



State of Indiana

State Budget Agency
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Mike Braun, Governor

Chad Ranney, Director

TO: Cabinet Secretaries
Agency Heads
Chief Financial Officers
Controllers

FROM: Chad E. Ranney, State Budget Director

DATE: June 30, 2026

RE: **FY 2028 – FY 2029 Capital Biennial Budget Instructions**

As preparations begin for the upcoming biennium budget, it is important to reaffirm the purpose of our capital budgeting program: ensuring Indiana's state facilities remain safe, functional, and responsive to the needs of both the public and our workforce. Thoughtful capital planning is essential to achieving this goal, and strong collaboration with agencies plays a critical role in that success.

One key expectation is that agencies fully evaluate and prioritize the use of any remaining prior year capital appropriations before submitting requests for new capital funding. Ensuring older capital balances are appropriately utilized not only strengthens the State's stewardship of taxpayer resources but also allows for a clearer assessment of true needs when allocating new funding.

Beyond this priority, capital requests will be evaluated based on the following principles:

- 1. Alignment with Agency Mission and Program Objectives**
Capital proposals must clearly demonstrate how the project supports the agency's mission and statutory responsibilities, as well as the programmatic goals outlined in the operating budget submission.
- 2. Use of a Long-Term Master Plan**
Effective master planning remains essential for responsible capital management. A strong plan provides transparency into future needs, supports timely maintenance of existing assets, and ensures capital decisions reflect anticipated programmatic or operational changes.

3. Assessment of Operating Impacts and Lifecycle Costs

Agencies must include a detailed analysis of how proposed capital projects will impact future operating budgets and long-term maintenance obligations. A clear strategy for managing these costs within available appropriations is required. Gaining insight into the entire lifecycle—from acquisition to disposition—is fundamental for effective and sustainable capital planning.

The following instructions outline the documentation agencies must submit for consideration of capital requests. Support is available throughout this process, and agencies are encouraged to reach out to the assigned SBA fiscal analyst with questions at any point.

Thank you for the continued partnership and commitment to responsible capital management across the State of Indiana.



Chad E. Ranney
State Budget Director

cc: Mike Braun, Governor
Secretary Lisa Hershman, Office of Management and Budget

FY 2028 – FY 2029 Capital Biennial Budget Instructions

I. Capital Submission Overview

These instructions set forth the process to request and justify preventive maintenance (PM), repair and rehabilitation (R&R), line-item projects, capital leases, and other capital projects for FY 2028 and FY 2029. This process applies to all state agencies, institutions, and other entities, except state universities.

Agencies will use the online portal to identify and justify capital needs. SBA will provide all direct entry for capital projects into the State's budgeting system, Hyperion. To ensure compliance with the statutory deadline and give adequate data entry time for SBA, capital budget requests and supporting documentation must be submitted through the [SBA Budget Submission Portal](#) no later than **Friday, August 14, 2026**. Submissions must include a Capital Master Plan, Capital Transmittal Letter, Capital Project Questionnaire and Spending Request Form, and a PM Spending Plan (if applicable).

The following documents and method of submission are explained in further detail in the sections below:

- Section II – Definitions
- Section III – Capital Master Plan
- Section IV – Capital Transmittal Letter
- Section V – Preventive Maintenance Spending Plan
- Section VI – Capital Project Questionnaire
- Section VII – Capital Spending Request Form

II. Definitions

Each capital budget request must fall within one of the categories defined below:

A. Preventive Maintenance (PM)

PM includes expenditures for goods, supplies, or services related to the routine upkeep of existing structures and other assets. PM expenditures do not alter an asset's function, use, or mission, nor do they collectively rise to the level of a construction or R&R project. Examples of PM include calendar-based maintenance of your HVAC system and exterior repainting to prevent deterioration.

B. Repair & Rehabilitation (R&R)

R&R encompasses a wide range of expenditures (generally grouped together as a project) aimed at maintaining or extending the useful life of an existing asset, improving its condition or functionality, or addressing deferred maintenance (DM). DM reflects R&R needs that have been postponed due to factors such as limited funding, the redirection of resources to urgent repairs, or prioritization of other critical projects.

Generally, R&R projects include the replacement of major building components such as a roof or HVAC system

C. Line-Item Projects

Line-Item projects are defined as a broad range of expenditures (grouped together as a project) resulting in the creation of a new or different fixed asset such as a building or structure which may be free-standing or affixed to an existing asset. For example, expenditures necessary to construct a new State Police Post (whether it results in an additional new structure or replaces an existing building) would be considered a line-item construction project.

Line-Item projects may also reflect a change in an asset's function, use, or mission. For instance, expenditures necessary to transform a cold storage facility into a vehicle repair facility would be considered a line-item project because it would result in a major functional change for an existing structure. These are also intended to be one-time in nature rather than a recurring need.

D. Capital Leases

This category represents payments made to a financing authority under the terms of one or more leases or similar agreements, serving as consideration for the use and occupancy of a financed capital asset. For example, the Indiana Finance Authority (IFA) financed construction of a new state hospital for use by the Family and Social Services Administration (FSSA). Under the agreement securing the bonds, the Indiana Department of Administration (IDOA) is responsible for making lease payments to the IFA.

E. Other Capital Requests

This category includes expenditures that do not fall within the foregoing definitions and for which inclusion into the capital budget is in the best interest of the State. These requests may be submitted to the State Budget Agency, along with all necessary supporting documents. For example, expenditures necessary to acquire land would be considered a project and may be included in your capital budget request.

All other requests that would not fall into one of the above categories must be included in the operating budget submission.

III. Capital Master Plan

SBA is dedicated to ensuring Capital Master Plans are maintained and used for long-term capital planning. These plans must be adjusted and updated at least biennially to account for changes in project timelines, agency needs, project costs, available funding, agency mission, and objectives.

If assistance is required with the Capital Master Plan, agencies should contact SBA and IDOA's Division of Public Works. Agencies with bonded facilities must continue to work with the Indiana Finance Authority and the Division of Public Works to ensure adherence to the facility master plan.

The following is a list of key factors that should be considered when developing a complete Capital Master Plan:

- Facility condition and age assessments
- Health, safety, and environmental concerns
- Building code compliance
- Future operating costs (e.g. utilities)
- Efficiency opportunities
- Financing structure
- Matching support from federal, local, or private sources
- Agency program needs and forecasted changes (e.g. population trends)
- Long-term plans for disposition

As part of the Capital Master Plan, agencies must detail the condition of current assets and project the end of each asset's useful life. This data is used to assist with current and future project requests. Agencies must address the age, remaining useful life, and replacement costs for replaceable assets such as roofs, boilers, HVAC systems, water systems, electrical, plumbing, pumps, generators, pavement, building facades, windows, etc.

Agencies must document their long-term capital needs for the next 10 years. This review must focus on proactive capital planning, including identifying expiring assets and building a plan for addressing them before the end of useful life to avoid more expensive emergency R&R projects.

Next, agencies must document their short-term capital needs by evaluating quantitative, detailed capital projects necessary for the next 2-4 years. Project details must be accompanied by cost estimates, timelines, and feasibility review.

IV. Capital Transmittal Letter

Agencies must submit a capital transmittal letter that provides a narrative overview of capital asset conditions and the priorities identified for improvement in the upcoming biennium. Generally, the letter must include the following:

- The condition of the agency's physical assets and a discussion of the progress made in the current biennium and any challenges facing the agency's facilities/infrastructure in the next biennium;
- An explanation of how the agency assets fit into current and long-term plans; and

- A prioritized list of capital projects for the upcoming biennium, including the criteria the agency used to determine priority.

V. Preventative Maintenance Spending Plans

Agency PM budgets will default to the FY 2026 and FY 2027 allotment. Agencies providing allocations by facility or division must provide a list identifying how PM will be allocated at the agency level.

Properly executed PM budgets should minimize the need for more expensive R&R projects and extend the useful life of the asset. With sufficient justification, agencies may request adjustments to the PM budget when necessary to ensure assets are properly maintained. Examples may include annual HVAC maintenance contracts and supply costs. Adjustments may also be appropriate when facilities are placed into service or taken offline, requiring updates to ongoing PM needs.

To complete the PM Spending Plan, agencies must submit a document outlining how they plan to spend their PM appropriation. For example, this can be a spreadsheet listing the regular maintenance responsibilities and estimated costs for those maintenance activities and contracts. PM Spending Plans must be submitted through the [SBA Budget Submission Portal](#).

VI. Capital Project Questionnaire

Capital project requests will be evaluated in a qualitative manner by the SBA capital team in conjunction with the assigned SBA fiscal analyst.

These requests must be submitted through the [SBA Budget Submission Portal](#). To begin, select Start Form, and choose “Capital Project Questionnaire & Capital Spending Request Form” under Budget Submission Type. For each capital request, agencies must provide the following information:

- **General Intake Questions:** Include the project type (PM, Line Item, or R&R), priority ranking, and the requested amounts for FY 2028 and FY 2029.
- **Project Explanation:** Provide an overview of how the capital request furthers the agency’s ability to carry out its mission(s) and fits within your master plan, including a justification for the priority ranking score.
- **Cost:** Explain how the project could impact operating, staffing, and utility costs and provide a justification for determining the estimated cost.
- **Uncertainty and Risk:** Describe any anticipated impacts or subsequent actions if the request is denied.

SBA will enter capital requests into Hyperion and provide agencies with the Capital Project Report (024A) to review and validate. Final submissions, including any changes, are due with all other capital deliverables on **Friday, August 14, 2026**.

The capital project template (“FY 28-29 Budget Capital Request Template”) is included with this memo. Agencies may use it; however, all information must be submitted in Hyperion.

VII. Capital Spending Request Form

A Capital Spending Request (CSR) Form must accompany each capital project questionnaire and will be used to categorize and further justify requests.

- **Project Information:** Include the project name, project manager, estimated cost, budgeted amount, and proposed funding source.
- **Capital Project Details:** Provide a description of the existing asset and condition, a justification for the proposed project – including whether it relates to a current or a proposed initiative and explain how it will improve the effectiveness and productivity of the agency, protect the agency’s existing capital investments, or enhance/expand services, an implantation timeline, and a long term plans of the asset. Describe how the agency assigned its priority ranking, preferably by linking it to the agency’s mission, objectives, and key performance indicators.
- **Cost/Savings Estimate:** Explain the financial analysis performed to determine that the proposed project has an appropriate scope and cost. This could include a cost-benefit analysis, a net present value (NPV) calculation, lifecycle costing, or other types of analytical methods as appropriate.
- **Other:** List any potential ramifications if deferred and the preferred year of appropriation. As necessary, include other information such related projects. Indicate any current or proposed projects which affect or are affected by this proposed project request. Explain how the projects are related, and the impact of funding only one, some, or all the projects. Use the IDOA Public Works Division project number(s), if available.

The CSR Form is attached to this memo. Reach out to the SBA capital analyst if you have any questions or concerns about completing the form.