

**RESOLUTION APPROVING OHIO DEPARTMENT OF YOUTH SERVICES GRANT AGREEMENT FOR CAPITAL FUNDING, ASHTABULA COUNTY JUVENILE DETENTION CENTER**

**WHEREAS**, Amended Substitute House Bill 481 of the 134<sup>th</sup> General Assembly, as enrolled, provided \$500,000 in Appropriation Line Item C47027, in Fund 7028, in the Department's Fiscal Year 2022-2023 Reappropriations Capital Budget Bill;

**WHEREAS**, pursuant to ORC Chapter 154 and Article VIII, Section 2i of the Ohio Constitution, capital facilities lease-appropriation bonds have been or will be issued by the Ohio Treasurer of State for the purpose of paying the "costs of capital facilities" including acquiring, constructing, reconstructing, rehabilitating, renovating, enlarging and otherwise improving, equipping or furnishing capital facilities for housing of branches and agencies of state government, all as defined and described in ORC Section 154.01(K); and

**WHEREAS**, this Agreement is to provide guidance for the allowable uses of that funding in accordance with the Internal Revenue Service and the Ohio Office of Budget and Management guidelines;

**NOW, THEREFORE**, the Department approves funding for the Grantee in the sum not to exceed **\$500,000** for the period beginning **July 1, 2020, and ending June 30, 2022**, subject to the terms and conditions of this Agreement.

**BE IT FURTHER RESOLVED**, that it is found and determined that all formal actions of this Board concerning and relating to the adoption of this resolution were taken in an open meeting of this Board, and that all deliberations of this Board and of any of its committees that resulted in those formal actions, were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

**BE IT FURTHER RESOLVED**, that this resolution shall take effect and be in force immediately upon its adoption and, to the extent inconsistent therewith, supersedes any prior resolution of this Board.

**ASHTABULA COUNTY COMMISSIONERS  
CERTIFICATION PAGE**

Resolution No. 2021-470

December 28, 2021

**RESOLUTION APPROVING OHIO DEPARTMENT OF YOUTH SERVICES GRANT  
AGREEMENT FOR CAPITAL FUNDING, ASHTABULA COUNTY JUVENILE  
DETENTION CENTER**

Upon the motion of Casey R. Kozlowski, seconded by J.P. Ducro IV.

**VOTE:**

**Kathryn L. Whittington**

**Aye**

**J.P. Ducro IV**

**Aye**

**Casey R. Kozlowski**

**Aye**

**CERTIFICATE OF CLERK**

IT IS HEREBY CERTIFIED that the foregoing is a true and correct transcript of a resolution acted upon and duly passed by the Board of County Commissioners of Ashtabula County, Ohio, on the date noted above.



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Lisa Hawkins, Clerk of the Board  
Board of County Commissioners  
Ashtabula County, Ohio

**OHIO DEPARTMENT OF YOUTH SERVICES  
GRANT AGREEMENT FOR CAPITAL FUNDING**

This Grant Agreement (“Agreement”) is made and entered into by and between the State of Ohio, Department of Youth Services (“Department”) and the Ashtabula County Community-Based Assessment Center (“Grantee”) located in Ashtabula County, Ohio, as of the last date indicated by the authorized signatures of the Department and Grantee below.

**WHEREAS**, Amended Substitute House Bill 481 of the 134<sup>th</sup> General Assembly, as enrolled, provided \$500,000 in Appropriation Line Item C47027, in Fund 7028, in the Department’s Fiscal Year 2022-2023 Reappropriations Capital Budget Bill;

**WHEREAS**, pursuant to ORC Chapter 154 and Article VIII, Section 2i of the Ohio Constitution, capital facilities lease-appropriation bonds have been or will be issued by the Ohio Treasurer of State for the purpose of paying the “costs of capital facilities” including acquiring, constructing, reconstructing, rehabilitating, renovating, enlarging and otherwise improving, equipping or furnishing capital facilities for housing of branches and agencies of state government, all as defined and described in ORC Section 154.01(K); and

**WHEREAS**, this Agreement is to provide guidance for the allowable uses of that funding in accordance with the Internal Revenue Service and the Ohio Office of Budget and Management guidelines;

**NOW, THEREFORE**, the Department approves funding for the Grantee in the sum not to exceed **\$500,000** for the period beginning **July 1, 2020, and ending June 30, 2022**, subject to the terms and conditions of this Agreement.

**A. TERMS AND CONDITIONS:**

1. This Agreement commences on its effective date and will, unless otherwise earlier terminated as provided herein, expire on the later of: i) 20 years from the date of Project completion; or ii) the date upon which the latest Bond issuance funding or refinancing of the Project is paid in full (the “Term”). Grantee shall complete the Project on or before June 30, 2022.
2. The Grantee agrees to implement the project as outlined and attached hereto as Exhibit A (“Project”) and approved by the Department (including any conditions hereafter imposed by the Department for purposes of provisional approval).
3. The Department hereby grants to Grantee grant funds in the amount of Five Hundred Thousand and No/100 Dollars (\$500,000) for the sole and express purpose of undertaking and completing the Project. Grantee shall undertake the Project as described in Exhibit A. The Department acknowledges that said projected design and construction costs will be preliminary in nature, as design of the Project may not be finalized, and as such will not unreasonably withhold its approval of the Project. Grantee acknowledges and understands that in the event the costs of constructing the Project exceed estimates or contract amounts, that the Department is only obligated to provide the Grantee Five Hundred Thousand and No/100 Dollars (\$500,000.00). Grantee hereby represents and warrants that it will be solely responsible for financing the balance of all costs and expenses for the project that

exceed this amount, and that Grantee will secure or has secured the balance of the funds required to successfully complete the Project.

4. The Grantee acknowledges and agrees that as security for the performance of its obligations under this Agreement, the Grantee hereby conveys to the Department an interest in the subject premises upon which the Project is to be renovated, including the right to use and occupy the facilities funded in whole or in part with grant funds under this Agreement upon default of this Agreement by the Grantee. This long-term interest shall be in effect during the Term of this Agreement. The Grantee hereby acknowledges and agrees that the Department may assign or convey such right to use and occupy such facilities to the Ohio Public Facilities Commission or such other State agency selected by the Department, and the Grantee does hereby consent to such assignment or conveyance the Department acknowledges that, absent a default by the Grantee, the Department has no right to use or occupy the Project. The Department shall have the right during the Term hereof to enter upon the property during normal business hours for purposes of inspection of the Project for compliance with this Agreement.
5. The obligations of the Department under this Agreement are subject to the determination of the Director of the Ohio Office of Budget and Management that sufficient funds have been appropriated by the General Assembly to the Department for the purposes of this Agreement. The Department further acknowledges funds for this Project have been released by the Controlling Board as of \_\_\_\_\_ and encumbered by Contract Encumbrance Record Number \_\_\_\_\_ and are so certified by the Director of Budget and Management on \_\_\_\_\_. Obligations of the State are subject to the provisions of Section 126.07 of the Ohio Revised Code. Upon approval of the Controlling Board, the Department will issue payment to the Grantee within 45 days.
6. Prior to release of funds by the Controlling Board, the Grantee will provide the Department with documentation that demonstrates that all individuals or agents of the Grantee who are responsible for maintaining or disbursing funds acquired through this Agreement are or will be fully bonded or insured against loss of such funds. The bonding agent or insurer shall be licensed to do business in Ohio. No part of the funds acquired by the Grantee through this Agreement shall be spent to obtain that bonding or insurance.
7. Any funds provided under this Agreement that are not spent shall be returned in full to the State of Ohio.
8. Failure to comply with any provision of this Agreement may result in demand for repayment of any or all of a portion of the funds paid to the Grantee under this Agreement. The amount to repaid will be calculated based on the ratio of (x) the number of months from the event triggering the reimbursement to the final scheduled maturity date of the Bonds used to finance the funding to the County over (y) the total number of months that such Bonds are scheduled to be outstanding.
9. The Grantee agrees that this is a capital facility project as defined in R.C. 154.01.
10. The Grantee agrees that it will not employ as staff, or on a contract basis, any employee of the Department.
11. The Grantee agrees to keep documentation of spending associated with this bond-funded appropriation during the Term of this Agreement for IRS and other audit

purposes. Grantee agrees to contact the Department prior to any formal agreement in transfer or sale of buildings or land improved with bond proceeds. Otherwise, the State holds no use or benefit to the project other than ensuring it maintains a similar, and public purpose as originally intended.

12. The Grantee agrees that the funds shall only be used for Office of Budget and Management-approved items for the space, to include renovations. Maintenance and other operating costs are not an allowable use of this grant funding. Exhibit B, attached hereto, is the most recent published guidelines governing the project.

#### **B. COMPLIANCE:**

1. The Grantee agrees that it will cooperate with and provide any additional information as may be required by the Department to fulfill its obligation in the monitoring of capital bond spending.
2. The Grantee agrees to provide detailed spending records for the project no later than December 31, 2021, unless an extension is agreed upon in writing. The Department shall confirm spending in accordance with guidelines to the Grantee within 30 days of receipt for Grantee's records. This will be considered a completed grant.
3. The Grantee understands that the Project's status may be audited at any time through completion.
4. The Grantee shall comply with all applicable State laws and regulations, regarding the Project. This obligation is in addition to compliance with any law, or regulation, specifically referenced in this Agreement.
5. The Grantee shall not dispose of all or any part of the Project funded by the Department through the Term of this Agreement without the prior written consent of the Department, which shall not be unreasonably withheld. All notices, demands, requests, consents, approvals and other communications to the Department shall be addressed in writing.

#### **C. TERMINATION:**

1. The Grantee may terminate this agreement without cause, by providing the other party written notification of the date of the termination, which shall not be less than thirty (30) days from the date of the written notice.
2. The Grantee agrees to reimburse the Department for any funds spent prior to termination or if project is no longer to be completed. This shall occur no later than sixty (60) days from the day of written notice, or upon a finding for recovery during an audit.

#### **D. REMITTANCES:**

1. If for any reason funds acquired through this Agreement are required to be paid, repaid or remitted to the State of Ohio, they shall be remitted in full by the Grantee within forty-five (45) days of demand to:

Ohio Treasurer of State  
30 East Broad Street, 9th Floor

2. Any such remittance shall include a copy of this Agreement. A copy of the cover letter transmitting the remittance to the Treasurer of State shall be sent simultaneously to the Department.

**E. GENERAL PROVISIONS:**

1. *Record Retention:* The Grantee when requested at reasonable times and in a reasonable manner, shall make available to the agents, officers, and auditors of the Department and the United States government, its books, documents, and records relating to the Grantee's obligations under this Agreement. All such books, documents, and records shall be kept for a period of at least three (3) years after the final bond issuance. In the event that an audit-related dispute should arise during this retention period, any such books, documents, and records that are related to the disputed matter shall be preserved for the term of that dispute.
2. *Ohio Ethics Laws:* The Grantee agrees that they are currently in compliance and will continue to adhere to the requirements of Ohio Ethics law as provided by Section 102.03 and 102.04 of the Ohio Revised Code.
3. *Drug-Free Workplace:* The Grantee agrees to comply with all applicable state and federal laws regarding drug-free workplace.
4. *No Finding for Recovery:* The Grantee represents and warrants that it is not subject to a finding for recovery under R.C. 9.24, or that it has taken appropriate remedial steps required under R.C. 9.24 or otherwise qualifies under that Section. The Grantee agrees that if this representation or warranty is determined by the Department to be false, the Agreement shall be void ab initio as between the parties to this Agreement, and any funds paid by the State hereunder immediately shall be repaid in full to the State, or an action for recovery immediately may be commenced by the State for recovery of said funds.
5. *Project Nondiscrimination:* The Grantee agrees that any facilities that may be developed now or in the future on the lands comprising the Project will be made available to all persons regardless of race, color, sex, religion, national origin, ancestry, age, military status, handicap or disability on the same terms and conditions.
6. *Employment Nondiscrimination:* The Grantee will not discriminate against any employee or applicant for employment, because of race, color, religion, national origin, ancestry, sex, age, military status, handicap or disability. The Grantee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, national origin, ancestry, sex, handicap or disability. Such action will include, but is not limited to, the following: employment, promotion, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rate of pay or other forms of compensation, and selection for training, including apprenticeship. The Grantee agrees to post in conspicuous places, available to employees and applicants for employment, notices as may be provided by the State of Ohio setting forth the provisions of this non-discrimination clause.
7. *Governing Law:* This Agreement and any claims arising out of this Agreement shall be governed by the laws of the State of Ohio. Any provision of this Agreement prohibited by the laws of Ohio shall be deemed void and of no effect. Any litigation arising out of or relating in any way to this Agreement or the performance thereunder

shall be brought only in the courts of Ohio, and the Grantee hereby irrevocably consents to such jurisdiction. To the extent that the Department is a party to any litigation arising out of or relating in any way to this Agreement or the performance thereunder, such an action shall be brought only in a court of competent jurisdiction in Franklin County, Ohio.

8. *Assignment:* Neither this Agreement nor any rights, duties, or obligations described herein shall be assigned by either party hereto, other than those assignments provided for herein, without the prior express written consent of the other party.
9. *Merger and Modification:* This Agreement and its attachments constitute the entire Agreement between the parties. All prior discussions and understandings between the parties are superseded by this Agreement. Unless otherwise noted herein, this Agreement shall not be altered, modified, or amended except by a written agreement signed by both parties hereto.
10. *Severability:* If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such holding shall not affect the validity or the ability to enforce the remainder of this Agreement. All provisions of this Agreement shall be deemed severable.
11. *Signatures:* Any person executing this Agreement in a representative capacity hereby represents that he/she has been duly authorized to execute this Agreement.
12. *Electronic Signatures:* Any party hereto may deliver a copy of its counterpart signature page to this Agreement via fax or e-mail. Each party hereto shall be entitled to rely upon an electronic signature of any other party delivered in such a manner as if such signature were an original.
13. *Counterparts:* If the parties sign this Agreement in several counterparts, each will be deemed an original, but all counterparts together will constitute one instrument.

*(The remainder of this page has been intentionally left blank)*

**AUTHORIZED SIGNATURES:**


**DEPARTMENT OF YOUTH SERVICES**

By: \_\_\_\_\_

Amy Ast, Director

**COUNTY COMMISSIONERS:**

COUNTY OF ASHTABULA, OHIO

By:  \_\_\_\_\_

Commissioner

By:  \_\_\_\_\_

Commissioner

By:  \_\_\_\_\_

Commissioner

**Exhibit A –First Amended**

**Ashtabula County Youth Detention Center**

- A. **Legislative Authority:** Am. Sub. H.B. 482; CAP LINE - C47007
- B. **Project Purpose:** General Improvements.
- C. **Location:** County owned property located at the Ashtabula County Youth Detention Center, (3816 Donahoe Drive, Ashtabula, Ohio 44004)
- D. **Cost:** \$120,000.00
- E. **Description:** The 20-bed facility provides secure placement for juvenile felony offenders from the Ashtabula County. The project will replace the existing door control system, camera surveillance system and control room station.

**Amendment #1 – Facility Addition**

- A. **Legislative Authority:** H.B. 529 132<sup>nd</sup> General Assembly, Line Item - C47027
- B. **Project Purpose:** New Facility
- C. **Location:** 4717 Main Avenue, Ashtabula, Ohio 44004)
- D. **Cost:** \$500,000.00
- E. **Description:** The funding is a portion of the total cost of purchasing or renovating a new county facility for the secure placement for juvenile felony offenders from the Ashtabula County.

## Allowable Capital Expenditure Guidelines

May 2018

- Architectural, engineering, and professional services expenses directly related to the project (including feasibility studies).
- Machinery necessary to the operation or function of the building or structure at the time that it is acquired or constructed or placed into service.

In situations in which the State does not own the property on which the capital facility or improvement will be located, there are requirements that a higher education institution (with respect to Department of Higher Education capital projects) or a governmental agency (with respect to Mental Health and to Developmental Disabilities capital projects) own the property. This ownership requirement may be waived if:

- (1) The higher education institution or governmental agency has a long-term lease, or other interest (such as an easement) in the property; or
- (2) The Department of Higher Education on behalf of a higher education institution certifies to the Controlling Board that undue delay will occur if planning does not proceed while the property or property interest acquisition process continues. In this case, capital funds may be released upon approval by the Controlling Board to pay for planning through the development of schematic drawings only; or
- (3) If the capital facilities will be owned by, or be part of facilities owned by, a separate nonprofit organization or public body and made available to a higher education institution or governmental agency for its use or benefit, the nonprofit organization either owns or has a long-term lease of the real property or other capital facility to be improved, renovated, constructed or acquired, and has entered into an agreement with the state agency or higher education institution that meets applicable statutory requirements.

Joint Use Agreements -- The Department of Higher Education has adopted rules (see OAC 3333-1-03(E)) regarding the release of moneys for capital projects not owned by the State or a higher education institution and the joint use of such projects. The joint use agreement, among other matters, must:

- Provide that the use of the funds and the process to be followed for expenditure of the funds is consistent with the capital appropriation language, the limitations on the use of capital appropriations as set forth in the capital bill, and any applicable state law and federal tax law limitations;
- Specify the extent and nature of the higher education institution's use or benefit of the project or improvement over a term of at least 20 years, with the value of that use or benefit to be reasonably related to the amount of the State capital appropriation.
- Provide for pro rata reimbursement to the State should the arrangement for joint use be terminated prior to the expiration of the 20-year term.
- Provide for payment or reimbursement to the higher education institution (not to exceed 1.5% of the appropriation) of its administrative costs incurred as a direct result of the project. The institution should document those reimbursed amounts by component.

Grant/Cooperative Use Agreements -- Other State agencies that administer capital appropriations for projects owned or managed by governmental agencies or not-for-profit entities must enter into an agreement with the entity receiving the State capital funding prior to release of those funds. Those agreements, among other matters, must:

• SPRINKLER, AIR WATER/SEWER SYSTEMS.

- Provide that the use of the funds and the process to be followed for expenditure of the funds is consistent with the capital appropriation language, the limitations on the use of capital appropriations as set forth in the capital bill, and any applicable state law and federal tax law limitations;
- Specify the extent and nature of the State agency's use or benefit, or right to use, or interest in the project or improvement over a period of 10 years or the term of the underlying State bonds, whichever is longer.
- Provide for pro rata reimbursement to the State should the arrangement for the State agency's use, right to use, or interest in the project be terminated prior to expiration of the term of the agreement.

#### Allowable Equipment and Furnishings

To be financed with capital funds, expenditures for equipment or furnishings that are part of a broader capital project or facility must meet all of the following criteria:

- Essential in bringing the facility up to its intended use or is necessary for the facility to function. The equipment or furnishing must be an integral part of or directly related to the basic purpose or function of the facility.
- Have a unit cost of about \$100 or more.
- Have a useful life of at least five years.
- Used primarily in the rooms or areas covered by the financed project.

Allowable equipment and furnishings would include computers and computer peripherals, workstations, lab and research equipment, desks, chairs, tables, bookshelves, file cabinets, carpeting/flooring, blinds, and curtains, provided that they satisfy all of the above criteria. An appropriation item specifically for equipment is allowable provided the equipment meets the above unit cost and useful life provisions.

#### Non-Allowable Equipment and Furnishings

- Not integral to the broader project or the facility's intended use.
- Motor vehicles used for basic transportation (e.g., cars, trucks, boats, off-road vehicles).
- General supplies and low-cost equipment (unit cost of less than \$100).

In most cases, equipment or furnishings being purchased as part of a regular maintenance, upgrade or replacement effort is not appropriate for capital funding. Consumable supplies and low-cost equipment such as fuel, oil, adding machines, calculators, trash cans, common tools, paper stock, staplers, tape dispensers, etc. are not eligible uses of capital funds.

#### Maintenance/Repairs versus Renovations

- Maintenance and repairs, including maintenance contracts, are not eligible to be paid from capital funds and, thus, must be covered by operating funds.
- Maintenance includes a recurring activity necessary to maintain the operation, functionality, appearance, or safety of a piece of equipment, building or structure. Repairs are maintenance projects that fix a problem but do not extend the useful life of an asset.
- Maintenance and repairs generally include any project with the objective of returning or restoring an item back to its original intended use or state.

- Examples of maintenance and repairs include: fixing a part or component of the heating or cooling system, fixing a leaky pipe, patching a wall, repainting, sealing windows or floors, mold remediation, replacing sections of flooring or ceiling tiles, glass replacement, resetting exterior walkways, replacing roofing shingles to fix a leak, and brick mortar repair/patching (tuckpointing).
- Renovations are more extensive enhancements, upgrades, or replacements of buildings or structures or systems and are an appropriate use of capital funds. Examples include replacing an essential component of the heating or cooling system such that the useful life of the system is extended, renovations of classrooms or other space into computer or research laboratories, upgrading electrical equipment or plumbing system components, replacing a roof, replacing exterior windows, new carpet, painting as part of new construction or a renovation, upgrading a building's security or automation system, replacing stairs or walkways to meet ADA standards, and total brick mortar replacement (repointing).

#### Leases, Lease-Purchase, and Installment Purchases

- Leases, including leases with an option to purchase, of vehicles or equipment are not allowable capital expenditures.
- Installment purchases while not strictly prohibited are generally not approved as allowable capital expenditures.

#### INFORMATION TECHNOLOGY (IT) SYSTEM PROJECTS

Capital funds may be used to support the application development, deployment, and integration (including project management) of information technology systems that constitute or are a part of a larger capital projects. Capital funds may not be used to support the ongoing operation and maintenance of such projects.

#### ALLOWABLE

Allowable capital IT project expenditures include systems developed for internal use that have a useful life of five or more years. Allowable costs generally include the design, configuration, and deployment, customized software and its licensing, interfaces, data conversion, and various hardware and peripherals. State agencies and higher education institutions should consider an IT project as a potential capital expenditure only when the cost of application development is at least \$1 million. For new and replacement systems, capital expenditures usually occur after the preliminary project phase is completed and when management implicitly or explicitly authorized funding of the project.

IT system upgrades may also be considered an allowable capital expenditure when they add significant functionality or are necessary to postpone obsolescence. State agencies and higher education institutions should ensure that the postponement of obsolescence is generated by the upgrade and not simply by ongoing maintenance or the maintenance component of the upgrade. For example, a system upgrade that included technical upgrades, security enhancements and significant additions of functionality would be considered an allowable capital expenditure, while an upgrade that included only routine technical and/or security improvements would be an appropriate operating expenditure.

**Hardware**

Capital funds may be used to purchase hardware for information technology systems and its components, including but not limited to servers, network equipment, desktops/laptops, monitors, printers, scanners, etc.

**Software, Licensing, and Warranties**

- Purchases of packaged “off-the-shelf” software are allowable if they have an expected useful life of at least five years and have been tailored or customized to the IT project. The software purchase must also meet one of the following criteria:
  - ✓ Related to the initial deployment of an agency or university-wide system or other major project deployment (periodic upgrades must be purchased with operating funds); or
  - ✓ When necessary to bring a newly constructed facility or an allowable piece of equipment up to its intended use (e.g. a computer lab).
- Application development, configuration or deployment.
- Software licenses for commercial off-the-shelf products with a term of at least five years, provided the cost is paid for upfront as part of the development stage.
- Software licenses for cloud based products related to application build, provided the State agency or higher education institution has a contractual right to take possession of the software and it is feasible to run the software on its own hardware.
- Data conversions required to make the new IT system operational.
- Purchase of perpetual licenses enabling the acquisition of shared electronic resources and databases.
- Warranties purchased at the time of initial acquisition with a term of at least five years and provided that the terms and conditions are substantially the same as warranties available to other purchasers.

**NON-ALLOWABLE****Operation and Maintenance**

Operating, not capital, funds must be used to support the ongoing operation and maintenance of IT systems and other regular, recurring expenses.

**Replacement Hardware**

Capital funds generally may not be used to purchase end of life or replacement hardware equipment (computers, peripherals, etc.) that do not upgrade or add functionality to an IT system.

**Software and Licensing**

Capital funds generally may not be used to purchase standard off-the-shelf software (such as MS Office software, Adobe, and web browsers) or any software package with individual license costs under \$500. Additionally, capital funds may not be used to purchase: periodic software upgrades, minor upgrades and patches, minor configurations, or security enhancements<sup>21</sup>. Software licenses

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for premise-based and cloud-based products post-implementation, including annual licensing and subscription-based software, should also be paid from operating funds.

#### **Planning and Post-Implementation**

Capital funds generally may not be used to cover costs associated with planning or post-implementation operation of an IT project, including: project-related research and planning, service management and strategic planning, post-implementation activities including project and change management, and data conversions that are not required for an IT system to be operational. Additionally, costs associated with the solicitation, review and selection of professional service providers or vendors, including contract development, should be paid from operating funds.

#### **Personnel Expenses**

Capital funds generally may not be used to cover expenses of State employees working on IT projects. Employees working on IT projects should continue to be funded out of operating funds. In the case of colleges and universities, capital funds may not be used to cover tuition reimbursement or graduate assistantships. (Note, although federal tax law does allow for State personnel expenses under certain circumstances, the extensive and detailed record-keeping requirements necessary to comply with IRS audits generally offset any potential benefit.)

#### **Training**

Expenses related to training of personnel on the new IT system or any of its components is generally not an allowable capital expenditure. Some expenses related to the initial deployment of the IT system (e. g., creating the system user manual) may be allowable.

#### **Follow-Up Questions Regarding Proposed Expenditures**

- Questions regarding the capital funding eligibility of proposed expenditures should be directed to the agency's operating and capital analysts at the Office of Budget and Management.
- Institutions of higher education should consult with the capital planning Director of the Department of Higher Education.