New Capital Project Requests Job Aid

This job aid describes the process agencies should use to submit requests for new capital projects with Worksheet-III (WS-III) forms. For more information on this process, agency budget staff should attend the Capital Training on **January 16, 2024**. RSVP here.

Prior to submitting a WS-III form, agencies should have submitted a Capital Agency Budget Change (ABC) List, which summarizes capital and repairs and renovations (R&R) project requests, by **February 9**. Agencies will work with OSBM to determine which requests are viable given budgetary and other constraints, develop the business case for requests using data and evidence wherever possible, and further refine and adjust requests based on feedback from decision makers. Agencies will then submit selected requests as WS-IIIs (capital projects) taking that guidance into account.

Completing Your Capital Improvement Plan

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

- *WS-III-C Capital Budget Request (IBIS)* – Provides project descriptions, justifications, six-year funding schedules, and other capital improvement related information for capital budget requests. Agencies must complete this form for every request (General Fund and non-General Fund) for FY 2024-25. Priorities, project titles and funding must match data listed on the *WK-III-C Summary and WS-III-NGF Summary.*

- *WS-III-C NGF Non-General Fund Summary (IBIS)* – Lists all capital budget requests supported from 100%non-General Fund appropriations in priority order for FY 2024-25. Do not list any projects in FY 2023-24 (as this year's budget has already been set) or projects for FY 2024-25 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, expanding square footage of an existing building or complex (such as an annex), and full building renovations. Departments must set these projects in priority order.

Setting the Priority Order: Departments are responsible for setting their priority list for their entire capital request. All requests <u>must</u> have a unique priority ranking, with "1" indicating highest priority, across the entire department. Projects should not be ranked by division or other sub-category.

Only Propose Projects for which an Agency has Capacity: 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 only if they believe they could execute a project in that fiscal year, i.e. one that can at least begin planning in the budgeted year and construction in the following year.

Funding Amounts Needed: Under either SCIF or debt funding, it is necessary to provide a cash flow estimate of when the projects would need funds to pay invoices in order to ensure cash is available when

it is needed. Thus, as much as possible, please provide cash flows for new projects which are projected to cost more than $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		

Required Information – Project Feasibility: The State Budget Act and OSBM requires that a budget request includes certain information for consideration as a new capital project. To meet this requirement, agencies should provide the OC-25 form.

- *OC-25 Cost Estimate* OC-25 cost estimates, certified by the State Construction Office (SCO), are required for every new capital project request that is $100,000 or greater in cost. Agencies must provide certified OC-25 cost estimates for all projects requested for the 2023-25 biennium March 1, 2024; Submissions are accepted with OC-25s that have been submitted to SCO, but which are still in the process of being certified. However, the OC-25 must be certified **before the deadline for capital submission, March 1, 2024**. OC-25s certified more than two years ago must be updated by the State Construction Office.

Required Information – Project Evaluation: G.S. 143C-8-3 lists 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 to open a new building or renovated building.** If there is no anticipated operating impact, agencies must still fill out the relevant portion of the WS-III stating that.

Supplemental Information: Agencies are strongly encouraged to provide additional supplemental information for capital project evaluation, as described below.

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

In providing this supplemental information, OSBM encourages agencies to emphasize data and evidence to show the need the request seeks to address and why they expect this solution to succeed. For example, in proposals to replace buildings, agencies could cite statistics around the expected life of buildings, alongside a cost-benefit analysis showing that replacing the building is better value than refurbishing it to modern standards. To assist agencies in achieving this goal, OSBM analysts are available to assist and will also ask about evidence supporting requests during ABC List review meetings with agency budget staff in February.

Non-General Fund Capital Projects Requests

Agencies should follow the same procedure outlined above for both new General Fund supported projects and projects supported by in whole or in-part by non-General Funds sources.

When to Request Non-General Fund Capital Projects: Agencies should make the non-General Fund project requests in either:

- The year that non-General Fund receipts are expected to be 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.