

Maryland Capital Grants Program Booklet

Maryland Board of Public Works

Wes Moore, Governor Dereck E. Davis, Treasurer Brooke Lierman, Comptroller

Department of General Services

Atif Chaudhry, Secretary

Date of Issuance: January 26, 2024

Dear Fellow Marylander,

Maryland's Board of Public Works (BPW) is charged with managing the state's Capital Grants Program and in turn, we have delegated the day-to-day administration of the Capital Grants Program to Maryland's Department of General Services (DGS). Together we have created this booklet to assist prospective and current grantees in navigating the capital grants process.

The Capital Grants Program will provide guidance on:

- Whether Maryland's Capital Grants Program is a good fit for your organization
- Where to begin the capital grant process
- Upon authorization, the steps to follow to obtain your grant funds

While the BPW hopes this booklet will be a comprehensive resource, should you have additional questions about the capital grants process, please contact the Grant Administrator assigned to your region. A list of Grant Administrators can be found at http://dgs.maryland.gov/Documents/grants/RegionalAssignments.pdf or email your questions to: dgs.capitalgrants@maryland.gov.

Thank you for your interest in the Capital Grants Program. We wish you the best as you move forward on your project and appreciate everything you do for the residents of Maryland.

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Is the Capital Grants Program Right for Your Organization?

Q1: Is your organization one of the following types of entities?

- · Nonprofit Educational or Public-Health Institution
- · 501(c)(3) Nonprofit Organization
- · Maryland Registered Nonprofit
- · Schools Public K-12 and Higher Education Institutes
- · Institution of Higher Learning
- · County Government or Municipality

YES NO

Q2: Does your organization need to finance a project which meets all the following criteria?

- · Is capital in nature
- · Has a useful life in excess of 15 years
- · Will serve a public purpose
- · Is not an essentially religious endeavor

YES NO

NOTE: See <u>Appendix A</u> for a thorough discussion of the types of projects that are eligible for financing through the Capital Grants Program.

Q3: Is your project "shovel ready" (including having sufficient other sources of funds)?

YES NO

NOTE: Capital grants authorized by the General Assembly are subject to certain expiration provisions which can be found under "Additional Considerations - Grant Expiration Provisions", starting on page 12.

Q4: Do any of the following apply to your organization?

- · My organization owns the property on which the project is located
- My organization leases the property on which the property is located and the lease does not expire for at least 15 years
- The owner of the property on which the project is located will sign the state's Beneficiary Grant Agreement (a copy of which is included in <u>Appendix D</u>)

YES NO

NOTE: If you do not own the property on which the project is located, your landlord should be aware of the project prior to submission of the grant request to the General Assembly. A landlord must execute the state's Beneficiary Grant Agreement unless the term of your lease (including renewal options) exceeds 15 years.

Q5: Do you have available to you the funds needed for eligible expenditures, prior to receiving grant funds?

YES NO

NOTE: Funding under the Capital Grants Program is typically done on a reimbursement basis. Funds expended on items not eligible under the grant agreement will not be reimbursed.

If you answered **YES** to all the questions above, the Maryland Capital Grants Program may be right for your organization. If you are interested in obtaining a capital grant, please review and follow the process outlined on page 6. If you have any questions, please contact the appropriate Regional Grant Administrator who can be found **here**.

The Grant Process

If you have determined that your organization could benefit from a capital grant and you meet the requirements of the state's Capital Grants Program, you will need to follow the steps below in order to get a grant authorized and to receive grant funds.

A diagram of the "highlights" of the capital grant process is included in <u>Appendix B</u> for your reference.

Step One

Getting a Grant Authorized by the Maryland General Assembly

Each capital grant must first be authorized by the Maryland General Assembly during its 90-day Legislative Session which occurs between January and April of each year as part of the annual Capital Budget. This is accomplished through the Legislative Bond Initiative (LBI) which is managed by the Department of Legislative Services. Information about the LBI can be found here: http://dls.maryland.gov/budget/capital.

Department of Legislative Services has prepared guidelines specifically for the submission of LBI requests to the General Assembly of Maryland and includes detailed instructions on how to navigate the legislative process for authorization of a capital grant. The most recent version can be found here: https://mgaleg.maryland.gov/pubs-current/current-bond-initiative-submission-guidelines.pdf.

Once the Legislative session concludes, each recipient of an authorized capital grant will receive an email stating that its capital grant request was included in the state's Capital Budget and setting forth the immediate next steps. If the bill did not pass, you will have to resubmit your request to the General Assembly the following year.

■ NOTE: During the legislative process, potential grantees will be asked to provide certain information. Please make sure that the contact information (name, phone number, and email address) provided is accurate and complete before submitting your request. If the grant is approved, double check your contact information to ensure you receive the appropriate and most up-to-date information about your grant. It is very important that the name of the legally incorporated entity that has received a state grant authorization is the same name that is on record with the **Maryland Department of Assessments and Taxation**. If they do not match, funding of your grant can be delayed.

Step Two

Submission of Paperwork to the Department of General Services

DGS has been delegated authority to administer the state's Capital Grants Program. You can find information about the DGS Capital Grants Office and Program here: **Capital Grants Program**.

After June 1 (the effective date of the legislative authorization), DGS will contact, by email, all organizations whose grants were authorized in the annual capital budget bill (the "initial DGS email").

Each grantee will be assigned a dedicated DGS Regional Grant Administrator who administers capital grants in the county where the grant project is located.

NOTE: Due to the large volume of grants that are provided to grantees in Baltimore City or for grants whose project is located in the city, the City of Baltimore has been divided amongst the Grant Administrators. A current list of DGS Grant Administrators including their names, contact information, and the list of counties/geographic areas to which they are assigned can be found here: **DGS - Grants Regional Assignments**.

Initial Submission:

The initial DGS email will also provide the link as to where the documents may be obtained as well as instructions for the grantees to provide the information described below. Samples of these items can be found here: https://dgs.maryland.gov/Pages/Grants/Forms.aspx.

Items to be Submitted in Step Two:

Capital Grants Information Packet Checklist:

A copy of the Capital Grants Information Packet Checklist is included in <u>Appendix C</u> and an electronic version can be found <u>here</u>.

Capital Grants Program Information Sheet:

The Capital Grants Program Information Sheet requires each grantee to make certain representations. These include: the information submitted to the General Assembly in the Fact Sheet continues to be true; the grantee will not use state grant or matching funds for projects in spaces used primarily for religious instruction, programs, worship; or for lobbying purposes; the grantee organization is in good standing with the State of Maryland; and certain information regarding matching funds, Minority Business Enterprise outreach, and corporate diversity. The Capital Grants Program Information Sheet form is included in Appendix C and an electronic version can be found here.

Maryland Historical Trust Letter – Project Review

As a recipient of state funding through the Capital Grants Program, the grantee is required to submit information about the project to the Maryland Historical Trust (MHT). This information is used by MHT to conduct a review of the project. Information about the review process can be found here: Maryland Historical Trust, Section 106.

In order for MHT to be able to do their legally mandated review, the grantee must complete and submit a Project Review Form. A copy of the Project Review Form can be found on the MHT website at **MHT Project Review Form**.

NOTE: To the extent
that a project is deemed to
have historical significance,
the applicant may be
required to grant an
easement to the MHT as a
condition for state funding.
See "Maryland Historical
Trust Requirements" under
"Additional Considerations"
on page 12 for more
information.

NOTE: Grant recipients must submit proof of their matching fund to the state to be fully certified within two years after your bond bill is enacted. Incremental certification of matching funds is not permitted unless your legislation provides otherwise. Failure to have your match timely certified may result in the loss of grant funds. See "Additional Considerations - Grant **Expiration Provisions**" for more information.

Proof of Insurance

Property funded or improved by grant funds must be insured and the state must be listed as a loss payee. Coverage must be in excess of the amount of the state's grant. To satisfy this requirement, please provide a copy of a Certificate of Insurance from your insurer. For Certificate of Insurance purposes, the state's contact information should be listed as: State of Maryland, Department of General Services, 301 W. Preston Street, Suite 703, Baltimore, MD 21201.

Corporate Diversity Information:

As a result of the requirements described under "Additional Considerations – Requirements Related to Minority Business Enterprises and Underrepresented Communities – New Requirements Relating to Leadership or Mission" every grantee will be required to submit either a copy of its most recent Corporate Diversity Addendum submitted to the Maryland Department of Assessment and Taxation or a completed Corporate Diversity Worksheet.

Matching Fund Documentation (only if required by your bond bill):

If your grant has a matching fund requirement, you must show that you have spent your matching fund. The authorized representative for the grantee organization must sign the match certification letter and must list the sources and amounts that make up the matching fund. The letter must also include supporting documentation. See "Additional Considerations – Matching Fund Requirements" for more information regarding the state's matching fund requirements and supporting documentation. The BPW is the ultimate authority of whether you have met the match set forth in your bond bill.

Lease Documentation (only if you lease the property being improved by grant funds):

If you lease the property which will be improved with grant funds, you must submit a copy of the lease and any amendments.

Real Property Purchase Documentation (only if you are using grant funds to purchase real property):

If you are using grant funds to acquire real property, you will be required to submit certain documentation to support the request. What documentation is required depends on whether the grant funds are needed at the time of settlement or if the grantee is willing to pay that portion out-of-pocket and seek reimbursement after the real estate transaction has occurred.

If the funds are needed at the time of closing, please submit:

- Preliminary Settlement Sheet
- Appraisal
- Loan or mortgage commitment (if purchase is to be financed in whole or in part)

If the funds are not needed at closing and are being sought as a reimbursement, the following items will need to be submitted with the payment request:

- Fully executed contract of sale
- Loan or mortgage commitment (if purchase is to be financed in whole or in part)
- Preliminary settlement sheet
- Appraisal
- Proof that your purchase of the property has been finalized no later than 15 days after settlement

Electronic Submission of Initial Packet:

Once the above documentation has been completed, it should be submitted via email to the grantee's dedicated Regional Grants Administrator with a copy to: dgs.grantsapplication@maryland.gov.

Timeline for Submission of Initial Packet:

As directed in the initial DGS email, you will be asked to submit the completed grant packet within six months of receiving the initial DGS email. This timeline for submitting your completed grant information packet is independent of the grant expiration provisions as noted previously. Each grantee under the Capital Grants Program is responsible for ensuring that all paperwork is complete, accurate, truthful, and submitted timely. Incorrect information, incomplete packets, or failing to meet deadlines can delay the BPW's approval of the grant and the subsequent release of grant funds.

Submission of Executed Grant Agreement:

After the above items are received, reviewed, and found to be complete, DGS will email the Capital Grant Agreement to the grantee. The review process, if the packet is complete, will typically take one to two weeks from the time the grant information packet is received. There are three types of form Grant Agreements (included in Appendix D):

- One form for grants with a single grantee
- One form for grants with more than one grantee
- A Beneficiary Grant Agreement form for grants where the grantee is not the property owner and does not have a lease in excess of 15 years

The grantee's authorized representative should return the signed Grant Agreement via email to **dgs.capitalgrants@maryland.gov**.

▼ NOTE: When signing your Capital Grant Agreement, do not forget to complete the information required by Paragraph 17 of the Grant Agreement regarding your registration with the Maryland Secretary of State.

Step Three

Approval of the Board of Public Works

Once the required paperwork has been completed and returned to DGS as set forth in Step Two, DGS will submit an agenda item to the BPW requesting approval of the grant agreement and any matching fund. If approved, the grant agreement will be reviewed by the Office of Attorney General for legal sufficiency and, if legally sufficient, signed by the Executive Secretary of the BPW. This step typically takes five to six weeks.

Step Four

Release of Funds

Once the grant agreement has been fully executed, DGS will work with you towards the release of grant funds. That process is two-fold:

- Review of vendor contracts for eligibility for grant funding
- Review of payment request documentation

Contract Eligibility Determination:

The state will release grant funds only for contracts and purchases that the state deems eligible under the grant agreement and grant program. DGS will require you to submit the following to determine eligibility:

Copy of Each Contract with Contract Eligibility Cover Sheet:

You must submit a copy of each contract you want to be grant funded. Each contract should be accompanied by a Contract Eligibility Cover Sheet. A copy of the Contract Eligibility Cover Sheet is included in <u>Appendix E</u> and an electronic version can be found here: **Capital Grants Contract Eligibility Cover Sheet**.

The Contract Eligibility Cover Sheet requires each grantee to make representations regarding the contractor selection process, the lack of debarment of the contractor, and compliance with certain minority business enterprise and

Providing Our Workers Education and Readiness (POWER) Apprenticeship Act requirements which are summarized under "Additional Considerations."

Copies of All Change Orders:

Copies of all amendments or changes to awarded contracts.

Once the above information is received, reviewed and deemed acceptable, DGS will provide a Contract Eligibility Letter. If items are missing or the information is not adequate, you will be contacted by DGS with a request for additional information.

NOTE: On use of Maryland Resident
Businesses: state grants not only benefit
the grant recipient but can also serve as an
economic engine for the state. We encourage
you to solicit and hire Maryland resident
businesses to design and construct your grant
project. A resident business is a business
that has a Maryland address, is registered to
do business in the state, employs Maryland
residents, and regularly conducts business
within Maryland.

Submission of Payment Request Form:

Once you have received a Contract Eligibility Letter from DGS, you may submit a Payment Request Form for release of grant funds related to the eligible contract.

Non-Matching Grants

If you have a non-matching grant, the Payment Request Form (Downloadable here: https://dgs.maryland.gov/Documents/grants/PaymentReq-DGS.doc) should be printed on your organizations letterhead and submitted to your assigned Regional Grant Administrator and should be accompanied with:

- Chronological listing of paid invoice(s)
- Evidence satisfactory to the Comptroller that the invoices have been paid (e.g., copies of canceled checks (front and back) or ACH receipt)
- Copies of the vendor invoices
- Your Federal Identification Number (IRS Form W-9)

Matching Grants

If you have a matching grant, the Payment Request Form (https://dgs.maryland.gov/Documents/grants/PaymentReq-Comp.pdf) should be submitted to the Comptroller's Office.

The state will not release funds for the payment of ineligible expenses. See <u>Appendix A</u> for more information regarding what constitutes an <u>ineligible expense</u>.

The state may verify or audit to ensure that work has been performed, goods or services have been received, and payment is due to the vendor or grantee.

Step Five

Closeout

Submission of Closeout Paperwork:

When the grant-funded project is complete, the grantee is required to notify their assigned Regional Grant Administrator and submit to them a Capital Project Final Report, including pictures of the completed project. The form of the Capital Project Final Report can be downloaded **here**.

Site Visit:

Once the closeout paperwork has been submitted and reviewed, a DGS Grants Compliance Officer may contact the grantee to schedule an on-site or virtual visit to verify project completion. Please note the state reserves the right to conduct a site visit and/or audit the grantee's files related to the capital project for which the grant was issued. This audit period extends up to 15 years after release of grant funds to ensure compliance with the requirements of the Capital Grants Program.

Final Accounting:

Upon project completion, the Comptroller's Office will prepare a final accounting of the capital grant.

Additional Considerations

Grant Expiration Provisions

State law (Section 8-128 of State Finance and Procurement Article of the Maryland Annotated Code) provides that capital grant authorizations will expire under certain circumstances. Those circumstances are summarized below:

Two-Year Rule for Grants Requiring Matching Funds:

The Two-Year Rule requires that grantees who received a capital grant with a matching fund requirement from the General Assembly present evidence within two years of the effective date of the grant legislation to the BPW that the matching fund will be provided. If BPW certification of the matching fund has not occurred by that date, the authorization will terminate unless:

- The enabling act provides otherwise
- In an emergency, the BPW unanimously grants a temporary exception for a period of one year

Seven-Year Rule:

The Seven-Year Rule requires that the proceeds of a Capital Grant that was approved by the General Assembly must be expended or encumbered by the BPW no later than seven years after authorization. If any authorized funds remain unexpended or unencumbered after seven years from the authorization, the amount of the unexpended or unencumbered authorization automatically terminates unless:

- The enabling act provides otherwise
- In an emergency, the BPW unanimously grants a temporary exception for a period of one year

A copy of <u>Section 8-128</u> of State Finance and Procurement Article of the Maryland Annotated Code can be found in <u>Appendix G</u>.

Expiration Upon Abandonment of Project

Unless otherwise provided by the General Assembly, an authorization for a capital grant will terminate no later than one year after the abandonment, completion, or acceptance of the project or program as determined by the BPW.

Requirements Related to Minority Business Enterprises

Underrepresented Communities

The BPW requests that you consider soliciting and hiring certified Minority and Women Business Enterprises (M/WBEs) for all your contracts, especially those funded by state grants. You can find a directory of Maryland-certified M/WBEs at https://marylandmdbe.mdbecert.com. In addition, Section 3-610 of the State Finance and Procurement Article of the Maryland Annotated Code sets forth requirements for MBE subgoals for grant projects that receive at least \$3 million in state funds in a single fiscal year.

NOTE: Hard Match: Examples of documentation for hard-match items are:

- If the grant recipient is a government agency, a certified record of the county's or municipality's approved appropriations
- Bank statements showing cash on hand
- Canceled checks/ invoices showing expenditures made after the bondbill effective date (including name and address of all vendors)
- Commitment letters from commercial lending institutions
- Bona fide loan agreements
- Agreement/ commitment letters for federal or local government grants
- Commitment letters for foundation or private grants received (pledges are not acceptable)
- Statements for stocks, bonds, CDs, and other convertible-cash items (investments must be converted and proceeds spent before grant funds will be released)

You may also contact the Governor's Office of Small, Minority, and Women Business Affairs by phone at 410-697-9600 or by email at info.goMDsmallbiz@maryland.gov.

Requirements Relating to Leadership or Mission

Effective July 1, 2022, under **Section 19-106 of the Business Regulation Article of the Maryland Annotated Code**, certain entities may not qualify for a state benefit unless the entity is able to demonstrate:

- Membership of underrepresented communities in the entity's board or executive leadership
- Support for underrepresented communities in the entity's mission. This requirement does not apply to an entity which:
 - A. Receives capital grant funding totaling less than \$1,000,000 in a single fiscal year
 - B. Is a sole proprietor
 - C. Is a limited liability company owned by a single member
 - D. Is a privately held company with family members comprising at least 75% of the company's shareholders

Additionally, under Title 24.01.07 of the Code of Maryland Regulations, grant proceeds may not be released to an entity unless the entity completes a Corporate Diversity Addendum form and submits it to the State Department of Assessments and Taxation with its Annual Report or provides an affidavit affirming that it is not required to submit the Corporate Diversity Addendum. Copies of Section 19-106 and Title 24.01.07 of the Code of Maryland Regulations can be found in Appendix G and should be reviewed in their entirety.

Matching Fund Requirements

The General Assembly's capital grant authorization may require the organization to raise a matching funds. When required, the matching funds are often equal to the amount of the grant. The specific language in your bond bill describes your matching fund requirement, if any.

Some capital grant authorizations provide that a matching fund may consist of real property or in-kind contributions (otherwise known as a "Soft Match").

All other matching fund requirements are considered "Hard Match" requirements.

If your grant has a matching fund requirement, you must provide supporting documentation to the Department of General Services to demonstrate you have complied with the requirement.

Supporting documentation for matching fund requirements should be submitted with the grantee's Capital Grants Information Packet and can consist of:

- Copies of invoices with proof of payment (e.g., corresponding canceled checks or ACH receipt)
- Bank statements showing cash on hand
- If the grant recipient is a government agency, a certified record of the county or municipality's approved appropriations
- Canceled checks/invoices showing expenditures made after the effective date of the authorization (unless the grant authorization permits the use of expenditures prior to the effective date of the authorization)

- Commitment letters from commercial lending institutions
- Bona fide loan agreements
- Agreement/commitment letters for federal or local government grants
- Commitment letters for foundation or private grants received (pledges are not acceptable)
- Statements for stocks, bonds, CDs, and other convertible-cash items (investments must be converted and proceeds spent before grant funds will be released)
- In the case of Soft Match (as defined above) requirements, the value of real property if the property is:
 - A. Titled to the grant recipient or to a landowner who agrees to sign the grant agreement as a beneficiary
 - B. The property on which the capital project will be constructed
 - C. Appraised to DGS's satisfaction¹
- In the case of Soft Match requirements, the value of goods or services donated to you may be counted toward your match if the goods or services contribute directly to your grant project²

NOTE: No part of the grantee's matching fund may be provided, either directly or indirectly, from funds of the state, whether appropriated or unappropriated. This includes state funded property acquisitions, state grants, or any other property obtained with state grant funds.

POWER Apprenticeship Act

The Providing our Workers Education and Readiness (POWER) Apprenticeship Act (codified at Section 17-6A-01, et. seq. of the State Finance and Procurement Article) requires contractors and some subcontractors on grant funded public work contracts to:

- Participate in an apprenticeship training program
- Make payments to a registered apprenticeship program or to an organization that operates registered programs for the purpose of supporting the programs
- Contribute to the State Apprenticeship Training Fund established under Section 17–602 of the State
 Finance and Procurement Article

The POWER Act applies to contracts that are \$500,000 or more and grants of \$1 million or more. A copy of the POWER Act, <u>Section 17-6A-01</u>, and <u>Section 17-602</u> can be found in <u>Appendix G</u>.

Maryland Historical Trust Requirements

As discussed above, a grantee is required to submit a Project Review Form with its application. A copy of the Project Review Form can be found here: https://mht.maryland.gov/Documents/projectreview/Compliance_Forms_Projectreview.pdf.

Upon submission, the Maryland Historical Trust determines whether your project will have significant adverse effects on historic properties and will help you develop measures to avoid, mitigate, or reduce significant adverse effects.

¹Appraisals may be no more than two years old. If the appraisal cost is not an eligible project cost, contact the DGS Real Estate Office at 410-767-4329 or via email at dgs.grantsapplication@maryland.gov for more information.

² For donated goods or services to count toward your match, you must submit the name and address of the donor. Volunteer hours will not be counted as in-kind contributions.

The Maryland Historical Trust will need adequate time to resolve any preservation concerns before you begin your project. Funds will not be released until the Trust has issued a letter stating that its review of your project is complete and that it does not object to the release of funds.

| Miscellaneous Considerations

Religious Purposes Prohibited:

You may not use any project funds (state or matching) to further an essentially religious endeavor. The application submitted in Step Two requires each grantee to certify that the grantee has not and will not use any state grant funds or any of its own matching funds for projects in spaces used primarily for religious instruction, programs or worship.

Financial Disclosure Requirements:

Every business that enters into contracts, leases, or other agreements with the state during a calendar year in which the business is to receive \$200,000 or more shall, within 30 days of when the aggregate value of the contracts, leases or other agreements reaches \$200,000, file with the Maryland Secretary of State certain specified information (State Finance & Procurement Article, Section 13-221 of the Annotated Code of Maryland). Information regarding this requirement and a link to the Disclosure Form can be found here: https://sos.maryland.gov/Pages/Public-Disclosure.aspx. A copy of Section 13-221 of State Finance & Procurement Article of the Maryland Annotated Code can be found in Appendix G.

Changes to Bond Bill Authorizations (Prior Authorization Requests):

Occasionally, organizations may receive legislative authorization for capital grant funding but then discover that certain information in the authorizing language needs to be amended prior to approval. The capital budget bill typically includes language that allows grant funding to move forward despite technical differences in:

- The name of the grantee or the description of the project, provided that the proposed use of funds is consistent with the public purpose of the original appropriation
- The location of the project

If more substantive amendments are necessary, the organization should seek what is called a "Prior Authorization." A Prior Authorization is a request to alter an authorization of state debt enacted during a prior session. Alterations can include:

- Extending the time to present evidence of a matching fund
- Modifying the types of funds that can be used as a matching fund
- Modifying the amount of matching funds
- Extending the time to expend or encumber the funds
- Modifying the scope and/or purpose of the project
- Adding, removing, or modifying the grantee organization

Please see the LBI Guidelines for more information on Prior Authorizations.

Conclusion

We hope this new and improved Maryland Capital Grants Program booklet has been helpful to you and your organization. The Board of Public Works and Department of General Services are always looking for ways to improve the Capital Grants Program process. Should you have any suggestions for improvements or if you have additional questions about the capital grants process, please contact your Regional Grant Administrator or email your question to dgs.capitalgrants@maryland.gov.

Again, thank you for your interest in the Capital Grants Program. We wish you success as you move forward in financing your capital needs and appreciate all you do to make Maryland great.