

JOB AID: NEW CAPITAL PROJECT REQUEST

This job aid describes the process agencies should use to submit requests for new capital projects. OSBM is continuing the process introduced in the FY 2020-21 budget instructions to submit the Agency Budget Change (ABC) List, a high-level list for review before proceeding to more detailed submissions.

Agency Budget Change (ABC) List

This optional process, open to all agencies, establishes a two-step Change Budget request process in which an agency submits key summary information for requests using the Agency Budget Change (ABC) List Template prior to submitting more detailed Worksheet II and Worksheet III forms in IBIS.

OSBM analysts will review the ABC List and work with agencies to develop the business case for each request, determine if requests are viable given budgetary and other constraints, and amend requests based on feedback from decision makers. These collaborative discussions will produce a final list of items for which agencies will submit Worksheets II and III.

The ABC List template includes separate tabs for operational, capital, R&R, and COVID-19 requests. The first tab, "Instructions", provides guidance on how to complete the form. Each agency should only submit one ABC List.

Capital Improvement budget recommendations will be developed based on the 2021-2027 Capital Improvement Plan. OSBM has copied Worksheet IIIs from the last biennium so that you do not need to re-enter all the information required. Please remember to update cost, priority, justification, data, etc. – or delete what's no longer needed.

Agencies using the two-step process are required to share their ABC List with their OSBM budget development analyst by **December 18, 2020. The deadline for Worksheet III IBIS submissions for agencies using the ABC List is **January 20, 2021**.**

Agencies that do not use the ABC List must submit their Worksheet III Change Budget requests through IBIS by **December 18, 2020.**

Completing Your Capital Improvement Plan

All Capital Projects, including General Fund requests and non-General Fund (receipts), must be requested in IBIS through the Worksheet III form. Your agency will be required to submit information for the following:

- *Worksheet III-C Summary (IBIS) – Lists all Capital Budget Requests supported in whole or part from General Fund appropriations in priority order for the six-year planning period (2021-27). DO NOT request all of the department's projects in the first two years. This process is intended to identify a department's needs for the next six fiscal years.*
- *Worksheet III-C Capital Budget Request (IBIS) – Provides project descriptions, justifications, six-year funding schedules, and other CI related information for Capital Budget Requests. This form must be completed for every request (General Fund and non-General Fund) for the 2021-2023 biennium. Priorities, Project Titles and funding must match data listed on the *Worksheet III-C Summary and Worksheet III-NGF Summary*.*
- *Worksheet III-C NGF Non General Fund Summary (IBIS) – Lists all Capital Budget Requests supported from 100 percent non-General Fund appropriations in priority order for the six-year*

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planning period (2021-27). Do not list any projects in the first two years for which you do not anticipate having the receipts.

New Capital Project Requests

A new capital project includes the acquisition of land, building a new building, expansion of square footage of an existing building or complex (such as an annex), and full building renovations. These projects must be set in priority order by the Department.

Setting the Priority Order: It is the Department’s responsibility to set their priority list for their entire capital request. All requests must be prioritized.

Selecting the Year that the Project is to Begin: Agencies should be realistic about their ability to begin and execute a project. It is unlikely, for example, that some agencies can execute multiple large capital projects in one year. When requesting funds, an agency should request funding for when they believe they could execute a project. When requesting funds, an agency should request funding for projects that can at least begin planning in the budgeted year and construction in the following year. For example, the entire capital improvement request for new capital should not be in for the first year of the new biennium.

Sixth Year of the Request: For needs that are required, but the Agency does not expect that they can realistically execute the project, should other priorities be funded, the Sixth Year of the biennium should be used to demonstrate the need.

Funding Amounts Needed: The Governor may recommend debt to be used for new capital projects over a certain dollar threshold. It is necessary to provide a cash flow estimate of when the projects would need funds to pay invoices, in order to issue debt. Thus, as much as possible, please utilize the six-year capital plan to provide cash flows for new projects, over \$2.5 million. For example:

Table 1: Sample Capital Project Request

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Renovate Headquarters Building	\$10,000,000	\$20,000,000	\$15,000,000	\$5,000,000		

New capital project requests occurring later in the six-year period may not have sufficient years to input the proper cash flow. Please spread the facility out, as much as the available six-year window allows to present the total project cost. For example:

Table 2: Sample Capital Project Requirement

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Renovate Headquarters Building	\$10,000,000	\$20,000,000	\$15,000,000	\$5,000,000		
New Laboratory Building					\$5,000,000	\$50,000,000

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Required Information – Project Feasibility: The State Budget Act and OSBM requires that certain information be considered for a budget request to be made for a new capital project. Agencies should provide all information, if applicable to evaluate project feasibility:

- [OC-25 Cost Estimate](#) OC-25 cost estimates, certified by the State Construction Office (SCO), are required for every new Capital Budget and R&R project request that is \$100,000 or greater in cost. Provide certified OC-25 cost estimates for all projects requested for the 2021-23 biennium; OC-25 cost estimates for 2023-27 may be agency generated (not certified by SCO). Submissions are accepted with OC-25s that have been submitted to SCO, but which are still in the process of being certified. The OC-25 must be certified **before the deadline for capital submission**. OC-25s certified more than two years ago must be updated by the State Construction Office.
- G.S. 143C-8-4 requires “each proposed repair and renovation expenditure shall be justified by reference to the Facility Condition Assessment Program (FCAP) operated by the Office of State Construction.” Agencies should provide relevant FCAP information for all R&R requests, including buildings requesting a full building renovation.

Required Information – Project Evaluation: G.S. 143C-8-3 listed required evaluation criteria for capital projects. Agencies are responsible for considering and providing information, as applicable, to address the following statutorily-required components of a project request:

- Preservation, adequacy and use of existing facilities
- Health and safety considerations
- Operational efficiencies
- Projected demand for governmental services

Required Information – Operating Impacts to the Budget: G.S. 143C-8-6(f)(1) requires that agencies submit operating cost impacts of any new capital improvement project requests. Agencies must provide information about increased appropriations needed for the opening of a new building or the renovation of an existing building. If there is no anticipated operating impact, agencies must still fill out the relevant portion of the Worksheet III stating that.

Supplemental Information: Agencies are encouraged to provide additional supplemental information for capital project evaluation. The additional supplemental information is contained in the following fields. These include:

- *Critical Timing:* Explain how the request impacts the start or completion of another capital project.
- *Agency Mission & Goals:* Explain how the project aligns with the agency’s strategic plan
- *Program Effectiveness:* Degree to which the request improves program effectiveness or increases program capacity other than "simple" addition of space.
- *Cost Benefit Analysis:* Provide information about what other alternatives were considered (such as leased space or remote working) and why a new capital project is the most cost-effective solution.
- *Economic Development:* Provide any relevant economic impact analysis, such as jobs created and direct and indirect benefits.

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- *Environmental Hazards:* Identify any environmental hazards that are reduced or removed and describe the severity of those hazards.

Non-General Fund Capital Projects Requests:

Agencies should follow the same procedure outlined above for both new General Fund supported projects and projects that will be entirely supported by non-General Funds or receipts.

When to Request Non-General Fund Capital Projects: Agencies should make the request year for a non-General Fund project:

- The expected year that non-General Fund receipts are available and that the project will begin construction.
- The year of grant submission to an external entity (for example the Federal Government), if funded by a grant.