

Capital Budgeting in the States

September 1997

National Association of State Budget Officers

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INTRODUCTION AND SUMMARY OF GOOD PRACTICES IN CAPITAL BUDGETING

Introduction

Although not always in the public eye, states' decisions on what to build, how to finance a project, and how to maintain existing assets have implications for their long-range fiscal health. This report provides information on how states approach capital budgeting by covering topics such as preserving facilities, managing the process, setting priorities, and financing projects. The comparative information allows states to review their processes in the context of a national perspective. Although this report does not result in a "model capital process," good practices applicable to all states are highlighted throughout this report.

States have modified their processes since the last NASBO report in 1992. These changes have emphasized planning over a longer time horizon, developing formal mechanisms to set aside funds for preserving existing facilities, increasing automation of the process, and linking capital planning decisions to statewide performance goals and strategic plans.

Highlights of a good capital budgeting process are summarized below. These practices are described in further detail in each section of the report.

Good Practices In Capital Budgeting

- Establish a clear definition of capital expenditures.
- Define maintenance expenditures and specify funding of maintenance by formula or statute.
- Develop a system to rate maintenance projects.
- Include specific operating costs for each capital project over a multi-year period.
- Ensure that effective legislative involvement occurs throughout the capital budgeting process.
- Strengthen the review of the years beyond the budget year in long-range capital plans.
- Maintain centralized oversight for capital projects.
- Identify the criteria used in selecting capital projects.
- Define all program outcomes for capital investments and link them to overall state goals.
- Evaluate cost estimating methods to measure their validity.
- Establish a tracking system to keep projects on schedule and within budget.
- Develop a clear debt policy and integrate capital planning with debt affordability.
- Review cost-benefit comparisons for private sector participation in capital projects.
- Review long-term leases.
- Maintain an updated inventory system of capital assets.

Section One:

Defining Capital Expenditures and Protecting Maintenance Funds: Tables 1-5

States define the types of expenditures allowed in capital budgets by including such items as construction, improvements, land acquisition, site improvements, major renovations, and equipment. Definitions may also specify the anticipated useful life of a project and a minimum level of expenditure, with \$25,000 being the most frequent minimum for capital budget expenditures (see Tables 1 and 2).

The majority of states differentiate between routine maintenance as an operating expenditure and deferred or major maintenance as a capital expenditure. In their quest to preserve facilities, several states have formalized their processes for setting aside maintenance funds. Arizona uses a building renewal formula that is based on the building's value, age, and replacement cost. Other examples include Colorado's statutory transfer from the general fund to a controlled maintenance trust fund, Kentucky's use of investment income on certain funds, Minnesota's pool of accounts established specifically for asset preservation and repairs, North Carolina's use of its credit balance to maintain general fund supported buildings, Puerto Rico's maintenance fund, and Utah's required funding for replacement cost (see Tables 3 and 4).

As part of the effort to preserve facilities, some states have developed a system to rate maintenance projects. Florida has a three-year facility assessment that provides a priority listing of needed corrections, Illinois rates projects by type, North Dakota uses a formula to calculate the cost of adequately maintaining buildings, and Washington has a backlog reduction plan (see Table 5).

GOOD PRACTICES

- **Establish a clear definition of capital expenditures.** In developing or refining capital expenditure definitions, states should consider the implications of minimum requirements and types of expenditures such as equipment and planning studies. Certain activities, such as leasing, may fall within the operating budget though be viewed as debt by rating agencies in their credit analysis.
- **Define maintenance expenditures and specify funding of maintenance by formula or statute.** Maintenance funds are often sacrificed for budget balancing purposes. A more formal approach either in statute or a widely accepted formula helps to elevate decisions to preserve existing facilities with funding for new projects.
- **Develop a system to rate maintenance projects.** This would assist in establishing priorities for preserving facilities and minimize deferred maintenance.

Table 1
Defining Capital Expenditures

State	How Do You Define Capital Expenditures?
Alabama	Renovations, repairs, major maintenance, new construction, land purchases, equipment with an anticipated life exceeding 1 year.
Alaska	Asset with an anticipated life exceeding one year and a cost exceeding \$25,000.
Arizona	Building renewal, land acquisition, infrastructure, and capital projects.
Arkansas	Any assets costing \$500 or more with a useful life of two years or more.
California	Facilities and land acquisition, development, and improvements. Includes related planning and fixed equipment costs.
Colorado	Purchase of land; purchase, construction or demolition of buildings; purchase and installation of equipment.
Connecticut	Expenditures that result in acquisition or additions to fixed assets.
Delaware	Major capital projects are those that are \$250,000 or more and have a life of 20 years; minor capital projects are less than \$250,000 and have at least 10 years' life.
Florida	Real property, including additions, replacements, major repairs, and renovations which extends useful life.
Georgia	Purchase of land, construction of new facility, replacement/major renovation, and site improvements.
Hawaii	Permanent, non-recurring expenditures on new, or improvements to existing facilities.
Idaho	Construction, remodeling, and maintenance of buildings and other structures.
Illinois	Repair, maintenance, renovation, remodeling, rehabilitation of existing facilities; construction of new facilities.
Indiana	Construction, rehabilitation, repair, purchase and sale of land, equipment and grants to municipalities.
Iowa	Construction, renovation, or improvement of buildings or grounds exceeding \$50,000.
Kansas	New construction, remodeling, razing, and rehabilitation and repair.
Kentucky	Capital construction above \$400,000 and major equipment above \$100,000.
Louisiana	Acquiring land, buildings, equipment or for permanent improvement.
Maine	Renovations, repairs, major maintenance, new construction, land purchases and equipment over \$3,000.
Maryland	Acquisitions with a 15 year life, excluding vehicles and supplies.
Massachusetts	No response.
Michigan	Planning, acquisition, construction of buildings and equipment and remodeling, repair.
Minnesota	Acquisition, design, construction, demolition, original furnishings and equipment, renovations, and major repair.
Mississippi	Includes planning, design, land/building acquisition, demolition, new construction, furnishings, equipment.
Missouri	Includes construction, acquisition of real property, demolition, restoration, rehabilitation, equipment purchase.
Montana	Building and construction defined in statute.
Nebraska	Capital construction is new projects and changes or renovations to existing facilities that transcends routine maintenance.
Nevada	No response.
New Hampshire	Assets with useful life of 5 years and cost exceeding \$50,000.
New Jersey	Acquisition of land, construction, repairs, equipment above \$50,000, lease purchase agreements.
New Mexico	Renovation and repairs, new construction, land acquisition, vehicles, and equipment.
New York	Acquisition, construction, demolition of fixed asset, major repair/renovation, related equipment, and preliminary studies.
North Carolina	Renovations, major repairs, deferred maintenance, new construction, land, and major equipment.
North Dakota	Expenditures for new construction, additions, renovations, restorations, building demolitions, infrastructure over \$1,500.
Ohio	Renovations, new construction, land purchases, and equipment.
Oklahoma	Purchase of land and buildings, construction or major repair, major purchase of equipment. Long-Range Planning Commission reviews purchases above \$25,000.
Oregon	Improvements which prolong the life or add value to the property; tied to accounting capitalization principles.
Pennsylvania	Construction, renovations, improvements, equipment, furnishings, land acquisition. Estimated life above 5 years.
Rhode Island	Construction, renovation, repair, rehabilitation, land acquisition, buildings and equipment.
South Carolina	Capital expenditures over \$25,000 according to generally accepted accounting principles definition.
South Dakota	No specific definition.
Tennessee	Renovation, maintenance of certain size, additions, new facilities.
Texas	Renovation, major repairs, new construction, land, equipment purchases.
Utah	Acquisition, construction, and improvement of fixed public assets.
Vermont	New construction, land acquisition, major maintenance and repairs above \$25,000.
Virginia	Real property acquisition, improvements of \$250,000+, new construction of \$250,000+, stand alone equipment.
Washington	Design, construction, renovation, and acquisition of long-term assets.
West Virginia	Acquisition, construction, renovation over \$100,000. Equipment over \$50,000.
Wisconsin	Includes land, buildings, facilities, equipment, as well as remodeling, reconstruction, and maintenance.
Wyoming	New construction, acquisition of land, reconstruction, and major improvements above \$10,000 for 10 years.
Puerto Rico	Infrastructure, renovation, restoration, new construction, land purchased, installation, and acquisition of certain equipment.

Table 2
Capital Versus Operating Budgets

State	Capital Planning in Capital Budget	Minimum Expenditure For Capital Budget
Alabama	No	No
Alaska	Yes	\$25,000
Arizona	No	No
Arkansas	No	\$500
California	Yes	No
Colorado	Yes	Over capital outlay limit
Connecticut	Yes	No
Delaware	Yes	No
Florida	Yes	No
Georgia	Yes	No
Hawaii	Yes	No
Idaho	Yes	\$30,000
Illinois	No	\$25,000 (bondable project)
Indiana	No	No
Iowa	Yes	No
Kansas	Yes	No
Kentucky	Yes	\$400,000
Louisiana	Yes	\$50,000
Maine	No	No
Maryland	No	\$100,000
Massachusetts	No response	No response
Michigan	Yes	\$50,000
Minnesota	Yes	No
Mississippi	Yes	\$150,000
Missouri	Yes	\$25,000
Montana	Yes	\$25,000
Nebraska	Yes	No
Nevada	No response	No response
New Hampshire	Yes	\$50,000
New Jersey	Yes	\$50,000
New Mexico	Yes	\$100,000
New York	Yes	No
North Carolina	Yes	\$100,000
North Dakota	Yes	\$1,500
Ohio	Yes	No
Oklahoma	Yes	\$25,000
Oregon	Yes	Construction \$500,000
Pennsylvania	Yes	\$100,000
Rhode Island	Yes	No
South Carolina	Yes	\$25,000
South Dakota	No	No
Tennessee	Yes	Maintenance \$100,000
Texas	Yes	No
Utah	Yes	\$100,000
Vermont	Yes	\$25,000
Virginia	Yes/No	No
Washington	Yes	\$25,000
West Virginia	Yes	Equipment \$50,000/Other \$100,000
Wisconsin	Yes	\$5,000
Wyoming	Yes	Yes
Puerto Rico	Yes	No
Total	Yes=40	Yes=28

**Table 3
Treatment of Maintenance**

State	How Is Maintenance Treated In The Capital Budget?
Alabama	Renovation and repair are capital items; maintenance is operating.
Alaska	Renovation, repair, deferred maintenance are capital items; general maintenance is operating.
Arizona	Routine maintenance excluded. Building renewal funds appropriated by formula in statute.
Arkansas	Treated like any other request.
California	In operating budget.
Colorado	Deferred maintenance in capital; routine maintenance in operating.
Connecticut	In operating budget.
Delaware	Deferred maintenance, routine maintenance and repairs are funded in the operating budget.
Florida	An annual inventory of state-owned buildings is conducted to determine maintenance needs.
Georgia	Included if relatively substantial cost, not recurring, and increases useful life.
Hawaii	In operating budget.
Idaho	Projects over \$30,000 are included.
Illinois	In operating budget.
Indiana	In operating budget.
Iowa	Deferred maintenance in capital; routine and ongoing maintenance is in operating.
Kansas	Largely financed from dedicated funds.
Kentucky	Minor maintenance below \$400,000 funded from pool of state funds.
Louisiana	In operating budget.
Maine	Included in operating budget.
Maryland	Included if over \$100,000, 15 year life.
Massachusetts	No response.
Michigan	Lump sum maintenance appropriation.
Minnesota	Major maintenance above \$25,000 in capital budget; recurring maintenance in operating budget.
Mississippi	Maintenance projects generally not recommended.
Missouri	Ongoing maintenance to preserve a facility in operating; other maintenance and repair above minimum in capital.
Montana	Major maintenance included.
Nebraska	Renovation, repair, and deferred maintenance and deferred repair are capital items; maintenance is operating.
Nevada	No response.
New Hampshire	Deferred maintenance in capital; usual maintenance in operating budget.
New Jersey	Maintenance in operating; deferred maintenance above \$50,000 in capital.
New Mexico	In operating budget. In future, may plan to fund preventive maintenance in capital.
New York	In operating budget.
North Carolina	In operating budget.
North Dakota	In operating budget.
Ohio	Deferred maintenance in capital; routine maintenance in operating.
Oklahoma	Routine maintenance is in operating budget. Major maintenance is in capital budget.
Oregon	Major maintenance projects in capital; routine maintenance in operating.
Pennsylvania	In operating budget.
Rhode Island	In operating budget.
South Carolina	According to need.
South Dakota	In operating budget.
Tennessee	Major maintenance above \$100,000 included.
Texas	In operating budget.
Utah	General maintenance operating budget. Capital improvements funded in capital budget and classified as major alterations, repairs, or improv. costing less than \$1 million. Maintenance costs shown in new building requests.
Vermont	Major maintenance and repair in capital; general maintenance in operating budget.
Virginia	Specific maintenance reserve appropriation provided in capital budget. Routine maintenance in operating budget.
Washington	Renovation and major repairs are capital items; maintenance is operating.
West Virginia	In operating budget.
Wisconsin	Funding provided in capital and operating budgets.
Wyoming	In operating budget.
Puerto Rico	Public corporations have a renewal and replacement fund established by respective consulting engineers.

**Table 4
Maintaining Facilities**

State		Do You Have A Mechanism For Setting Aside Funds To Preserve Facilities?
Alabama	Yes	Earmarked funds.
Alaska		
Arizona	Yes	Building renewal - Sherman-Dergis formula based on age and replacement cost.
Arkansas	Yes	Specific requests in the normal process.
California	No	
Colorado	Yes	Statutory transfer from general fund and controlled maintenance trust fund.
Connecticut	No	
Delaware	Yes	Annual total of \$23.6 million for statewide deferred minor capital improvements & equipment program.
Florida	Yes	Capital improvement program contains maintenance planning and budgeting.
Georgia	No	
Hawaii	Yes	Operating budget includes funds for repairs and maintenance.
Idaho	No	
Illinois	Yes	Amount set aside at beginning of budget development.
Indiana	No	
Iowa	Yes	Rebuild Iowa Infrastructure Fund, gaming receipt revenues over a set amount, interest from cash reserves.
Kansas	No	No formal process; however, every year funds are made available for preserving facilities.
Kentucky	Yes	Investment income on certain funds in state accounting system.
Louisiana	No	
Maine	No	
Maryland	Yes	Capital budget includes a fund for capital facilities renewal. Operating budget includes a statewide fund for critical maintenance.
Massachusetts		
Michigan	Yes	Lump sum appropriations made to the Department of Management and Budget.
Minnesota	Yes	Various pooled accounts established specifically for asset preservation and repairs.
Mississippi	No	
Missouri	Yes	Facilities maintenance reserve fund approved by voters in 10/96 set aside 10% of general revenue.
Montana	Yes	
Nebraska	Yes	Task force, funded with cigarette proceeds, was created in 1979 for fire/life safety, deferred repair, energy conservation, and handicap projects.
Nevada		
New Hampshire	No	
New Jersey	Yes	Preservation is second only to life safety in funding criteria hierarchy.
New Mexico	Yes	Building use fees based on square footage occupancy; requires yearly appropriation.
New York	Yes	Capital budget includes separate appropriations for preservation of facilities.
North Carolina	Yes	3 percent of replacement cost of general fund supported buildings reserved from credit balance.
North Dakota	No	
Ohio	No	
Oklahoma	Yes	Operating budget includes funds for repairs and maintenance.
Oregon	Yes	Routine maintenance/repairs are continued as part of base operating budget.
Pennsylvania	Yes	Only for renovations which change use or function.
Rhode Island	Yes	Ongoing Asset Protection program created by allocating a share of reserve funds.
South Carolina	No	
South Dakota		
Tennessee	Yes	Facilities revolving fund. Agencies pay rent, maintenance funded from reserves and debt.
Texas		
Utah	Yes	Statute requires that annual capital improvement funding equal at least 0.9 percent of the estimated replacement cost of all state facilities.
Vermont	No	Must compete for maintenance and deferred maintenance funding.
Virginia	Yes	Agencies receive maintenance reserve funding in a separate capital project earmarked for maintenance.
Washington		Requires agencies to distinguish between programmatic projects and preservation of facilities. Assess surcharge based on square feet of occupancy.
West Virginia	No	
Wisconsin	Yes	Funds included in capital budget on a biennial basis.
Wyoming	No	
Puerto Rico	Yes	Extraordinary maintenance fund, at least 5 percent of the capital improvement program.

**Table 5
Rating Maintenance Projects**

State	Do You Have A System to Rate Maintenance Projects?	
Alabama	No	
Alaska		
Arizona	Varies	Universities have developed a cost matrix, but other state agencies do not have a rating system.
Arkansas	Yes	Administered by the State Building Services Agency.
California	No	
Colorado	No	Average 10 percent of all needs to total budget.
Connecticut	No	
Delaware	Yes	Rate by type of project, including life/safety code, mechanical/environmental comfort, efficiencies, cosmetic.
Florida	Yes	A three-year facility assessment provides a prioritized deficiency corrections program.
Georgia	No	Ranked into one of four priorities.
Hawaii	No	
Idaho	No	
Illinois	Yes	Rate by kind of project including protection of life and safety, protection of infrastructure and assets, and cost savings.
Indiana	No	
Iowa	Yes	Each department provides a ranking. Governor's recommendation is to create a citizen Infrastructure Board which would prioritize all projects except higher education.
Kansas	No	
Kentucky	No	
Louisiana	No	
Maine	Yes	Four categories: mandatory, essential, desirable, and deferrable.
Maryland	Yes	All projects are placed into one of seven priority categories.
Massachusetts		
Michigan	No	Use relative priority of project.
Minnesota	Varies	Some agencies use a dollars per square foot approach.
Mississippi	No	
Missouri	Yes	Maintenance projects are evaluated by need and ranked in priority order by the department.
Montana	Yes	Site inspections used to assess needs.
Nebraska	No	Use data to help make recommendations on funding levels for the task force.
Nevada		
New Hampshire		
New Jersey	Yes	Projects are rated at the institutional level using a maintenance management system.
New Mexico	No	
New York	No	In process of developing guidelines.
North Carolina	Yes	Priorities based on needs analysis.
North Dakota	Yes	Use the Sherman-Dergis formula to calculate the cost of adequately maintaining buildings.
Ohio	No	
Oklahoma	No	
Oregon	No	
Pennsylvania	Yes	Biennial survey using urgency scale. Work is done through agency operating budgets.
Rhode Island	Yes	Capital Development Planning and Oversight Committee reviews all requests and priorities based on need and funding availability.
South Carolina	No	
South Dakota		
Tennessee	Yes	Budget analysts and project managers rank with quantitative and subjective methods.
Texas		
Utah	Yes	Priorities based on needs analysis conducted by Division of Facilities Construction and Maintenance.
Vermont	No	Cost per square foot frequently used to estimate budgets.
Virginia		Agencies identify and prioritize needs during budget development. Roof repairs are top priority.
Washington		Agencies prepare preservation backlog reduction plans.
West Virginia	No	
Wisconsin	Yes	Rated by facilities, utilities, energy, health and safety categories, and by priority of maintenance need.
Wyoming	No	
Puerto Rico	No	

Section Two:

Organization of the Capital Planning Process: Tables 6-11

A capital budget begins with the state budget office preparing guidelines, forms, and procedures that are provided to individual state agencies to complete. Some states also allow non-profit agencies, boards and commissions, public authorities, and elected officials to make requests for capital projects. States are about evenly divided between having a separate capital document and combining capital and operating expenditures in one document. The types of documents vary across states with project descriptions, multi-year planning documents, and portions of the operating budget serving as capital documents (see Tables 6 and 7).

Capital planning in most states is a multi-year process ranging from three to ten years, with five years the most frequent time-span for capital plans. Often the budget office provides an overall coordinating role for the long-range plan. Although many states have long-range plans, estimates for the out-year costs usually only provide a general trend for the project and are not as detailed as the current year estimate.

One of the elements that makes capital budgets work includes a clear understanding of the philosophy and the principles that are the framework of a capital budget. Without a clear understanding of the principles, the process becomes haphazard and much more political. Thorough documentation, planning, and needs analysis are a must. This includes requiring agencies to document the need for each project.

The states most satisfied with their capital budgeting process employ some method of keeping legislatures informed on the capital budget needs of the state. Some states have a formal committee made up of individuals who are in charge of financing projects, supervising construction of projects, or budgeting for the state. Committees include both the executive branch and legislative branch (see Table 7).

States that have a committee in place report that it lends credibility to the capital budget process, it tends to take politics out of the decision making process, and that it is perceived as a fair and equitable approach for setting capital priorities for the state. In states without a formal committee or commission to evaluate the capital budget, the budget office or the person in charge of the capital budget keeps key legislators informed.

Central agencies that oversee capital projects also provide statewide coordination and review of capital projects. These central state agencies often develop budget requests, define and manage projects, and prepare cost, schedule, and technical reviews (see Tables 8 and 9).

The coordination of the capital and operating budget is a significant feature of the capital budgeting process. Coordination occurs in many states by including the impact on the operating budget as part of every capital request. Since the operating budget does not span as many years

Section Two Organization of the Capital Planning Process

as the capital plan, states need to integrate the long-term impact of capital projects with shorter-term operating plans.

Budget analysts provide a key role in coordinating operating and capital budgets. Other approaches to coordinating operating and capital budgets include a program planning process in higher education used in Colorado and requiring agencies to identify the impact on the operating budget over a multi-year time span, such as six years in Minnesota and three years in South Carolina (see Table 10).

Several states have made significant changes to their capital planning processes over the past five years. These changes have emphasized a longer range outlook for capital planning, greater automation in the process, life-cycle cost analysis, and a link to performance measures (see Table 11).

GOOD PRACTICES

- **Include specific operating costs for each capital project over a multi-year period.** Although most states require that operating costs accompany capital project requests, there should be an enforcement mechanism that requires agencies to develop operating cost estimates over several years. The agencies' operating budget request should reflect the impact of the capital projects over the multi-year period.
- **Ensure that effective legislative involvement occurs throughout the capital budgeting process.** Some states have established specific oversight boards to help foster communication between the legislative and executive branches.
- **Strengthen the review of the years beyond the budget year in long-range capital plans.** Although most states have long-range capital plans, the years beyond the budget year are often scrutinized much less than the budget year. More scrutiny of long-range costs would help to assess the financial commitments on both the operating and capital budgets.
- **Maintain a centralized oversight for capital projects.** Most states have a central construction agency that oversees the capital process and often provides technical reviews and cost analysis.

**Table 6
Organization of the Capital Budget**

State	Legal Authority	Who Makes Requests	Documents Produced
Alabama	Statute	A	Governor's Executive Budget
Alaska	Statute	A	Project Description and Justification
Arizona	Statute	A,E	Capital Improvement Plan
Arkansas	Appropriations by Agency, Project	A	Biennial Budget Manual
California	Annual Budget Acts, Statute	A,E,B,H,P,PA	Budget Change Proposals, five-year plan, ten-year needs survey, Budget Estimates
Colorado	Statute	A	Project Request, Prioritized Summary 10 year
Connecticut	Statutes, Special & Public Acts	A	Annual Capital Budget
Delaware	State Code, Budget Office	A,H	Annual budget of capital project descript. ranked, chart summarizing requests; land use questionnaire for new projects; Bond & Capital Improvement Act.
Florida	Statute	A	Agency Capital Improvement Program, Governor's Capital Improv. Prog.
Georgia	State Code	A	Governor's Annual Budget Report, Amended
Hawaii	Revised Statutes	A,E	Multi-Yr. Program Financial Plan, Executive Budget
Idaho	State Code	A,B	6-Year Plan Produced by Division of Public Works
Illinois	Appropriations & Bond Auth. Bills	A,B,E,H,PA	Capital Budget
Indiana	Statute	A,H	State Budget Committee Recommendations
Iowa	State Code	A	Governor's Budget recommendation, Five-year statewide priority capital plan.
Kansas	No requirement for Governor	A	Governor's Budget Report
Kentucky	State Revised Statutes	A	Executive Branch Budget
Louisiana	Statute	A,E, H, PA	Capital Outlay Act and 5-year Budget Plan
Maine	Biennial Budget	A	Executive Branch Budget
Maryland	State Law and Appropriations	A,E,P, H	Budget and 5-Year Capital Improvement Program
Massachusetts	No response	No response	No response
Michigan	Annual Appropriations	A,H	Annual Budget Document
Minnesota	Statute	A,B,E,H,PA	Governor's 6-year Strategic Capital Budget Plan
Mississippi	Appropriation and revenue bills.	A	Governor's 5-year Capital Improvement Plan
Missouri	Statute	A, H	Governor's Executive Budget, Long-Range Capital Improvement Plan
Montana	State Code	A,H	Capital Construction Program, Major Maintenance Plan
Nebraska	Statute	A,H	Governor's Budget and Legislature Appropriations Comm. Biennial Budget
Nevada	No response	No response	No response
New Hampshire	Statute	A	Governor's Executive Budget
New Jersey	State Budget Law	A,B, H, PA	Governor's Budget Recommendation and Capital Improvement Plan
New Mexico	Statute	A,E,H	Capital Improvement Plan and Forms
New York	State Finance Law	A,PA	Capital Projects Bill, 5-year Capital Plan
North Carolina	Appropriation	A	Capital Improvement Document
North Dakota	Agency's appropriation	A	Governor's Budget Recommendations
Ohio	Statute	A,B,E,H,P,PA	Governor's 6-Year Capital Improvement Plan
Oklahoma	Statute	A	State Finance Forms
Oregon	Statute	A	Budget Overview, 6-year Plan, Project Description
Pennsylvania	Constitution	A	Governor's Executive Budget
Rhode Island	Statute	A,B,E,H,PA	Capital Development Budget/Operating Budget
South Carolina	Statute	A	Annual Permanent Improvement Plans
South Dakota	Individual bills	A	No capital budget
Tennessee	Division of Budget	A	Budget, Project Description, Project Summary
Texas	Part of appropriations process	A	Budget Requests-Construction Schedules
Utah	Statute	A,H	Budget Documents, 5-year plan
Vermont	Statute	A	Capital Budget Recommendations
Virginia	Appropriation Act	A,H	Budget Bill & Budget Document
Washington	Legislature	A, B, E, H	Capital 10-year Program, Appropriation Bill
West Virginia	Annual Budget Act	A,B,E,H	Governor's Executive Budget Report
Wisconsin	Statute	A	Capital Budget Recommendations
Wyoming	Statute	A	Capital Outlay Budget Request
Puerto Rico	Constitution, Statutes		Capital Improvement Budget

Key: A=Agencies B=Boards E=Elected Officials H=Higher Education P=Private Organizations PA=Public Authorities

Table 7
Organization of Capital Budget: Part 2

State	Joint Boards for Capital Review	Time-Line for Capital Process	Span of Long-Range Capital Budget
Alabama	No	1 year	NA
Alaska	No	10 months	6 years
Arizona	Yes	1 1/3 years	5 years
Arkansas	No	6 months	No
California	Yes	1 1/2 years	5 years
Colorado	Yes	1 year	3 years
Connecticut	Yes	1 year	No
Delaware	Yes	10 months	3 years
Florida	No	1 year	5 years
Georgia	No	1 year	3 years
Hawaii	No	9-10 months	6 years
Idaho	Yes	10 months	6 years
Illinois	No	1 year	5 years
Indiana	Yes	10-12 months	No
Iowa	No	1 year	5 years
Kansas	Yes	1 year	5 years
Kentucky	Yes	1 year	6 years
Louisiana	No	1 year	5 years
Maine	Yes	10 months	5 years
Maryland	Yes	9 months	5 years
Massachusetts	No response	No response	No response
Michigan	Yes	9 months	5 years
Minnesota	No	1 year	6 years
Mississippi	No	9 months	5 years
Missouri	Yes	1 year+	5 years
Montana	No	1 year	6 years
Nebraska	No	1 year	NA
Nevada	No response	No response	No response
New Hampshire	Yes	9 months	6 years
New Jersey	Yes	1 year	7 years
New Mexico	Yes	9 months-1 year	5 years
New York	No	10 months	5 years
North Carolina	No	1 1/2 years	NA
North Dakota	No	1 year	6 years
Ohio	No	1 year	6 years
Oklahoma	Yes	14 months	5 years
Oregon	Yes	1 1/2 years	2-year budget, 6-year plan
Pennsylvania	No	10 months	5 years
Rhode Island	No	1 year (approximate)	5 years
South Carolina	Yes	Determined by legislature	NA
South Dakota	No	N/A	NA
Tennessee	Yes	1 year	5 years
Texas	No	2 years	NA
Utah	Yes	9 months	5 years
Vermont	No	6 months	5-10 years
Virginia	No	1 1/2 years	6 years
Washington	No	6 months	10 years
West Virginia	No	8-10 months	NA
Wisconsin	Yes	2 years	6 years
Wyoming	Yes	10 months	NA
Puerto Rico	Yes	1 year (approximate)	4-5 years

NA indicates that data are not available.

Total	Yes=24
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**Table 8
Central Oversight of Capital Projects**

State	Central State Agency to Oversee and Manage Projects	Higher Education Included	Hospitals Included
Alabama	Yes (Building Commission has technical authority)		
Alaska			
Arizona	Yes/No (3 building systems, university, and transportation)	Yes	Yes
Arkansas	No	Not applicable	Not applicable
California	Yes (Department of General Services)	No	Yes (excluding university-run)
Colorado	Yes	Yes	No
Connecticut	Yes	Yes	Yes
Delaware	Yes	No	Yes (public, state-owned and administered only)
Florida	Yes	No	No
Georgia	Yes	Yes	Yes
Hawaii	No	Not applicable.	Not applicable.
Idaho	Yes	Yes	Yes (state-owned)
Illinois	Yes	Yes	No
Indiana	Yes	Yes	Yes
Iowa	Yes (except regents, transportation, natural resources)	No	No
Kansas	Yes	Yes	Yes
Kentucky	Yes	Yes (except two largest state univ.)	Yes (except two largest state univ.)
Louisiana	Yes	Yes	Yes
Maine	Yes	No	No
Maryland	Yes	No (except 1 institution)	Yes
Massachusetts			
Michigan	Yes	Yes	No
Minnesota	Yes (joint review by Departments of Finance and Admin)	Yes	No
Mississippi	Yes	Yes	Yes
Missouri	Yes	No	Yes (state-run mental health)
Montana	Yes	Yes	No
Nebraska	Yes (mainly oversight, review and technical assistance)	No	No
Nevada			
New Hampshire	Yes (Division of Public Works)	No	No
New Jersey	Yes (Treasury Division of Building and Construction)	No	No
New Mexico	Yes	Yes	No
New York	Yes	Yes	Yes (state-owned)
North Carolina	No	N/A	N/A
North Dakota	No	No (require a local match)	Not applicable
Ohio	Yes	Yes (some managed by institutions)	No
Oklahoma	Yes (Depart. of central services and Office of State Finance)	Oversee, but do not approve	Not applicable
Oregon	Yes (agencies manage their capital projects)	No	No
Pennsylvania	Yes	Yes (state-owned and related)	Yes (state-owned)
Rhode Island	No	Not applicable	Not applicable
South Carolina	Yes	Yes	No
South Dakota			
Tennessee	Yes	No	Yes
Texas			
Utah	Yes	Yes	Yes
Vermont	Yes	Yes	No
Virginia	Yes	Yes (some managed by institutions)	Yes (state-owned)
Washington	Yes	No	No
West Virginia	No	Yes (in budget)	Yes (in budget)
Wisconsin	Yes	Yes	Yes
Wyoming	No	No	No
Puerto Rico	Yes	Yes	Yes
Total	Yes=39	Yes=20	Yes=12

Table 9
Role of Central State Agency In Overseeing Projects

State	
Alabama	Prescribes forms and contracts, enforces building code compliance, reviews and approves plans, approves payments.
Alaska	
Arizona	Develops requests, monitors, and implements projects.
Arkansas	Not applicable.
California	Conducts studies, prepares budget packages, and manages projects.
Colorado	Reviews contracts and requests for maintenance only.
Connecticut	Defines, engineers, and monitors.
Delaware	Assists with budget requests, cost estimates, schedule, and technical reviews; defines projects; disburses funds to contractors.
Florida	Evaluates budgets, provides advice on alternatives, and gives recommendations.
Georgia	Manages construction of capital projects funded by general obligation bonds.
Hawaii	Not applicable.
Idaho	Builds budget requests, cost, schedule, and technical reviews, defines projects, oversees projects, and disperses funds to contractors.
Illinois	Cost estimates, administers construction projects and contracts, builds budget requests, cost/schedule reviews.
Indiana	Cost reviews and analyzes budget requests.
Iowa	Technical review, assists agencies in project development, oversight, administration of agency capital construction.
Kansas	Builds budget requests, cost, schedule, and technical reviews, and defines projects.
Kentucky	Cost estimates, assigns priorities, and identifies source of funds.
Louisiana	Reviews requests and administers funded projects.
Maine	Reviews requests, makes recommendations, coordinates, monitors, and implements projects.
Maryland	Estimates costs, manages and oversees architectural and construction contracts.
Massachusetts	
Michigan	Cost, schedule reviews, and technical reviews, assists in defining projects.
Minnesota	Builds budget requests, cost, schedule, and technical reviews, and defines projects.
Mississippi	Complete authority (except appropriated funds) for maintaining, servicing, and protecting state-owned property. Includes planning, design, land/blg. acquisition, demolition, new construction, furnishing, and equipment.
Missouri	Technical review, assists agencies in project development, oversight, admin. of agency capital construction.
Montana	Builds budget requests, cost, schedule, and technical reviews, defines projects, and testifies in support of the Governor's budget.
Nebraska	Builds budget requests, cost, schedule and technical reviews, defines projects, and makes recommendations for capital construction and task force funding to Governor.
Nevada	
New Hampshire	Cost estimates, bidding, and construction oversight.
New Jersey	Complete contract authority including planning, design, and construction.
New Mexico	Develops and sends instructions to agencies and higher educ. facilities; maintains 4-year capital plans, technical review.
New York	Project review for consistency with program request, state's priorities, finance capability.
North Carolina	Not applicable
North Dakota	Not applicable
Ohio	Estimates project costs, assists agencies in defining projects, manages bidding process, and supervises contracts.
Oklahoma	Oversight on requests, project scope, funding, and bidding process.
Oregon	Budget requests, cost/schedule reviews, project scope, program objectives.
Pennsylvania	Project implementation and management.
Rhode Island	Not applicable.
South Carolina	Cost reviews and defines projects.
South Dakota	
Tennessee	Cost, schedule, and technical review; assists agencies in defining projects.
Texas	
Utah	Cost, schedule, and technical reviews, assists agencies in defining projects and manages projects.
Vermont	Provides cost estimates, coordinates agency requests, assists with priority determinations.
Virginia	Reviews requests, prepares cost estimates, technical review, finance capability.
Washington	Provides construction services for some agencies.
West Virginia	Not applicable.
Wisconsin	Reviews programs, budgets, design; supervises construction; manages billings; provides recommendations to Governor.
Wyoming	Establishes and sets priorities for construction and renovation needs and estimates costs.
Puerto Rico	Analyzes and recommends agency budgets and monitors the physical and financial status of approved projects.

Table 10
Capital Budgeting Coordinated with Operating

State	How Is Capital Budgeting Coordinated With The Operating Budget?
Alabama	Combined in one appropriation bill.
Alaska	Combined in one appropriation bill.
Arizona	Capital project requests must include impact on operating budget.
Arkansas	Agency anticipates impact on operating budget from capital requests.
California	Capital and operating budgets developed simultaneously by Depart. of Finance. Combined in one appropriation bill.
Colorado	Higher education has program planning process that links operating budget to capital.
Connecticut	Through analysis by budget and capital analysts.
Delaware	Both budgets analyzed and produced by the state budget office. Analysts are encouraged to be familiar with capital projects for accurate budgeting of operational impacts. Agencies integrate planning documents.
Florida	Each agency provides an overview in their budget explaining impact and budget request. The information is used to develop the Governor's budget recommendations for capital and operating.
Georgia	Developed simultaneously; included in one appropriation bill.
Hawaii	Capital projects include impact on operating costs.
Idaho	By Governor's budget analysts.
Illinois	Through budget office instructions and cooperation of budget analysts.
Indiana	Combined in one appropriation bill.
Iowa	Both operating and capital developed simultaneously; impact of operations taken into account.
Kansas	Budget analyst review of capital request includes impact on operating budget.
Kentucky	Prepared simultaneously with operating budget.
Louisiana	Budget analysts review capital budget requests.
Maine	Same process as operating budget except for general fund and highway bond projects.
Maryland	Through capital/operating coordinator. Impact on operating budget part of capital budget presentation.
Massachusetts	Budget office reviews capital projects and coordinates with operating.
Michigan	Component of total budget process.
Minnesota	Capital requests include impact on operating budget; subsequent base adjustment reviewed by budget officer.
Mississippi	Match capital recommendations to agency's operating mission; project change in operating costs.
Missouri	Capital budget analyst coordinates analysis with operating budget analyst; and agency strategic plan.
Montana	Budget office reviews capital projects and coordinates with operating.
Nebraska	Capital projects include impact on operating costs; agencies request additional operating costs for projects.
Nevada	Budget office reviews capital projects and coordinates with operating.
New Hampshire	Budget office reviews capital projects and coordinates with operating.
New Jersey	Both budgets produced by the State Budget office through staff interaction and by management review.
New Mexico	Capital budget includes operating budget impacts and operating budget references capital projects.
New York	Capital budget requests must include impact on operating costs.
North Carolina	Through capital and operating budget analysts in the Office of State Budget.
North Dakota	Prepared simultaneously with operating budget. Capital requests must include impact on operating budget.
Ohio	Capital bill is one year after the budget bill. Analysts review capital request for impact on operating budget.
Oklahoma	Estimated operating costs calculated.
Oregon	Capital budget reviewed as program delivery in budget development and appropriated as separate program by legislature.
Pennsylvania	Capital and operating budgets are both developed by the Office of the Budget.
Rhode Island	Agencies must include impact on operating.
South Carolina	Capital plans include 3 year operating expenditures.
South Dakota	Bond payments included in operating budget.
Tennessee	Architectural staff meets with budget analysts and departments to review capital and operating.
Texas	Part of the operating budget.
Utah	Through Governor's Office of Planning and Budget.
Vermont	Developed at the same time; impact from capital projects must be included in operating budget.
Virginia	Developed at same time. Capital requests must include impact on operating budget.
Washington	Debt service part of operating budget, new program projects supported by operating performance measures.
West Virginia	Combined in one appropriation bill. Impact of capital projects on operating budget is considered.
Wisconsin	Review capital budget with budget office to assure operating funds will be provided.
Wyoming	Operating and/or maintenance expenses referenced in capital request.
Puerto Rico	For each project, there is a component that establishes the effects the program will have on the operating budget.

Table 11
Recent Changes In Capital Planning Processes

State	Have You Made Any Significant Changes In Capital Planning Since 1992?	
Alabama	No	
Alaska		
Arizona	No	
Arkansas	No	
California	Yes	Developed state's ten-year infrastructure report which projects needs and financing.
Colorado	Yes	Require requests to comply with agency master plans, facility master plans.
Connecticut	Yes	Continued automation via personal computers.
Delaware	No	
Florida	No	
Georgia	Yes	Under development.
Hawaii	No	
Idaho	No	
Illinois	No	
Indiana	No	
Iowa	Yes	Creation of Rebuild Iowa Infrastructure Fund. Governor proposing citizen infrastructure oversight board.
Kansas	No	
Kentucky	Yes	Increased statutory definition of capital projects to \$400,000 and major equipment to \$100,000.
Louisiana	Yes	Projects cannot be included in the budget unless the capital outlay budget request forms have been submitted to the Facility Planning Section of the Division of Administration.
Maine	No	
Maryland	Yes	Increased automation and improved instructions and procedures.
Massachusetts		
Michigan	No	
Minnesota	Yes	Major reforms implemented. Better project request information provided.
Mississippi	No	
Missouri	Yes	Adopted biennial budgeting for capital projects and automated the capital improvement request process.
Montana	Yes	Beginning in mid-fiscal 1996, 12 percent of annual coal tax revenue is allocated to capital account.
Nebraska	Yes	Individual agencies task force project requests are prioritized with other capital construction requests.
Nevada		
New Hampshire		
New Jersey	Yes	Automated capital budget request system, formalized operating cost impacts, allowed requests for data processing equipment.
New Mexico	Yes	Automated capital improvement plan request process.
New York	Yes	Focus on long-term impact of program recommendations, debt capacity, separate section for capital maintenance
North Carolina	No	
North Dakota	Yes	Instituted a formal budget process.
Ohio	No	
Oklahoma	Yes	Added a new committee for oversight of expenditures from a new central capital fund.
Oregon	Yes	Organized a capital investment section as part of the central budget management division to set up planning process and facilities data base.
Pennsylvania	No	
Rhode Island	Yes	Statutory creation of capital development planning and oversight committee appointed by the Governor with the State Budget Officer as Chair. Development of specific capital budgeting goals to guide the development of future capital improvement programs.
South Carolina	No	
South Dakota		
Tennessee	No	
Texas		
Utah	Yes	Improved capital budget request system. Design/build projects are more common to accelerate design and construction and reduce costs. Require central approval before developing an architectural program for new building requests.
Vermont	No	
Virginia		Greater emphasis on long-range planning (6 years). Use of team approach (programmatic, technical, and financial expertise) to review project during budget development and execution.
Washington	Yes	Automated tracking system, life-cycle cost analysis, backlog reduction program, ten-year budget, link to performance measurement.
West Virginia	Yes	Collecting information on capital expenditures as part of appropriation request process. Provides information on expenditure categories, impact on operating budget, and detailed justification.
Wisconsin	No	Are in process of implementing computerized project tracking and work flow system.
Wyoming	Yes	Formalized process.
Puerto Rico	Yes	The formulation phase of the capital budget was computerized for fiscal 1997.

Section Three:

Capital Project Selection, Cost Estimating, and Project Tracking: Tables 12-20

A central component of the capital budgeting process is establishing priorities within the extensive array of proposed projects. With scarce resources and limits on financing options in many states, establishing a set of priorities is a crucial task. Some states first look at the capacity for financing projects from either debt or cash limits over a several year time period and then set priorities.

More than one-third of the states set priorities on a functional basis, such as higher education, natural resources, and local government assistance. Other states use an approach based on emergency, legal, and health reasons. Priorities are ranked by categories such as health and safety, critical maintenance, improvements, and new construction in states such as Montana, New Hampshire, Ohio, and Virginia. Arizona specifies the use of a formal ranking system to establish priorities in addition to viewing the projects within the political and economic context while Minnesota reviews projects in the context of review guidelines and a capital scoring system (see Table 12).

An approach to setting priorities includes approving projects with a cost savings component (see Table 13). When projects are approved with a cost-savings component, often the monitoring of the cost savings is informal. About two-thirds of the states include emergency requests within the capital budget process.

After establishing priorities, states are interested in ensuring that program objectives are met through the project requests. Some states, such as California, Delaware, Minnesota, and Washington, link capital budget requests to agency strategic plans and performance measures, while other reviews are ongoing though less formal (see Table 14).

In carrying out the priorities established in the capital plan, a successful outcome often rests upon the accuracy of cost estimates. States use a variety of methods to develop cost estimates usually relying on architects, engineers, and consultants to provide cost data. In most cases, either the requesting agency or a general services or public works agency is responsible for the review and/or development of the estimates (see Table 15). Techniques include value engineering, life-cycle cost analysis, construction and material indices, and square footage estimates. Almost all states use cost standards according to a particular type of building and space utilization standards to estimate costs, while about one-half to two-thirds of the states prepare cost options and use life-cycle costs in cost estimating. Although most states project future operating costs the costs do not necessarily have any claim on future appropriations (see Tables 16 and 17).

Eligible building project costs usually include predesign fees, site acquisition, general planning, and project management. Inflation adjustments and computers are eligible building project costs in about

Section Three

Capital Project Selection, Cost Estimating, and Project Tracking

two-thirds of the states (see Table 18).

States use various methods to track projects once they are underway with monitoring taking place in the budget office as well as in agencies. Some states, such as California, Kentucky, Minnesota, and Nebraska, require quarterly progress reports. In other states, such as Missouri and Washington, a computerized system provides information on each project. Other states have a decentralized tracking system within the specific agency overseeing the project (see Table 19).

Projects are usually multi-year and may take longer than anticipated. States often allow unexpended portions of appropriations for projects at year end to carry over to following years until the project is completed (see Table 20).

GOOD PRACTICES

- **Identify the criteria used in selecting capital projects.** States often determine their needs on a functional basis such as higher education and aid to localities. While the functional approach is used for needs assessment over time, emergency or health and safety criteria often determine immediate project selection. States should have some method to integrate needs assessment with project selection. What constitutes an emergency or health reason should be clearly defined. In reviewing the project selection process, states should assess how actual project selection compares to the priority list.
- **Define all program outcomes for capital investments.** Reviews of project requests often do not explicitly link the program objective to the project in question. Projects may be approved that meet financial criteria, but do not meet the objectives of the program. Some states are beginning to link performance measures to capital projects to mirror the effort going on in operating budgets.
- **Evaluate cost estimating methods to measure their validity.** Even though the expertise for estimating methods is often with the architects and engineers outside of the budget department, budget analysts should be able to understand the underlying assumptions and methods used in the cost estimates in order to thoroughly review project requests.
- **Establish a tracking system to keep projects on schedule and within budget.** The tracking system should be ongoing and should serve as an early warning device for projects that are exceeding projections for both cost and time.

Table 12
Setting Project Priorities

State	Do You Set Priorities on a Functional Basis?
Alabama	Needs assessment.
Alaska	Functional areas.
Arizona	Based on an evaluation system.
Arkansas	Prioritized by law and then released according to need and funding availability.
California	Based on criticality of program and availability of resources.
Colorado	Needs assessment, project by project.
Connecticut	Functional areas.
Delaware	Governor's priorities, agency priorities, legal or federal mandate, and passage of public school referenda.
Florida	Functional areas.
Georgia	Functional areas.
Hawaii	Functional areas.
Idaho	According to need.
Illinois	Needs assessment.
Indiana	Project by project basis.
Iowa	Functional areas.
Kansas	Within dedicated funds for each functional area.
Kentucky	Life safety projects and maintenance receive priority over new construction.
Louisiana	Functional areas.
Maine	According to need.
Maryland	Functional areas.
Massachusetts	No response.
Michigan	Functional areas.
Minnesota	Project by project in the context of review guidelines and capital scoring system.
Mississippi	Functional areas.
Missouri	Each project evaluated on merits. Agencies with dedicated funds have more leeway.
Montana	Health & safety, critical maintenance, general maintenance, renovations, improvements, new construction.
Nebraska	Agencies and universities set priorities. Executive branch and legislature decide which projects are most necessary.
Nevada	No response.
New Hampshire	Priority categories are health and safety, critical maintenance, maintenance, and new construction.
New Jersey	Functional areas. Agencies set priorities in requests. Governor's policies used as guideline; Capital Commission evaluates project requests against funding criteria hierarchy.
New Mexico	Priorities based on urgency - life & safety and critical maintenance.
New York	Budget Division analysis of critical needs.
North Carolina	Budget office analysis and review; Governor.
North Dakota	Budget office evaluates needs and sets priorities based on mandates, program needs, policy direction, and funding.
Ohio	Urgency, life-health-safety projects, rehabilitation, new construction, depending on funding availability.
Oklahoma	Functional areas and by legislatively determined priorities.
Oregon	Functional areas.
Pennsylvania	Functional areas.
Rhode Island	Functional areas, health and safety, and policy staff input.
South Carolina	Project by project or immediate need.
South Dakota	No response.
Tennessee	Project by project, prior years' funding and planning considered.
Texas	Requesting agency sets priorities within its request. Legislature determines priorities between agencies.
Utah	According to need.
Vermont	Assess based on merit, financial returns, and statutory mandates.
Virginia	Legal/judicial mandates; life safety codes; major repairs and improvements; new construction, expansions, acquisitions.
Washington	Functional areas. Historical spending and/or identified needs.
West Virginia	No, each project is assessed individually based on need and funding availability.
Wisconsin	Evaluation of needs.
Wyoming	Perceived need.
Puerto Rico	Functional areas.

**Table 13
Project Characteristics**

State	Approve Projects with a Cost Savings Component	Separate Planning & Construction Phases	Include Emergency Requests in Capital Budget
Alabama	No	No	No
Alaska	Yes	Varies	Yes
Arizona	Yes	Yes	Yes
Arkansas	No	Yes	No
California	Sometimes	Yes	Sometimes
Colorado	Yes	Sometimes	Yes
Connecticut	Yes	Yes	Yes
Delaware	Yes	Yes	Yes/case basis
Florida	No	Sometimes	No
Georgia	Yes	Usually	Yes
Hawaii	Yes	Yes	Yes
Idaho	Yes	Yes	Yes
Illinois	Yes	Often	Seldom
Indiana	Yes	Yes	Yes
Iowa	NA	Yes	No
Kansas	Yes	Yes	Yes
Kentucky	Yes	Sometimes	Yes
Louisiana	Yes	Yes	Yes
Maine	Yes	Yes	Yes
Maryland	Yes	Yes	Yes
Massachusetts	No response	No response	No response
Michigan	No	Yes	Yes
Minnesota	Yes	Often	Yes/Life, safety
Mississippi	Usually	No	Yes
Missouri	Yes	Sometimes	Yes
Montana	Yes	Yes	Yes
Nebraska	Yes	Yes	Sometimes
Nevada	No response	No response	No response
New Hampshire	Yes	Yes	Sometimes
New Jersey	Yes	Yes	Yes
New Mexico	Yes	Yes	Yes
New York	Yes	Yes	Yes
North Carolina	Yes	Yes	Yes
North Dakota	Yes	No	Yes
Ohio	Yes	Sometimes	Yes
Oklahoma	Yes	Yes	Yes
Oregon	No	Yes	No
Pennsylvania	Yes	No	No
Rhode Island	Yes	Yes	No
South Carolina	Yes	Yes	Yes
South Dakota	N/A	Often	N/A
Tennessee	Yes	Yes	Yes
Texas	Yes	No	No
Utah	No	Often	Yes/Consultants
Vermont	Yes	Yes	Yes
Virginia	No	Yes	Yes
Washington	No	Yes(Major projects)	Yes
West Virginia	No (not automatically)	No	No
Wisconsin	Yes	Yes	Yes
Wyoming	Yes	Yes	Yes
Puerto Rico	Yes	Yes	Yes
Total	Yes=36	Yes=31	Yes=32

Table 14
Program Objectives Met Through Project Requests

State	How Do You Ensure That Program Objectives Are Met Through Project Requests?
Alabama	There is no formal process in place.
Alaska	No process currently exists for measurement.
Arizona	Budget office analyzes project requests in terms of program objectives and fiscal impact.
Arkansas	Monitoring by Office of the Budget.
California	Departments submit formal proposals relating needs to strategic plans.
Colorado	There is no formal process in place.
Connecticut	Through agency reports after construction.
Delaware	Track agency performance measures - linkage to operating budget.
Florida	Through a review of release requests.
Georgia	Budget analysts evaluate requests.
Hawaii	Budget and Finance analyzes request and evaluates project.
Idaho	First planning phase determines program needs.
Illinois	Bureau of Budget review.
Indiana	Varies with project.
Iowa	Monitored by executive and legislative branches.
Kansas	Budget analysts make sure that program objectives are met.
Kentucky	Require written justification.
Louisiana	Budget analysts review requests.
Maine	Department of Administrative and Financial Services administers and monitors projects.
Maryland	Review and analysis by the Department of Budget and Management.
Massachusetts	No response.
Michigan	A project program statement is reviewed before architecture plans are initiated.
Minnesota	Agencies define mission and develop comprehensive strategic capital budget plans.
Mississippi	By performing two separate reviews per account.
Missouri	Requests must explain how program objectives are met. Requests and objectives are thoroughly reviewed.
Montana	Architecture/eng. reviews, prioritizes requests; budget office reviews; and Governor recommends action to legislature.
Nebraska	State Building Division and Budget Office conducts analysis.
Nevada	No response.
New Hampshire	Budget office review.
New Jersey	Budget office conducts analysis, audits, studies.
New Mexico	Analyst reviews requests. Agencies starting to implement management system through goals and objectives.
New York	Through annual budget request-budget recommendation process by budget staff.
North Carolina	Office of State Budget and Management reviews and analyzes requests.
North Dakota	Through careful and thorough review of the project request narrative.
Ohio	Office of Budget and Management and legislative reviews.
Oklahoma	There is no formal process in place.
Oregon	Major projects undergo a significant programming process using values and objectives as guides.
Pennsylvania	No response.
Rhode Island	Budget analysts and policy staff review.
South Carolina	Review by engineers, Legislative Audit Council, State Reorganization Commission, and agency's internal auditors.
South Dakota	No response.
Tennessee	Through team and committee work.
Texas	Legislative Budget Office reviews analyses.
Utah	Analysis by Division of Facilities Construction and Management and Governor's Budget Office.
Vermont	No formal process.
Virginia	Requests explain how project supports agency goals, programs, and objectives.
Washington	Review by program analysts and technical budget staff. Evaluate performance measures.
West Virginia	Budget office analysis during request and recommendation process.
Wisconsin	Review by program analysts.
Wyoming	Through informal assessment.
Puerto Rico	By establishing carefully the fiscal and physical relationship between project and program objectives.

**Table 15
Estimating Project Cost**

State	How Do You Estimate The Cost Of Capital Projects?
Alabama	By agencies with assistance of architects and engineers.
Alaska	Based upon past history and/or engineering estimates.
Arizona	Agencies prepare estimates & budget offices work with Facility Management Division to verify costs using reports and standards.
Arkansas	Cost estimates submitted by agencies and reviewed by the Building Services Agency and the Budget Office.
California	Cost estimates are prepared by professional estimators in the Department of General Service and; in some cases, line departments have their own estimators.
Colorado	Usually square foot estimates with percentages for fees, contingency etc.
Connecticut	Cost estimates are prepared by the Department of Public Works and the requesting agency.
Delaware	In-house and professional estimates.
Florida	Determined by agency based on national figures and revised by recommendations by Department of Management Services.
Georgia	Estimates prepared by agencies, by business managers, or architects/engineers depending on project.
Hawaii	By user agency.
Idaho	Agency staff and Division of Public Works staff work together.
Illinois	Central construction agency makes estimates.
Indiana	Primarily by entities submitting project requests.
Iowa	Depending on type or size of project, agency or outside engineers and architects, or use standard industry est. procedures.
Kansas	By agencies, architects and Division of Architectural Services using construction and material indices.
Kentucky	Finance, Division of Engineering projects most costs; agencies initiate; consultants refine.
Louisiana	By staff architects and engineers.
Maine	By staff and Department of Administrative and Financial Services architects and engineers.
Maryland	Department of General Services reviews and modifies agency estimate based on comparable projects.
Massachusetts	No response.
Michigan	As a function of average square foot costs, in the planning phase based on architectural planning documents.
Minnesota	Requesting agency either in-house or by consultants; reviewed by Division of Building Construction.
Mississippi	By using standard industry finance procedures.
Missouri	Agency engineers and architects use standard industry estimating procedures. Division of Design & Construct reviews.
Montana	Cost guides generally provide the cost basis. Estimates vary from unit costs to square foot costs.
Nebraska	By agencies. State Building Division provides second opinion, Higher Education Coord. Agency provides third opinion.
Nevada	No response.
New Hampshire	Governor selects projects to be formally estimated.
New Jersey	Agencies develop estimates with Division of Building and Construction or through own staff.
New Mexico	By agencies, assisted by cost estimators, architects, and engineers.
New York	Design-construction agencies provide preliminary estimates based on surveys and review of facilities.
North Carolina	Office of State Construction estimates must accompany all requests.
North Dakota	Agencies prepare estimates with architects and engineers.
Ohio	Initially by agencies with input from the state architect.
Oklahoma	Initially by agencies, potential vendors, architects, engineers. Reviewed by construction staff and State Finance.
Oregon	By consultant professional cost estimators.
Pennsylvania	Using agencies use various methods such as cost standards and agency architects/engineers staff.
Rhode Island	Most agencies develop estimates through own staff.
South Carolina	By agency with assistance of architects and engineers.
South Dakota	By architectural and engineering estimates of project.
Tennessee	By departments, consultants, capital projects and Finance and Administration staff.
Texas	Requesting agencies submit project analyses to legislative and executive budget offices.
Utah	Professional consultants project costs.
Vermont	By state engineers and consultant engineers.
Virginia	Requesting agency develops the estimate and Departments of Budget and General Services review it.
Washington	Life cycle cost analysis/value engineering, basis for estimates/professional estimators.
West Virginia	Agencies develop estimates by working with outside engineers, architects, and consultants.
Wisconsin	Estimates based on historical data on past projects, national estimating guides.
Wyoming	Estimates prepared both in-house and externally.
Puerto Rico	By asking agencies and public corp. for architects or engineers' certification of individual projects capital cost.

Table 16
Cost Estimating Methods
What Are The Methods Used To Estimate Costs?

State	Cost Standards	Space Utilization	Prepare Cost	Life-Cycle
	Building Type	Standards	Options	Costs Considered
Alabama	Yes	Yes	Yes	Yes
Alaska	Yes	Yes	Yes	Yes
Arizona	Yes	Yes	No	Yes
Arkansas	Agencies may use	Agencies may use	Agencies may use	No
California	Yes	Yes	Yes	Yes
Colorado	No	Yes	Sometimes	Required/Not Enforced
Connecticut	Yes	Yes	Yes	Yes
Delaware	Yes	Yes	Yes	Yes
Florida	Yes	Yes	Yes	Yes
Georgia	Yes	Yes	Sometimes	Yes
Hawaii	Yes	Yes	No	No
Idaho	Yes	Yes	Yes	Yes
Illinois	Yes	Yes	Sometimes	Yes
Indiana	No	Yes	Yes	No
Iowa	Yes	Yes	Yes	Yes
Kansas	No	Yes	Yes	Yes
Kentucky	Yes	Yes	Yes	No
Louisiana	Yes	Yes	Yes	Yes
Maine	Yes	Yes	Yes	Yes
Maryland	Yes	Yes	Yes	Yes
Massachusetts	No response	No response	No response	No response
Michigan	Yes	Yes	Yes	Yes
Minnesota	Yes	Yes	Sometimes	Sometimes
Mississippi	Yes	Yes	Yes	No
Missouri	Yes	Yes	Yes	Yes
Montana	Yes	No	No	No
Nebraska	Yes	Yes	Yes	Sometimes
Nevada	No response	No response	No response	No response
New Hampshire	Yes	Yes	Yes	Yes
New Jersey	Yes	Yes	Yes	No
New Mexico	Yes	Yes	Sometimes	Sometimes
New York	Yes	Yes	Yes	No
North Carolina	Yes	Yes	Yes	Yes
North Dakota	Agencies may use	Agencies may use	Usually not	No
Ohio	Yes	Yes	Sometimes	No
Oklahoma	Yes	Yes	Yes	Sometimes
Oregon	Yes	Yes	Yes	Yes
Pennsylvania	Yes	Yes	Yes	Sometimes
Rhode Island	No	Yes	No	No
South Carolina	No	Sometimes	No	Yes
South Dakota	N/A	Yes	N/A	N/A
Tennessee	Yes	Yes	Yes	Yes
Texas	Yes	Yes	Yes	Yes
Utah	Yes	Yes	Yes	Yes
Vermont	Yes	Yes	Yes	No
Virginia	Yes	Yes	Yes	Yes
Washington	Yes	Yes	Yes	Yes
West Virginia	Yes	Yes	Yes	Yes
Wisconsin	Yes	Yes	Yes	Yes
Wyoming	Yes	Yes	Yes	No
Puerto Rico	Yes	Yes	Yes	Yes
Total	Yes=41	Yes=45	Yes=35	Yes=29

Table 17
Cost Estimating Methods: Part 2
What Are The Methods Used To Estimate Costs?

State	Project Future Operating Costs	Claims on Future Appropriations
Alabama	No	Yes
Alaska	Yes	Yes
Arizona	Yes	No
Arkansas	No	No
California	Yes	No
Colorado	Yes	Yes
Connecticut	Yes	No
Delaware	Yes	No
Florida	Yes	No
Georgia	Yes	Yes
Hawaii	Yes	Yes
Idaho	Yes	Yes
Illinois	Yes	No
Indiana	Yes	No
Iowa	Yes	No
Kansas	Yes	Yes
Kentucky	Yes	Yes
Louisiana	Yes	Yes
Maine	Yes	Yes
Maryland	Yes	Yes
Massachusetts	No response	No response
Michigan	Yes	Yes (agencies only)
Minnesota	Yes	Yes
Mississippi	Yes	Yes
Missouri	Yes	Yes
Montana	Yes	No
Nebraska	Yes	Yes
Nevada	No response	No response
New Hampshire	Yes	Yes
New Jersey	Yes	Yes
New Mexico	Yes	No
New York	Yes	No
North Carolina	Yes	No
North Dakota	Yes	No
Ohio	Yes	No
Oklahoma	Yes	No
Oregon	Yes	Yes
Pennsylvania	Yes	No
Rhode Island	Yes	No
South Carolina	Yes	No
South Dakota	N/A	No
Tennessee	Yes	No
Texas	Yes	No
Utah	Yes	No
Vermont	Yes	No
Virginia	Yes	No
Washington	Yes	No
West Virginia	Yes	Yes
Wisconsin	Yes	Yes
Wyoming	Yes	No
Puerto Rico	Yes	Yes
Total	Yes=46	Yes=22

Table 18
Eligible Building Project Costs

State	Predesign Fees	Site Acquisition	General Planning	Project Management	Construction, Renovation, and Expansion
Alabama	X	X		X	X
Alaska					
Arizona	X	X		X	X
Arkansas	X	X	X	X	X
California	X	X	X	X	X
Colorado					
Connecticut	X	X	X	X	X
Delaware	X	X	X	X	X
Florida		X	X	X	X
Georgia	X	X	X	X	X
Hawaii	X	X	X	X	X
Idaho	X	X	X	X	X
Illinois		X		X	X
Indiana	X	X	X	X	X
Iowa	X	X	X	X	X
Kansas	X	X	X	X	X
Kentucky	X	X	X	X	X
Louisiana	X	X	X	X	X
Maine	X	X	X	X	X
Maryland		X		X	X
Massachusetts					
Michigan	X	X	X	X	X
Minnesota	X	X		X	X
Mississippi	X	X	X	X	X
Missouri	X	X	X	X	X
Montana	X	X	X	X	X
Nebraska	X	X	X	X	X
Nevada					
New Hampshire	X	X		X	X
New Jersey	X	X	X	X	X
New Mexico	X	X	X	X	X
New York	X	X	X	X	X
North Carolina	X	X	X	X	X
North Dakota	X	X	X		X
Ohio	X	X	X	X	X
Oklahoma	X	X			X
Oregon	X	X	X	X	X
Pennsylvania		X	X	X	X
Rhode Island	X	X	X	X	X
South Carolina	X	X	X	X	X
South Dakota					
Tennessee	X	X	X		X
Texas					
Utah	X	X	X	X	X
Vermont	X	X	X	X	X
Virginia		X		X	X
Washington	X	X	X	X	X
West Virginia	X	X	X	X	X
Wisconsin	X	X	X	X	X
Wyoming	X	X	X	X	X
Puerto Rico	X	X	X	X	X
Total	40	45	37	42	45

Table 18
Eligible Building Project Costs (continued)

State	Design Fees	Furniture, Fixtures, and Equipment	Inflation Adjustment	Project Contingencies	Computers and Tech. Related Equip.
Alabama	X	X		X	X
Alaska					
Arizona	X	X			
Arkansas	X	X	X	X	X
California	X	X	X	X	Educ. program
Colorado			X	X	
Connecticut	X	X	X	X	X
Delaware	X	X	X	X	X
Florida	X	X			X
Georgia	X	X	X	X	X
Hawaii	X	X		X	X
Idaho	X	X	X	X	X
Illinois	X	X		X	Sometimes
Indiana	X	X		X	
Iowa	X			X	
Kansas	X	X	X	X	
Kentucky	X	X		X	X
Louisiana	X		X	X	
Maine	X	X		X	
Maryland	X	X	X	X	
Massachusetts					
Michigan	X	X		X	X
Minnesota	X	X	X	X	X
Mississippi	X	X		X	
Missouri	X	X	X	X	X
Montana	X	X	X	X	X
Nebraska	X	X	X	X	X
Nevada					
New Hampshire	X	X		X	X
New Jersey	X	X (major projects)	X	X	X (major projects)
New Mexico	X	X	X	X	X
New York	X	X	X	X	X
North Carolina	X	X	X	X	Sometimes
North Dakota	X	X		X	X
Ohio	X	X	X	X	X
Oklahoma					
Oregon	X	X		X	
Pennsylvania	X		X	X	
Rhode Island	X	X (new facilities)		X	Sometimes
South Carolina	X	X		X	X
South Dakota					
Tennessee	X	X	X	X	Sometimes
Texas					
Utah	X	X	X	X	
Vermont	X	X		X	X (Major projects)
Virginia	X	X	X	X	X
Washington	X	X	X	X	X
West Virginia	X	X	X	X	X
Wisconsin	X	X	X	X	X
Wyoming	X	X	X	X	X
Puerto Rico	X	X	X	X	X
Total	44	39	28	43	27

Table 19
Formal Reporting System To Track Capital Projects

State	Do You Have A Formal Reporting System To Track Capital Projects?
Alabama	No formal system.
Alaska	Agencies and the budget office complete a capital authorization status report.
Arizona	Projects reviewed by legislature. Agencies meet with budget offices at least on an annual basis to review programs.
Arkansas	No formal system.
California	Quarterly reports (agencies), formal approval of preliminary plans (State Public Works Board), and phase appropriation (Department of Finance and legislature).
Colorado	Department of Administration reviews some contracts and verifies fund availability.
Connecticut	No formal system.
Delaware	Div. of Facilities Management serves as construction managers, has contract, reviews purchase orders and makes site visits. Statewide financial management system tracks individual projects, produces monthly reports, and financial data.
Florida	Governor's Budget Office and agency provide an annual analysis on progress of project at various phases.
Georgia	Each agency has tracking process.
Hawaii	Planning, design, and project coordinator branches of agency.
Idaho	Division of Public Works tracks projects.
Illinois	Central Construction Agency tracks projects.
Indiana	Entity receiving appropriations has major tracking responsibility. Public Works Division also tracks projects.
Iowa	Entity receiving appropriation has major tracking responsibility. Governor's recommendations have proposal for infrastructure oversight board.
Kansas	Governor's budget report includes descriptions of all projects. Architectural Services tracks all projects.
Kentucky	Governor's Office for Policy and Management prepares annual report for legislature. Finance and Administration Cabinet submits quarterly progress report on line-item projects to Legislative Oversight Committee.
Louisiana	Office of Facility Planning and Control oversees project.
Maine	Agencies and Department of Administrative and Financial Services track projects.
Maryland	General services and budget office update database.
Massachusetts	No response.
Michigan	Department of Management and Budget reviews architectural plans, monitors appropriations.
Minnesota	Division of Building Construction prepares quarterly status reports; cash flows reviewed by Finance Department.
Mississippi	Bureau of Buildings tracks projects.
Missouri	Computerized information system provides information on each project.
Montana	Architecture and Engineering administers all projects; budget office tracks appropriations.
Nebraska	Quarterly status reports are prepared.
Nevada	No response.
New Hampshire	Agencies prepare status reports.
New Jersey	A formal automated project tracking system is being used.
New Mexico	Capital project monitoring system tracks funds expended and progress to date on a semi-annual basis.
New York	The design-construction agencies monitor design and construction, the client agency reviews.
North Carolina	Office of State Budget and Management and State Construction oversee fiscal and quality assurance.
North Dakota	No formal system.
Ohio	No central system for all projects. Entity receiving appropriation has major tracking responsibility.
Oklahoma	Office of Public Affairs and Office of State Finance administer funds and reports.
Oregon	Management by agency, design review by Capitol Planning Commission. No formal tracking system.
Pennsylvania	Office of the Budget maintains a status report.
Rhode Island	Building Code Commission and departments/agencies track progress. Budget analysts track expenditure of funds.
South Carolina	State Engineers Office assist in bidding and planning. Capital Improvements Office monitors and approves budget.
South Dakota	State Engineers Office and Commissioner of Administration monitor projects.
Tennessee	Project management and monitoring by Capital Projects Management and Finance and Administration.
Texas	Requesting agency oversees the project.
Utah	Division of Facilities Construction and Management, Div. of Water Resources, and Dept. of Transportation track projects.
Vermont	Department of State Buildings tracks costs.
Virginia	Agency and Department of General Services prepare a progress report on semi-annual basis for legislature.
Washington	Executive and legislature review, compare progress of cash disbursement to estimated cash flow.
West Virginia	Budget office compiles information annually as part of the appropriation request process.
Wisconsin	Division of Facilities Development in process of developing a computerized database management system.
Wyoming	No formal system.
Puerto Rico	Planning Board, Office of Management and Budget, and agencies.

Table 20
Unexpended Portions Of Appropriations

State	How Are Unexpended Portions Of Appropriations Handled For Projects Incomplete at Fiscal Year End?
Alabama	Capital monies are non-reverting appropriations.
Alaska	
Arizona	Capital monies are non-reverting appropriations.
Arkansas	They are tracked and reappropriated if necessary.
California	Encumbrance authority lasts three years, plus two for liquidation. Projects can be reappropriated as necessary.
Colorado	Rollover for three years, then reverts to construction fund.
Connecticut	They are reviewed by executive and/or general assembly for cancellation.
Delaware	Projects are authorized for a three-year period. If completed and unexpended funds remain, they are reverted and reauthorized to new projects.
Florida	Dollars remaining are either reverted or certified forward.
Georgia	Balance is carried forward until project is complete.
Hawaii	Appropriations are authorized for a maximum of three years, projects then lapse or are reappropriated as necessary.
Idaho	Appropriations last until the project is completed.
Illinois	Reappropriate.
Indiana	They may be carried forward to the next period or used for other approved projects.
Iowa	Funding can roll forward for up to three years or as designated in legislation.
Kansas	Reappropriate to new fiscal year.
Kentucky	Forwarded until completion; subject to biennial legislative reauthorization if not started.
Louisiana	Statutes allow for appropriations to carry forward into subsequent fiscal years.
Maine	Unobligated balances and encumbrances carry forward.
Maryland	Balances may be re-authorized for other projects, placed in construction contingency fund, or allowed to lapse.
Massachusetts	
Michigan	Funding is carried forward to subsequent years.
Minnesota	Funds are available across seven fiscal years. Unexpended balances are reviewed annually.
Mississippi	Unexpended portions of appropriations are reappropriated.
Missouri	Funds are reappropriated in the next biennium.
Montana	Carryover to the next biennium through Office of Budget and Program Planning action on the accounting system.
Nebraska	Agencies request a reappropriation for those projects. Generally, allowed to leave the account open for another two years.
Nevada	
New Hampshire	Appropriations are available for two years, then must be reappropriated.
New Jersey	Funding is carried forward to subsequent fiscal years.
New Mexico	Multi-year appropriations, multi-year budgeting, reauthorizations.
New York	Funds are reappropriated, consolidated, or repealed.
North Carolina	Funds remain available to the project.
North Dakota	Carried over to the next biennium.
Ohio	Reappropriated if the funds are needed to complete the project.
Oklahoma	Capital project funds generally are appropriated for 30 months. Any unused capital funds may be used to pay down debt.
Oregon	In most cases, capital project appropriations can be carried forward to project completion.
Pennsylvania	Capital project authorizations have no termination until canceled, completed, or repealed in law.
Rhode Island	Capital project funds automatically carry forward until project completion. Unused capital funds are used to pay down debt.
South Carolina	Most carryover from year to year.
South Dakota	
Tennessee	Indefinite carryover, may be reappropriated as necessary.
Texas	
Utah	Funds and spending authority carry forward to ensuing fiscal years.
Vermont	Funds and spending authority carry forward to ensuing fiscal years.
Virginia	They are tracked and reappropriated if necessary. Unneeded funds revert.
Washington	Reappropriated unexpended balances automatically adjusted to actuals at end of biennium.
West Virginia	Funds are automatically reappropriated for two additional fiscal years.
Wisconsin	Funds remain available to the project.
Wyoming	Carried forward using original fiscal year designator.
Puerto Rico	Those portions constitute resources available for the same projects or others in the next fiscal period.

Section Four:

Capital Financing: Tables 21-27

After priorities are established, states look at how to finance a project. States' financing options are often dependent upon legal limits on debt levels or the ability to incur debt. Other restrictions include scarcity of general revenues for capital projects as well as policy decisions to maintain certain debt levels in light of bond ratings. States that actively manage their debt often use debt service as a percent of annual revenues and net tax-supported debt as a percent of personal income as measures of debt capacity.

States often look at the amount of general fund resources available for projects through an analysis of funding availability. Decisions on the type of project financing depend on such factors as funding availability, the size of the project, the type and life of the project, tax laws, and the likelihood of voter approval for the project (see Table 21).

Another financing decision states face is whether to own or lease a facility. Most of the states that have a policy regarding this decision compare the life-cycle costs of the two options in deciding whether to own or to lease. In Washington, a decision-making model assists agencies in comparing the cost of owning versus leasing space for facilities.

In addition to general obligation bonds, states also include revenue bonds in the regular capital budget process. From a debt perspective, coordinating various debt issuances would provide a state with a better picture of total debt. For states that use debt financing, there is often the need to finance a project on an interim basis until the bonds can be issued. Interim financing options used by the states include pooled investments, bond anticipation notes, commercial paper, treasury loans, and the general fund (see Table 22). In funding capital projects through debt financing, debt service expense becomes a fixed cost in the operating budget and, if excessive, can limit future options.

States build discipline into their debt financing decisions through such means as user fee financing whenever possible. About half the states have the users of approved facilities participate in paying for debt service. Some states allow for private sector participation in certain capital projects (see Table 23). The types of projects most likely to have private sector participation include economic development projects and build-to-suit projects with an option to buy.

States make decisions on the amount of general funds to allocate for debt service based on available revenues as well as statutory/constitutional debt limits. About two-thirds of the states have limits on the amount of debt service or authorized debt. The limits vary across states, with a range from no general obligation debt to eighteen and one-half percent of available revenues for debt service. Limits on authorized debt also range from no allowable debt to a dollar amount

Section Four Capital Financing

such as \$500,000 or a percentage of income or revenues (see Table 24). Other limits are waived with the requisite voter approval. Limits on revenue bonds are less frequent and when they exist, the limits tend to be dependent on various issuing authorities.

About one-fifth of the states have written guidelines on the use of bonds versus cash for a project. States determine whether to use bonds based on available funds, the type of projects, and useful life (see Table 25). States use long-term leases as another mechanism to acquire assets. In most cases, long-term leases are treated as operating rather than capital expenditures and are usually not subject to the same selection criteria as capital. Long-term leases are rarely included in states' debt levels (see Table 26).

Other than the use of bonds or cash, states also make use of alternative financing arrangements. These often include the use of authorities, other levels of government, lease-purchase agreements, public-private partnerships, and earmarked funds (see Table 27).

GOOD PRACTICES

- **Develop a clear debt policy and integrate capital planning with debt affordability.** With the trend towards more of state expenditures in the entitlement or mandatory category, states limit their flexibility when debt service exceeds a comfortable portion of their operating budget. Debt service limits should be viewed in light of anticipated overall growth in the state's revenues. Frequently used measures of debt affordability include debt as a percentage of personal income or debt service as a percentage of revenues.
- **Review cost-benefit comparisons for private sector participation in capital projects.** Opportunities to involve the private sector would help target the specific benefits and costs of a project.
- **Review long-term leases.** Although long-term leases are generally operating expenditures, states should review lease commitments along with their capital items to have a more comprehensive view of their commitments.

**Table 21
Project Financing**

State	Amount of General Fund Dollars Used	Determine Use of Bonds Versus Cash	Policy Own Vs. Lease
Alabama	Economic and political considerations.	Project size.	Yes
Alaska	Available revenue minus operating.	Nature of project, availability of funding.	Yes
Arizona	Economic and political considerations.	Constitutional limit.	Yes
Arkansas	Financing structure, mechanism in law.	Legal provisions, availability of bond finance.	No
California	Economic and political considerations.	Nature of project, availability of funds, voter approval	Yes
Colorado	Transfers from general fund in statute.	Legislation.	No
Connecticut	No response.	Size of request.	Yes
Delaware	Economic conditions, need versus funds available.	Private purpose, estimated life of project.	Yes
Florida	At least 5% of general fund growth.	Type of project.	Yes
Georgia	Availability of funds.	Availability of funds.	No
Hawaii	Availability of funds.	Nature of project, availability of funds, debt limits.	No
Idaho	Surplus funds when available.	Need, political appeal, available cash.	No
Illinois	Prior years, affordability.	Bondability guidelines.	Yes
Indiana	Type of project and availability of funds.	Availability of funds, statutory authority.	No
Iowa	No general fund, separate infrastructure fund	Cash only policy	No
Kansas	Debt service commitment, statutory transfer highways.	Availability of funds, benefit spread.	No
Kentucky	Relative need versus dollar available.	Availability of cash, debt capacity, life-cycle of project.	No
Louisiana	Little general fund used.	Expected life of project.	No
Maine	Debt service commitment.	Size of project.	No
Maryland	Availability of funds, type of project.	Availability of funds, project type.	No
Massachusetts	No response.	No response.	No response
Michigan	Project size-under \$5 million.	Project size.	No
Minnesota	Minimal general fund used.	Constitutional bondability constraints.	Yes
Mississippi	No general fund.	All projects use bonds..	Yes
Missouri	Financial health of state/other priorities.	Available funds/amount of state debt.	Yes
Montana	No general fund/Legislature may add general fund.	Size of project.	No
Nebraska	Availability of funds, project type.	Availability of funds, agency's ability to finance.	No
Nevada	No response.	No response.	No response
New Hampshire	Debt service only.	Economic situation, life of project.	Yes
New Jersey	Consider mandated costs and revenue projection.	Cost, size, purpose of project.	Yes
New Mexico	Availability of funds.	In process of review.	No
New York	General fund "last in" source.	Type of project.	No
North Carolina	Projected general fund balance.	Revenues produced and voter approved G.O. bonds.	No
North Dakota	Funds available.	Availability of funds.	No
Ohio	Funds available, type of project.	Project type and size.	No
Oklahoma	Funds available.	Amount of project, project type.	No
Oregon	No response.	Cash availability.	Yes
Pennsylvania	Projects usually financed with bonds.	Special fund agencies with dedicated revenues.	No
Rhode Island	Funds available.	Most projects bond financed.	No
South Carolina	Allowable debt service.	Availability of funds.	No
South Dakota	No response.	Cash availability.	Yes
Tennessee	Cash available after operating	Cash availability.	Yes
Texas	Legislative priorities.	Legislative priorities.	Yes
Utah	Executive recommendation, legislative approval.	Executive recommendation, legislative approval.	Yes
Vermont	Rarely use general funds.	Bonding guidelines and tax laws.	No
Virginia	Executive recommendations, legislative approval	Financial feasibility, avail. of revenues, debt capacity.	No
Washington	Funds available.	Bondability guidelines, general fund debt limit.	Yes
West Virginia	Project priority; funding availability	Legislative authorization.	Yes
Wisconsin	Priorities of Governor, Legislature, and Commission.	Building commission action.	Yes
Wyoming	Gubernatorial/legislative priorities.	Availability of funds.	No
Puerto Rico	Estimated costs and programmatic and capital needs.	Time, future cost of money, and operational budget.	Yes
Total			Yes= 22

Table 22
Project Financing: Part 2

State	Use Of Treasury Loans	Include Revenue Bonds Via Capital Process	Interim Financing Methods
Alabama	No	Yes	No
Alaska	Yes	Yes	General fund.
Arizona	No	Yes	No
Arkansas	No	Yes	No
California	Yes	Yes	Planning funds, pooled money loans, commercial paper, bond anticipation notes.
Colorado	Yes	Yes	No
Connecticut	Yes	Yes	Bond anticipation notes.
Delaware	Yes	Yes	Interfund borrowings.
Florida	No	Yes	General fund, working capital fund, general revenue service charges, local sales surtaxes, and revenue notes.
Georgia	No	Yes	No
Hawaii	Yes	Yes	Treasury loans/Bond anticipation notes.
Idaho	Yes	Yes	Permanent building fund, general fund
Illinois	No	No	No
Indiana	No	No	No
Iowa	No	Yes	N/A
Kansas	Yes	Yes	No
Kentucky	Yes	Yes	Advance, receivables.
Louisiana	Yes	Yes	Loans.
Maine	Yes	Yes	Bond anticipation notes.
Maryland	Yes	Yes	Advanced funds, consolidated bond proceeds.
Massachusetts	No response	No response	No response
Michigan	Yes	Yes	General fund.
Minnesota	No	No	General fund.
Mississippi	No	No	No
Missouri	No	Yes	No
Montana	No	Yes	Cash
Nebraska	No	No	No
Nevada	No response	No response	No response
New Hampshire	No	Yes	General fund.
New Jersey	Yes	No	Interfund borrowing.
New Mexico	No	Yes	No
New York	Yes	Yes	Taxable rate loan, commercial paper.
North Carolina	No	Yes	No
North Dakota	No	Yes	Yes
Ohio	Yes	No	Bond anticipation notes.
Oklahoma	Yes	Yes	Yes, statutory only.
Oregon	No	Yes	Internal loans.
Pennsylvania	No	No	Bond anticipation notes.
Rhode Island	Yes	No	Bond anticipation notes/general fund.
South Carolina	Yes	Yes	Bond anticipation notes.
South Dakota	N/A	N/A	N/A
Tennessee	Yes	Yes	Bond anticipation notes.
Texas	No	Yes	No
Utah	Yes	Yes	Cash flow Treasurer.
Vermont	Rarely	No	Bond anticipation notes/commercial paper.
Virginia	Yes	Yes	Tax exempt commercial paper
Washington	No	Yes	No
West Virginia	Yes	Yes	Treasury and bank loans, notes. Available funds.
Wisconsin	Yes	Yes	Taxable bank line of credit; taxable and tax-exempt loans.
Wyoming	No	Yes	No
Puerto Rico	Yes	Yes	Interim financing by gov't. dev. bank and other sources..
Total	Yes=25	Yes=37	

**Table 23
Debt Service**

State	Users Pay Debt Service	Compare Debt Service to Revenues & Expend.	User Fee Financing	Private Sector Participation
Alabama	Sometimes	Yes/No	Yes	Yes
Alaska	Yes	No	Yes	Yes
Arizona	Yes	Yes	Yes	No
Arkansas	Yes	No	Yes	No
California	Yes	Yes	Yes	No
Colorado	Yes	No response	Yes	Yes
Connecticut	No	No response	Yes	Sometimes
Delaware	No	No	No	No
Florida	Yes	No	Yes	No
Georgia	No	No	Sometimes	No
Hawaii	Yes	Yes	Yes	Yes
Idaho	Sometimes	Yes	Sometimes	No
Illinois	No	Yes/No	Yes	No
Indiana	No	Yes	No	No
Iowa	Sometimes	Yes	Sometimes	Sometimes
Kansas	Yes	No	Yes	No
Kentucky	Yes	No	Yes	Yes
Louisiana	Sometimes	No	Yes	No
Maine	Sometimes	Yes	Sometimes	No
Maryland	No	No	Yes	Sometimes
Massachusetts	No response	No response	No response	No response
Michigan	Yes	No	Yes	No
Minnesota	Sometimes	Yes	Yes	Sometimes
Mississippi	Yes	Yes	Yes	No
Missouri	No	Yes	No	No
Montana	Sometimes	Yes	Yes	Sometimes
Nebraska	Yes	Yes	Yes	No
Nevada	No response	No response	No response	No response
New Hampshire	Sometimes	Yes	Sometimes	Yes
New Jersey	Transportation	Yes	Transportation	Sometimes
New Mexico	No	No	No	No
New York	No	No	No	No
North Carolina	No	Yes	Yes	No
North Dakota	Yes	Yes	Yes	Yes
Ohio	No	Yes	No	Sometimes
Oklahoma	Yes	Yes	Yes	Yes
Oregon	Yes	Yes	Yes	No
Pennsylvania	No	No	No	No
Rhode Island	No	Yes	Yes	No
South Carolina	Yes	Yes	Yes	Sometimes
South Dakota	Project by project	Project by project	Project by project	Project by project
Tennessee	Yes	Yes	Yes	Yes
Texas	No	Yes	Yes	No
Utah	Sometimes	Yes	Yes	Sometimes
Vermont	No	No	No	Sometimes
Virginia	Yes	Yes	Yes	No
Washington	Yes	Yes	Yes	Yes
West Virginia	Sometimes	Yes	Sometimes	Sometimes
Wisconsin	Yes	Yes	Yes	Yes
Wyoming	Yes	Yes	Yes	No
Puerto Rico	Yes	Yes	Yes	Sometimes
Total	Yes=22	Yes=30	Yes=33	Yes=11

**Table 24
Debt Limits**

State	Policy to Limit Debt Service	Policy to Limit Authorized Debt
Alabama	No	Statutory limits.
Alaska	Based on oil revenues.	No
Arizona	Yes	General obligation debt limit of \$350,000.
Arkansas	General obligation debt approved by voters	No/ Statutory limits can exist.
California	No	No
Colorado	No general obligation debt allowed.	No general obligation debt allowed.
Connecticut	No	Debt limited to 1.6 times general fund tax receipts in last year.
Delaware	No	New authorizations limited to 5% of revenues in given year.
Florida	No	50% of tax revenue preceding 2 years.
Georgia	10% of general fund revenues.	Working limits established.
Hawaii	18.5% av of general fund revenues in past 3 years.	Total amount of principal & interest not to exceed debt limit.
Idaho	No	No
Illinois	No	Authorization for general obligation debt set by statutes.
Indiana	No	No general obligation debt allowed.
Iowa	Yes	General obligation bond limit of \$250,000.
Kansas	No	\$1 million general obligation debt limit without voter approv.
Kentucky	No	General obligation bond limit of \$500,000.
Louisiana	10% of 3 yr. average revenues bond & redempt fund.	2 times 3 year average bond revenues & redemption funds.
Maine	Yes, issue up to 90% of that which was retired.	Tax anticipation notes up to \$100 million.
Maryland	8% of available revenues.	Net tax-supported debt at 3.2% of personal income.
Massachusetts	Yes	Yes
Michigan	No	Cap on bonds.
Minnesota	3% of general fund unrestricted revenues.	Limit debt of state agencies to 5 percent of personal income.
Mississippi	5-8%	1.5 times largest revenue preceding 4 years.
Missouri	No	State constitution and statute.
Montana	No	No
Nebraska	No	No
Nevada	No	2% of assessed value of property.
New Hampshire	No-Informal	10% of general fund revenue.
New Jersey	Yes	Yes/general obligation Yes/revenues based on issuing authority.
New Mexico	1% of taxable property subject to property tax.	Yes
New York	No	State constitution on general obligation bonds and statutory limits on authority issued.
North Carolina	No	Voter approval.
North Dakota	11% of 1 cent sales tax	General obligation bond limit of \$10,000,000.
Ohio	5% of annual general fund expenditures.	State constitution and statutes.
Oklahoma	No	No
Oregon	No	Statutory debt issuance authoriz.process, statutory const. limits.
Pennsylvania	No	No
Rhode Island	Limit debt 5.2% of personal income by year 2002.	Limit debt to 5.2% of personal income by year 2002.
South Carolina	5% of prior year's revenues.	Function of debt service.
South Dakota	No	\$100,000 limit on general obligation debt.
Tennessee	Yes	150% of revenues from previous year.
Texas	Limit of 5% general fund revenues previous 3 years.	
Utah	No	1.5% of total fair market value of taxable property.
Vermont	No	Debt Affordability Committee reviews debt.
Virginia	5% of taxable revenue	1.15% times average annual revenues.
Washington	7% of general fund revenues.	Legislative approval.
West Virginia	No	Legislative authorization.
Wisconsin	3 to 4% of revenues.	Yes
Wyoming	1% of assessed value of taxable property.	1% of assessed value of taxable property.
Puerto Rico	State constitution.	Public corporations by-laws.

Table 25
Use of Bonds Versus Cash

State	Written Guidelines For Use of Bonds Vs. Cash	Primary Determinant To Use Bonds
Alabama	No	Legislative approval is required.
Alaska		
Arizona	No	Any use of bonds for the construction of state facilities (with the exception of highways) must be approved by the legislature.
Arkansas	No	Availability of statutory authority and revenue stream.
California	No	Availability of other fund sources.
Colorado	Yes	Need statewide voter approval.
Connecticut	No response.	Useful life of asset.
Delaware	No	Nature of capital investment (i.e., average life exceeds ten years).
Florida	No	Depend upon the type of project.
Georgia	No	Type and size of project.
Hawaii	No	Projects intended for long-term use (20 years or longer)
Idaho	No	Availability of money and need for project.
Illinois	Yes	Cost, life, and long-term benefits of project.
Indiana	No	Available funds.
Iowa	Yes in project legislation	General obligation bond limit.
Kansas	No	Spreading costs over multiple years.
Kentucky	Yes (Agency project more than \$1 million)	Useful life, debt capacity, funds availability, gubernatorial and legislative policy.
Louisiana	No	Life of project must be at least 20 years.
Maine	No	Legislative approval.
Maryland	Yes	Project life of 15 years.
Massachusetts		
Michigan	No	Size of project.
Minnesota	Yes	Bonds are primary funding mechanism, however, the state constitution limits bondable expenses. When not eligible for bond financing, general funds are used in limited amounts.
Mississippi	No	
Missouri	No	Bonding has been done for only large groups of projects.
Montana	No	Larger projects exceeding cash account.
Nebraska	No	Inability to fund by other means and financial feasibility of an institution to bond.
Nevada		
New Hampshire		
New Jersey	Yes	Use, cost, useful life.
New Mexico	No	Availability of funds, life of project.
New York	No	Type of project, program needs, availability of funds.
North Carolina	Yes	All general obligations bonds have to be approved state-wide by voters.
North Dakota	No	Availability of cash.
Ohio	No	If state law permits, projects are usually financed with bonds.
Oklahoma	Yes	Legislative approval.
Oregon	No	Major asset providing long-term benefits to future users.
Pennsylvania	No	Size of project (value).
Rhode Island	No	Availability of funding from voter approved general obligation bonds.
South Carolina	No	
South Dakota		
Tennessee	No	Life cycle of asset, project size, availability of funds.
Texas		
Utah	No	Policy decision made by Governor with legislature usually concurring.
Vermont	No	
Virginia	Yes (Financial feasibility and debt capacity)	Project priority, availability of cash, availability of debt capacity.
Washington	Yes	Project life and cost.
West Virginia	No	Legislative authority is required.
Wisconsin	No	Statutory authority.
Wyoming	No	
Puerto Rico	Yes	Availability and cost/funding versus other financing alternatives.

**Table 26
Treatment of Long-term Leases**

State	Treated As Operating Or Capital Expense	Subject To Same Selection Criteria As Capital	Included In Debt Levels
Alabama	Operating (listed in financials as capital leases)	No	No
Alaska			
Arizona	Operating	No unless state intends to lease-purchase facility.	No
Arkansas	Varies depending upon specifications in contract.	Yes	Yes
California	Operating expense; may be subject to capital planning requirements.	Sometimes	Sometimes
Colorado	Operating	No	No
Connecticut	Operating	No	No
Delaware	Operating (listed in financials as capital lease).	No	Yes
Florida	Operating	No	No
Georgia	Operating	No	No
Hawaii	Operating	Yes	No
Idaho	Operating	Yes	Yes
Illinois	Operating	No	No
Indiana	Operating	No	No
Iowa	Operating	No	No
Kansas	Operating unless lease-purchase.	No	No
Kentucky	Capital (if exceeding \$200,000 per year).	Yes	No
Louisiana	Operating	No	No
Maine	Operating	No	No
Maryland	Capital if meets accounting definition of capital lease	Yes	Yes
Massachusetts			
Michigan	Operating	No	No
Minnesota	Operating	No	Yes
Mississippi	Capital	Yes	No
Missouri	Operating	No	No
Montana	Operating	No	Sometimes
Nebraska	Operating	No	No
Nevada			
New Hampshire	Operating	No	Yes
New Jersey	Operating	No	Yes
New Mexico	Operating	No	No
New York	Operating	No	No
North Carolina	Operating	No	No
North Dakota	Operating	No	No
Ohio	Operating	No	No
Oklahoma	Capital	Yes	No
Oregon	Capital	No	No
Pennsylvania	Operating	No	No
Rhode Island	Operating	No	No
South Carolina	Operating	No	No
South Dakota			
Tennessee	Operating	No	No
Texas			
Utah	Operating	No	No
Vermont	Operating/capital (GAAP determines)	Yes	Yes
Virginia	Capital if accounted for as capital lease.	Yes	Yes
Washington	Operating	Yes	No
West Virginia	Operating	Yes	Yes
Wisconsin	Operating	No	No
Wyoming	Operating	No	No
Puerto Rico	Operating	Yes	No
Total		Yes=11	Yes=9

Table 27
Alternative Financing

State	
Alabama	Authorities, lease/purchase, state retirement fund and earmarked funds,
Alaska	
Arizona	None.
Arkansas	None.
California	Authorities, other levels of government, public-private partnerships and, in the past, earmarked funds.
Colorado	Public-private partnerships, earmarked funds, such as the controlled maintenance trust fund, intergovernmental agreements.
Connecticut	Use of authorities including development, housing finance, student loan, health and education, and resource recovery.
Delaware	Awarded \$220 million through litigation. Funds will be used to make long-term investments which will preserve the environment, revitalize neighborhoods, and promote education and economic competitiveness.
Florida	construct new buildings.
Georgia	None.
Hawaii	None.
Idaho	None.
Illinois	None.
Indiana	None.
Iowa	Lease purchase, matching private donations, dedicated gaming revenues in excess of specified amount, interest cash reserves.
Kansas	Not applicable.
Kentucky	Authorities, other levels of government, public-private partnerships, and earmarked funds.
Louisiana	None.
Maine	Building authority.
Maryland	Beginning alternative financing of utility projects. Some privatization.
Massachusetts	
Michigan	Legislature has authorized the private development of a youth correctional facility or the purchase of a privately built facility if such an arrangement is in the best interest of the state.
Minnesota	None.
Mississippi	Not applicable.
Missouri	Lease/purchase used for some large facilities (e.g. prisons). Some agencies have dedicated operating funds for capital improv.
Montana	Coal severance tax revenue--12 percent earmarked for this purpose.
Nebraska	Use of lease-purchase agreements.
Nevada	
New Hampshire	
New Jersey	Authorities, lease purchase agreements, line of credit.
New Mexico	Dedicated revenue from lottery for public school construction. Finance Authority finances state and local projects.
New York	Deposit of percentage of statewide taxes to dedicated funds, fees, use of proceeds from seized property.
North Carolina	None.
North Dakota	None.
Ohio	None.
Oklahoma	Lease -purchase with legislative approval.
Oregon	Use of certificates of participation for prison financing, subject to debt limit authorization process.
Pennsylvania	None.
Rhode Island	Certificates of participation for limited projects.
South Carolina	Construction through RFPs where private sector may finance and be repaid through revenues collected (e.g. college dorms).
South Dakota	
Tennessee	None.
Texas	
Utah	Many higher education construction projects receive substantial funding from private donors or foundations.
Vermont	Use of lease-purchase agreements.
Virginia	Public-private partnerships using lease acquisition arrangements; private ownership of certain types of facilities, such as bookstores, roads, and prisons; and incremental economic development used to finance certain facilities.
Washington	Legislature authorizes lease development, long-term leases, and certificates of participation.
West Virginia	Numerous uses of political subdivision building commissions for lease-purchases.
Wisconsin	
Wyoming	
Puerto Rico	fee, rent, or tax benefits.

Section Five:

Asset Management: Tables 28-30

States often use inventory systems to track the status of existing capital assets. Almost all states maintain a data base inventory for capital assets. In about one-third of the states, the inventory systems assess the condition of facilities and about two-thirds of the states use building maintenance standards. The frequency of updating data bases ranges from continuously to every three years (see Table 28).

Some states charge rent to departments in order to finance maintenance and improvements to facilities. In about two-thirds of the states, departments are charged rent and the rent is used for building maintenance. Other funding mechanisms available for maintenance include building renewal funds, dedicated building funds, maintenance reserves, and revolving funds in addition to general funds (see Table 29). In about two-thirds of the states the current priority in appropriations is for maintenance rather than new construction.

As part of their asset management, states use methods to inventory and value their capital assets often relying on historical cost and replacement cost. In most cases, lease acquisitions are not included in this inventory (see Table 30).

GOOD PRACTICES

- **Maintain an updated inventory system of capital assets.** States should review the adequacy of the information and include the condition of the facilities.

**Table 28
Asset Management**

State	Data Base Inventory	How Often Data Updated	Priority Between Maintenance & New Facilities	Charge Rent To Departments
Alabama	No	NA	Based on Need	Yes
Alaska	Yes	Now current	Maintenance	No
Arizona	Yes	Yearly	Maintenance	Yes
Arkansas	Yes	Kept by Bldg. Services	Based on need	Yes
California	Yes	Ongoing	Based on need	Yes
Colorado	No	NA	Project by project	No
Connecticut	Yes	Yearly	Maintenance	No
Delaware	Yes	Yearly	Maintenance	No
Florida	Yes	Yearly	Based on need	Yes
Georgia	Yes	Continuous	Based on need.	Yes
Hawaii	Yes	Continuous	Within available funds	No
Idaho	Yes	Yearly	Maintenance	Sometimes
Illinois	Yes	Constant	Maintenance/needs	No
Indiana	Yes	Ongoing	Depends	No
Iowa	Yes	Yearly	Based on need	No
Kansas	Yes	Yearly	Maintenance	Yes
Kentucky	Yes	Continuous	Maintenance	Yes
Louisiana	Yes	Continuous	Maintenance	Yes
Maine	Yes	Yearly	Maintenance	Other than general fund
Maryland	No	Every 3 years	Project by project	Yes
Massachusetts	No response	No response	No response	No response
Michigan	Yes	Depends on staff	Maintenance	Yes
Minnesota	Yes	Continuous	Based on Need	Sometimes
Mississippi	Yes	Every 2 years.	Depends on future impact	Yes
Missouri	Yes	Yearly	Maintenance	Yes
Montana	Yes	No response	Maintenance	Yes
Nebraska	Yes	Yearly	Maintenance	Yes
Nevada	No response	No response	No response	No response
New Hampshire	No	NA	Maintenance	Yes
New Jersey	Yes	Periodically	Maintenance	Other than general fund
New Mexico	Yes	No response	Based on need.	No
New York	Yes	Every 2 years.	Maintenance	Yes
North Carolina	Yes	Every 3 years.	Depends	No
North Dakota	Yes	Yearly	Maintenance	Yes
Ohio	Yes	Yearly	Maintenance	Other than general fund
Oklahoma	Yes	Ongoing	Based on need.	Yes
Oregon	Yes	Being developed	Maintenance	Yes
Pennsylvania	Yes	Yearly	Not established	No
Rhode Island	Yes	Developing/Continuous	Based on need	Yes
South Carolina	Yes	As needed	Depends	Yes
South Dakota	Yes	No response	Maintenance	Yes
Tennessee	Yes	In process	Maintenance	Yes
Texas	Yes	Continuous	Maintenance	No
Utah	Yes	Yearly	Maintenance	Yes
Vermont	No	NA	Need based	Other than general fund/ transportation fund
Virginia	Yes	No regular schedule	Maintenance	Yes
Washington	Yes	Yearly	New Construction	Yes
West Virginia	Yes	Annually	Maintenance	Yes
Wisconsin	Yes	Yearly	Maintenance	Yes
Wyoming	Yes	Monthly	Maintenance	No
Puerto Rico	No	NA	Equal	Yes
NA indicates data are not available.				
Total	Yes=43			Yes=30

Table 29
Asset Management: Part 2

State	Other Mechanisms For Maintenance
Alabama	Budget and revolving funds through rent.
Alaska	No
Arizona	Building renewal funds.
Arkansas	Yes
California	Operating budget and dedicated building accounts.
Colorado	No
Connecticut	No
Delaware	Operating budget includes routine maintenance/repair funds plus appropriations for minor capital improvements and equipment.
Florida	General revenue fund and trust funds.
Georgia	Continuation and improvement operating funds.
Hawaii	Hospital and airport funds.
Idaho	Operating budget for projects under \$30,000.
Illinois	No
Indiana	Yes
Iowa	Operating budgets and newly created Rebuild Iowa Infrastructure Fund.
Kansas	Dedicated building funds.
Kentucky	General fund.
Louisiana	Operating budget.
Maine	Operating budget, dedicated building funds.
Maryland	Operating budget, dedicated funds for state parks.
Massachusetts	No response.
Michigan	No
Minnesota	Operating budget and pooled accounts for asset preservation in capital budget.
Mississippi	Yes
Missouri	Yes, operating maintenance and repair funds for capital improvement work less than \$25,000.
Montana	Operating budget.
Nebraska	Task force for building renewal, funded with cigarette tax proceeds.
Nevada	No response.
New Hampshire	Operating budget.
New Jersey	Operating budget.
New Mexico	Operating budget.
New York	No
North Carolina	No
North Dakota	Operating budget.
Ohio	Operating budget.
Oklahoma	Yes
Oregon	Statutory authority for agencies to pay themselves rent for facilities maintenance and repair.
Pennsylvania	No
Rhode Island	No
South Carolina	No
South Dakota	General fund and other appropriations.
Tennessee	Revolving fund through rent.
Texas	No
Utah	Operating budget for lower cost maintenance projects.
Vermont	No
Virginia	Maintenance reserve.
Washington	General fund and dedicated funds.
West Virginia	Some facilities have dedicated maintenance funds.
Wisconsin	Yes
Wyoming	No
Puerto Rico	No

Table 30
Method To Inventory and Value Capital Assets

State	Methods Used	Lease/Acquisition Included In Equations
Alabama	Historical cost plus improvements	Yes
Alaska		
Arizona	Annual building inventory and inspection.	Yes--Only if the state intends to purchase.
Arkansas	Historical cost.	Yes
California	Real property inventory system managed centrally and continually updated.	No--Appraisals are generally performed only at the time of acquisition and time of sale.
Colorado	Each agency submits their own.	No
Connecticut	Replacement value.	No
Delaware	Generally accepted accounting practices using cost data.	Yes
Florida	Physical statewide facilities inventory.	Yes for square foot rate.
Georgia	Separate properties and equipment inventories	No
Hawaii		
Idaho	Agencies and Division of Public Works estimate value.	No
Illinois	Historical cost plus improvements to assets.	Yes
Indiana	Agencies report to central repository the value at cost.	No
Iowa	Decentralized inventory. Proposal to merge.	No
Kansas	Based on a physical inventory and values at cost.	Only lease-purchase items are included.
Kentucky	Cost.	Yes
Louisiana	Computerized data base with original cost and replacement values.	No
Maine	Implementing fixed asset system.	No
Maryland		No
Massachusetts		
Michigan	Historical cost.	No
Minnesota	Agencies and Division of State Building Construction take inventory and evaluate facilities.	No
Mississippi	Agency level inventory at historical cost.	No
Missouri	Land and buildings system database.	No
Montana	Dept. of Administration Asset Management System.	Yes
Nebraska	Agencies keep a log of state owned buildings with data on replacement values.	No
Nevada		
New Hampshire	Follows generally accepted accounting principles (GAAP)	Yes
New Jersey	Periodic computerized building inventory & inspection.	Yes
New Mexico	Historical cost index by building type.	No
New York	Inventoried at statewide level.	No
North Carolina	State Construction Office assesses condition and State Property Office maintains inventory.	No
North Dakota	All buildings must be insured for replacement value.	No
Ohio	General fixed assets valued at original cost.	Yes
Oklahoma	Historical costs plus improvements, replacement cost.	Yes
Oregon	Decentralized inventory, replacement value.	Yes (lease-purchase acquisitions)
Pennsylvania	Biennial survey of asset condition.	No
Rhode Island	None currently in place.	Not applicable.
South Carolina	Assets valued at replacement cost for insurance purposes.	
South Dakota		
Tennessee	Original cost, risk management database.	No
Texas		
Utah	Division of Risk Management maintains database of capital facilities. Independent agency annually determines replacement value.	Yes
Vermont	Manual inventory. Perform independent appraisal of values.	No
Virginia	Central inventory of buildings, grounds, and leases. Value based on local assessments.	Yes, at time of acquisition.
Washington	Computerized inventory of all facilities.	
West Virginia	Historical cost.	Yes
Wisconsin	Computerized inventory of all facilities.	No
Wyoming	All assets inventoried. Value based on acquisition cost.	Internal service and non-expendable trust funds straight line deprec.
Puerto Rico	Modified accrual basis.	Yes--Only if the lease becomes government property.

**Appendix Table A
Size Of Capital Budget**

State	New Appropriation Level For Fiscal 1997	Annual Or Biennial
Alabama		
Alaska		
Arizona	\$330.0 million	Annual
Arkansas	\$760.2 million	Biennial
California	\$1,170 million proposed	Annual
Colorado	\$468.8 million	Annual
Connecticut	\$754.5 million (authorization)	Annual
Delaware	\$347.2 million	Annual
Florida	\$4,982.7 million (\$950.7 million in bonds)	Annual
Georgia	\$883.8 million	Annual
Hawaii	\$750.3 million (all funds)	Annual
Idaho	\$17.0 million	Annual
Illinois	\$180.0 million	Annual
Indiana	\$287.6 million	Biennial
Iowa	\$145.1 million (excludes roads, federal funding, other contributions)	Annual
Kansas	\$732.7 million	Annual
Kentucky	\$823.1 million (all funds)	Annual
Louisiana	\$1,761.4 million	Annual
Maine		
Maryland	\$1959.2 million (includes transportation)	Annual
Massachusetts		
Michigan		Annual
Minnesota	\$614.0 million	Biennial
Mississippi	\$622.5 million	Annual
Missouri	\$362.2 million	Annual
Montana	\$194.9 million	Biennial
Nebraska	\$16.0 million	Biennial
Nevada		
New Hampshire		Biennial
New Jersey	\$374.1 million not including bonds.	Annual
New Mexico	\$130.4 million	Annual
New York	\$3,920 million	Annual
North Carolina	\$195 million	Annual
North Dakota	\$350.4 million	Biennial
Ohio	\$1,874.0 million	Biennial
Oklahoma	Varies by cash available.	Annual
Oregon	\$638.2 million	Biennial
Pennsylvania	Not yet authorized	Annual
Rhode Island	\$280 million (all funds), \$58 million (new general obligation debt)	Annual
South Carolina	\$370.6 million	Annual
South Dakota		
Tennessee	\$360 million	Annual
Texas		
Utah	\$519.0 million	Annual
Vermont	\$46.1 million, of which \$43 million is in general obligation bonds.	Annual
Virginia	\$526.5 million (\$47.4 million general fund)	Annual amount within biennial budget
Washington	\$1,547 million (\$825 general fund supported, \$722 dedicated funds)	Biennial
West Virginia	\$199 million	Annual
Wisconsin	Not yet authorized	Biennial
Wyoming	\$28.2 million	Biennial
Puerto Rico	\$3,106 million (consolidated)	Annual

Appendix Table B
Bond Ratings for General Obligational Debt

State	Moody's Investors Service	Standard and Poor's Corporation	Fitch's Investors Service
Alabama	Aa	AA	AA
Alaska	Aa	AA	*
Arizona	No general obligational debt	No general obligational debt	No general obligational debt
Arkansas	Aa	AA	*
California	A1	A+	A+
Colorado	No general obligational debt	No general obligational debt	No general obligational debt
Connecticut	Aa	AA-	AA+
Delaware	Aa1	AA+	*
Florida	Aa	AA	AA
Georgia	Aaa	AA+	AAA
Hawaii	Aa	AA	*
Idaho	No general obligational debt	No general obligational debt	No general obligational debt
Illinois	A1	AA-	AA
Indiana	No general obligational debt	No general obligational debt	No general obligational debt
Iowa	No general obligational debt	No general obligational debt	No general obligational debt
Kansas	No general obligational debt	No general obligational debt	No general obligational debt
Kentucky	Aa	AA	*
Louisiana	Baa1	A-	*
Maine	Aa	AA+	*
Maryland	Aaa	AAA	AAA
Massachusetts	A1	A+	A+
Michigan	Aa	AA	AA
Minnesota	Aaa	AA+	AAA
Mississippi	Aa	AA-	*
Missouri	Aaa	AAA	AAA
Montana	Aa	AA-	*
Nebraska	No general obligational debt	No general obligational debt	No general obligational debt
Nevada	Aa	AA	*
New Hampshire	Aa	AA+	AA+
New Jersey	Aa1	AA+	AA+
New Mexico	Aa1	AA	*
New York	A	A-	A+
North Carolina	Aaa	AAA	AAA
North Dakota	Aa	AA-	*
Ohio	Aa1	AA+	AA+
Oklahoma	Aa	AA	AA
Oregon	Aa	AA	AA
Pennsylvania	A1	AA-	AA-
Rhode Island	A1	AA-	AA-
South Carolina	Aaa	AAA	AAA
South Dakota	No general obligational debt	No general obligational debt	No general obligational debt
Tennessee	Aaa	AA+	AAA
Texas	Aa	AA	AA+
Utah	Aaa	AAA	AAA
Vermont	Aa	AA-	AA
Virginia	Aaa	AAA	AAA
Washington	Aa	AA	AA
West Virginia	A1	AA-	AA-
Wisconsin	Aa	AA	AA+
Wyoming	No general obligational debt	No general obligational debt	No general obligational debt
Puerto Rico	Baa1	A	*

Sources: Moody's Investors Service, Inc., Standard and Poor's Corporation, and Fitch's Investors Service
* = No rating available

