


## CAPITAL OUTLAY PLANNING AND BUDGETING

*Building for Results*

**Capital outlays are expenditures for acquiring lands, buildings, equipment, or other properties, or for their preservation or development or permanent improvement.** Capital outlay planning and budgeting are directed toward the acquisition or renovation of fixed assets.

**Capital outlay planning and budgeting are part of good facility management (also known as capital management or fixed asset management).** Not only do facilities account for a large share of costs, but improvements in facility technology and management lead to higher levels of productivity. For public organizations concerned with more efficient and effective production of goods and services, physical facility investments are becoming increasingly influential as determinants of success.



State facilities—lands, buildings, and equipment—represent a tremendous investment of state resources. The state owns more than one million acres of land in over 1,170 sites located throughout the state's 64 parishes. Louisiana's State Land and Building Inventory contains nearly 10,000 state-owned structures, totaling more than 73.4 million square feet and having an insurance replacement cost exceeding \$5.1 billion.

Further, it is not uncommon for the state's annual capital outlay act to contain projects with a collective price tag of \$1 billion or more over a five-year period.

As demands for both lowered costs and better service delivery have grown—and as the benefits of long-term capital investment planning and preventive maintenance have become clear—effective and efficient facility management has become a priority management issue. Consequently, facility investment decision making has emerged as a subject of considerable attention.

## Louisiana's Facility Management Process

Facility (or fixed asset) management (of which capital outlay planning and budgeting are a part) is conducted by the Facility Planning and Control (FPC) Section of the Division of Administration. Louisiana's facility management process and philosophy meld both conventional and strategic approaches to facilities planning.

Conventional facilities planning seeks to create a finished plan—a blue print for future development that is predominantly fixed in time and usually represents a view of the desired physical configuration of the facility system at some future point in time. This practice is inherited from the master planning philosophy, in which the plan attempts to establish a single comprehensive package of physical solutions. However, these solutions are formulated in response to specific problems, constraints, opportunities, and growth pressures as they are recognized and assessed at the time when the planning study is done. The scope of solutions produced by this approach is, therefore, limited by the confines of a discrete planning study, with all of the relatively fixed and limited perceptions that may be associated with it. Even when circumstances demand it, conventional facilities planning is capable of only a marginal response to the variability of future conditions that will determine the appropriateness of planning solutions. Because conventional facilities planning is static, it is future-impaired.

Strategic facilities planning, on the other hand, is future-oriented. It is prepared to deal with change. The fundamental goal of strategic facilities planning is to produce an information tool for use in making facility management decisions that involve the fulfillment of future facility needs. This information tool simplifies and progressively narrows the range of capital investment choices by facilitating the objective evaluation of facility improvement options. Moreover, strategic facilities planning invites consideration of subjective factors (organizational policy or political constraints, for example) by establishing a framework within which the impacts of those subjective factors may be rationally evaluated as well. Finally, it is a method that has the capability of retaining its usefulness over extended time periods. Unlike conventional planning approaches, strategic planning does not end with a report that represents a cross-sectional image of the facility system. It is instead a method that is designed to facilitate managerial responses to constantly changing problems, opportunities, and priorities as they manifest themselves long after basic planning studies have been completed.

To support effective facilities planning, the FPC Section has developed a comprehensive facility management program to enhance the delivery of required services and consolidate managerial routines. The fundamental component of the shared system is a database of land and buildings. The program allows easy access to current, accurate site and building data on any state-owned facility from a local personal computer. Selected data fields are being used for the development and integration of ancillary applications such as identification of asbestos-containing materials, roof condition assessments, Americans with Disabilities Act compliance progress, inventories of mechanical and electrical equipment, and land documentation. The facility management program links land and building data to drawing files, video images, and scanned documents. Agencies statewide can access this data through the statewide network and use it with additional user-specific applications. The capital outlay budget request process and forms also have been automated through the [Capital Outlay Request Tracking System \(CORTS\)](#).

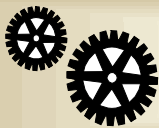


## **Payoffs: The Benefits of Effective Capital Outlay Planning and Budgeting**

Sound capital investment decisions require a great deal of care in order to match facility capacity with program or service needs. Capital investment errors—whether unproductive excess capacity, restrictive undercapacity, or deferred maintenance—have become prohibitively costly. Louisiana's capital outlay planning and budget process responds to the need for informed, results-oriented capital investment decision-making.

Strategic planning drives capital outlay planning and budgeting; that is, facility plans and capital budgets are linked with program goals and objectives. Physical facilities are one of the resources needed to implement strategies and achieve objectives. As state agencies are able to allocate physical resources efficiently and effectively, all levels of state government, as well as the state's taxpayers, benefit.

Louisiana's debt management program strictly limits the amount of general obligation bonds that may be sold by the state during a given fiscal year. Since many capital projects rely on general obligation bonds for financing, it is vital that the capital outlay planning and budgeting process makes the best allocation of these limited financial resources.



## **Basics of Capital Outlay Planning and Budgeting**

### **Secrets of Effective Capital Outlay Planning and Budgeting**

An effective capital outlay planning and budgeting process has the following characteristics:

It is linked to program needs, goals, and objectives. It is connected to an organization's strategic planning efforts.

It relies on the systematic analysis of alternatives. It identifies realistic, feasible, and cost-effective solutions to facility issues.

It is supported by an integrated, accessible information base.

It strikes a workable balance between immediate problems or pressures and issues that have primarily long-range consequences.

It stays aware of external environmental factors and is politically sensitive.

It is credible and convincing. It conveys factual, verifiable justifications for project requests.



## Guidelines for Capital Outlay Planning and Budgeting

Statutory authority for capital outlay planning and budgeting procedures is contained in Sections 101-114 of Title 39 of Louisiana's Revised Statutes. Guidelines for preparation of capital outlay plans and budget requests are issued annually in a memorandum from the commissioner of administration. The state's capital outlay budget development process is managed by the Division of Administration's Facility Planning and Control (FPC) Section.

### Qualifications for Inclusion in the Capital Outlay Budget

For projects other than those funded from self-generated cash, federal funds, or dedicated revenues, the only anticipated source of funding available is the sale of general obligation bonds. Therefore, it is necessary to limit capital outlay projects that do not have a cash source of funding to those that have an anticipated useful life of 20 years or more and a value or cost of at least \$100,000.

Examples of projects that qualify for inclusion in the capital outlay budget are:

- ⊕ land acquisition;
- ⊕ site development and improvement;
- ⊕ acquisition or construction of buildings or other structures;
- ⊕ additions or expansion to existing facilities;
- ⊕ major repair or renovation of existing facilities;
- ⊕ installation, extension, or replacement of utility systems or major building system components;
- ⊕ roof replacement;
- ⊕ hazardous materials abatement;
- ⊕ fixed equipment that is connected to building utility systems; and
- ⊕ initial equipment and furnishings for new buildings.

Depending on the anticipated useful life of initial equipment and furnishings, a decision may be made to fund these items through alternative sources.

Capital outlay requests typically should **not** include any of the following:

- ⊖ minor repair or renovation projects such as painting, flooring, etc.;
- ⊖ minor roof repairs that do not extend the useful life of the roof;
- ⊖ movable equipment and furnishings except for that associated with new buildings;
- ⊖ vehicles of any type;
- ⊖ materials and supplies;
- ⊖ repair or renovation of minor building components, such as plumbing fixtures, locks, etc.; and
- ⊖ routine and preventive maintenance of existing equipment.


Needs in these categories should be addressed in operating budget requests.

## **Linking Strategic Plans and Performance Accountability to Capital Outlays**

During the strategic planning process, long-range capital investment needs are identified. As alternative strategies for achieving objectives are considered, physical facility needs are recognized and projected. (See [STRATEGIC PLANNING](#).) These needs must be requested through the state's capital outlay planning and budget procedures.

Louisiana state law calls for the submission of a five-year capital outlay plan with the capital outlay budget request. Each project contained in the five-year capital outlay plan must be justified; this is documented in the "Demonstration of Need" section of the capital outlay request. Much of this information may be taken from data gathered during the strategic planning process and from performance indicators selected during the planning process and generated for performance accountability. In fact, a description of the long-range strategic plan for the program affected by the capital outlay project request is specifically requested in the "Demonstration of Need" portion of CORTS.

When preparing a five-year capital outlay plan to accompany a capital outlay budget request document, only those projects that must be funded in the immediately upcoming fiscal year should be reflected in a first-year funding request. If a project can wait, it should be shown in years two through five of the capital budget request. A good planning process identifies a workable, realistic timetable for capital projects.



Capital outlay forms and instructions clearly provide the means to present a true five-year plan. Far too often, however, agencies have overloaded the first-year request and disregarded years two through five. The result has been that total first-year requests are unrealistic because they grossly exceed available means of financing. It is understood that agencies cannot anticipate every capital outlay need for the next five years. However, it has been noted that projects that have not been included in any prior capital outlay requests suddenly have appeared as "emergency" first-year requests. This indicates that agencies need to address both preventive maintenance and five-year planning.

## **Submission of Requests**

Requests for capital projects (except those to be funded by the Transportation Trust Fund) may be submitted by state budget units or by political subdivisions (through the senator and representative in whose districts the proposed capital project will be located). In either case, copies of the requests must be submitted to the Facility Planning and Control (FPC) Section of the Division of Administration, the Legislative Fiscal Office, the Joint Legislative Capital Outlay Committee, the House Appropriations Committee, and the House Committee on Revenue and Fiscal Affairs.

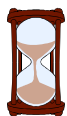
- R. S. 39:101.A requires the head of each state budget unit to submit a request for all expenditures for capital projects (except those to be funded from the Transportation Trust Fund) each year. These annual requests must contain and constitute a feasibility study, pursuant to Article VII, Section 11(C) of the Louisiana Constitution, and must include

projects proposed to be funded within the next five years. This annual request document constitutes a five-year capital outlay plan for the agency.

- Local projects submitted through legislators may be forwarded with the legislators' recommendations for approval or disapproval or without recommendations. The signatures of either the senator or representative, in whose districts the project is located, is required for consideration of the project by the Division of Administration during preparation of the capital outlay budget.

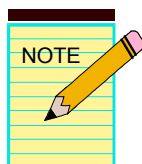
Projects to be funded by and programs for the expenditure of funds from the Transportation Trust Fund (generally, for construction of streets, roads, highways, bridges, and drainage projects) are governed by the priority program required by Article VII, Section 27 of the Louisiana Constitution. Submittal forms, together with supporting information and documents, constitute the constitutionally required feasibility study.

Any project or component of a project that is not funded (that is, not on line of credit or included in a bond sale) or under contract in any one fiscal year (at the time you prepare your request for the subsequent fiscal year) must be requested again to be considered for reauthorization into the capital outlay budget for the subsequent fiscal year.



Project requests must be submitted by November 1 of each year for evaluation and possible inclusion in the capital outlay budget and capital outlay act for the next fiscal year. Capital outlay budget requests that are submitted after November 1 may be included within the capital outlay act if the project meets all of the applicable requirements except for time of submission and if:

1. the project is an economic development project recommended in writing by the secretary of the Department of Economic Development or is an emergency project recommended in writing by the commissioner of administration; or
2. the project has been approved by the Joint Legislative Capital Outlay Committee.



More information on the capital outlay budget request process and the time frame for development of the capital outlay budget appear in following sections. In addition to the guidelines discussed in this chapter, individual departments, agencies, or governing boards may have internal requirements and procedures for capital outlay project requests. These may include additional forms, deadlines, and reviews. Ask your facility manager or capital outlay coordinator about internal requirements and procedures.

## Contents of Capital Budget Requests

Capital outlay request forms and instructions are part of the automated Capital Outlay Request Tracking System (CORTS). (See page 12.) [CORTS](http://www.state.la.us/fpc/coforms.htm) may be accessed through the FPC Section website (<http://www.state.la.us/fpc/coforms.htm>).

Each request should contain a detailed project description and justification that includes:

- an analysis of need with corroborative data;
- a reasonable estimate of the date when the project will be needed;
- the project's proposed location;
- the estimated construction cost;
- the cost of equipping and furnishing the project;
- the space utilization plan of the requesting agency (for project requests that involve construction of new or additional space);
- the cost of opening and operating the facility for the first year;
- the estimated annual operating and maintenance costs of the facility and the method and source of financing for each of the next five years; and
- an identification and description of other similar facilities and projects in the given area and an evaluation of their capabilities to meet needs.

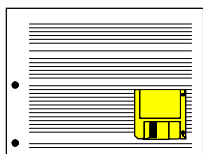
Each request should indicate the order of priority assigned to that project relative to other capital project requests submitted by the agency.

R. S. 39:102, as amended in the Third Extraordinary Session of 1994, requires a capital outlay budget request to include a space utilization plan for the requesting agency. The intent of this legislation is to determine whether existing space can be utilized to provide needed space and avoid construction of new space. A space utilization study/plan must be submitted for all project requests that involve construction of new space. It is not necessary to submit a space utilization plan for projects such as asbestos abatement or roof repairs.

**HELP** **HOW TO: Prepare a Space Utilization Plan**



Use the S-1 Form ("Space Utilization Plan, Capital Outlay Request for FY \_\_\_\_\_, S-1) for submission of a space utilization study/plan. The S-1 Form is blank, since each department or umbrella agency may customize its space utilization plan format. Attach the space utilization study/plan as the last page of each capital outlay project request. Multiple copies of the form may be used.



Although the format of a space utilization study/plan may be customized to meet the needs of a department or umbrella agency, studies/plans must be based on the following

criteria and/or any other applicable guidelines. All standards, guidelines, and definitions used by the requesting agency must be submitted for comparison and clarification.

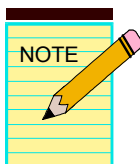
A space utilization study/plan should explain how the requesting agency determined that a new facility or addition is required. The purpose of this evaluation is to show a "before/after" scenario and its relationship to a recognized benchmark or standard. One way of expressing this relationship is:

1. First show all existing usable square footage that is of a similar type. For example, if you are requesting a new laboratory building, all existing laboratory square footage should be shown. Also, any other square footage that could be converted to a laboratory should be shown, separately. Next, compare the existing space and its usage with any benchmark or standards. The benchmark used should be one that is recognized among most institutions within your industry. The intent of the comparison is to measure the square footage per person, number of beds, or number of cells, etc., as it relates to the benchmark. The maximum or peak and average or typical occupancy of the facility should be considered in the evaluation. For areas that are not "occupied" (such as a loading dock), consider the equipment and other space requirements.
2. Once total existing usable square footage has been calculated, add the proposed project square footage to the existing square footage and then recalculate the square footage per person, etc., and show how the addition of the proposed project affects the relationship you have established with the benchmark. This study of existing space should assist you in the decision to request additional space, renovate, or re-examine the efficiency of your existing facilities. If existing space is determined to be inadequate for conversion or renovation, explain why and what will become of this space. (For example: Will this space be renovated and all into another space category? If so, the square footage of this space should be shown and its deletion from the existing space indicated.)

The space utilization study/plan must include gross and usable area as explained in the following definitions. If another means for calculating area is used, include the methodology.

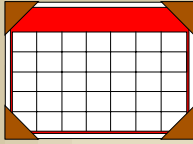
**Gross Area** - This is the sum of the floor areas of all levels of a building that are totally enclosed within the building envelope.

**Usable Area** - This is the floor area of a facility that can be assigned to occupant groups. Usable area includes the area of interior walls, building columns and projections, and secondary circulation. Usable area excludes exterior walls, major vertical penetrations, primary circulation, building core, and building service areas.



Since the format of the S-1 Form may be customized, any questions you may have about the format should be directed to the facility manager or capital outlay budget coordinator for your department or umbrella agency. General questions about standards, guidelines, or definitions for a space utilization study/plan may be directed to the FPC Section.





## CAPITAL OUTLAY BUDGET DEVELOPMENT CALENDAR

**JULY**

The Facility Planning and Control (FPC) Section sends the commissioner of administration's capital outlay request guideline memorandum to state agencies, ports, police juries, municipalities, school boards, and legislators.

**JULY  
AUGUST  
SEPTEMBER  
OCTOBER**

The FPC Section updates the Five-Year Capital Outlay Program, updates multiyear summaries, and prepares new summaries/reports pertaining to capital outlay acts. FPC Section and Office of Planning and Budget (OPB) staff visit agencies to review proposed capital outlay requests/projects.



**NOVEMBER 1**

DEADLINE for submitting capital outlay requests.

**NOVEMBER  
DECEMBER**

The FPC Section and OPB review capital outlay requests. OPB budget analysts review requests and make comments and/or recommendations based on program requirements. FPC Section architects and engineers review requests and make comments and/or recommendations based on technical feasibility, cost estimates, and project alternatives.

**JANUARY  
FEBRUARY**

The commissioner of administration and FPC Section director conduct agency hearings and prepare preliminary recommendations for governor's review.

**FEBRUARY**

The governor reviews Division of Administration's capital outlay recommendations. The "Governor's Preliminary Capital Outlay Recommendations" document is prepared. Capital outlay budget pages for the executive budget are prepared.



**MARCH 1**

DEADLINE: The "Governor's Preliminary Capital Outlay Recommendations" document is submitted to the legislature (speaker of the house, president of the senate, and Joint Legislative Capital Outlay Committee).



**8<sup>th</sup> Day of  
Legislative Session  
MARCH (General Session)  
APRIL (Fiscal Only Session)**

Governor's preliminary recommendations are revised. The FPC Section prepares the capital outlay bill, omnibus bond bill, and concurrent resolution. These are presented to the legislature on the eighth day of the legislative session.

**APRIL  
MAY  
JUNE**

Legislative committee hearings are conducted; the capital outlay bill travels through the legislature and is enacted. The FPC Section prepares the governor's veto messages.

**JULY**

The FPC Section mails outlay appropriation letters to notify agencies of capital outlay act appropriations and of procedures required to initiate funded projects.

## Evaluation of Capital Outlay Requests

Capital outlay requests (except projects and programs for the expenditure of funds from the Transportation Trust Fund) are analyzed and evaluated by the Facility Planning and Control (FPC) Section of the Division of Administration for compliance with the provisions, definitions, and standards established by statute and constitution as well as long-range policies and goals established by the legislature and governor.

During the Division of Administration's review, priorities generally fall into three categories. The highest priority is given to emergencies, implementation of court orders, repairs and renovations to preserve life and property, and highway overlay, repairs, and construction. Second priority is given to the continuation of projects previously funded and initiated for which funding is needed to complete planning, construction, or equipping. The third priority is new state agency requests for projects that have not been previously funded.

Capital outlay requests are reviewed by staff of both the FPC Section and the Office of Planning and Budget (OPB). FPC Section architects and engineers evaluate overall feasibility of the projects; the justification of need and relationship to strategic plans; OPB analysts evaluate the project's impact on the operating budget.

The FPC section prepares and submits a report to the Joint Legislative Capital Outlay committee, the House Appropriations Committee, the House Committee on Ways and Means, the Senate Finance Committee, and the Senate Committee on Revenue and Fiscal Affairs, detailing its findings and evaluation of any capital outlay project deemed not feasible.

Projects and programs for the expenditure of funds from the Transportation Trust Fund are analyzed and evaluated pursuant to the priority programs required by the constitution. The respective programs must be approved by the Joint Committee on Transportation, Highways and Public Works no later than the last day for introduction of proposed legislation in either house of the legislature.

## Preparation of the Capital Outlay Budget

Article IV, Section 5(D) of the Louisiana Constitution requires the governor to submit to the legislature an operating budget and a capital budget, as provided by Article VII, Section 11. The capital budget development process is described below.

As indicated in R. S. 39:104, the capital outlay budget must include a list of projects requested to be undertaken within the time period, projects recommended by the Division of Administration to be undertaken within the time period, the projected expenditures for each project, and the reasons for rejections of any requested project.

Prior to the convening of each regular session of the legislature—and not later than March 1—the governor must submit to each house of the legislature a preliminary capital outlay budget that includes a list of the proposed projects in priority order (based on the evaluation of the feasibility studies submitted), together with a summary outlining the maximum amount of funds to be spent in each department or political subdivision. After these preliminary recommendations are revised, capital outlay budget pages for the executive budget are prepared by the FPC Section.

## Capital Outlay Appropriation

The FPC Section prepares the capital outlay bill, omnibus bond bill, and concurrent resolution. These are presented to the legislature on the eighth day of the legislative session.

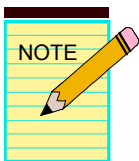
During the legislative session, committee hearings are conducted and the capital outlay bill moves through the legislature to enactment. With the exceptions explained above, the capital outlay act includes only those projects that have been proposed, reviewed, and evaluated in accordance with constitutional and statutory provisions and excludes any project deemed not feasible after evaluation. During the legislative process, the FPC Section monitors changes to the capital outlay bill, omnibus bond bill, and concurrent resolution.

After enactment of the capital outlay act, the FPC Section prepares the governor's veto messages (if any); and, after the governor's signature of the act, the section sends capital outlay appropriation letters to notify agencies of capital outlay appropriations and procedures required to initiate funded projects.

## Capital Outlay Budget Request Forms and Instructions

Capital outlay budget request forms are automated through the Capital Outlay Request Tracking System (CORTS). CORTS (WinCORTS 97 Version 3) provides a computerized data collection and reporting tool to manage capital outlay information required by the FPC Section. The process consists of 23 consecutive input screens that complete a standard form and constitute a feasibility study for each capital outlay request. CORTS provides for the input of information describing demonstration of need, the architectural program, construction costs, equipment costs, proposed project funding, and program operating and maintenance costs.

For requests for years two through five, an agency will need to complete only the "Recap Sheet" and the section entitled "Demonstration of Need" (Screens 1-9 in CORTS).



Copies of CORTS software, along with user manuals, are available from the FPC Section. If you have Internet access, you may download CORTS in compressed format. Go to the [CORTS](http://www.state.la.us/fpc/coforms.htm) site (<http://www.state.la.us/fpc/coforms.htm>) and follow instructions. This will provide you with all of the files needed to prepare a capital outlay budget request. Two types of packages are provided, one for state government agencies and another for local governments.

All capital outlay requests must be submitted through and placed in priority sequence by the appropriate governing authority. Each department should attach a summary sheet listing all requested projects in priority order by agency. CORTS provides a file format for a priority ranking of requests.

Three paper copies (hard copies) of the budget request document and one diskette or set of completed diskettes (soft copies) must be submitted along with a transmittal sheet or memorandum to:

Division of Administration  
 Facility Planning and Control  
 State Capitol Annex, Room B-31  
 1051 North Third Street  
 Post Office Box 94095  
 Baton Rouge, Louisiana 70804-9095.

In addition, one duplicate hardcopy set must be submitted at the same time directly to:

Joint Legislative Capital Outlay Committee  
 21st Floor, State Capitol  
 900 North Third Street  
 Post Office Box 94062  
 Baton Rouge, Louisiana 70804-9062

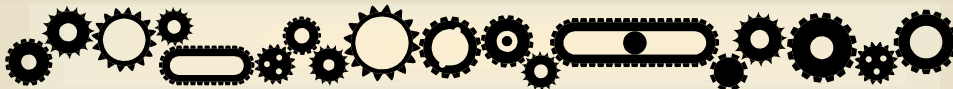
Legislative Fiscal Office  
 18th Floor, State Capitol  
 900 North Third Street  
 Post Office Box 94097  
 Baton Rouge, Louisiana 70804-9097

Senate Committee on Revenue & Fiscal Affairs  
 Senate Sub-basement, State Capitol  
 900 North Third Street  
 Post Office Box 94183  
 Baton Rouge, Louisiana 70804

Senate Finance Committee  
 Senate Sub-basement, State Capitol  
 900 North Third Street  
 Post Office Box 94183  
 Baton Rouge, Louisiana 70804

House Committee on Ways and Means  
 House Appropriations Committee  
 c/o House Fiscal Division  
 11th Floor, State Capitol  
 900 North Third Street  
 Post Office Box 44486  
 Baton Rouge, Louisiana 70804.

(One copy will be shared by both committees.)



**HELP**

**INFORMATION AND ASSISTANCE**

To obtain information on facility management or the capital outlay budget development process or to obtain copies of the CORTS software and user manual, contact the Facility Planning and Control Section of the Division of Administration by telephone at (225) 342-0820 or by fax at (225) 342-7624. The capital outlay coordinator is James Purpera. You may visit the [FPC Section website](http://www.doa.state.la.us/fpc/fpc.htm) at <http://www.doa.state.la.us/fpc/fpc.htm>. For Internet access to download CORTS, go to the FPC Section website or the [CORTS](http://www.doa.state.la.us/fpc/coforms.htm) page (<http://www.doa.state.la.us/fpc/coforms.htm>).