Fiscal Briefing – Capital Budget

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

February 2004

Capital Budget

The fiscal 2005 capital improvement program totals approximately $2.2 billion

- The program is funded by debt ($860 million, 39.1%) and current funds ($1.34 billion, 60.9%)

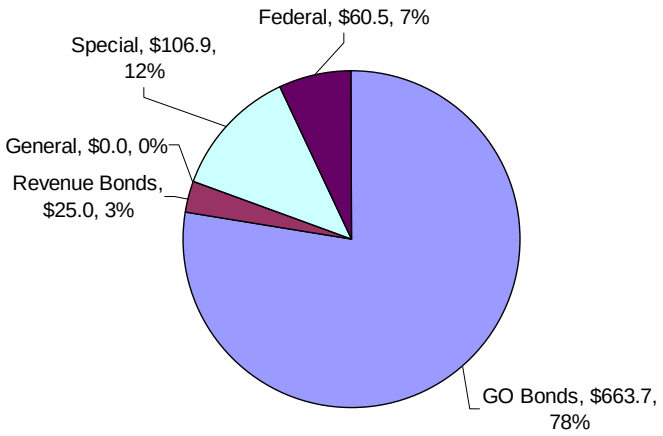
- The Capital Debt Affordability Committee recommended a general obligation debt limit of $655 million. This includes $650 million for the capital program and $5 million in tobacco buyout bonds excluded from the CDAC calculation by Chapter 103, Acts of 2002. This limit is $100 million more than the $555 million recommended in last year's CDAC report for fiscal 2005's GO bond authorization limit. Also recommended was a $33.1 million limit for academic revenue bonds.

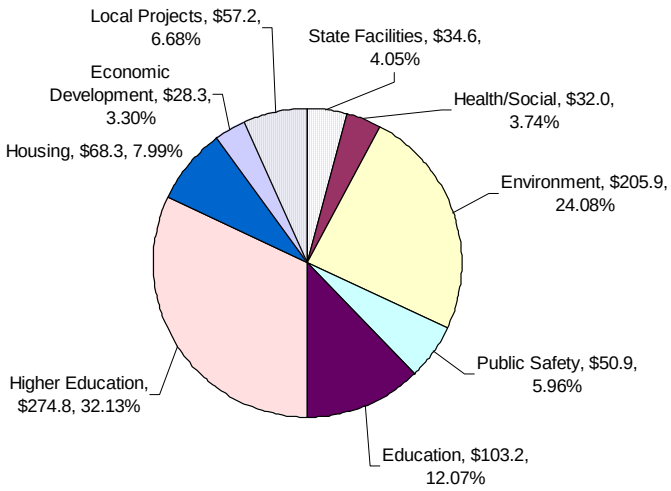
- The Spending Affordability Committee concurred with the recommended $655 million limit for general obligation debt and $33.1 million for Academic Revenue Bond (ARB) limit.

- The capital program as introduced includes $655 million in general obligation debt for State-owned facilities and grant and loan programs. An additional $8.6 million in general obligation bonds from prior years will be deauthorized thus increasing the amount of general obligation debt included in the capital program to $663.6 million. Of the $663.6 million of new general obligation debt, $624.8 million is included in the Maryland Consolidated Capital Bond Loan of 2004 (2004 MCCBL). Another $3.5 million has been reserved as an allotment for private hospitals, $5.0 million has been authorized by Chapter 103, Acts of 2002, and 30.4 million was authorized by the 2003 MCCBL for Legislative Initiatives.

- The non-transportation proposed capital budget is $847.4 million. This includes $655 million in GO debt, $106.9 million in PAYGO special funds, $60.5 million in PAYGO federal funds, and $25 million in ARBs. **Exhibit 1** shows the fund source distribution and distribution of funds by function.

Exhibit 1
Non-transportation Capital Funding





Source: Department of Budget and Management

Major programs/projects include:

- Public School Construction – $101.6 million (includes $2.4 million of special funds from the Maryland Stadium Authority as required under Section 13-715.2 of the Financial Institutions Article, and the reallocation of $1.6 million for the Aging School Program from the operating budget)
- MDE Water Quality Revolving Loan Fund – $70 million
- UM, College Park New Biological Sciences Research Bldg. – $55.8 million
- MHEC Community College Grant Program – $44.1 million
- Legislative Initiatives – $30.4 million (preauthorized in 2003 MCCBL – includes $12.7 million in projects already identified)
- DBED Maryland Economic Development Assistance Fund – $26.7 million
- MDE Biological & Enhanced Nutrient Removal Program – $23.5 million

- UM, Baltimore New Dental School – $19 million (includes $10 million in Academic Revenue Bonds)

- St. Mary's College New Academic Building – $18.6 million

- Bowie State University Center for Business and Graduate Studies – $17.6 million

- DPSCS North Branch Correctional Institute 1024-Cell Housing Unit – $17.5 million

- DHCD Rental Housing Programs – $17.2 million

- Program Open Space – $15 million

- Baltimore City Community College Main Building – $14.7 million

In accordance with Section 8-113 of the State Finance and Procurement Article, the Governor notified the General Assembly on the level of State debt that is advisable. The Governor accepted the recommendation of the CDAC and provided a preliminary allocation of the $650 million of debt authorized exclusive of the $5 million for the tobacco buyout program. **Exhibit 2** shows the Governor's preliminary allocation and the allocation provided in the proposed fiscal 2005 capital budget.

Exhibit 2

Governor's Preliminary Allocation of Fiscal 2005 Debt – Proposed Allocation

	Governor's Preliminary Allocation of GO Debt	Fiscal 2005 Capital Budget Allocation of GO Debt
State-owned Facilities	$290,000,000	280,615000
Grants & Loan Programs	262,400,000	270,185,000
Public School Construction *	97,600,000	99,200,000
Total	**$650,000,000**	**$650,000,000**

*Fiscal 2005 includes $1.6 million for Aging School Program previously funded in operating budget

Source: Department of Legislative Serivces; *"Effects of Long-Term Debt on the Financial Condition of the State"*

The long-range plan adopted by the CDAC in September 2003 depicts its intention to add $95 million annually to the September 2002 recommended debt limit. As in previous years, the committee continues to recommend that authorizations be increased $15 million each year. **Exhibit 3** presents the comparison between the 2002 and 2003 CDAC recommended debt limit.

Exhibit 3
Comparison of 2002 and 2003 CDAC Debt Limit

Fiscal	2002 CDAC Recommended Debt Limit ($ in Millions)	2003 CDAC Recommended Debt Limit ($ in Millions)
2005	$555	$650
2006	$570	$665
2007	$585	$680
2008	$600	$695
2009	$615	$710

Source: Department of Legislative Services, *"Effects of Long-Term Debt on the Financial Condition of the State"*

The proposed fiscal 2005 capital budget would utilize the additional debt capacity as follows:

- $28.6 million to replace planned general fund PAYGO. This includes $15 million for DBED's MEDAF program, $10.6 million for several DHCD grant and loan programs, and another $3.0 million for the Oyster Restoration Program.

- $32 million to partially replace planned Academic Revenue Bonds (ARB) due to concerns over USM's credit rating. In June 2003 Standard and Poor's downgraded the outlook for USM credit from stable to negative because of the decrease in the ratio of unrestricted assets to outstanding debt. If the credit ratings for USM ARBs are in fact downgraded, it could lead to higher interest rates and debt service costs. The 2003 CIP planned $57 million in ARBs. However, the proposed fiscal 2005 budget provides only $25 million.

- $15 million for Legislative Initiatives. The 2003 CIP built in $15 million for these programs, and the proposed capital budget provides approximately $30 million.

- $20 million to partially replace transfer tax revenues that would be transferred to the general fund contingent upon legislation. This includes $5.0 million for the Agricultural Land Preservation Program and $15.0 million for Program Open Space.

Summary of the Capital Program Request for the 2004 Session

		Bonds		Current Funds (PAYGO)			
Function	**General Obligation**	**Agency**	**Recycled**	**General**	**Special**	**Federal**	**Total**
State Facilities							$34.5
Facilities Renewal	$15.3	$0.0	$0.0	$0.0	$0.3	$0.0	
Other	18.5	0.0	0.0	0.0	0.0	0.4	
Health/Social							32.0
State Facilities	3.3	0.0	0.0	0.0	0.0	0.0	
Private Hospitals	3.5	0.0	0.0	0.0	0.0	0.0	
Other	25.2	0.0	0.0	0.0	0.0	0.0	
Environment							205.6
Natural Resources	31.5	0.0	0.0	0.0	18.3	2.5	
Agriculture	16.0	0.0	0.0	0.0	13.2	3.5	
Environment	41.8	0.0	0.0	0.0	35.5	37.2	
MD. Envir. Services	3.3	0.0	0.0	0.0	0.0	0.0	
Energy	0.0	0.0	0.0	0.0	3.0	0.0	
Public Safety							50.9
State Corrections	34.5	0.0	0.0	0.0	0.0	0.0	
Local Jails	15.3	0.0	0.0	0.0	0.0	0.0	
State Police	1.1	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	
Education							103.2
School Construction	99.2	0.0	0.0	0.0	2.4	0.0	
Other	1.6	0.0	0.0	0.0	0.0	0.0	
Higher Education							275.8
University System	147.1	25.0	0.0	0.0	0.0	0.0	
Morgan State University	9.8	0.0	0.0	0.0	0.0	0.0	
St. Mary's College	26.7	0.0	0.0	0.0	0.0	0.0	
Community Colleges	44.2	0.0	0.0	0.0	0.0	0.0	
Private Colleges/Univers.	8.0	0.0	0.0	0.0	0.0	0.0	
UMMS	15.0	0.0	0.0	0.0	0.0	0.0	
Housing/Community Development							68.3
Housing	23.4	0.0	0.0	0.0	22.4	16.8	
Other	5.7	0.0	0.0	0.0	0.0	0.0	
Economic Development							28.2
Economic Development	16.5	0.0	0.0	0.0	11.7	0.0	
Local Projects							57.2
Administration	26.8	0.0	0.0	0.0	0.0	0.0	
Legislative	30.4	0.0	0.0	0.0	0.0	0.0	
Transportation							1,447.1
Transportation	0.0	205.0	0.0	0.0	581.0	661.1	
Deauthorizations							-8.7
Deauthorization	-8.7	0.0	0.0	0.0	0.0	0.0	
Total Fiscal 2005 (1)	**$655.0**	**$230.0**	**$0.0**	**$0.0**	**$687.8**	**$721.5**	**$2,294.3**
Total Fiscal 2004 (2)	**$748.9**	**$406.1**	**$0.0**	**$9.4**	**$523.9**	**$725.2**	**$2,413.5**

Capital – All Funds
($ in Millions)

	2002		2003		2004		2005		Change 02-04		Change 04-05	
	Legis. Approp.	% of Total	Legis. Approp.	% of Total	Legis. Approp.	% of Total	Gov. Allow	% of Total	$ Diff	% Diff	$ Diff	% Diff
Uses:												
State Facilities	$50.7	4.2	$44.8	4.3	$33.7	3.4	$34.5	4.1	-$17.0	-33.5	$0.8	2.4
Health/Social	34.8	2.9	27.4	2.6	18.3	1.9	32.0	3.8	-16.5	-47.4	13.7	74.9
Environment	349.8	29.2	208.2	19.9	218.0	22.2	205.8	24.3	-131.8	-218.0	-12.2	-5.6
Public Safety	70.8	5.9	27.9	2.7	120.5	12.3	50.9	6.0	49.7	70.2	-69.6	-57.7
Education	220.8	18.5	244.8	23.3	117.1	11.9	103.2	12.2	-103.7	47.0	-13.9	-8.5
Higher Education	250.4	20.9	335.5	32.0	310.1	31.5	275.8	32.6	59.7	23.8	-34.3	-11.1
Housing/Comm. Devel.	63.2	5.3	74.1	7.1	69.2	7.0	68.3	8.1	6.0	9.5	-0.9	-1.3
Economic Devel.	73.6	6.2	60.5	5.8	61.2	6.2	28.2	3.3	-12.4	-16.8	-33.0	-54.0
Local Projects	81.8	6.8	36.4	3.5	42.9	4.4	57.2	6.8	-38.9	-47.5	14.3	33.3
Deauthorizations	0.0	0.0	-11.1	-1.1	-7.5	-0.8	-8.6	-1.0	-7.5		1.1	14.6
Subtotal	**$1,195.9**	**100.0**	**$1,048.5**	**100.0**	**$983.5**	**100.0**	**$847.3**	**100.0**	**-$212.4**	**-17.7**	**-136.2**	**-13.8**
Transportation	1,564.6		1,605.4		1,430.0		1,447.1		-134.6	-8.6	17.1	1.2
Grand Total	**$2,760.5**		**$2,653.9**		**$2,413.5**		**$2,294.4**		**-347.0**	**-12.6**	**-119.1**	**-4.9**
Non-transporation Sources:												
General	$324.8	27.2	$49.1	4.7	$9.4	1.0	$0.0	0.0	-315.4	-97.1	-9.4	-100.0
Special	309.4	25.9	208.7	19.9	128.9	13.1	106.9	12.6	-180.5	-58.3	-22.0	-17.1
Federal	23.4	2.0	29.8	2.8	60.2	6.1	60.4	7.1	36.8	157.3	0.2	3.3
General Obligation	505.0	42.2	720.0	68.7	739.8	75.2	655.0	77.3	234.9	46.5	-84.8	-0.1
QZABs	8.3	0.7	0.0	0.0	9.1	0.9	0.0	0.0	0.8	9.6	-9.1	-100.0
Revenue Bonds	25.0	2.1	40.0	3.8	36.1	3.7	25.0	3.0	11.1	44.4	-11.1	-30.7
Recycled	0.0	0.0	0.9	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Total	**$1,195.9**	**100.0**	**$1,048.5**	**100.0**	**$983.5**	**100.0**	**$847.3**	**100.0**	**-$212.4**	**-17.7**	-136.2	**-13.8**

General Fund PAYGO Programs Continue to Be Funded in the Bond Program

	FY 04 Amount	FY 05 Amount
DBED: One Maryland	$7.5	0.0
DBED: Maryland Economic Development Assistance Fund	$0.0	15.0
TEDCO: Technology Development Investment Fund	1.0	1.5
MDE: Water Quality Revolving Loans	6.2	6.5
MDE: Drinking Water Revolving Loans	1.9	1.9
MDE: Hazardous Substance	0.6	1.7
DNR: Oysters Restoration	3.0	3.0
Public School Construction: Relocatable Classrooms	0.2	0.2
DHCD: Historical Trust Capital Revolving Loan Fund	0.2	0.2
DHCD: Rental Housing Programs	7.0	7.4
DHCD: Homeownership Programs	2.2	3.0
DHCD: Special Loan Programs	2.7	0.0
High Speed Data Network	5.0	0.0
Total	**$37.6**	**$40.4**

Notable Omissions for Fiscal 2005
Fiscal 2005 Capital Program
($ in Millions)

Projects Planned for Fiscal 2005 in 2003 CIP	FY 05 Planned	Comments
DHMH RICA Southern Maryland	$0.7	Deferred to FY06 pending study on future of RICA
DHMH Rosewood - Cottage Renovations	7.1	Project abandoned - recommendation to move patients to Clifton T Perkins
DHMH Rosewood - Electrical Distribution Center	4.0	Project eliminated from CIP/closure of State center for developmentally disabled
DHMH Adult Day Care Facilities Grant Program	1.6	Not funded in FY05 - only one applictions received
DHMH Assisted Living Facilities Grant Program	1.5	DHMH eliminated program to emphasise Federally Qualified Health Ctrs.
Military Department - Salisbury Armory	3.5	Project deferred to FY08 as request of Military Dept.
DNR Rural Legacy	14.5	Funding deleted in FY05 as transfer tax revenues diverted to General Fund
Network Maryland	5.0	Funding deferred to FY06
Cumberland District Court	2.0	Funds for property acquisition deferred to FY07
St Mary's College - Anne Arundel Hall Reconstruction	2.0	Project deferred to FY06 - change in project scope
St Mary's College - New Administration Building	1.3	Project deferred byond CIP at request of St. Mary's College
Maryland Stadium Authority	1.5	Project funded by MSA with revenue bonds
USM Coppin State - Health & Humans Services Bldg.	14.6	Funding deferred to FY06 due to change in project schedule
USM System Office - Shady Grove Educational Ctr.	32.1	Funding deferred to FY06 due to other budget priorities
Baltimore Zoo Redevelopment	3.5	Deferred at request of grantee

Notable Additions for Fiscal 2005
New Projects for Fiscal 2005
(Based on Last Year's Capital Improvement Plan)

Projects	Total Project Cost	
Agricultural Land Preservation	$5.0	Funding added to partially replace transfer tax
DBED MD Economic Development Assistant Fund	15.0	Funding replaces general funds
DHMH Clifton T. Perkins New Max Security Wing	9.6	Additional design & construction funds to construct 48-bed wing
DMHM Federally Qualified Health Centers	2.4	New initiative of Administration
DHCD Community Legacy	5.0	Program back in CIP
DHCD Rental Housing Programs	7.4	Funding replaces general funds
DHCD Homeownership Programs	3.0	Funding replaces general funds
DJJ Charles Hickey School New Educational Facilities	2.7	Facility used to support MSDE implementation of full-day education programming
DNR Oyster Restoration Program	3.0	Funding replaces general funds
DNR Program Open Space	15.0	Funding added to partially replace transfer tax
DNR Community Parks & Playgrounds	5.0	Program back in CIP
DNR GreenPrint	5.0	Program back in CIP
BPW: State House Renovations	4.6	New facility renewal project
BPW: Construction Contingency Fund	1.0	Added to meet unanticipated construction expenses through FY05
UMMS: Walter P. Carter Center	5.0	New project to facilitate privatization/ facility to be transferred to UMMS from DHMH

Notable Additions for Fiscal 2005
New Projects for Fiscal 2005
(Based on Last Year's Capital Improvement Plan)
(Continued)

UMMS: New Ambulatory Care Facility	5.0	New project to add space to ambulatory care facilities
USM College Park New Biological Science Bldg.	55.8	Moved up in CIP from FY06 /scheduled FY05 in 2002 CIP/moved to FY06 in 2003 CIP
USM Coppin State - Connor Administration Bldg.	1.8	Supplemental funds needed to correct structural defects
USM Coppin State - Physical Education Complex	2.7	New high priority project to CIP due to deteriorating condition of Coppin Center
USM Coppin State - Grace Jacobs Bldg	3.5	New project to CIP
USM UMBC Chemistry Building Renovation	3.0	New project to CIP
MISC Projects: East Baltimore Biotech Park	4.5	New project to CIP -
MISC Projects: Kennedy Krieger Institute	1.5	New project assist in construction Nat. Ctr. Advanced Research Developmental Disabilities
MiISC Projects: Catholic Charities - Our Daily Bread	3.0	New $7.0 million three year program to help Catholic Charities build and renovate facility
MISC Projects: Strathmore Hall	2.0	Additional funds requested to complete project
MISC Projects: Rockville Redvelopment	1.5	New project to assit in acquisition of land
MISC Projects: B&O Railroad Museum	1.5	New Project to assist in restoratio of museum
MISC Projects: Sheppard Pratt Hospital	1.0	New project to assist in replacement of facilties

Notable Project Changes for Fiscal 2005
Projects for Fiscal Adjustments for 2005
Based on Last Year's Capital Improvement Plan
($ in Millions)

Programs	Planned Amount	Fiscal 2005 Proposed	
BCCC Main Building Renovation	$21.9	$14.7	Pahse III advanced to FY05 - Phase II delayed to FY07
MDE Biological Nutrient Removal	14.0	23.5	Enhanced funding
MD Higher Ed. Community College Grant Program	35.0	44.2	Enhanced funding
Morgan State Univ. Campuswide Utility Upgrades	10.6	0.5	Project reduced until difference in project scope can be addressed
DPSCS North Branch Correctional Institute	2.2	17.5	Enhanced funding
Legislative Initiatives	15.0	30.4	