# CAPITAL BUDGET PROCESS OVERVIEW

DEPARTMENT OF ADMINISTRATIVE SERVICES

MARCH 4, 2025

COMMISSIONER CHARLES M. ARLINGHAUS

DIRECTOR OF PUBLIC WORKS, THEODORE KUPPER, P.E.

DIRECTOR OF PLANT & PROPERTY, KAREN L. RANTAMAKI

# About DAS

## Division of Plant & Property

- Maintains and operates 96 buildings
  - Office buildings, courthouses
  - Not residential or institutional properties
- Over 200 staff
  - Janitorial, maintenance, security, grounds, skilled trades, and office staff
- Combination of in-house staff and contracted services to provide safe, efficient, and accessible space for state employees and the public

## Division of Public Works

- Provides design and construction services to build and maintain State-owned buildings
- Staff comprised of engineers and architects
- Services provided to all state agencies and state building managers, except university and community college agencies
- By law, all building-related projects over $25,000 are required to be managed by DPW

# Process Summary

Facility Assessments

Scope Development, Initial Estimate, and Prioritization

Form 1a

Governor's Capital Budget Hearings

Three Tier Prioritization

Governor's List

DPW Estimates

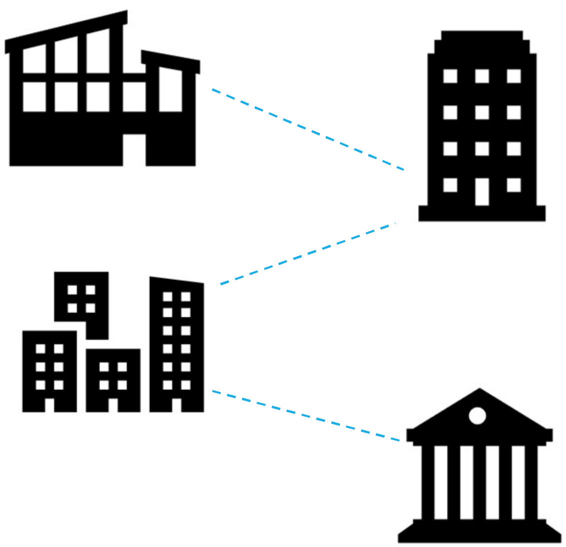
Capital Improvement Program Book

Governor's Recommended Capital Budget Presentation

Legislative Capital Budget Hearings

House Bill 25

# Facility Assessments



- Department staff complete a full evaluation each year on 96 buildings managed by DAS
- Assessment includes the condition:
  - building systems (ex. HVAC, fire suppression)
  - building envelope (ex. roof, windows)
  - life safety components (ex. generators, egress)
  - grounds (ex. parking lots, walkways, damaged trees)
  - aesthetics (ex. paint, carpeting)
- In early FY25, Facility Condition Assessments of about 40 facilities were performed by a hired consultant which has resulted in some priority shifts from the original capital budget submittal in FY24

# Projects – Scope, Cost, and Prioritization

- DAS conducts an assessment of each facility's condition; a list of necessary projects is created
- A very rough "guesstimate" of cost is indicated
- Projects are prioritized within each facility and then across the bureau or agency as a whole

# Agency Request to Governor

Form 1a is a request for a capital appropriation by a building manager

It provides basic information to the Governor's Office about the request, such as:

- Agency's Priority
- Agency's Division or Bureau
- Project Name
- Very Rough "guesstimate" of the Cost
- Brief Description of the Project
- Contact Information

Form 1a's from each preparer are delivered to, and compiled into a binder by DAS

# Governor’s Capital Budget Hearing

- Hearings were held on June 18th and 19th
- Hearing committee members:
  - Governor
  - House and Senate Representatives
  - Governor’s Budget Director
  - Commissioner of DOIT
  - Commissioner of DAS
  - DAS/DPW Director
- Agencies present their priority projects outlined in their Form 1a’s
- Committee members can seek additional information from agencies
- Capital requests typically for new building construction or deferred maintenance project
- Total of capital requests for all agencies in the $600M to $700M range for generally funded debt (Over $1B requested in 2024)
- Final capital budget will typically include $120M of generally funded projects including both facility and IT projects

# THREE TIER PRIORITIZATION

The agency requests are compiled into a master list

Often, but not always, the Governor's Office will request DAS to develop a priority list

The master list, if requested, is then divided up into three levels of priority:

- Level A has the highest priority
- Level B has a medium priority
- Level C has a lower priority

Prioritization is done by assessing the severity of the deferred maintenance or by assessing the needs for new construction

Typically, IT related projects are prioritized separately by DoIT

# GOVERNOR'S LIST

The three-tier prioritization list is then submitted the Governor's Office for review and final selection

The Governor's Office selects  a subset of projects for a detailed cost estimate. This subset is typically about twice the number of projects that will make the final cut

The list is delivered to the Department of Administrative Services and finally provided to the Division of Public Works Design and Construction for cost estimation

The list is typically about 100-projects

This list is usually sent to DPW in September for cost estimation

# DPW Estimates

- The Division of Public Works Design and Construction (DPW) is comprised of a group of engineers and architects commonly referred to as Project Managers (PMs)
- Each PM receives between 7 to 10, Form 1a's from the Governor's list to prepare detailed construction cost estimates
- The PMs make contact with the agency or building manager, discuss the details of the project, visit sites, assemble archived plans, and determine a rough scope of work
- Using several resources, the PMs estimate the construction cost, consultant costs, overhead and profit, and inflation to the mid-point of the last year of the future biennium
- These estimates are reviewed by the DPW Director and Assistant Director and revisions are made based upon the result of the review
- Narratives or descriptions of the project being estimated are also prepared by DPW
- All estimates (about 100) are completed in November

# CAPITAL IMPROVEMENT PROGRAM BOOK

- The estimates are compiled into the Capital Improvement Program book
- Publication of the Capital Improvement Program book is completed by December 1
- While the Capital Improvement Program book contains a description of the project and an estimated construction cost, detailed estimation information is retained by DPW

# Governor’s State Budget Presentation

The Governor presents his or her state budget on or around February 13th and the capital budget is a part of this overall Governor’s recommended state budget

That draft capital budget is usually introduced as HB 25

# Legislative Phase

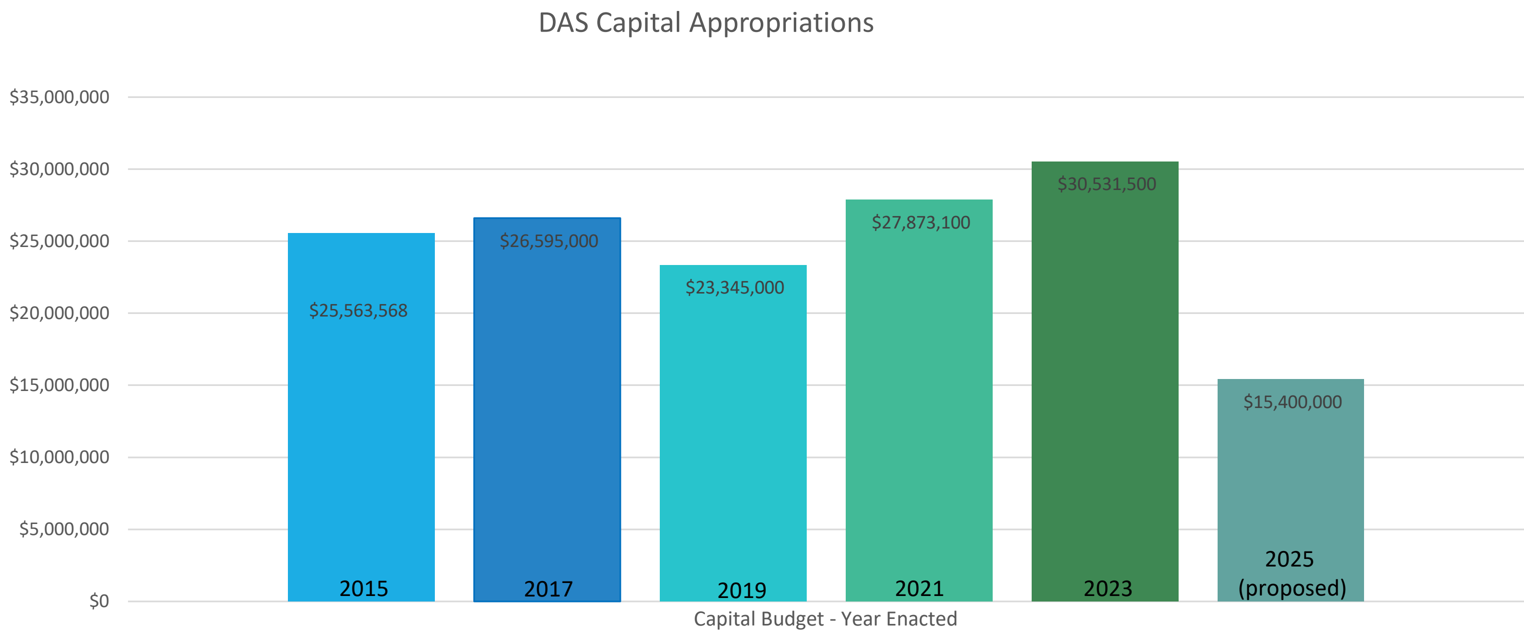
During the Legislative Capital Hearings, DAS/DPW is available as a resource to inform committee members on:

- Scope of work for each estimated project
- What contributed to the construction cost
- Potential phasing or scaling of projects

# DAS Projects Included in Governor’s Budget

| | |
|---|---|
| • Statewide Emergency Fund | $1,500,000 |
| • State House Annex Renovation – Phase 2 | $12,250,000 |
| • Sprinkler Replacement (DMV) | $550,000 |
| • Main Building Elevator Replacement | $1,100,000 |

# Historical Comparison



# Operational Challenges and Additional Needs

- There were no projects included for the Bureau of Court Facilities
  - Portsmouth Circuit and Coos County HVAC - **$4,300,000**
  - Carroll County and Lebanon Circuit Boilers & Controls - **$2,850,000**

- Main Building & Annex Brick Repointing - **$600,000**
- Spaulding Window Replacement - **$1,600,000**
- Brown Building Elevator Upgrades - **$650,000**

# Operational Challenges and Additional Needs (continued)

Enterprise Resource Planning System - Sustainability and Advancement - **<u>$5,000,000</u>**

This request is to modernize the Enterprise Resource Planning System (ERP), the computer engine that drives and supports the State's financial, budget, human resource, payroll, supply chain, inventory, benefit, and other enterprise operation systems. Although that process will significantly improve the functionality of existing business processes, it will also unlock access to the entire cloud-based product. The scope of the existing modernization does not include adding systems, but other process owners anticipate future change and further integration with the new system. As an example, though many Treasury functions are not in the ERP (like some cash management and bank reconciliation processes), it would make no sense not to advance State function by adding them and making them work well together. There will be dozens of examples as the new ERP goes online in 2025. The Department has had sustainability and advancement capital projects in many of the last ten capital budgets to ensure both hardware and software changes are made to keep and improve functionality. It is part of current State policy not to let major computer systems turn into legacies that cannot be updated or supported.

The life expectancy of this project is 10 years.