



LARRY HOGAN  
*Governor*

BOYD K. RUTHERFORD  
*Lieutenant Governor*

DAVID R. BRINKLEY  
*Secretary*

MARC L. NICOLE  
*Deputy Secretary*

May 7th, 2021

## Memorandum

TO: Agency Capital Budget Managers  
FROM: Terri Garraty, Executive Director, Office of Capital Budgeting  
SUBJECT: FY 2023 - FY 2027 Capital Improvement Program (CIP) Instructions

The capital budget cycle for the FY 2023 - FY 2027 Capital Improvement Program (CIP) will begin July 1, 2021. Capital budget requests for State-owned projects and programs must be submitted no later than **July 1, 2021**. The grant and loan program and non-State-owned project requests must be submitted no later than **August 15, 2021**.

Budget requests are submitted via our Capital Budget Information System (CBIS). Additional documentation is submitted separately (see list below). The [FY 2023 Capital Budget Request Guide](#) (formerly called "Budget Instructions") 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 10, 2021.** 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.

**The fiscal outlook for the State has improved going into the FY 2023 budget cycle; however, uncertainty remains with the lingering effects of the COVID-19 pandemic still weighing on the economy. Agencies should strive to keep budget requests within the amount planned in the [FY 2022 - 2026 CIP](#).** Funding for projects and programs may need to be reduced, deferred, or eliminated based on revenue and debt capacity. New projects will not be considered without a strong justification. **In general, agencies should request initial funding for projects new to the CIP in the final planned year (FY 2027).** If it is necessary to request a project new to the CIP in fiscal years 2023 through 2026, agencies should discuss the extraordinary circumstances with their assigned analysts prior to the official budget submission.

You must provide strong justification for FY 2023 requests, even if the project or program is in the CIP for FY 2023. It may be difficult to add funds to the FY 2023 planned amounts or to accelerate projects from future years to FY 2023. DBM strongly encourages you to hold your FY 2023 request within the amount planned in the FY 2022 - 2026 CIP. Capital budget requests should not exceed the Governor's CIP except for situations that address a compelling State interest. Project schedules and cash flow estimates must support the need for FY 2023 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 2022 project lists.

Given the influx of Federal, Special, and General Funds into the FY 2022 capital budget, please review State funding needs carefully when preparing your request and adjust planned funds, as necessary. You should also be prepared to identify and discuss projects and programs that may qualify for the proposed federal American Jobs Plan should it be implemented.

Please be aware of the following important information as you prepare your FY 2023 Capital Budget request.

**Policy Changes:** Please be aware of policy changes regarding the Coast Smart Construction Program and Capital Equipment process described in the Capital Budget Guide when preparing FY 2023 submissions.

**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. Due to COVID-19, trainings will only be available online.

**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 expenditure of capital funds. Therefore, DBM **will not recommend funding** for a capital project in FY 2023 without an **approved** facility program.

**Encumbrances and Expenditures Reminder:** For 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 2022. Please be sure all prior funds are accounted for, including FY 2021 deficiency appropriations and FY 2022 supplemental budget items. The FY 2023 request should take into consideration the estimated remaining balance from prior appropriations that will be available for FY 2023 projects.

**Construction Market Escalation:** To account for inflation, **escalation is to be calculated at 5.0 percent for calendar year 2021 and 4.5 percent for each year thereafter.** The escalation rate for calendar year 2020 will remain at 4.0 percent. DBM may adjust escalation as needed in calendar year 2021 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. Due to the COVID-19 pandemic, budget meetings for the FY 2023 budget cycle will be conducted by video conference.

**SGAP Reports (Higher Education Agencies only):** Due to the impact of the COVID-19 pandemic, many institutions implemented only virtual/online classes. As a result, measuring the weekly student contact hour data used for the space inventory (SGAP) reports may be difficult. In recognition of this, OCB is asking institutions to use Fall 2019 data to calculate space allowances for the FY 2023 budget cycle. However, any changes to space inventories should be reflected in the reports.

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

Enclosures for All Recipients:

- [FY 2023 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