

SECTION 10 - EQUIPMENT ACQUISITION GUIDELINES

Relevant Law –

- Annotated Code of Maryland, Correctional Services Article, Title 3 Division of Corrections, Subtitle 5 State Use Industries
- Annotated Code of Maryland, State Finance and Procurement Article, Title 14 Preferences, Subtitle 1 Preferences to Benefit Disadvantaged Individuals, Chapter 14-103 Priority of Preferences
- Annotated Code of Maryland, State Finance and Procurement Article, Title 8 Debt, Subtitle 3 Miscellaneous Provisions, Chapter 8-301 Contract to spend general obligation loan proceeds

Relevant Regulation –

- Code of Maryland Regulations (COMAR), Title 21 State Procurement Regulations, Subtitle 11 Socioeconomic Policies, Chapter 05 Procurement from State Use Industries, Blind Industries and Services of Maryland, and Certified Sheltered Workshops

Critical Due Dates –

- CB Form G Equipment and Furnishings Request is due on June 1

10.01 OVERVIEW

This Section describes the process required to obtain State financial assistance with the costs of initial furnishings and equipment (F&E) for an authorized capital project.

10.02 EQUIPMENT APPLICATION AND SUBMISSION

A. STATE CONTACT AGENCY REGARDING F & E PROCESS

The Department of Budget and Management (DBM), Office of Capital Budgeting, is the lead agency for determining eligibility of furnishings and equipment in order to determine the appropriate amount to budget for F&E. MHEC and DBM share in reviewing the capital budget request and, after legislative approval, recommending the final allocation. DGS is responsible for preparing Board of Public Works Agenda items for F&E contracts and for approving invoice requests.

B. STEPS TO GAIN STATE FINANCIAL ASSISTANCE TO FURNISH AND EQUIP A PROJECT

1. Submit an Equipment and Furnishing Request (CB Form G, See Attachments), to the Department of Budget and Management. DBM will review the list to determine eligibility according the criteria that are detailed later in this section. Ideally, the list should be submitted when the project is in the design development stage to ensure the adequacy of the space being designed prior to its construction. The list is to submitted no later than the Community College's capital budget request to the Maryland Association of Community Colleges /Maryland Higher Education Commission (usually by June 1). Send the CB Form G to:

Original to: Capital Budget Analyst for Community Colleges
Department of Budget and Management
301 West Preston Street Suite 1209
Baltimore MD 21201-2365

One Copy to: Program Administrator for Community Colleges
(w/o backup) Department of General Services
301 West Preston Street Suite 1207
Baltimore MD 21201-2365

One Copy to: Finance Policy Analyst for Community College Capital
(w/o backup) Maryland Higher Education Commission
839 Bestgate Road Suite 400
Annapolis MD 21401-3013

An additional listing shall accompany the consolidated list to show the planned room-by-room use of the requested capital equipment. The item description shall include dimensions, materials, and catalog references to the extent available. State Use Industries (SUI) should be contacted for assistance in determining current items of manufacture 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).

See Section 10.02.B.6 and 10.04.B.8 for further information on SUI requirements.

2. DBM Equipment List Review and Approval. A final, approved, consolidated listing of equipment for the facility will be furnished to the submitting college by DBM. DBM may add an appropriate inflation factor to the approved equipment list totals based on expected inflation rates. The results of the review will be summarized in a letter from DBM.
3. Submit a budget request for F&E in the College's annual capital budget request to MHEC for the Fiscal Year in which funds will be required. The College's capital budget request for initial equipment and furniture should be consistent with the results of DBM's review.
4. The capital budget funding request is subject to approval by the Maryland General Assembly. If approved, the funds will be available June 1 in the same calendar year. (For example, capital funds approved by the 2004 Maryland General Assembly would be effective June 1, 2004).
5. Once the equipment funds have been authorized by the General Assembly, the College may submit a request to the Maryland Higher Education for (a) an allocation for equipment funds up to the approved amount, and (b) submit its equipment contracts to DGS for Board of Public Works (BPW) approval. All contracts, including community college projects, must be approved by the BPW prior to their award (State Finance and Procurement Article, Section 8-301).
6. When the furniture is available from State Use Industries (SUI) or from Baltimore Metro contracts, there is no need to solicit bids, but the contract(s) still need(s) to be approved by the BPW prior to award.

C. INTERPRETING DBM's NOTATIONS ON THE EQUIPMENT AND FURNISHINGS LIST

1. The letter "C" indicates that the item is eligible for capital funding
2. The letter "L" indicates that local funding must be used if the item is to be purchased

3. The letter “B” indicates that the requested item does not appear to be equipment or furnishings, but appears on the list

10.03 GENERAL ELIGIBILITY CONCEPTS

- A. Items of initial equipment and furnishings will be eligible for funding as a capital improvement only if they meet the following general conditions:
 1. Have a life expectancy of at least 15 years with normal maintenance,
 2. Are of durable construction,
 3. Are heavy enough to preclude theft or easy removal from the facility by an individual (chairs excepted),
 4. Are unlikely to be replaced because of technological obsolescence prior to 15 years from date of acquisition, and
 5. Are not intended to replace similar items already on hand.
- B. Initial equipment and furnishings included 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.
- C. 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. State Use Industries products must be specified whenever possible (State Finance and Procurement Article, Section 14-103, Annotated Code of Maryland).
- D. 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.
- E. 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.
- F. 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.
- G. Certain other information technology equipment also is 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.

10.04 DETAILED CRITERIA FOR DETERMINATION OF ELIGIBILITY OF ITEMS FOR ACQUISITION WITH STATE CAPITAL FUNDS

- A. Subsection 8-127 of the Finance and Procurement Article, Annotated Code of Maryland, requires that the useful life of an improvement shall be at least equal to the life of the bonds which finance it. The words “useful life” imply that the improvement, in this case an item of capital equipment, must remain fully functional during the 15 year period. An item will not remain fully functional if it (i) breaks easily, (ii) can be easily stolen, (iii) becomes obsolete due to advances in technology, or (iv) ceases to function due to the conditions under which it is used. The need to replace or repair individual parts over the 15 year period, or even to perform a major overhaul to restore full functioning, will not necessarily disqualify an item for purchase.
- B. Determining whether or not an individual item of equipment is eligible for purchase with capital funds is not an exact science. The following are some of the criteria used in making a decision:
 - 1. Durability
 - a. How likely is the item to become unusable due to breakage, either because of the nature of the material, e.g. glass or because of the manner in which the item would be used?
 - b. How would the manner in which the item will be used affect its durability? For example, an item which would last for 15 years with normal use may not do so if it is subjected to heavy or abusive use, e.g. power tools designed for home use will usually not last 15 years when used for commercial or industrial purposes. However, an industrial model of the same item, which meets the other criteria for eligibility, would be considered eligible.
 - 2. Obsolescence
 - a. This criteria evaluates whether an item is expected to become obsolete within 15 years from acquisition. It may become partially or totally obsolete.
 - b. Total obsolescence may result from such rapid changes in technology that an item no longer has any value for either producing goods or services or for instructional purposes. Computers are a prime example of this. It may also result from the marketing policies of manufacturers who change the design of

their products frequently and stop providing replacement parts and services for their older models.

- c. Partial obsolescence may result when an item is replaced in its business or industrial application by a similar, more cost-effective item but remains useful in teaching students the basic techniques or processes which they will need in order to gain employment in that business or industry. If the item is likely to remain valid for teaching purposes over 15 years, it may be determined to be eligible.

3. Likelihood of theft

- a. An item may be easy to steal, attractive to steal, or both
- b. Items of small size and light weight are considered to be easy to steal
- c. Items, which are in widespread use in society as a whole and are in demand, such as TV sets and office machines are considered to be attractive to steal
- d. Items such as hand tools, small pieces of electronic equipment, and cameras, are considered to be both easy and attractive to steal

4. Items normally included in the construction contract

Many individual items, which are provided as part of a construction contract, are not considered to be eligible as movable capital equipment. For example, lighting fixtures, wiring, and carpeting, are not eligible as capital equipment because a contractor should install them during the construction process.

5. Eligible items with non-capital components

DBM recognizes that many eligible items include components, which would not be eligible if listed as separate items. This is especially true of items of high cost scientific equipment, which are equipped with computers. In general, if the major portion of such an item is determined to be eligible and the ineligible components are an integral part of the item and are included in its unit price, the entire item will be considered eligible. However, capital funds will not be provided for the replacement of any components during the life of the item.

6. Grouping of ineligible items into systems

Items which are ineligible as movable capital equipment may become eligible for capital funding when grouped together as a system which can be installed under the construction contract or by means of a separate contract. Examples of this are distance learning centers and language laboratories. Not all of the items in the system may be eligible, and those, which are not, must be paid for from a local fund source. Computers and associated data processing equipment cannot be grouped together into a system by themselves because none of these items are eligible.

7. Items considered elaborate or excessive in cost

Items used in equipping a facility, especially furniture, should be adequate for their purpose but not elaborate or excessive in cost. In determining whether an item exceeds the level of adequacy or cost, similar items produced by State Use Industries (SUI) will be used as a guide. If the item is not made by SUI, the range of the prices for similar items made by private manufacturers will be used. An agency which desires to acquire items of furniture having a high unit price due to their intricate design, use of expensive materials, or the prestige of their manufacturer in order to impress visitors, prospective employees or students should use a fund source other than State capital funds.

8. Restrictive specifications

Under Section 14-103 of the Finance and Procurement Article, Annotated Code of Maryland, both State and State-aided agencies are required to purchase from State Use Industries any items, which it can provide, even though the item may be less expensive when purchased from a private vendor. Items, which SUI cannot provide, will be obtained through competitive bidding. In requesting equipment, the specifications for individual items cannot under most circumstances be made so restrictive as to preclude all but one manufacturer from meeting them. Specifying proprietary systems should be avoided if at all possible, since such systems are usually more expensive to acquire, to maintain, and to modify when necessary in response to changes in operating conditions or assigned missions.

9. Telecommunications equipment

The design and installation of telecommunications systems and equipment is generally eligible for capital funding for that portion of the system between the point of connection outside the building and the wall or floor outlets in user spaces. The point of connection is defined as the point on or near the exterior walls at which the cable carrying the electronic signals to the building is connected to the interior distribution system. Items eligible for capital funds may include common equipment such as an electronic private branch exchange (PBX), fiber optic or copper vertical riser distribution cables, cable termination equipment and related wiring in wiring closets on each floor, and wire connecting the wire closet terminations to the wall jacks or other outlets to which telephone stations and computers will be connected. It should be noted that all such items should normally be designed and installed as a system during the construction phase of the project, rather than being acquired as capital equipment. The user equipment, which is to be connected to those outlets, is generally a local expense. It includes such items as telephone stations, personal computers, modems, and video recorders.

C. Based on the foregoing criteria and past experience, the following categories of equipment, with representative examples, **do not qualify** for funding from the capital budget:

1. Office machines and equipment used in preparation of papers or data - typewriters; computers, printers, and other computer peripherals, including software; calculators; facsimile (fax) machines; copying machines; and other similar equipment.
2. Household furnishings - mattresses, pillows, rugs, mats, pads, curtains, draperies, pictures, statuary, folding screens, and similar furnishings, including interior decorating items susceptible to the influence of style and frequent turnover.
3. Small household furniture, equipment and accessories - coat trees, folding chairs and tables, canisters, wastebaskets, trash cans and receptacles, paper roll dispensers, ironing boards, magazine racks, foot stools, dishes, pans, silverware and glasses, desk sets, ladders, washing machines, dryers, refrigerators, ovens, stoves, fryers, griddles, hot plates, warmers (including hot food loaders), scales, pegboards, lamps, grills, toasters, electronic irons, clocks, vacuum cleaners, scrubbers and floor polishers, bulletin boards, chart racks, planter boxes, movable chalk boards, towel and cloth racks not built into the structure and similar furniture, equipment, and accessories.

4. Small items of electrical and electronic equipment, machinery - small power tools, electric fans, movable air conditioning units, paint sprayers and paint mixers, welding machines, movie and slide projectors and portable screens, film splicers, slide viewers, audiovisual aids, compact disc players, video cassette recorders, record players, television sets, radios, stereo systems, portable paging systems, and similar machinery and appliances.
 5. Major medical equipment and medical instruments -- ophthalmoscopes, cystoscopes, otoscopes, oxygen tents, porta-lifts, bath lifts, cardiac arrest units, autoclaves, blood volume machines, serological baths, cryostat microtome units, ultra-violet lamps, resuscitators, inhalators, suction devices, refraction machines, eye charts, EEG and EKG machines, X-ray equipment, CAT Scan and MRI equipment, anesthesia units, obstetrical apparatus, whirlpool baths, and similar equipment. Exceptions may be allowed for extraordinarily expensive items over \$20,000 if the useful life expectancy is more than 15 years.
 6. Professional, scientific and controlling instruments -- photographic and optical equipment such as spectrophotometers, colorimeters, catheterization trays, fluoroscopes, microscopes, oscilloscopes, balance scales, recorders, lenses, and binoculars. Exceptions may be allowed for extra ordinarily expensive items over \$20,000 if the useful life expectancy is more than 15 years.
 7. Glass and glass products -- flat, blown or pressed glass products -distilling apparatus, beakers, vials, test tubes, slides, basins, lamps, chinaware, dishes, mirrors, glass-top tables, and similar products.
 8. Game tables and boards -- bowling games, shuffleboards, billiard/pool tables and equipment, ping-pony tables and game tables.
 9. Vehicular and motorized equipment -- automobiles, trucks, boats, cleaning trucks, food trucks, heated or refrigerated tray trucks, dumpsters, fork lifts, farming equipment, trailers or carts, wheel chairs, wheeled carts for maintenance use, and similar equipment.
 10. Supplies and materials -- blankets, sheets, pillow cases, table linens, janitorial supplies, laboratory supplies, medical products, altar ware, candle holders, books, flags and bunting, audio-visual recorders and tapes, small hand tools, tool boxes, office supplies, and similar supplies and materials.
- D. The above list of equipment is not to be considered all-inclusive. Each item will be examined individually against the eligibility criteria cited in this section.