May 8th, 2022

Memorandum

TO: Agency Capital Budget Managers
FROM: Terri Garraty, Executive Director, Office of Capital Budgeting
SUBJECT: FY 2024 - FY 2028 Capital Improvement Program (CIP) Instructions

The capital budget cycle for the FY 2024 - FY 2028 Capital Improvement Program (CIP) will begin July 1, 2022. Capital budget requests for State-owned projects and programs must be submitted no later than July 1, 2022. The grant and loan program and non-State-owned project requests must be submitted no later than August 15, 2022.

Budget requests are submitted via our Capital Budget Information System (CBIS). Additional documentation is submitted separately (see list below). The FY 2024 Capital Budget Request Guide and the CBIS Manual are on the Department of Budget and Management (DBM) – Capital Budget homepage. In addition, please review the example of a well-prepared State-owned budget worksheet or grant and loan budget worksheet with annotations to highlight key components to help avoid common mistakes. Agency staff preparing the capital budget requests in CBIS must review these documents prior to submitting capital budget requests. DBM will return incomplete or insufficiently documented requests and require agencies to correct and resubmit them.

CBIS will be available on May 9, 2022. Each agency must submit the following items to be considered for capital funding:

1. An electronic submission of the capital requests through the Capital Budget Information System (CBIS).
2. A transmittal letter signed by the agency head. The letter should include overarching or relevant information about the agency that may directly or indirectly impact the capital budget.
3. A summary of the agency’s five-year capital budget request in priority order.
4. A completed Project Funding Status Report for projects underway.
5. A completed Growth and Conservation Criteria Spreadsheet.
6. Any additional information needed to support the request, including project cash flows, fund summaries, and project schedules.
Although the FY 2022 General Funds surplus enabled us to supplement the capital budget with General Funds in FY 2023, the outlook for FY 2024 funding availability remains unclear. Agencies should strive to keep budget requests within the amount planned in the FY 2023 - 2027 CIP. In general, agencies should request initial funding for projects new to the CIP in the final planned year (FY 2028). If it is necessary to request a project new to the CIP in fiscal years 2024 through 2027, agencies should discuss the extraordinary circumstances with their assigned analysts prior to the official budget submission.

You must provide strong justification for FY 2024 requests, even if the project or program is in the CIP for FY 2024. The requests must be well-documented with quantitative and qualitative data that clearly identifies the need for the project or the need for increased project funding. Project schedules and cash flow estimates must clearly support the need for FY 2024 funding. The Office of Capital Budgeting (OCB) will review agency priorities and evidence of need to determine the scheduling of projects.

You must revise funding requests for projects included in the current CIP to reflect updated cost estimates and project scopes. Similarly, funding requests for capital Grant and Loan programs included in the CIP must be updated in CBIS to reflect recently authorized funding and FY 2023 project lists.

Given the influx of Federal, Special, and General Funds into the FY 2023 capital budget, please review State funding needs carefully when preparing your request and adjust planned funds, as necessary. Consider the availability of federal or other fund sources that may reduce the need for GO Bonds.

Please be aware of the following important information as you prepare your FY 2024 Capital Budget request.

**Trainings:** OCB strongly recommends individual CBIS training sessions for agency staff. Budget analysts will contact each agency to provide additional information about scheduling a training session.

**Facility Program Reminder:** For State-owned construction projects and applicable Grant and Loan projects, facility programs are required by State law. Facility programs ensure that the need for a project is fully documented and provide the basis for accurate cost estimates. DBM requires State agencies to submit a completed facility program to OCB before recommending funding for a project in the State's five-year CIP. State law requires each State-owned capital project to have a Part I and Part II facility program approved by DBM, and in some cases the Department of General Services (DGS), prior to the encumbrance and subsequent expenditure of capital funds. Therefore, DBM will not recommend funding for a capital project in FY 2024 without an approved facility program.

- State projects added by the General Assembly to the FY 2023 capital budget as enacted, will require Part I/II facility programs from the associated agency. However, projects with programs in the FY 2023-2027 CIP are of higher priority.
- Part I of the program must be submitted by **June 30th** of the calendar year in which the using agency initially submits a request to include the project in the State’s five-year capital improvement program. Agencies should not expect a project to be included in the fiscal year immediately following submission, except in emergency situations.
- Part II must be submitted by **March 1st** of the calendar year in which a request for design funds will be submitted for inclusion in the next Capital Budget.
• Facility program due dates have been selected to allow DBM adequate time to thoroughly review the program. Aside from reading programs, site visits, and/or meetings (internal and/or external) may also need to take place. The review process can be quite extensive and may take longer than expected, especially when other budget products must take priority.

Encumbrances and Expenditures Reminder: For State-Owned programs and Grant and Loan requests, OCB requires an up-to-date accounting of the program’s prior encumbrances (funds approved for specific projects by the Board of Public Works) and expenditures (funds spent), as well as planned encumbrances and expenditures for FY 2023. Please be sure all prior funds are accounted for, including FY 2022 deficiency appropriations and FY 2023 supplemental budget items. The FY 2024 request should take into consideration the estimated remaining balance from prior appropriations that will be available for FY 2024 projects.

Construction Market Escalation: To account for inflation, escalation is to be calculated at 9.0 percent for calendar year 2022 and 5.0 percent for each year thereafter. The escalation rate for calendar year 2021 will remain at 5.0 percent. DBM may adjust escalation as needed in calendar year 2022 before making final recommendations.

Capital Budget Meetings: OCB will schedule budget meetings for State-owned projects in July and for grant and loan programs in September. Once your capital budget submission has been received, your assigned analyst will confirm the need for the scheduled meeting. Budget meetings for the FY 2024 budget cycle will be conducted by video conference.

If you have any questions, please contact either your assigned analyst or me at (410) 767-4534.

Enclosures for All Recipients:

- FY 2024 Capital Budget Request Guide
- CBIS Manual
- OCB Staff Directory
- State-owned Budget Worksheet Example
- Grant and Loan Budget Worksheet Example

cc: Hon. David R. Brinkley, Secretary, DBM
    Mr. Marc Nicole, Deputy Secretary, DBM
    Assigned Capital Budget Analysts, DBM