

Be it resolved ...

That the classification of a budget request as a capital or operating budget request be established through joint rule.

That the operating budget generally includes routine expenses related to day-to-day departmental operations, including items that require ongoing funding levels from year-to-year such as personnel, utility, and program expenses. The operating budget also includes ongoing costs associated with the maintenance of information technology projects and may include funding for the development of smaller information technology projects. Capital outlay is included in the operating budget.

That capital outlay may be used for building and equipment repair and renovation associated with maintaining existing assets and for construction projects of limited scope.

That the capital budget generally includes projects that require a large, temporary outlay of funds for the construction, renovation, maintenance, or development of real property. The capital budget also includes the development of information technology systems.

| Current Practice | Proposed Rules |
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| <p>Capital Construction: New Construction and Major Renovation</p> <ul style="list-style-type: none"> • State-funded (Capital Construction Fund): New construction or renovation, including the cost of initial design, the total cost of which is more than \$50,000/\$500,000/\$1,000,000/\$2,000,000 state funds is classified as a capital budget request. <p><i>[Statute does not include dollar limits. Various figures appear in documents developed by OSPB, the Office of the State Architect, and the CDC, but these are not consistent.]</i></p> <ul style="list-style-type: none"> • Cash-funded, state departments except higher education: New construction or renovation for state departments and the judicial branch the total cost of which is more than \$50,000/\$500,000/\$1,000,000/\$2,000,000 from cash fund sources is classified as a capital budget request. <p><i>[Statute does not include dollar limits. Various figures appear in documents developed by OSPB, the Office of the State Architect, and the CDC, but these are not consistent.]</i></p> <ul style="list-style-type: none"> • Cash-funded, higher education: New construction or renovation, including the cost for initial design, the total cost of which is more than \$2.0 million from cash fund sources is classified as a capital budget request and must be approved by the Capital Development Committee. However, such projects are not subject to appropriation and are only reviewed by the JBC if a revenue bond intercept project. <p><i>[Statutory]</i></p> | <p>Capital Construction: New Construction and Major Renovation</p> <ul style="list-style-type: none"> • State-funded and cash-funded, except cash-funded higher education: <ol style="list-style-type: none"> 1. <i>Departments occupying 500,000 GSF or less of state-owned space:</i> New construction or renovation, including the cost of initial design, the total cost of which is more than \$500,000 is classified as a capital budget request. Minor construction and routine maintenance, but not controlled maintenance, may be requested through the operating budget. 2. <i>Departments occupying more than 500,000 GSF of state-owned space:</i> New construction or renovation, including the cost of initial design, the total cost of which is more than \$1,000,000 is classified as a capital budget request. Minor construction and routine maintenance, but not controlled maintenance, may be requested through the operating budget. • Cash-funded, higher education: The rule will cross-reference the existing statutory provisions. |
| <p>Capital Construction: Capital Renewal</p> <p>Capital renewal (integrated controlled maintenance activities at a single site or facility requiring in excess of \$2.0 million) projects are classified and prioritized as capital budget requests. Program planning requirements are waived for capital renewal projects.</p> <p><i>[Statute does not currently define capital renewal. Guidelines and the dollar threshold are based on documents developed by OSPB, CDC, and OSA.]</i></p> | <p>Capital Construction: Capital Renewal</p> <p>Capital renewal (integrated controlled maintenance activities at a single site or facility requiring in excess of \$2.0 million) projects are classified and prioritized as capital budget requests. Program planning requirements are waived for capital renewal projects. Smaller projects are requested as controlled maintenance.</p> |

| Current Practice | Proposed Rules |
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| <p>Capital Construction: Controlled Maintenance</p> <p>Maintenance projects that address repairs to systems [e.g., heating, cooling, water and sewer, roofs, sidewalks] at or near the end of their useful life, the total cost of which is more than \$15,000 but less than \$2.0 million state funds, are classified as controlled maintenance. Such projects are classified as capital budget requests but are prioritized into groups (level 1, level 2, level 3) by the Office of the State Architect.</p> <p><i>[Statute defines controlled maintenance and authorizes the Office of the State Architect to prioritize controlled maintenance projects, but it does not include dollar limits. Dollar thresholds are based on Office of the State Architect, OSPB, and CDC documents.]</i></p> | <p>Capital Construction: Controlled Maintenance</p> <p>Maintenance projects that address repairs to systems [e.g., heating, cooling, water and sewer, roofs, sidewalks] at or near the end of their useful life, or that address health, life-safety, or code-compliance issues, the total cost of which is more than \$15,000 but less than \$2.0 million state funds, are classified as controlled maintenance. Such projects are classified as capital budget requests but are prioritized into groups (level 1, level 2, level 3) by the Office of the State Architect.</p> |
| <p>Operating Budget: Capital Outlay</p> <p>Minor construction or renovation projects costing less than \$50,000/\$500,000 may be paid from the operating budget.</p> <p>Routine maintenance projects, which address ongoing repairs to systems, costing less than \$15,000 may be paid from the operating budget.</p> <p><i>[Statute defines capital outlay but does not include dollar limits. Various figures appear in documents developed by OSPB, the Office of the State Architect, and the CDC, but these are not consistent.]</i></p> | <p>Operating Budget: Capital Outlay</p> <p>Minor construction, renovation, or routine maintenance, and smaller information technology projects, may be requested and paid from the operating budget. This includes all items that are not classified as capital construction or controlled maintenance based on the definitions above.</p> |
| | <p>Other:</p> <p>Notwithstanding the rules outlined above, if the Capital Development Committee or the Joint Budget Committee determines that a request would be more appropriately reviewed by the other committee, it may refer the request to the other committee at its discretion.</p> <p>A funding request, regardless of the source of funds or total request amount, to make local grant awards for construction projects is classified as an operating budget request.</p> |