

Office of Budget and Management



Capital Planning and Budget Guidance

STATE OF OHIO
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EXECUTIVE SUMMARY



All agencies that anticipate capital needs during FYs 2023-2028 must submit a long-term capital improvements plan for the period beginning July 1, 2022 and ending June 30, 2028.

The purpose of the capital improvements plan is to communicate in a clear and concise manner the capital needs of the agency. It is used by OBM and the Governor to make allocation decisions.

While agencies have some discretion as to how they present their six-year capital plans, all requirements contained in these guidelines must be met. Agencies may meet with OBM budget analysts to discuss alternative formats to facilitate analyst review and agency preparation. Additionally, OBM may consult with the Ohio Facilities Construction Commission to discuss and evaluate an agency's submission and formulate recommendations.

As in the past, OBM may schedule follow-up meetings after agencies have submitted their requests.

Agencies must complete and submit:

- *Introductory Narrative*
- *Institutional Profile and/or Community Project Profile (Institutional Agencies Only)*
- *Table C-1 or C-2 for Each Project*
- *Narrative for Each Project*
- *Appropriate Supporting Documents*
- *Agency Priorities Report*
- *Response to Capital Facilities Management Survey*

Unlike prior capital cycles, agencies will not be required to submit hardcopies of their budget requests. All requests should be submitted through email to an agency's assigned OBM budget analyst as a scannable PDF document.

CAPITAL IMPROVEMENTS PLANNING AND BUDGETING



TARGET DATES

September 27, 2021	Distribution of guidelines and instructions for preparation of the Capital Budget and long-term Capital Improvements Plan.
November 5, 2021	Requests due to OBM from all agencies.
November 5, 2021 – January 2022	OBM reviews and analyzes agency requests and submits recommendations to the Governor.
Early 2022	Capital Improvements Budget Legislation for FYs 2023 and 2024 submitted to and considered by the Ohio General Assembly.
90 days after filing signed bill with the Secretary of State	Anticipated effective date of new capital budget.



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I. Introduction

Every two years, state agencies must submit to the Office of Budget and Management (OBM), in accordance with Section 126.03 of the Ohio Revised Code, a six-year capital improvements plan and a two-year capital budget request. The capital improvements plan and the capital budget request are intended to ensure that the state's previous investments in existing infrastructure are maintained and to address the need for new, high-priority capital projects. The capital budgeting process is designed to allocate limited resources for the construction, rehabilitation and/or renovation of facilities that are integral to the operations of state government.

For the purpose of this process, "capital" is defined as the cost of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, and/or equipping facilities. A more specific explanation of how capital appropriations can be used is found in Section 509.02 of S.B. 310 of the 133rd General Assembly, the most recent capital appropriations bill. If an agency is not sure whether a specific project qualifies as a capital project, the agency should consult with its OBM budget analyst.

The following guidelines provide both a general framework and detailed instructions for agencies' use in preparing their capital improvements plans. The plan should clearly, completely, and effectively document and communicate the agency's capital needs.

Online Budget Entry

As was the case with the FY 2021-2022 capital budget process, the OAKS Budget and Planning Module (BPM) will be used to enter biennial capital budget requests. Data may be entered directly online or via a budget data upload spreadsheet. OAKS BI reports using BPM capital data will be included as part of the agency's budget request submission. Training for BPM users is available. Please email OBM.BPM@OBM.ohio.gov with BPM-related questions and for information about training opportunities.

Multi-Agency Projects

From time to time, capital projects that involve more than one agency are raised for consideration. Agencies interested in pursuing or continuing projects that involve multiple agencies should inform their OBM budget analyst as soon as this information is available. OBM will then coordinate discussions to determine the proper submission of the request.

Due Dates and Effective Dates

All Agencies: Capital Plans and Capital Budget Requests are Due November 5, 2021

Appropriations for capital projects are effective 90 days after the bill is signed by the Governor and filed with the Secretary of State. It is anticipated that the next capital bill will be introduced in early 2022 with an effective date in the summer of 2022.

Capital Reappropriations

The capital reappropriations process involves identifying which *current* (previously appropriated) capital projects need to be reappropriated.

OBM will be sending instructions to agencies regarding the reappropriations process later this year.

II. KEY POINTS

There are several key points that agencies should pay particular attention to when preparing requests.

Tables C-1 and C-2 cover all biennia. Tables C-1 and C-2, which are described in more detail in Appendices B and C, respectively, cover all three capital planning biennia. Funding requests for projects that span more than one biennium should be made on one table.

Not all projects are appropriate for capital funding. The Ohio Revised Code and federal tax law contain a number of provisions that govern the allowable uses of bond proceeds for capital projects, including the types of projects and expenditures, and the extent to which non-governmental entities can benefit from the project. The allowable capital expenditures guideline document can be found on OBM's website through the following link:

[Allowable Capital Expenditures](#)

Table C-2 should be used for all information technology capital project requests. As was the case for the FY 2021-2022 capital request submission process, agencies requesting capital funding for IT projects must complete a Table C-2 and narrative for each discrete project.

Administrative office space is requested by DAS. All agencies seeking funding for additional administrative office space (excluding administrative office space on institutional property) should submit the administrative office space requests to the Department of Administrative Services (DAS). DAS will then review and submit the requests to OBM. Agencies considering the need for additional space should contact the DAS Office of Real Estate and Planning at (614) 466-7319 well in advance of the November 5 capital budget request due date.

Cost estimates should include all funding sources in FY 2022 dollars. Estimated cost information provided on Tables C-1 and C-2 should include all funding sources for the project. The cost estimates, which include all costs relevant to the project, should be given in FY 2022 dollars. As OBM may consult the OFCC in its analysis and evaluation of agency requests, it is strongly recommended that agencies use the OFCC to evaluate the proposed project scope and develop cost estimates. Cost estimate methodologies need to be included in the project description narratives.

Ohio Facilities Construction Commission fees are on a sliding scale. Fees charged by OFCC are assessed on a sliding fee schedule. Agencies must include these fees in their project cost estimates. Refer to the Estimated Costs Section in Appendix B for more detailed information concerning these charges.

Contingency costs vary by project type. Contingency costs as a percentage of the construction costs for new construction usually amount to 5 percent of construction costs and range from 8 to 10 percent for renovation projects. The OFCC can assist agencies in evaluating contingency costs for their specific projects. Contingency costs for technology projects vary by project type but are typically 10 to 15 percent of total project costs.

Agencies should not include Percent for Arts costs in project requests. Funding for the Percent for Arts program (see Ohio Revised Code Section 3379.10) should not be included on

the Table C-1. OBM will calculate this amount after funding recommendations are finalized (see Appendix G for a summary of the Percent for Arts Program).

III. REQUEST COMPONENTS

Agencies should prepare their capital improvements plans to cover the information outlined below.

Capital Budget Request Components

- Introductory Narrative
 - Issues, strategies and goals
 - Priorities, decisions and tradeoffs
- Institutional Profile (***Institutional Agencies Only***)
 - Physical facilities (map)
 - Population served
 - Operating costs
- Community-Based Capital Projects (***Institutional Agencies Only***)
 - Program overview
 - Service needs
 - Proposed new projects
- Table C-1 and Narrative for each Construction Project
- Table C-2 and Narrative for each Information Technology Project (if applicable)
- Priority Summary Report
- Capital Facilities Management Survey

Early in the process, agencies and their OBM budget analyst will discuss whether there is any additional information that should be provided as part of the agency's capital request. Analysts may ask that information be presented in alternative formats, or in aggregated formats that will facilitate understanding the request. Any supplemental information that an analyst and agency agree is beneficial should be submitted as part of the request.

Introductory Narrative

The introductory narrative should be written to help OBM understand the thought process involved in the agency's capital budget request and priorities. The introductory narrative should include the information listed below:

- | | |
|--|--|
| <i>Issues, Strategy and Goals</i> | Describe the strategy behind the agency's capital request. What are the agency's immediate issues and essential capital needs? What are the long-term goals for the capital budget? What policy priorities are aligned with the project goals? |
| <i>Priorities, Decisions and Trade-offs</i> | Describe the decisions, choices, and tradeoffs the agency made in developing its capital request and in assigning priority rankings to projects. What will be the consequences of these decisions and choices for the agency? What factors were considered in prioritizing projects? |

Institutional Profile (*Institutional Agencies Only*)

An institutional profile should be completed for each institution and should include a description of the physical facilities, the client population served by the facility, and annual costs associated with operating the facility. The OFCC can assist agencies in developing or updating their facilities assessment. Agencies needing assistance in developing or updating their institutional profiles should contact OFCC at (614) 466-6461.

Physical Facilities This section should describe the institution's physical facilities and provide the information listed below:

- The year the institution was created and its original purpose.
- The current design capacity of the institution.
- The number of buildings, their current use, age, general condition, and the type of construction. For example: The facility includes six buildings. The administration and foodservice building is a brick structure with a flat roof constructed in 1975 and is in good overall condition. The two dormitories and the gymnasium are pre-fabricated concrete block and metal structures with gable (slanted) roofs constructed in 1972 and need a roof replacement. The remaining two buildings are small wood structures constructed in 1988, are in good condition, and used for counseling and education.
- A brief description of the major capital renovations or additions currently underway at the facility or completed during the last six years. For example: "A new roof is currently being installed on the administration building. Two new pre-fabricated dormitories were completed in 2016."
- A map of each institution's grounds and buildings. A key that identifies all major buildings should accompany the maps.

Population Served This section should describe the institution's client composition and provide the information listed below:

- The average daily client population for each facility during FY 2021 and identify any changes in the number and type of clients served. If the average daily population is not available, cite the population as of July 1, 2021.
- The type of client served. Note factors that would distinguish clients in the institution from clients in the agency's other institutions. For example: "The institution is a short-term transitional facility, serving clients who are expected to begin living independently."

Operating Costs This section should describe the costs involved in operating the facility.

- The actual FY 2021 per diem cost at the facility. (Per diem = FY 2021 total operating expenses divided by FY 2021 average daily population divided by 365)
- If the per diem is significantly higher or lower than other facilities explain why. For example: Costs at this facility are higher than other facilities because it is a maximum-security institution requiring a high staff-to-inmate ratio.

Community-Based Capital Projects (*Institutional Agencies Only*)

The Departments of Rehabilitation and Correction, Youth Services, Mental Health and Addiction Services, and Developmental Disabilities should submit the following information for any agency community based programs included in the capital budget submission such as Community-Based Correctional Facilities, Local Juvenile Community Correctional Facilities, Local Juvenile Detention Centers, Local Jails; Halfway Houses, and Community Assistance Projects.

- Program Overview**
- State the goal(s) of the program and the type of clients served.
 - Outline the implications that each program has for its respective agency in terms of the number of clients to be diverted or transferred to community-based facilities.
 - Summarize the qualifications necessary for community agencies to participate in the programs.
 - Describe how annual operating costs are covered and implications for future state subsidies.
 - Provide an inventory of community facilities funded under the program that are currently operating or will be built with existing appropriations. Include their capacity (number of beds and/or annual number of clients served) and location (by county).
 - For community-based residential facilities, state the average occupancy rate of existing facilities in FY 2021 (or use the most recent data available) and compare the operating cost of maintaining a client in community-based facilities with the cost of maintaining a client in a state-owned and operated facility.

- Service Needs**
- Provide an estimate by county or region of the number of people that need services but will not receive them due to a lack of capacity in existing facilities and facilities to be built with existing appropriations.
 - Summarize the data and assumptions used in generating the above estimate of community capital needs.

Proposed New Projects

- Agencies are reminded that very limited resources will be available for new capital projects. Funding will likely be focused on the repair and maintenance of current facilities and the continuation of existing projects. OBM requires the use of the OFCC to evaluate new construction versus renovation for capital projects for all agencies not specifically exempted in statute.
- For proposed new projects, estimate the amount of the requested funding that will go to each facility each biennium. Describe the type of facility, the number of beds and/or clients the facility serves or will serve, the type of work to be completed, the current condition of buildings to be renovated, and the location of the facility (by county).
- Estimate the effect of the proposed community project on state subsidies.

Project Statements (Tables C-1 and C-2)

Tables C-1 and C-2 provide detailed information on each capital construction or information technology project requested by an agency. Detailed instructions on completing Tables C-1 and C-2 are provided in Appendices B and C, respectively.

Tables C-1 and C-2 are available online in Excel format at OBM's website under the capital budget tab, capital budget materials FY 2023-2024. Agencies may also contact their OBM budget analyst to obtain the file.

Agencies will need to include the completed tables and submit them to OBM as part of their capital plan submission.

Tables C-1 and C-2 Narratives

Agencies must complete a narrative for each Table C-1 and C-2. Each narrative should consist of a project description and a project justification, which are described below. In addition to the information requested below, agencies should use the narrative to inform OBM of anything else that should be known and considered when evaluating the project. Since agency capital needs vary in size, complexity, and type, agencies should work with their OBM budget analyst to clarify what needs to be included in the narratives.

Description: What is the purpose, dimension, components, capacity, and location of the project?

The project description should be a general description of the project that includes the purpose(s), the overall dimensions, a list of the major components, some indications of the capacity (number of beds, work stations, etc.), and the specific location of the project. For a renovation project, the description should also include the age and current condition of the building as well as the date of the last renovation.

For example: *Construction of a three-story 36,000 square foot classroom facility on the southeastern portion of the campus which includes sixteen 50 seat classrooms, 5,000 square feet of laboratory space, and 1,000 square feet of administrative office space.*

Justification:
What is the need for, benefits of, funding impact of, and alternatives to the project?

The project justification should answer the following questions: Why is the project needed? What are the benefits of the project? What will be the impact of not funding the project? If the proposed project represents one of several possible solutions to a need or problem, what other alternatives were considered and why were these not chosen?

Certain projects will be readily justifiable because the need will be immediately apparent. For example, if a plumbing system needs to be replaced because it is 30 years old, leaking, and replacement would be more cost effective than repair, then a justification stating those facts would suffice. Energy efficiency projects may be justified by meeting the criteria for capital funding by demonstrating how the project will help achieve operational cost savings (see *Special Project Information* below).

Project Phasing:
Can the project be completed and funded in phases?

When OBM must recommend funding levels that are less than what an agency requested, phasing certain projects is offered as a solution. These projects are typically large renovations and new facilities. The agency should identify in its request which of those projects being requested in the first biennium could be phased in over two or more capital biennia. The agency should answer the following questions: Could this project be completed in phases? Does it make sense to approach the project this way? What is the impact of this project being phased over more than one biennium?

Cost Estimate Methodology:
What method is being used to estimate project costs?

To properly allocate and effectively utilize capital dollars, cost estimates must accurately reflect complete project costs. Unless an agency has a specific statutory exemption, OBM requires the use of the OFCC as a resource for determining project costs and selecting a reasonable cost estimate methodology.

Two suggested cost estimating techniques are detailed construction cost and historical cost estimating, briefly described below:

Detailed estimating methods are employed whenever adequate design information is known or can be reasonably assumed. Detailed construction estimates are calculated knowing that the sum of the cost of the parts must equal the cost of the whole. Therefore, every cost associated with the project is estimated and the results are totaled.

When such information is not available, historical cost estimating can be utilized. When details cannot be reasonably assumed, then prices for similar work already completed can be updated using published factors to account for inflation and applied to new estimates. Adjustments should be made using professional judgment to account for various factors such as differences in construction site location and significant variations in magnitude.

Appendices



Appendix A — Appendix I

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Estimated Project Target Dates - Month and Year: Estimate (a) the month and year that the contract for the project will be awarded; (b) the month and year that technology component of the project will be completed; (c) the month and year of full operation or implementation of the project, and (d) the month and year full benefits realization is assumed. Assume the appropriations bill will become effective July 1, 2022.

Prior Spending Associated with the Project/Program: If the project or program was initiated in a prior biennium, include the costs associated with the project to date and the year the project/program was initiated. Include internal (employee) costs and external (contracted) costs if known.

Operating Impact for First Full Year of Operation:

A. "Savings" Column: Estimate and enter the savings expected to result from reduced operating costs for personnel, contracted services, maintenance, and equipment associated with the project in the savings column. Enter the total on the total line.

B. "Internal Cost" Column: Estimate and enter the normal, continuing, and additional operating costs for personnel and maintenance/equipment associated with the project in the cost column. Enter the total on the total line.

C. "Contract Costs": Estimate the normal, continuing, and additional contracted costs for personnel, maintenance, equipment, licenses, and other support associated with the project. Enter the total on the total line

D. "Funding Source" Line: Identify the source (the ALIs) of additional operating costs, if applicable. If operating costs will be saved, indicate the agency's ALIs where the savings will occur.

Increase/(Decrease) in Number of Employees: Indicate the number of additional full-time and part-time employees that will be needed as a result of the project. If the number of employees will decrease as a result of the project, indicate that loss by using parentheses [e.g., (3) FTEs].

Estimated Costs: Indicate all costs in the biennium for which the appropriation is being requested. All capital requests should be in FY 2022 dollars. Estimated costs should include all funding sources. For definitions of the types of activities normally included in each phase, see [Major Project Phase Guidance](#)

A. Concept and Initiate: Include all preliminary planning costs associated with this phase of the project in this item. Include the cost of the Concept and Initiate effort even if these costs have been paid through operating dollars. Note the cost components and whether this phase has been completed in the narrative.

B. Plan: Include all estimated planning costs associated with the project. This includes business process reengineering, acquisition planning, administration of the related business improvement program within the agency (the collection of projects needed to achieve the desired outcomes), etc. See the Value Management Framework guidance for activities normally included in the Plan phase. Include the cost of the Plan phase effort even if these costs have been paid through operating dollars. Note the cost components and whether this phase has been completed in the narrative.

C. RFP Preparation and Award: Include internal and external costs associated with the RFP preparation, sourcing event, evaluation, negotiation and award. Include the estimated cost of the RFP preparation and award even if these costs have been paid through operating dollars AND/OR were assumed by another agency within the state. Note the cost components and whether this phase has been completed in the narrative.

