

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

***Capital Budget Summary***

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

<b>Projects</b>	<b>Prior Auth.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>	<b>2025 Est.</b>	<b>2026 Est.</b>	<b>2027 Est.</b>	<b>Beyond CIP</b>
State House Exterior and Grounds Renovation (Anne Arundel)	\$3.000	\$26.123	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Renovations to the Louis L. Goldstein Treasury Building (Anne Arundel)	0.000	0.000	2.200	2.600	0.000	21.236	21.322
Renovations to 2100 Guilford Avenue (Baltimore City)	3.200	28.884	20.436	0.000	0.000	0.000	0.000
Renovates to the Education Building at 200 West Baltimore St. (Baltimore City)	0.000	0.000	1.500	0.750	0.000	20.655	10.086
<b>Total</b>	<b>\$6.200</b>	<b>\$55.007</b>	<b>\$24.136</b>	<b>\$3.350</b>	<b>\$0.000</b>	<b>\$41.891</b>	<b>\$31.408</b>

<b>Fund Source</b>	<b>Prior Auth.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>	<b>2025 Est.</b>	<b>2026 Est.</b>	<b>2027 Est.</b>	<b>Beyond CIP</b>
GO Bonds	\$3.000	\$55.007	\$24.136	\$3.350	\$0.000	\$41.891	\$31.408
PAYGO GF	3.200	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total</b>	<b>\$6.200</b>	<b>\$55.007</b>	<b>\$24.136</b>	<b>\$3.350</b>	<b>\$0.000</b>	<b>\$41.891</b>	<b>\$31.408</b>

CIP: *Capital Improvement Program*  
GF: general funds  
GO: general obligation  
PAYGO: pay-as-you-go

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

<b>Description</b>	<b>2022 Approp.</b>	<b>2023 Request</b>	<b>2024 Est.</b>	<b>2025 Est.</b>	<b>2026 Est.</b>	<b>2027 Est.</b>
Facilities Renewal Fund (Statewide)	\$30.283	\$110.000	\$22.765	\$35.000	\$35.000	\$35.000
Construction Contingency Fund (Statewide)	2.500	5.000	2.500	2.500	2.500	2.500
Fuel Storage Tank Replacement Program (Regional)	1.000	1.000	1.000	1.000	1.000	1.000
<b>Total</b>	<b>\$33.783</b>	<b>\$116.000</b>	<b>\$26.265</b>	<b>\$38.500</b>	<b>\$38.500</b>	<b>\$38.500</b>

<b>Description</b>	<b>2022 Approp.</b>	<b>2023 Request</b>	<b>2024 Est.</b>	<b>2025 Est.</b>	<b>2026 Est.</b>	<b>2027 Est.</b>
GO Bonds	\$3.500	\$41.000	\$26.265	\$38.500	\$38.500	\$38.500
PAYGO GF	30.283	75.000	0.000	0.000	0.000	0.000
<b>Total</b>	<b>\$33.783</b>	<b>\$116.000</b>	<b>\$26.265</b>	<b>\$38.500</b>	<b>\$38.500</b>	<b>\$38.500</b>

GF: general funds  
GO: general obligation  
PAYGO: pay-as-you-go

***PAYGO Recommended Actions***

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1. Approve \$75,000,000 in general funds budgeted in the Dedicated Purpose Account for the Facilities Renewal Fund.

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

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1. Approve \$5,000,000 in general obligation bonds for the Construction Contingency Fund. This is \$2,500,000 more than the 2021 Capital Improvement Program and reflects higher inflationary expectations and supply chain issues.
2. Approve \$35,000,000 in general obligation bonds for the Facilities Renewal Fund.
3. Approve \$1,000,000 in general obligation bonds for the Fuel Storage Tank Replacement program.
4. Approve \$26,123,000 in general obligation bonds to continue design and begin construction of the restoration of the exterior and grounds of the Maryland State House and Old Treasury buildings.
5. Approve \$28,884,000 in general obligation bonds for renovations to 2100 Guilford Avenue.
6. Approve the \$12,070,000 preauthorization for State House exterior and grounds renovation.
7. Approve the \$18,286,000 preauthorization for renovations to Guilford Avenue.

## ***Summary of Fiscal 2023 Funded State-owned Projects***

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### **Construction Contingency Fund**

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

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

**Exhibit 1** shows that the 2022 *Capital Improvement Program* (CIP) adds \$5.0 million to the fiscal 2023 authorization and a total of \$7.5 million from fiscal 2023 to 2026 above what was scheduled in the 2021 CIP.

**Exhibit 1**  
**Construction Contingency Fund Authorizations**  
**2021 and 2022 CIP**  
**Fiscal 2023-2026**  
**(\$ in Millions)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
2021 CIP	\$0.000	\$2.500	\$0.000	\$2.500	<b>\$5.000</b>
2022 CIP	5.000	2.500	2.500	2.500	<b>12.500</b>
<b>Change</b>	<b>\$5.000</b>	<b>\$0.000</b>	<b>\$2.500</b>	<b>\$0.000</b>	<b>\$7.500</b>

CIP: *Capital Improvement Program*

Source: *Capital Improvement Program*

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### **CCF Balance Limit Should Be Increased**

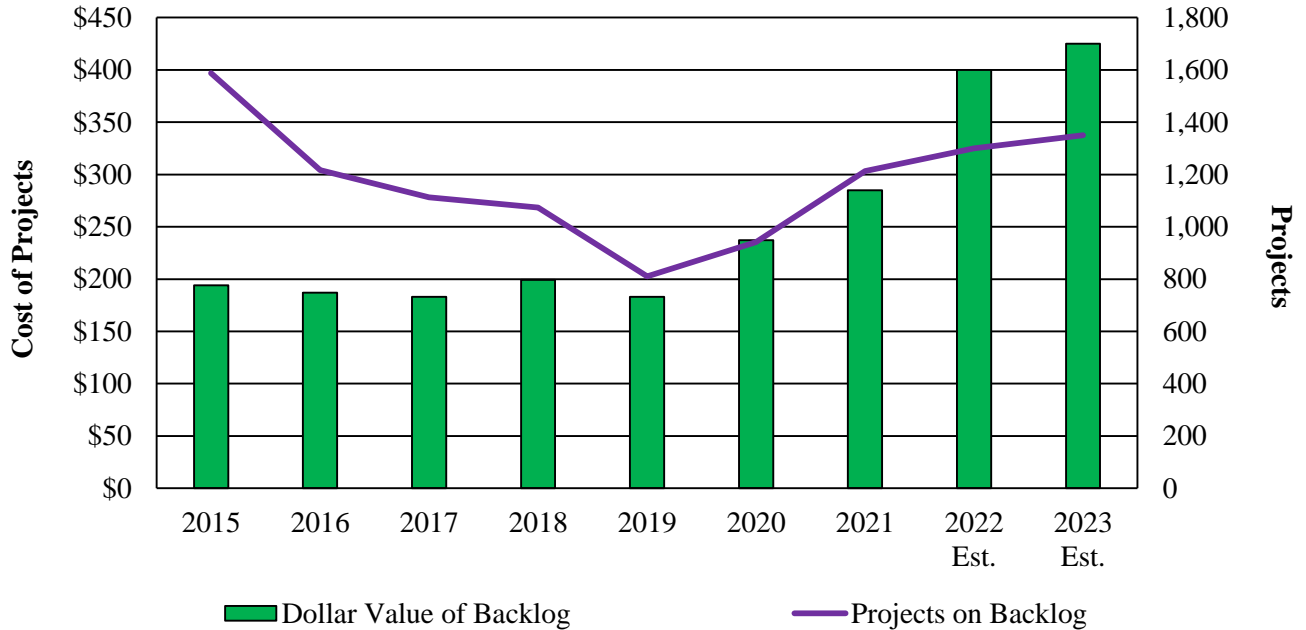
Including the \$5.0 million budgeted for fiscal 2023, the CCF is projected to have a fund balance of \$13.8 million as of June 1, 2022. Section 3-609(c) of the State Finance and Procurement Article limits the CCF balance to no more than 1.25% of the limit recommended by the Capital Debt Affordability Committee, which caps the balance at \$11.25 million for fiscal 2023. Language attached to the fiscal 2023 authorization would allow the balance to exceed the statutory cap on the fund without amending the statute.

### **Facilities Renewal Fund**

Pursuant to § 4-407 and 4-408 of the State Finance and Procurement Article, DGS is required to establish and supervise a comprehensive and continuing program of maintenance and repair of all public improvements. DGS' maintenance of State facilities includes both critical maintenance funded through the operating budget and facilities renewal funded through the capital budget. Issues related to operating critical maintenance, staffing, and information technology (IT) systems are discussed in DGS' operating budget analysis.

It is well documented that the State has a large maintenance backlog, and this backlog has increased in recent years. Since the State has increased resources to address maintenance needs, this increase is most likely attributable to the Building Assessment Unit (BAU), which was formed in fiscal 2020, identifying more maintenance projects. **Exhibit 2** shows that the backlog increases to \$285 million in fiscal 2021 and is expected to continue increasing through fiscal 2023.

**Exhibit 2  
Facility Maintenance Backlog  
Fiscal 2015-2023  
(\$ in Millions)**



Source: Department of Budget and Management

To address the maintenance backlog, in addition to BAU, the Administration has:

- procured the eMaint system to track maintenance projects; and
- appropriated funds for a new major IT project to enhance the system to collect and analyze data so that predictive analytics can be used. This should reduce costs and extend the life of equipment and infrastructure.

DGS has also updated the 30-year-old ranking system used to prioritize facility maintenance and renewal projects. The prior system had 9 categories; these have been reduced to the following 5 categories by priority, with 1 being the highest priority:

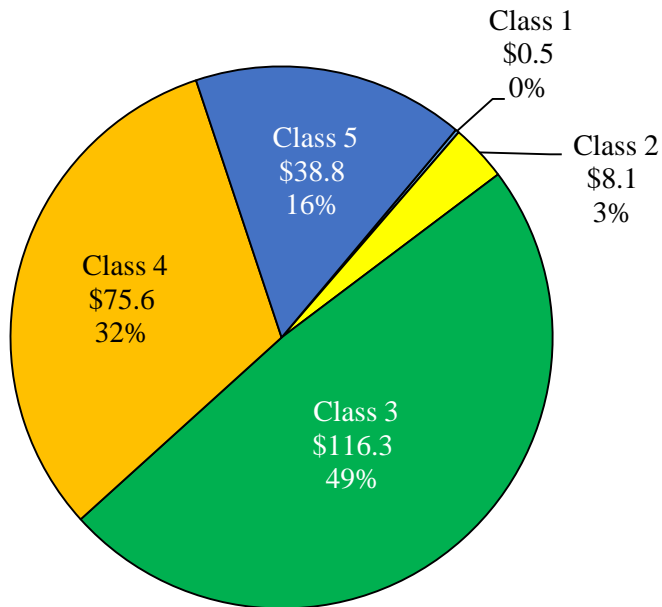
1. serious prolonged impact on facility mission such as high risk of litigation, cessation of services, or reduction of mandated services;
2. system or unit is prematurely deteriorating or causes the premature deterioration of a related asset;

3. end of life expectancy;
4. restore to original design effectiveness; and
5. system improvements or redesign.

**Exhibit 3** shows that most projects are in classes 3 to 5. Examples of class 3 projects include making fire alarm systems, roofs, and stairs and rails compliant with the Americans with Disabilities Act (ADA). Class 4 projects include renovating boilers, heating units, and sump pumps, while class 5 includes clearing fences of vegetation and trees, repairing asphalt, and refurbishing a floor. As of January 2022, the backlog is \$239 million, which is substantially below the amounts shown in Exhibit 2 for fiscal 2022. DGS expects this amount to increase substantially in February 2022 when the agencies' new preventive maintenance operation and project justification submissions are due.

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**Exhibit 3**  
**Priority Categories for Capital Facility Maintenance Backlog Projects**  
**Fiscal 2023**  
**(\$ in Millions)**



Source: Department of General Services

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**Exhibit 4** shows that the 2022 CIP includes \$103 million in additional funding for facility renewal projects than the 2021 CIP, \$88 million of which occurs in fiscal 2023. In addition to the \$35 million in the capital budget, the allowance includes \$75 million in the Dedicated Purpose Account (DPA) for capital facilities renewal. To access these funds, DGS will need to report to the Legislative Policy Committee (LPC) on how the department intends to use the funds. LPC has 45 days to review and comment on the proposed spending. Funds may then be transferred by budget amendment into the DGS budget.

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**Exhibit 4**  
**Facilities Renewal Fund Authorizations**  
**2021 and 2022 CIP**  
**Fiscal 2023-2026**  
**(\$ in Millions)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
2021 CIP	\$21.695	\$22.765	\$34.862	\$20.000	<b>\$99.322</b>
2022 CIP	110.000	22.765	35.000	35.000	<b>202.765</b>
<b>Change</b>	<b>\$88.305</b>	<b>\$0.000</b>	<b>\$0.138</b>	<b>\$15.000</b>	<b>\$103.443</b>

CIP: *Capital Improvement Program*

Source: *Capital Improvement Program*

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### **Administrative Capacity to Manage Increased Funding**

The \$110 million budgeted for fiscal 2023 is more than three times what has been received in any prior year and will present a serious challenge for the department to administer. The \$75 million in the DPA is expected to be drawn down over multiple years. As such, the department has time to ramp up its administrative capacity to meet the increased workload. This still presents a challenge and will require the department to procure and manage projects far in excess of what it is currently able to administer. While a higher level of facility renewal funding is clearly needed, it is unclear what the long-term State commitment will be operationally to handle the increased workload that results from the additional funding. DGS should explore a range of options to manage this substantially larger workload, including hiring staff and contracting with firms that manage facility renewal projects.

DGS advises that at its current staffing levels, it can administer and manage maintenance projects at the current \$10 million funding and the \$35 million facility renewal funding levels.

In the operating budget, the Department of Legislative Services is recommending that \$500,000 of DGS' general fund appropriation be restricted for managing facility renewal projects funded by DPA appropriations of any GO bond authorization exceeding \$35 million.

## **Fuel Storage Tank Replacement Program**

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

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

Current Maryland Department of the Environment (MDE) inspection results for DSP's underground gasoline fuel storage tanks reveal serious deficiencies in the tanks that require expedient attention. MDE's inspections identify significant operational compliance issues that include insufficient leak prevention and leak detection. Of the 18 DSP barracks tested, 3 had significant operational compliance failures for insufficient leak prevention, and 10 had significant operational compliance failures for insufficient leak detection. Significant operational compliance failures for insufficient leak prevention are serious because those failures indicate that the tank could be currently leaking or may begin to leak under certain conditions. Significant operational compliance failures for insufficient leak detection are also serious because DSP or DGS would not be able to accurately or quickly determine that a tank is leaking to prevent further harm.

The Waterloo and Centreville barracks each received sufficient funding in fiscal 2020 and 2021 to complete replacements at both barracks. DGS advises that both are under construction. The Prince Frederick barrack is funded in fiscal 2022. This site contains asphalt steel coated tanks from the late 1980s, which are some of the oldest tanks in use and have the highest risk. This project is in design.

The fiscal 2023 authorization supports replacement for the North East barrack in Cecil County. DGS has a plan for future replacement. The department has ranked barracks based on tank type, age, and current condition, as well as DSP's ongoing operations. These barracks, from highest to lowest priority, are (1) McHenry in Garrett County; (2) Westminster in Carroll County; and (3) Easton in Talbot County.



## State House Exterior and Grounds Restoration

This project restores the exterior and grounds of the Maryland State House and Old Treasury buildings in the Annapolis State Government Complex. This includes the north front portico and columns, dome and lantern, building envelope, roof, soffits, south front portico, north front accessible entrance, Old Treasury Building, and brick perimeter walls and sidewalks. The need for this project was discovered during cleaning of black carbon and biofilm from the State House exterior, a process that exposed significant structural issues, including large cracks in the brickwork.

**Exhibit 5** shows that funding for the State House restoration has been moved forward and that project costs have increased. The Department of Budget and Management advises that the project has been accelerated due to increased water intrusion into the historic wooden dome. Additional costs are attributable to high construction inflation and a continued refinement of the program scope, which now includes a more substantial renovation to the dome.

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**Exhibit 5**  
**State House Restoration Authorizations**  
**2021 and 2022 CIP**  
**Fiscal 2023-2026**  
**(\$ in Millions)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
2021 CIP	\$0.000	\$20.459	\$9.688	\$0.000	<b>\$30.147</b>
2022 CIP	26.123	12.802	0.000	0.000	<b>38.925</b>
<b>Change</b>	<b>\$26.123</b>	<b>-\$7.657</b>	<b>-\$9.688</b>	<b>\$0.000</b>	<b>\$8.778</b>

CIP: *Capital Improvement Program*

Source: *Capital Improvement Program*

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## Renovations to 2100 Guilford Avenue

This project would have the State renovate building #3 at 2100 Guilford Avenue in Baltimore City. This is a four-story, 75,000 gross square feet (GSF) building with an existing annex and attached garage. The project includes removal of the annex and garage, renovations to the existing facility, upgrades to building systems such as HVAC and electrical infrastructure, and landscaping. The revised program plan approved in December 2021 includes constructing a two-story parking garage. DGS will be moved from State Center and occupy this facility when renovations are completed.

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DGS advertised a request for technical proposals on the State’s procurement system, eMaryland Marketplace Advantage. On February 16, 2022, BPW approved a \$4.1 million contract with the highest-ranked architectural and engineering firm. The documents note that the initial encumbrance will be \$3 million; since the cost of the contract is more than has been authorized for this project, DGS will return to BPW to approve the additional funding. DGS advises that construction documents are anticipated to be completed in November 2022. The project should be out to bid in December 2022 with bids due in January 2023. Construction is anticipated to start in April 2023 and be complete by August 2024.

**Exhibit 6** shows that estimated total costs for this project have increased by \$11.3 million. Design costs are \$1 million more than estimated a year ago, and DGS advises that other additional costs are attributable to refined estimates and adding the parking garage to the property. DGS’ mission requires employees to travel and use vehicles on a regular basis as part of work assignments. DGS advises that the parking structure will provide less parking spots than at State Center but will be sufficient for their needs.

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**Exhibit 6**  
**2100 Guilford Avenue Renovation Authorizations**  
**2021 and 2022 CIP**  
**Fiscal 2023-2026**  
**(\$ in Millions)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
2021 CIP	\$3.421	\$0.000	\$20.000	\$14.592	<b>\$38.013</b>
2022 CIP	28.884	20.436	0.000	0.000	<b>49.320</b>
<b>Change</b>	<b>\$25.463</b>	<b>\$20.436</b>	<b>-\$20.000</b>	<b>-\$14.592</b>	<b>\$11.307</b>

CIP: *Capital Improvement Program*

Source: *Capital Improvement Program*

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***Summary of Out-year Projects in the CIP and Projects Removed from CIP***

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**Renovations to the Louis L. Goldstein Treasury Building**

The four-story, 91,095 net square feet (113,265 GSF) Louis L. Goldstein Treasury Building is located at 80 Calvert Street in the Annapolis public buildings and grounds. The building was constructed in 1958 and is occupied by the Comptroller of the Treasury, the State Treasurer, and BPW. The scope of work is to include the complete renovation of the interior of the building on the second,

third, and fourth floors and partial alterations on the first floor, consisting of all mechanical, electrical, and plumbing infrastructure upgrades; fire protection and security system upgrades; and ADA compliance upgrades. The estimated total cost of this project is \$37.5 million, and it has been \$37.5 million since it was first added to the 2020 CIP. The revised estimate is \$47.4 million.

The 2022 CIP does not program the start of construction until fiscal 2027, but there are questions that will need to be resolved for this project to move forward, including:

- There is not much office space in downtown Annapolis. Where will the building’s employees work during renovations?
- The amount of space needed for employees relocated during renovations can be mitigated by dividing the renovation into phases. Can this project be divided into phases?

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**Exhibit 7**  
**Projects Removed from the *Capital Improvement Program***

<u>Project</u>	<u>Description</u>	<u>Reason for Deferral</u>
Rehabilitation of the Shaw House (Anne Arundel)	Renovate building with sections constructed between 1723 and 1950	Property leased to Historic Annapolis, Inc.

Source: Department of Budget and Management, 2022 *Capital Improvement Program*

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