



# **CAPITAL BUDGET INSTRUCTIONS**

**THE FY2016 CAPITAL IMPROVEMENT PROGRAM (CIP)**

**&**

**THE FY2015 SYSTEM FUNDED CONSTRUCTION PROGRAM  
(SFCP)**

Rev 2/6/14

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**List of Budget Documents, Forms and Timelines Referenced in the Instructions (available on the web, and/or electronic files e-mailed to institutions upon request)**

**A. Budget Documents**

- 1. 10-year CIP (FY2015-2024), June 2013**  
<http://www.usmd.edu/BORPortal/Materials/2013/FB/20130621/PSFC-cip.pdf>
- 2. Governor's Proposed Budget (FY2015-2019)**  
<http://dbm.maryland.gov/agencies/capbudget/Documents/2015CapBudgetVolume.pdf>
- 3. Regents' Proposed 5-Year SFCP (FY2014-2018), June 2013**  
<http://www.usmd.edu/BORPortal/Materials/2013/FB/20130621/PSFC-FY14SCFP.pdf>
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<http://www.usmd.edu/usm/adminfinance/CapPlanMatrix.pdf>
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<http://www.usmd.edu/usm/adminfinance/CapitalForms.html>
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<http://www.usmd.edu/usm/adminfinance/CapitalForms.html>

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<http://www.usmd.edu/usm/adminfinance/CapitalForms.html>

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## **A. SUMMARY OF REQUIRED PROJECT APPROVALS**

As part of the budget process, all projects must be pre-approved before funding can be appropriated, and contract awards pursued.

**1. For the State Capital Improvement Program (CIP):** All projects, regardless of fund source and total cost, must be pre-approved by the USM Board of Regents prior to submission to the State via CBIS in June of each calendar year.

**2. For the System Funded Construction Program (SFCP) :** Fund source and cost thresholds are the factors determining the type of approval required. All projects must be approved as follows:

**a. Vice Chancellor Approval:**

Projects with a total cost between \$1M and \$5M funded entirely with university cash, private gifts, or grant funds. These projects do not include State funds or USM debt.

**b. Regents' Approval:**

- Projects with a total cost between \$1M and \$5M, which anticipate the use of split funding, e.g., bonds and cash even if the asking year funding is with cash only.
- Projects funded in whole or in part with bonds, SFCP loan, or via public-private partnership, regardless of total cost.
- Projects greater than \$5M in total cost regardless of fund source.

**c. Institutional Approval:**

Projects with a total cost less than \$1M, which are to be funded entirely with university cash, private gifts, or grant funds.

### **3. How to Submit Your Project Information for Approval**

Projects requiring Regents' approval (CIP and SFCP) should be submitted on an excel spreadsheet AND in briefing paper format. Samples of each are included in the Appendix for reference. Please remember that the CIP and SFCP forms are not interchangeable.

Information about projects qualifying for Vice Chancellor approval only should be submitted using the "special" Request for Internal Approval for an Institutionally Funded Project Between \$1M and \$5M. Completed and blank forms are included in the Appendix for reference.

**4. Scope of Approval:** For both the State CIP and the SFCP budgets, which require Regents' action, approval is only granted for the asking year request. Projected out-year funding must be requested and approved as it comes up in each subsequent asking year and in subsequent budget cycle(s).

For SFCP projects in the \$1M to \$5M threshold and which are funded entirely with cash, approval is granted by the Vice Chancellor for Administration and Finance for the total project cost, as delineated in the "request for approval" form submitted through the Office of Capital Planning.

**5. Timing of Submissions:** Institutions should follow the calendar/timeline contained in the appendix which accompanies the budget instructions. For the State CIP, the budget cycle is pre-determined by State budget submission requirements. Similarly, for the SFCP, projects should be submitted during the regular budget cycle similar to the CIP. Only in exceptional circumstances should SFCP requests be made out-of-cycle. This applies also to those SFCP requests that require Vice Chancellor approval only.

## **B. Board of Regents' Budget Preparation Requirements**

### **1. CONSISTENCY with the GOVERNOR'S BUDGET RECOMMENDATIONS.**

The first four years of the CIP (FY2016-2019) should be consistent with the Governor's recommendations, with \$17 million earmarked specifically for facilities renewal. The fifth year (FY2020) and sometimes the sixth year (FY2021) should reflect a natural progression of funding for projects from the prior years. We should assume that funding for FY2020-FY2025 will be as described in SB682, namely: "current level of funding adjusted for inflation." Changes to the asking year of the Governor's CIP, as enacted by the General Assembly, should be reflected in your submission.

### **2. FIVE and TEN-YEAR PLANS.** The Governance Bill requires us to prepare a Ten-Year Capital Plan, so your submission to the System Office should be for ten years. Only plans submitted on an excel spreadsheet are acceptable. Please use last year's Board CIP as a guide to format your submission, and match the column format used.

It is important that you look carefully at the "out years" in the budget (those beyond the Governor's current CIP, or FY2020-FY2025 and consider how your building priorities should be positioned for funding. The Regents' Ten Year CIP (FY2015-2024), June 2013, should be consulted (link above).

**Please note that project costs may have been amended by the Governor and/or the General Assembly since the Board's CIP was approved. You should use the latest numbers and queue position.**

### **3. COORDINATION WITH DBM REQUIREMENTS.** Please coordinate your CIP submission to the Regents with DBM requirements for when facilities programs are due, updated Cost Estimate Worksheets, and project accounting requirements. Check with your analyst at DBM if you are uncertain of what is required.

Beginning with the FY2011 CIP, the State began a policy of splitting larger construction projects (e.g., those that would typically take more than 18 months to construct) into two consecutive years. The second year of construction funding would be authorized along with the first to preserve the continuity of the project and allow the State to approve a contract for the whole project. Similarly, projects that include renovation and addition should be further divided among multiple years.

### **4. BRIEFING PAPERS.** As in past years, the FY2016-2020 CIP request should be prepared in the standard briefing paper format as indicated in these

instructions. You are asked to prepare a briefing paper for each project in your Five-Year plan.

These papers are absolutely critical for CIP projects in that they are provided (as requested) to Board members, the State, Legislative Services, and other critical reviewers in the decision-making process. Please continue to provide as much detail as possible to help describe and justify each request.

There is a place on the briefing paper for you to indicate how much of each project's proposed NASF is "new," "renovated," or "replaced" space. Please pay close attention to providing us with these numbers. These figures are important as we calculate how close we are to reaching the Regents' facilities renewal goals.

**5. PROJECT LOCATION.** At the Regents' request, a map, pinpointing the location of projects in your asking year CIP submission, should be prepared and electronically transmitted to the Office of Capital Planning. This should be done after Chancellor's Council on May 5 but no later than May 9 to reflect the latest draft recommendations going forward from USMO to the Budget Workshop with the Regents in May.

**6. PROJECT QUALIFICATIONS.** Each project shall meet the following conditions before it will be considered for the State CIP:

- The project is consistent with the institution's mission and strategic/implementation plan;

*A brief statement relating the project to your institution's mission and goals should be included for all projects for which first funding is requested in the FY2016 CIP.*

- The project is consistent with Regent's priorities, particularly undergraduate enrollment, renovation and replacement, research, technology, and climate change;
- The project is a priority in the institution's facilities master plan. (Facilities master plans shall be "updated on a periodic basis, including when substantial changes to the institution's mission statement have taken place [revised enrollment projections], or at least every five years coincident with the resubmission of an updated mission statement" {Policy on Facilities Master Plans, VIII-10.00, USM Board of Regents});  
<http://www.usmd.edu/usm/sustainability/docs/FacMasterPlan2013.pdf>

- There is a clearly documented need for the project, e.g. current or projected space deficiencies or unsatisfactory functional or physical condition of existing space as reported in your SGAP statement;
- Projects in your Five-Year Plan correspond to DBM requirements for facilities programs, CEWs and project accounting submission of data.

**7. PROJECT PRIORITIZATION.** The following are factors that will be used in evaluating projects to be recommended for the State CIP (in no particular order):

- Projects with prior year funding;
- Projects that help achieve the Regents' capital target for renovation and renewal (work that impacts the facilities renewal backlog);
- Timely projects to support achieving approved strategic plans (e.g. meeting approved enrollment growth at targeted institutions);
- Projects with infrastructure in place to support it and/or new infrastructure projects to meet current and projected facility needs;
- Projects with planned or committed external funding consistent with Board Policy on establishing capital priorities for such projects;
- Projects that improve environmental and/or life-safety conditions.

**8. FUNDING SOURCE(S).** Projects in the CIP will be funded from an average of \$32 million per year in Academic Revenue Bonds (ARB): \$15 million per year for projects and \$17 million per year for capital facilities renewal. The balance of funding will be from State-supported General Obligation bonds. The Governor's recommended Five-Year plan does not include funding from PAYGO. There are requirements for some institutions to use their own funds (e.g., NBF) to augment State funding. These requirements are included in the Governor's CIP.

For a copy, please visit the DBM web site at URL listed above.

**9. RENOVATION.** Limitations on operating budget increases impact the amount of construction that can be supported with operating funds. In that recycling existing facilities is generally less demanding on the operating budget than is adding new square footage and that such renewal helps reduce the backlog of deferred maintenance, the System continues to encourage renovation and/or replacement of existing facilities to meet institutional needs when it is practicable. Please be specific about the facilities renewal implications of requested projects.

For the FY2016-2020 CIP, Board policy will require an average of about \$115M per year be directed at renovation and replacement projects in the capital program. We will be looking at your FR data and calculating the percentage of programmed space that is renovation or replacement space for each project in your Five-Year plan. This information will assist us in FR reporting and guarantee an accurate measure of our progress.

Please reflect the requested NASF information directly on your briefing paper. This information should also be part of the descriptive text in the CBIS project entries.

**10. ENROLLMENT.** Identify all projects in your FY2016-2025 CIP needed to accommodate the enrollment growth consistent with enrollment projections based on Fall 2013 data. Include a brief statement explaining the scope and the relationship of the project to the forecasted enrollment growth and the year in which the project should be completed given current projections.

**11. CHANGES TO THE CIP.** Changes to projects previously approved in the CIP are subject to the following policies:

State policies are published in the "Facility Program Manual for Capital Projects" at: <http://dbm.maryland.gov/agencies/capbudget/Pages/CapBudgetInstructions.aspx>

Related USM policies are here:

"VIII-10.20 - POLICY ON THE CAPITAL BUDGET..."  
<http://www.usmd.edu/regents/bylaws/SectionVIII/VIII1020.pdf>

## C. DBM Budget Preparation Requirements

1. **CURRENT DOCUMENTATION REQUIREMENT(S)**. The Department of Budget and Management (DBM) emphasizes the need for submission of facilities programs and suggests that it will not support projects in the System's FY2016-2020 Five-Year Plan without this documentation. Institutions should consult with their facilities staff, project managers, and their DBM analyst to be sure that the following documentation is current:

- Facilities programs

*Please be sure to use the official program format prepared by DBM and available online at the DBM web site:*

<http://dbm.maryland.gov/agencies/capbudget/Pages/CapBudgetInstructions.aspx>

- Cost Estimate Worksheets

***IMPORTANT: Your Service Center should pre-approve your CEW prior to submission on CBIS.***

- Project accounting (encumbrance and expenditure) data are submitted if there is an appropriation balance for any completed CIP project, identifying the intended use for these residual funds. At a minimum, DBM must approve the re-use of CIP funds. Also, by State law, any CIP funds authorized in FY2008 (2007 Session) will have expired on July 1, 2014. Though not required by the March deadline, please begin to prepare a detailed explanation of any unexpended/ unencumbered funds. DBM will require a detailed accounting later in the summer.

2. **FORMS**. A variety of forms must accompany your budget submission either online through CBIS, or in hard copy.

**Impact on Operating Budget**. For CIP requests, Impact on Operating Budget information will be required by (and input via) the CBIS system.

**Environmental Assessment Forms and Project Consistency Reports**. These forms are still required (in hard copy) as part of the program submission, with copies to DBM and to the State Clearing House (Dept of Planning). If you have not submitted these forms to the System Office of Capital Planning, or if they have changed since your original submission, please resubmit as part of your CIP package. Instructions are contained in the CBIS Manual. A .pdf form appears on the DBM webpage:

<http://dbm.maryland.gov/agencies/capbudget/Pages/CapBudgetInstructions.aspx>

*Please note the status of Environmental Assessment Forms and Project Consistency Reports on projects submitted in previous years. If you have previously submitted these forms and, if their content has not changed since your earlier submittal, you do not have to resubmit a hard copy to OCP.*

Private Use for Tax Exempt Programs. Private Use information will be required by (and input via) the CBIS system.

**3. ENVIRONMENTAL, HEALTH, SAFETY PROJECTS.** At the direction of DBM, institutional environmental health and safety projects (e.g., asbestos abatement) should be submitted through appropriate State (e.g., MDE) channels for funding via Statewide resources. Instructions and solicitation for these requests are disseminated as we receive them.

**4. FACILITIES RENEWAL.** The Governor's CIP includes \$17 million per year in ARB funds dedicated to facilities renewal projects. A brief project description, cost and schedule information for each request must be provided with the budget so it may be applied to the USM FR Program file on CBIS. Please refer to the electronic sample for formatting. Projects can be of any size but should not exceed your single year share of the \$17M appropriation, as shown:

| Institution                       | Amounts at \$17M<br>Funding Level |
|-----------------------------------|-----------------------------------|
|                                   |                                   |
| UMB                               | 2,675,000                         |
| UMCP                              | 7,300,000                         |
| BSU                               | 554,000                           |
| TU                                | 1,589,000                         |
| UMES                              | 642,000                           |
| FSU                               | 645,000                           |
| CSU                               | 409,000                           |
| UB                                | 418,000                           |
| SU                                | 536,000                           |
| UMBC                              | 1,452,000                         |
| UMCES                             | 317,000                           |
|                                   |                                   |
| <b>Subtotal</b>                   | <b>16,537,000</b>                 |
|                                   |                                   |
| <b>Systemwide<br/>Emergencies</b> | <b>463,000</b>                    |
|                                   |                                   |
| <b>Total</b>                      | <b>17,000,000</b>                 |
|                                   |                                   |
|                                   |                                   |

For more information regarding the USM-FR program, please see:  
<http://www.usmd.edu/usm/adminfinance/FacilitiesRenewalFAQ.doc>

**5. CBIS PASSWORD and TRAINING.** You need to refresh your password in order to log in. Contact the Service Desk at 1-410-260-7778. To sign up for CBIS re-training, please call the Service Desk or e-mail [servdesk@dbm.state.md.us](mailto:servdesk@dbm.state.md.us).

**6. CBIS MANUAL.** The CBIS manual is also available at DBM's web page. You are responsible for knowing what changes DBM has made to the CBIS System. If you are unavailable to attend training, please consult the manual on the DBM website to be sure you are accurately reflecting all the information that is required.

As in previous years, the Department of Budget and Management's "Instructions for the Preparation and Submission of Capital Project Requests for State-Owned Facilities" should be used as the guide in preparing your CBIS submission. Please remember that all final submissions (State forms) will be electronic (generated via input to the DBM Capital Budget Information System—"CBIS") with the exception of Project Consistency Reports and Environmental Assessment Forms.

**7. COMPLETING CBIS.** Please pay close attention to all fields required on CBIS. They should be filled in completely, including CEWs. Be prepared to work with your Service Center representative(s) so that your CEWs are accurate and up-to-date. Do not leave this task to the last minute. Many cells in CBIS are driven by information from your CEW. If your CEW is inaccurate, the information reflected in other cells will be inaccurate too. Remember that later in the process, Mark Beck will be forwarding to you an e-mail containing supplementary capital budget instructions issued by DBM. Please pay close attention to the "changes" reflected in these instructions, especially in the preparation of your CEWs.

One critical note: Please use care to express detail such as scope, description, justification, and space breakdown (by HEGIS code) in the "Supporting Comments" section of the request. Please provide as much information (especially quantitative data to support your statements), as you can.

When the CBIS system is upgraded at the end of each legislative session, some field information may be lost in the transfer. If you cannot see data on your screen, then it is not there. Be prepared to re-enter information whenever and as often as this occurs.

## D. System Funded Construction Program Budget Preparation

1. **PROJECT QUALIFICATIONS.** The SFCP budget is primarily funded by System debt or cash set-asides in support of institutional auxiliary projects (e.g., dormitories, student unions and bookstores). Each project shall meet the following conditions before it will be considered for the SFCP:

- The project is consistent with the institution's mission; A brief statement relating the project to your institution's mission and goals should be included for all projects for which first funding is requested in the FY2015 SFCP;
- The project is consistent with Regents' priorities as outlined in the USM Strategic Plan;
- The project is a priority in the institution's facilities master plan. (Facilities master plans shall be "updated on a periodic basis, including when substantial changes to the institution's mission statement have taken place [revised enrollment projections], or at least every five years coincident with the resubmission of an updated mission statement "{Policy on Facilities Master Plans, VIII-10.00, USM Board of Regents}");

<http://www.usmd.edu/regents/bylaws/SectionVIII/VIII1000.html>

- There is a clearly documented need for the project, e.g. current or projected space deficiencies or unsatisfactory functional or physical condition of existing space.

2. **PROJECT PRIORITIZATION.** The following are factors that will be used in evaluating projects to be recommended for the SFCP (in no particular order):

- Projects with prior year funding;
- Projects that help achieve the Regents' capital target for renovation and renewal (work that impacts the facilities renewal backlog);
- Timely projects to support achieving approved strategic plans (e.g. meeting approved enrollment growth at targeted institutions);

*Please identify all projects in the FY2015-2019 SFCP that are needed to accommodate enrollment growth consistent with your projections on the Fall 2013 SGAP. Include a brief statement explaining the scope and the relationship of the project to the forecasted enrollment growth*

*and the year in which the project should be completed given current projections.*

- Projects with infrastructure in place to support it and/or new infrastructure projects to meet current and projected facility needs;
- Projects with planned or committed external funding consistent with Board Policy on establishing capital priorities for such projects;
- Projects that improve environmental and/or life-safety conditions;
- Analysis of financial feasibility, particularly the impact of the project on student fees and the amount of institutional debt. Projects may be funded through external borrowing and/or institutional funds set aside for specific projects.

**3. FUNDING CONSTRAINTS.** Due to the economic uncertainty, SFCP requests will be scrutinized to ensure the System is able to maintain its high bond rating.

The System will continue, for the FY2015 SFCP, the internal borrowing moratorium begun in FY1997. Limited external debt funds may be used to finance auxiliary facilities as well as institutional funds set aside for specific projects.

The SFCP will be limited to projects that can be supported through external borrowing or institutional funds set-aside for a specific project. Cash funded projects will be allowed to go forward only after all fund balance goals are met and are subject to the same restrictions on financial feasibility (above) as bond-funded projects.

The FY2001 limitations on internal borrowing will continue for FY2015.

Projects funded through external borrowing will be included in the SFCP only to the extent debt capacity is available. The actual amount of debt available will be determined after a continuing dialog with the bond rating agencies. Debt levels may be adjusted accordingly.

Public-Private Partnerships (PPP) will be similarly limited, as they impact the indirect debt capacity of the System. Direct your project-specific questions to Bob Page, Associate Vice Chancellor for Finance, 301-445-1946, [rpage@usmd.edu](mailto:rpage@usmd.edu) at the System Office.

**4. BRIEFING PAPERS.** The FY2015-2019 SFCP budget requests should be prepared in the standard briefing paper format for acquisition, planning, construction, or equipment requests. Please note that the briefing paper format is slightly different for SFCP projects than it is for CIP projects. The forms are not interchangeable. You should prepare a briefing paper for each project in your Five-Year Plan.

These papers are absolutely critical for SFCP projects in that they are provided (as requested) to Board members, the State, Legislative Services, and other critical reviewers in the decision-making process. Please continue to provide as much detail as possible to help describe and justify a request. *A sample SFCP briefing paper is provided to you.*

**NEW FOR FY2015. Private Use for Tax Exempt Programs.** As with the CIP, Private Use information will be required on all SFCP projects. Please use the same general format (same list of functions with percentage of NASF) as in CBIS and submit electric AND hard copy as part of your Board Briefing Paper.

**5. PROJECT LOCATION.** At the Regents' request, a map, pinpointing the location of projects in your asking year SFCP submission, should be prepared and electronically transmitted to the Office of Capital Planning. This should be done after Chancellor's Council on May 5 but no later than May 9 to reflect the latest draft recommendations going forward from USMO to the Budget Workshop with the Regents in May.

**6. FORMS.**

Projected Implication of Auxiliary Revenue Bond Funding Forms. This financial form (pro-forma) is required for each SFCP project that is proposed for auxiliary bond funding in your Five-Year Plan.

The first column should reflect what was reported to the state on the Budget Form showing actual revenues and expenses for the activity for FY2013. Additional revenues that will be generated by the activity as a result of the project and the debt service (using a rule of \$90,000 of annual debt service for each \$1,000,000 of project cost) and other costs need to be reflected in the projection columns for FY2014 on, as appropriate).

Your contact persons for instructions and guidance are: Bob Page, Associate Vice Chancellor for Finance, 301-445-1946, [rpage@usmd.edu](mailto:rpage@usmd.edu) or Celeste Denson, Comptroller, 301-445-1965, [cdenson@usmd.edu](mailto:cdenson@usmd.edu)

SFCP Operating Impact. Provide an Impact on Operating Budget Form for each project included in the Five-Year SFCP request. Additionally, descriptive material (briefing papers) submitted for each project in the FY2015-2019 SFCP request should identify the source of proposed funds to be used to repay external debt issued in support of that project. This information should include:

- Specific source of funds (e.g. parking fees, recreation fees, etc.),
- Current amount of the fee to be used for repayment and the amount of any increase in the fee,
- Fee schedule if the fee will incrementally increase or decrease and the duration of any fee increase, and
- Identification of any new fee(s).

**7. ENROLLMENT.** Identify all projects in your FY2015-2019 SFCP needed to accommodate the enrollment growth consistent with enrollment projections based on Fall 2013 data. Include a brief statement explaining the scope and the relationship of the project to the forecasted enrollment growth and the year in which the project should be completed given current projections.

**8. APPROVALS AND CHANGES.** At their meeting on February 12, 2010, the Board of Regents approved a change to policy that established new approval thresholds for SFCP projects as follows: All projects \$5 million or greater must be submitted to the Board of Regents for approval. Projects between \$1M and \$5 million may be submitted to the Vice Chancellor for Administration and Finance for approval. The same information required for BOR approved projects must be provided. Projects less than \$1M may be approved at the institutional level. All SFCP projects funded through external borrowing must be approved by the BOR. Although a five-year plan is submitted, it is only asking year projects and authorizations that are approved by the BOR.

Policy on the Capital Budget, VIII-10.20, found at:  
<http://www.usmd.edu/regents/bylaws/SectionVIII/VIII1020.pdf>

**Also see:**

### **A. Summary of Required Project Approvals**

**9. ENERGY PERFORMANCE CONTRACTS.** Energy Performance Contracts, EPCs, are capital projects and are subject to the policies of the Board of Regents related to approval as part of the capital budget. These projects should be a part of your SFCP budget submission.