

# Pennsylvania State System of Higher Education Facilities Manual

## Appendix IV-1 Capital Appropriation Definitions

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Following are definitions used by the Governor's Office of the Budget describing the types of projects generally considered to be capital.

### **Public Improvement Projects (PIP):**

1. Design and construction of all new construction (whether it is a new facility, an addition to an existing facility, a replacement of an existing facility, or a net addition to the capital assets of the Commonwealth). Projects must be valued at \$100,000 or more if bond funds are used, and at \$300,000 or more if current revenues are used.
2. All land acquisitions must be authorized regardless of cost or source of funds either within a capital budget or by separate legislation. Authorization for land acquisitions associated with a construction project should be requested as part of the construction project.
3. Design and construction of renovations to existing structures which change use or function. Projects must be valued at \$100,000 or more if bond funds are used, and at \$300,000 or more if current revenues are used.
4. Design and construction of renovations to existing structures valued at \$100,000 or more which maintain current use or function but substantially improve upon original design standards, such as upgrading the performance of the structure, including, but not limited to, all major mechanical, electrical, structural, and interior and exterior surfacing systems which substantially improve the ability of the structure to perform its function and/or improve energy efficiency. Projects must be valued at \$100,000 or more if bond funds are used and at \$300,000 or more if current revenues are used.
5. Any equipment affixed to and integral to a structure that cannot be removed without damage to the structure will not be funded as a separate project, but must be designed as part of the overall construction project.
6. All construction acquired by capital authorization must have a useful life of at least 30 years.

### **Original Furniture and Equipment for Public Improvement Projects (PIP):**

1. Moveable furniture and equipment not integral to the structure which is necessary to make approved Public Improvement category construction projects operational. These projects must be for the purchase of original furniture and equipment for recently constructed projects authorized within the Public Improvement category. These projects do not involve replacing moveable furniture and equipment items for construction which has been operational.
2. All moveable furniture and equipment acquired by capital authorization must have a useful life of ten years.

**Transportation Assistance Capital Projects (TAP):**

1. Design, construction, acquisition, or improvement of fixed facilities, equipment, rights of way, and rolling stock directly involved with providing surface public transit. The total project must be valued at \$100,000 or more, and financial commitment from each source must be shown along with the Commonwealth's bond-funded financial share of the project as the requested amount.
2. Design, construction, acquisition, or improvement of fixed facilities, equipment, rights of way, and rolling stock directly involved with providing a rail freight transportation system. The total project must be valued at \$100,000 or more, and financial commitment from each source must be shown along with the Commonwealth's bond-funded financial share of the project as the requested amount.
3. Design, construction, acquisition, or improvement of fixed facilities and equipment directly involved with the operation of a public airport. The total project must be valued at \$100,000 or more, and financial commitment from each source must be shown along with the Commonwealth's bond-funded financial share of the project as the requested amount.
4. All rolling stock and passenger buses acquired by capital authorization must have a useful life of at least 15 years and 12 years, respectively.

**Flood Control Capital Projects:**

1. Design, construction, land acquisition, or improvements to existing facilities within a federally designated flood control district. The total project must be valued at \$300,000 or more, and financial commitment from each source must be shown along with the Commonwealth's financial share of the project as the requested amount.
2. All flood control capital projects must have a useful life of at least 30 years.

**Highway and Bridge Capital Projects:**

1. Design, construction, and acquisition of rights-of-way for improvements to the state highway system, including new road and bridge construction, bridge replacements greater than 20 feet, and improvements to existing roadways, which increase capacity or ingress/egress. The total project must be valued at \$300,000 or more, and financial commitment from each source must be shown along with the Commonwealth's financial share of the project as the requested amount.

**Redevelopment Assistance Projects:** This category provides grants for the construction of building and other property appurtenances, including associated requisition of land and its clearance, for municipal agencies and authorities for the prevention and elimination of blight and economic development. By law, projects seeking Redevelopment Assistance capital funding must:

1. Be authorized in the Redevelopment Assistance section of a Capital Budget Itemization Act.
2. Use Redevelopment Assistance capital funding for facilities other than housing units, highways, bridges, waste disposal facilities, sewage facilities, or water facilities.
3. Be projects which cannot obtain primary funding under other state programs.
4. Generate substantial increases in employment, tax revenues, or other measures of economic activity including such projects with cultural, historic, or other civic significance.

5. Have a regional or multi-jurisdictional impact.
6. Be eligible for tax-exempt bond funding under existing Federal laws and regulations.
7. Have at least a 50 per centum non-state participation, of which at least half is secured funding. Non-state matching funds are subject to the following provisions:
  - The source of matching funds must be documented at the time of application with identifiable and firm commitments with at least 50% secured.
  - Generally, the only non-cash non-state participation permitted is land donation or *fixed assets which have a substantial useful life*.
  - Funds from other state programs, including funds from legislative sources, may not be used for match purposes.
  - A portion of any funds reserved for the future physical maintenance and operation of facilities may be included as a part of the 50% non-state participation, provided such reserved funds must have legal binding documentation explaining the intent, design, and operation of the dedicated fund. Salaries cannot be paid from reserved funds, and the total of these funds cannot exceed 15% of the total project cost.
  - Have a total project cost of one million dollars (\$1,000,000) or more.
8. Applicants shall be one of the following:
  - A redevelopment authority.
  - An industrial development authority.
  - A general purpose unit of local government.
  - A local development district which has an agreement with a general purpose unit of local government under which the unit assumes ultimate responsibility for debt incurred to obtain the 50% non-State participation required above.
  - Any public authority established pursuant to the laws of this Commonwealth.
  - An industrial development agency which has been certified as an industrial development agency by the Pennsylvania Industrial Development Authority Board pursuant to the act of May 17, 1956 (1955 P.L.1609, No.537), known as the Pennsylvania Industrial Development Authority Act, and which is itself or which is acting through a wholly owned subsidiary which is exempt from Federal taxation under section 501(c)(3) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. 1 et seq.).

**Non-Capital Construction, Rehabilitation, Restoration, and Maintenance Projects:**

1. Projects to construct new facilities and replace or rehabilitate existing assets are not considered capital and do not require capital budget authorization, if both of the following conditions are met: (a) the project has a total value of less than \$300,000, and (b) only current revenue sources are used to fund the project. No proceeds from Commonwealth General Obligation Bonds will be used to pay for the project. If bond funds are to be used as a source of funds, a capital budget authorization must be obtained, and the project must be valued at \$100,000 or more.
2. Generally, maintenance and repair projects are intended to return an asset to a condition that is consistent with its original design purpose(s). Funding for these types of projects should be secured through the operating budget process. Typical maintenance and repair items include interior and exterior painting, decorating, and repairs to existing components.

3. Projects that meet the definition of non-capital construction, rehabilitation, and maintenance projects will be funded through a current revenue source, such as an operating appropriation, executive authorization, or a dedicated funding source.