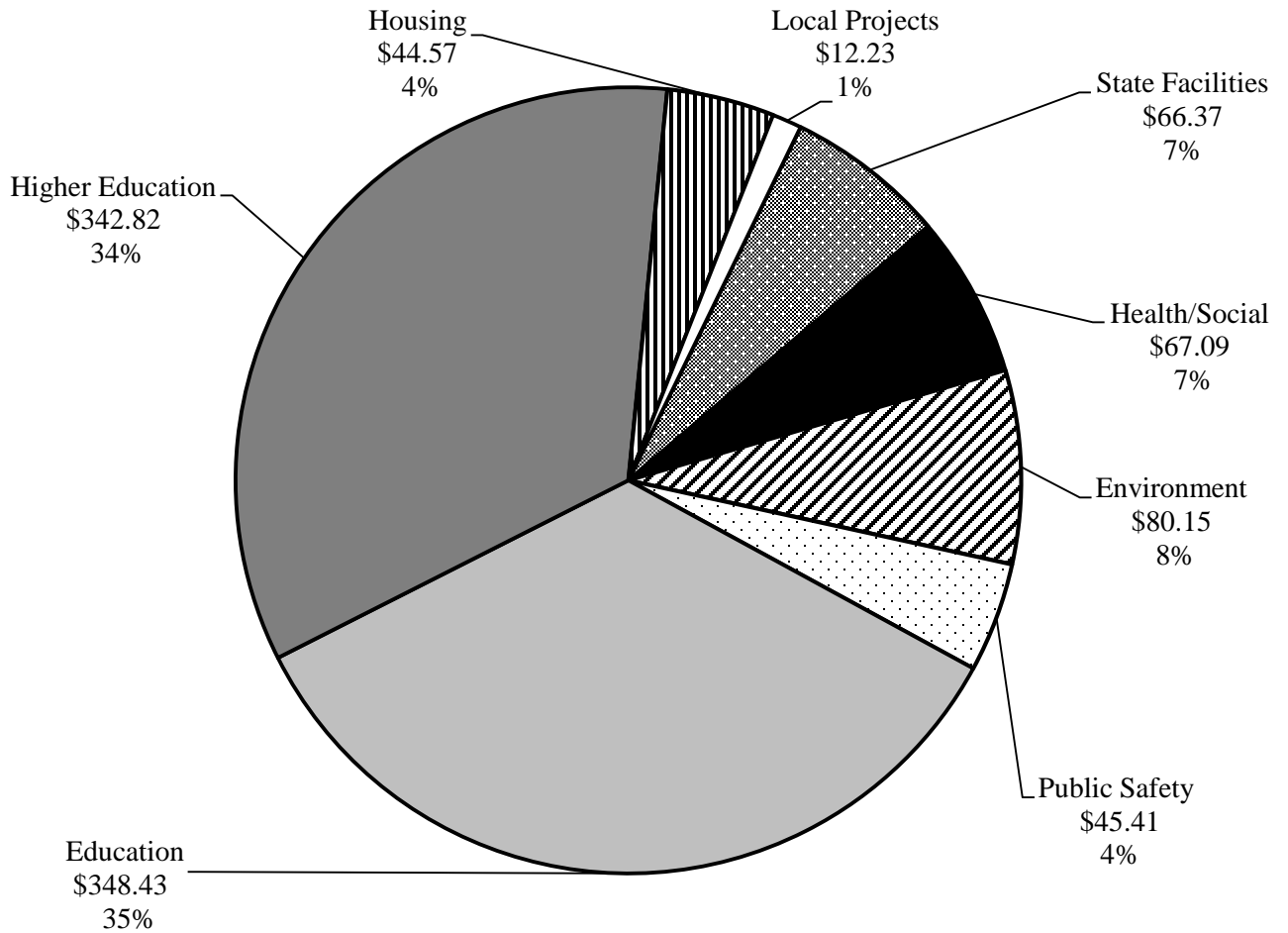
Exhibit 1
New General Obligation Bond Authorization Levels
2015 Spending Affordability Recommendation –
2015 and 2016 Governor’s Capital Improvement Programs
2016-2020 Sessions
(\$ in Millions)



CIP: *Capital Improvement Program*
 SAC: *Spending Affordability Committee*

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

Exhibit 2
GO Bond, QZAB, and ARB Distribution
(\$ in Millions)



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

Source: Department of Budget and Management

Top bond funded programs/projects are shown in **Exhibit 3**.

Exhibit 3
Top General Obligation/Revenue Bond Funded Programs and Projects
Fiscal 2017
(\$ in Millions)

<u>Project Title</u>	<u>GO Bond</u>	<u>Revenue</u>	<u>Total Funds</u>
BPW: Public School Construction Program	\$280.0	\$0.0	\$280.0
UMB: Health Sciences Research Facility III and Surge Building	81.0	0.0	81.0
UMCP: A. James Clark Hall – New Bioengineering Building	62.5	7.5	70.0
MHEC: Community College Facilities Grant Program	59.4	0.0	59.4
MSU: New Behavioral and Social Sciences Center	35.7	0.0	35.7
BSU: New Natural Sciences Center	31.5	0.0	31.5
BPW: New Catonsville District Court	28.5	0.0	28.5
MISC: Prince George’s Hospital System	27.5	0.0	27.5
UMCP: Brendan Iribe Center for Computer Science and Innovation	27.0	0.0	27.0
MSDE: State Library Resource Center	26.4	0.0	26.4
MDE: Biological Nutrient Removal Program	25.0	0.0	25.0
MES: Infrastructure Improvement Fund	24.8	0.0	24.8
BPW: Supplemental Capital Grant Program for Local School Systems	20.0	0.0	20.0
DPSCS: New Baltimore Justice Center	18.3	0.0	18.3
USMO: Capital Facilities Renewal Program	0.0	17.0	17.0
DPSCS: Demolition of Buildings at the Baltimore City Correctional Complex	16.6	0.0	16.6
DJS: New Female Detention Center	15.2	0.0	15.2
DoIT: Public Safety Communications System	15.0	0.0	15.0
BPW: Facilities Renewal Fund	15.0	0.0	15.0
DHCD: Rental Housing Program	10.0	0.0	10.0
Subtotal Top Funded Programs and Projects	\$819.3	\$24.5	\$843.8
Subtotal Other Funded Programs and Projects	\$187.8	\$0.0	\$187.8
Total	\$1,007.1	\$24.5	\$1,031.6
De-authorizations as Introduced	-\$8.6	\$0.0	-\$8.6
Grand Total New Funding	\$998.4	\$24.5	\$1,022.9

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

Note: GO bond figures include \$4.67 million of Qualified Zone Academy Bonds not counted under the limit for new GO bond authorizations for the 2016 session.

Source: Department of Budget and Management

Issues

1. Department of State Police Capital Program Concerns

DSP operates 23 barracks in addition to many other support facilities throughout the State. The average age of the department's buildings, many of which were constructed to serve a smaller population, is 39 years. According to DSP, the large number of buildings within its facility complement, combined with recent fiscal constraints, have contributed to difficulties with properly maintaining the aging facilities and infrastructure. This, along with long-term vacancies within the department's capital program, has resulted in a neglected and relatively stagnant capital program.

DSP Lacks Capital Staff and an Updated Facilities Master Plan

DSP has a difficult time filling vacant civilian positions once they occur due to hiring freezes and other obstacles to overcome in the hiring process. This means that once a position is vacant, there can be an extensive amount of time before a replacement is hired. The department has only 1 position within its personnel complement dedicated to capital projects for all 23 barracks and other support facilities. DSP has had that capital project manager position frozen since July 2013 and just received approval to begin recruitment in February 2016. This vacancy has meant that there is no position within the department solely responsible for monitoring capital needs and activities.

In terms of facility maintenance, the agency's needs include improved roads, parking lots, sidewalks, and utility upgrades. There are currently 15 projects in the DGS backlog project file for both capital and operating maintenance, with some of the project requests dating as far back as 1990. In addition, according to the department, certain facilities have deteriorated to the point where repair is no longer an option, and the facility must be replaced. The true capital need, outside of the facility maintenance requests, is largely unknown because DSP has not updated its facility master plan since 2008.

Reopening the Annapolis Barrack

Despite the significant backlog of existing facility maintenance projects, the fiscal 2017 allowance includes \$2.45 million in the State's Facilities Renewal Fund to reopen Barrack J in Annapolis. This project had not been previously included in the department's facility maintenance request.

The Annapolis Barrack reopened in November 2015 after closing in July 2008 due to cost containment. Functionally, the Annapolis Barrack merged with the Glen Burnie Barrack to provide a single base of operations in Glen Burnie. The building was vacated by DSP and operated by DGS. Most recently, the facility had been used by the public works department for the city of Annapolis. The reopening of the facility for DSP use will allow response and prisoner transport times from southern Anne Arundel County to be reduced by half.

To date, approximately \$650,000 has been spent on minor renovations and start-up costs to improve the facility to the point of partial operations. These funds have been budgeted within the DSP and DGS budgets, as DGS has been the lead agency to perform the mostly cosmetic improvements. A building assessment, completed in January 2016, has determined that additional renovation of the facility is required, including a new roof; heating, ventilation, and air conditioning (HVAC); electrical upgrades; wireless and other information technology/connectivity improvements; and Americans with Disabilities Act accessibility upgrades. According to DSP, the estimated cost of the improvements identified by the assessment is approximately \$706,000.

Currently, the Annapolis Barrack is staffed with 13 sworn troopers (5 sergeants and 8 patrol troopers). The Gang Unit (6 troopers) is scheduled to move into the barrack; however, the move is pending completion of work on HVAC and Internet connectivity. The CRASH Team is also expected to occupy office space on the third floor of the barrack. By the end of calendar 2016, the barrack will be staffed by 1 first sergeant, 5 sergeants, and 15 patrol troopers. The department's goal is to have it staffed with 1 lieutenant, 1 first sergeant, 5 sergeants, 5 corporals, 15 patrol troopers, and an administrative aide by the end of calendar 2017. Excluding personnel costs, the estimated operating cost for the facility in fiscal 2017 is \$130,000.

Cumberland Barrack

The only project for DSP in the Governor's 2016 five-year CIP is a replacement for Barrack C in Cumberland. The project specifically includes a replacement barrack, garage, and radio tower on the site of the existing Cumberland Barrack. The CIP plans for \$550,000 in GO bonds in fiscal 2018 to begin design, with additional construction funding planned for fiscal 2019 and 2020. The total estimated cost of the project is slightly less than \$10 million.

The current facility was constructed in 1956 as a combined residence and operations center for 10 to 20 troopers. The age, high operating costs, and size of the facility are barriers to achieving the barrack's mission. There are now 50 troopers and 15 civilian employees assigned to the barrack. The current building is almost 60 years old, obsolete, and poorly configured to meet modern law enforcement requirements. The multi-floor configuration of the existing barrack (which does not have

an elevator) has led to slip and fall injuries by prisoners and employees. The configuration of cells and prisoner processing areas violates State laws and regulations that require the separation of juveniles and adults. In addition, the fact that prisoners are processed in the basement of the facility presents concerns for prisoner and officer safety.

The general design of the new facility will be similar to the barracks in La Plata, North East, and Easton and will include a garage for vehicle maintenance. The new design will comply with all applicable State and federal laws.

Recommendation

Replacing the Cumberland Barrack has been programmed in the department's capital plan for nearly 15 years but continues to be deferred for other budget priorities. Although the fiscal 2018 design funding for the project does not reflect a change from the 2015 CIP, the Administration has opted to fund renovation of the Annapolis Barrack in fiscal 2017 as opposed to accelerating the replacement of the deteriorating facility in Cumberland.

DLS recommends adding \$550,000 in GO bond funding to the fiscal 2017 capital budget to allow DSP to begin design for a new Cumberland Barrack, as the existing condition of this facility warrants that project being a primary priority. In addition, DLS recommends DSP develop and submit an updated facilities master plan in order to better understand the department's overall capital plan.

Updates

1. Construction Process Review

The 2015 JCR included narrative directing DBM, DGS, and USM to report on the State's abilities and effectiveness in managing capital construction projects. The report draws heavily from a report provided in 2008, the *2008 Alpha Corporation* report, which found that DGS and USM utilize different processes and procedures for managing projects, and both performed well and effectively utilized State resources. Specifically, the report found that both DGS and USM had adequate policies and procedures in place, were effectively managing project schedules, and effectively minimized disputes and delays.

Since the publication of the *Alpha* report, DGS and USM have continued to utilize the same basic processes and procedures. Focusing exclusively on construction-related costs since cost overruns are almost entirely confined to the construction phase of projects, the new report found that the data provided demonstrates once again strong performance by DGS and USM in effectively managing projects and State resources.

DGS and USM generally employ similar processes and procedures for project oversight, documentation, inspections, and change orders. The primary differences are mostly attributable to the different types of projects undertaken and the background and expertise of their respective staffs. With

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respect to project construction management delivery methods, DGS generally uses the conventional design/bid/build process and manages projects that often entail buildings that will be utilized for traditional office tasks or secure detention. USM, however, tends to have more complex and expensive projects and tends to use construction management at risk project delivery. Although different project delivery methods are traditionally used by the two agencies, both have developed familiarity and expertise in using their preferred method that enables both agencies to effectively manage projects within budget. Moreover, the report also finds that although both agencies tend to use different project delivery methods, the difference is not indicative of any one method performing better than the other and generally points to the types of projects undertaken and the experience of the staff.

Based on the data, DGS undertook 32 projects and cumulatively was under budget by \$6.3 million. The USM cost center at the University of Maryland, Baltimore undertook 30 projects that were cumulatively \$13.1 million under budget. The USM cost center at UMCP undertook 20 projects included in the CIP that were cumulatively \$31.3 million under budget and an additional 153 projects not included in the CIP that were cumulatively \$60.5 million under budget. Some of the general findings include:

- Overall, the data demonstrates that most projects undertaken are completed at or below budget and that cost overruns are generally isolated and have unique and isolated circumstances and there does not appear to be any trend indicative of poor performance that would suggest specific changes in procedures are necessary.
- Both DGS and USM believe that existing processes and procedures are working effectively as evidenced by the majority of projects completed on time and under budget.

Although the report concludes that both DGS and USM are performing well, both offered some suggestions to improve overall efficiency.

Suggestions for USM

- Streamline the process for Board of Public Works (BPW) contracts.
- Improve the Minority Business Enterprise (MBE) process including accepting MBE reciprocity from federal government and other Maryland jurisdictions and states, and classifying MBE vendors by the size of projects the vendors are able to perform.

Suggestions for DGS

- Increase the procurement authority threshold requiring BPW approval from the current \$200,000 threshold to the \$500,000 threshold for USM and other independent procurement agencies.
- Address impending staff vacancies in the DGS design and construction office.

- Address regulatory reform to create an expedited review process with the various State agencies including but not limited to the State Highway Administration, the Maryland Department of the Environment, the Department of Natural Resources, and the Maryland Historical Trust to aid in decreasing the amount of time to complete State construction projects.

Significant Funding or Scope Changes to Projects in the Capital Improvement Program

GO Bond Projects – Program Changes in CIP Fiscal 2017

<u>Project/Program</u>	<u>Planned</u>	<u>Proposed</u>	<u>Purpose</u>
Agriculture – Salisbury Animal Health Laboratory Replacement	\$0.0	\$0.8	Project was not in previous five-year <i>Capital Improvement Program</i> (CIP) accelerated for health, life, or safety issues.
Environment – Biological Nutrient Removal Program	33.5	25.0	Funding based on cash flow needs of Back River project.
Environment – Supplemental Assistance Program	5.0	0.0	Program has been deleted from the CIP – other programs can meet needs previously addressed by Supplemental Assistance Program.
Department of Health and Mental Hygiene (DHMH) – SETT Facility	7.6	0.0	Project scope and location are under review – project is moved back in the CIP.
DHMH – Clifton T. Perkins Hospital Center North Wing Renovation	0.9	0.0	Moved back in the CIP.
Department of Housing and Community Development (DHCD) – Baltimore Regional Neighborhood Initiative	0.0	1.5	No funding planned in the CIP – program has been funded since fiscal 2012.
DHCD – Rental Housing Program	0.0	10.0	No funding planned in the CIP – program has been funded since fiscal 2012.
Department of Information Technology – Public Safety Communication System	28.5	15.0	Project completion has been stretched through fiscal 2020.
Department Juvenile Services (DJS) – New Female Detention Center	30.5	15.2	Revised project schedule moves more funding into fiscal 2018 and 2019.
DJS – Cheltenham Youth Facility	3.1	0.0	No longer planned in five-year CIP.
Military – Easton Readiness Center	2.0	0.0	State funding programmed in fiscal 2018.

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<u>Project/Program</u>	<u>Planned</u>	<u>Proposed</u>	<u>Purpose</u>
Military – Have de Grace Combined Support Maintenance Shop	1.7	0.0	State funding programmed in fiscal 2018 and 2019.
Morgan State University – New Student Service Support Building	4.5	0.0	Planning is programmed in the five-year CIP for fiscal 2018 and 2019.
Department of Natural Resources (DNR) – Natural Resources Development Fund	6.4	0.0	Budget provides additional special funds over what was programmed to partially make up the difference.
DNR – Critical Maintenance Projects	2.0	0.0	Budget provides additional special funds over what was programmed to make up difference.
Maryland Department of Planning (MDP) – Patterson Center Renovations	3.4	0.3	Provides funds to complete design with construction moved to fiscal 2019 and 2020.
MDP – African American Heritage Preservation Program	0.0	1.0	Legislative mandate from 2015 session legislation.
Department of Public Safety and Correctional Services (DPSCS) – Baltimore Justice Center	0.0	18.3	New project in the five-year CIP.
DPSCS – Baltimore City Detention Center Demolition	0.0	15.6	New project in the five-year CIP.
Public School Construction (PSC)	250.0	280.0	Proposed fiscal 2017 funding at same level as fiscal 2016.
PSC – Supplemental Capital Grant Program for Local School Systems	0.0	20.0	Legislative mandate from 2015 session legislation
PSC – Qualified Zone Academy Bond	0.0	4.7	Federal program reauthorized.
Department of General Services – Annapolis Post Office Renovation	5.1	0.8	Construction phased over fiscal 2017 and 2018.
University of Maryland, Baltimore – Central Electrical Substation	0.0	5.0	New project to the CIP.
University of Maryland, College Park (UMCP) – Clark Engineering Building	45.4	62.5	Project schedule accelerated.
UMCP – Iribe Computer Science Building	0.0	27.0	Project schedule accelerated.
UMCP – New Cole Field House	0.0	3.0	State funding support accelerated.
Coppin State University – Percy Julian School of Business	1.3	0.0	Initial design funding deferred to fiscal 2019.
Salisbury University – Sea Gull Stadium Turf Field	0.0	0.7	New project to the CIP.

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<u>Project/Program</u>	<u>Planned</u>	<u>Proposed</u>	<u>Purpose</u>
University of Maryland, Baltimore County – Interdisciplinary Life Sciences Building	8.3	2.6	Fiscal 2017 completes design but defers initial construction funding to fiscal 2018.
University System of Maryland Office (USMO) – Shady Grove Biomedical Sciences Education Facility	72.0	0.0	Construction funding deferred to fiscal 2020 and 2021.
USMO – Southern Maryland Regional Higher Education Facility	0.0	3.1	Funding proposed to complete design phase in fiscal 2017 with construction scheduled for fiscal 2019 and 2020.
Legislative Initiative Grants	15.0	0.0	No funding proposed in the five-year CIP.
Prince George’s County Regional Hospital System	45.0	27.5	Funding reduced in fiscal 2017 and deferred to fiscal 2018 through 2020 based on project schedule.

GO: general obligation

SETT: Secure Evaluation and Therapeutic Treatment

Source: 2015 and 2016 *Capital Improvement Program*

GO Bond Recommended Actions

1. Add funds to design a new Barrack and Garage Facility in Cumberland.

WA01	New Cumberland Barrack and Garage	\$ 550,000
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Add the following language:

<u>WA01</u>	<u>DEPARTMENT OF STATE POLICE</u>
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<u>(A)</u>	<u>New Cumberland Barrack and Garage. Provide funds to design a new Cumberland Barrack and Garage (Allegany County)</u>	<u>550,000</u>
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<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
0	550,000	550,000

Explanation: Funding is added to begin design of a new Department of State Police barrack and garage facilities to replace the existing obsolete and deteriorating facilities in Cumberland. The project has been in the department’s capital plan for nearly 15 years but has been deferred on multiple occasions for other competing budget priorities. The existing facility is 60 years old and poses significant health and life safety issues, in addition to violating State laws and regulations that require separation of adult and juvenile offenders. As such, the General Assembly recognizes the need for a new facility as a primary priority for the department.

2. Adopt narrative directing the Department of State Police to develop and submit an updated facilities master plan.

Department of State Police Facilities Master Plan: Most capital construction results from the need to accommodate people, modernize or replace facilities, or provide space for services or programs. Therefore, facilities master plans are provided by State agencies every five years to the Department of Budget and Management (DBM) to present information on each of these subjects. The plans evaluate current conditions and projected needs, develop proposals for addressing deficiencies, and present a recommendation which will enable the State agency to meet its goals over the timeframe of the plan. DBM provides Guidelines for Submission of a Facilities Master Plan to State agencies. The Department of State Police has not provided an updated facilities master plan to DBM per the five-year schedule. It is the intent of the General Assembly that the department provide an updated facilities master plan to DBM by June 1, 2017.

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Information Request	Author	Due Date
Facilities master plan	Department of State Police	June 1, 2017

3. Approve language extending the fund termination date for Historic St. Mary’s Commission Maryland Heritage Interpretive Center to June 1, 2018.
4. Approve partial de-authorization of funds not needed to complete facility upgrades at the William Donald Schaefer Tower.

Total Additions **\$550,000**