

**State of Washington
Joint Legislative Audit and Review Committee (JLARC)**



**Capital Budget Staffing and
Administrative Costs Study**

Report 02-10

October 31, 2002

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The Joint Legislative Audit and Review Committee (JLARC) carries out oversight, review and evaluation of state-funded programs and activities on behalf of the Legislature and the citizens of Washington State. This joint, bipartisan committee consists of eight senators and eight representatives, equally divided between the two major political parties. Its statutory authority is established in RCW 44.28.

JLARC staff, under the direction of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented. JLARC has, in recent years, received national recognition for a number of its major studies.

**CAPITAL BUDGET
STAFFING AND
ADMINISTRATIVE COSTS
STUDY**

REPORT 02-10

REPORT DIGEST

OCTOBER 31, 2002



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Background

Washington State funds its long-term investments in state and local lands and facilities through the state Capital Budget. The 2001-03 Capital Budget authorizes close to \$4 billion¹ in funding for over 500 capital projects and programs administered by 30 different state agencies. Funding is almost evenly split between state land and facility projects and state-administered grant, loan, and pass-through programs for local governments and other entities.

The 2001-03 Capital Budget directs JLARC to study and develop recommendations addressing the staffing, administrative, and overhead costs associated with capital projects and programs. Capital-related staffing and administrative cost data is not fully available from the state's accounting systems, and there are significant differences in accounting and financing practices across agencies. To collect information for this study, JLARC surveyed all agencies receiving Capital Budget funding in the 2001-03 Biennium. In addition, JLARC reviewed state fiscal policies, expenditure reporting requirements, and oversight mechanisms. Due to the large number of agencies and capital projects involved in this study, individual agency operations, efficiencies, and effectiveness were not evaluated.

Variations in Staffing Structures and Financing Practices Across Agencies

Historically, gubernatorial and legislative Capital Budget decision-making has primarily focused on the necessity and cost-effectiveness of capital investments, rather than the staffing and administrative costs associated with delivering those investments. As a result, state agencies have developed many approaches for administering capital projects and programs. Significant differences exist across agencies in the number and type of staff employed, the amount of administrative and overhead costs incurred, and the funding sources used to pay these costs.

Staffing Levels

Agencies report that a total of 973 full-time equivalent staff (FTEs) will be involved in the development and implementation of their 2001-03 capital projects and programs, with salaries and benefits totaling \$118 million for the biennium. **Approximately 633 FTEs will be funded with capital dollars (\$73 million in biennial salaries and benefits); 401 of these FTEs will be funded out of long-term debt-financed funds² (\$45 million of the \$73 million in biennial capital-funded salaries and benefits).** The remainder of capital program-related FTEs will be funded out of Operating and Transportation Budget funds and other local and non-appropriated accounts.

¹ This amount includes new appropriations, reappropriations, and Certificates of Participation authorized in the 2001-03 Capital Budget, including adjustments made in the 2002 Supplemental Budget.

² Includes bonds and Certificates of Participation (COPs).

Administrative and Overhead Costs

Based on agency survey responses, JLARC estimates that agency administrative and overhead costs will total approximately \$123 million in 2001-03, representing 4 percent of total capital program expenditures. Across individual agencies, administrative and overhead rates range from 1 to 16 percent. Almost two-thirds of administrative costs are for the salaries and benefits of capital program administrative staff. **Capital funds will be used to pay approximately 62 percent (\$76 million) of total administrative and overhead costs; 41 percent (\$50 million) will come from capital debt-financed funds.** The balance will be paid for with Operating and Transportation Budget funds and other local sources.

State Budgeting Policies and Monitoring of Capital Expenditures

The Office of Financial Management (OFM) is responsible for developing Capital Budget procedures and monitoring capital appropriations and expenditures. Guidance to agencies is provided primarily in OFM's Capital Plan Instructions. The instructions are intentionally broad and flexible to accommodate the wide range in type, size, and scope of capital projects and programs. However, portions of the instructions do not provide clear guidance to agencies regarding allowable capital staffing, administrative, and overhead costs. In addition, the Governor and Legislature have historically not provided direction to agencies within their Capital Budget documents regarding intended levels of staffing and administrative costs to be funded with capital dollars. Combined with the lack of readily-available accounting data, and differences in accounting and financing practices across agencies, few tools have been employed for monitoring and controlling agency staffing and administrative expenses.

Summary of Major Findings

- Capital program staffing and administrative costs are not highlighted in the budget development process.
- Limited policy guidance regarding funding of capital staffing and administrative costs makes budgeting and oversight difficult.
- Incomplete reporting of capital-funded FTEs and an inability to isolate administrative and overhead expenditures in the state's accounting and reporting system prevent adequate capital expenditure monitoring.
- There is a potential for state agencies to shift their operating costs to the Capital Budget.

Summary of Recommendations

JLARC's recommendations are intended to clarify the budgeting and reporting of Capital Budget-funded staffing, administrative, and overhead costs.

1. OFM and the Legislature should establish clear policies regarding the staffing and administrative costs that may be paid from the Capital Budget.
2. The Governor and Legislature should indicate the number of agency staff intended to be funded from capital dollars in their Capital Budget documents.
3. OFM should require state agencies to report FTEs funded with capital dollars as "*capital FTEs*" in the state's accounting and reporting system.
4. OFM should monitor actual capital FTEs against the intended number of FTEs in the enacted Capital Budget.
5. OFM should assess the feasibility and fiscal impacts of collecting actual project administration cost data from agencies after the completion of larger capital projects to determine whether existing policy guidelines are reasonable and effective.

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CHAPTER 1 - INTRODUCTION

The 2001-03 Capital Budget authorizes close to \$4 billion in funding for over 500 capital projects and programs administered by 30 different state agencies. Capital Budget funds are almost evenly divided between state land and facility projects and state-administered grant, loan, and pass-through programs for local governments and other entities. State employees are usually involved in the implementation of capital projects and agencies often incur administrative and overhead costs in managing their capital programs. This JLARC study will estimate the amount of agency staffing, administrative, and overhead costs paid for out of Capital Budget funds and review state fiscal policies, expenditure reporting requirements, and oversight mechanisms for capital projects and programs.

Washington State funds its long-term investments in state and local lands and facilities through the state Capital Budget.¹ The Capital Budget funds a variety of projects and programs, ranging from the construction and repair of state prisons and universities to the distribution of grants and loans for local government infrastructure and environmental projects.

State employees are usually involved in the implementation of capital projects, and state agencies² may incur administrative and overhead costs in managing their capital programs. In some cases, agencies pay for staffing, administrative, and overhead costs from their Capital Budget appropriations. In other cases, agencies pay these costs with funds from their Operating or Transportation Budget appropriations, or from local or non-appropriated accounts under their jurisdiction.

Due to concerns about the growth in the amount of staffing, administrative, and overhead costs charged to the Capital Budget, the Legislature directed JLARC to undertake this study (See Appendix 3 for a history of reported capital-funded FTEs compared to changes in overall Capital Budget appropriations).

JLARC STUDY MANDATE

The 2001-03 Capital Budget directs the Joint Legislative Audit and Review Committee (JLARC) to study Capital Budget-funded staffing, administrative, and overhead costs.³ Specifically, the study mandate calls upon JLARC to:

- Estimate the number of FTEs (full-time equivalent state employees) funded in the Capital Budget, including those funded from debt-financed funds, and the functions they perform in relation to capital programs;
- Estimate the extent to which agency administrative and overhead costs are financed through the Capital Budget;
- Identify any implications of funding personnel and administrative costs in the Capital Budget; and

¹ The Capital Budget is one of three major budgets enacted by the Legislature. The Operating Budget and Transportation Budget make up the other two.

² Throughout this report, the term “agency” will refer to state agencies and state higher education institutions.

³ Section 917, Chapter 8, 2001 Laws 2nd Special Session.

- Make recommendations regarding how FTEs and administrative costs can be better accounted for in the budgeting process.

The emphasis of this study is on capital program staffing levels and administrative and overhead costs as well as related state-level budgeting policies, procedures, and reporting systems used to manage those costs. Due to the large number of agencies and programs involved, individual agency program operations, efficiencies, and effectiveness were not evaluated. Further, this study did not address transportation infrastructure, ferry construction, or other capital programs funded in the state's Transportation Budget.

STUDY METHODOLOGY AND AGENCY SURVEY

To identify capital program staffing, administrative, and overhead costs among the agencies responsible for administering capital programs, JLARC surveyed all state agencies that received new appropriations and/or reappropriations in the 2001-03 Capital Budget. Agencies were asked to report total costs associated with developing and implementing their Capital Budget-funded projects, *regardless of funding sources used to pay these costs*. This approach was to capture a more complete picture of the resources used to administer capital programs, as well as the different funding sources used to pay for capital program-related expenses. The information obtained through this JLARC survey is not fully available in the statewide fiscal accounting and reporting system because agencies are not required to report expenditures at the level of detail necessary to answer the questions raised in JLARC's study mandate. (See Appendix 8 for a copy of the JLARC survey.)

JLARC also reviewed existing Capital Budget policies and procedures, expenditure reporting requirements, and oversight mechanisms. In conjunction with this review, JLARC gathered information from six other states to identify similarities or differences in Capital Budgeting policies and procedures.⁴ Overall, the discussions with other states revealed limited state policies and oversight of capital-funded staffing, administrative, and overhead costs. Of the states contacted, California was the only state currently reviewing similar issues addressed by this JLARC study.

REPORT OVERVIEW

This report is organized as follows:

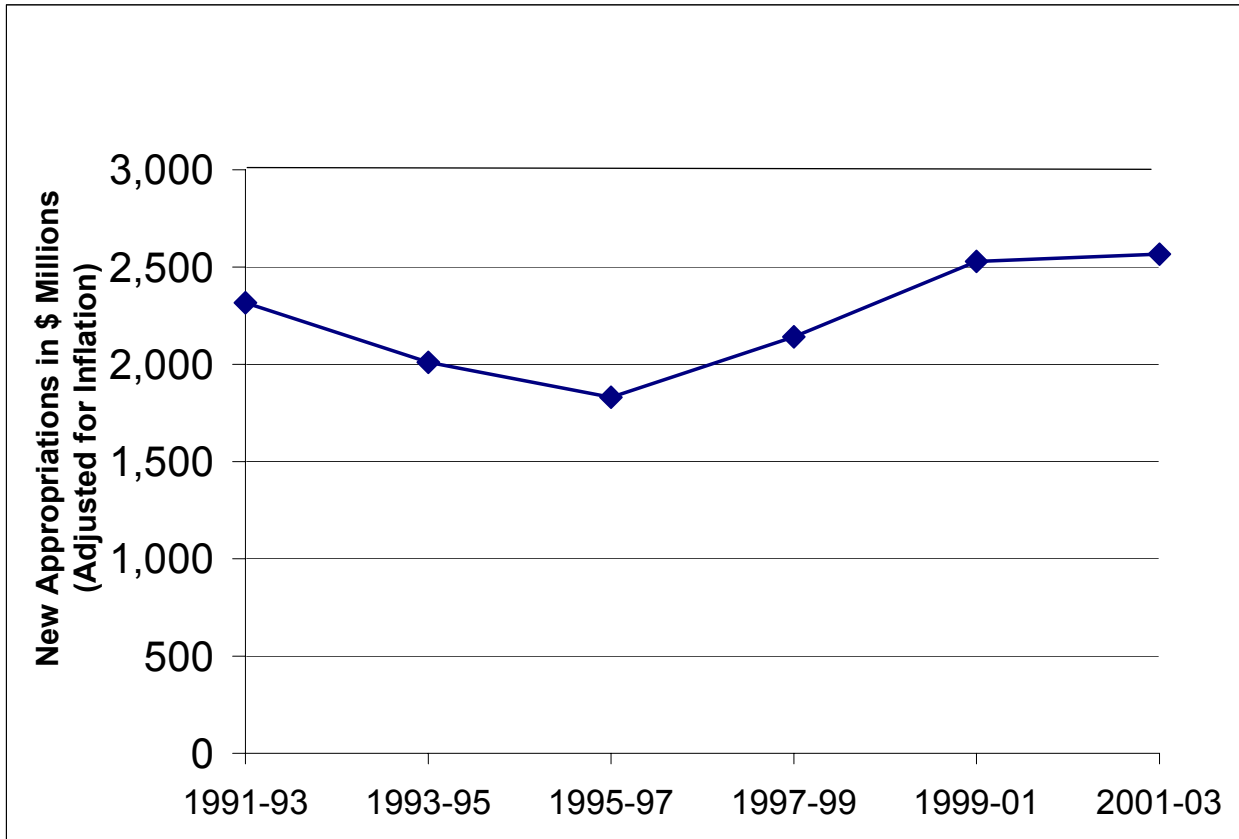
- The remainder of this first chapter provides an overview of the state Capital Budget, with particular emphasis on the amount of funding authorized in the 2001-03 Biennium.
- Chapter 2 identifies the number and type of staff working on the development and implementation of agency capital projects and programs. It also provides an overview of administrative and overhead expenses incurred by agencies managing capital programs, and the funding sources used to pay for these expenses.
- Chapter 3 reviews state budgeting policies and oversight mechanisms related to capital program expenditures. Included in this chapter are examples of the range in funding practices used by agencies.
- Chapter 4 summarizes study findings and recommendations.

⁴ The six states contacted were Arizona, California, Louisiana, Minnesota, Virginia, and Wisconsin.

SIZE OF CAPITAL BUDGET

Figure 1 below shows new appropriations in the Capital Budget over the last six biennia. In 2001-03, agencies received approximately **\$2.57 billion in new appropriations**. This amount reflects changes made in the 2002 Supplemental Budget.

Figure 1
History of New Appropriations in the Capital Budget



Source: JLARC based on historical data from House Capital Budget Committee.

In addition to new appropriations, the Capital Budget also authorizes reappropriations and Certificates of Participation (COPs). Reappropriations are for unexpended project funds approved by the Legislature in prior Capital Budgets. These unexpended funds are frequently reappropriated in the current Capital Budget to accommodate the longer time frame often required to implement capital projects. The 2001-03 Capital Budget contains **\$1.25 billion in reappropriations**.⁵ COPs are long-term alternative financing mechanisms used by agencies to fund land and facility projects. The 2001-03 Capital Budget authorizes **\$145 million in COPs**. Total authorized capital funding in the 2001-03 Biennium, including new appropriations, reappropriations, and COPs is **\$3.97 billion**.

⁵ The total amount of reappropriations reflects final amounts determined by the Office of Financial Management after agencies submitted final expenditure levels at the end of fiscal year 2002.

CAPITAL BUDGET FUNDING SOURCES

The largest source of funding in the 2001-03 Capital Budget comes from the sale of general obligation bonds.⁶ Approximately \$1.6 billion (40 percent) of the Capital Budget's new appropriations and reappropriations are funded from bonds. When this is combined with the \$145 million in funding authorized through COPs, the debt-financed portion of the Capital Budget totals \$1.7 billion or 43 percent. The balance of the Capital Budget comes from "dedicated accounts" that rely on earmarked state and federal revenue sources, such as taxes,⁷ fees, trust income, and loan repayments.

Two Major Types of Capital Programs

The 2001-03 Capital Budget provides funding to 30 state agencies for over 500 different projects and programs.⁸ Agency capital programs generally fall into one of two categories: 1) those focused primarily on state land and facility projects (SL/F) or 2) those focused primarily on administering grant, loan, and pass-through programs, which provide capital funding to local governments and other entities (P-T). The 2001-03 Capital Budget is almost evenly divided between the two major types of programs (See Figure 2, on the following page).

An overview of the types of capital projects and programs funded across the major functional areas of government is provided in Figure 3 (pp. 6-7). For the purposes of this study, agencies were classified as either state land and facility agencies or grant, loan, and pass-through agencies based on the types of projects an agency receives the majority of its capital funds to implement. Figure 3 also contains the 2001-03 total authorized capital funding level per agency.⁹

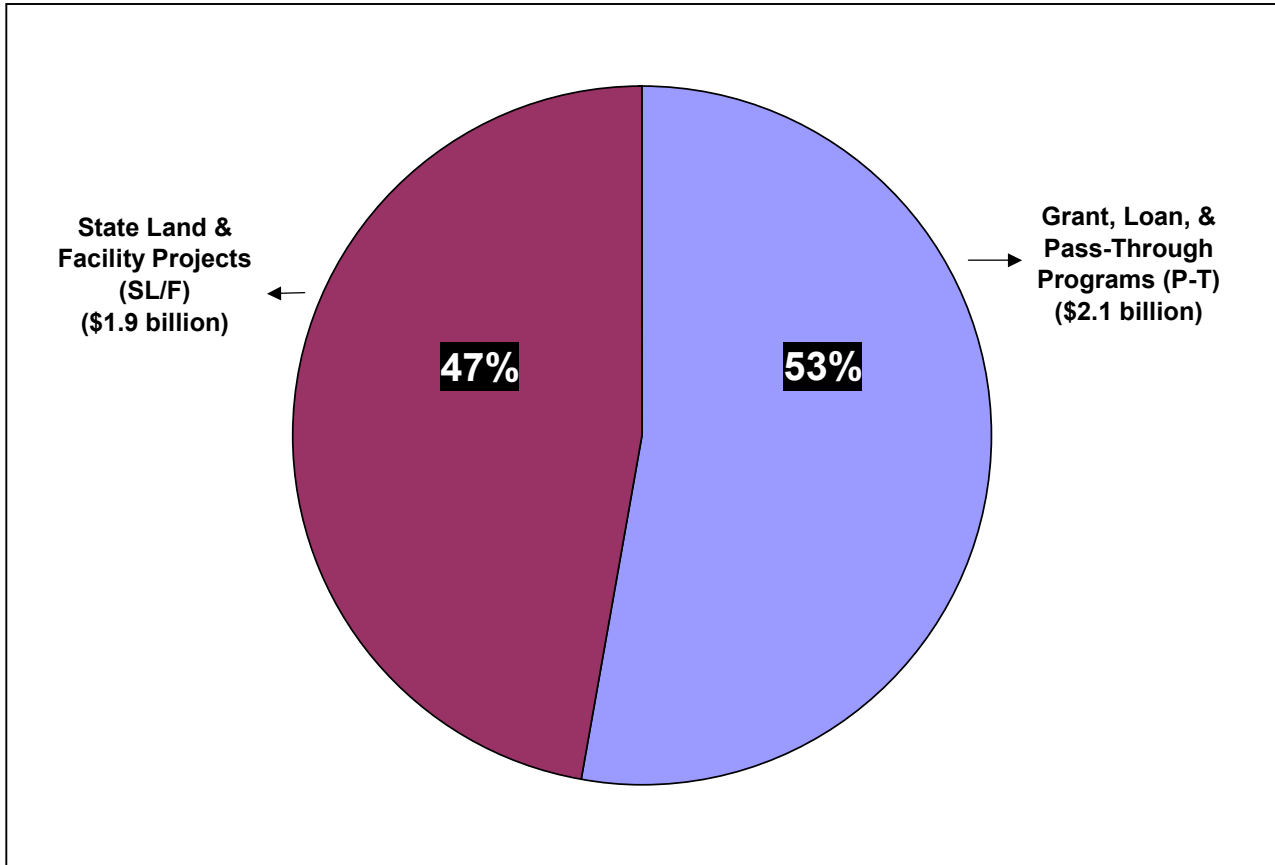
⁶ General obligation bonds are debt that is backed by the "full faith and credit of the state."

⁷ Examples of tax sources used in the Capital Budget include the tobacco tax, the hazardous substance (oil) tax, and utility taxes.

⁸ In addition to the 30 state agencies, each with their own capital projects and programs, five other agencies support the function and operation of the state's capital program. These include the Attorney General's Office (provides legal assistance to agencies engaged in bidding, contracting, design defect issues, litigation, real property transfers, etc.); the Office of the State Treasurer (provides assistance to the State Finance Committee related to the issuance of bonds to finance capital projects, monitors the cash flow of bond funds to assure positive cash balances, and performs other debt-financing functions); the State Arts Commission (receives ½ of 1 percent of certain capital projects to fund the Art in Public Places program); the Office of Financial Management (develops Capital Budget instructions and performs analysis, review, and monitoring of the Capital Budget); and the Higher Education Coordinating Board (provides recommendations to the Legislature and the Governor on Capital Budget requests from public universities and colleges). The Capital Budget-related activities of these five agencies are primarily funded from the Operating Budget, though some receive Capital Budget funds as well.

⁹ All state agencies that received 2001-03 capital appropriations are included in Figure 3, except for the Higher Education Coordinating Board and the Office of Financial Management. These two agencies are not included because they do not directly implement capital projects and programs. Additionally, throughout this report, the Department of General Administration (GA) is separated into two entities: the Capital Planning and Management Office (CPM) and the Division of Engineering and Architectural Services (E&AS). This distinction was made because CPM has overall responsibility for the Department of General Administration's capital program, including all GA-owned and managed facilities, while E&AS provides statewide public works contract management services to over 20 state agencies, including the community and technical college system.

Figure 2
Two Major Types of Capital Programs in the 2001-03 Capital Budget



Source: JLARC.

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Figure 3
Overview of Agency Capital Programs and Funding Authorizations

Functional Area and Agencies	JLARC Primary Program Type ¹⁰	Major Capital Projects and Programs	2001-03 Total Authorized Capital Budget ¹¹	% of Functional Area	% of Total 2001-03 Capital Budget
Government Operations					
Secretary of State	SL/F	Acquire, construct, and preserve archives and records management facilities.	\$14,631,482	1.5%	0.4%
Dept. of Community, Trade & Economic Development	P-T	Provide funding to local governments for infrastructure, community, and economic development.	\$694,730,165	71.4%	17.5%
Dept. of General Admin - Capital Planning & Management Office	SL/F	Acquire, construct, and preserve capitol campus and other GA-managed facilities.	\$178,209,295	18.3%	4.7%
Dept. of General Admin. - Engineering & Architectural Services.	SL/F	Provide public works project management services to other agencies in support of capital projects.	\$9,437,200	1.0%	0.2%
Military Dept.	SL/F	Acquire, construct, and preserve armories and other National Guard facilities.	\$55,011,202	5.7%	1.4%
Convention and Trade Center	SL/F	Acquire, construct, and preserve convention center facilities and mitigate housing impacts.	\$5,940,000	0.6%	0.1%
Washington State Patrol	SL/F	Acquire, construct, and preserve fire training and crime lab facilities.	\$15,538,002	1.6%	0.4%
Total			\$973,497,346	100.0%	24.7%
Human Services					
Criminal Justice Training Comm.	SL/F	Acquire, construct, and preserve criminal justice training facilities.	\$350,000	0.1%	0.0%
Dept. of Labor & Industries	SL/F	Acquire, construct, and preserve agency offices.	\$650,000	0.2%	0.0%
Dept. of Social and Health Services	SL/F	Acquire, construct, and preserve state hospitals, juvenile rehabilitation, development disability, special commitment center, and other state institutions.	\$134,076,447	41.2%	3.4%
Dept. of Health	P-T	Provide funding to public drinking water systems to meet federal drinking water requirements; acquire, construct, and preserve public health laboratories.	\$36,246,660	11.1%	0.9%
Dept. of Veterans Affairs	SL/F	Acquire, construct, and preserve veterans homes.	\$24,728,736	7.6%	0.6%
Dept. of Corrections	SL/F	Acquire, construct, and preserve state prisons; provide project management support to DSHS's Special Commitment Center project.	\$129,640,190	39.8%	3.3%
Total			\$325,692,033	100.0%	8.2%
Natural Resources					
Dept. of Ecology	P-T	Provide funding to local governments for water quality, water supply, solid waste, and hazardous waste projects and programs.	\$497,315,030	47.3%	12.5%

¹⁰ SL/F=State land and facility agencies; P-T=Grant, loan and pass-through agencies. As classified by JLARC based on predominant focus of authorized funding.

¹¹ Includes new appropriations, adjusted reappropriations, and COPs.

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Functional Area and Agencies	JLARC Primary Program Type ¹⁰	Major Capital Projects and Programs	2001-03 Total Authorized Capital Budget ¹¹	% of Functional Area	% of Total 2001-03 Capital Budget
Parks and Recreation Comm.	SL/F	Acquire, construct, and preserve state parks; provide funding for boating-related water quality projects.	\$65,523,943	6.2%	1.6%
Interagency Committee for Outdoor Recreation	P-T	Provide funding to local and state agencies for outdoor recreation and habitat projects.	\$305,481,553	29.1%	7.7%
Conservation Comm.	P-T	Provide water quality, dairy management, and habitat funding to conservation districts.	\$19,291,504	1.8%	0.5%
Dept. of Fish & Wildlife	SL/F	Acquire, construct, and preserve hatchery and recreation access facilities; acquire, manage, and protect wildlife habitat.	\$54,123,470	5.2%	1.4%
Dept. of Natural Resources	SL/F	Acquire, manage, and protect trust lands and natural areas; provide funding for aquatic lands projects.	\$109,076,830	10.4%	2.7%
Total			\$1,050,812,330	100.0%	26.4%
Public Schools (K-12)					
Office of Superintendent of Public Instruction/State Board of Education	P-T	Provide school construction grants to school districts.	\$494,191,807	100.0%	12.4%
Total			\$494,191,807	100.0%	12.4%
Higher Education					
University of Washington	SL/F	Acquire, construct, and preserve university facilities.	\$314,624,587	28.6%	7.9%
Washington State University	SL/F	Acquire, construct, and preserve university facilities.	\$145,441,333	13.2%	3.7%
Eastern Washington University	SL/F	Acquire, construct, and preserve university facilities.	\$42,331,657	3.8%	1.1%
Central Washington University	SL/F	Acquire, construct, and preserve university facilities.	\$54,889,669	5.0%	1.4%
The Evergreen State College	SL/F	Acquire, construct, and preserve college facilities.	\$51,828,433	4.7%	1.3%
Western Washington University	SL/F	Acquire, construct, and preserve university facilities.	\$75,281,721	6.8%	1.9%
Community/Technical Colleges	SL/F	Acquire, construct, and preserve college facilities.	\$415,272,724	37.8%	10.4%
Total			\$1,099,670,124	100.0%	27.7%
Other Education					
State School for the Blind	SL/F	Acquire, construct, and preserve school facilities.	\$8,099,605	31.3%	0.2%
State School for the Deaf	SL/F	Acquire, construct, and preserve school facilities.	\$3,568,476	13.8%	0.1%
WA Historical Society	SL/F	Acquire, construct, and preserve museum facilities; provide grant funding to others for heritage projects.	\$10,043,255	38.8%	0.3%
E. WA Historical Society	SL/F	Acquire, construct, and preserve museum facilities.	\$4,175,179	16.1%	0.1%
Total			\$25,886,515	100.0%	0.7%
Statewide Total			\$3,969,750,155		100%

Source: JLARC.

CHAPTER 2 – STAFFING AND ADMINISTRATION OF CAPITAL PROGRAMS

Among the 30 agencies currently responsible for managing capital projects and programs, there are differences in the number and type of staff employed, the amount of administrative and overhead costs incurred, and the fund sources used to pay those costs.

Key findings in this chapter:

- A total of 973 full-time equivalent (FTEs) staff are working on the development and implementation of capital projects and programs in the 2001-03 Biennium.
- Approximately 633 capital program FTEs will be funded with Capital Budget dollars (\$73 million in salaries and benefits for the 2001-03 Biennium); 401 of these FTEs will be funded out of long-term bond or COP debt (\$45 million of the \$73 million in capital-funded salaries and benefits).
- Approximately 4 percent (\$123 million) of total 2001-03 estimated capital program expenses represent administrative and overhead costs. Individual agency administrative rates range from 1 to 16 percent. Almost two-thirds of state agency administrative costs are for the salaries and benefits of capital program administrative staff.
- Capital funds will be used to pay approximately 62 percent (\$76 million) of total administrative and overhead costs; 41 percent (\$50 million) will come from debt-financed funds authorized in the Capital Budget.
- Agencies have different approaches to funding staffing, administrative, and overhead expenses, and there appears to be little correlation between the size of an agency's Capital Budget and the number of capital program staff employed or the amount of administrative and overhead expenses incurred.

VARIATIONS IN ADMINISTRATIVE STRUCTURES AND FUNDING APPROACHES

State agencies have developed many approaches for administering their capital projects and programs. These administrative variations may be a result of differences in statutory program requirements, specific legislative provisions, or agency management decisions. The range in administrative structures is reflected in the wide variety of funding approaches used for program staffing and administrative costs. In some cases, agencies pay for capital program staffing and administrative costs using Capital Budget appropriations, including debt-financed funding. In other cases, agencies pay these costs with funds from Operating or Transportation Budget appropriations, or from local or non-appropriated accounts under their control.

Since the state's Operating Budget finances the majority of statewide staffing, administrative, and overhead expenses, such costs receive scrutiny during the development and implementation of the Operating Budget. In contrast, Capital Budget development and implementation centers around facility and program investment issues, rather than the staffing and administrative costs associated with capital programs. While Operating Budget decisions often focus on staffing levels needed to

deliver services, Capital Budget decisions tend to be based on long-term asset and investment interests. Capital staffing and administrative expenses also receive less attention in the Capital Budget development phase because historically they have comprised only a small portion of the overall Capital Budget.

No Universal Model Exists for the Administration of Agency Capital Programs

The lack of focus on staffing and administrative issues during Capital Budget development, coupled with differences in statutory requirements and agency management decisions, has resulted in a range in practices across the agencies.

Among the 30 agencies currently responsible for managing capital projects and programs, there are differences in the number and type of staff employed, the amount of administrative and overhead costs incurred, and the fund sources used to pay those costs. Capital projects of similar size and purpose may be implemented differently depending on the agency responsible for the project. Within a single agency, there may also be differences in administrative funding approaches for various capital projects and programs. The remainder of this chapter highlights the range in administrative structures and funding practices across state agencies.

Capital Program Staffing Levels

State agencies report a total of 973 average annual staff FTEs working on the development and implementation of their capital programs during the 2001-03 Biennium.¹² (See Figure 4 on pp. 11-12). The different fund sources used to pay for capital program staff salaries and benefits are discussed later in this chapter. Although the total amount of funding authorized in the Capital Budget is fairly evenly distributed between state land and facility projects and grant, loan, and pass-through programs, the total staffing numbers are more heavily concentrated in the agencies performing state lands and facilities work. **Approximately 82 percent (797 FTEs) of all capital program FTEs are working in agencies where the primary capital focus is on acquiring state lands and constructing, repairing, and preserving facilities.** The remaining 18 percent (176 FTEs) of FTEs are employed by agencies that spend the majority of their capital funds on grant, loan, and pass-through programs, primarily to other state and local government entities.

Across functional areas, the largest numbers of staff FTEs are working in the higher education institutions and natural resource agencies. The next largest grouping of staff is in government operations, followed by the human services agencies. The remaining FTEs are working for the Office of the Superintendent of Public Instruction and other educational agencies.

No strong relationship exists between the total authorized capital funds available to an agency and the number of capital program-related FTEs employed by an agency. Agencies with similarly-sized Capital Budgets may have large differences in the number of capital program staff they employ. For example, the Department of Fish and Wildlife has approximately 156 staff to develop and implement a \$54 million capital program whereas the State Parks and Recreation Commission employs 70 staff to develop and implement a \$66 million capital program. Similarly, Eastern Washington University employs 44 capital program staff to develop and implement a \$42 million capital program while Central Washington University employs 15 capital program staff to develop and implement a \$55 million capital program.

¹² Average annual refers to average amount of FTEs working in an agency during each fiscal year of the biennium.

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This variability reflects a number of factors, including differences in the size and complexity of capital projects administered by an agency, the legal and environmental requirements of individual capital projects, and agency management decisions regarding contracting out versus hiring agency staff to perform project work.

Figure 4 -- Total Capital Program FTEs by Agency

Functional Area and Agency	Total Authorized 2001-03 Capital Program ¹³	Average Annual FTEs		
		State Land and Facility Agencies	Grant, Loan, and Pass-through Agencies	Total FTEs
Government Operations				
Secretary of State	\$14,631,482	1.8	—	1.8
Dept. of Community, Trade & Economic Development	\$694,730,165	—	43.0	43.0
Dept. of General Administration- Capital Planning & Management Office	\$178,209,295	31.7	—	31.7
Dept. of Gen. Admin. - Div. of Eng. & Arch. Svcs. ¹⁴	\$9,437,200	51.5	—	51.5
Military Department	\$55,011,202	16.0	—	16.0
Convention & Trade Center	\$5,940,000	2.2	—	2.2
Washington State Patrol	\$15,538,002	0.7	—	0.7
Total	\$973,497,346	103.9	43.0	146.9
Human Services				
Criminal Justice Training Comm.	\$350,000	0.2	—	0.2
Dept. of Labor & Industries	\$650,000	0.1	—	0.1
Dept. of Social & Health Services	\$134,076,447	41.0	—	41.0
Dept. of Health	\$36,246,660	—	4.8	4.8
Dept. of Veterans Affairs	\$24,728,736	1.0	—	1.0
Dept. of Corrections ¹⁵	\$129,640,190	64.5	—	64.5
Total	\$325,692,033	106.8	4.8	111.6
Natural Resources				
Dept. of Ecology	\$497,315,030	—	55.3	55.3
Parks & Recreation Comm.	\$65,523,943	70.2	—	70.2
Interagency Committee for Outdoor Recreation	\$305,481,553	—	32.5	32.5
Conservation Comm.	\$19,291,504	—	9.7	9.7
Dept. of Fish & Wildlife	\$54,123,470	155.9	—	155.9
Dept. of Natural Resources	\$109,076,830	—	19.4	19.4
Total	\$1,050,812,33	226.1	116.9	343.0

¹³ Includes new appropriations, adjusted reappropriations, and COPs.

¹⁴ The FTEs reported by GA's Engineering & Architectural Services (E&AS) perform work on behalf of numerous agencies. Approximately 75 percent of E&AS staff time is spent on projects for the community and technical colleges (47 percent), the Department of Corrections (17 percent), and the Department of Social and Health Services (11 percent). The reported FTEs do not include E&AS staff working on projects reimbursed by state agencies.

¹⁵ Seventeen of the 64.5 DOC FTEs are security escorts for construction staff.

Capital Budget Staffing and Administrative Costs Study

Functional Area and Agency	Total Authorized 2001-03 Capital Program ¹³	Average Annual FTEs		
		State Land and Facility Agencies	Grant, Loan, and Pass-through Agencies	Total FTEs
Public Schools (K-12)				
Office of Superintendent of Public Instruction/State Board of Education	\$494,191,807	—	11.0	11.0
Total	\$494,191,807	—	11.0	11.0
Higher Education¹⁶				
University of Washington	\$314,624,587	109.3	—	109.3
Washington State University	\$145,441,333	94.1	—	94.1
Eastern Washington University	\$42,331,657	43.6	—	43.6
Central Washington University	\$54,889,669	14.9	—	14.9
The Evergreen State College	\$51,828,433	27.6	—	27.6
Western Washington University	\$75,281,721	37.7	—	37.7
Community/Technical College System	\$415,272,724	28.3	—	28.3
Total	\$1,099,670,124	355.5	—	355.5
Other Education				
State School for Blind	\$8,099,605	1.4	—	1.4
State School for Deaf	\$3,568,476	0.3	—	0.3
WA Historical Society	\$10,043,255	1.1	—	1.1
E. WA Historical Society	\$4,175,179	2.6	—	2.6
Total	\$25,886,515	5.3	—	5.3
Statewide Total	\$3,969,750,155	797.5	175.6	973.1

Source: Agency information reported to JLARC.

VARIETY OF FUNCTIONS PERFORMED BY STAFF

Capital program staff include individuals who perform a variety of functions and roles. Some are responsible for project-specific tasks such as project and contract management, construction, or design work. Others are involved with agency-wide capital program planning efforts. Still others provide fiscal, technical, and administrative support to multiple capital projects. For the purposes of this study, JLARC asked agencies to categorize their capital program staff into one of eight job categories, based on the primary function performed by staff members. These eight categories are defined in Figure 5 on the following page. As the figure illustrates,

- The majority of staff for grant, loan, and pass-through agencies are project or contract managers.
- The staff for land and facility agencies are more evenly distributed across the eight functional job categories, with the largest concentrations in construction and repair and project or contract management.

¹⁶ Higher education institutions report that some of their FTE numbers may be underestimated due to difficulties in tracking the time both faculty and staff are involved with capital planning efforts.

Figure 5
Primary Function of Capital Program Staff

Primary Function of Capital Program Staff ¹⁷	Average Annual FTEs for State Land and Facility Agencies	Percent of Total	Average Annual FTEs for Grant, Loan, and Pass-through Agencies	Percent of Total	Total FTEs	Percent of Total
Project or Contract Manager - Positions that coordinate, direct, or manage design or construction services; oversee land or facility acquisition services; or develop, negotiate, or administer contracts for the delivery of capital projects or programs.	173	22%	100	57%	273	28%
Construction & Repair - Positions that directly perform construction or repair work or supervise construction crews.	235	29%	4	2%	239	25%
Administrative, Office, Computer Support - Positions that provide secretarial, record keeping, computer, and other administrative support.	97	12%	24	14%	120	12%
Design - Positions that produce architectural or engineering designs, drawings, surveys, and cost estimates.	103	13%	2	1%	105	11%
Planning & Policy - Positions that develop short or long-term plans or policies for agency capital programs.	65	8%	13	8%	79	8%
Agency, Division, or Program Management - Positions that manage the agency or its divisions or programs.	52	6%	22	13%	74	8%
Budgeting & Accounting - Positions that perform fiscal functions in support of agency capital programs.	48	6%	10	6%	58	6%
Other – Miscellaneous positions that do not fall into other categories. (e.g., security escorts for construction staff)	25	3%	0	0%	25	3%
Total	797	100%	176	100%	973	100%

Source: Agency information reported to JLARC.

A more detailed breakdown of types of capital program staff by government functional area is provided in Appendix 4.

A number of factors may influence the type of capital program staff employed by an agency:

- **Use of the Department of General Administration’s Engineering & Architectural Services Division (E&AS) for project management services:** Except for four exempted state agencies and the six state baccalaureate institutions, all other state

¹⁷ Primary Functional Categories used in JLARC’s survey.

agencies are required to use E&AS for project management services.¹⁸ Community and technical college projects represent the largest portion of E&AS's workload. Some agencies with extensive capital projects, such as the Department of Corrections and the Department of Social and Health Services, have created teams of project managers, involving both in-house staff and E&AS project management staff. Other agencies rely solely on E&AS project managers to oversee their capital projects. Agencies that are not required to use E&AS tend to employ more construction and design staff than the other state agencies that contract out through E&AS. Examples include the Department of Fish and Wildlife, Department of Natural Resources, State Parks and Recreation, and the six state baccalaureate institutions.

- **Size and complexity of an agency's capital projects:** Larger and more complex projects may require more project management and support staff than other projects. For example, the construction of prisons usually requires more project planning and oversight than smaller projects in state office buildings.
- **Statutory requirements of an agency's capital projects:** Certain capital projects require specific staff expertise. For example, habitat projects may require the work of land surveyors, foresters, biologists, and cartographers to ensure all program, legal, and code requirements are met.
- **Level of technical assistance required for grant, loan, and pass-through programs:** Some grant and loan programs provide ongoing technical support to their grant and loan recipients, utilizing contract managers as well as technical specialists. For example, the Department of Community Trade & Economic Development's housing programs provide ongoing technical support to applicants and contractors regarding affordable housing and housing assistance opportunities.
- **Number of grant applicants and grant recipients:** Agencies with competitive grant and loan programs may employ additional administrative, technical, and support staff to assist with the review and award process. For example, the Interagency Committee for Outdoor Recreation employs project and grant managers and support staff to review recreation, habitat, and salmon restoration grant applications and to oversee evaluation and advisory committees.

FUND SOURCES USED TO PAY STAFF SALARIES AND BENEFITS

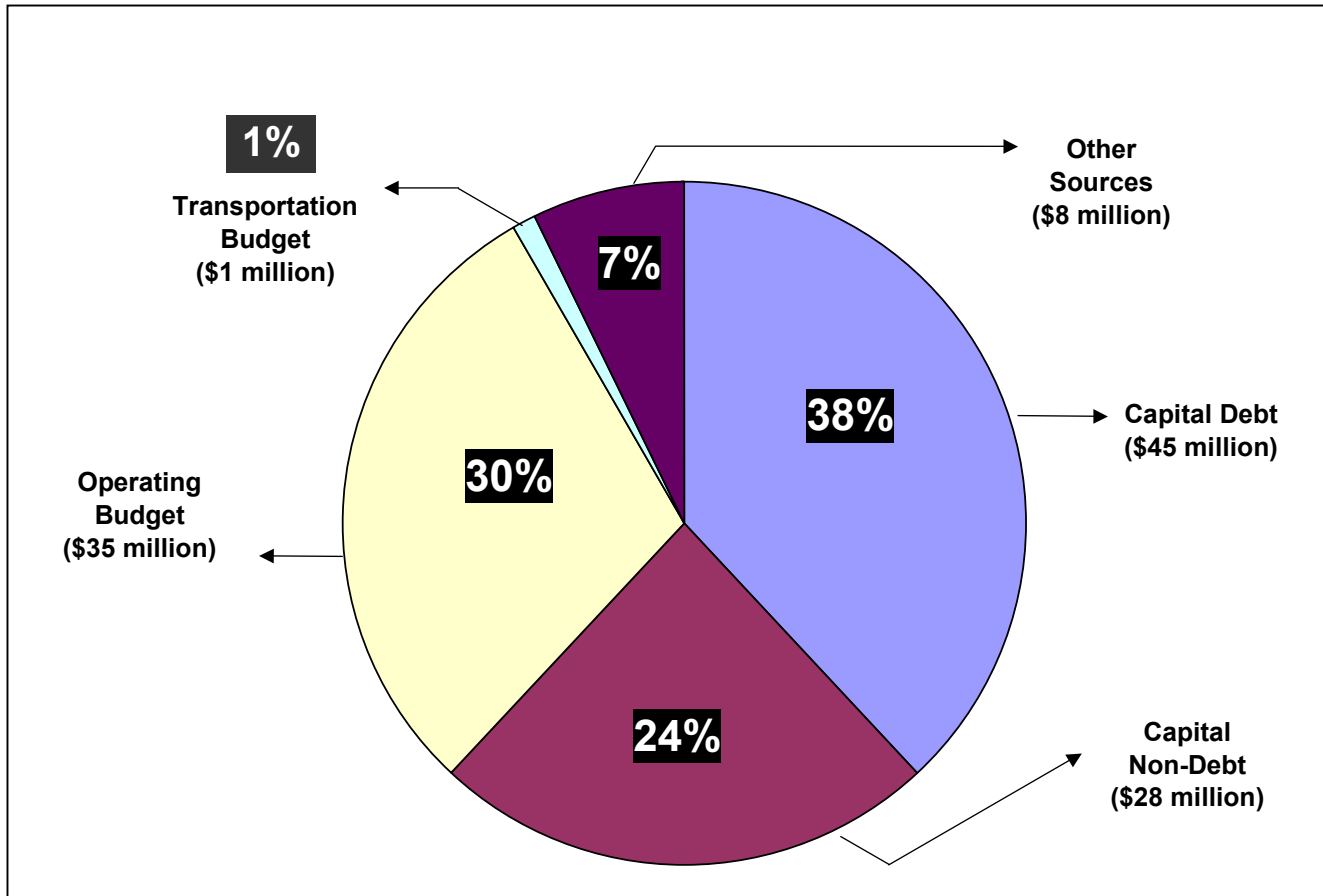
Total salaries and benefits for the 973 capital program FTEs reported by agencies for the 2001-03 Biennium will equal approximately \$118 million.

- **Approximately 633 capital program FTEs will be funded with Capital Budget dollars (\$73 million in biennial salaries and benefits); 401 of these FTEs will be funded out of long-term bond or COP debt (\$45 million of the \$73 million).**

¹⁸ Per RCW 43.19.450, the Department of General Administration's Engineering and Architectural Services will "contract on behalf of the state for the new construction and major repair or alteration of state facilities." State facilities include all state buildings except the state universities, the Evergreen State College, the regional universities, and facilities owned or used by Department of Transportation, Department of Fish and Wildlife, Department of Natural Resources, and State Parks and Recreation Commission.

The remainder of capital program salaries and benefits (\$45 million) will be funded out of Operating and Transportation Budget funds and other local sources. Figure 6 below illustrates the overall breakdown in funding sources that will be used to pay for capital program staff salaries and benefits.

Figure 6
Fund Sources Used to Pay Capital Program Staff Salaries and Benefits



Source: JLARC.

Across agencies, there are differences in fund sources used to pay for staff salaries and benefits. Some of these differences can be explained by legislative or executive direction. Others are a result of available funding sources and historical practices within the agencies. The following examples illustrate the variation in funding practices:¹⁹

- **Some agencies receive direct appropriations to pay for capital program staff salaries and benefits:** The Office of Superintendent of Public Instruction, the Department of Social and Health Services, and GA’s Engineering & Architectural Services receive direct Capital Budget appropriations for personnel and other administrative costs related to implementing their capital programs. Similarly, the Interagency Committee for Outdoor Recreation receives appropriations in its Operating Budget to fund staff that administer recreation and habitat grant programs.

¹⁹ Appendices 5 and 6 provide agency level detail on the fund sources used to pay for capital program staff.

- **Statutory directives may determine fund sources used to pay for salaries and benefits:** For example, language in the statute creating the Department of Community Trade and Economic Development’s housing assistance program specifies that appropriations from capital bond proceeds may **not** be used for the administrative costs of the department.²⁰
- **Within one agency, there may differences in funding practices for capital programs:** As mentioned above, the Interagency Committee for Outdoor Recreation (IAC) funds its recreation and habitat staff through Operating Budget appropriations. However, salaries and benefits for IAC’s salmon recovery grant program staff are predominantly charged to capital appropriations.
- **Some agencies pay for almost all of their capital program staff out of Operating Budget funds:** The Criminal Justice Training Commission, Department of Ecology, Department of Health, Department of Veterans Affairs, Eastern Washington Historical Society, Washington State School for the Blind, Washington State School for the Deaf, Secretary of State, State Convention and Trade Center, and the Washington State Historical Society pay for almost all of their capital program staff salaries and benefits with Operating Budget funds.
- **Grant and loan programs tend to pay a larger share of their staffing costs from operating funds:** The majority of grant and loan staff FTEs are funded with operating dollars, while the majority of state land and facility FTEs are paid out of capital funds.

WHAT PORTION OF CAPITAL EXPENSES IS FOR ADMINISTRATIVE AND OVERHEAD COSTS?

Though the legislative directive for this study requires the identification of agency administration and overhead costs, currently there is no clear definition of what constitutes capital program administrative and overhead expenses in state statute or Washington Administrative Code.²¹

For the purposes of this study, JLARC defined “administrative and overhead costs” as *all costs incurred in the development and implementation of capital programs except for the following: direct capital outlays; grant and loan disbursements; and the salaries, benefits, supplies, and materials for staff who perform construction, repair, or design work.* These exempted costs are considered non-administrative for this study because they are more directly associated with the ultimate investment and development purposes of the capital projects and programs. JLARC’s definition of “administrative and overhead costs” includes many of the staff salaries and benefits mentioned earlier in this chapter. However, it does not include the salaries and benefits of construction, repair, and design staff because these staff are directly implementing capital projects, similar to the type of work that some agencies contract out. **JLARC’s distinction between administrative and non-administrative staff for the purposes of this study is not an indication of the necessity of those staff to agency capital programs.** In addition, JLARC’s definition treats administrative and overhead costs as a single expense because no distinction can be made between administrative and overhead costs in the accounting

²⁰ RCW 43.185.050.

²¹ The State Budgeting and Accounting Act (43.88.020) defines “administrative expenses” as expenditures for: “(a) salaries, wages, and related costs of personnel and (b) operations and maintenance including but not limited to costs of supplies, materials, services, and equipment.” However, this definition does not specify which personnel, maintenance, and operating costs are considered “administrative,” and does not address “overhead” costs.

data reported by agencies. Figure 7 below highlights the type of expenses that are considered administrative and non-administrative for the purposes of this study.

Figure 7
Examples of Administrative and Non-Administrative Expenses

Examples of Administrative and Overhead Expenses	Examples of Non-Administrative Expenses
Salaries and benefits of project and contract managers, administrative and office support, agency and division management, and planning, policy, budgeting, and accounting staff	Salaries and benefits of construction, repair, and design staff
Supplies and materials for above staff	Supplies and materials for above staff
Travel for all staff	Acquisition of lands
Telecommunication supplies and services	Acquisition of buildings
Rents and utilities	Contract Services, including architectural, engineering, and construction services
Legal and personnel services	Construction and repair of lands or buildings
Training and professional development for all staff	Grant or loan disbursements

Source: JLARC.

Based on agency survey responses, JLARC estimates that agency administrative and overhead costs will total approximately \$123 million in 2001-03, representing 4 percent of total estimated capital program expenses.²²

Across individual agencies, capital program administrative and overhead expenses as a percent of total estimated capital program expenses range from 1 to 16 percent. The Department of General Administration's Division of Engineering & Architectural Services (E&AS) is the only entity that has an administrative rate outside of this range (100 percent) because its entire capital appropriation is for staffing and administrative expenses related to bidding, contracting, and project management functions performed on behalf of numerous state agencies. Aside from E&AS, most of the larger natural resource agencies also have higher administrative rates than the other functional areas of government (see Figure 8 on the following page). Some agencies may incur similar *amounts* of administrative and overhead expenses, but their administrative *rates* vary due to differences in total estimated capital program expenses. Average administrative rates for land and facilities agencies are slightly higher than administrative rates for grant and loan agencies, averaging 5 percent and 3 percent, respectively. Similar to the findings for staffing levels, there is no clear relationship between the size of an agency's Capital Budget and the amount of administrative and overhead expenditures incurred.

²² Total estimated capital program expenses for 2001-03 as reported by agencies will equal \$3,047,321,316. Estimated administrative and overhead costs include direct expenses incurred by state agencies; they do not include administrative costs incurred by contractors implementing capital projects on behalf of the state.

Capital Budget Staffing and Administrative Costs Study

Figure 8 -- Agency Administrative and Overhead Rates

Agency	JLARC Primary Program Type	Total Estimated 2001-03 Capital Program Expenses ²³	Total Estimated 2001-03 Administrative and Overhead Expenses	Admin and Overhead as a % of Total Capital Expenses
Government Operations				
Secretary of State	SL/F	\$6,434,601	\$334,601	5.2%
Dept. of Community, Trade & Economic Development	P-T	\$478,495,024	\$10,478,549	2.2%
General Administration - Capital Planning & Management Office	SL/F	\$75,284,195	\$4,414,609	5.9%
General Administration - Division of E&AS ²⁴	SL/F	\$9,437,200	\$9,437,200	100.0%
Military Dept.	SL/F	\$38,522,149	\$2,312,040	6.0%
Convention and Trade Center	SL/F	\$32,321,356	\$190,421	0.6%
Washington State Patrol	SL/F	\$15,638,800	\$100,800	0.6%
Total		\$656,133,325	\$27,268,220	4.2%
Human Services				
Criminal Justice Training Commission	SL/F	\$389,143	\$22,098	5.7%
Dept. of Labor & Industries	SL/F	\$657,758	\$7,758	1.2%
Dept. of Social and Health Services	SL/F	\$119,220,877	\$7,258,545	6.1%
Dept. of Health	P-T	\$32,373,049	\$1,140,531	3.5%
Dept. of Veterans Affairs	SL/F	\$11,728,736	\$113,096	1.0%
Dept. of Corrections ²⁵	SL/F	\$82,328,588	\$5,734,660	7.0%
Total		\$246,698,151	\$14,276,688	5.8%
Natural Resources				
Dept. of Ecology	P-T	\$315,776,025	\$9,219,318	2.9%
Parks and Recreation Commission	SL/F	\$69,742,580	\$11,053,860	15.8%
Interagency Committee for Outdoor Recreation	P-T	\$144,144,343	\$6,631,438	4.6%
Conservation Commission	P-T	\$27,899,283	\$1,378,380	4.9%
Dept. of Fish & Wildlife	SL/F	\$56,047,183	\$8,868,869	15.8%
Dept. of Natural Resources	P-T	\$116,696,900	\$10,494,067	9.0%
Total		\$730,306,314	\$47,645,932	6.5%

²³ Estimated expenses include all reported expenses, including those paid for with interagency reimbursements.

²⁴ The administrative rate for E&AS is 100 percent because the division's entire appropriation is for staffing and related costs (the division does not receive project funding in the budget). Approximately 90 percent of the expenses are for work performed on behalf of the Community & Technical Colleges (60 percent), the Department of Corrections (18 percent), and the Department of Social & Health Services (12 percent).

²⁵ Approximately \$1.7 million of the \$5.7 million in administrative and overhead expenses relate to the costs of security escorts for construction staff.

Capital Budget Staffing and Administrative Costs Study

Agency	JLARC Primary Program Type	Total Estimated 2001-03 Capital Program Expenses ²³	Total Estimated 2001-03 Administrative and Overhead Expenses	Admin and Overhead as a % of Total Capital Expenses
Public Schools (K-12)				
Office of Superintendent of Public Instruction/State Board of Education	P-T	\$378,072,241	\$1,930,989	0.5%
Total		\$378,072,241	\$1,930,989	0.5%
Higher Education				
University of Washington	SL/F	\$315,597,863	\$10,385,228	3.3%
Washington State University	SL/F	\$132,537,770	\$9,556,053	7.2%
Eastern Washington University	SL/F	\$37,671,556	\$1,887,545	5.0%
Central Washington University	SL/F	\$54,996,001	\$2,145,565	3.9%
The Evergreen State College ²⁶	SL/F	\$45,319,975	\$1,638,839	3.6%
Western Washington University	SL/F	\$50,369,737	\$3,046,133	6.0%
Community/Technical Colleges	SL/F	\$372,768,404	\$2,356,206	0.6%
Total		\$1,009,261,306	\$31,015,569	3.1%
Other Education				
State School for the Blind	SL/F	\$8,378,870	\$98,810	1.2%
State School for the Deaf	SL/F	\$3,599,661	\$31,185	0.9%
WA Historical Society	SL/F	\$8,824,647	\$206,706	2.3%
E. WA Historical Society	SL/F	\$6,046,801	\$325,286	5.4%
Total		\$26,849,979	\$661,987	2.5%
Statewide Total		\$3,047,321,316	\$122,799,385	4.0%

Source: Agency information reported to JLARC.

FUND SOURCES USED TO PAY ADMINISTRATIVE AND OVERHEAD EXPENSES

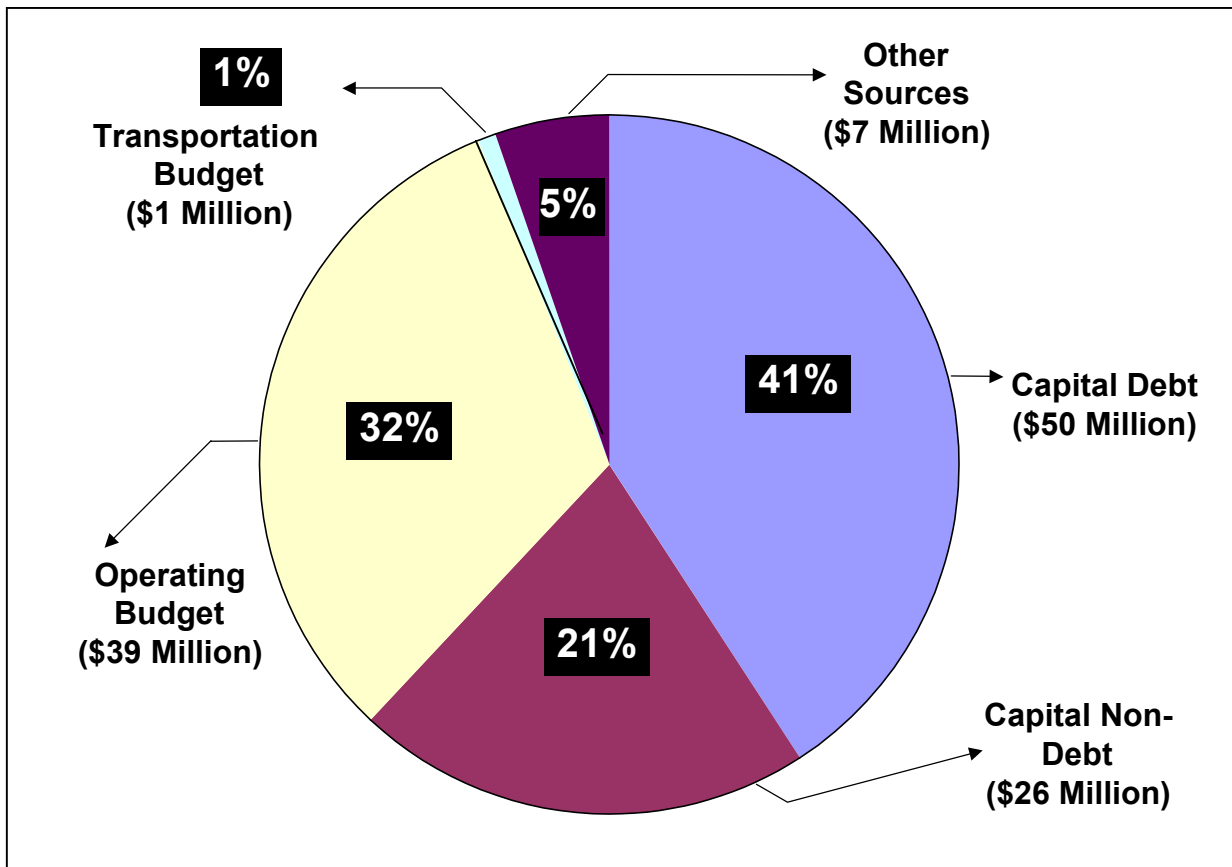
Much like the range in fund sources used to pay for staff salaries and benefits, the fund sources used for administrative and overhead expenses vary across the agencies. **This is partially explained because almost two-thirds of administrative and overhead expenses are for salaries and benefits of capital program administrative staff.**²⁷ In addition, some of the same statutory and legislative directives that guide the payment of salaries and benefits also determine the fund sources used to pay for administrative and overhead costs. **Capital funds will be used to pay approximately 62 percent (\$76 million) of total administrative and overhead costs; 41 percent (\$50 million) will come from long-term debt-financed funds authorized in the Capital Budget.** The balance of administrative and overhead expenses will be paid for with

²⁶ Estimated administrative and overhead costs for The Evergreen State College have been updated since the issuance of JLARC's preliminary report in September of this year.

²⁷ The salaries and benefits of the approximately 630 FTEs classified as administrative staff for the purposes of this study are included in the calculation of administrative and overhead costs. Their total salaries and benefits equal approximately \$79 million.

Operating Budget funds (32 percent), Transportation Budget funds (1 percent), and local sources (5 percent). Figure 9 on the following page identifies the fund sources that will be used to pay estimated capital program administrative and overhead expenses for the 2001-03 Biennium. See Appendix 7 for a breakdown of the different fund sources that will be used to pay administrative and overhead expenses by agency.

Figure 9
Fund Sources Used to Pay Capital Program Administrative and Overhead Expenses



Source: JLARC.

CHAPTER 3 – BUDGETING POLICIES AND OVERSIGHT OF CAPITAL PROGRAM EXPENSES

All state agencies requesting capital funds must follow the policies and procedures set forth in the Office of Financial Management’s (OFM) Capital Plan Instructions. OFM is also responsible for monitoring agency capital appropriations and expenditures.

Key findings in this chapter:

- OFM’s Capital Plan Instructions are inherently flexible to accommodate the wide range in size and scope of projects funded in the Capital Budget. However, the lack of specificity in certain areas of the instructions contributes to the variation in funding practices across the agencies.
- Agencies must identify anticipated capital program staffing levels and administrative and overhead expenses in their budget requests, but neither the Governor nor Legislature provide explicit FTE guidance to agencies in their Capital Budget documents, and agencies do not report actual expenditures in a manner that can be easily compared to budgeted amounts during the course of a biennium.

The state’s Budget and Accounting Act designates the Office of Financial Management (OFM) as the primary agency responsible for reviewing and overseeing the development of Capital Budget requests and monitoring capital appropriations and expenditures. The Act requires OFM to provide agencies “with a complete set of instructions for submitting budget requests,”²⁸ and to “develop a method for monitoring capital appropriations and expenditures.”²⁹

OFFICE OF FINANCIAL MANAGEMENT CAPITAL PLAN INSTRUCTIONS

All state agencies requesting capital funds must follow the policies and procedures provided in OFM’s 10-Year Capital Plan Instructions. These instructions are centered around long-term capital planning requirements as well as standards and formulas for determining appropriate capital expenses, including construction, architectural, and engineering fees. OFM’s instructions also include guidelines on allowable staffing and administrative costs related to capital projects. However, these guidelines are focused primarily on agencies administering construction projects. They do not specifically address staffing and administrative costs for agencies administering grant, loan, and pass-through programs.

The following examples highlight the different funding sources that agencies are permitted to use for staffing and administrative expenses according to OFM’s 2003-13 Capital Plan Instructions:

- **Expenses that should be paid out of Operating Budget funds:** Costs associated with long-range policy and budget planning and prioritization, legislative oversight, preparation of agency capital requests, as well as on-going facility maintenance and management.

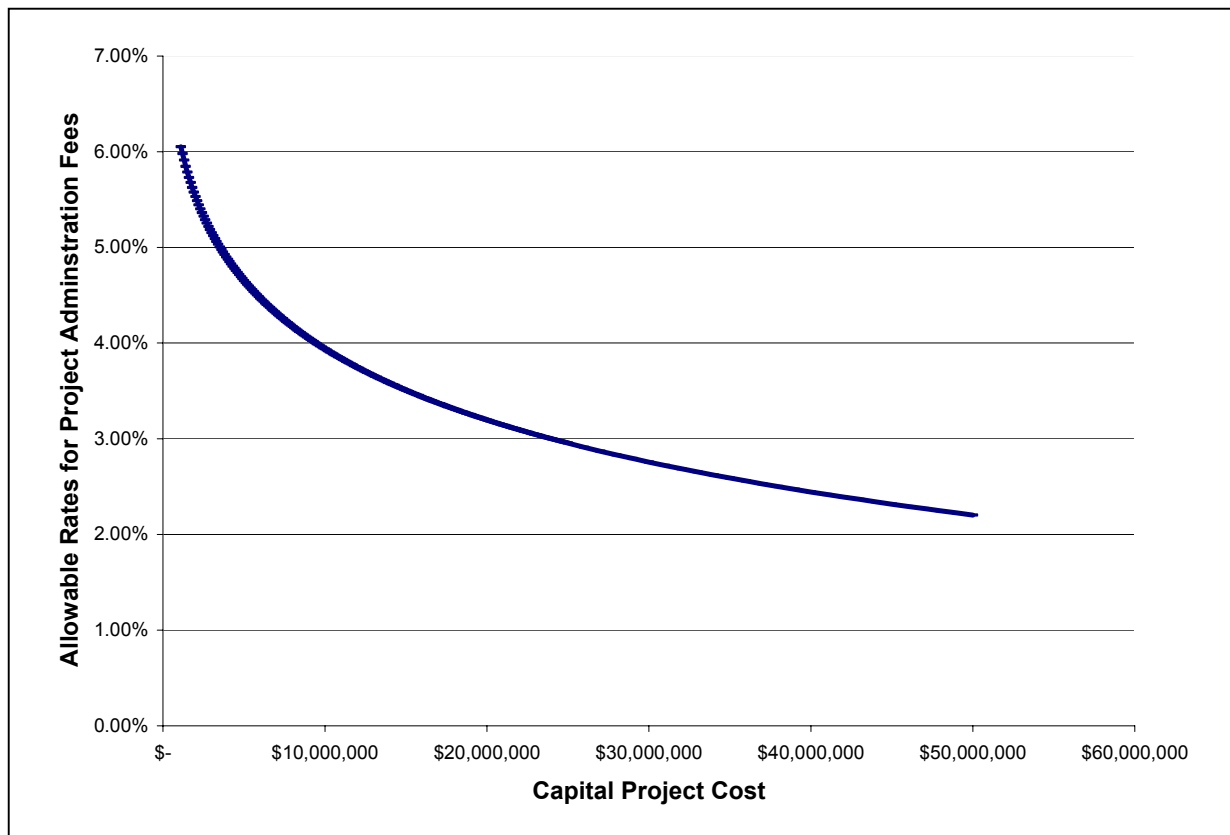
²⁸ RCW 43.88.030.

²⁹ RCW 43.88.110.

- **Expenses that may be charged directly to capital project appropriations:** Costs associated with project design, land use applications, environmental and hazardous material assessments, building code inspections, and the portion of time agency construction and repair staff spend on specific capital projects.
- **Expenses that may be charged to capital projects as part of an allowable project administration fee:** Costs associated with capital project management, including the salaries and benefits of project and contract managers, accountants, public information officers, and other administrative support. Also included are costs related to consultant selection, contract bidding and negotiation, and the monitoring of consultant performance and project schedules.

While there are no dollar limits on capital program expenses that can be charged to the Operating Budget, and no limits on allowable project expenses that can be charged directly to capital appropriations, OFM’s instructions limit *project administration charges* to a percentage of the total new project appropriation. For projects valued at \$1 million or less, the allowable project administration rate is 3 percent. For projects valued over \$1 million, project administration rates may not exceed a percentage of the amounts published in OFM’s Architectural and Engineering Basic Design Services fee guidelines. As Figure 10 below illustrates, the allowable project administration rate for projects valued over \$1 million declines as the value of the project increases. This reflects assumed economies of scale in the administrative costs of projects.

Figure 10
Range in Allowable Project Administration Fees Charged to Capital Appropriations



Source: JLARC based on OFM’s Architectural & Engineering Fee Schedule.

OFM's Capital Plan Instructions are intentionally broad to accommodate the wide range in size and scope of projects funded in the Capital Budget. Even when there are specific restrictions on staffing and administrative costs, the guidelines allow for flexible implementation of those restrictions. For example, the instructions limit project administration fees to a percentage of total appropriated project costs. However, agencies can choose one of two ways of assessing project administration fees. They can either charge each capital project directly for actual project administration expenses or they may assess a fee across all of their capital projects and use the pooled funds to pay for project administration expenses.

While some flexibility in the expenditure guidelines within the budget instructions may be warranted, the lack of specificity in certain areas has contributed to the following issues:

- **Agencies may be spending more than the allowable project administration fees on capital projects:** Since agencies are permitted to pool their project administration fees from all of their capital projects rather than charging each project directly for actual project administration expenses, it is difficult for OFM or the Legislature to monitor the amount of project administration expenses incurred for individual projects and to determine whether agencies are adhering to the percentage guidelines.
- **Agencies may be using capital dollars to fund general agency overhead costs:** Although OFM's budget instructions warn against "reprogramming" agency administrative and overhead costs into Capital Budgets, the instructions permit agencies to use pooled project administration funds "to pay agency overhead costs."³⁰ Based on responses to our survey, most agencies appear to be using project administration funds for capital program expenses only. However, several agencies did report that they use capital funds to pay for a portion of agency-wide overhead costs, including costs associated with personnel services, payroll, budgeting and accounting, and information technology support.³¹
- **Some agencies assess staffing and administrative fees on their grant, loan, and pass-through appropriations while others do not:** For grant, loan, and pass-through programs that do not have specific legislative or statutory direction regarding expenditures of appropriated funds, the Capital Plan Instructions do not provide clear guidance on allowable staffing and administrative costs. Some agencies charge staffing and administrative costs to their capital appropriations, while others do not.³²
- **More than one agency may charge administrative expenses to a capital appropriation:** Some capital grant, loan, and pass-through funds are appropriated to one state agency and then transferred to another agency. There are no clear policy guidelines on whether more than one state agency can charge administrative fees to a single capital appropriation.

³⁰ See OFM's 2003-13 Capital Plan Instructions, p. 56.

³¹ For example, the Department of General Administration, the Department of Community Trade & Economic Development, State Parks and Recreation Commission, and Western Washington University report using some capital funds to pay for agency administrative support services.

³² For example, the Washington State Historical Society reports charging a 2 percent set aside on Heritage grant program appropriations for project administration. Other agencies administering grant, loan, and pass-through programs also charge staffing and administrative costs directly to their capital appropriations.

OFM MONITORING AND OVERSIGHT OF STAFFING, ADMINISTRATIVE, AND OVERHEAD EXPENDITURES

In addition to issuing the budget and policy guidelines described above, OFM is also responsible for monitoring agency capital appropriations and expenditures. OFM’s oversight role begins at the budget development phase and extends to the completion of capital projects.

Tracking FTEs

All agencies are required to submit an FTE Summary Report with their capital project requests. This report includes actual staffing numbers and salaries and benefits charged to capital projects in previous biennia as well as proposed staffing numbers and expenditures for projects requested in the current biennium. However, agencies are not required to provide an explanation of how they determined their capital staffing needs or how staffing levels may fluctuate depending on which projects are approved. Additionally, the **reported FTE numbers are not updated during the capital budgeting process. As a result, the information provided on the FTE Summary Report does not reflect final capital appropriations for each agency, and neither the Governor nor Legislature provides guidance on intended FTE levels.**

Similarly, while agencies are required to report actual capital-funded FTEs and their associated salaries and benefits as part of their monthly expenditure reports, **expenditure information for capital staff salaries and benefits is not always reported accurately.** This may be partially explained by differences in internal agency accounting practices. For example, an agency may transfer pooled capital project administration funds to an operating budget account that is used to pay for capital program salaries and benefits. Since the capital funds are transferred to an operating account, the agency reports 0 FTEs paid with capital funds. This practice does not allow OFM and the Legislature to track the amount of capital funds an agency spends on staff salaries and benefits. Although actual capital FTE numbers for 2001-03 are not yet available in the state’s accounting system, Figure 11 at right highlights the differences between the number of allotted capital FTEs reported in the state’s accounting and financial reporting system (AFRS) and the number of capital-funded FTEs reported to JLARC by agencies.

Figure 11
Comparison of Capital-Funded FTEs Allotted in AFRS and Capital-Funded FTEs Reported to JLARC

Functional Area	2001-03 Capital-Funded FTEs per Allotments	2001-03 Capital-Funded FTEs per JLARC Survey	Difference ³³
Government Operations	109	99	10
Human Services	90	81	8
Natural Resources	183	173	10
Public Schools (K-12)	11	11	-
Higher Education	49	268	(219)
Other Education	-	-	-
Statewide Totals	442	633	(191)

Source: LEAP and agency information reported to JLARC.

³³ Numbers may not total due to rounding.

Tracking other administrative and overhead costs

Much like the FTE Summary Report described above, agencies are required to provide anticipated project costs during the budget request phase. For projects valued at \$1 million or more, agencies must submit a specially-designed budget form³⁴ that provides detailed project costs by specific capital project element, including expenses related to acquisition, consultant services, construction contracts, and project management and administration. This cost breakdown provides information useful for budget analysis and comparison against cost standards and formulas. Once projects are approved, however, agencies do not systematically report actual project expenses to OFM in this same detailed manner.

Instead of reporting actual expenditures by the same cost breakdown as the budget form, agencies report their total project expenses by objects of expenditure. Since administrative and overhead costs fall into multiple objects of expenditure, it is not possible to isolate those costs for a given project, or for an agency's total capital program. While object level expenditure information allows OFM to monitor overall expenditures against capital appropriations, it does not permit the tracking of specific capital project cost elements. Without this information, it is not possible to determine whether the standards and formulas used in budget development reflect agencies' actual costs, including those for project management and administration.

The Office of Financial Management reports that it is aware of problems with tracking capital staffing and administrative expenses through current accounting and reporting systems. Thus far there have been no executive or legislative directives calling for changes in current reporting practices that would resolve these issues.

³⁴ This is referring to the C-100 Capital Project Cost Estimate form issued by the Office of Financial Management.

CHAPTER 4 – FINDINGS AND RECOMMENDATIONS

The state’s Capital Budget finances long-term investments in state and local lands and facilities as well as grants and loans for local government infrastructure and environmental projects. Agencies that receive Capital Budget appropriations often incur staffing, administrative, and overhead costs associated with implementing capital projects. Large variations exist across the agencies in capital program administrative structures and funding practices. Some of these differences are due to specific statutory or budgetary directives, or result from day-to-day agency management decisions. Others may be due to ambiguity in OFM’s Capital Plan Instructions.

Given the range in size and scope of capital projects, a certain amount of flexibility in agency practices is warranted. Budget writers should be concerned, however, when differences in practices prevent adequate budgetary disclosure, oversight, and monitoring. These problems are compounded by weaknesses in the state’s fiscal reporting systems that inhibit the accurate tracking of capital program staffing, administrative, and overhead expenditures.

SUMMARY OF JLARC FINDINGS AND RELATED IMPLICATIONS

- **Capital program staffing and administrative costs are not highlighted in the budget development process.**

Unlike the Operating Budget development process, which more explicitly considers FTEs and the administrative costs necessary to run agency programs, the Capital Budget development process focuses on the necessity and lifespan of capital investments—not the staffing and administrative costs associated with capital projects. This difference in approach has created a budgeting system where neither gubernatorial nor legislative intent is expressed regarding Capital Budget FTE levels. Agencies submit a report along with their Capital Budget requests identifying the proposed number of FTEs they anticipate needing to implement capital projects, but the report stops at the budget request stage. Agencies are not required to update their FTE numbers after the budget has been approved, and neither the Governor nor the Legislature provides guidance on the FTE numbers being reported by agencies.

- **Limited statewide policy guidance regarding funding of capital staffing and administrative costs.**

To date, statewide policy guidance has been limited regarding the funding of capital staffing and administrative expenses. Aside from the few agencies that either receive direct appropriations for staffing and administrative costs or are guided by statutory direction, the only policies available to most agencies are those within the Office of Financial Management’s Capital Plan Instructions. However, the instructions lack clarity and specificity in certain areas. For example, there are no guidelines regarding the amount of staffing and administrative expenses that can be charged to capital appropriations for grant and loan programs. Limited policy guidance makes budgeting and oversight of capital expenditures difficult.

- **Incomplete staffing and administrative cost data in the state’s accounting and financial reporting system.**

Staffing and administrative costs are not always accurate or visible in the state’s accounting and financial reporting system. Some agencies have internal accounting practices which shift capital administrative funds to operating accounts to pay for capital program salaries and benefits. This prevents accurate and complete reporting of FTEs funded from the Capital Budget. Furthermore, state agencies only report capital project expenditures by objects of expenditure. Administrative and overhead expenses fall into multiple objects of expenditure and cannot be easily distinguished from other direct capital expenditures reported. Consequently, the Capital Budgeting system drives out money for projects, but there is no feedback loop in the budgeting and accounting process to determine how much capital money was spent on staffing, administrative, and overhead costs or whether funding for the projects was reasonable and appropriate.

- **Potential for state agencies to shift their operating costs to the Capital Budget.**

The lack of specific instructions and clear policy guidelines on how agencies should pay for capital staffing, administrative, and overhead costs may allow agencies to shift more agency operating costs to the Capital Budget. This is especially true when agency Operating Budgets are restricted. Such shifts may not reflect the state’s overall financial interests, particularly when long-term, debt-financed funds are involved.

RECOMMENDATIONS

The following JLARC recommendations are designed to address the findings of this study regarding state-level Capital Budget expenditure policies and systems. The intent of the recommendations is to move toward clearer standards and expectations about Capital Budget funding of staffing, administrative, and overhead costs, maximize the utility of current reporting processes, and begin to collect information that can be used to adjust Capital Budget expenditure policies over time.

Recommendation 1:

The Office of Financial Management and the Legislature should clarify policies and instructions regarding allowable staffing and administrative costs paid from the Capital Budget. In particular, the Legislature and OFM should:

- ***Consider prohibiting the payment of general agency overhead costs from long-term debt funds (bonds and COPs) authorized in the Capital Budget. In doing so, the term “general agency overhead costs” should be clearly defined.³⁵***
- ***Establish staffing and administrative cost policies specifically for grant, loan, and pass-through programs.***
- ***Address the issue of whether more than one agency may assess administrative charges to an individual capital appropriation. This may occur when capital grant, loan, and pass-through funds are transferred between agencies.***

³⁵ “General agency overhead costs” include general agency management and operational costs, such as costs associated with the director’s office, human resources, budgeting and accounting, and information technology support.

Legislation Required:	Legislation is one option for implementing this recommendation, but policies and instructions may also be clarified through OFM's Capital Plan Instructions.
Fiscal Impact:	None
Completion Date:	By end of the 2003 Legislative Session

This recommendation would address some of the ambiguity in the current Capital Plan Instructions and provide clear policy guidance to agencies administering grant, loan, and pass-through programs.

Recommendation 2:

The Governor, through the Office of Financial Management, and the Legislature should extend the FTE summary report through the entire Capital Budgeting process, rather than stopping at the agency request level. To complete this process, the following steps should be taken:

- All state agencies should include with their future Capital Budget requests a narrative on the methodology used for determining the number of capital FTEs reported on the FTE Summary Report. The narrative should include an explanation of how FTE numbers would fluctuate if capital funding levels were increased or decreased by the Governor and/or Legislature. This information will assist the Governor and Legislature in appropriately adjusting FTE levels and expressing their intent for the number of FTEs to be funded in the Capital Budget.***
- The Governor's Capital Budget documents should indicate the intended number of capital FTEs to be funded from capital dollars within each agency.***
- The Legislature's Capital Budget documents should indicate the intended number of capital FTEs to be funded from capital dollars within each agency.***

Legislation Required:	Should be implemented in 2003-05 Capital Budget documents.
Fiscal Impact:	None
Completion Date:	By end of the 2003 Legislative Session

This recommendation allows for stronger policy guidance and direction from the Governor and the Legislature on the number of FTEs to be funded in the Capital Budget.

Recommendation 3:

The Office of Financial Management should require all state agencies to report FTEs funded from capital dollars as "capital FTEs" in the state's accounting and financial reporting system (AFRS).

Legislation Required:	None
Fiscal Impact:	None
Completion Date:	Beginning of fiscal year 2004

While agencies are currently required to report the amount of FTEs, salaries, and benefits paid for with capital dollars, internal agency accounting practices sometimes prevent accurate reporting of this information within AFRS. This recommendation will enable more precise

tracking and oversight of FTEs paid out of capital funds. Agencies should report total FTEs funded from capital dollars and their associated salaries and benefits, regardless of the internal agency accounts used to pay for salaries and benefits. Agencies that currently transfer capital funds to operating accounts to pay for capital program salaries and benefits will need to report those staff as “capital FTEs.”

Recommendation 4:

The Office of Financial Management should monitor the actual number of FTEs reported on agency capital expenditure reports against the intended number of FTEs in the enacted Capital Budget.

Legislation Required:	None
Fiscal Impact:	None
Completion Date:	Beginning of fiscal year 2004

Currently, capital FTE monitoring is compromised by the lack of clear intent within the enacted budget regarding FTE levels as well as problems in agency reporting of FTEs in the state’s accounting system. Correcting these issues will allow for more meaningful monitoring of capital-funded FTEs by OFM.

Recommendation 5:

The Office of Financial Management should assess the feasibility and fiscal impacts of collecting actual data on project administration expenses to better implement its current statutory responsibilities regarding tracking of capital costs.³⁶ Data should be gathered from agencies after the completion of a project, beginning with larger capital projects.³⁷ If this data can be collected, even on a sample basis, it would improve OFM’s ability to oversee project expenditures for the purposes of:

- ***Tracking and monitoring project administration costs;***
- ***Providing a basis for reviewing standards and formulas currently used in the budget development process for calculating allowable project administration costs; and***
- ***Determining whether existing policy guidelines regarding project administration are reasonable and adequate.***

Legislation Required:	None
Fiscal Impact:	To be determined
Completion Date:	Beginning of 2003 Legislative Session

OFM should report back to the Legislature on the feasibility of collecting this information and the anticipated fiscal impacts for consideration during the 2003 Legislative Session.

³⁶ According to the state’s Budget and Accounting Act (RCW 43.88.110), OFM “shall develop a method for monitoring capital appropriations and expenditures that will capture” several elements, including “estimates of total project costs” and “comparisons of actual costs to estimated costs.”

³⁷ Projects valued at over \$1 million.

AGENCY RESPONSE

The Office of Financial Management concurs with Recommendations 2, 3, and 4 and partially concurs with Recommendations 1 and 5. Their written response is included as Appendix 2. JLARC's comments on the agency's response follows as Appendix 2A.

ACKNOWLEDGEMENTS

We would like to acknowledge the many people who contributed to this study effort. Staff from numerous state agencies and higher education institutions provided detailed responses to JLARC's survey and answers to many follow-up questions. We greatly appreciate their time and assistance. Additionally, staff members from the Office of Financial Management, the House Capital Budget Committee, the Senate Ways and Means Committee, and the Legislative Evaluation and Accountability Program Committee (LEAP) were consulted throughout this study.

Thomas M. Sykes
Legislative Auditor

On October 31, 2002, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Representative Val Ogden
Chair

APPENDIX 1 – SCOPE AND OBJECTIVES

CAPITAL BUDGET STAFFING AND ADMINISTRATIVE COSTS STUDY

SCOPE AND OBJECTIVES

OCTOBER 31, 2001



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

Karl Herzog
Stephanie Hoffman

LEGISLATIVE AUDITOR

TOM SYKES

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BACKGROUND

The **Capital Budget** finances the state's long-term investments in state and local facilities, lands, and related programs. State employees are sometimes involved directly or indirectly in the implementation of capital projects, and state agencies may incur administrative and overhead costs in managing their capital programs. In some cases, staffing, administrative, and overhead costs are paid for from capital appropriations. In other cases, agencies use Operating Budget appropriations, or funds from local or non-appropriated accounts, to pay these staffing and administrative costs.

The **Operating Budget** finances the vast majority of state agency staffing, administrative, and overhead expenses. Agency staffing and administrative costs receive close scrutiny during the development and implementation of the Operating Budget. In contrast, Capital Budget development and implementation often centers around facility and program investment issues, rather than staffing and administrative costs. This structural difference in budget development and oversight, coupled with restrictions in Operating Budget funds, can create pressure for agencies to shift staffing and administrative costs to the Capital Budget. Such shifts may not reflect the state's overall financial policies, particularly when general obligation bond funding is involved.¹

The 2001-03 Capital Budget directs the Joint Legislative Audit and Review Committee (JLARC) to study capital-budget funded staffing and administrative costs. A final report is due to the Legislature by September 15, 2002.

PROPOSED STUDY SCOPE

The JLARC Capital Budget Staffing and Administrative Cost Study will account for the staffing, administrative, and overhead costs paid by the Capital Budget; examine the policy and financial implications of funding these costs from the Capital Budget; and, as appropriate, make recommendations about accounting for these costs during the budgeting process.

PROPOSED STUDY OBJECTIVES

1. Describe the types of direct and indirect staffing, administrative, and overhead costs that occur in implementing capital projects and programs.
2. Estimate the total staffing, administrative, and overhead costs associated with implementing agency capital projects and programs, and the funding sources used to pay these costs.

¹ Over the past decade, approximately 45 percent of the Capital Budget has been financed through the issuance of state general obligation bonds.

3. Estimate the number of staff involved in implementing capital projects and programs, and describe the roles and functions performed by staff, assuming such information is maintained by the respective agencies.
4. Compare capital staffing, administrative, and overhead costs, and their funding sources, across state agencies.
5. Collect information about the budgeting policies and procedures used by other states to manage capital staffing, administrative, and overhead costs.
6. Evaluate the effectiveness of Washington's existing budgeting policies, procedures, and controls in ensuring that staffing, administrative, and overhead costs paid by the Capital Budget are appropriate and in the state's best financial interest.
7. Recommend improvements, as warranted, to budget policies, procedures, and controls to better ensure that staffing, administrative, and overhead costs paid by the Capital Budget are appropriate and in the state's best financial interest.

OVERVIEW OF PROPOSED STUDY APPROACH

- The bulk of JLARC's work will center on a detailed survey of agencies that receive Capital Budget appropriations. The survey will be designed to identify:
 - Staffing, administrative, and overhead costs associated with implementing agency capital programs;
 - Funding sources used to pay these costs (whether from capital, operating, transportation, or local funds);
 - Roles and functions performed by staff;
 - Extent to which functions and costs are one-time or ongoing, and whether they would be incurred in the absence of specific capital projects or programs; and
 - Policy and budgeting history leading up to the current situation.
- This JLARC survey will be administered in the spring of 2002 in order to reflect any budget adjustments made in supplemental budgets during the 2002 Legislative Session.
- In addition to this proposed survey, JLARC will gather information on existing state policies, rules, and budget directives surrounding capital-funded FTE and administrative costs; assess the implementation and effectiveness of these policies; and collect information about approaches used in other states.

JLARC STAFF CONTACT FOR THE STUDY

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Stephanie Hoffman	(360) 786-5176	hoffman_st@leg.wa.gov

APPENDIX 2 – AGENCY RESPONSE

- Office of Financial Management (OFM)



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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

JLARC

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

October 3, 2002

TO: Thomas M. Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: Marty Brown, Director *Marty Brown*

**SUBJECT: CAPITAL BUDGET STAFFING AND ADMINISTRATIVE COSTS
STUDY -PRELIMINARY REPORT**

Thank you for the opportunity to comment on the preliminary report on the Capital Budget Staffing and Administrative Costs Study presented to the Joint Legislative Audit and Review Committee (JLARC) at its September 18 meeting. My comments are in concurrence with the report's findings and recommendations.

It is noteworthy that the report does recognize that implementation of these recommendations will not be cost-free. In fact, necessary changes to budgeting and data reporting systems could require significant lead times and resources not currently available to us. We will do our best to estimate these costs before session. The ultimate ability to carry out these new duties will depend on the provision of adequate and ongoing funding.

RECOMMENDATION	AGENCY POSITION	COMMENTS
1 - Clarify policies	Partially concur	The Office of Financial Management (OFM) agrees clear policy definition is desirable. However, the definition used by JLARC regarding administrative and overhead costs merits additional consideration. The distinction of "general agency overhead costs" is appropriately more narrowly defined. In addition, there may be legal issues to be considered concerning the prohibition of payment of general agency overhead costs from long term debt funds. This issue should be thoroughly examined.
2 - Extend FTE summary report through the entire capital budgeting process	Concur	Adjusting FTE levels is a joint effort for the Governor and the Legislature, depending on the stage in the budgeting process. Capital budget instructions will need to be revised to reflect expectations for the quality of the data which are consistent with legislative intent.



3 – Report FTES funded from capital dollars as “capital FTEs”	Concur	
4 – OFM should monitor capital FTEs	Concur	The success of monitoring will depend on the clarity of intent within future enacted budgets.
5 – Collect data on project administration expenses	Partially concur	Since major projects or total minor works appropriations (including reappropriations) \$5 million or more have the most impact on staffing levels, the initial tracking of capital costs should be directed toward these projects. Major construction projects have budgets prepared which can indicate staffing levels. Differences in costs for actual construction projects and pass through projects are anticipated. A cost estimate for tracking this information at OFM will be prepared prior to the legislative session.

OFM capital budget staff members have enjoyed working with Stephanie Hoffman and Bree Ramage on this report and have mentioned to me their collegial professionalism. Thank you again for the opportunity to comment.

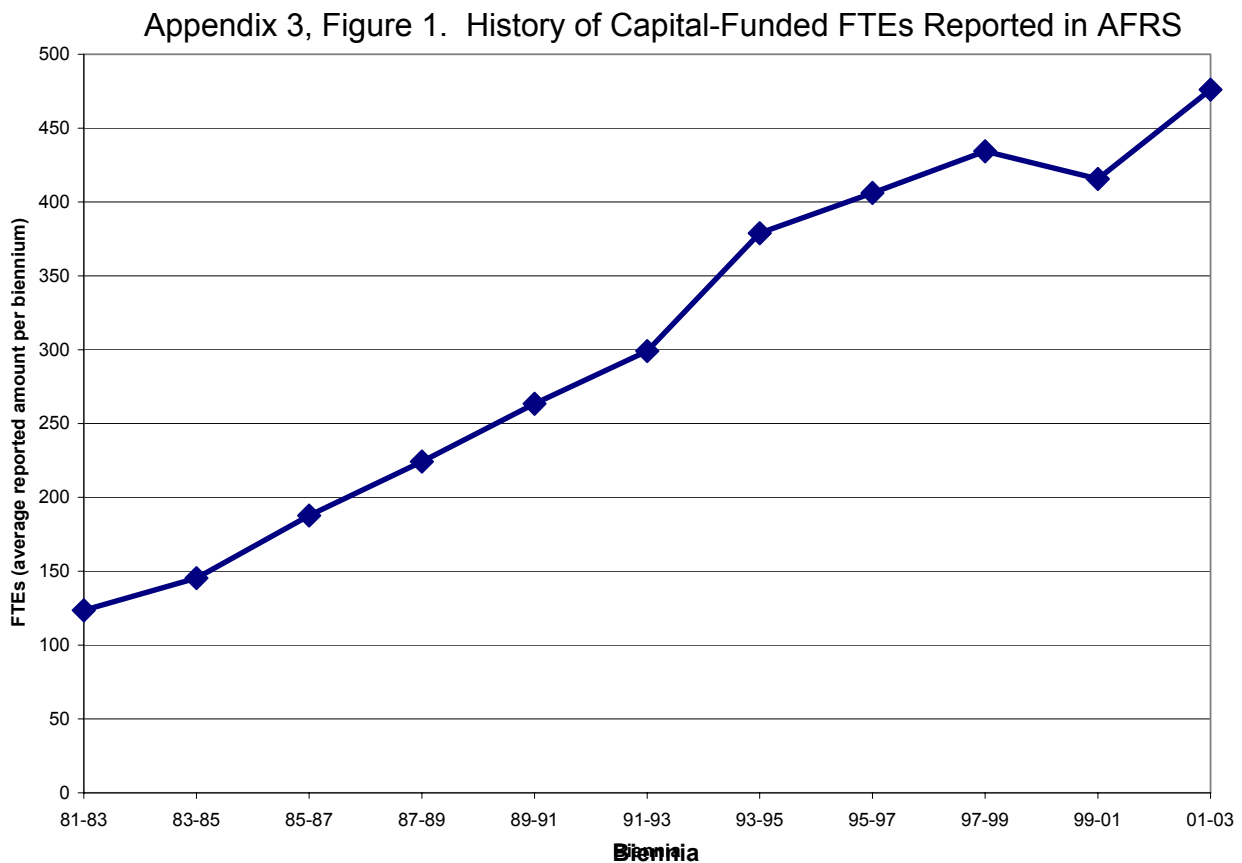
cc: Stephanie Hoffman, JLARC
Bree Ramage, JLARC
Mike Roberts, OFM
Tom Boyer, OFM

APPENDIX 2A – JLARC’S COMMENTS ON AGENCY RESPONSE

We are pleased that the Office of Financial Management (OFM) concurs with the report’s findings and recommendations. OFM’s acknowledgement that some recommendations will require further consideration and development by the Governor and Legislature is appropriate. However, with the exception of Recommendation 5, implementation should have only minimal fiscal impact to OFM. We encourage OFM to work closely with legislative fiscal staff to determine how to best implement the recommendations in a timely and efficient manner.

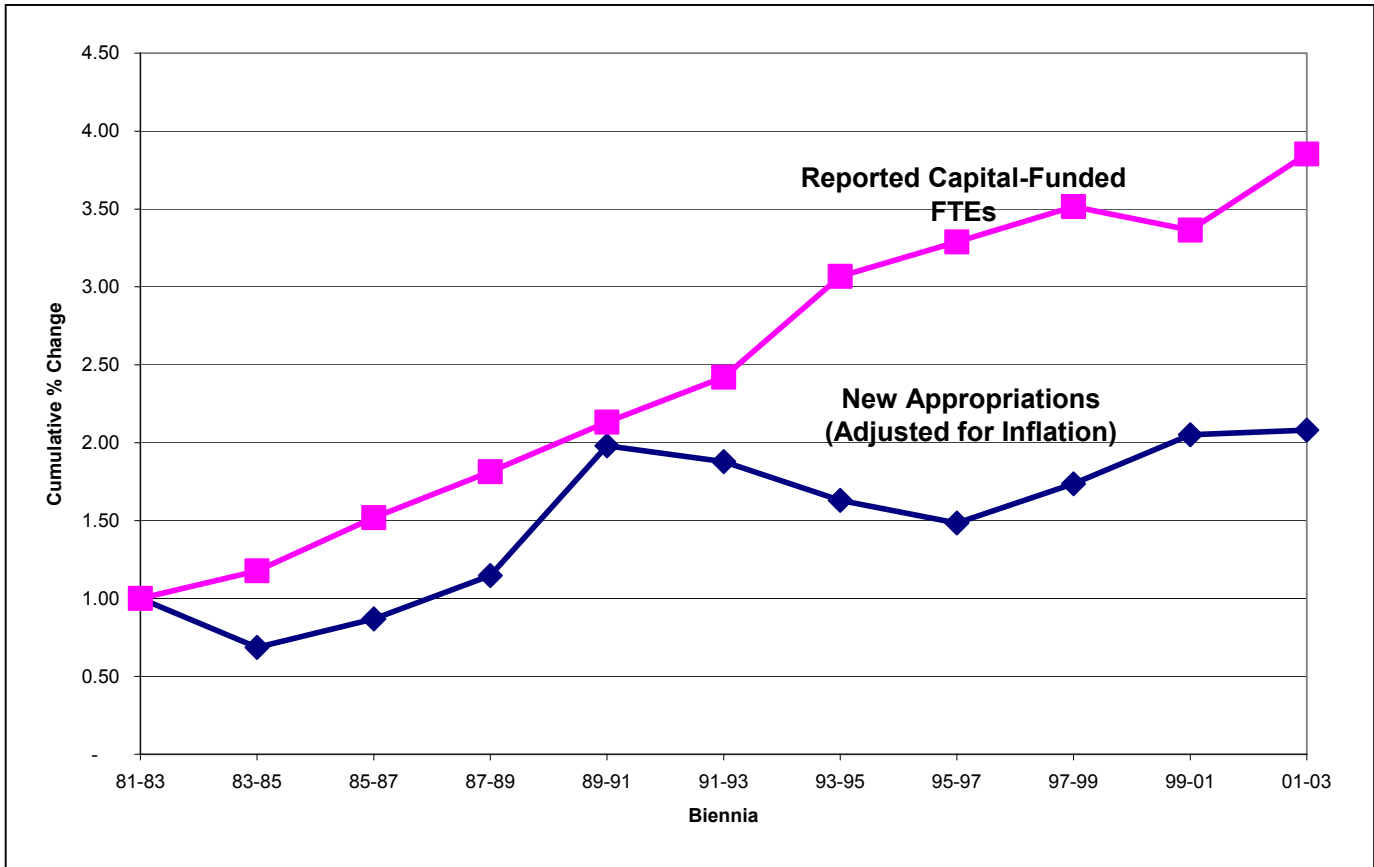
APPENDIX 3 – HISTORY OF REPORTED NUMBER OF CAPITAL-FUNDED FTEs COMPARED TO CAPITAL BUDGET APPROPRIATIONS

This appendix provides a historical comparison of changes in capital-funded FTEs reported in the state’s accounting and reporting system (AFRS) with changes in overall Capital Budget appropriations. Figure 1 below shows the growth in the average number of reported capital-funded FTEs between the 1981-83 Biennium and the 2001-03 Biennium. During this time period, average reported capital-funded FTEs per biennium went from 124 to 476. Figure 2 on the following page compares the cumulative percentage changes in the number of reported capital-funded FTEs with the cumulative percentage changes in the amount of new Capital Budget appropriations over time. This latter figure illustrates that **the number of reported capital-funded FTEs has increased at a faster rate and more steadily (with the exception of a slight decline in 1999-01) than the amount of new appropriations authorized in the state’s biennial Capital Budget.**



Source: LEAP- Historical Capital Staff FTEs as reported in the state’s Accounting and Financial Reporting System.

Appendix 3, Figure 2. Cumulative Percent Changes in Reported Capital-Funded FTEs and New Capital Budget Appropriations



Source: JLARC based on LEAP and House Capital Budget Committee data.

As illustrated in Figure 2 above, the number of reported capital-funded FTEs increased even during periods when the amount of new Capital Budget appropriations decreased. Overall, the cumulative percentage change between the 1981-83 and 2001-03 Biennia for reported number of capital-funded FTEs is 285 percent. The cumulative percentage change in the amount of new Capital Budget appropriations over this same time period is 108 percent.

There are two caveats to keep in mind when reviewing this information:

- As mentioned in Chapter 3 of this report (p. 24), capital-funded FTEs may be underreported in AFRS. According to agency responses to JLARC’s survey, there are approximately 633 average annual capital-funded FTEs in 2001-03. The budgeted FTEs reported in AFRS for this same time period average only 476. Data are not available to determine whether capital-funded FTEs have been consistently underreported in AFRS or if this is a recent trend.
- Statewide totals mask changes at the individual agency level. As mentioned in Chapter 2 of this report (pp. 9-10), we found no strong relationship between the total authorized capital funds available to an agency and the number of capital program FTEs employed by an agency. This may reflect a number of factors, including differences in the size and complexity of projects, legal and environmental requirements, and decisions regarding contracting out versus hiring agency staff to perform project work.

Our study recommendations, particularly Recommendation 3, are intended to improve the accuracy in reported capital-funded FTEs so that future comparisons between FTEs and budget appropriations can be made with complete and accurate data.

Appendix 3, Figure 3. Source Data

Biennium	Average Number of Reported Capital-Funded FTEs	Cumulative Percent Change	New Capital Appropriations (Nominal Dollars)	New Capital Appropriations (Adjusted for Inflation)	Cumulative Percent Change
81-83	124	1.00	695,012,000	1,233,262,618	1.00
83-85	145	1.18	516,397,000	846,244,173	0.69
85-87	188	1.52	694,903,730	1,072,382,299	0.87
87-89	224	1.81	987,869,585	1,414,835,497	1.15
89-91	263	2.13	1,857,674,833	2,442,880,406	1.98
91-93	299	2.42	1,884,784,503	2,316,092,371	1.88
93-95	379	3.07	1,711,644,352	2,010,020,768	1.63
95-97	406	3.29	1,626,665,234	1,829,998,388	1.48
97-99	434	3.52	1,962,857,088	2,140,779,665	1.74
99-01	416	3.36	2,415,745,149	2,529,281,799	2.05
01-03	476	3.85	2,566,622,987	2,566,622,987	2.08

Source: JLARC based on LEAP and House Capital Budget Committee data.

APPENDIX 4 - CAPITAL PROGRAM STAFF BY FUNCTIONAL AREA OF GOVERNMENT

Primary Function of Capital Program Staff ³⁸	Government Operations FTEs	% of Functional Area	Human Services FTEs	% of Functional Area	Natural Resources FTEs	% of Functional Area	Public Schools FTEs	% of Functional Area	Higher Education FTEs	% of Functional Area	Other Education FTEs	% of Functional Area	Total FTEs	% of Total
Project or Contract Management	79	54%	21	19%	89	26%	4	36%	79	22%	1	22%	273	28%
Construction & Repair	12	8%	32	29%	73	21%	0	0%	120	34%	1	17%	239	25%
Administrative, Office, Computer Support	22	15%	13	12%	32	9%	1	9%	51	14%	1	11%	120	12%
Design	1	1%	0	0%	60	18%	0	0%	44	12%	0	0%	105	11%
Planning & Policy	3	2%	12	11%	53	15%	2	18%	9	3%	0	0%	79	8%
Agency, Division, or Program Management	22	15%	5	5%	17	5%	2	18%	28	8%	1	11%	74	8%
Budgeting & Accounting	8	5%	10	9%	14	4%	2	18%	24	7%	0	7%	58	6%
Other	1	0%	17	15%	5	1%	0	0%	1	0%	2	31%	25	3%
Totals ³⁹	147	100%	112	100%	343	100%	11	100%	355	100%	5	100%	973	100%

Source: JLARC.

³⁸ Primary functional categories defined by JLARC for purposes of this study.

³⁹ Numbers may not total due to rounding.

APPENDIX 5 – CAPITAL PROGRAM FTEs BY AGENCY AND FUND SOURCE

Agencies	JLARC Primary Program Type ⁴⁰	2001-03 Total Authorized Capital Budget ⁴¹	Total Capital Program FTEs	FTEs Paid from Capital Debt Funds	FTEs Paid from Capital Nondebt Funds	FTEs Paid from Operating Budget Funds	FTEs Paid from Transportation Budget Funds	FTEs Paid from Other Sources
Government Operations								
Secretary of State	SL/F	\$14,631,482	1.8	—	—	1.8	—	—
Dept. of Community, Trade & Economic Development	P-T	\$694,730,165	43.0	7.1	0.7	28.1	—	7.1
General Administration - Capital Planning & Management	SL/F	\$178,209,295	31.7	8.4	20.1	0.9	—	2.2
General Administration - Division of Engineering & Architectural Services	SL/F	\$9,437,200	51.5	44.0	7.5	—	—	—
Military Dept.	SL/F	\$55,011,202	16.0	4.9	6.0	5.0	—	—
Convention and Trade Center	SL/F	\$5,940,000	2.2	—	—	2.2	—	—
Washington State Patrol	SL/F	\$15,538,002	0.7	—	—	0.3	0.5	—
Total⁴²		\$973,497,346	146.9	64.5	34.4	38.2	0.5	9.3
Percentage of Total			100.0%	43.9%	23.4%	26.0%	0.3%	6.3%
Human Services								
Criminal Justice Training Comm.	SL/F	\$350,000	0.2	—	—	0.2	—	—
Dept. of Labor & Industries	SL/F	\$650,000	0.1	—	—	0.1	—	—

⁴⁰ SL/F: State land and facility agencies; P-T: Grant, loans, and pass-through agencies.

⁴¹ Includes new appropriations, adjusted reappropriations, and COPs.

⁴² Numbers may not total due to rounding.

Agencies	JLARC Primary Program Type⁴⁰	2001-03 Total Authorized Capital Budget⁴¹	Total Capital Program FTEs	FTEs Paid from Capital Debt Funds	FTEs Paid from Capital Nondebt Funds	FTEs Paid from Operating Budget Funds	FTEs Paid from Transportation Budget Funds	FTEs Paid from Other Sources
Dept. of Social and Health Services	SL/F	\$134,076,447	41.0	6.0	13.0	22.0	—	—
Dept. of Health	P-T	\$36,246,660	4.8	—	—	4.8	—	—
Dept. of Veterans Affairs	SL/F	\$24,728,736	1.0	—	0.9	0.1	—	—
Dept. of Corrections	SL/F	\$129,640,190	64.5	58.5	3.0	3.0	—	—
Total		\$325,692,033	111.6	64.5	16.9	30.1	0.0	0.0
Percentage of Total			100.0%	57.8%	15.2%	27.0%	0.0%	0.0%
Natural Resources								
Dept. of Ecology	P-T	\$497,315,030	55.3	0.7	—	54.6	—	—
Parks and Recreation Comm.	SL/F	\$65,523,943	70.2	52.5	6.1	11.6	—	—
Interagency Committee for Outdoor Recreation	P-T	\$305,481,553	32.5	12.3	—	20.2	—	—
Conservation Comm.	P-T	\$19,291,504	9.7	1.6	1.9	6.2	—	—
Dept. of Fish & Wildlife	SL/F	\$54,123,470	155.9	36.8	43.3	54.1	12.4	9.3
Dept. of Natural Resources	P-T	\$109,076,830	19.4	12.0	5.9	1.5	—	—
Total⁴²		\$1,050,812,330	343.0	115.8	57.2	148.3	12.4	9.3
Percentage of Total			100.0%	33.8%	16.7%	43.2%	3.6%	2.7%
Public Schools (K-12)								
Office of Superintendent of Public Instruction/State Board of Education	P-T	\$494,191,807	11.0	—	11.0	—	—	—
Total		\$494,191,807	11.0	0.0	11.0	0.0	0.0	0.0
Percentage of Total			100.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Higher Education								
University of Washington	SL/F	\$314,624,587	109.3	30.1	32.5	8.3	—	38.5
Washington State University	SL/F	\$145,441,333	94.1	49.5	33.0	11.0	—	0.6

Agencies	JLARC Primary Program Type⁴⁰	2001-03 Total Authorized Capital Budget⁴¹	Total Capital Program FTEs	FTEs Paid from Capital Debt Funds	FTEs Paid from Capital Nondebt Funds	FTEs Paid from Operating Budget Funds	FTEs Paid from Transportation Budget Funds	FTEs Paid from Other Sources
Eastern Washington University	SL/F	\$42,331,657	43.6	32.7	10.8	—	—	—
Central Washington University	SL/F	\$54,889,669	14.9	5.3	4.7	4.9	—	—
The Evergreen State College	SL/F	\$51,828,433	27.6	2.5	16.7	8.4	—	—
Western Washington University	SL/F	\$75,281,721	37.7	14.5	14.5	8.7	—	—
Community/Technical Colleges	SL/F	\$415,272,724	28.3	21.7	—	6.6	—	—
Total⁴²		\$1,099,670,124	355.4	156.3	112.2	47.8	0.0	39.1
Percentage of Total			100.0%	44.0%	31.6%	13.5%	0.0%	11.0%
Other Education								
State School for the Blind	SL/F	\$8,099,605	1.4	—	—	1.4	—	—
State School for the Deaf	SL/F	\$3,568,476	0.3	—	—	0.3	—	—
WA Historical Society	SL/F	\$10,043,255	1.1	—	—	1.1	—	—
E. WA Historical Society	SL/F	\$4,175,179	2.6	—	—	2.2	—	0.4
Total⁴²		\$25,886,515	5.3	0.0	0.0	4.9	0.0	0.4
Percentage of Total			100.0%	0.0%	0.0%	92.4%	0.0%	7.6%
Statewide Total		\$3,969,750,155	973.1	401.1	231.7	269.3	12.9	58.1
Percentage of Total			100.0%	41.2%	23.8%	27.7%	1.3%	6.0%

Source: Agency information reported to JLARC.

APPENDIX 6 –CAPITAL PROGRAM STAFF SALARIES AND BENEFITS BY AGENCY AND FUND SOURCE

Agencies	JLARC Primary Program Type ⁴³	2001-03 Total Authorized Capital Budget ⁴⁴	Total Capital Program Salaries and Benefits	Salaries and Benefits Paid from Capital Debt Funds	Salaries and Benefits Paid from Capital Nondebt Funds	Salaries and Benefits Paid from Operating Budget Funds	Salaries and Benefits Paid from Transportation Budget Funds	Salaries and Benefits Paid from Other Sources
Government Operations								
Secretary of State	SL/F	14,631,482	326,601	—	—	326,601	—	—
Dept. of Community, Trade & Economic Development	P-T	694,730,165	5,299,359	908,909	97,650	3,401,964	—	890,836
General Administration - Capital Planning & Management	SL/F	178,209,295	3,779,231	1,079,922	2,278,071	126,501	—	294,737
General Administration - Division of Engineering & Architectural Services	SL/F	9,437,200	5,335,913	4,555,804	780,109	—	—	—
Military Dept.	SL/F	55,011,202	1,953,855	570,481	697,256	686,117	—	—
Convention and Trade Center	SL/F	5,940,000	190,421	—	—	190,421	—	—
Washington State Patrol	SL/F	15,538,002	94,900	—	—	31,800	63,100	—
Total⁴⁵		973,497,346	16,980,280	7,115,117	3,853,086	4,763,404	63,100	1,185,573
Percentage of Total			100%	42%	23%	28%	0%	7%
Human Services								
Criminal Justice Training Comm.	SL/F	350,000	39,143	—	—	39,143	—	—
Dept. of Labor & Industries	SL/F	650,000	7,758	—	—	7,758	—	—

⁴³SL/F: State land and facility agencies; P-T: Grant, loan, and pass-through agencies.

⁴⁴Includes new appropriations, adjusted reappropriations, and COPs.

⁴⁵ Numbers may not total due to rounding.

Agencies	JLARC Primary Program Type ⁴³	2001-03 Total Authorized Capital Budget ⁴⁴	Total Capital Program Salaries and Benefits	Salaries and Benefits Paid from Capital Debt Funds	Salaries and Benefits Paid from Capital Nondebt Funds	Salaries and Benefits Paid from Operating Budget Funds	Salaries and Benefits Paid from Transportation Budget Funds	Salaries and Benefits Paid from Other Sources
Dept. of Social and Health Services	SL/F	134,076,447	4,718,842	592,800	1,892,146	2,233,896	—	—
Dept. of Health	P-T	36,246,660	546,566	—	—	546,566	—	—
Dept. of Veterans Affairs	SL/F	24,728,736	113,096	—	106,096	7,000	—	—
Dept. of Corrections	SL/F	129,640,190	6,587,656	5,979,965	263,998	343,693	—	—
Total		325,692,033	12,013,061	6,572,765	2,262,240	3,178,056	—	—
Percentage of Total		—	100%	55%	19%	26%	0%	0%
Natural Resources								
Dept. of Ecology	P-T	497,315,030	7,259,862	92,583	—	7,167,279	—	—
Parks and Recreation Comm.	SL/F	65,523,943	8,267,425	6,114,924	685,511	1,466,992	—	—
Interagency Committee for Outdoor Recreation	P-T	305,481,553	3,882,299	1,515,105	—	2,367,194	—	—
Conservation Comm.	P-T	19,291,504	1,151,000	158,500	209,500	783,000	—	—
Dept. of Fish & Wildlife	SL/F	54,123,470	16,135,010	3,697,963	4,391,130	5,858,236	1,279,280	908,400
Dept. of Natural Resources	P-T	109,076,830	2,194,400	1,361,300	638,300	194,800	—	—
Total		1,050,812,330	38,889,996	12,940,375	5,924,441	17,837,501	1,279,280	908,400
Percentage of Total		—	100%	33%	15%	46%	3%	2%
Public Schools (K-12)								
Office of Superintendent of Public Instruction/State Board of Education	P-T	494,191,807	1,603,988	—	1,603,988	—	—	—
Total		494,191,807	1,603,988	—	1,603,988	—	—	—
Percentage of Total		—	100%	0%	100%	0%	0%	0%
Higher Education								
University of Washington	SL/F	314,624,587	16,842,261	4,124,726	5,263,580	1,322,356	—	6,131,599
Washington State University	SL/F	145,441,333	12,913,898	6,141,377	4,094,253	2,510,356	—	167,910

Agencies	JLARC Primary Program Type⁴³	2001-03 Total Authorized Capital Budget⁴⁴	Total Capital Program Salaries and Benefits	Salaries and Benefits Paid from Capital Debt Funds	Salaries and Benefits Paid from Capital Nondebt Funds	Salaries and Benefits Paid from Operating Budget Funds	Salaries and Benefits Paid from Transportation Budget Funds	Salaries and Benefits Paid from Other Sources
Eastern Washington University	SL/F	42,331,657	4,591,415	3,451,478	1,133,797	—	—	—
Central Washington University	SL/F	54,889,669	2,121,872	697,235	618,303	806,335	—	—
The Evergreen State College	SL/F	51,828,433	3,266,226	317,259	1,673,240	1,275,727	—	—
Western Washington University	SL/F	75,281,721	4,972,057	1,782,249	1,645,651	1,544,157	—	—
Community/Technical Colleges	SL/F	415,272,724	2,817,012	1,658,932	—	1,158,080	—	—
Total⁴⁵		1,099,670,124	47,524,741	18,173,256	14,428,824	8,617,010	—	6,299,509
Percentage of Total			100%	38%	30%	18%	0%	13%
Other Education								
State School for the Blind	SL/F	8,099,605	179,592	—	—	179,592	—	—
State School for the Deaf	SL/F	3,568,476	31,185	—	—	31,185	—	—
WA Historical Society	SL/F	10,043,255	122,743	—	—	122,743	—	—
E. WA Historical Society	SL/F	4,175,179	280,378	—	—	238,798	—	41,580
Total		25,886,515	613,898	—	—	572,318	—	41,580
Percentage of Total			100%	0%	0%	93%	0%	7%
Statewide Total								
Statewide Total		3,969,750,155	117,625,965	44,801,513	28,072,579	34,968,290	1,342,380	8,435,062
Percentage of Total			100%	38%	24%	30%	1%	7%

Source: Agency information reported to JLARC.

APPENDIX 7 - FUND SOURCES USED TO PAY ADMINISTRATIVE AND OVERHEAD EXPENSES BY AGENCY⁴⁶

Agencies	JLARC Primary Program Type ⁴⁷	Total Admin. & Overhead Expenses	Admin. & Overhead Expenses paid from Capital Debt Funds	Admin. & Overhead Expenses paid from Capital Nondebt Funds	Admin. & Overhead Expenses paid from Operating Budget Funds	Admin. & Overhead Expenses paid from Transportation Budget Funds	Admin. & Overhead Expenses paid from Other Sources
Government Operations							
Secretary of State	SL/F	\$334,601	—	—	\$334,601	—	—
Dept. of Community, Trade & Economic Development	P-T	\$10,478,549	\$3,441,348	\$188,068	\$5,002,785	—	\$1,846,348
General Administration - Capital Planning & Management	SL/F	\$4,414,609	\$1,163,157	\$2,830,214	\$126,501	—	\$294,737
General Administration - Division of E&AS	SL/F	\$9,437,200	\$8,057,800	\$1,379,400	—	—	—
Military Dept.	SL/F	\$2,312,040	\$365,697	\$1,260,227	\$686,117	—	—
Convention and Trade Center	SL/F	\$190,421	—	—	\$190,421	—	—
Washington State Patrol	SL/F	\$100,800	—	—	\$33,700	\$67,100	—
Total		\$27,268,220	\$13,028,002	\$5,657,909	\$6,374,125	\$67,100	\$2,141,085
Percentage of Total		100.0%	47.8%	20.7%	23.4%	0.2%	7.9%
Human Services							
Criminal Justice Training Comm.	SL/F	\$22,098	—	—	\$22,098	—	—
Dept. of Labor & Industries	SL/F	\$7,758	—	—	\$7,758	—	—
Dept. of Social and Health Services	SL/F	\$7,258,545	\$3,174,544	\$2,055,796	\$2,028,205	—	—
Dept. of Health	P-T	\$1,140,531	\$14,142	\$406,000	\$720,389	—	—
Dept. of Veteran Affairs	SL/F	\$113,096	—	\$106,096	\$7,000	—	—
Dept. of Corrections	SL/F	\$5,734,660	\$5,344,536	\$35,474	\$354,650	—	—
Total		\$14,276,688	\$8,533,222	\$2,603,366	\$3,140,100	\$-	\$-
Percentage of Total		100.0%	59.8%	18.2%	22.0%	0.0%	0.0%

⁴⁶ For the purposes of this study, JLARC defined “administrative and overhead costs” as *all costs* incurred in the development and implementation of capital programs *except* for the following: direct capital outlays; grant and loan disbursements; and the salaries, benefits, supplies, and materials for staff who perform construction, repair, or design work. JLARC’s definition treats administrative and overhead costs as a single expense because no distinction can be made between administrative and overhead costs in the accounting data reported by agencies.

⁴⁷ SL/F: State land and facility agencies; P-T: Grant, loan, and pass-through agencies.

Agencies	JLARC Primary Program Type⁴⁷	Total Admin. & Overhead Expenses	Admin. & Overhead Expenses paid from Capital Debt Funds	Admin. & Overhead Expenses paid from Capital Nondebt Funds	Admin. & Overhead Expenses paid from Operating Budget Funds	Admin. & Overhead Expenses paid from Transportation Budget Funds	Admin. & Overhead Expenses paid from Other Sources
Natural Resources							
Dept. of Ecology	P-T	\$9,219,318	\$152,975	\$158,000	\$8,908,343	—	—
Parks and Recreation Comm.	SL/F	\$11,053,860	\$7,986,717	\$861,320	\$2,205,823	—	—
Interagency Committee for Outdoor Recreation	P-T	\$6,631,438	\$1,869,484	\$175,000	\$4,586,954	—	—
Conservation Comm.	P-T	\$1,378,380	\$235,240	\$360,140	\$783,000	—	—
Dept. of Fish & Wildlife	SL/F	\$8,868,869	\$278,814	\$2,146,892	\$4,556,103	\$925,920	\$961,139
Dept. of Natural Resources	P-T	\$10,494,067	\$5,609,433	\$4,690,133	\$194,500	—	—
Total		\$47,645,932	\$16,132,663	\$8,391,485	\$21,234,723	\$925,920	\$961,139
Percentage of Total		100.0%	33.9%	17.6%	44.6%	1.9%	2.0%
Public Schools (K-12)							
Office of Superintendent of Public Instruction/State Board of Education	P-T	\$1,930,989	—	\$1,930,989	—	—	—
Total		\$1,930,989	\$-	\$1,930,989	\$-	\$-	\$-
Percentage of Total		100.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Higher Education							
University of Washington	SL/F	\$10,385,228	\$3,912,947	\$2,256,627	\$1,059,611	—	\$3,156,043
Washington State University	SL/F	\$9,556,053	\$4,340,072	\$2,893,382	\$2,158,706	—	\$163,894
Eastern Washington University	SL/F	\$1,887,545	\$1,463,196	\$424,349	—	—	—
Central Washington University	SL/F	\$2,145,565	\$709,792	\$629,438	\$806,335	—	—
The Evergreen State College	SL/F	\$1,638,839	\$193,395	\$326,218	\$1,119,226	—	—
Western Washington University	SL/F	\$3,046,133	\$1,086,016	\$612,734	\$1,347,383	—	—
Community/Technical Colleges	SL/F	\$2,356,206	\$713,326	—	\$1,642,880	—	—
Total		\$31,015,569	\$12,418,744	\$7,142,748	\$8,134,140	\$-	\$3,319,937
Percentage of Total		100.0%	40.0%	23.0%	26.2%	0.0%	10.8%
Other Education							
State School for the Blind	SL/F	\$98,810	—	—	\$98,810	—	—
State School for the Deaf	SL/F	\$31,185	—	—	\$31,185	—	—
WA Historical Society	SL/F	\$206,706	\$83,963	—	\$122,743	—	—
E. WA Historical Society	SL/F	\$325,286	\$29	—	\$238,800	—	\$86,457
Total		\$661,987	\$83,992	\$-	\$491,538	\$-	\$86,457
Percentage of Total		100.0%	12.7%	0.0%	74.3%	0.0%	13.1%
Statewide Total		\$122,799,385	\$50,196,623	\$25,726,497	\$39,374,627	\$993,020	\$6,508,619
Percentage of Total		100.0%	40.9%	21.0%	32.1%	0.8%	5.3%

Source: Agency information reported to JLARC.

APPENDIX 8 – JLARC SURVEY

Joint Legislative Audit and Review Committee

**Capital Budget Staffing
and Administrative Costs Study**

**Agency Survey and Information Request
May 9, 2002**

JLARC SURVEY TABLE OF CONTENTS

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**Joint Legislative Audit and Review Committee
Capital Budget Staffing and Administrative Costs Study**

Agency Survey and Information Request

INTRODUCTION

The 2001-03 Capital Budget directs the Joint Legislative Audit and Review Committee (JLARC) to study staffing, administrative, and overhead costs associated with the development and implementation of agency *capital programs*.

This survey and information request is designed to collect organizational and expenditure information from all state agencies that received capital appropriations and/or reappropriations in the 2001-03 Capital Budget. Agency responses will be used to understand the structure and costs associated with agency capital programs, the funding sources used to support capital program costs, and the roles and functions performed by staff.

☞ **IMPORTANT NOTE:** In order to fully understand the activities and expenses related to your agency's capital program, *we are asking you to report information on all staffing, administrative, and overhead costs associated with your agency's capital program, regardless of funding sources used to pay these costs.* Therefore, some of the staffing, administrative, and overhead expenses we are asking you to identify may be funded by sources other than the Capital Budget (such as Operating Budget funds or local sources). Please keep this broader perspective in mind when responding to the questions in this survey and information request. See our study's Scope and Objectives in Appendix B for a more formal explanation of this broader approach.

Responses to this survey and information request are due to JLARC by Monday, June 10, 2002. We will contact you via phone towards the end of next week (May 15-17) to verify that you received this survey and to answer any specific questions you may have. Please send us both a hard copy of your responses as well as an electronic version (see Appendix G for contact information and the name of the JLARC staff member assigned to your agency). Narrative responses to the survey can be entered on the attached survey response document. Responses to Table 1 through Table 3 in the attached MS Excel workbook can be entered directly on the attached tables once you have saved the Excel workbook under your own file name.

We look forward to working with you as our study progresses.

*For the purposes of this study, the definition of capital program is centered around projects in the state Capital Budget. Therefore, the term **capital program** includes all activities and expenses related to the development of capital project requests to be funded or authorized in the state Capital Budget and/or the implementation of capital projects funded or authorized in the state Capital Budget, regardless of funding sources used to pay for these activities and expenses.*

Note: Agencies that have capital projects not funded/ authorized in the state Capital Budget (e.g. higher education institutions performing repairs or renovations on non-state supported facilities) should not include those activities and expenses in their responses.

SURVEY AND INFORMATION REQUEST

Note: Responses should be entered on the attached survey response document (entitled “Survey Response”) and attached MS Excel workbook (entitled “JLARC Tables”) once you have saved these documents under your own file names.

A. OVERVIEW OF YOUR AGENCY’S CAPITAL PROGRAM AND ADMINISTRATIVE STRUCTURE

1. Briefly describe the major goals and objectives of your agency’s 2001-03 capital program.
2. What administrative divisions in your agency are responsible for your capital program and what are the major responsibilities of each division?
3. Please attach an organizational chart, identifying each administrative division and staff position that bears responsibility for developing and/or implementing your agency’s capital program. If you submit separate organizational charts for each division, please also provide an agency-wide chart showing the overall relationships of these divisions within the agency. *Note: If your agency has developed formal teams with staff from the Department of General Administration, you should only include your own employees on the organizational chart.*

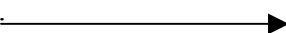
B. STAFFING POSITIONS AND COSTS FOR YOUR CAPITAL PROGRAM

IMPORTANT NOTE: To complete this section and Table 1 in the attached MS Excel workbook, we are asking you to identify all agency staff positions that support the development and/or implementation of your agency’s capital program, including positions that are funded by Capital Budget appropriations, as well as positions funded by other sources (such as Operating Budget or local sources). This includes agency staff involved with policy development, strategic planning, comprehensive and master planning, and preparation and prioritization of Capital Budget requests. It also includes staff whose functions directly relate to the execution of specific capital projects. The information you provide in Table 1 may not be identical to the Capital Budget FTE summary reports or other reports submitted to OFM because it is not limited to positions funded only by the Capital Budget.

1. Complete Table 1 in the attached MS Excel workbook using the following instructions. An example of this table can be found in Appendix C.
 - a. **To complete column A in Table 1:** List all agency staff positions associated with the development and implementation of your 2001-03 capital program using the Department of Personnel’s job class titles. For positions unique to your agency, use agency-assigned job titles. The job classes you report here should include all positions funded by the Capital Budget as well as any other agency positions that support the capital program.
 - b. **To complete column B in Table 1:** Identify which one of the eight JLARC job categories defined below best describes the primary function performed by each of the job classes you listed in column A. Use the numbers 1 through 8 to indicate in column B the appropriate JLARC functional job category for each job class listed in column A. *Note that positions should be classified based on the primary function they perform rather than the title of the position.*

Example of classifying positions by primary function, not title: *An architect whose primary function is project management should be listed under job category 2 (project/contract management) rather than category 3 (design).*

- JLARC FUNCTIONAL JOB CATEGORIES (used to complete column B of Table 1)***
1. Agency, Division, or Program Management—Positions that manage the agency or its divisions or programs.
 2. Project and/or Contract Management—Positions that directly manage or oversee the delivery of agency capital projects by: *coordinating, directing, or otherwise managing design or construction services provided by others; implementing capital grant or loan programs; overseeing land or facility acquisition services; or developing, negotiating, or administering contracts for the delivery of capital projects or programs.*
 3. Design—Positions that produce architectural or engineering designs, drawings, surveys, and cost estimates for the acquisition, construction or renovation of state lands or facilities.
 4. Planning and Policy—Positions that develop short or long-term plans or policies for agency capital programs, perform research or studies related to capital program plans or policies, or provide policy, planning, or regulatory assistance in the delivery of capital projects.
 5. Construction and Repair—Positions that directly perform construction or repair work on state lands or facilities, and/or supervise construction crews.
 6. Budgeting and Accounting—Positions that perform fiscal functions in support of agency capital programs.
 7. Administrative, Office, and Computer Support—Positions that provide secretarial, record-keeping, computer and other administrative or office support to capital programs.
 8. Other—Positions that cannot be classified into any of the other categories.

- c. **To complete column C in Table 1:** Provide your best estimate of the average annual FTEs your agency has in each job class for the 2001-03 Biennium. The average annual full-time equivalents for each job class should reflect the percentage of time a full-time equivalent spends on capital program activities over the biennium. For example, a full-time employee spending half his/her time on capital program activities in both years of the biennium should be reported as a .5 average annual FTE.
- d. **To complete column D in Table 1:** For each job class listed in Column A, provide your best estimate of the total salaries and benefits that will be paid to all persons in that job class performing capital program activities for the 2001-03 Biennium. For example, the total salaries and benefits reported for one person spending half his/her time on capital program activities should reflect half their estimated full-time salary and benefits for the biennium (i.e., the portion of their salary and benefits associated with capital program activities).
- e. **To complete columns E through I in Table 1:** For each job class listed in Column A, report the original funding sources and corresponding dollar amounts that will be used to pay for the total 2001-03 salaries and benefits reported in column D. For this study, original funding source categories are: Capital Budget bond funds, Capital Budget non-bond funds, Operating Budget funds, Transportation Budget funds, or other funding sources (such as local funds). 
- f. **To complete column J in Table 1:** Column J is formula-driven, totaling the dollar amounts reported in columns E through I. You do not need to report anything in this column, but please check that the calculated total is correct. The total should match the total salaries and benefits reported in column D.
- g. **To complete columns K and L in Table 1:** For each job class in column A, record your best estimates of the average annual FTEs in each job class for the previous two biennia. Average annual FTEs should reflect the percentage of time a full-time equivalent spent on capital program activities in previous biennia.

Definition of original funding source is the initial state budget appropriation or other fund source available to cover the costs of capital program expenses, prior to any transfers of funds between agency accounts for internal accounting/administrative purposes.

Example of original funding source: If an agency transfers funds from a Capital Budget bond appropriation to its Operating Budget to pay for all of its capital program staff salaries and benefits, then the original funding source should be reported here as Capital Budget bond funds (column G) and the corresponding dollar amount reported under column G should be equal to the total 2001-03 salaries and benefits

Note: If in prior years your agency had 0 FTEs in one of the current job classes, report 0 in the appropriate column.

Similarly, if in prior years your agency had FTEs in one or more job classes that are not currently part of your 2001-03 capital program, please add these job classes to column A.

End of instructions for completing Table 1

2. If any of the staff positions you reported in Table 1 are unique to your agency and not defined by a DOP job classification, please list and describe the specific roles and responsibilities of these positions.
3. Describe how your agency determines which job classifications are paid for from Capital Budget funds, which are paid for from Operating Budget funds, which are paid for from Transportation Budget funds, and which are paid for from other funding sources.
4. If there have been any recent and/or historical shifts in the funding sources used to pay for capital program staffing, please describe and explain them.

C. TOTAL ESTIMATED 2001-03 CAPITAL PROGRAM EXPENSES

This section asks you to report your agency's total estimated expenditures for your 2001-03 capital program by object of expenditure and source of funding. Since the definition of capital program used in this study is centered around projects in the state Capital Budget, we expect the majority of reported expenditures to be from Capital Budget funds. However, capital program-related staffing, administrative, and overhead expenses may also be paid from Operating Budget funds, Transportation Budget funds or other sources. Total estimated expenditures should reflect any adjustments resulting from changes made in the 2002 supplemental budgets. Note that estimated expenditures are not necessarily the same as your agency's appropriation, reappropriation, or budget-request amounts. Please be as accurate as you can in your estimates, while providing complete information.

1. Complete Table 2 in the attached MS Excel spreadsheet using the following instructions. An example of this table is provided in Appendix D.
 - a. **To complete column B in Table 2:** For each of the objects listed in column A, provide total estimated expenditures for 2001-03 in column B. —————▶

Example of estimated expenses for agencies that distribute or receive capital grants: An agency that distributes capital grants should record any of its own staffing-related expenditures in Objects A and B and the dollar amount of grants in Object N. An agency that receives a capital grant from another agency should record the grant as a "negative" expenditure (i.e., reimbursement) in Object S, record staffing-related grant expenditures in Objects A and B, and record other grant expenditures in Object J and/or other relevant Objects.

Note: The total amounts you report for Objects A and B should match the total salaries and benefits reported in column D of Table 1.

- b. **To complete columns C through G in Table 2:** Record the original funding sources and corresponding dollar amounts that will be used to pay for each object of expenditure listed in column A (see Appendix F for definitions of original funding source and the five funding categories).
- c. **To complete column H in Table 2:** Column H is formula-driven, adding the dollar amounts reported in columns C through G. You do not need to report anything in this column, but please check that the calculated total is correct. The totals should match the total estimated expenditures reported in column B.

End of instructions for completing Table 2

- 2. If you reported any “negative” expenditures in column B of Table 2, please explain the amounts reported.

D. SELECTED 2001-03 CAPITAL BUDGET EXPENSES

IMPORTANT NOTE: Table 2 in the previous section asked you to identify total estimated expenses for your agency’s capital program, including expenses that are funded by sources other than the Capital Budget. Table 3 in this section focuses on several selected expenses and only on the portion of those expenses that are paid for with Capital Budget funds. The expenditure amounts you are asked to report in Table 3 will be a subset of the total expenditures you have already identified in Table 2.


- 1. Please complete Table 3 in the attached MS Excel spreadsheet using the following instructions. An example of this table is provided in Appendix E.
 - a. **To complete columns B and C in Table 3:** Provide the estimated dollar amounts your agency anticipates spending from capital bond funds and/or capital non-bond funds in column B and C for each category of expense listed in column A. If your agency does not employ construction or design staff or has no expenses for one of the other selected categories of expenses, please enter \$0 in columns B and C for those expenses.

- b. **To complete column D in Table 3:** Column D is formula-driven, totaling the dollar amounts reported in columns B through C. You do not need to report anything in this column, but please check that the calculated total is correct.

End of instructions for completing Table 3

2. Tell us how you made the estimates reported in Table 3, including any assumptions or extrapolations used.

E. METHODS USED TO CHARGE STAFFING, ADMINISTRATIVE, AND OVERHEAD COSTS TO THE CAPITAL BUDGET

This section seeks information on the different methods used by your agency to charge a portion or all of your staffing, administrative, and overhead costs to the Capital Budget. Please answer the following questions about the various methods used by your agency: 

1. Provide a general description of each of the fees or other methods used to charge staffing, administrative, and overhead costs to the Capital Budget.
2. Describe the coverage of the fees or other charges described above. (e.g., Are they charged to all capital projects? Are they levied on both new appropriations and reappropriations?)
3. How are the rates applied? (e.g., Is a fee/rate allocated to the entire capital program, is a flat fee/rate charged to each project, or does the fee/rate vary by project?).
4. Describe the types of expenses covered by each of the fees or charges.
5. Briefly describe how long the current fees or other methods have been in use and, if applicable, what other methods have been used over the past decade. If your agency has recently changed the methods used to charge staffing, administrative, and overhead costs to the Capital Budget, describe why the change was made.

Examples of methods used by agencies to charge staffing, administrative, and overhead costs to the Capital Budget:

- Some agencies charge each capital project directly for the actual staffing, administrative, and overhead costs incurred when implementing the project;

- Some agencies receive separate appropriations in the Capital Budget for staffing, administrative, and overhead costs;

- Some agencies use a project management fee as authorized by OFM;

- Some agencies charge agency-wide overhead to their capital programs to help cover the costs of the director's office, personnel, accounting/budgeting, rent, equipment, etc.

- Some agencies use a combination of the above, or other mechanisms to charge staffing, administrative, and overhead expenses to the Capital Budget.

END OF SURVEY AND INFORMATION REQUEST

JLARC SURVEY APPENDIX C – Example of Table 1

STAFFING POSITIONS AND COSTS FOR YOUR AGENCY’S CAPITAL PROGRAM

A	B	C	D	E	F	G	H	I	J	K	L
Job Class Title	JLARC Functional Job Category (enter 1-8)	2001-03 Average Annual FTEs	2001-03 Total Estimated Salaries and Benefits	Original Funding Sources Available to Pay for 2001-03 Salaries & Benefits						Historical FTE Information	
				Capital Budget Bond Funds (\$ Amount)	Capital Budget Non-Bond Funds (\$ Amount)	Operating Budget Funds (\$ Amount)	Transportation Budget Funds (\$ Amount)	Other Sources (e.g. local) (\$ Amount)	Funding Source Totals	1999-01 Average Annual FTEs	1997-99 Average Annual FTEs
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
									\$ -		
Grand Total		-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-

JLARC SURVEY APPENDIX D – Example of Table 2

TOTAL ESTIMATED 2001-03 CAPITAL PROGRAM EXPENSES

A	B	C	D	E	F	G	H
Object of Expenditure	2001-03 Total Estimated Expenditures (\$)	Original Funding Sources Available to Pay for 2001-03 Expenditures					
		Capital Budget Bond Funds (\$ Amount)	Capital Budget Non-Bond Funds (\$ Amount)	Operating Budget Funds (\$ Amount)	Transportation Budget Funds (\$ Amount)	Other Sources (e.g. local) (\$ Amount)	Funding Source Totals
Object A- Salaries & Wages							\$ -
Object B- Employee Benefits							\$ -
Object C- Personal Service Contracts							\$ -
Object E- Goods & Services							\$ -
Object F- Costs of Goods Sold							\$ -
Object G- Travel							\$ -
Object J- Capital Outlays							\$ -
Object M- Interfund Operating Transfers							\$ -
Object N- Grants, Benefits, & Client Services							\$ -
Object P- Debt Service							\$ -
Object S- Interagency Reimbursements							\$ -
Object T- Intra-agency Reimbursements							\$ -
Object W- Depreciation, Amortization, and Bad Debts							\$ -
Grand Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

JLARC SURVEY APPENDIX E – Example of Table 3

SELECTED 2001-03 CAPITAL BUDGET EXPENSES

A	B	C	D
Category of Expense	2001-03 Capital Budget Bond Funds (Estimated \$ Amount)	2001-03 Capital Budget Non-Bond Funds (Estimated \$ Amount)	Total Estimated 2001-03 Capital Budget Expenditures
Supplies, materials, furnishings, equipment, and/or software used by the construction staff reported in Table 1			\$ -
Supplies, materials, furnishings, equipment, and software used by the design staff reported in Table 1			\$ -
Repairs, alterations, and maintenance			\$ -
Rentals/Leases			\$ -
Utilities			\$ -
Purchase of rolling stock, such as automobiles, trucks, construction equipment, boats, or other			\$ -
Grand Total	\$ -	\$ -	\$ -

JLARC SURVEY APPENDIX F – Definition of Terms

For the purposes of this study, the following definitions will apply:

- **Capital program** refers to all activities and expenses related to the development of capital project requests to be funded or authorized in the state Capital Budget and/or the implementation of capital projects funded or authorized in the state Capital Budget, regardless of funding sources used to pay for these activities and expenses.
- **Capital project** refers to any item that receives an appropriation or authorization in the Capital Budget, including facility and infrastructure related projects, grant or loan programs, acquisition of land or space, and/or special programs.
- **Development** refers to functions and activities that generally occur prior to the approval of the Capital Budget and do not directly relate to the execution of a specific capital project. Generally includes, but is not limited to: policy development, strategic planning, inter-agency coordination, community and legislative outreach, comprehensive and master planning, identification and prioritization of capital projects, and preparation of Capital Budget requests.
- **Implementation** refers to functions and activities that generally occur after the approval of the Capital Budget and directly relate to the execution of a specific capital project. Generally includes, but is not limited to: project management, contract bidding and management, permitting, engineering, predesign and design work, construction, grant and loan administration, land acquisition, accounting related to capital projects, etc.
- **Original funding source** is the initial state budget appropriation or other fund source available to cover the costs of capital program expenses, prior to any transfers of funds between agency accounts for internal accounting/administrative purposes. The categories of original funding sources used for this study are:
 - Capital Bond Funds – Includes Capital Budget funding resulting from the sale of bonds.
 - Capital Non-Bond Funds – Includes Capital Budget funding from sources other than the sale of bonds.
 - Operating Budget Funds – Includes funding appropriated or authorized in the state Operating Budget.
 - Transportation Budget Funds – Includes funding appropriated or authorized in the state Transportation Budget.
 - Other Sources – Includes funding expended from sources other than the state operating, transportation, and Capital Budget, including local and other non-appropriated and non-allotted funds.

