

Capital Outlay:

Review and Funding Processes

Michael D. Maul, Director

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Department of Planning and Budget



Training Objectives:

- Awareness of Present Capital Environment
 - Understanding of Capital Budget Request Process
 - Understanding of Procedures on Capital
-

Capital Definition

Definition of Capital:

- Acquisition (All types)
- Improvements (\$3.0 million)
- Construction (\$3.0 million or $\geq 5,000$ sq. ft.)

Operating Budget (Non-Capital):

- Routine operating and maintenance costs for property, plants, and equipment (regardless of expense or financing method)
- Optional when under designated thresholds of above categories

Capital Items we will cover today

- **Evolution of Capital Outlay Funding Environment:** past to present
- **Capital Budget Development:** step-by-step
- **Capital Pool Process:** step-by-step
- **Equipment Funding:** when to request
- **Non-pool Projects:** purpose and types
- **Maintenance Reserve:** eligibility criteria; M-R FIX
- **Capital Leases:** purpose and types
- **Emergency Projects:** eligibility criteria
- **ESCO Projects:** appropriate cases

Present Capital Situation

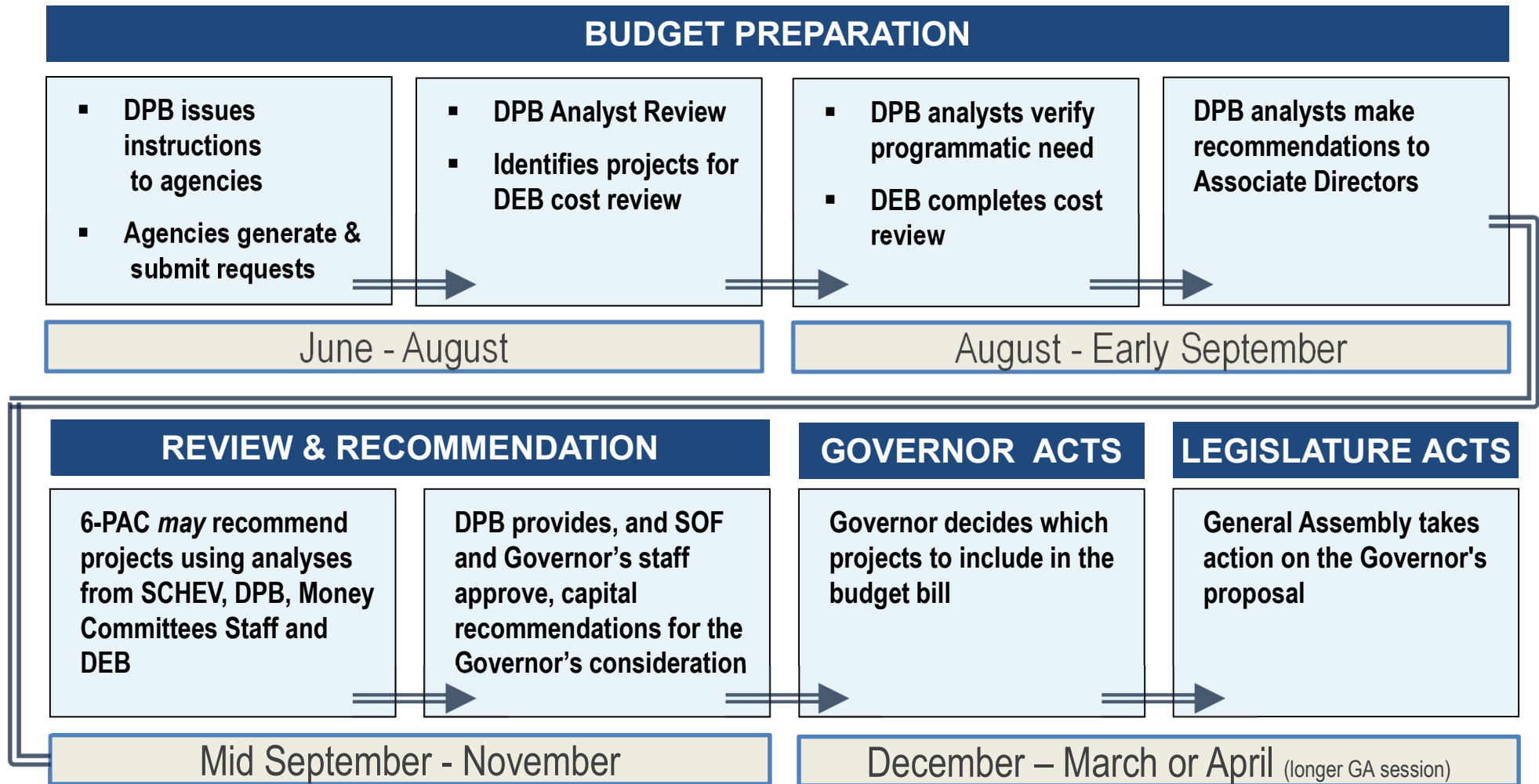
Evolution of the pool process

- Background of Chapter 1, 2008 Special Session 1 (Pool Process)
- Relationship of DPB and DGS Division of Engineering & Buildings (DEB)
- Role of the Six-Year Capital Outlay Plan Advisory Committee (6-PAC)

Capital Environment

- Influx of projects authorized in recent years
- Unlikely to have large capital package

Phases in Capital Budget Development



Budget Development: step-by-step



Capital Budget Request Types:

- Funding supplements & scope changes for existing capital projects;
- Funding equipment for previously funded projects;
- Proceed further on projects authorized for planning stages only;
- New capital projects (improvements, major repairs, renovations, new construction, acquisitions, etc.); and
- Authorize new capital leases or renew existing leases.

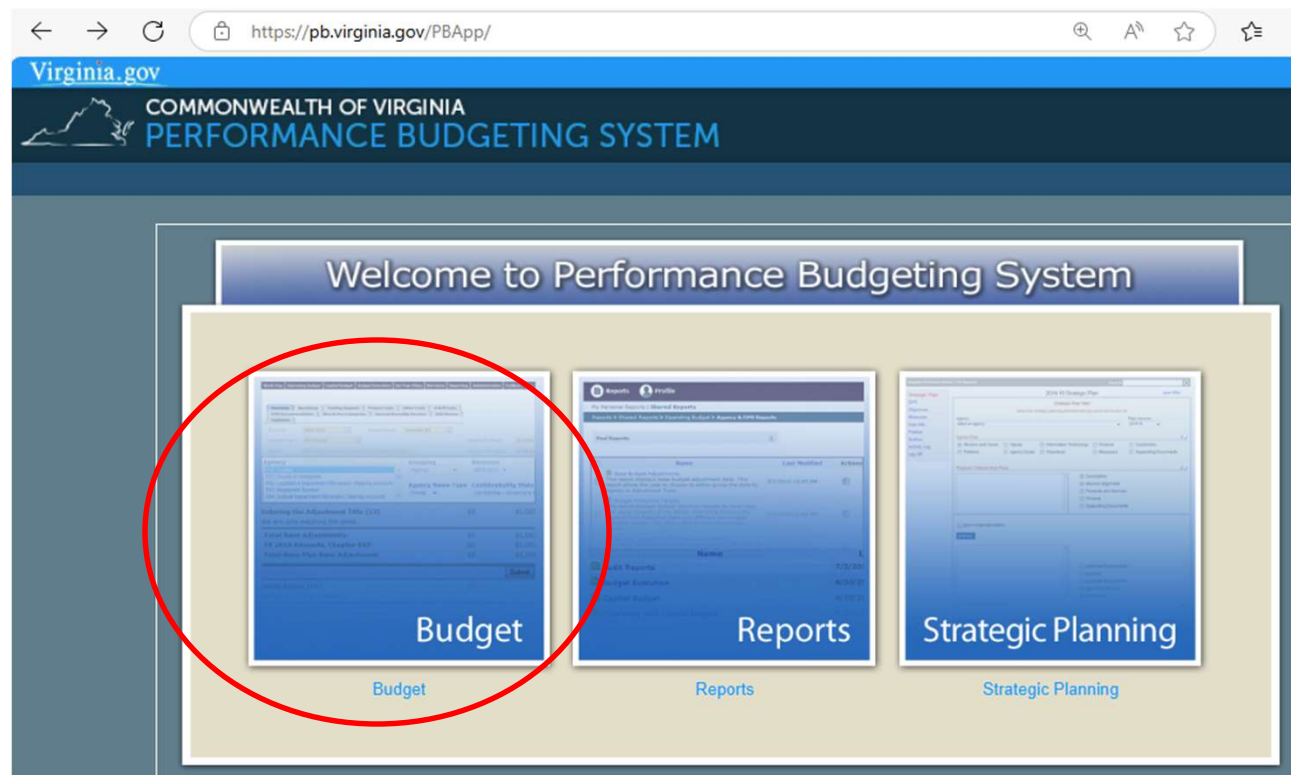
Capital Budget Request Priorities

- Mandated by state, federal government, court orders, or unavoidable caseload changes;
- Immediate life, health, safety, regulatory, or environmental concern;
- Directly support one of the Governor's priorities;
- Previously authorized for planning phase expected to be reviewed by DEB by October, 2025;
- Take advantage of one-time economic opportunities that will not exist if delayed;
- Equipment for previously approved projects to be complete by Jan 2029;
- Address significant maintenance reserve-type issues; or
- Supplemental funding or scope changes for projects previously approved for construction.

Capital Budget Request Submission:

Use Performance Budget System's Capital Budget Request (CBR) module:

<https://pb.virginia.gov/PBApp/>



Capital Budget Request Submission:



COMMONWEALTH OF VIRGINIA
PERFORMANCE BUDGETING SYSTEM

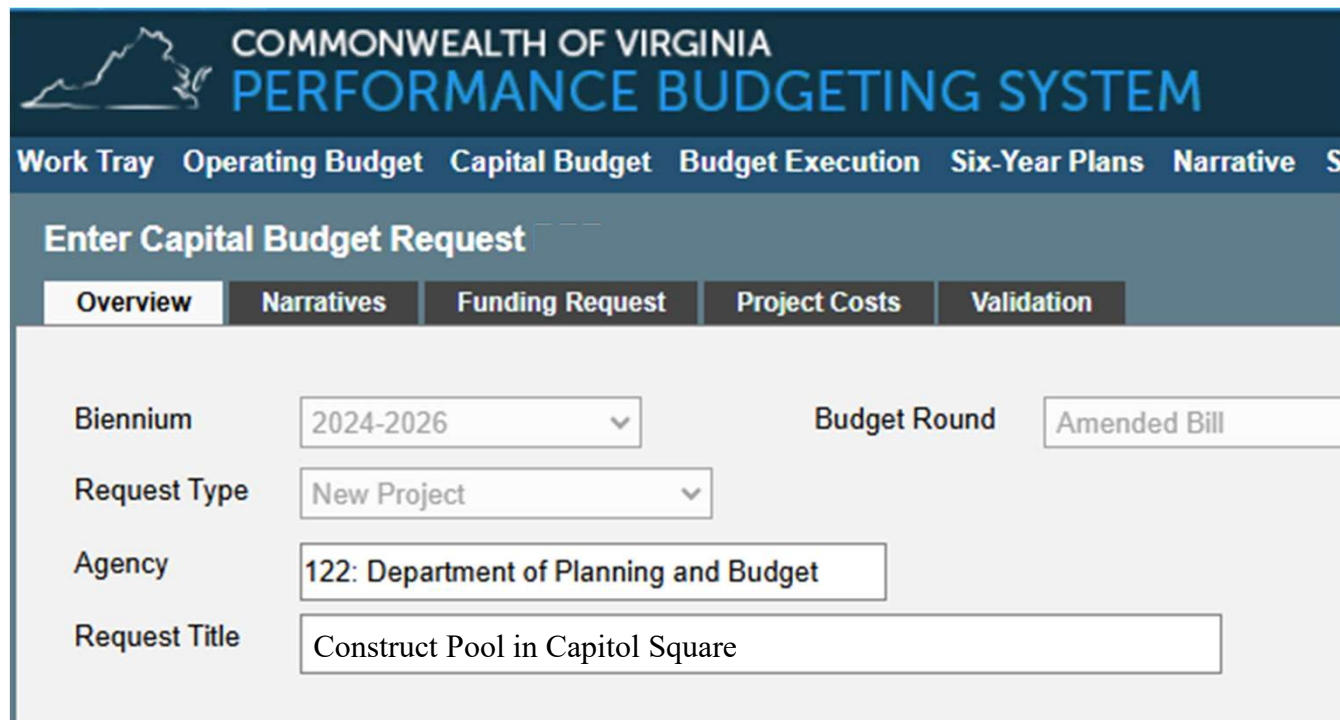
Work Tray Operating Budget **Capital Budget** Budget Execution Six-Year Plans Narrative Se

My Work Tray

- Capital Budget Request
- Capital Project Re Capital Budget Request Prioritization
- Capital Budget Request Bulk Submit to

Filter

State Document Type DPB



COMMONWEALTH OF VIRGINIA
PERFORMANCE BUDGETING SYSTEM

Work Tray Operating Budget Capital Budget Budget Execution Six-Year Plans Narrative Se

Enter Capital Budget Request

Overview Narratives Funding Request Project Costs Validation

Biennium 2024-2026 Budget Round Amended Bill

Request Type New Project

Agency 122: Department of Planning and Budget

Request Title Construct Pool in Capitol Square

Capital Budget Request Submission:

Enter Capital Budget Request

OverviewNarrativesFunding RequestProject CostsValidation

Agency122: Department of Planning and BudgetBiennium2026-2028

Request TitleConstruct Pool in Capitol Square

Description

Explain what is being requested and clearly define the **size and scope** of the proposed project:

- Measures of size and scope including square footage and applicable capacity measures (e.g. number of classrooms, number of beds, gallons, etc.)
- Function including an estimate of the general programmatic allocation of space (e.g., 40 percent classroom, 40 percent laboratory, and 20 percent office);
- Impact on operating and maintenance costs (or savings) or required increases to nongeneral fund revenue sources; and
- Unique site conditions, including floodplain standards and soil conditions that may impact requirements.

Capital Budget Request Submission:

Justification

- Explain the reason/need for the project and its impact, including how the project supports the agency and its statutory mission, objectives, & activities.
- Be specific and detailed.

Capital Budget Request Submission:

Enter Capital Budget Request D

Help

Print

Save

Validate

Submit

Overview

Narratives

Funding Request

Project Costs

Validation

Agency

122: Department of Planning and Budget

Biennium

2026-2028







Budget Round


Initial Bill


Request Title


Construct Pool in Capitol Square


Funding Request


		Phase		Year	Subobject		Fund	Amount		
1	 	Full Funding			2027	2411: Unallotted Capital Amount		01000: General Fund		\$5,000,000
										\$5,000,000

 Add


 Import

 Export

 Clear

 Refresh

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Methodology

- Explain method used to determine amount requested, specific/unique features that may impact cost and differ from a typical project of similar type
- Use and attach CR-1 DGS Project Planner (required for general fund-related requests)

Capital Budget Submission:

Enter Capital Budget Request

Help

Print

Save

Validate

Submit

Overview

Narratives

Funding Request

Project Costs

Validation

Agency

122: Department of Planning and Budget

Biennium

2026-2028

Budget Round

Initial Bill

Request Title

Construct Pool in Capitol Square

Please see the following link for DGS project planning and other forms (see instructions for more information): [DGS Forms Center](#)

Project Costs

Add Other Costs

Update Totals

	Cost Type	Requested Funding
1	Acquisition Cost	\$0
2		
3	Building & Built-in Equipment	\$4,360,000
4	Sitework & Utility Construction	\$200,000
5	Construction Cost Total	\$4,560,000
6		
7	DESIGN & RELATED SERVICE ITEMS	
8	A/E Basic Services	\$50,000
9	Design & Related Services Total	\$50,000
10		
11	INSPECTION & TESTING SERVICE ITEMS	
12	Project Inspection Services (inhouse or consultant)	\$5,000
13	Inspection & Testing Services Total	\$5,000

Import

Export

Refresh

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Size and Scope

	Cost Type	Unit of Measure	Units	Cost per Unit
1	Acquisition Cost			\$0
2	Construction Cost	cubic meters	4,000	\$1,140
3	Total Project Cost			\$0

Import

Export

Refresh

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DEB Capital Budget Request Review

- DPB asks DEB to review a subset of general fund-related capital budget requests
- DEB estimates and recommendations inform budget assumptions
- DEB needs a completed CR-1 and detailed information to estimate cost including:
 - Size and scope
 - Function/programmatic allocation of space
 - Information about unique physical and programmatic features that may impact cost

DGS Project Planner Form CR-1

- Assists agencies in making comprehensive Capital Budget Requests
- Based on comparable projects
- Documents program
- Captures construction attributes
- Calculates inflationary impacts based on schedule

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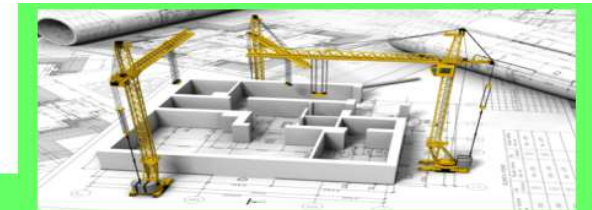
CR-1 Project Planner

(Rev. 07/24)

FY 2026

Calendar Year 2025

Instructions	General Info	Reference	Databases	Bldg Type 1	Bldg Type 2	Bldg Type 3	Estimate
Written	Executive Summary	HCI	Database	Program	Program	Program	Estimate
Flow Chart	Overview	Email capout	Tradeline	Attributes	Attributes	Attributes	
	Narrative	PB Help	BITS Comp Request	Comps	Comps	Comps	
	Budget		eVA	Blender			
	Drawings						
	Escalation Tool						
	Planning						



Capital pool process: step-by-step



Planning funding for projects under pool process

- DEB reviews both preplanning and detailed planning
- DEB estimate for total project cost is based on detailed planning

Funding criteria

- Preplanning (up to \$250,000)
- Detailed Planning (~ 5%)

Funding source

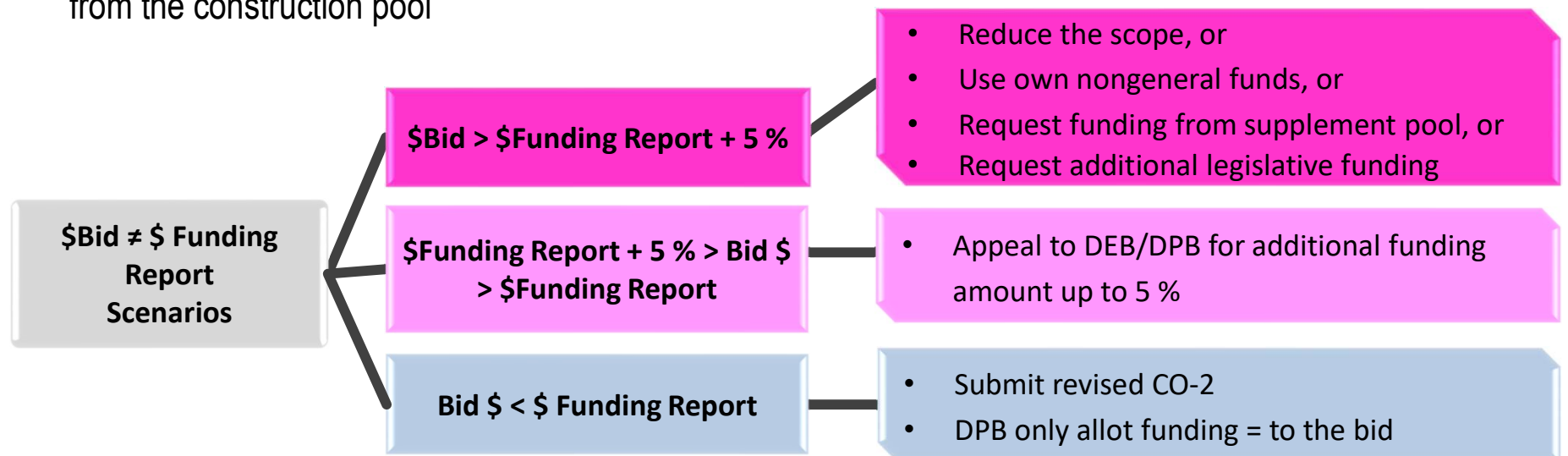
- Central Planning Fund
- Agencies' own nongeneral funds
- State general fund support



Construction Cost Review under Pool Process

Funding for projects put into a pool of authorized funding

- Projects are not guaranteed any specific \$\$ amount from the pool
- If detailed planning has not yet been done, DEB reviews and provides initial cost targets
- After detailed planning is reviewed by DEB, it issues a Funding Report and the agency submits a CO-2 and BEX equal to the amount identified for working drawings in the funding report
- 90 days before going out to bid or receiving a guaranteed maximum price (GMP), agency submits CO-2 and BEX to bring project authorization equal to the amount identified in the funding report for the project from the construction pool



Umbrella Pool Projects vs Phased Pool Projects

Umbrella projects funding:

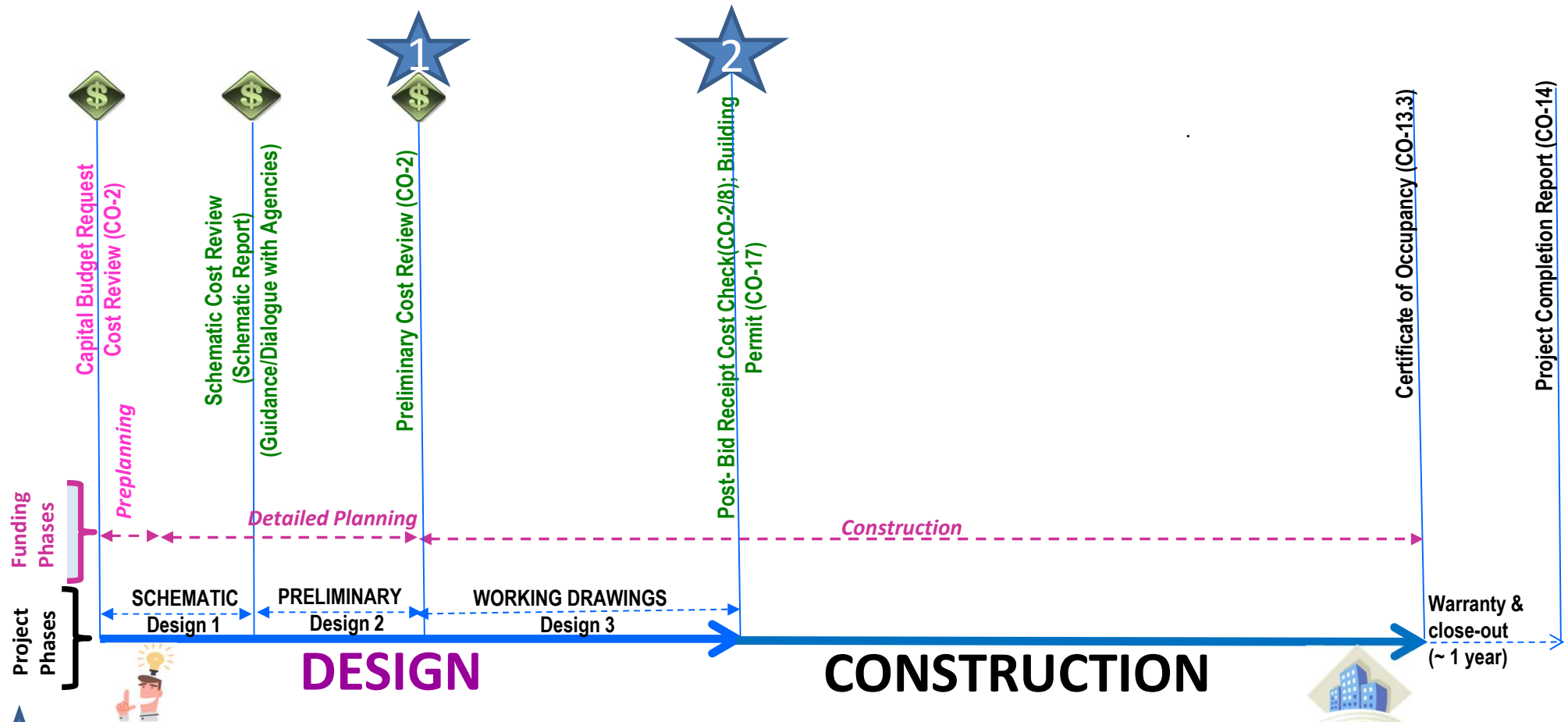
- Amount of funding available is up to the budgeted funding amount (i.e., umbrella projects not eligible for the 5% cost overrun)

Phased projects funding:

- 5% cost overrun rule is applicable
- Any funding unspent from a completed project will be transferred back to the pool

The Pool Process

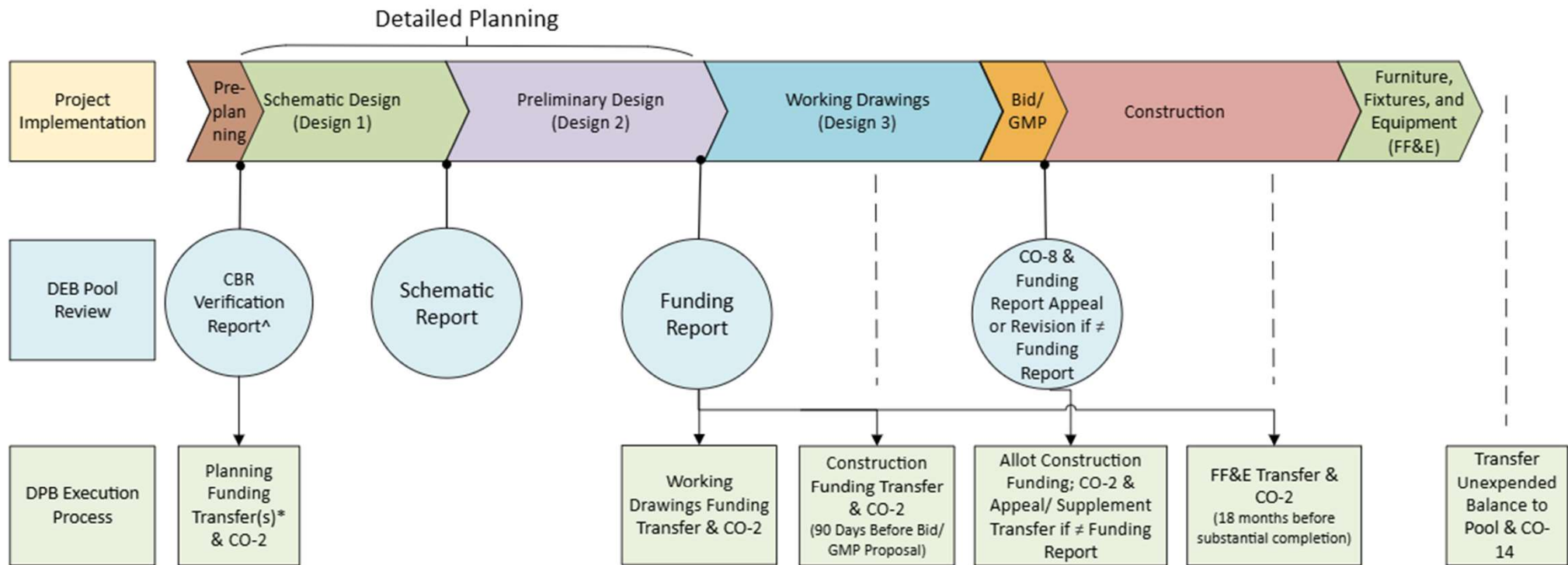
Phases, Critical Milestones ★ and Detailed Cost Reviews 💰



- ★ 1 Detailed cost review ensures the project is "right-sized" and the funding is appropriate to complete the design and construct the facility. This establishes the basis for the application of the "105% rule." **This is the most critical "GO" for an agency in the pool process as it typically allows them to "proceed with execution."**
- ★ 2 Cost check ensures bids are within authorized funding; based upon bid prices, either maintain current project funding (typically the case), reduce project funding if exceptionally low bids received, or increase project funding via an agency appeal up to 105% of that amount determined at milestone 1. If bids result in project (pool \$) > 105% as defined at milestone 1, then agency must either reduce scope, provide more agency funding, or request additional \$ from GA.

The Pool Process

Funding Infusions and Execution



*Planning transfers may be broken up depending on the phase of planning authorized in the budget and availability of funding in the planning pool. Sometimes preplanning only is authorized and provided first; otherwise projects skip this as a separate step and being detailed planning with the schematic and preliminary design authorized all at once or separately, depending on the budget authorization and funding availability.

[^]CBR Verification Report provides an authorized amount to be used for planning based on the information in the capital budget request and associated CR-1 form. It also provides an estimate of the total project cost that serves as the budget that the agency and its architect/engineer team design to.

Equipment funding: when to request



Equipment Funding

Issue

- Most construction pools do not include furniture, fixtures, and equipment (FF&E) funding and the agency needs to submit a separate capital budget request to DPB for this funding. The last pool to include FF&E was in Chapter 2 of 2014.
- Agencies may receive FF&E up to 18 months prior to expected substantial completion of the project.
- FF&E requests may be submitted this year for projects expected to be completed by January 2029.

Equipment Cont'd

Process

- DPB will NOT initiate a request for equipment funding – it is the responsibility of the agency to submit a request
- Agencies need to judge the timing of the request for equipment in accordance with the anticipated completion date for the project (this is also true for stand alone projects that require FF&E)
- DPB will not recommend funding equipment unless needed to become available within 18 months of project completion
- DPB will base its funding recommendation on the amount identified in the DEB funding report; if agency request exceeds that amount, it must provide justification

Other Projects:

Non-pool

Maintenance Reserve

Capital leases

Emergencies

ESCOs



Non-pool capital projects

Projects not subject to pool process include:

Traditional NGF Projects

- DMV, VDOT, higher education auxiliary, federal

Revenue Bond Projects

- Revenue bond projects 9(c) and 9(d)
- Mostly higher ed

Other GF and bond projects

- Authorized as stand alone projects in Appropriation Act

- Up to 20% will be allotted for A&E (architectural and engineering services), with balance allotted after CO-8 approval to award construction contract

Maintenance Reserve

- Agencies free to use funds on projects, as needed, consistent with the guidelines for maintenance reserve use
- Agencies report annually on previous fiscal year's expenditures
- If agencies fail to follow criteria, subject to having projects reviewed in advance and validated
- Data submitted in DGS's M-R FIX system used to determine the distribution of maintenance reserve funding provided to each agency and institution



Capital Leases

Leases considered capital leases prior to Governmental Accounting Standards Board (GASB) Statement 87 are subject to capital outlay process

Criteria of Capital Lease

- Building ownership reverts to agency at end of lease at no or nominal cost
- Lease for longer duration that covers a substantial portion of the useful life of the property

Lease vs. purchase analysis

- What's most effective and economical: long term lease or a new building
- Do analysis at least a couple years before current lease ends
- Work with DGS to proceed with capital lease or buying existing building

Lease payments paid from operating funds

Projects Not Included in the Budget

Basic assumption of Appropriation Act that the General Assembly must approve capital projects; however, “emergencies” or “opportunities” do not happen on schedule.

Therefore, the Governor is granted authority to create capital project in certain situations:

- Emergency situations
- Higher ed project funded by revenues or sponsored programs or private gifts and indirect cost recoveries
- Plant or property received as a gift
- Project recommended by Tobacco Indemnification and Community Revitalization Commission or Virginia Tobacco Settlement Foundation

Criteria

- Nongeneral funds sources available for both capital and operating elements of project
- Governor feels the project results in measurable benefit for the state or cost avoidance
- Detailed justification for project includes cost estimates and fund sources

Process

- Agency notifies DPB of emergency or immediate need
- DPB prepares decision brief for the Governor
- Governor either authorizes or declines to authorize the project
- Authorized project still subject to DEB requirements, including capital outlay form submissions

ESCO Projects

Key features of the Energy Service Company (ESCO) projects:

- Results in significant energy savings
- Department of Energy must review and approve
- DGS has a standard contract and list of approved vendors
- Maintenance reserve funding can be used on activity or component that results in energy savings that equal project costs

Operating Expense when:

- Total cost \leq \$3million, or \geq \$ 3million but \leq \$7 million if energy savings offset the cost

Capital Expense when:

- Total cost \geq \$3 million but \leq \$7 million and energy savings do NOT offset the cost
- Total cost greater than \$7 million
- Constructing or altering a building or structure; changing building use that requires greater provisions for structural strength, fire protection, exit facilities, or sanitary provisions; removing or disturbing asbestos

DPB notification required for any project costing \geq \$ 250,000

Any Questions?





Department of Planning and Budget

Jon Howe
Associate Director

Emily Grimes
Capital Coordinator

Jon.Howe@dpb.virginia.gov

Emily.Grimes@dpb.virginia.gov

Additional Information can be found at:

Virginia Department of Planning and Budget

dpb.virginia.gov

Call or email your DPB budget analyst with questions for best results