

## **Overview of the Capital Bill**

### **Introduction**

The State provides for its capital expenses in the Capital Construction and State Bonding Act, referred to as the “Capital Bill.” The Capital Bill contains the authorization for the State to incur debt through general obligation bonds for State capital projects and it sets out the spending for those State capital projects.

### **What is a “capital expense”?**

There is no statutory definition of “capital expense,” but in general, it means an investment that will have at least a 20-year useful life, such as real estate, buildings, and certain machinery or equipment.

In 32 V.S.A. § 309, capital expenses that may be paid for in the Capital Bill include:

“(1) Activities proposed for funding by general obligation debt financing shall be restricted to tangible capital investments, but may include the planning, design, and engineering<sup>1</sup> directly associated with a tangible capital investment.”

### **Capital Budget Process**

Pursuant to 3 V.S.A. §§ 309 and 310, the capital budget process begins in the autumn and early winter when the Department of Buildings and General Services works with other Executive Branch agencies to project the yearly capital expenditures in the context of the State’s ten-year capital program plan. Based on this projection, the Governor then proposes an annual capital budget request to the General Assembly, and this forms the basis of the Capital Bill. The proposal includes requests to fund new and existing capital projects, policy initiatives, and technical provisions.

After the Governor provides the capital budget request, the General Assembly uses that request to begin the Capital Bill process. The Capital Bill typically starts in the House (in the Committee on Corrections and Institutions) and is referred to the Senate Committee on Institutions.

### **Form of Capital Budget**

The capital budget process is a two-year budget. The Capital Bill in the first year appropriates funds for two years. In the second year, the Capital Bill is a budget adjustment, and adjusts (either adds or subtracts) to the first year’s bill. The Capital Bill is usually bigger in the first year of the biennium. 32 V.S.A. § 309(a) states:

“In the first year of the biennium the [capital] budget shall relate to the next two fiscal years. In the second year of the biennium the [capital] budget shall relate primarily to the next fiscal year but may request amendments to the current or to previous fiscal years or refer to requests for future fiscal years.”

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<sup>1</sup> On July 1, 2019, this language will be amended to remove the reference to “engineering”.

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As a result, in the second year of the biennium, the Capital Bill (referred to in the second year as the Capital Budget Adjustment Act) tends to be smaller.

### **Structure of the Bill**

From a drafting perspective, the Capital Bill is typically divided into two sections. The first section is the “money” section and includes the appropriations to capital projects while the second section is dedicated to policy initiatives.

The money section of the bill generally follows a similar format from year to year, and includes appropriations to the following:

- State Buildings (Department of Buildings and General Services)
- Human Services
- Judiciary
- Commerce and Community Development
- Grant Programs
- Education
- University of Vermont
- Vermont State Colleges
- Natural Resources
- Military
- Public Safety
- Agriculture, Food and Markets
- Vermont Rural Fire Protection
- Vermont Veterans’ Home
- Reallocation of Funds

The order of the policy section of the bill is based on what policy initiatives the Governor has proposed in the capital budget request and any other capital-related policies the General Assembly would like to address that year.