

Overview of the Capital Bill Language

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Introduction to the Capital Bill

- Act name is the “Capital Construction and State Bonding Act” but referred to as the “Capital Bill”
- Contains the authorization for the State to incur debt through general obligation bonds for State capital projects
- Sets out the spending for State capital projects
- Directs certain policy initiatives relating to State capital projects

What is a “capital expense”?

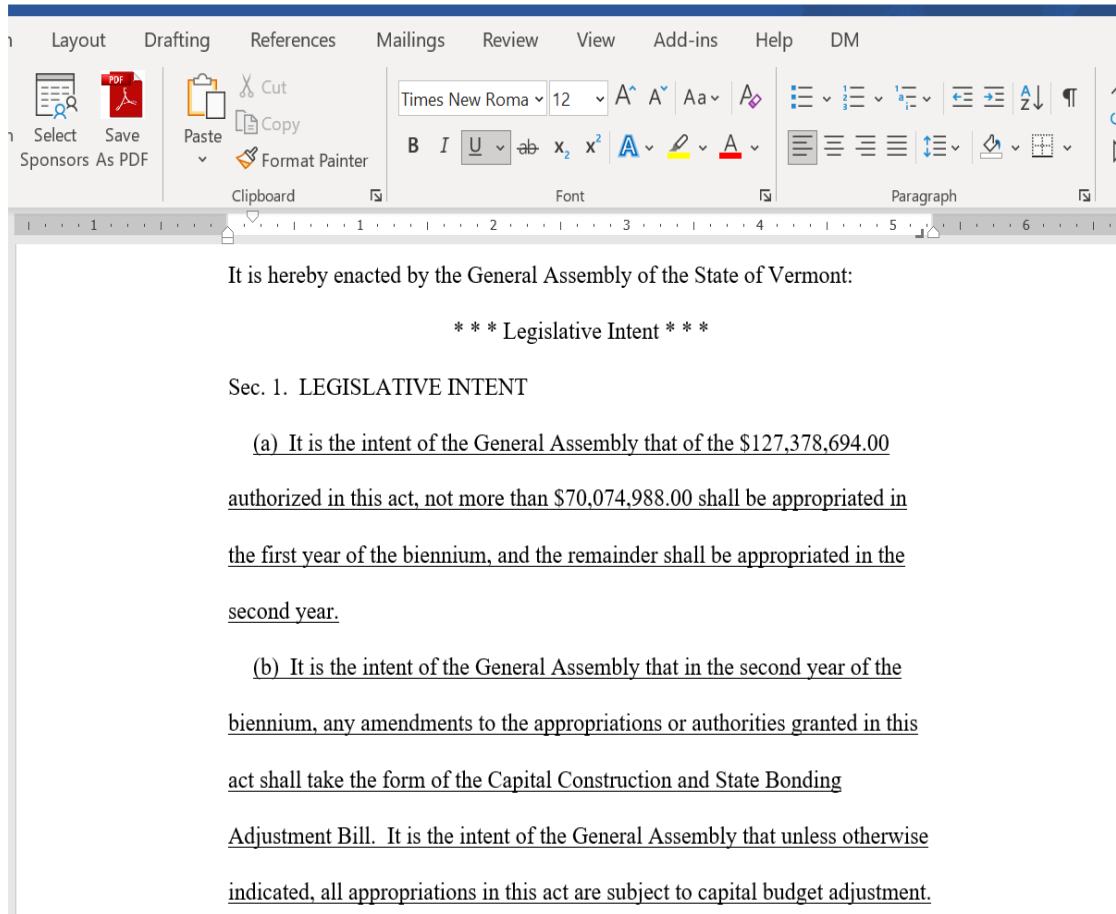
- No statutory definition but generally means an investment that will have at least a 20-year useful life
- Eligible expenses include: “(1) Activities proposed for funding by general obligation debt financing shall be restricted to tangible capital investments, but may include the planning and design directly associated with a tangible capital investment.” (32 V.S.A. § 309)
- Examples include real estate, buildings (construction or renovation), and the purchase of certain machinery or equipment.

Capital Budget Process

- Process begins before session 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 (*see 32 VSA §§ 309 and 310*)
- Based on this projection, the Governor proposes an annual capital budget request to the General Assembly, and this forms the basis of the Capital Bill
- The proposal starts in the House and includes requests to fund new and existing capital projects, policy initiatives, and technical provisions
- The Committee uses that request to begin the Capital Bill process

Form of Capital Budget

- The capital budget process is a two-year budget:
 - first year appropriates funds for two years
 - second year is a budget adjustment and adjusts (either adds or subtracts) to the first year's bill. (*See 32 V.S.A. § 309(a)*)
- In the second year of the biennium, the bill is referred to as the “Capital Budget Adjustment Act” and tends to be smaller



Structure of the Bill

- Bill is divided into two parts:
 - The first part is the “money” section and includes appropriations to capital projects (and some related language)
 - The second part is dedicated to policy initiatives
- Typically, the first section is a “Legislative Intent” section

Structure of the Bill: Money Sections

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

Sec. 2. STATE BUILDINGS

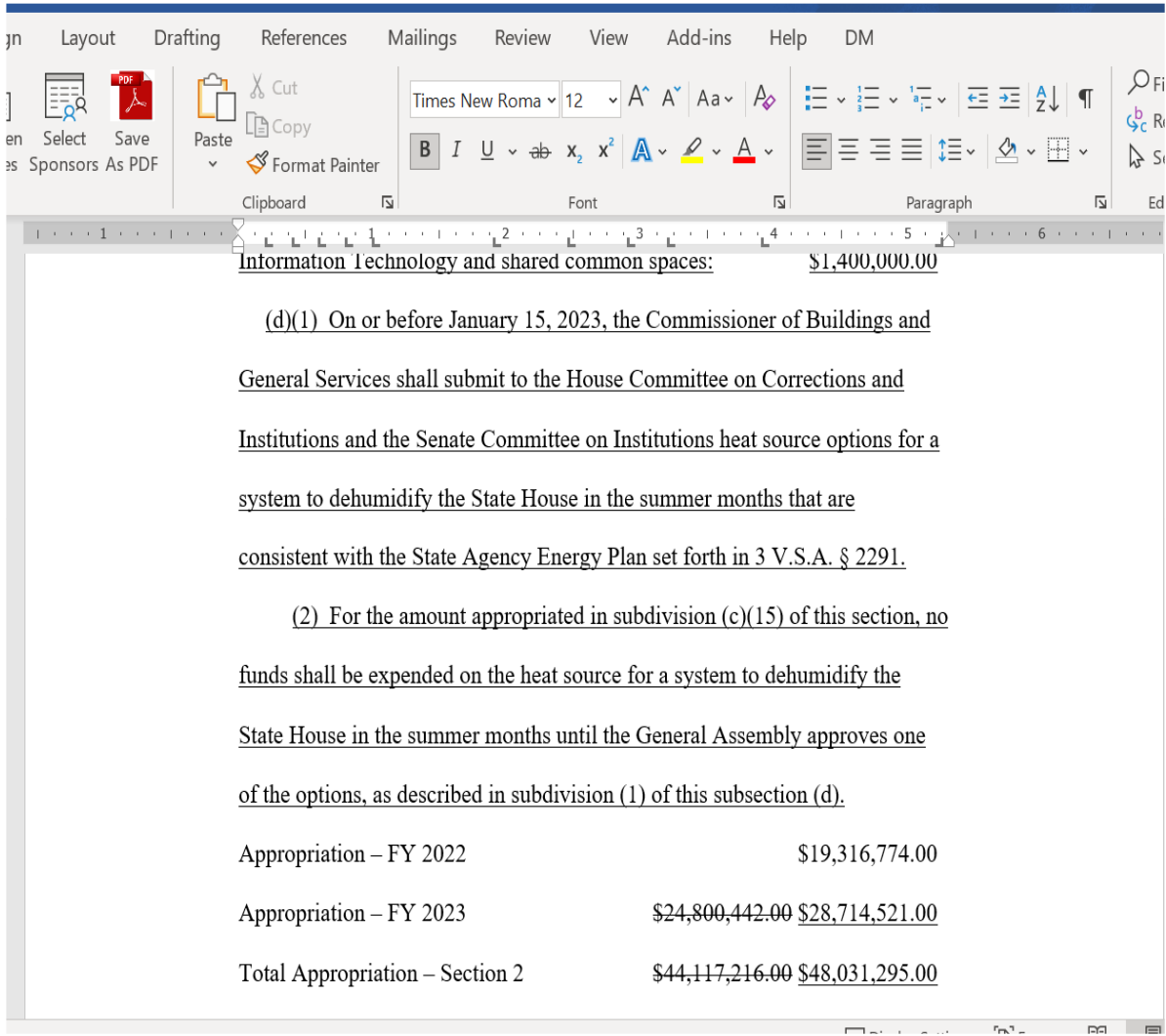
(a) The following sums are appropriated to the Department of Buildings and General Services, and the Commissioner is authorized to direct funds appropriated in this section to the projects contained in this section; however, no project shall be canceled unless the Chairs of the Senate Committee on Institutions and the House Committee on Corrections and Institutions are notified before that action is taken.

(b) The following sums are appropriated in FY 2022:

(1) <u>Statewide, major maintenance:</u>	<u>\$7,102,300.00</u>
(2) <u>Statewide, BGS engineering and architectural project costs:</u>	<u>\$3,624,474.00</u>
(3) <u>Statewide, physical security enhancements:</u>	<u>\$250,000.00</u>
(4) <u>Statewide, planning, use and contingency:</u>	<u>\$500,000.00</u>
(5) <u>Burlington, 108 Cherry Street, parking garage repairs:</u>	

Structure of the Bill: Money Sections

- The money section is the spreadsheet in words
- The “State Buildings” section is typically the largest
- The line-item appropriations have varying levels of detail

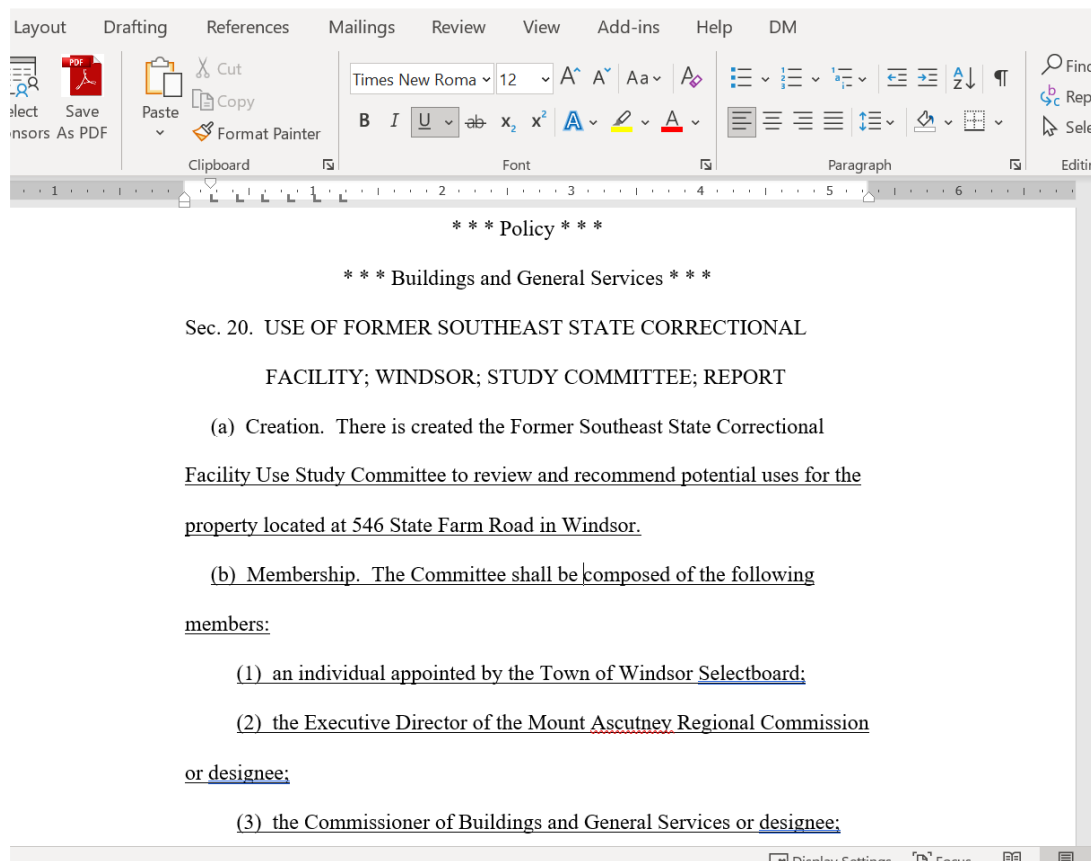


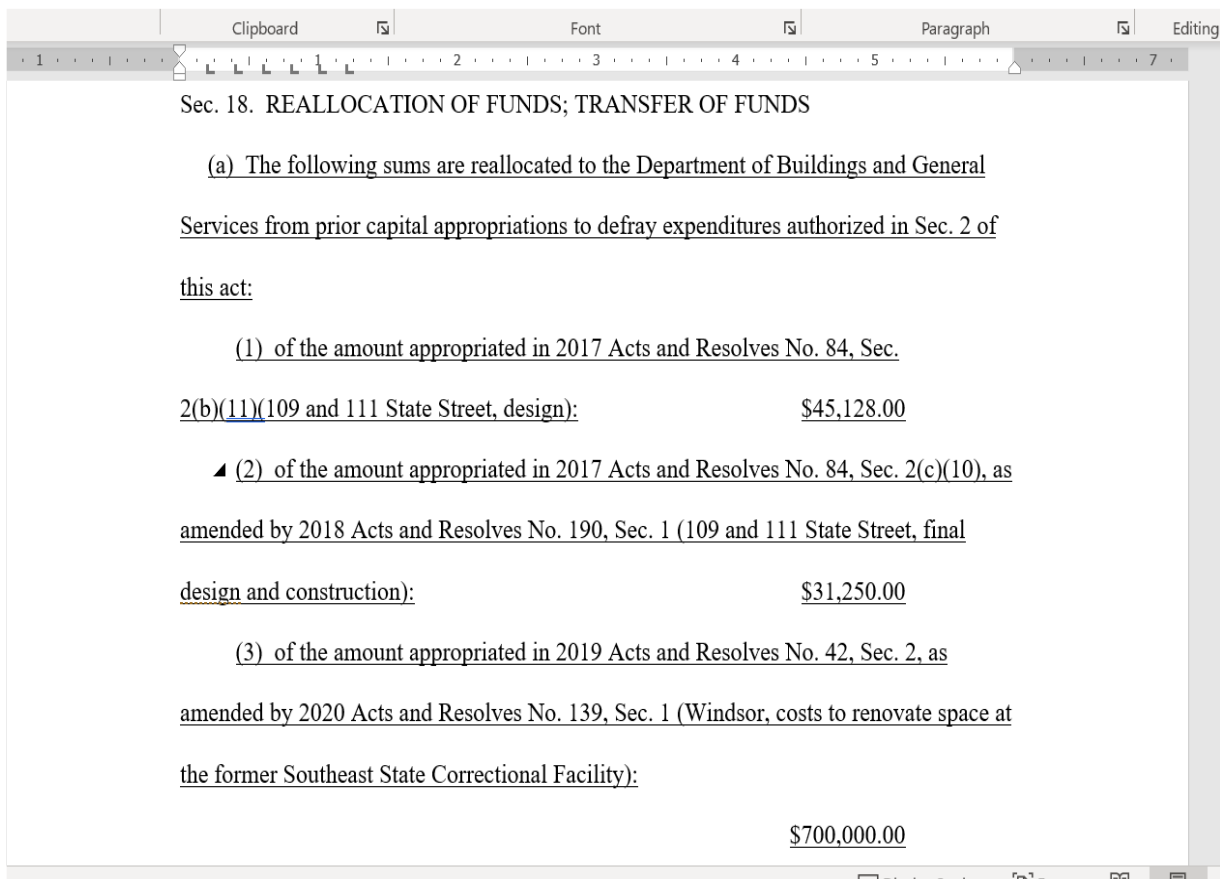
Structure of the Bill: Money Sections

- Each money section includes total appropriations for each year and total appropriations for the whole section
- May include some policy language

Structure of the Bill: Policy Sections

- 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.
- Typically, in alphabetical order by State agency/department
- Examples include sale of state buildings, reporting requirements on use of buildings, study committees on use of space/buildings





Structure of the Bill: Reallocations

- 32 V.S.A. § 701a provides authority to reallocate unexpended capital funds each year
- Typically, organized by who the funds were originally appropriated to

Structure of the Bill: Other Authorities

- Authority to issue general obligation bonds and use bond premium

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Sec. 19. GENERAL OBLIGATION BONDS AND APPROPRIATIONS

(a) The State Treasurer is authorized to issue general obligation bonds in the amount of \$123,180,000.00 for the purpose of funding the appropriations of this act. The State Treasurer, with the approval of the Governor, shall determine the appropriate form and maturity of the bonds authorized by this section consistent with the underlying nature of the appropriation to be funded. The State Treasurer shall allocate the estimated cost of bond issuance or issuances to the entities to which funds are appropriated pursuant to this section and for which bonding is required as the source of funds, pursuant to 32 V.S.A. § 954.

(b) The State Treasurer is authorized to issue additional general obligation bonds in the amount of \$12,840,163.00 that were previously appropriated but unissued under 2021 Acts and Resolves No. 50 for the purpose of funding the appropriations in this act.

Total Revenues – Section 19	\$123,180,000.00	\$136,020,163.00	☰ (Ctrl) ▼
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