
Capital Budgeting Process

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Capital Budget Process

- Maryland's capital budget process includes:
 - Strategic planning (PlanMaryland)
 - Facilities master planning
 - Facility planning
 - Financial planning
 - Consolidated five-year *Capital Improvement Plan* (CIP)
 - Project management and monitoring
 - Procurement methods and State policy objectives

Strategic Planning

- PlanMaryland (State Development Plan) guidelines for capital budgeting include:
 - Use State investment in capital improvements to encourage development and economic growth in locations best suited to accommodate growth
 - Minimize State investment that may compromise or damage historic, cultural, and natural resources or environmentally sensitive lands
 - Encourage use or rehabilitation of available existing buildings when allocating State resources for capital projects
 - State-funded capital improvements for new construction are guided by departmental plans and consistent with PlanMaryland goals

Strategic Planning (Cont.)

- State-funded capital improvements for new construction are guided by departmental plans and consistent with PlanMaryland goals. State capital investments should be made in priority sequence:
 - Protection of public health and safety
 - Infrastructure maintenance and system preservation
 - Redevelopment, enhancement improvements, and capacity expansions in Targeted Growth and Revitalization Planning Areas
 - Enhancement improvements in established Community Areas in Priority Funding Areas
 - Enhancement improvements in communities outside of Priority Funding Areas

Facility Master Planning

- Facility master plans are the basis for agency and statewide capital planning. Each plan:
 - Reflects agency programmatic objectives
 - Analyzes adequacy of existing facilities to meet programmatic objectives
 - Identifies current and future needs
 - Prioritizes current and long-term facilities needs
 - Provides the basis for facility planning
 - Assist development of both agency and consolidated statewide five-year CIP

Facility Planning

- Facility planning – embodies in facility program documents – is required by State law. Each facility program includes:
 - Document of project need
 - Relationship to needs outline in agency strategic plan and facilities master plan
 - Physical and operational deficiencies of existing facility
 - Projections of usage (clients, staff, and program activity)

Facility Planning (Cont.)

- Detailed description of proposed project scope
 - Gross and net square footage and building efficiency estimates
 - Use of any applicable space guidelines and standards
 - Detailed instructions to an architect/engineer
 - Cost estimate

- Analysis of project alternatives
 - New construction vs. renovation
 - Phasing project components
 - Altering operating procedures

Facility Planning – Program Review Objectives

- Determine that the justification for a project is sound and the need is fully documented
- Determine that the scope of a project is appropriate – that the program does not include more than is necessary to meet the need yet comprehensive enough to be an appropriate response to the need
- Determine that a project is a cost effective means of meeting the need among alternatives considered
- Determine that a project is consistent with other State plans, projects, programs, and policies
- Determine that the project details are appropriate to the functions that the project will serve and do not involve excessive cost
- Determine that the capital and operating costs are realistic and affordable

Financial Planning

- Capital Debt Affordability Committee – advises the Governor and the General Assembly regarding the maximum amount of debt that can prudently be authorized. Debt affordability is evaluated under two criteria:
 - State debt outstanding should be limited to 4% of Maryland personal income
 - State debt service should be limited to 8% of revenues support the debt service
- Affordability criteria compare debt to economic factors that relate to the wealth of Maryland citizens (personal income) and the resources of the State (revenues)
- Maintaining debt levels within the guidelines allows the State to maintain its AAA bond rating and support a capital program that is sustainable

Financial Planning – Debt Affordability

Debt Outstanding Benchmark (\$ in Millions)

Fiscal Year	Debt Outstanding	Personal Income	Ratio
2014	\$11,461	\$324,927	3.53%
2015	12,368	338,777	3.65%
2016	13,110	354,083	3.70%
2017	13,557	371,002	3.65%
2018	14,249	387,326	3.68%
2019	14,636	403,168	3.63%
2020	15,147	419,778	3.61%
2021	15,568	437,619	3.56%
2022	15,844	455,736	3.48%

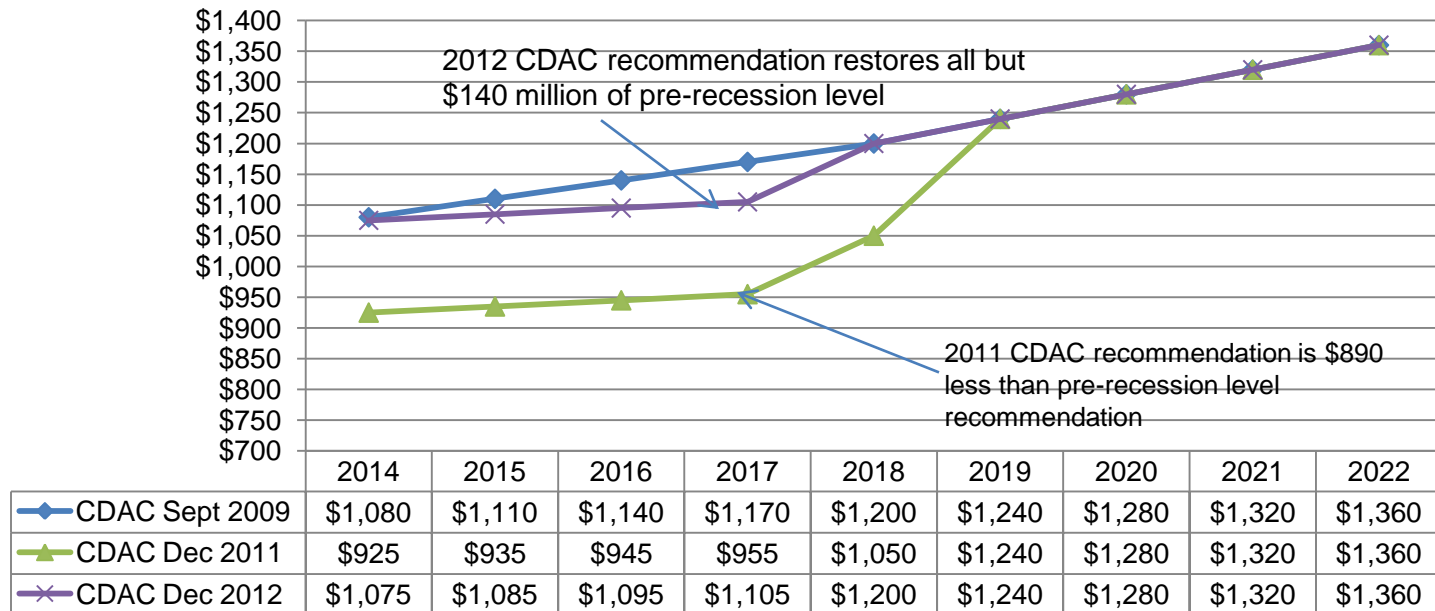
Debt Service Benchmark (\$ in Millions)

Fiscal Year	Debt Service	Revenues	Ratio
2014	\$1,344	\$19,804	6.79%
2015	1,466	20,721	7.07%
2016	1,609	21,822	7.37%
2017	1,724	22,890	7.53%
2018	1,828	23,830	7.67%
2019	1,886	24,759	7.62%
2020	1,933	25,607	7.55%
2021	1,973	26,146	7.55%
2022	2,071	27,203	7.61%

Financial Planning – Flexibility

- Affordability criteria are flexible enough to allow the State to adjust the program as the State’s fiscal conditions change

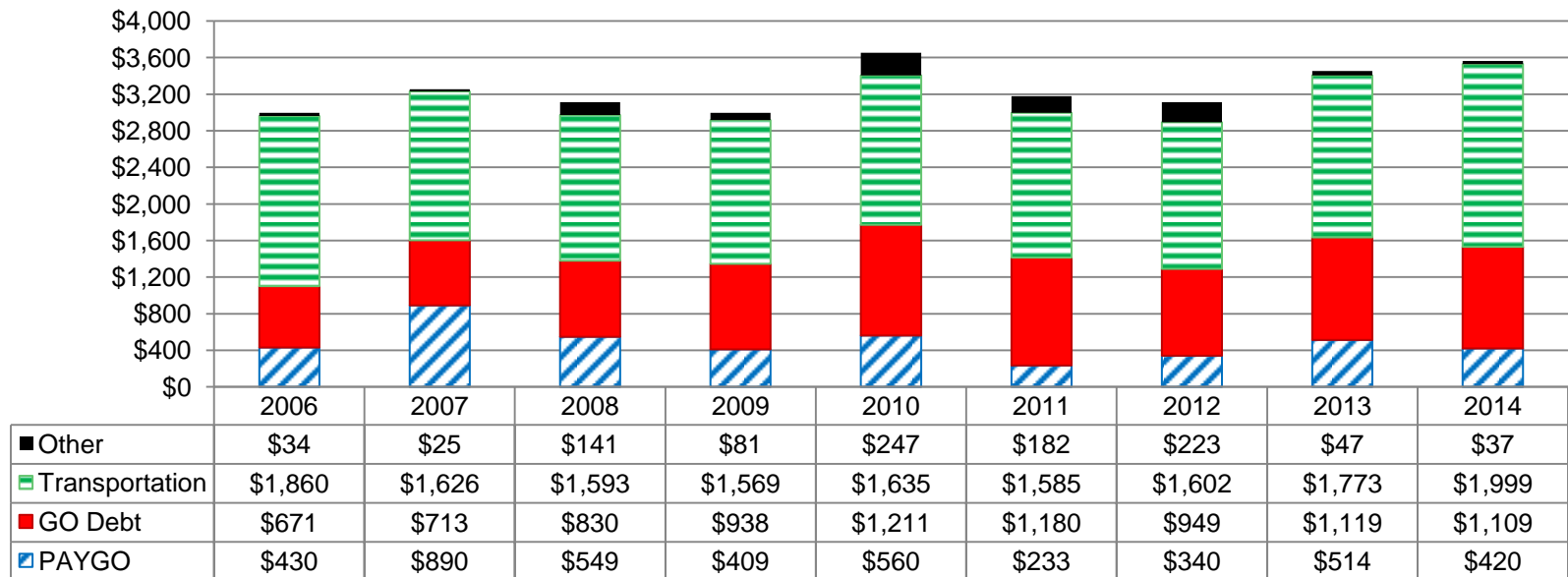
**Comparison of Recent Capital Debt Affordability Committee (CDAC) Recommendations
Fiscal 2014-2022
(\$ in Millions)**



Financial Planning – Flexibility (Cont.)

- Multiple capital funding sources can be shifted to meet specific demands or respond to fiscal constraints and pressures

Capital Funding by Major Source
Fiscal 2006-2014
(\$ in Millions)

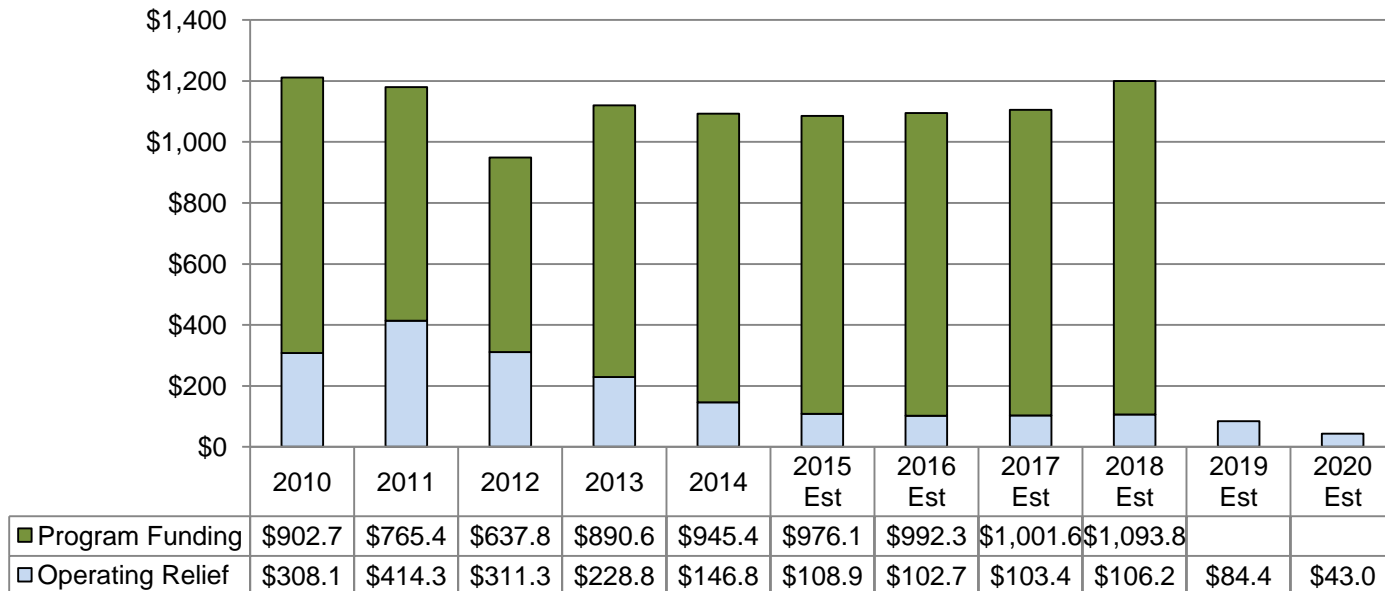


GO: general obligation
PAYGO: pay-as-you-go

Financial Planning – Flexibility (Cont.)

- Shift resources to respond to fiscal challenges

Use of Bond Program for Operating Budget Relief
Fiscal 2010-2020
(\$ in Millions)



Consolidated Five-year CIP

- Strategic Planning, facilities master planning, facility planning, and financial planning result in the development of a five-year CIP
 - Presents a consolidated, statewide plan of capital improvements
 - Includes State projects, State capital grant and loan programs, and capital grants to local governments and private sector
 - Addresses critical agency and statewide capital needs
 - Includes impact of capital projects on operating budget

Finite Resource Allocation (CIP)

Fiscal 2015-2019
(\$ in Millions)

	Total Requests	Anticipated Bond Funded Capital Program	Difference Between Requests and Anticipated Funding Level
State-owned Facilities	\$3,643.2	\$2,520.9	\$1,122.3
Capital Grant Programs	5,105.2	3,129.1	1,976.1
Legislative Initiatives	178.9	75.0	103.9
State Highway (WIP)	395.0	0.0	395.0
Totals	\$9,322.9	\$5,725.0	\$3,597.3

WIP: Waterway Improvement Plan

Design and Construction Professional Services

- The Department of General Services supervises and coordinates the design and construction of State public improvements
 - Procedures for uniform management of design and construction services “*Procedural Manual for Professional Services*”
 - Professional cost estimation and design stage review including value engineering
 - Design and construction contract solicitation and selection
 - Project management
 - Select State agencies have independent design and construction procurement and management authority

Project Delivery Methods

- Code of Maryland Regulations allows for alternative project delivery methods other than the standard design/bid/building method
 - Design-build
 - Construction management
 - Construction management at risk
- General Assembly establishes a statutory framework for public-private partnerships
- Governor's executive order authorizing project labor agreements

Important State Policies

- The allocation of infrastructure funding entails the furtherance of several important State policies
 - Smart growth (PlanMaryland)
 - Prevailing wage
 - Minority Business Enterprises
 - High performance buildings
 - Maryland Historical Trust