



CAPITAL BUDGET INSTRUCTIONS

The FY2020 Capital Improvement Program (CIP)

&

The FY2019 System Funded Construction Program (SFCP)

Revised January 2018

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List of Budget Documents, Electronic Forms, Timelines and Maps Available on the USM Webpage (<http://www.usmd.edu/usm/adminfinance/capitalplanning>)

Budget Documents

10-year CIP (FY2019-2028), June 2017

Beginning in June 2016, the CIP has been presented in closed session; NOT accessible online. The 10-year CIP will be made available to you by the Office of Capital Planning via e-mail.

Governor's Proposed Budget (FY2019-2023)

<http://dbm.maryland.gov/budget/Pages/capbudhome.aspx>

Scroll to pg. 167 online; pg. 138 paper copy.

Regents' Proposed 5-Year SFCP (FY2018-2022), June 2017

<http://www.usmd.edu/regents/agendas/2017/fc20170608>

Capital Budget Development Process

<http://www.usmd.edu/usm/adminfinance/CapPlanMatrix.pdf>

Environmental Assessment Form

<http://www.dbm.maryland.gov/budget/Pages/capbudget/formstemplates.aspx>

Project Consistency Report

<http://www.dbm.maryland.gov/budget/Pages/capbudget/formstemplates.aspx>

Project Funding Status Report

Part of DBM's Capital Budget Instructions forwarded to institutions by OCP each year in April/May. This is also known as the "Unencumbered Balances" report.

PlanMaryland Planning Areas and Overlays

Part of DBM's Capital Budget Instructions forwarded to institutions by OCP each year in April/May.

Electronic Forms

Sample CIP Briefing Paper

This is NOT interchangeable with the SFCP form

Sample SFCP Briefing Paper

This is NOT interchangeable with the CIP form

“Request for Approval” for an Institutionally-Funded Project Between \$1M and \$5M

- a. Sample “completed” form
- b. Blank form

Blank CIP Ten-Year Plan Format

Blank SFCP Five-Year Plan Format

Projected Implications of Auxiliary Bond Funded Projects

- a. Sample “completed” form
- b. Blank form

Sample Facilities Renewal Submission for the Asking Year

Timelines for Discussion and Budget Submission

CY2018 Timeline: Review and Comment on Preliminary Budget
(Chancellor’s Council and Vice Presidents’ meetings)

Budget Submission Calendar

Location Maps

Sample Location Map for CIP 5-Yr. Plan

Sample Location Map for SFCP 5-Yr. Plan

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/

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.

1/ PLEASE NOTE: *State law requires contracts for any projects that include MCCBL (GO Bond) money—even if it is just a portion of funding—be approved by the Board of Public Works, regardless of size (MD Code, Finance and Procurement Article Section 8-301). If you let a contract without it, you will have to use your own money and it is NOT possible to go to the BPW for reimbursement. Please remember this as you prepare project schedules.*

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 available on the USM-Capital Planning webpage 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 available on the USM-Capital Planning webpage 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 available on the USM-Capital Planning webpage, 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 Requirements

1. CONSISTENCY with the GOVERNOR'S BUDGET RECOMMENDATIONS.

The first four years of the CIP (FY2020-2023) should be consistent with the Governor's recommendations, with \$17 million earmarked specifically for facilities renewal. 2/ The fifth year (FY2024) and sometimes the sixth year (FY2025) should reflect a natural progression of funding for projects from the prior years. We should assume that funding for FY2024-FY2029 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.
- Use last year's Board CIP as a guide to format your submission, and match the column format used.
- A sample is included with the capital budget reference materials on our web page.

It is important that you look carefully at the "out years" in the budget (those beyond the Governor's current CIP, or FY2024-FY2029 and consider how your building priorities should be positioned for funding. The Regents' Ten Year CIP (FY2019-2028), June 2017, should be consulted (access link in prior reference).

You should use the latest numbers and queue position reflected in the Governor's current CIP released in January 2018. Please note that project costs may have been amended by the Governor and/or the General Assembly since the Board's CIP was approved in June 2017.

2/ PLEASE NOTE: *For FY2020 and beyond, the Governor's CIP includes approximately \$22 million in ARB funds dedicated to facilities renewal. Institutions should plan on budgeting to their prior appropriation amounts as shown in the Table on page 19. The process for allocating the additional \$5 million in proposed ARB funds will be discussed with the institutions and the Board of Regents as part of the CY2018 capital budget cycle.*

DBM's budget instructions are e-mailed annually in April/May to all institutions by OCP when they are received from DBM. Last year, DBM instructions were e-mailed on May 1, 2017:

(Please note:

The Governor "is committed to reducing the level of state borrowing, reducing future debt service requirements, and resolving Maryland's ongoing structural fiscal shortfalls. Accordingly, the capital budget and five-year Capital Improvement Program is planned to be \$995 million. Agencies should not request any projects or programs that were not included in the CIP for (the asking year) FY 2019. It is extremely unlikely new requests will receive funding in FY 2019. Agencies should re-evaluate projects that are in the current CIP to determine if they can be eliminated, reduced in scope or deferred without impairing the agency's mission and core operating function. Agencies should also thoroughly examine cash flow projections for current projects to determine the precise amount of funding required for FY2019."

For FY2020, the Regents have made two additional requests of institutions in the preparation and submittal of their Capital Improvement Plans.

REGENTS ENCOURAGE INSTITUTIONS TO ADHERE TO REALISTIC BUDGET TARGETS

Board members at the CY2017 Capital Budget Workshop encouraged the Capital Planning Office to ask the institutions to adhere to capital budget funding targets in their requests, similar to those imposed on the USM and other State agencies by the Department of Budget & Management. This would allow presidents and budget officers to first address some of the more difficult budgeting choices at the institutional level, where such decisions can be most effectively managed among competing campus priorities.

That said, it's important to be able to demonstrate the true scope of need at each institution. To that end, please follow the lead of the System Office by making your submissions for upcoming years in two separate documents, as follows:

BASE REQUEST. This is a campus request that follows the basic structure of the Governor's CIP, meaning that projects are placed in the years and for the amounts shown by the State. Where minor adjustments to costs are needed, those can be included. Please label this your "Base Request." For the years beyond the five years of the CIP, please use your judgement in showing both the continuation of projects begun in the first five years and a reasonable number of new projects you'd like to see in the second five. Though they can be

somewhat ambitious, expected funding levels for the out years should be based on the first five years, adjusted for inflation.

ACCELERATED OR ASPIRATIONAL REQUEST. As was the practice in the past, we will continue to recommend projects beyond the Governor's CIP as part of the annual capital request, but we will do so as a separate, prioritized list of needs to be considered by the State only if additional funding is available.

This is a campus request for both acceleration of projects within the "base request," and the addition of projects that were not included in that request. This version of your request includes all of the projects in the base request (and others), but can be as ambitious as can be reasonably implemented by your institution—assuming sufficient capital funding were available. This is typically what we have been seeing from institutions. It should follow the same ten year format as the base request.

Both documents will be shared with the Board of Regents. As the Board deliberates their request to the State, we will provide a draft to them that aggregates both your submissions, as we now do for the Governor each year. We will show a System-wide base request, followed by a list of suggested accelerations/additions in priority order.

REGENTS REQUEST "RETURN ON INVESTMENT (ROI)" INFORMATION FROM INSTITUTIONS TO INFORM THEIR CAPITAL BUDGET DECISIONS

Board members at the CY2017 Capital Budget Workshop expressed an interest in having institutions provide an evaluation of "return on investment" (ROI) as part of their project analysis to assist in capital decision-making. Goals for each project should be carefully articulated in a way that can be both quantified and supported by data. Examples include job creation, workforce production, job readiness, increased enrollment and graduates, research grant income, etc.

Materials submitted to the System Office for the Board with the capital budget request by each institution (e.g., the narrative included in the required "Briefing Paper" for each major project) should include a listing of measurable goals for each project. Board members, as well as the staff of the Department of Budget & Management, were complimentary of those institutions that had provided ROI data as part of their submissions during the last cycle. An excellent example would be the materials submitted by Towson in support of their projects, here:

<https://www.towson.edu/about/administration/president/communications/2017/documents/fy2019dbmtestimony2017.pdf>

The Board is not necessarily asking institutions to prepare graphically intense presentation materials like the ones TU prepared, but they would like to see similar data-driven analysis provided for each project.

For now, we'd ask each institution to select the goals most appropriate for each project—perhaps based on those included in the Part 1 facility program document. Should Board members require additional data, we could discuss providing more structure and specificity in future years. Please feel free to contact Mark Beck should you have any questions about this requirement.

3. COORDINATION WITH DBM REQUIREMENTS. The last DBM instructions distributed Statewide 5/1/17 include the following requirement:

“Requests for projects that are scheduled for fiscal 2019 in the CIP or pre-authorized for FY 2019 in the capital budget bill (HB 151 of 2017) will require clear and compelling justification in order to maintain their planned funding schedules. Project schedules and cash flow estimates must support the need for Fiscal Year 2019 funding. DBM will review project priorities and evidence of need to help determine which requests to maintain.

“The CIP allocations for Fiscal Years 2020 through 2022 will also need to be reformulated to accommodate legislative and other changes. Agencies should refrain from fund requests for projects new to the CIP earlier than Fiscal Year 2023. Agencies should also refrain from requests to accelerate project funding currently scheduled in the CIP. Such requests would require agencies to defer other projects planned in the CIP. Exceptions will be considered only for true emergency situations.”

Facility Programs. In their budget instructions (5/1/17), DBM reminded all those making requests for capital funding that no design funds can be expended until a facility program is approved by DBM and in some cases DGS. This is a statutory requirement. Furthermore, DBM clarified its schedule for submitting Part I and Part II facility programs with a two-part admonition, specifically:

- Only projects for which programs have been submitted by the required deadline may be considered for funding in the CIP; and
- No program should be submitted to DBM unless it has received prior review and approval from the USM Office

To that end, please note the following schedule for program submissions prepared by DBM with consideration for a 60 day review period by USM's Office of Capital Planning. Again, **only those projects for which these deadlines are met will be recommended to the Board of Regents for consideration in the 5 year CIP** (as per DBM memo of 5.1.2017):

Asking Year (FY 2019) requested projects

Part I – due 4/30/16 (USM) and 6/30/16 (DBM)

Part II - due 1/01/17 (USM) and 3/01/17 (DBM)

FY 2020 requested projects

Part I – due 4/30/17 (USM) and 6/30/17 (DBM)

Part II - due 1/01/18 (USM) and 3/01/18 (DBM)

FY 2021 requested projects

Part I – due 4/30/17 (USM) and 6/30/17 (DBM)

Part II - due 1/01/19 (USM) and 3/01/19 (DBM)

FY 2022 requested projects

Part I – due 4/30/17 (USM) and 6/30/17 (DBM)

Part II - due 1/01/20 (USM) and 3/01/20 (DBM)

FY 2023 requested projects

Part I – due 4/30/17 (USM) and 6/30/17 (DBM)

Part II - due 1/01/21 (USM) and 3/01/21 (DBM)

Cash Flow Requirements. 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.

Please coordinate your CIP submission to the Regents with DBM requirements for when facilities programs are due, updated Cost Estimate Worksheets, and project accounting/cash flow requirements. When in doubt, please refer to immediate prior-year DBM instructions or, check with your analyst at DBM if you are uncertain of what is required. Please consult with your requisite A/E/C Service Center for their input, as DBM requires Service Center approval of your CEW and cash flow projection before a project is submitted in CBIS.

4. BRIEFING PAPERS. As in past years, the FY2020-2024 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.

Refer back to "B. Board of Regents' Budget Preparation Requirements for Return on Investment Information," pages 10 and 11.

5. PROJECT LOCATION MAP. At the Regents' request, a map (preferably in color), which pinpoints the location of all projects listed in the first five years of the CIP strawman draft going to Chancellor's Council on May 7 should be electronically transmitted to the Office of Capital Planning no later than May 8. The map will go forward to the Capital Budget Workshop scheduled with the Regents in May (date to be determined).

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 FY2020 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). *In the past, projects in the CIP were 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. **3/*** The balance of funding was 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. Refer to the Governor's 5-Yr. Proposed Budget for specific outyear details.

For a copy, please visit the DBM web site at:

<http://dbm.maryland.gov/budget/Pages/capbudhome.aspx>
 Scroll to page 167 (online); 138 (paper copy).

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 FY2020-2024 CIP, Board policy will require an average of about \$150M 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.

3/ PLEASE NOTE: *For FY2020 and beyond, the Governor's CIP includes approximately \$22 million in ARB funds dedicated to facilities renewal. Institutions should plan on budgeting to their prior appropriation amounts as shown in the Table on page 19. The process for allocating the additional \$5 million in proposed ARB funds will be discussed with the institutions and the Board of Regents as part of the CY2018 capital budget cycle.*

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 FY2020-2029 CIP needed to accommodate the enrollment growth consistent with enrollment projections based on Fall 2017 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/budget/Documents/capbudget/Instructions/facilityprogmanual.pdf>

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 FY2020-2024 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/budget/Documents/capbudget/Instructions/facilityprogmanual.pdf>

- Cost Estimate Worksheets

IMPORTANT: Your Service Center should pre-approve your CEWs prior to submission on CBIS. Most data cells on CBIS are populated from the CEW. If it is not accurate, your CBIS submission will NOT be correct.

- 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 FY2013 (2012 Session) will have expired on July 1, 2019. 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.

Cash Flow Projection. This is required for all FY2020 construction requests. It should be provided to you by your Service Center consistent with their pre-approved CEW, which you will have submitted on CBIS. You should then append this form on CBIS, or submit an electronic copy to Elizabeth Zabek in the Office of Capital Planning.

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. Forms can be accessed on the DBM webpage:

<http://www.dbm.maryland.gov/budget/Pages/capbudget/formstemplates.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.

Project Funding Status Report. This spreadsheet is submitted electronically via e-mail to DBM with the USM Capital Budget transmittal letter on June 30. Detailed instructions for completing this report are included in DBM's Capital Budget Instructions forwarded by OCP to institutions annually in May.

PlanMaryland Planning Areas and Overlays. This information is submitted electronically via e-mail to DBM with the USM Capital Budget transmittal letter on June 30. Detailed instructions for completing this report are included in DBM's Capital Budget Instructions forwarded by OCP to institutions annually in April/ May.

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. You may also wish to check directly with the State office for up-to-date directions.

4. FACILITIES RENEWAL. The Governor’s CIP includes \$22 million in ARB funds dedicated to facilities renewal projects in FY2020. Institutions should plan on budgeting to their prior appropriation amounts as shown in the table below. The process for allocating the additional \$5 million in proposed ARB funds will be discussed with the institutions and the Board of Regents as part of the CY2018 capital budget cycle.

A brief project description, cost and schedule information for each request for FY2020 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 Funding Level
UMB	2,675,000
UMCP	7,300,000
BSU	554,000
TU	1,589,000
UMES	642,000
FSU	645,000
*CSU	309,000
UB	418,000
SU	536,000
UMBC	1,452,000
UMCES	317,000
Subtotal	16,437,000
Systemwide Emergencies	563,000
Total	17,000,000

- Excludes Funding Awarded for Electrical Project.
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 HELP Desk at 1-410-697-9700. To sign up for CBIS re-training, please call the Service Desk or e-mail Service.Desk@maryland.gov

6. CBIS MANUAL and VIDEOS. The CBIS manual and videos by section is available at DBM's webpage. You are responsible for knowing what changes DBM has made to the CBIS System. If you have not attended training, please consult the manual on the DBM webpage to be sure you are accurately reflecting all the information that is required.

<http://dbm.maryland.gov/budget/Pages/capbudget/CBISManual.aspx>

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. 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.**

- Check your e-mail. You will receive notification when CBIS is "open for business."
- Remember that in April/May Mark Beck will be forwarding to you an e-mail containing **supplementary capital budget instructions from DBM**. Please pay close attention to the "changes" reflected in the DBM instructions, especially in the preparation of your CEWs.
- Do not wait for CBIS to open before contacting your Service Center representative to confirm project funding, schedules and to coordinate other reporting requirements with DBM supplementary budget instructions. Request a cash flow projection if you are requesting construction funds in the asking year, FY2020. Do all this sufficiently in advance of the internal due date for your CBIS budget submission to OCP, March 23, 2018. You are competing for Service Center assistance with every other client institution, and the queue fills up fast.
- 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.

- Consult the CBIS Manual and Videos on the DBM webpage to assure that you are adhering to format and content requirements throughout CBIS.
- 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.
- **Since the Board of Regents has requested “Return on Investment” information for each briefing paper, it is advisable to provide ROI data in CBIS. DBM prefers as much quantitative data as available to support and justify your requests.**
- 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, or re-copy and re-paste, 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 FY2019 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**. Discuss your proposed SFCP 5-Year Plan with your Service Center representative to ensure you are requesting funding for the amount you will need and for the proper sequencing of your request in the 5-Year. Plan. This should be done prior to submitting your budget to OCP.

Additionally, 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 FY2019-2023 SFCP that are needed to accommodate enrollment growth consistent with your projections on the Fall 2017 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.

Internal borrowing. The System will continue, for the FY2019 SFCP, the internal borrowing moratorium that began in FY1997.

Auxiliary bonds. Limited external debt funds may be used to finance auxiliary facilities, but the amount of debt available is severely limited. As was the case last year, our ability to support auxiliary bonds is constrained by other calls on USM debt—including potential use of Academic Revenue Bonds and fund balance to support State-funded projects. Debt-funded projects will be scrutinized for general financial feasibility and affordability, as well as impact on debt capacity and operating funds. 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.

Cash funding. In some cases, institutional funds set aside for specific project may be approved for use; but like last year, use of cash will be severely limited to preserve fund balance. We'll discuss this more

thoroughly with the presidents and the Board during the upcoming capital budget cycle. Where approved, cash funded projects are subject to the same restrictions on financial feasibility (above) as bond-funded projects.

Public-Private Partnerships (PPP) will be similarly limited, as they impact the debt capacity of the System. Please direct your project-specific questions to Bob Page, Associate Vice Chancellor for Finance, 301-445-1946, RPAGE@USMD.EDU at the System Office.

4. BRIEFING PAPERS. The FY2019-2023 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.*

5. PROJECT LOCATION MAP. At the Regents' request, a map (preferably in color), which pinpoints the location of all projects listed in the first five years of the SFCP strawman draft going to Chancellor's Council on May 7 should be electronically transmitted to the Office of Capital Planning no later than May 8. The map will go forward to the Capital Budget Workshop scheduled with the Regents in May (date to be determined).

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 FY2017. 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 FY2017 on, as appropriate).

Your contact persons for instructions and guidance are: Bob Page, Associate Vice Chancellor for Finance, 301-445-1946, rpage@usmd.edu or Celeste Denson, Comptroller, 301-445-1965, 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 FY2019-2023 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.),
- 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).

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 electronic AND hard copy as part of your Board Briefing Paper.

7. ENROLLMENT. Identify all projects in your FY2019-2023 SFCP needed to accommodate the enrollment growth consistent with enrollment projections based on Fall 2017 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 in February of 2016, 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. In rare circumstances, as necessary, the Chancellor may authorize (at the Chancellor's discretion) expenditures in excess of that previously approved in the amount of 20% or \$5 million, whichever is less. 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/>

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.