FY 2020 - FY 2024
Capital Budget & IT Inventory Submission
Instructions Manual

State of Rhode Island

Office of Management and Budget
Budget Office
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Introduction to Capital Budgeting

The purpose of this manual is to provide instructions, policies and procedures for agencies that intend to make a formal request to the Office of Management & Budget, the Governor and the General Assembly for capital project funding.

Defining Capital Asset, Capital Project, Asset Protection, and General Maintenance:
A **CAPITAL ASSET** is generally defined as a new or rehabilitated physical asset that is nonrecurring (i.e., purchased once), has a useful life of more than ten years and considered a significant purchase. It is intended to generate value over a long period of time, for example: a building; a major computer equipment, machinery and vehicles.

A **CAPITAL PROJECT** is the acquisition of, or option to buy, land and/or rights in land, whether by purchase or eminent domain proceedings, regardless of cost. A capital project can also be the construction of any new physical facility, structure, building, and public improvement or public purpose project, or addition or major renovation to an existing structure with a life expectancy of 10 years or longer, whose estimated cost including land, planning, design and construction, furnishings, and equipment exceeds $100,000. Capital projects include funding for feasibility studies that estimate preliminary planning costs for architectural and engineering studies to help ensure that projects are well thought out and have reasonable and accurate cost estimates. Capital project funding requests are included in an agency's capital budget submission.

ASSET PROTECTION involves major renovations or improvements to existing facilities that will extend the useful life and/or add value to the asset by at least ten years; generally at a total cost in excess of $50,000. Individual projects with costs under $50,000 cannot be combined to be considered an asset protection project unless they are part of the overall scope of work that can be put out to bid as one comprehensive project. Examples of asset protection projects include: renovation or replacement of heating, ventilation and air conditioning (HVAC) systems, wiring system upgrades, correction of fire code or handicapped accessibility issues, and other regulatory deficiencies. Asset protection funding requests are included in an agency's capital budget submission.

GENERAL MAINTENANCE is the on-going upkeep of existing facilities and structures. Maintenance will extend the useful life of a structure, but will not normally add any significant value. General maintenance typically has an annual cost of under $50,000. Failure to provide general maintenance (i.e., deferred maintenance) will typically result in deterioration to the point where capital expenditures are necessary to restore a facility to useable condition. General maintenance funding is not included in an agency's capital budget request, but rather in its operating budget request.

FACILITIES CONDITION ASSESSMENT

The State of Rhode Island through the Division of Capital Assessment Management & Maintenance recently sponsored a study that documented the condition of every state-owned property. That building analysis information is available to any Agency that wants to make use of this information to inform its capital request by contacting Armindo Concalves, Chief of Planning, Design and Construction.

Capital Budget vs. Capital Improvement Plan

The Capital Budget represents the first year of the five-year Capital Improvement Plan (CIP) and authorizes specific projects and appropriates, where applicable, specific funding for those projects for that fiscal year.

The CIP identifies specific capital projects to be funded during the planning period. It also indicates the fiscal year in which the project will be started or the property acquired, the amount expected to be expended on the project each fiscal year, and the proposed method of financing these expenditures.

- Projects and financing sources listed in the CIP for years other than the first year ("out years") are subject to change in future capital improvement plans.
- General revenue, federal, restricted, and funding from the Rhode Island Capital Plan Fund require approval by the General Assembly prior to agency expenditures.
- Funding from general obligation bonds and certain other sources do not require appropriation by the General Assembly, but are included in capital budget requests.
- Once funding has been appropriated by the Legislature or earmarked for a particular project as part of the capital plan, funding must be used **for that project only.**
- Agencies do not have discretion to shift funding between projects or funding sources (i.e., Rhode Island Capital Plan Fund and Bond Funds) without prior approval from the Office of Management and Budget and, potentially, the Legislature.

Every state agency requesting or planning to expend funds, (regardless of the source) of capital funds over the five-year planning period is required by law to submit a capital budget request or plan. *This includes projects funded solely with federal and/or restricted receipt funds.* In addition, any agency with previously approved capital projects in the current Capital Improvement Plan, must submit a capital budget outlining the status of these ongoing projects, even if they are not requesting additional funding for these projects or funding for new projects.

As agencies develop their FY 2020 - FY 2024 capital improvement plan, please keep in mind that a significant portion of expected resources available for capital projects are already allocated to the completion of on-going projects or dedicated to projects included in the existing five-year capital improvement plan. Resources available for new projects during the planning period will be limited.

All projects (existing and new) must be included in your capital improvement plan request with adequate information to allow for meaningful consideration of the project by the Office of Management & Budget, the Governor, and the Legislature. Project requests must include a full description of project rationale, costs, future funding requirements, project schedule, and associated operating budget impacts.

Questions as to the eligibility of projects for inclusion in the CIP should be directed to the Agency's designated OMB Budget Analyst.

Capital Budgeting Goals

The State of Rhode Island has established several capital budgeting goals to guide the development of Capital Improvement Plans. These goals are:

- Ensure that the state's annual capital budget and five-year capital improvement program is affordable and finances only necessary capital projects;
- Enable informed capital investment decisions according to a fair, open and objective process;
- Emphasize the requirement for long-term and strategic planning and encourage the use of master planning for state properties;
- Enhance the linkage between the capital and operating budgets;
- Institute the practice of budgeting that will result in planned biennial referenda consistent with the capital budgeting process;
- Increase accountability by publishing a document that will identify the individual projects to be funded during the capital-planning horizon;
- Limit debt use to long-term capital improvements and decrease reliance on debt in order to increase flexibility in difficult economic times;
- Prioritize capital projects that have a **high return on investment (ROI);** and,
- Prioritize capital projects that can be **executed in a timely manner**.

Rhode Island Capital Plan Fund

A key component of the capital budget process is the Rhode Island Capital Plan (RICAP) Fund. As a result of a constitutional change in 1992, the state created a **Budget Reserve and Cash Stabilization Fund.** Each year three percent of general revenues are deposited

into this "Rainy Day Fund" until the fund reaches five percent of total resources. Once this "5%" level is reached, any additional revenues are deposited into the RICAP Fund.

A major portion of RICAP resources have been dedicated in recent years to asset protection and other capital projects. Anticipated resources in future years have been committed as part of the multi-year CIP to various projects. However, these allocations are subject to revision in future capital improvement plans.

Policy on Expenditure of Capital Funds

Capital projects should have a clearly defined scope of work that can be used to develop specifications that can be put out to bid. For small projects, the Division of Purchases' Master Price Agreements (MPAs) can be utilized in instances where the project is small and does not exceed the work order limit outlined in the MPA. When the capital project exceeds the MPA work order limit, the agency must prepare a requisition along with detailed specifications and forward to the Division of Purchases for bid.

New Construction Projects / Feasibility Studies

Requests for new construction projects, such as new buildings or major renovations to existing structures (i.e., change in use), should be included in the agency's capital budget request. If your agency plans to build a new facility of any type (office building, laboratory, dormitory, etc.), first-year funding for the project should include only a feasibility study. *Agencies should not attempt to estimate the cost of new construction or major renovations,* since history has shown that such estimates are invariably, and often significantly, understated. As a result, projects are often approved based on faulty information and then require substantial supplemental funding once the true costs are determined. **The Department of Administration's Division of Capital Asset Management and Maintenance (DCAMM) is prepared to assist Agencies in determining how much funding will be required for a feasibility study based on the project type.**

Consultation with Division of Capital Asset Management & Maintenance

DCAMM will assist agencies in reviewing their capital requests prior to submission. **In the FY 2020 – 2024 cycle, Agencies must consult with DCAMM prior to submission of any capital budget requests for vertical construction projects –** that is, building construction, renovation or demolition (road construction or open space acquisition are excluded). Depending on the project, DCAMM can assist **with project scoping, timelines, cost estimation, project management, and/or other guidance**. Agencies can schedule meetings with DCAMM by contacting the Armindo Goncalves, Chief of Planning, Design and Construction or Sandra Schenck, Chief Implementation Aide @ 401-222-1371.

Note: This guidance applies to all executive branch departments. Consultation with DCAMM is optional for the General Assembly, Judiciary, elected officials, quasi-public entities, and higher education institutions.

DCAMM Affiliation

Agencies are required to indicate whether or not a capital project concept has been reviewed by DCAMM. If a project is reviewed/approved by DCAMM, it will be assigned a DCAMM Project Manager. This is an important point of coordination that will allow for accurate communication to OMB regarding project implementation and financing. Instructions on how to work with DCAMM**.**

Project Categories

Agencies will be required to select only one project category that best describes its capital project category. Agencies must select the category description that matches its project.

1. **Mass Transit:** Projects supporting mass transit, excluding the purchase of vehicles or the construction and improvement of roadways (e.g., construction of new transportation shelters or garages for mass transportation vehicles).

2. **Railway Infrastructure**: New railway construction and repairs to existing railways.

3. **Airport**: Projects that support airport operations.

4. **Roads and Bridges**: New bridge and road construction and repairs to existing roads and bridges.

5. **Bikeways**: Projects that make repairs to, or entail the construction of, bikeways.

6. **Housing**: Projects that support the development of housing, including new housing and housing support.

7. **Asset Protection**: Major renovations or improvements to existing facilities that would extend the useful life and/or add value to the asset by at least ten years with a total cost in excess of $50,000. (Requests for asset protection funding usually encompass small yearly projects with funding allocated for multiple years) or new infrastructure/equipment items such as cooling tower, HVAC system replacement, et al.

8. **Renovation/Repair of Existing Structure**: Major repairs or renovation of an existing structure.

9**.** **Rehabilitation – All Other:** **Building projects** that will retain a building, but will change its use. (e.g., converting a vehicle garage to a community center).

10**,** **Replacement**: Projects that replace large components of existing buildings (e.g., roof replacement).

11. **Natural Disaster Clean Up**: Projects that result from natural disaster clean up.

12. **Land Acquisition**: Projects associated with land acquisition (e.g., the purchase of new land in preparation for future construction).

13. **All Other Regulatory Code Compliance**: Projects that will bring existing structures into compliance with all other regulatory codes (e.g., building codes and ADA compliance).

14. **Energy Efficiency Upgrades**: Projects that increase energy efficiency and decrease harmful effects on the environment (e.g., installation and placement of windows and skylights that reduce the use of electricity and artificial lighting).

15. **Information Technology**: All information technology projects that will be included in your agency's information technology inventory. (See page 9 for more information).

16. **Feasibility Study**: Funding requested to determine the practicality of a proposed new construction project or system.

If you are unsure of the appropriate project category, please contact your assigned Budget Analyst for guidance or call DCAMM.

Information Technology Project Funding

In FY 2018, DoIT made changes to the governance process of IT projects. The goal of the changes was to improve guidance and oversight throughout the lifecycle of a project from concept through execution. The initial step for IT projects is to come before the Project Review Committee (PRC). The PRC convenes bi-weekly to review projects, provide standards, and guidance. The definition of what constitutes an IT project along with additional information about the PRC can be found here:
www.doit.ri.gov/admin/projman/index.php

Agencies should work with their assigned Agency IT Manager (AIM) on project submission to the PRC and in the capital budget. Projects currently funded by Information Technology Investment Fund (ITIF) will be submitted centrally by DoIT. **If you are requesting new ITIF financing or need a funding source, please note the project**

account reference as "to be determined", which will receive further analysis by OMB and DoIT.

STATE INFORMATION TECHNOLOGY (IT) PROJECTS are currently funded in one of four ways:

- **Information Technology Investment Fund (ITIF):** A separate fund used normally for department-specific or interagency projects intended to achieve programmatic improvements. The ITIF is primarily supported through the sale of state property and has limited resources.

- **Certificates of Participation (COPS):** Funded by borrowing, COPS projects normally lead to increased revenues or operational savings.

- **Operating Budget – General Revenues:** Project development and/or maintenance funded through general revenues in the operating budget.

- **Operating Budget – Other:** Project development and/or maintenance through federal grants, restricted receipts and/or other sources.

In recent years, departments have expressed uncertainty about how best to request funding for upcoming IT projects. To address this concern and help inform agency budget requests, agencies will be required to use the capital budget to submit a listing of all **new** information technology (IT) projects **having a cost in excess of $50,000.** (On-going maintenance costs for existing projects should be included in your agency's operating budget request). OMB and the Division of Information Technology (DoIT) will review submissions and recommend appropriate sources of funding for IT projects. Agencies should contact assigned DoIT contacts prior to submitting IT projects for assistance in developing IT requests.

Additional Resources to Assist you in Information Technology Requests:
For reference in submitting capital projects, the following attachments list identified applications by agency and current approved ITIF funded projects. *(You should not include approved ITIF projects in your submission, DoIT will load these into the Department of Administration's request.)*

- ***Report on IT Systems and Spending***
- ***Report on ITIFand Projects***

Time Table/Due Dates

Table 1 contains the Capital Budget Calendar for the upcoming cycle. Agency capital budget and IT inventory requests are due to the Budget Office by **July 23, 2018.** <u>Copies of agency requests must also be sent by the submitting Agencies directly to the House and Senate Fiscal Staffs.</u> Earlier submission, if possible, is strongly encouraged. This calendar is a guideline and is subject to change.

Table 1: Capital Budget Calendar

<u>Target Date</u>	<u>Process</u>
5/15/2018	Distribute FY 2020 - FY 2024 capital budget and IT project request instructions. BFM capital database made available online.
5/15– 7/23/2018	Capital budget and information technology requests are developed by agencies.
5/15 - 7/20/2018	Agency consultation with the Division of Information Technology on IT projects
	Agency consultation with DCAMM on capital and asset protection projects
5/15 – 8/31/2018	Site visits to major capital projects by OMB & DCAMM Staff
Following FY 2019 Budget Enactment	BFM Capital Database will be updated to reflect the final legislative distribution of enacted Capital Plan, and when available, final FY 2018 actual expenditures in Pre-FY 2019 and enacted FY 2019 Budget including carry forward balances for RICAP funds.
7/23/2018	**Agency submission of capital budget and information technology requests to the Budget Office and House and Senate Fiscal Staffs**
7/24 – 8/31/2018	Budget analyst review and analysis of capital budget requests
8/1 – 9/28/2018	OMB and DCAMM meetings with selected agencies. Meetings will be held during the months of August and September to avoid conflicts with the operating budget process. (The Budget Office will set up these meetings shortly after the 7/23/2018 submission date.)

9/3/2018   **Completed Capital Budget analyses** submitted by Budget Analysts to Capital Budget Coordinator

9/4 – 9/28/2018   Development of OMB recommendations

10/8//2018   Distribute OMB recommendations to Agencies

10/19/2018   Agency appeals of OMB recommendations due to the Budget Office

10/20 – 10/31/2018 Review of appeals with Governor's Policy Staff and preparation of final recommendations for the Governor

11/1 – 11/30/2018   Present OMB Recommendations to the Governor

Capital Budget and IT Inventory Forms

One of the fundamental principles for making sound decisions in the capital budget process is making intelligent decisions through consideration of capital requests on the basis of comprehensive project data and impact on related programs. The completion of capital budget and information technology forms serve as the basis for funding requests and allow agencies to advocate for their requests by presenting detailed project information.

The Office of Management and Budget is now using BFM in the preparation of the capital budget and information technology requests. Forms must be completed in the online BFM database for each capital project being undertaken or being considered by an agency, regardless of the source of funding. Project forms will also be required for all information technology project requests in excess of $50,000. Each agency should be as detailed and specific as possible by including a full description of the project, the rationale for the project, its costs, future funding requirements, project schedules, and associated operating budget impacts. Information entered into these forms will be used to generate reports that will accompany an agency's capital budget submission. Providing quality documentation of the project's need and cost allows for more meaningful consideration by the Office of Management and Budget, the Governor, and the Legislature.

An agency's capital and IT budget request must be submitted by **July 23,2018**. Three (3) bound copies of your request should be submitted to the Budget Office, and one copy each directly to the House and Senate Fiscal Staffs. The submission should be in the following format:

1. Transmittal Letter: A transmittal letter from the Director or Agency Head providing a brief overview of the capital budget submission and an indication of their priorities should be provided.

2. Project Priority Order Report: Lists all of the agency's projects in priority ranking

3. Project Reports: The reports listed below should be included for each capital project and IT request. Please submit project reports in order of the priority ranking for each project.
   - Summary Report: Displays the project name, project ID, priority ranking, and total funding requested.
   - Project Narrative & Justification Report: Shows the project description, project justification, project status, and strategic criteria/or IT specific information.
   - Agency Request vs. Plan Report: Displays both the current financing plan for the project and the funding requested.
   - Project Cost Report: Displays the project costs for each project, with totals by funding source and fiscal year.

- Subproject Report: OMB will distribute an Excel template for your Agency use, if you have multiple projects within a single capital project request, for example subprojects within Asset Protection projects. The listing of subprojects must be ranked in priority order. This template must be submitted within your BFM budget submission as an attachment at the header level and printed and included in the hard copy submission of your capital budget request.

The aforementioned reports are generated using information entered by the agency into BFM.

<u>Appendix A: Arts and Building Fees</u>

TITLE 42
State Affairs and Government
CHAPTER 42-75.2
Allocation for Art for Public Facilities Act
SECTION 42-75.2-4

§ 42-75.2-4 Allocation for art. – (a) A state building or state facility constructed, remodeled, or renovated after January 1, 1988 shall include works of art for public display.

(b) All state agencies or departments shall expend, as a nondeductible item, out of any monies appropriated for construction, remodeling, or renovation of any state facility an amount of at least one percent (1%) for the purpose of including works of art in the facility.

(c) Where construction, remodeling or renovation of a state facility is budgeted at under two hundred fifty thousand dollars ($250,000), funds appropriated under this chapter for art for that public facility may be transferred to the art for public facilities fund for expenditure by the Rhode Island state council on the arts for art in other state facilities.

(d) Nothing in this chapter shall prohibit additional expenditures for art beyond the amounts provided by specific appropriation.

SECTION 3.0 FEES STATE BUILDING PERMITS

NEW BUILDINGS, ADDITIONS, ALTERATIONS, STRUCTURES, ETC.

STATE PERMIT
FEE SCHEDULE

VALUATION	FEE FACTOR	FEE
From $0 to $3,000	---	$50.00 Flat Fee
*From $3,001 to $10,000	.02*	$60.00 minimum to $100.00 maximum
From $10,001 to $20,000	---	$200.00 Flat Fee
*From $20,001 to No Limit	.01*	$200.00 minimum to no maximum

*In these two ranges of valuations, multiply the valuation (cost of construction) times (x) the fee factor to determine the fee.

All fees shall be paid by check, money order or state transfer forms (BTF).

Multiple permit applications can be paid for on one check, but insert the individual fees on each permit application.

Occasionally, subcontractor fees (Electrical, Mechanical, Plumbing) have been prepaid by the General Contractor. Check the permit log or see Commissioner if there are any questions. Do not refuse the application. Mechanical, Electrical, Plumbing and Roofing permit applications must be accompanied by a copy of the Contractor's License (front and back).