FY 2022 Capital Budget Request Guide

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Introduction

Each year, State agencies submit their capital funding requests to the Office of Capital Budgeting (OCB). This document outlines the overall process in which agencies prepare for and submit budget requests, and includes helpful hints, links, and checklists to ensure accurate and complete submission. Further detailed instructions on how to use the Capital Budget Information System (CBIS)—the State's online capital budget submission software—can be found in the CBIS Manual.

Each State agency is assigned a capital budget analyst, who provides technical assistance in budget submissions as well as preparing facilities master plans, capital project proposals, equipment edibility lists, et cetera. OCB analysts work closely with their agencies and the rest of the DBM team to prepare the Governor's annual capital budget and five-year Capital Improvement Program (CIP).

All agencies should use their assigned OCB analyst as a resource before, during, and after the budget submission season. Questions are welcome, and analysts strive for open and ongoing communication throughout the year in order to create a streamlined submission process for their agencies. Once an agency submits its request, the assigned OCB analyst will review the request and reach out with questions or request additional information, if necessary. The analyst may also require agencies to revise and resubmit requests that lack complete, accurate information.

In order to save time and effort, please make full use of the guidelines and information outlined in this document. This document is designed as a guide to increase the likelihood of approval, improve the quality and completeness of the request, and reduce the need for revisions and resubmissions. For more information, please reach out to your OCB analyst or visit The Department of Budget and Management – Capital Budget Homepage.

Important and Helpful Links

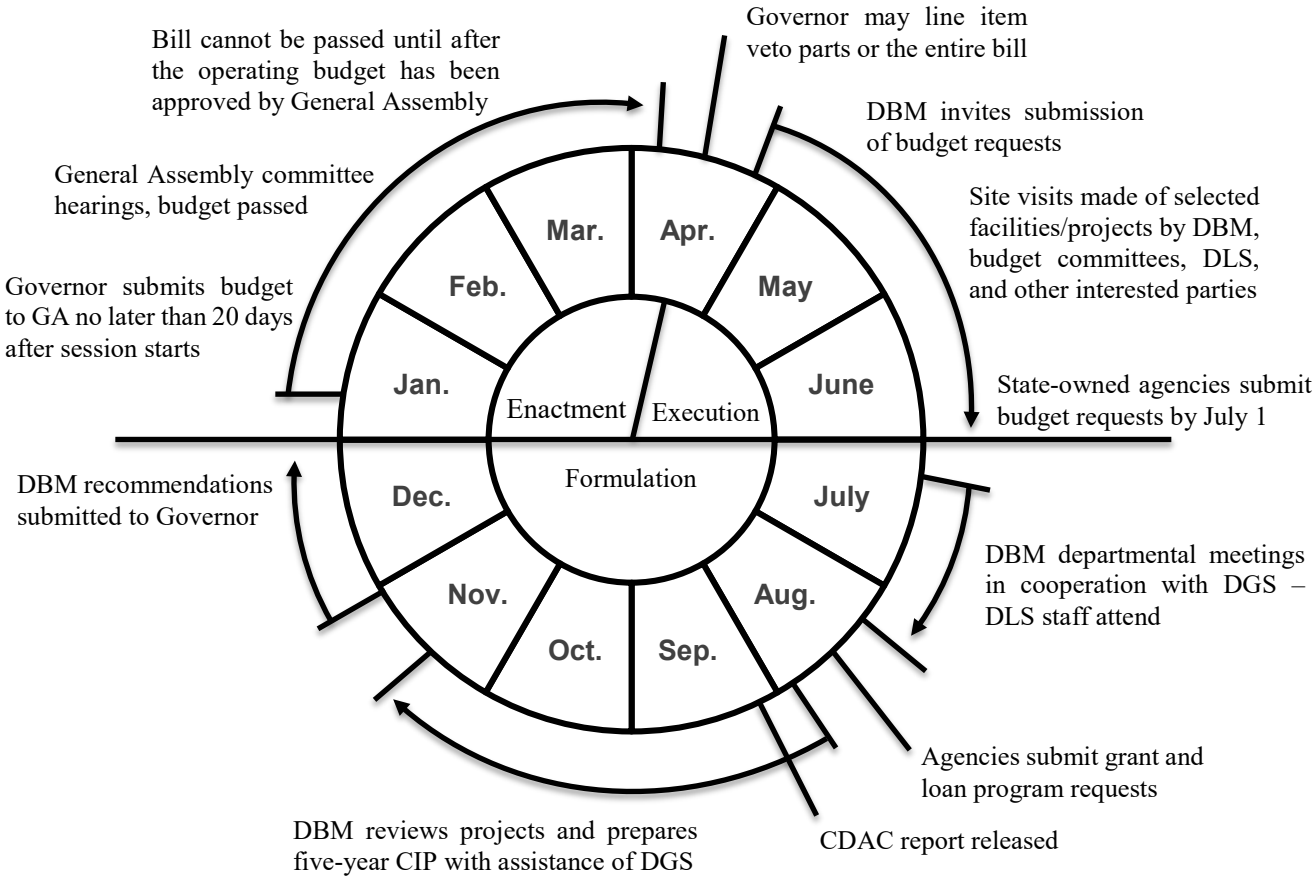
Please consult the following links as you prepare your budget submission.

- Capital Budget Homepage
- Capital Budget Analysts Contact Information
- CBIS Manual
- Facility Program Manual
- FY 2021 Capital Improvement Plan (CIP)
- FY 2021 Capital Budget Bill (MCCBL of 2020)
- Growth and Conservation Criteria (GCC) Form
- GCC Interactive Map
- Capital Equipment Guidelines and Capital Equipment Request (Form G)
- Project Funding Status Report Form

Budget Process

Maryland operates its finances according to the fiscal year calendar, which begins on July 1st. In order to plan for future years and future facility needs of the State, Maryland has instituted a capital budgeting process, which coincides with each new fiscal year. Agencies submit requests for capital projects (including projects with pre-authorizations) by July 1st or August 15th, depending on the type of request. DBM, Department of General Services (DGS), and other executive departments review submissions and submit recommendations to the Governor. The Governor incorporates these recommendations and other considerations into his capital budget, which is proposed to the General Assembly in January.

Capital Budget Cycle



CDAC: Capital Debt Affordability Committee
CIP: Capital Improvement Plan
DBM: Department of Budget and Management
DGS: Department of General Services
DLS: Department of Legislative Services
GA: General Assembly

Source: Department of Legislative Services

Important Dates

July 1st, 2020: State-owned requests are due
August 15th, 2020: Grant and Loan requests and non-State-owned requests are due

Facility Program Deadlines

Important note on facility programs (for State-owned agencies and applicable Grant and Loan programs): Please ensure that you have submitted an electronic version of your facility program. If you choose to submit a paper copy of your facility program, also include an electronic version.

For FY 2022 - FY 2026 requested projects that would be new to the CIP, the submission deadline for part I of the facility program is **June 29, 2020**. The deadline schedule for part II of the facility program is as follows:

- FY 2022 requested projects: March 2, 2020 *(past due)*
- FY 2023 requested projects: March 1, 2021
- FY 2024 requested projects: March 1, 2022
- FY 2025 requested projects: March 1, 2023
- FY 2026 requested projects: March 1, 2024

Capital Budget Submission

To be considered for capital funding, you must submit a complete and accurate budget request. OCB requires you to submit your agency's request in CBIS and provide additional documents as appropriate for your agency, project, and program. Included in the CBIS Manual is an introduction, instructions for each type of budget request, an appendix, and Cost Estimate Worksheet (CEW) instructions. The introduction section of the manual lists which set(s) of CBIS instructions you must follow for your agency based on the four types of budget requests, which are State-Owned Projects, State-Owned Programs, Grant and Loan Programs, and Non-State-Owned Projects.

It is important that you understand, complete, and submit each document required for your particular project or program. Individual (online and in-person) technical assistance and CBIS training sessions are available to agencies and budget preparers. Please contact your assigned capital budget analyst to schedule a session, and do not hesitate to contact your analyst if you have any questions during the budget submission process, before or after your training session.

Capital Budget Information System (CBIS)

CBIS is the computer database utilized by OCB to process your capital budget request. To be considered for capital funding, you are required to complete several CBIS worksheets. Below is an overview of important CBIS sections along with OCB's expectations for your submission. **For**

a complete set of instructions for CBIS as well as technical inquiries, refer to the CBIS Manual. If you continue to have questions, please contact your capital budget analyst.

Obtaining a CBIS Login or Password Reset

All capital budget requests need to be submitted via CBIS. To obtain a username and password for CBIS, contact the Service Desk at (410) 697-9700 or service.desk@maryland.gov. Provide your name and agency, and explain that you need a CBIS login when you call or email.

To reset your password click the "forgot password" link and answer the security questions that you previously set. If this does not work, please contact the Service Desk for further assistance in resetting your password.

Cost Estimate Worksheet (CEW)

Cost estimates for each project requested for FY 2022 – FY 2026 must be supported by a CEW entered into CBIS. Step-by-step instructions for completing the CEW are available in Section IX of the CBIS Manual.

CEWs are escalated to the midpoint of construction to account for inflation. **Escalation is to be calculated at 4.0 percent for calendar year 2020 and 4.0 percent for each year thereafter**. For projects already in the CIP and without final contracts, remember to increase the base costs by the 2019 escalation rate of 9.3 percent and update the "Estimate Reference Point" to 2020. In addition to escalation, certain counties have a regional construction factor (RCF) below or above 1.0 to account for the variation in wage rates. In 2019, the RCFs were changed for several counties. To learn more about the calculation of escalation and to see an updated chart of RCFs by county, please refer to the 2019 Escalation Rate and RCFs Adjustments Memo.

After budgets have been submitted, there may be better information about the economy and the bidding climate. In preparing final budget recommendations, DBM may adjust the escalation rate up or down, as appropriate.

Cash Flows

Agencies must submit a cash flow projection in **Microsoft Excel format** for projects for which construction funding is requested in FY 2022. OCB prefers a schedule showing projected expenditures by month. The cash flow must disaggregate spending by acquisition, planning, construction, and equipment funds.

- Click here to view a sample of a cash flow.
- A cash flow template is provided for your convenience, but agencies may use their own templates.

Please upload your cash flow in the "Justification" section of CBIS.

Printing Your CBIS Worksheets

OCB strongly recommends that you print a hard copy of completed CBIS worksheets prior to submission, for your records and for your budget meeting with DBM. For additional information

or questions about how to print your worksheets, please consult our CBIS Manual or contact your assigned budget analyst.

Documents Completed Outside of CBIS

The following section discusses other documents that ***may*** be required for your capital project. Please ask your budget analyst if you are unsure whether you should complete a form.

Growth and Conservation Criteria (GCC) for Capital Budgeting

Under the Local and State Targeted Growth and Conservation Areas, Maryland will be able to better coordinate the smart growth efforts and programs of State government. The Smart Growth Subcabinet agencies collaborate with local governments to identify locations where targeted investments can promote growth and protect other areas where preservation and conservation should be a priority. DBM has developed guidelines for capital budgeting. All State agencies must consider these guidelines in their capital budget requests when prioritizing projects to be funded and when siting new capital projects.

GCC Guidelines for Capital Budgeting are:

- Use State investment in capital improvements to encourage development, redevelopment, and economic growth in locations best suited to accommodate growth and achieve GCC goals and objectives.
- Minimize State investments that may compromise or damage historic, cultural, and natural resources or environmentally sensitive lands. Encourage use or rehabilitation of available existing historic buildings where practicable and feasible when allocating State resources for capital projects.
- State-funded capital improvements for new construction will be guided by departmental plans and consistent with GCC goals. To the extent practicable, State capital investments should be made according to the following priority sequence:
    1. Protection of public health and safety.
    2. Infrastructure maintenance and system preservation.
    3. Redevelopment, enhancement improvements, and capacity expansions in Targeted Growth and Revitalization Planning Areas.
    4. Enhancement improvements in Established Community Areas in Priority Funding Areas (PFAs).
    5. Enhancement improvements in communities outside PFAs.

All agencies must complete the GCC Criteria Spreadsheet for their FY 2022 requested projects (including stand-alone and projects within a program) and submit it with their FY 2022 capital budget submission. Please follow the instructions contained in the 'Instructions' tab of the form.

For assistance with Growth and Conservation Criteria, please contact your capital budget analyst.

Capital Equipment

- Projects with capital equipment funding requests are required to submit a DBM Equipment and Furnishings Request - Form G. Agencies must submit equipment lists no later than three months after the completion of design.
- State government units are **required** by State law and regulation (Ref: COMAR 21.11.05) to procure supplies and services from designated selling entities whenever possible – generally, this refers to Maryland Correctional Enterprises (MCE). If MCE cannot provide a specific product or item, the A/E must obtain a written waiver from MCE for that product. Products from alternate sources will not be accepted without a waiver from MCE. More information about MCE is available at https://mce.md.gov/.

State-Owned Requests

State-owned requests will need a part I facility program prior to being included in the CIP and a part II facility program prior to being included in the upcoming budget year. Please see the Important Dates section of this document for more information on the submission deadlines for facility programs. A project request must include a Cost Estimate Worksheets (CEW) and a Growth and Conservation Criteria Form. After the project as begun, cash flow estimates and a list of capital equipment (Form G) are required. Only Independent Procurement Agencies are required to submit a Project Funding Status Report.

To view an example of a completed request, click **here**. This example includes notations to help avoid common mistakes. Please review the example carefully while completing your request.

Grant and Loan Requests

For project requests, please refer to the Growth and Conservation Criteria, Cost Estimate Worksheet, and Cash Flows sections of this document to assist with your capital budget request.

For program requests, the Part II section ("Projects – Current Year Planned Activity" screen in CBIS) should reflect your **current spending plan** for FY 2021; this may be different from the Part IV project list from last year (which CBIS rolls over to this year's Part II).

Encumbrance and Expenditure Summary

- All State-administered grant and loan programs must provide updated data in the Prior Appropriations and Encumbrance and Expenditure Summary sections in CBIS ("Prior Activity" and "Activity" tabs).
- Information not capable of input into CBIS must be submitted in a spreadsheet in Excel or PDF format attached to the "Justification" section in CBIS.

To view an example of a completed request, click **here**. Note: For programs with projects that require CEWs, please the State-owned CEW example. The examples include notations to help avoid common mistakes. Please review the example carefully while completing your request.

Consolidated Requests for Certain Capital Improvements

Funds for Statewide programs are limited, and agencies should consider using other sources of funds for these projects (such as other capital programs or federal funds). The following types of capital improvements are consolidated into a single statewide request by designated agencies:

- Requests for **accessibility projects** to comply with the Americans with Disabilities Act should be submitted through John Brennan Maryland Department of Disabilities (MDOD), at (410)767-3640 or john.brennan@maryland.gov. The Department will review and prioritize these projects for funding from a single statewide fund source.

  Note: Beginning in FY 2020, DBM and MDOD instituted a new policy requiring higher education institutions to contribute at least 30 percent of the total cost of projects within the Access Maryland program.

- Requests for **infrastructure or facilities renewal projects, asbestos abatement or encapsulation, and underground heating oil storage tanks** should be directed to Mr. Courtney League of DGS at (410)767-5516 or courtney.league@maryland.gov. The Department of General Services collects, reviews, and analyzes all such requests from State agencies and prioritizes them on a statewide basis. Multiple requests for related projects at the same facility (e.g. roof replacements on multiple buildings at the same complex) with a total cost of more than $2.5 million should be submitted as a stand-alone capital project request.

Energy-Related Projects

Agencies **must** consider an energy performance contract (EPC) as a preferable alternative to capital debt for energy-related projects. Renovations, improvements, or replacements for central boiler plants, chillers, HVAC systems, lighting, energy management systems, controls, etc., should be designed, installed, maintained, operated, and financed through EPCs. For assistance on projects that may be suitable for an EPC, please contact Ms. Lauren Buckler, Assistant Secretary of Facilities Planning, Design, Construction, & Energy at (410)767-3174 or lauren.buckler@maryland.gov.

Maryland Department of Planning Coordination

- Agencies are required to prepare and submit an **Environmental Assessment Form** (EAF) to the Maryland Department of Planning (MDP) for each new project request. A generic EAF is available here.
- Please contact your assigned budget analyst for information regarding the EAF preparation process in general.

Conclusion

The Capital Improvement Program (CIP), adopted by the 2020 General Assembly, places considerable constraints on the State's ability to engage in new or accelerated capital projects. Be advised that legislative pre-authorizations do not guarantee a place in the Governor's CIP. If and/or when these projects are accommodated within the CIP, other worthy projects will have to be deferred or eliminated from the CIP in order to maintain Capital Debt Affordability Committee and Spending Affordability Committee recommended GO bond levels. DBM is committed to maintaining the well-justified projects and programs identified in the Governor's current FY 2021-2025 CIP.

In keeping with the Governor's commitment to fiscal discipline, we are asking that State agencies craft an FY 2022- FY 2026 capital budget request that:

- Maintains projects and programs as scheduled in the Governor's FY 2021 – 2025 CIP.
- Proposes new projects starting in FY 2026 that are included in the agency's most recent Master Plan and have part I facility programs submitted to DBM. DBM will consider including projects earlier in the CIP only if they are deemed necessary to address emergency or life-safety issues.
- Updates DBM on the status of on-going capital state projects.
- Justifies, with well-documented quantitative and qualitative data, the need for the project or the need for increased project funding.
- Provides cost estimates and cash flows that clearly indicate the need for funding in the fiscal year being requested.
- Provides a request worksheet that has been approved by agency management with budget information that is consistent throughout.

The Office of Capital Budgeting expects agencies to submit the highest quality work and provide compelling justification in order for capital funding requests to receive consideration. Please ensure that you have consulted the information above and read the information available on the Capital Budget Homepage. If you have further questions, please contact your assigned budget analyst.

On the following is a checklist for submitting the capital budget request. The checklist and resources above will help with the significant undertaking of preparing and submitting a capital request.

Checklist for Capital Project Requests and Worksheets

General Information

- ☐ Correct agency/college
- ☐ Correct project title
- ☐ Project/Program titles do not include symbols (i.e.: & should be written as "and")
- ☐ Project/Program title contains no obscure abbreviations and acronyms
- ☐ Correct county identified
  - ☐ Specifies "Baltimore City" or "Baltimore County"
- ☐ Address information is correct
  - ☐ Correct jurisdiction
  - ☐ Correct legislative district
  - ☐ Correct longitude/latitude coordinates
- ☐ Substantive explanation in the CIP Difference Section
- ☐ CBIS Worksheets are printed

Project Descriptions

- ☐ Description begins with a verb (e.g. Construct, Renovate, etc.)
- ☐ One or more sentences describing project
  - ☐ If an approved program exists, indicate GSF
  - ☐ If the program has not been approved, the NSF/GSF should not be in the description.
  - ☐ NSF/GSF of both the renovation and addition are individually indicated (if applicable)
- ☐ One or more sentences summarizing need for the project
- ☐ The NSF/GSF and costs match the CEW
- ☐ CIP Difference Section, if applicable
  - ☐ Explanation of why budget year requested funding differ from planned funding
  - ☐ Be specific
- ☐ Concluding sentence:
  - ☐ Budget year project: "The FY 2022 request includes funding to…"
  - ☐ Projects extending beyond the CIP: "The estimated cost of this project totals $---."

Budget Request and Schedule

- ☐ Correct budget numbers for each year and use (APCE)
  - ☐ Prior authorization
  - ☐ Budget Year
  - ☐ Out-years
  - ☐ Fund sources
- ☐ Worksheet matches the CEW
  - ☐ Prior/New Design, Construction, Equipment
  - ☐ Project/breakout totals
  - ☐ Design/Construction schedules
  - ☐ NSF/GSF
- ☐ Fund sources equal uses (APCE) and project totals
  - ☐ Correct matching funds
  - ☐ Correct matching sources
  - ☐ Correct state share

- There are no negative numbers

Programs

- Description summarizes what the program funds
- One or more sentences describe the program's policy goal(s)
- Last sentence is "The FY 2022 budget includes funding for – projects in – jurisdictions."
- Project lists include correct phase codes (APCE codes) on all projects
- CIP Difference Section, if applicable
  - Explanation of why budget year requested funding differ from planned funding
  - Be specific
- Update Part II to reflect the current spending plan for FY 2021

Justification

- Start from the DBM recommended comments from last year, if applicable
  - Update changes in information, especially workload and performance measures
- The first sentence indicates the amount requested in the budget year
- The use (APCE) of the budget year funds is indicated
- Any differences from the planned amount are explained
- Any differences from the approved program are explained
  - Program mods are identified
- Appropriate background information concerning the request is provided, including description of project scope
- Evidence and logic to support the request is provided
  - "This project will solve the following facilities problems: 1)…; 2)…"
  - Individual facilities problems are explained
- Consequences of facilities problems are clearly indicated
- Relevant and material information to justify the request is included
- Current project status for projects that have received prior funds
  - Stage of design/construction documents and project progress, schedule, budget, etc.
  - BPW item on XX date for XX contract