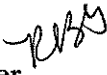


State of Rhode Island and Providence Plantations
Budget Office
Memorandum

TO: Department Directors and Agency Heads

FROM: Rosemary Booth Gallogly 
Executive Director/Budget Officer

DATE: May 8, 2007

SUBJECT: FY 2009 – FY 2013 Capital Budget Instructions
Due Date for Submission – July 16, 2007

The Capital Budget instructions for the FY 2009 – FY 2013 planning period are now available for download from the Budget Office web site (www.budget.ri.gov) under the Budget Instructions/Capital Budget Instructions tab. This manual describes the policies under which agencies should prepare capital budget requests for consideration by the Budget Office, the Capital Development Planning and Oversight Committee, the Governor and the Legislature. The concepts and guidelines in this manual are the result of an ongoing effort to improve the capital budgeting and planning process within the State of Rhode Island.

The majority of the guidelines and requirements in this manual are unchanged from last year's process. However, please review these instructions carefully to make sure your project submissions are providing the information requested. This will avoid problems in the review of these projects, which could impact their approval and funding. It is important for all staff to understand the concepts and policies presented in this manual.

As with last year, the creation of two new Divisions within the Department of Administration, Facilities Management and Capital Projects, will have an impact on agency capital budget requests. Please be sure to read the section on these new Divisions and comply with the instructions to avoid duplicate project requests from being submitted.

This year's capital requests will also include three-year vehicle replacement plans. These plans will be the basis for requesting Legislative approval to finance vehicle purchases (where applicable) in FY 2009. The vehicle replacement plan should be submitted along with your capital budget request as a separate item, but does not need to be included in the priority ranking of projects. This plan should clearly identify the current vehicles in your fleet, the year, model, mileage as of June 30, 2007 and the projected year of replacement.

Agency staff should focus on updating and expanding upon the information presented in last year's request for those projects included in the existing Capital Improvement Plan. Since resources available for new projects during the planning period will be extremely limited,

requests for new projects should be included only in later years of the plan. New projects in the early years of the plan will only be considered if the agency is requesting to delay or replace existing projects in order to provide for a new project that is now deemed to be of a higher priority. Far too often agencies overload the early years of the plan with requests for new projects. The result has been that total first and second year requests are unrealistic because they grossly exceed available means of financing. We realize that agencies cannot anticipate every capital outlay need for the next five years, but we have noticed that some projects that have not been included in prior requests suddenly appear as “emergency” first-year requests. In many cases, this indicates a lack of long-range planning on the part of the agency. In preparing your capital plans, keep in mind that your requests in years one or two should reflect only those projects that you believe must be funded and can be undertaken in the next two years. If a project can wait, it should be shown in later years of your request.

Also, for any requests for new construction or major renovations that are not currently part of the five year capital improvement plan, only financing for a feasibility study should be requested in your capital request. Too often agency estimates of the cost of new construction are significantly understated resulting in major funding issues after a project has been approved. To avoid these circumstances in the future, feasibility studies will be required for all new construction or major renovation projects going forward.

The due date for submission of your FY 2009 – FY 2013 Capital Improvement Plan is **July 16, 2007**. Please make every effort to meet this deadline. Budget Analysts will be working with agencies in the development of this year’s requests as a way of improving their understanding of projects and to expedite their review of your capital request.

If you have any questions concerning these instructions or need assistance in developing your capital request, please contact your assigned Budget Analyst.

I appreciate your continuing efforts in making our capital budgeting process successful.

Cc: Chief Financial Officers