Department of Information Technology – Capital

Capital Budget Summary

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

Projects	*Prior Auth.*	*2015 Request*	*2016 Est.*	*2017 Est.*	*2018 Est.*	*2019 Est.*	*Beyond CIP*
Public Safety Communication System	$199.397	$32.900	$34.350	$28.500	$34.650	$0.000	$0.000
Total	**$199.397**	**$32.900**	**$34.350**	**$28.500**	**$34.650**	**$0.000**	**$0.000**

Fund Source	*Prior Auth.*	*2015 Request*	*2016 Est.*	*2017 Est.*	*2018 Est.*	*2019 Est.*	*Beyond CIP*
GO Bonds	$98.750	$26.100	$29.950	$28.500	$34.650	$0.000	$0.000
PAYGO GF	27.400	0.000	0.000	0.000	0.000	0.000	0.000
PAYGO FF*	0.400	0.000	0.000	0.000	0.000	0.000	0.000
Nonbudgeted Funds	72.847	6.800	0.000	0.000	0.000	0.000	0.000
Total	**$199.397**	**$32.900**	**$29.950**	**$28.500**	**$34.650**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*

*The CIP assumes $500,000 in federal funds in fiscal 2015. These funds are not included in the budget bill. A supplemental budget appropriating these funds is anticipated.

For further information contact: Patrick S. Frank   Phone: (410) 946-5530

Summary of Updates

One Maryland Broadband Project Is Completed: The project added 1,324 miles of fiber optic cable throughout all jurisdictions of the State.

Summary of Recommended Bond Actions

1.   Public Safety Communication System

         Approve.

Budget Overview

The Public Safety Communications System project will provide an integrated statewide public safety wireless communication system and a primary radio communication system for public safety first responders throughout the State. The system uses the Public Safety 700 Megahertz spectrum licensed to the State by the Federal Communications Commission. The program is also referred to as Maryland First Responders Interoperable Radio System Team (Maryland FiRST).

Once completed, this radio system will be the primary operating radio system for all State agencies, providing a communications platform for 16 State operating units and allowing for seamless interoperability among State users and first responders at all levels of government. Interoperable communications is the ability for first responders to transmit voice and data communications in real-time, regardless of agency or jurisdictional boundary.

The new *Capital Improvement Program* (CIP) modifies the general obligation (GO) bond authorizations required to complete this project. **Exhibit 1** shows that the fiscal 2015 authorization has been reduced to $26.1 million. This is $16.2 million less than projected last year. This reduction is offset by a $0.5 million federal grant. Authorizations have also been extended to fiscal 2018. Based on the revised authorization and project schedule, total GO bond costs are now $8.6 million more than projected in the 2014 CIP. The Department of Information Technology (DoIT) advises that cost increases are attributed to $6.5 million in additional inflation and backhaul upgrades and $2.1 million in technical support.

As previously mentioned, DoIT advises that $500,000 in fiscal 2015 federal funds from Urban Area Security Initiative grants is available for this project. The State must compete with Virginia and the District of Columbia for these grants, so it is unclear if these grants will be available in subsequent years. DoIT has indicated that it will apply for more grants. The funds are also budgeted in the fiscal 2015 CIP. The funds are not appropriated in the operating budget bill (SB 170 of 2014). **The Department of Legislative Services (DLS) recommends that the funds be included in a supplemental budget.**

Exhibit 1
Maryland FiRST
Revised General Obligation Bond and Federal Fund Spending Plan
(*$ in Millions*)

Fiscal Year	2013 CIP GO	2014 CIP GO	2015 CIP Federal Funds	2014-2015 Difference
2015	$42.3	$26.1	$0.5	-$15.7
2016	34.3	30.0	0.0	-4.4
2017	34.5	28.5	0.0	-6.0
2018	0.0	34.7	0.0	34.7
Total	**$111.1**	**$119.2**	**$0.5**	**$8.6**

CIP: *Capital Improvement Program*
GO: general obligation

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

Source: Department of Budget and Management

Public Safety Communications System Project Status and Costs

The construction contract was awarded by the Board of Public Works in November 2010. To date, the regions served by the Maryland Transportation Authority and Eastern Shore counties have operational systems. The remaining areas of the State should be operational by 2018. GO bond authorizations have been reduced in fiscal 2015 through 2017. This delays the implementation schedule. **Exhibit 2** shows that Western Maryland funds will be available sooner – in fiscal 2015 instead of fiscal 2016. Funds for the nation's capital area and Southern Maryland will be delayed. The new schedule also adds a year until the project is completed.

The department should be prepared to brief the committees on the effect of reducing fiscal 2015 GO bond authorizations on project schedule and costs.

Exhibit 2
Revised Schedule for Implementing Maryland FiRST
Years Funds Become Available

Region	Area	2013 CIP Plan	Revised Plan
1A	Maryland Transportation Authority Roads (parts of Anne Arundel, Baltimore, Cecil, Harford, Kent, Montgomery, Prince George's and Queen Anne's counties and Baltimore City)	2012	2012
2	Eastern Shore (parts of Caroline, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester counties)	2013	2013
1	Central Maryland (parts of Anne Arundel, Baltimore, Carroll, Cecil, Frederick, Harford, Howard, and Kent counties and Baltimore City)	2014	2014
3	Nation's Capital Area and Southern Maryland (parts of Calvert, Charles, Montgomery, Prince George's, and St. Mary's counties)	2015	2016-2017
4	Western Maryland (Allegany, Garrett, and Washington counties)	2016	2015

CIP: *Capital Improvement Program*

Source: Department of Information Technology, February 2014

Maryland FiRST Is Operational

As previously mentioned, sections on the Eastern Shore and Central Maryland are operational. As additional phases are completed, operations are expected to expand throughout the State.

In addition to supporting the construction of the system, the State also provides substantial operating support for the new system. These costs can be divided into three categories:

- **DoIT Costs to Administer and Maintain the System:** This includes staffing costs related to positions, such as radio positions added to the DoIT budget in fiscal 2013, as well as regular tower and equipment maintenance costs. DoIT advises that the fiscal 2015 budget includes an additional $1.0 million for maintenance. **Exhibit 3** shows that out-year maintenance costs are expected to increase by $10.4 million in fiscal 2019.

Analysis of the FY 2015 Maryland Executive Budget, 2014

Exhibit 3
Additional Out-year Operating Costs
Fiscal 2015-2019
($ in Millions)

	2015	**2016**	**2017**	**2018**	**2019**
Radios	$8.1	$19.0	$0.0	$0.0	$0.0
Maintenance	1.0	3.0	5.5	8.4	10.4
Total	**$9.1**	**$22.0**	**$5.5**	**$8.4**	**$10.4**

Source: Department of Budget and Management, February 2014

- **Periodic Equipment Upgrades:** The State has appropriated over $30.0 million in radio equipment in fiscal 2013 and 2014. The exhibit shows that an additional $27.0 million is anticipated in fiscal 2015 and 2016. It is anticipated that the system will last longer than the radios and periodic replacement will be necessary.

- **User Agency Costs:** Some using agencies may need to deploy additional resources for such activities as administering, tracking, and maintaining the radios.

The bottom line is that operating this system is expected to require a substantial amount of resources. The State should be able to track these costs. One approach may be to consolidate centralized spending into a single program. Currently, much of this spending is part of the Networks Division, which makes it difficult to differentiate Maryland FiRST spending from networkMaryland and other infrastructure spending. **DLS recommends that the department adopt budgeting processes that make Maryland FiRST spending transparent.**

The high cost of operating the system places a burden on the general fund, which currently has a structural deficit. Since this is an ongoing activity with broad agency use and broad support, this is an ideal candidate for dedicated funding. **DLS recommends that the department examine dedicated funding sources to fund operating and maintenance of Maryland FiRST.**

Legislation to Coordinate Maryland FiRST Is Introduced

To coordinate the operations and maintenance of the system, SB 338/HB 308 of 2014, which establish Statewide Interoperability Radio Control Board, have been introduced. The bills appoint a board of 11 members. Six of the members are from DoIT, the Department of State Police, the Maryland Department of Transportation, the Maryland Institute for Emergency Medical Services Systems, and the Governor's Office of Homeland Security, as well as the State Interoperability

Director. The remaining 5 members are appointed by the Governor and represent local governmental entities that are either users or contributors to the system. The board will be chaired by the DoIT designee.

The board is responsible for managing a well-functioning system by establishing standard operating procedures, quality of service standards, and maintenance guidelines. The board also approves new users, establishes working groups, coordinates collaborative relationships, and resolves conflicts among users.

The board also reviews and makes recommendations about spending and maintenance efforts. The bill specifically notes that the board:

- reviews the annual cost estimation provided by the director of the board;

- recommends to the Governor and the General Assembly funding and resource levels for system operations and maintenance;

- advises the Governor and the General Assembly on resources needed for appropriate operation and expansion to meet service needs for public safety communications statewide; and

- negotiates agreements with federal agencies, surrounding states, or the District of Columbia for the use of the system.

Should this legislation be enacted, the DoIT Secretary, or her designee, will be chairing this board. **The department should brief the committees on the role of the proposed board as well as the major issues that the proposed board will need to address.**

It is clearly the bills' intent that the board actively reviews costs and makes recommendations about those costs. **The department should brief the committees on the role of the board with respect to spending. This should include a discussion of any relevant spending policies.**

Updates

1.   One Maryland Broadband Project Is Complete

The One Maryland Broadband project constructed additional fiber optic lines to connect government and private broadband networks. The network connected lines to anchor institutions, such as schools, libraries, hospitals, and public safety agencies. The benefits of the system are improved access, increased bandwidth, and reduced operating costs. The plan was to add approximately 1,300 miles of broadband and attach at least 1,000 anchor institutions to the

broadband. Anchor institutions include schools, universities, libraries, police stations, and government buildings.

In addition to DoIT, the Inter-County Broadband Network (ICBN) and Frederick County also managed part of the network's construction. ICBN was led by Howard County and also includes Anne Arundel, Baltimore, Carroll, Harford, Montgomery, and Prince George's counties, Annapolis, and Baltimore City. ICBN was identified as a subrecipient of the grant and managed the construction of the network in Central Maryland.

The project was completed on August 31, 2013. The bulk of the project's costs ($162 million) supported construction ($114 million) costs. In-kind contributions provided much of the support for administrative costs. To reduce the time it takes to complete the project, engineering was done concurrently in sections and continuously throughout the life of the project. Essentially, the State engineered a section, submitted permits, and then began to engineer another section. Under this approach, permitting and engineering is done almost continuously.

Exhibit 4 shows that federal funds provide $115.2 million of the $161.5 million in project costs. In-kind contributions, which are primarily for appraised assets, are the smallest source of funds.

Exhibit 4
One Maryland Broadband Network Expenses by Source
($ in Millions)

	Total
Federal Funds	$115.2
State Cash/Bond Match	14.5
Subrecipient Cash Match	18.5
State In-kind	7.3
Subrecipient In-kind	6.0
Total	**$161.5**

Source: Department of Information Technology

Exhibit 5 shows that the project constructed 30 more miles than planned and connected 62 more institutions than planned.

Exhibit 5
One Maryland Broadband Project Planned and Realized

	Planned	Constructed
Miles of Broadband Constructed	1,294	1,324
Anchor Institutions Connected	1,006	1,068

Source: Department of Information Technology, February 2014

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement
($ in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Public Safety Communication System					
Estimated Operating Cost	$9.1	$22.0	$5.5	$8.4	$10.4
Estimated Staffing	0	0	0	0	0
Total Operating Impact					
Estimated Operating Cost	**$9.1**	**$22.0**	**$5.5**	**$8.4**	**$10.4**
Estimated Staffing	**0**	**0**	**0**	**0**	**0**

Note: Amounts provide updated revise amounts in the fiscal 2015 *Capital Improvement Program*. Update was prepared by the Department of Budget and Management in February 2014.

The fiscal 2015 operating impact includes $8.1 million for radios, and the fiscal 2016 operating impact includes $19.0 million for radios. The remaining costs reflect anticipated maintenance contract costs for the radio towers.

GO Bond Recommended Actions

1.   Approve $26,100,000 in general obligation bonds for the Public Safety Communication System.