

Date: January 5, 2023

To: Indiana State Budget Committee

From: Zachary Q. Jackson
Director, State Budget Agency

Subject: **State Budget Agency Capital Budget Policy**

IC 4-12-1-9(c)(4) requires that the budget report shall include “a description of the capital improvement program for the state and an explanation of its relation to the budget.”

The following details the State Budget Agency’s capital budget policies designed to enhance the State’s capital improvement program.

1. It is the policy of the State Budget Agency to put together a Capital Budget that takes care of what we have, finish what we started, and plan for the future.
2. To that effect, it is the policy of the State Budget Agency to prioritize the funding of Preventive Maintenance (PM) projects that will help prolong the life of Capital assets over line item projects and projects that promotes Capital asset expansion around the State.
3. The Budget Agency will continue to make use of and expand its data-driven and quantitative approach to selecting Capital projects consisting of R & R and Line item Projects. This approach entails the use of a capital project scoring tool to assist with the planning of the State’s capital priorities.
4. The Budget Agency’s capital budget policy will continue to put emphasis towards the reduction of deferred maintenance projects across the State. We continue to believe reducing deferred maintenance projects will help reduce the risk of asset failure and deterioration and ultimately lead to greater cost savings for Hoosier taxpayers in the long run.
5. The Budget Agency continues to monitor the impact of cost-overruns and construction inflation on the State’s capital improvement program. The Agency will continue to consult and work with the Department of Administration to ensure that projects are managed in a way that balances the judicious use of Hoosier taxpayers’ dollars yet in a manner that does not compromise the safety and structural integrity of the State’s capital assets.
6. Indiana Law requires that Capital agencies have Master Plans for their facility or campus. It is the State Budget Agency’s policy to ensure that the master plans for Agency facilities and assets, as well as the State’s inventory of deferred maintenance, are reviewed and updated on a biennial basis.