



LARRY HOGAN  
*Governor*

BOYD K. RUTHERFORD  
*Lieutenant Governor*

DAVID R. BRINKLEY  
*Secretary*

MARC L. NICOLE  
*Deputy Secretary*

May 12th, 2020

**Memorandum**

TO: Agency Capital Budget Managers

FROM: Terri Garraty, Executive Director, Office of Capital Budgeting

SUBJECT: FY 2022 – FY 2026 Capital Improvement Program (CIP) Instructions

The capital budget cycle for the FY 2022 – FY 2026 Capital Improvement Program (CIP) will begin July 1, 2020. Capital budget requests for State-owned projects and programs must be submitted no later than **July 1, 2020**. The grant and loan program and non-State-owned project requests must be submitted no later than **August 15, 2020**.

Budget requests are submitted via our Capital Budget Information System (CBIS); additional documentation is submitted separately (see list below). The [FY 2022 Capital Budget Request Guide](#) (formerly called “Budget Instructions”) and the [CBIS Manual](#) are on the Department of Budget and Management (DBM) – [Capital Budget Homepage](#). This year, we have included examples of well-prepared budget worksheets, with annotations to indicate areas that are frequent problems. Please read them. 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 18, 2020.**

Each agency must submit the following items in order 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

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

**Due to the economic effects of the COVID-19 outbreak, agencies should anticipate significant reductions to the [FY 2021 – 2025 CIP](#), particularly to FY 2022 planned amounts.** Funding for projects and programs may need to be reduced, deferred, or eliminated given expected reductions in revenue and debt capacity. In addition, as in previous years, DBM anticipates a need to employ capital budget resources to provide relief to the General Fund operating budget, which has a substantial projected shortfall. 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 2026).**

You must provide strong justification for FY 2022 requests, even if the project or program is in the CIP for FY 2022. It will be very difficult to add funds to the FY 2022 planned amounts or to accelerate projects from future years into FY 2022. DBM strongly encourages you to hold your FY 2022 request within the amount planned in the FY 2021 – 2025 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 2022 funding. OCB will review project priorities and evidence of need to determine the scheduling of projects.

You should revise your funding requests for projects included in the current CIP to reflect updated cost estimates and project summaries. Similarly, funding requests for capital grant and loan programs included in the CIP should be updated in CBIS to reflect recently authorized funding and FY 2021 project lists.

As a reminder, please be aware of the following important information as you prepare your FY 2022 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. Due to the COVID-19 outbreak, trainings will only be available online.

**Facility Program Reminder:** For State-owned construction projects and applicable Grant and Loan program 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. OCB requires each State-owned capital project to have a 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 2022 without an **approved** facility program.

**Encumbrances and Expenditures Reminder:** For grant and loan requests, OCB requires an up-to-date accounting of that program's encumbrances (funds approved for specific projects by the Board of Public Works) and expenditures (funds spent) for the previous fiscal year, as well as planned encumbrances and expenditures for the current year request. Please ensure that the reported balance of funds at the end of the previous fiscal year is consistent with the balance for the current fiscal year request; and that planned encumbrances and expenditures are consistent with your current year request.

**Construction Market Escalation:** To account for inflation **escalation is to be calculated at 4.0% for calendar year 2020 and 4.0% for each year thereafter.** Many projects in the CIP have increased significantly in cost from FY 2021 requests, as escalation was increased to 9.3% for calendar year 2019 due to higher than anticipated construction costs. DBM may adjust escalation as needed in calendar year 2020 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 outbreak, budget meetings for the FY2022 budget cycle will be conducted by teleconference.

If you have any questions, please contact either your assigned analyst at (410) 767-4530 or me at (410) 767-4534.

Enclosures for All Recipients:

- [FY 2022 Capital Budget Request Guide](#)
- [CBIS Manual](#)
- [OCB Staff Directory](#)

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