

University System of Maryland
CAPITAL BUDGET DEVELOPMENT PROCESS

	State-Funded Capital Improvement Program (CIP)	System-Funded Construction Program (SFCP)
Planning Cycle	Planning begins 18 months in advance of the start of the fiscal year. Requests are made to the State 12 months before the FY in question. Product of budget cycle is a Regents' Ten Year CIP, the first 5 years of which are formally requested of the State for funding.	The budget development process for the SFCP is exactly one year behind the CIP. Thus the FY2009 SFCP is prepared and approved in parallel with the FY2010 State-funded CIP. The product of the budget cycle is a Regents' Five Year SFCP.
Target Projects	Academic buildings (instructional, research) and academic support (faculty offices, libraries, administration, maintenance, etc.). Projects include new space and renovation/replacement.	Auxiliary ("self supporting") projects like housing, parking, student centers, athletics and recreation facilities. Projects include new space and renovation/replacement. The State does not typically pay for self-support facilities; thus it is up to the institution to do so.
Submission Description	The State's capital budget process is not formulaic. It is project-driven. Institutions submit project requests in priority order. The Board of Regents respects the institutional priorities; but, due to financial constraints, the Board is not always able to recommend funding in the same timeframe requested.	Like the CIP, the System's own building program is also project driven. Institutions submit prioritized project requests. Unlike the CIP, however, SFCP requests also include the source of funding for the project and a financial analysis of the project's viability to be self-supporting.
Primary Source(s) of Funding	State General Obligation (GO) Bonds; State General Funds ("Paygo"); USM Academic Revenue Bonds (ARBs, limited currently to \$27M per year); and "Non-Budgeted Funds" (NBF, meaning donor or institutional funds, for example)	USM Auxiliary Bonds; Institutional funds; and private capital (e.g., public-private partnerships for housing)
Funding Constraints	Governor's Five-Year CIP lists annual totals for USM, as well as an anticipated queue of projects to be developed. Budgeting targets for "out years" (yrs 6-10) are based on "current funding plus inflation" as required by the USM Governance Bill of 1999 (SB682).	Limits include USM debt capacity (for auxiliary bonds); Available fund balance (for institutional cash projects); and both USM "indirect" debt capacity and the availability of interested developers for private or public/private partnerships.

CIP

SFCP

<p>Project Qualification</p>	<p>Need for project must be demonstrated by</p> <ul style="list-style-type: none"> • current and future anticipated space deficits, • building condition, • programmatic obsolescence, • prior funding, and • recognition in the institution’s Master Plan as approved by the Board of Regents 	<p>Requirements listed under CIP must be met, along with a demonstrated financial viability of the project (e.g., its ability to be self-supporting)</p>
<p>Baseline and Development Process</p>	<p>Start with Governor’s (5 Year) CIP and the Regents’ 10 Year CIP. The budget is not developed “from scratch” each year. Rather, requests are evaluated and the current Regents 10 Year CIP is amended (including adding new projects in the new 10th year). The request typically conforms to the Governor’s CIP and additional needs for consideration (outside the Governor’s plan) are made as “supplemental” requests.</p> <p><i>The process of developing project priorities on a System-wide basis is deliberately participative. The goal of the process is to create a “Strawman” or working draft (or perhaps multiple scenarios) that meet particular strategic goals and objectives; then review and modify via an iterative process with the institutions and the Board. Data are used to inform this process, but there is no mathematical formula used to develop project priorities.</i></p> <p>There are a minimal of 5 draft budgets before a final is approved.</p>	<p>Start with the Regents’ 5 Year SFCP. The budget is not developed “from scratch” each year. Rather, requests are evaluated and the current Regents SFCP is amended (including adding new projects in the new 5th year). Changes to debt limits and the viability of additional requested cash projects are considered in the process.</p>

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<p>Budget Approval Process</p>	<ol style="list-style-type: none"> 1. A <u>(first) working draft</u> (or “Strawman”) of the capital budget is proposed to the presidents at their May meeting. 2. Presidents offer feedback in writing. 3. A revised <u>(second) draft</u> and the presidents letters are presented to the Board during a special Capital Budget workshop in mid-May. 4. The presidents speak to Regents at the workshop and their feedback (along with that of the Board) is folded into a <u>third draft</u> that is discussed with the presidents at their June meeting. 5. Comments are incorporated into a <u>fourth draft</u> submitted to the Finance Committee of the Board of Regents for their approval in June. 6. The presidents may comment at that time as well. A <u>final draft</u> is approved by the full Board in June. 	<p>Same process as (parallel to) CIP.</p>
<p>Budget Implementation</p>	<p>The budget is formally submitted to the State via their online “Capital Budget Information System” (CBIS) June 30th. DBM holds hearings on the request in July; the Governor’s CIP is formulated and published late in the calendar year. The General Assembly considers the Governor’s capital request during the following legislative session and, when approved by the Assembly, projects may be implemented at the start of the fiscal year.</p>	<p>Projects in the asking year of the SFCP may be implemented immediately with the beginning of the fiscal year.</p>