

THE CAPITAL BUDGET

INTRODUCTION

Capital expenditures are costs that the County incurs while building permanent facilities such as schools, libraries, fire stations and roads. These expenses are programmed in the Capital Improvement Program (CIP), which is the County's plan for constructing capital facilities during the next six years. The CIP provides a detailed, year-by-year schedule of all planned construction projects and the annual spending and financing requirements of each project.

The Capital Budget consists of expenditures to be made in the first year of the Capital Improvement Program and provides the appropriation authority to spend the funds needed to initiate or continue work on capital projects during the budget year. By serving as a vehicle for implementing the County's long-range physical development goals and policies, the Capital Budget is the framework within which all County development activities occur, whether it be for constructing new facilities or extending the usable life of existing facilities.

Since capital facilities provide benefits over a long period of time, the County normally spreads out their costs, paying for them through general obligation bonds and other forms of long-term indebtedness. This ensures that capital costs are not borne solely by today's taxpayers, but that future beneficiaries of capital projects also help to pay for them.

FY2004 Capital Budget

The FY2004 Capital Budget consists of 311 projects at a total cost of \$490.6 million. When subtracting the \$111.9 million associated with Maryland-National Capital Park and Planning Commission projects, and the \$25.1 million associated with the Redevelopment Authority and \$18.5 million associated with Industrial Development Authority, the County's portion of the capital budget amounts to \$335.1 million. The amount of County general obligation bonds programmed for sale in FY2004 to support capital budget expenditures is \$103.4 million.

The County's FY2004 Capital Budget includes new project initiations for the school system and the County. Funds are included to replace a high school, and to construct additions to six high schools. At the elementary level, the capital budget contains construction funds for eleven new elementary schools. Also included are four school renovation projects. Major County projects include the Oxon Hill Library Renovation, the Detention Center Expansion, the Duvall Wing Courthouse renovation, and the Marbury Wing Courthouse addition. Also funded are portions of over fifty road and bridge improvement projects. As well, the Capital Budget includes projects that will maintain the County's building stock and infrastructure by providing funds for large repair items, road resurfacing, and curb and sidewalk repairs.

Capital projects are not usually completed in a single fiscal year, and the funds contained in the Capital Budget customarily support only a particular phase of a project, such as design, land acquisition or construction. Medium and large projects can take two to three years to complete and are incorporated in the County's six-year Capital Improvement Program.

FY2004-2009 Capital Improvement Program

The FY2004-2009 Capital Improvement Program consists of 414 projects at a total cost of just over \$1.5 billion, including projects for the Maryland-National Capital Park and Planning Commission, and the Redevelopment, Revenue, and Industrial Development Authority.

A summary of the FY2004-2009 Capital Improvement Program showing expenditures by agency or program follows.

FY2004 Capital Budget Expenditures

The education and health portion of the Capital Budget comprises \$146.7 million, or 29.9% of the total. Included in this category is funding for the Board of Education, the Prince George's Community College, the Prince George's Memorial Library and the Health Department. Projects in this category include the rehabilitation and

expansion of current facilities, and the design and construction of new schools. Funds going to the public school system account for 87.9% of the total. Funding for this program segment comes from the sale of general obligation bonds and from State aid. Approximately 59% of the six-year school construction program is supported by local funds, with the State paying for the remainder. Under the current State funding formula, the State will pay for 75% of all eligible school construction costs up to the first \$35 million allocated. For awards over \$35 million, the State will pay 60% of eligible costs. This formula will be in effect through FY2007, although in FY2004, the State to-date, citing financial constraints, has only allocated \$6.7 million to the County for school construction. The County and State share in the construction costs for Community College facilities.

The transportation and economic development component of the FY2004 Capital Budget is budgeted at \$131.9 million, or 26.9 % of the total. These funds will be used for the construction and rehabilitation of County roads and bridges, as well as for the construction of mass transit related facilities such as fringe parking lots. Transportation funding comes primarily from general obligation bonds. Additional revenues come from developer contributions and from the Federal government, primarily in support of the bridge construction program. Included in this category are Neighborhood Improvement Program projects that are funded with Community Development Block Grant monies from the Federal Government. Also included here are projects that come under the auspices of the Revenue Authority and the Redevelopment Authority.

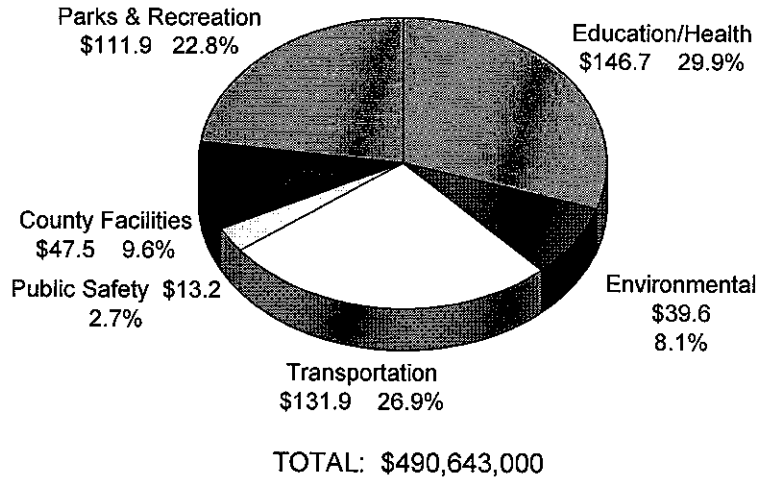
A third large portion of capital budget spending is for parks and recreation facilities, accounting for \$111.9 million, or 22.8% of the total programmed for FY2004. Included in the FY2004 program are a large number of previously approved, but yet to be constructed projects. This part of the capital program is administered by the Maryland-National Capital Park and Planning Commission. Funding comes from a combination of sources that includes the sale of bonds by the Commission, State aid under Program Open Space, developer contributions, and contributions from operating revenues. These expenditures will be used for the acquisition of park land and for the development of park facilities, ranging from the purchase of playground equipment to the construction of new community centers.

Another segment of the FY2004 capital budget amounting to 8.1%, or \$39.6 million, will be devoted to projects aimed at improving the environment. The two major areas that are addressed under the environmental category are solid waste management and stormwater management. Solid waste management capital projects are funded with either general obligation or revenue bonds. The debt service costs for these revenue bonds are supported by tipping fees charged to trash haulers, and other revenues collected by the Solid Waste Management Enterprise Fund.



FY2004 Proposed Capital Budget Expenditures

(\$ Millions)



The construction of public safety and other County facilities comprises the remainder of the FY2004 Capital Budget. Together, these two functions account for 12.3% of the FY2004 Capital Budget, or \$60.7 million. The public safety category includes facilities for the Police, Fire and Corrections departments. Projects in the six-year program include the construction and rehabilitation of fire stations, the expansion of the Correctional Center and the construction of a driver training course. Projects under the County facilities portion of the Capital Budget consist primarily of renovations to current facilities, including the renovation of the Duvall Wing of the County Courthouse. The funding for projects in these categories comes from the sale of general obligation bonds.