

APPENDICES

APPENDIX A

CAPITAL IMPROVEMENT QUALIFICATIONS AND TERMINOLOGY

The Department of Budget and Management has developed this material to assist State agencies in determining those types of projects that are eligible for funding through the Capital Budget, regardless of fund source. This section also provides a definition of the terms most commonly used in conjunction with capital improvement projects.

The State Finance and Procurement Article, Subsection 8-127, Annotated Code of Maryland states that the useful life of a **capital improvement** shall be at least equal to the life of the bonds by which it is financed. State capital projects are usually financed by general obligation bonds, which by constitutional provision must be amortized within a fifteen-year period. Thus, to qualify for State capital funds, a proposed project or its equipment must have a useful life expectancy of at least 15 years. Throughout this document, when the term “**capital project**” is used, it is understood to mean “capital improvement.”

A **capital program** is a means for distributing State capital funds among a number of capital projects that share common characteristics, particularly as to function and or purpose. Examples of capital programs are the Public School Construction Program and the Facilities Renewal Program. Programs generally receive funding annually and seldom have an end date, although the projects they finance have beginning and end dates.

The **Capital Budget and Capital Improvement Program (CIP)** are two terms grouped together to clarify both their similarities and their differences. The Capital Improvement Program refers to a document published in January of each year by the Department of Budget and Management that portrays the administration’s plan for allocating State capital funds among capital projects and capital programs over the ensuing five years. The Capital Budget is limited to the fiscal year that begins on the July 1st after the document is published, while the CIP includes all five fiscal years. A project included in the Capital Budget is therefore by definition included in the CIP. The Capital Budget is enacted into law (sometimes with amendments) by the General Assembly, whereas the CIP is not; however, the CIP is used as the basis for formulating Capital Budgets in the succeeding four years, and is also used to persuade the State’s bondholders that the State is managing debt prudently by not planning more capital investments over the next five years than it can afford.

I. PROJECTS THAT QUALIFY FOR STATE CAPITAL FUNDS

A. Real Property Acquisition:

Acquisition of any freehold, fee or leasehold interest in land, including structures and fixtures located on the premises.

B. Design and Preparation of Plans and Specifications:

1. Includes the physical design of a project, prior to bidding a construction contract, and services required of an architect/engineer during the construction and post-construction stages.
2. Design funds are normally requested one year prior to the time the construction appropriation is to be requested. For projects whose total cost is expected to exceed \$10 million, the design funds should be requested two years before the construction appropriation. For very complicated projects, the design request must be phased over two years. In such cases, preliminary planning funds are requested the first year and detailed planning funds the second year. Normally 45% of design funds for projects over \$10 million should be requested in the first year with 55% in the second year.
3. Preliminary planning includes: the preparation of a site plan and a floor plan; the outline specifications for architectural, structural, and site improvements; civil, mechanical, and electrical work; and a definition of the components of each of the systems and materials intended to be used on the project. Planning also includes cost estimates. For further details, see the Procedures Manual for Professional Services, Department of General Services.
4. Detailed planning includes the preparation of all contract documents, such as detailed site plans, floor plans, excavations, specifications, etc., necessary for the construction of the project. For further details, see the Procedures Manual for Professional Services, Department of General Services. It also includes the services required of an architect/engineer during the construction and post-construction stages.

C. Construction

A construction project is a single undertaking involving construction applicable to one or more real property facilities or structures. Construction includes all work necessary to produce a complete and usable new facility or a complete and usable improvement to an existing facility. The work includes associated architectural work and other technical requirements. A construction project may include one or more of the following:

- The erection, installation, or assembly of a new facility;
- The addition to, alteration, conversion, expansion, relocation, renovation, or restoration of an existing facility or structure;
- The installation, extension, or replacement of utility systems;
- The fixed equipment installed and made part of a facility;
- Site development and improvement.

Construction may include “self-help” projects accomplished using agency employees under certain approved conditions and situations advantageous to the State. However, capital funds may not be used to pay any operating expenses associated with a self-help project, including wages and salaries of permanent

employees.

The actual physical construction phase of a capital improvement project must be preceded by the preparation of both preliminary and detailed plans and specifications.

Specialized categories of construction are defined as follows:

1. Addition/Expansion/Extension:

The physical increase to a real property facility/structure, which adds to its overall external dimension.

2. Alteration:

(a) The work required to change the arrangement of internal space and other physical characteristics of an existing facility, or to change the location of functional space within a facility, so that it may be more effectively utilized for its presently designated functional purpose.

(b) No facility should be considered for alteration until it has been in use for at least 15 years, except when required to make the facility usable; to meet State or federal codes, regulatory or licensing requirements; or when major priorities have changed or new programs have been implemented.

3. Conversion:

(a) The work required to change the arrangement of internal space and other physical characteristics of an existing facility so that it may be effectively utilized for a new functional purpose. This includes the utilities and fixed equipment installed on and made part of the facility.

(b) Adjustment of exterior space arrangement is normally considered to be an Addition/Expansion/Extension and is not normally included in conversions; however, the addition of a small amount of circulation and/or mechanical space to the exterior of a building to meet code requirements is permissible with the approval of DBM and DGS.

4. Relocation:

(a) The movement of a facility from one site to another, either intact or by disassembly and subsequent reassembly. A new foundation may be constructed at the new location as part of the project. This category includes movement of utility lines, but excludes relocation of roads, pavements or similar facilities.

When a facility is relocated on another site and the new facility consists primarily of new components, the project is considered a replacement rather than relocation.

- (b) Relocation of two or more facilities resulting in a single facility will be considered a single project.

5. Renovation:

- (a) The work required to restore and modernize most or all of a facility, or an existing mechanical system, so that the facility may be effectively utilized for its designated functional purpose or to comply with current code requirements.
- (b) Renovation normally is required as a result of general deterioration and obsolescence due to age, deferred maintenance, original faulty construction, or damage from natural disasters. It may be funded as a capital improvement project in these cases where the cost of the project is \$100,000 or more, and it cannot be accommodated in the agency operating or special fund budget.
- (c) The primary difference between renovation and alteration is that alteration involves significant modification to a facility's interior space arrangements while renovation does not.
- (d) Generally, no facility should be considered for renovation until it has been in use for at least 15 years, except when such work is necessary to meet State or federal codes, regulatory or licensing requirements, or to correct major basic faults originally incorporated into the facility.

6. Replacement:

- (a) The complete reconstruction of a facility, a mechanical system, or a utility system. The original building or mechanical or utility system must be beyond the point where it can be economically repaired or renovated and it can no longer be used for its designated purpose. Certain conditions, such as age, hazardous conditions, obsolescence, structural and building safety conditions or other causes may contribute to the need to replace a building or system. The reconstruction of minor components of a mechanical or utility system is considered maintenance/repair, rather than replacement.
- (b) A facility should not normally be considered for replacement until it has been in use for at least 40 years.
- (c) Replacement will normally be allowed as a capital improvement project only when a facility cannot be cost-effectively renovated or repaired.

7. Restoration:

The work required to restore a facility, to the maximum extent possible, to its former or original state. Normally, restoration will involve historic properties. In these cases, the Maryland Historical Trust should be consulted.

8. Site Development and Improvements:

These include such items as: grading and installation of drainage facilities; construction of new roads, walks, parking areas, retaining walls, recreational areas, fences and similar improvements; standard and essential landscaping; street or other outdoor lighting.

9. Utilities:

These include the installation, extension or replacement of systems for the provision of sewer, water and electrical service; power plant facilities and appurtenances; heating, ventilating and air conditioning; fire escapes, sprinklers and automatic fire alarms, and telecommunications.

D. Initial Equipment and Furnishings:

1. Items of initial equipment and furnishings will be eligible for funding as a capital improvement only if they meet the following general conditions:

- (a) Have a life expectancy of at least 15 years with normal maintenance,
- (b) Are of durable construction,
- (c) Are heavy enough to preclude theft or easy removal from the facility by an individual (chairs excepted),
- (d) Are not intended to replace similar items already on hand.

2. Initial equipment and furnishings include only those items which, after taking into account all usable equipment currently on hand, must be placed in the facility to accommodate the functions for which the facility has been programmed and designed. Those items more appropriate for outdoor use, and which normally would not be used inside a facility, are not eligible for funding as capital equipment.

3. The items must not be elaborate or extravagant. Review will be guided by the reasonableness of the cost of the item, its durability, and its appropriateness for the intended level and type of use. Maryland Correctional Enterprises products must be used whenever possible (State Finance and Procurement Article, Section 14-103, Annotated Code of Maryland).

4. If the project is a conversion of, or an addition to an existing facility, only those items of equipment and furnishings required to support the new or added function are authorized.
5. Initial equipment and furnishings associated with alteration, relocation, or renovation of an existing facility will not normally be eligible for capital funding. Since these types of projects are related to existing functions, it is expected that existing equipment will be utilized. Replacement equipment is not eligible for capital funding.
6. Generally, information technology items that are integral components of building systems (utilities, telecommunications) should be purchased as part of the construction contract, rather than as individual equipment and furnishings. These items should be shown as construction on the budget forms.
7. Certain other information technology equipment is also eligible for capital funding. Examples include system control equipment that is located in a central control room, and equipment and wiring located in wiring closets throughout the building. Information technology items purchased separately from the construction contract should be shown as equipment.

I. PROJECTS THAT DO NOT QUALIFY FOR STATE CAPITAL FUNDS

- A. Master plans, feasibility studies, alternative project proposals, or the development of programs required as a prerequisite to the authorizing of funds for the preparation of plans and specifications.
- B. Payment of salaries or wages of State employees for work performed directly in conjunction with an authorized capital improvement project. This includes the preparation of plans and specifications.
- C. Capital improvements for auxiliary enterprise programs in the public four-year institutions of higher education. These are to be funded from program revenues unless State capital funds are specifically authorized by the Governor and General Assembly.
- D. Interim or temporary accommodations or equipment while another facility is being renovated. However, equipment may be pre-purchased if it is to be moved and reused in the renovated facility.
- E. Maintenance/repair projects, except as noted in subsection 4 below:
 1. Maintenance is the recurrent day to day, periodic (i.e., weekly, monthly, annual) or scheduled work required to preserve or maintain a facility or system in such a condition that it may continue to be effectively utilized for its designated purpose during its life expectancy. Maintenance includes work undertaken to prevent damage to a facility or system which otherwise would be more costly to restore, or work to sustain existing components of

a facility or system. Construction of new maintenance sheds or buildings, and extension or expansion of utilities are excluded from this definition.

2. Repair is the work required to restore a facility or system to such a condition that it may continue to be appropriately and effectively utilized for its designated purpose by overhaul, or replacement of constituent parts or materials which have deteriorated by action of the elements or wear and tear in use. This includes the correction of conditions, which adversely affect the use of a facility for its designated purpose due to non-conformance with prescribed standards and codes, except for major changes necessary to cover newly mandated accreditation or certification requirements.
3. The following are examples of maintenance/repair projects:
 - (a) Painting, decorating, caulking, repainting, or treatment of masonry and other surfaces;
 - (b) Repairing of roofs, and replacing or repair of wall or floor tiles, and shingles or siding;
 - (c) Sealing asphalt surfaces, ditching, replacement of gutters and curbs, patching or resurfacing roads;
 - (d) Replacement or repair of sprinklers and automatic alarm systems (exceptions may be allowed for major projects);
 - (e) Replacement or repair of components, elements or units of an elevator or escalator;
 - (f) Replacement or repair of plumbing, sanitary facilities, or the pre-heat, reheat, and chilled water coils or other components of a heating, ventilating and air conditioning system (exceptions may be allowed for major projects); and
 - (g) Replacement or repair of components of lighting and electrical systems.
4. Maintenance/repair projects estimated as costing between \$100,000 and \$1 million may be undertaken with capital funds. Requests for these projects must be submitted to the Department of General Services for prioritization for funding in the Facilities Renewal Program.

APPENDIX B

SUBMISSION OF FACILITY PROGRAMS FOR CAPITAL PROJECTS

In fulfillment of the legal mandate that programs be submitted and approved for each capital project for which funds are requested, the following applies:

- A. A part I program justifying and describing the scope of the project must be submitted by June 30th of the calendar year the project is being requested for inclusion for the first time in the five-year capital improvement program.
- B. A part II program containing project requirements in the level of detail needed to hire an architectural/engineering firm must be submitted by March 1st of the calendar year in which a request for design funds will be submitted for inclusion in the capital budget. A part II program is not required when the project consists solely of the acquisition of real estate or demolition of a building.
- C. If design funds are being requested for a project for the first time in the next fiscal year's capital budget and a part I program has not been previously submitted, both part I and part II of the program should be submitted on or before March 1st of the calendar year in which the request for design funds will be submitted.
- D. If preliminary design funds are to be requested in the capital budget and a part I program has been previously submitted, the agency should submit a document on or before March 1st that verifies or updates the part I program data used to plan the project.
- E. Instructions for part I and part II programs are available on the Department of Budget and Management website. See the Introduction of this manual for instructions on how to access this publication.

Appendix C

CAPITAL AND NON-CAPITAL EQUIPMENT APPROVAL PROCEDURES

A. Submission of Equipment Lists:

A completed Form G: Equipment and Furnishings Request Form (available on the DBM webpage) should be submitted electronically to the Office of Capital Budgeting. Agencies should submit equipment lists no later than three months after the completion of design. A completed Form G consists of: (1) itemized lists of all equipment being requested for capital funding, including the components of systems (these lists can be organized into separate tabs at the discretion of the submitting agency), (2) an equipment list summary which includes the totals for each itemized list/tab. Examples of both an itemized list and a summary list are provided in the Form G document as separate tabs.

In the itemized lists, furniture and equipment, information technology and audio visual equipment should be grouped by system with the room locations identified. To the extent applicable, an agency should submit supporting documentation including descriptions with dimensions, weight, materials and catalog references. This information can be submitted as a separate document and will assist DBM in making accurate eligibility decisions Maryland Correctional Enterprises (MCE) should be contacted for assistance in determining a current list of products and their cost. Unit and total cost columns shall reflect the current (as of submission date) net anticipated cost for purchasing the equipment (catalog price less any discounts offered to the State or its agencies).

B. Equipment List Review and Approval:

1. An item approval number will be assigned by DBM during its review and approval process. The item approval number is composed of three elements:

(a) Fund Source - C for capital equipment funds to be included in the annual State budget, or N for other funds available to the agency.

(b) Page Number of the consolidating listing.

(c) Each line item should be assigned a unique item number. Items that are the same can be listed under the same item number.

2. A final, approved, consolidated list of equipment for the facility will be furnished to the submitting agency by DBM.

3. DBM may make changes to unit cost and quantity as deemed necessary.

4. Once a submitting agency's list has been approved, the budget requests should be consistent with the approved list.

GENERAL REQUIREMENTS

1. Requests for funding should be made using Form G: Equipment and Furnishings Request. All equipment and furniture, information technology and audiovisual systems which are needed to make a project operational, should be listed regardless of projected fund source.
2. An electronic copy of Form G should be submitted to the Office of Capital Budgeting no later than three months after the completion of design.
3. Before initial submission to OCB, an agency should conduct a preliminary review and indicate the items the agency considers eligible for capital funding.
4. Agencies are responsible for checking the accuracy of the calculations in equipment lists. Each page of an equipment list should include a page total and cumulative total.
5. At the top of each page, complete the lines for agency, (name of) project, and fiscal year. The fiscal year is the year in which capital equipment funds will be requested.
6. On each item line, list an item along with a suggested manufacturer and product number, if available. Remember that State law specifies that Maryland Correctional Enterprises products must be acquired if available, even if the product is available at a lower cost from a private vendor. For items that vary in size, include dimensions if available. Include weight of each item if available. Complete the Requested columns for quantity, net unit cost, and total cost. Note that total cost equals quantity times net unit cost. Round all costs to the nearest dollar.
7. At the bottom of the page, indicate the number of that page and the total number of pages.



Department of Budget & Management Capital Equipment Eligibility Guidelines

	FF&E	A/V	IT	Non-Standard Equipment
Definition	Standard furniture, fixtures, and equipment that are not audio/visual or information technology in nature.	Systems using sight or sound to present, record or store information. This category includes the basic infrastructure needed to operate the audiovisual and security equipment, such as projectors and smart podiums.	Telecommunication systems used to store, transmit, and create data. This category includes information technology infrastructure (e.g., wiring, switches), networking equipment, servers, data storage devices, and related items.	Unique equipment costing at least \$100,000 that is needed for highly specialized functions or activities and is intrinsically related to the programmatic needs in the facility. Examples include flight simulators and NMRs.
Lifespan / Durability	15 year minimum.	A minimum of 3 years and included as part of an overall project with a life of at least 15 years.		Minimum of 5 years and included as part of an overall project with a life of at least 15 years. In situations where no useful life data may be available, the cost of the system will be taken into consideration.
General Considerations	Eligible equipment is that which is necessary to get the building functional AND does not violate other criteria. Items are expected to remain functional under heavy use with regular maintenance. Items that break or become obsolete cannot be replaced using capital funds. The following criteria will make an item ineligible for capital funding: 1) Items with a high likelihood of theft due to size, portability, or attractiveness. 2) Items easily broken from heavy use. 3) Items considered elaborate or excessive in cost. 4) Items intended to replace current working equipment. 5) Items not related to the mission of the agency.			
Special Considerations	Based on capital funding best practices, low cost items may be considered ineligible, such as trash cans.	Factors of consideration include: room occupancy, level of use of the item, quantity requested, purpose, programmatic need, and relation to agency mission. The total cost of equipment with a useful life of less than 15 years may not exceed 25% of the state's share of capital equipment funding.		Justification for why the equipment is needed should be provided. In addition, the agency should provide information on how the equipment will be maintained over its useful life.
Systems	N/A	Eligible systems are those needed for the start-up of the building. Components that are critical and necessary to the operation of a system may be eligible. Based on criteria discussed elsewhere in this document, not all components of a system, such as training and licensing, may be eligible. Items normally considered ineligible may not be bundled to form a system. For example, bundling laptops into a system is not eligible.		
Specific Ineligible Items	Non-MCE items unless a waiver has been obtained. Personnel training. Software not integral to equipment function.	Training costs. Software not integral to equipment function. Software typically sold as separate item (e.g. Microsoft Office or a software upgrade). Custom software development. Personal computers. Tablets. Laptops. Licensing. Service agreements.		
Replacement Items	Capital funds will not be used to replace equipment for existing programmatic activities, including activities that will be relocated to a new facility. This includes items that have outlived their useful life or become obsolete. An agency requesting capital equipment funding will be required to submit a list of current usable equipment or pay up to 5% of the approved equipment list from non-capital funds unless the equipment is for a new function.			Replacement of non-standard equipment is not eligible.

Notes: Examples are for illustration only and may not hold true in specific or unique situations. AV and IT systems must be consolidated under one tab in Form G identifying the system components.

EQUIPMENT AND FURNISHINGS REQUEST - FF&E Furniture

REQUEST FOR FISCAL YEAR: _____

AGENCY:

PROJECT:

Eligibility	Item Number	ROOM NUMBER	FURNITURE DESCRIPTION (describe as fully as possible)	NAME OF MANUFACTURER	MODEL NUMBER	QUANTITY		NET UNIT COST (++)		TOTAL COST	
						REQ	APP (+)	REQUESTED	APPROVED (+)	REQUESTED	APPROVED (+)
+		1					0		-	-	-
+		2					0		-	-	-
+		3					0		-	-	-
+		4					0		-	-	-
+		5					0		-	-	-
+		6					0		-	-	-
+		7					0		-	-	-
+		8					0		-	-	-
+		9					0		-	-	-
+		10					0		-	-	-
+		11					0		-	-	-
+		12					0		-	-	-
+		13					0		-	-	-
+		14					0		-	-	-
+		15					0		-	-	-
+		16					0		-	-	-
+		17					0		-	-	-
+		18					0		-	-	-
+		19					0		-	-	-
+		20					0		-	-	-
+		21					0		-	-	-
+		22					0		-	-	-
+		23					0		-	-	-
+		24					0		-	-	-
+		25					0		-	-	-
+		26					0		-	-	-
+		27					0		-	-	-
+		28					0		-	-	-
+		29					0		-	-	-
+		30					0		-	-	-
+		31					0		-	-	-
+		32					0		-	-	-
+		33					0		-	-	-
+		34					0		-	-	-
+		35					0		-	-	-
+		36					0		-	-	-
+		37					0		-	-	-
+		38					0		-	-	-
+		39					0		-	-	-
+		40					0		-	-	-
+		41					0		-	-	-
+		42					0		-	-	-
+		43					0		-	-	-
+		44					0		-	-	-
+		45					0		-	-	-
+		46					0		-	-	-
+		47					0		-	-	-
+		48					0		-	-	-
+		49					0		-	-	-
+		50					0		-	-	-
+		51					0		-	-	-
								TOTAL FUNDS		\$0	\$0

(+) To be completed by DBM

(++) Net anticipated purchase cost, i.e., catalog price less any discounts

State law requires that State Use Industries products be acquired if available.

TO BE COMPLETED BY DBM			
TOTALS FOR THIS PAGE ONLY			
CAPITAL FUNDS	\$0	OTHER FUNDS	\$0
TOTALS FOR COMPLETE REQUEST			
CAPITAL FUNDS	\$0	OTHER FUNDS	\$1,647,230

APPENDIX D

PROGRAM DESCRIPTION AND JUSTIFICATION

This section instructs applicants in describing background information required about their Grant and Loan Programs. Each request for capital funding must document and justify the need for the amount of funds clearly and succinctly.

PROGRAM REQUESTS- Each request must:

- I. Cite the program’s enabling legislation.**
- II. Describe the program. Give a brief description of the program including:** the year the program began; the purpose of the program; the type of assistance the program provides, such as grants and/or loans or other types of financing; the maximum amount or percentage of support projects may receive. Discuss how the program supports or relates to the Agency’s Managing for Results (MFR) goals and objectives. If law or regulations limit the program, cite the statutes or regulations that set the limits. If specific projects are not identified in the project request section of CBIS, the description should explain why no project list is being provided and how the amount requested was determined. Include any other significant descriptive information.
- III. Indicate the forms of financing:**
 - A. GRANTS. If financial assistance is in the form of a direct grant, describe the provisions for matching funds by the grantee. Cite statutes or regulations governing matching funds.
 - B. LOANS. If financial assistance is in the form of a loan, describe the provisions for repayment.
 - C. OTHER. If financial assistance is a guarantee or other form of assistance, describe the form of assistance and payment provisions required of the recipient. Examples are fees, premiums, or royalty payments.
- IV. Describe the availability of federal or other sources of funds.** Funding requests should indicate both the status and the date of the program’s most recent application for federal and/or other sources of funds. Include the Catalog of Federal Domestic Assistance identification number.
- V. Cite applicable statute(s) that authorize the program to use funds for administrative services.** Salaries, wages, benefits and closely related personnel and administrative costs for State employees are **not** eligible for funding in the capital budget, unless specifically authorized by statute.
- VI. Describe the criteria used to determine project priority.** Describe the priority criteria here. If a point system was used, describe the elements evaluated. If a goal

specific system was used, state the goal. An example of a goal might be, “ability to meet an emergent need.”

- VII. Describe the application of priority criteria.** This should be a description of how you apply the criteria to rank priorities, if a ranking system is used. An example of a process description might be:

“All projects were ranked by a committee of five independent health care workers; each committee member scored every qualifying project using a 100 point scale. The scale measures mitigation of the magnitude of threats to health; immediacy of the health threat; and cost per affected person.”

- VIII. Explain differences in this request from the Five-Year CIP.** If this year’s request for funds differs from the amount shown in the five-year CIP, explain the reason for those differences.

- IX. List the name and telephone number of the agency contact person.**

AGENCY:	<i>Department of Health and Mental Hygiene</i>
SUBAGENCY:	<i>Office of Planning and Capital Financing</i>
PROGRAM TITLE:	<i>Community Health Facilities Grant Program – Substance Abuse Facilities Support Program</i>

Enabling Legislation	The enabling legislation for this program is Section 24-601 through 24-607 of the Health General Article (Statewide)
Description	This program, which began in 1972, provides capital assistance to nonprofit providers in the construction, acquisition, renovation, and equipping of facilities which serve individuals with substance abuse problems. Programs may be operated by counties, municipal corporations, or nonprofit organizations. These programs allow clients in State psychiatric hospitals or in residential centers for individuals with chronic substance abuse problems to be served in the community rather than institutions or to avoid being placed in institutions altogether. The projects in this program are capital projects funded with State bonds and matched with cash by the recipients of the State funds.
Forms of Financing	<p>There is no dollar cap on the State funding for community health facility projects. According to statute, the State provides up to 50% of the eligible project cost of the project; however, the State may fund up to 75% of each project if the project is designated under federal regulations, State plans or departmental regulations as eligible for poverty area funding. Under Department regulations, eligibility for poverty funding occurs when the majority of the people served by the facility:</p> <ol style="list-style-type: none"> 1) are certified by a local Department of Social Services as eligible for Family Investment Program (FIP), Disability Assistance and Loan Program (DALP), or Medical Assistance; 2) are eligible for Supplemental Security Income benefits; or 3) have income levels that do not exceed 150 percent of the federal poverty level. <p>Matching funds must equal the total eligible cost of the project less the State grant award. Real or personal property and in-kind contributions are not eligible as matching funds.</p>
Available Federal Funds	N/A

Administrative Cost	N/A
Project Priority Criteria	The Alcohol and Drug Abuse Administration (ADAA) reviews all applications from providers serving their respective populations. Based on the program priorities, the program management ranks the applications.
Priority Process	<p>The Department determines the priority of applicants for State grant funds after consideration of:</p> <ul style="list-style-type: none"> (1) all eligible applications (2) each project, by the appropriate program administration, for conformance with the program or plans for these services established by the respective administration (3) priorities as established by the Department (4) the reasonableness of the projected capital, and operating costs and revenues, for the facility (5) the availability of State grant funds (6) the total unallocated State grant funds available at the time the applicant is received (7) the readiness of the project to go before the Board of Public Works.
Five-Year CIP Difference	The Department of Health and Mental Hygiene's FY 2006 request for Administration-Sponsored Capital Programs for addictions facilities is \$8 million. This is consistent with the CIP. The Five-Year Capital Improvement Program projects \$8 million for each of the next four years.
Contact	<p>Elizabeth Barnard (410) 767-6816 George Upperco (410) 767-6589</p>

APPENDIX E

CAPITAL GRANT AND LOAN PROGRAM FUND SUMMARY TABLE

Use this table for requests involving a financing fund, which provides for repayable loans or loan guarantees (e.g. Agricultural Land Preservation Fund, Neighborhood Business Development Program, and Rental Housing Programs). The table is submitted in addition to the CBIS submission for grant and loan programs. Modify the table if necessary to accommodate special reporting requirements for the capital program.

The table requires the agency to list the various sources of revenues and various encumbrances and expenditures for the loan programs it administers. These tables are used to recommend funding in the annual budget and Five-Year Capital Improvement Program.

The following table is basically self-explanatory. If you need to add lines to indicate other revenues or expenses, or conversely, delete some existing lines that may not apply to you, you should do so. The year in the first column should be last fiscal year, the year in the second column should be the current fiscal year, and the year in the last column should be the next fiscal year. If there are any questions, you should contact your capital budget analyst.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT Homeownership Programs

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
BEGINNING BALANCE	3,441,943	4,558,696	1,982,646	6,000,000	6,216,505	6,172,875	6,192,462	5,682,548
REVENUE:								
GO Bonds	2,989,000	1,205,000	0	0	0	0	0	0
General Funds	0	0	1,555,000	0	900,000	700,000	650,000	1,000,000
Loan Repayments/Interest Transfer In (Out) Other Funds	7,923,305	12,110,175	8,293,141	8,595,483	8,515,348	8,538,565	8,599,064	8,848,204
Federal Funds	3,800,000	0	12,148,191	0	0	0	0	0
Cancellation of Encumbrances	96,655	2,246,630	217,503	217,503	217,503	217,503	217,503	217,503
	775,139	3,300,710	621,022	621,022	621,022	621,022	621,022	621,022
TOTAL REVENUE	15,584,099	18,862,515	22,834,857	9,434,008	10,253,873	10,077,090	10,087,589	10,686,729
TOTAL AVAILABLE	19,026,042	23,421,211	24,817,503	15,434,008	16,470,378	16,249,965	16,280,051	16,369,277
ENCUMBRANCES								
Loans	12,496,253	18,038,041	15,600,000	7,600,000	8,500,000	8,300,000	8,750,000	9,100,000
State Administrative Expenses	1,874,438	3,200,755	3,100,000	1,500,000	1,680,000	1,640,000	1,730,000	1,800,000
Federal Administrative Expenses	96,655	199,769	117,503	117,503	117,503	117,503	117,503	117,503
TOTAL EXPENDITURES AND ENCUMBRANCES	14,467,346	21,438,565	18,817,503	9,217,503	10,297,503	10,057,503	10,597,503	11,017,503
ENDING BALANCE	4,558,696	1,982,646	6,000,000	6,216,505	6,172,875	6,192,462	5,682,548	5,351,774

APPENDIX F

PRIVATE ACTIVITY LIMITATIONS ON GENERAL OBLIGATION BOND FINANCED PROJECTS

This section describes the circumstances under which agencies must complete an individual survey form for each individual project where the general obligation bond-financed project may involve a limiting private activity.

I. BACKGROUND

The Internal Revenue Service limits the use of tax-exempt bonds for “private purpose” projects to no more than five percent of the tax-exempt bonds issued in a given bond issue. This limit applies to the State’s general obligation bonds, as well as to tax-exempt bonds issued by instrumentalities of the State. Projects that meet two conditions may be subject to the limitation: private use and private payment. Project funds meeting this test are commonly called “Private Activity” or “Bad Money.”

“Private use” is use of a tax-exempt financed facility by any entity other than an instrumentality of State or local government, or use on a different basis than members of the general public. One example of private use is the rental of space in a tax-exempt financed building to businesses. Another example of private use could be the operation of a bookstore or dining facility by a private company. Research sponsored by private companies can sometimes constitute private use.

“Private payment” is payment for the privately used portion of a facility above the costs of operating and maintaining that portion of the facility. Also, taking an equity position in a tenant company could lead to a private payment. An example of private payment would be for a tenant in a tax-exempt financed building to pay enough rent to cover some of the debt service. The use of tax-exempt financing for loans would lead to a private payment.

II. SURVEYS

This section includes two surveys. Applicants for general obligation bond funds must complete the forms, describing proposed uses of capital budget funds if there are potential private use issues. The main role of the Office of Capital Budgeting is to identify possible projects for further investigation by the Treasurer’s office and the State’s bond counsel.

- A. **Required surveys.** Project requests must include one of the two enclosed surveys for general obligation bond funds where private use may be involved. Responses to this survey that indicate that there will be private use and private payment may mean that the project falls beyond the 5% limit, and a more detailed investigation may be needed to determine exactly how much “private activity” or “bad money” is in the project.
- B. **Survey forms.** The first survey (CB Form D1) applies to projects that are not higher education facilities; the second (CB Form D2) is for higher education facilities. Complete the survey form that applies to each individual project. Completed examples follow.

EXAMPLE

SURVEY OF PRIVATE USES OF TAX-EXEMPT FINANCING		Place an x below to Respond "Yes" or "No" to Each Question	
Name of Facility: General Government Office Building		YES	NO
#1	Will the project be part of a Higher Education facility? If "Yes," use the Higher education survey form.		x
#2	Will any part of the project be funded with general obligation bonds?	x	
#3	Will the project, or any portion of it, be owned by a person or entity other than the State or its political subdivisions? If "Yes," what percentage of the project will be so owned? <u>0%</u>		x
#4	Will the project, or any portion of it, be leased to a person or entity other than the State or its political subdivisions? If "Yes," what percentage of the project will be so leased? <u>25%</u> If #4 was "Yes," describe the terms of the lease on a separate sheet. (See attached example.)	x	
#5	Will the rents exceed operating and maintenance costs?	x	
#6	Will the State gain any other financial interest in any lessees?		x
#7	Will the project, or any portion of it, be managed or operated by a person or entity other than the State or its political subdivisions? If "Yes," what percentage will be managed or operated? <u>25%</u>	x	
#8	Other than by lease or management contract, will any person or entity, other than the State or its political subdivisions, use any portion of the project that is not a general public use? If "Yes," what percentage of the project which will be used? <u>0%</u> If #8 was "Yes," describe the nature of use on a separate sheet.		x
#9	Will the use, ownership, or management of the project or any portion of the project change within fifteen years after the project is placed in service? If "Yes," please describe the nature of the projected change on a separate sheet.		x

Name of Contact: Jon Joans
 Phone Number of Contact: (410) 123-4567
 Date Completed: June 20, 2005

CB Form D1

Example of a Response to Question #4

#4 Will the project, or any portion of it, be leased to a person or entity other than the State or its political subdivisions? If #4 was “Yes” describe the terms of the lease on a separate sheet.

The project is a 20,000 square foot office building that the Department intends to purchase. The Department plans to lease 5,000 square feet or 25 percent of the project to a current occupant of the building, a private mail delivery firm, Independent Postal, Inc. Independent Postal will be using the space for customer services and general office space. Independent Postal will pay the Department \$15 per square foot per month. The firm has agreed to a two-year lease with two, two-year renewal options. Independent Postal will pay all utilities associated with the leased space and any renovation costs the firm might require to occupy the building.

Private Use of Tax-Exempt Financed Higher Education Facilities

Name of Facility: University Service Center

The facility will be used for the following purposes

(List approximate percentages; Total to 100%)

Classrooms and/or labs for instruction of enrolled students	10%
Research	5%
Administration	0%
Other academic	10%
Auxiliary services (specify parking, dining, housing, etc.)	40%
Lease to non-university/college entity	35%
Other (specify)	

TOTAL 100%

Place an X in the columns to Respond "Yes" or "No" to Each Question	YES	NO
#1 Will any part of the facility be rented, leased, or otherwise made available to any entities outside the institution? If "Yes," on a separate sheet describe the intended use, including percentage of building, anticipated use, and anticipated users.	x	
#2 Other than described in (1) above, will the facility, or any portion of the facility, be operated by an entity other than the institution? If "Yes," describe on a separate sheet.	x	
#3 Will any sponsored research activity take place in the building? If "Yes," answer the following. 3(A) Will the institution's employees be paid from federal contracts and grants awarded to perform the research? 3(B) Will the institution's employees be paid from other than federal contracts and grants to perform the research? 3(C) Will non-institution employees perform the research?	x x x x	
3(D) Will the agreements for sponsoring the research give the institution exclusive and complete title and ownership to the research and to all patents, licenses, technology and other legal rights to any product or technology developed from the research? If 3(D) was "no," on a separate sheet, identify who will have an interest and describe the interest.		x
#4 On a separate sheet, describe any revenue that will be generated from the intended use of the facility other than leases, management contracts and/or sponsored research described above.		

Place an X in the columns to Respond "Yes" or "No" to Each Question	YES	NO
#5 Will any person, other than the institution's employees, faculty, staff, and students, have a right to use the facility for their own purposes, other than those purposes described above? If "yes," describe on a separate sheet.		x
#6 Will the use, ownership, or management of any portion of the project change within fifteen years after the project is placed in service? If "Yes," please describe on a separate sheet, the nature of the projected change.	x	

Name of Contact: Jan Joans
Phone Number of Contact: (410) 765-4321
Date Completed:

CB Form D2

June 20, 2005

Example of Responses to Questions #1, 3(D), 4, and 6

- #1 Will any part of the facility be rented, leased, or otherwise made available to any entities outside the institution? If “Yes,” on a separate sheet describe the intended use, including percentage of building, anticipated use, and anticipated users.

The Project is to build a multi-use center. The University will lease 35,000 square feet or 35 % of the building to a private grocery company, Goods Food, Inc. Goods Food will be using the space for customer services and general office space. Goods Food will pay the Department \$15 per square foot per month. The firm has agreed to a two year lease with five, two-year renewal options. Goods Food will pay all utilities associated with the leased space and any renovation costs the firm might require to occupy the building.

- #3(D) Will the agreements for sponsoring the research give the institution exclusive and complete title and ownership to the research and to all patents, licenses, technology and other legal rights to any product or technology developed from the research? If 3(D) was “No,” on a separate sheet, identify who will have an interest and describe the interest.

The University is sponsoring pharmaceutical research. Pharmax, Inc., the primary contractor for the research, will own no less than a majority interest in any patents, licenses or titles of products or technology resulting from the research; the University will, however, retain no less than 10 percent of any resulting proceeds from the research. The exact amount of the University’s interest is still under negotiation.

- #4 On a separate sheet, describe any revenue that will be generated from the intended use of the facility other than leases, management contracts and/or sponsored research described above.

The University will lease 15,000 square feet to Students, Inc., a group of students who will operate a bowling alley. The university will receive 25% of the gross revenue from the bowling alley’s operations.

- #6 Will the use, ownership, or management of any portion of the project change within fifteen years after the project is placed in service? If “Yes,” please describe on a separate sheet the nature of the projected change.

The University is considering sale of the building to Pharmax, depending on Pharmax’s acceptance of the option on its lease. Should Pharmax choose not to renew its lease, the University would consider converting the building into a conference center.