

DISCUSSION AND CONSIDERATION OF THE DEFINITION OF “CAPITAL EQUIPMENT” UNDER PROPOSITION 71

Description

This request seeks concurrence from the Facilities Working Group and the ICOC regarding the definitions for capital equipment and research equipment.

Background

The term “equipment” is used in Proposition 71 125290.65. *Scientific and Medical Facilities Working Group* as referenced below:

(C) The requirement that all funded facilities and equipment be located solely within California.

(D) The requirement that grantees comply with reimbursable building cost standards, competitive building leasing standards, capital equipment cost standards, and reimbursement standards and terms recommended by the Scientific and Medical Facilities Funding Working Group, and adopted by the ICOC.

(4) Recognizing the priority of immediately building facilities that ensure the independence of the scientific and medical research of the institute, up to 10 percent of the proceeds of the bonds authorized pursuant to Section 125291.30, net of costs described in paragraphs (2), (4), and (5) of subdivision (a) of Section 125291.20 shall be allocated for grants to build scientific and medical research facilities of nonprofit entities which are intended to be constructed in the first five years.

In Proposition 71, the terms “equipment” or “capital equipment” are not defined. The term “facilities” is defined in Section 125292, subdivision (f), as follows:

“(f) 'Facilities' means buildings, building leases, or capital equipment.”

A definition of equipment and capital equipment is required to classify the amount of funds available under Proposition 71 for facilities and research as well as provide guidance to applicants. Several institutions and agencies were surveyed regarding their definition of equipment and capital equipment--specifically any designations used regarding fixed versus research equipment or instrumentations. The result of the survey can be found on Attachment 1.

Recommendation

This item requests that the Facilities Working Group recommend to the ICOC for consideration at their December 7, 2006 meeting approval of the definition for capital and research equipment as follows:

Capital Equipment: Capital equipment (Group 1) is defined as equipment which is fixed, built-in or permanently affixed to a building or structure. Examples are building hardware, general building construction, such as heating systems, exhaust and air conditioning systems, fixed seating in auditoriums and lecture hall, and permanent television distribution equipment. Also included are fixed laboratory benches, fixed sterilizing equipment, fume hoods, autoclaves and biological safety cabinets. Capital equipment shall be funded through the Facilities grants program.

Research Equipment: Research equipment (Group 2) and instrumentation is moveable equipment necessary to meet program needs of a research grant and costing more than \$5,000. For example, cell sorters, microscopes, centrifuges and freezers. Research equipment shall be funded through the Research grants program.

This recommendation is based on the results of the survey of institutions identified in Attachment 1 and conforms with the standard practice established by those institutions.

University of California Facilities Manual

(<http://www.ucop.edu/facil/fmc/facilman/volume1/rpequip.html>)

Group 1 Equipment

Fixed Equipment (Group 1) is defined as equipment which is built-in or permanently affixed to a building or structure. Examples are fixed laboratory benches, fixed sterilizing equipment, fixed seating in auditoriums and lecture halls, and permanent television distribution equipment. Equipment units related to basic building operation are part of general building construction and are excluded from the definition of Fixed Equipment. Examples [of such excluded equipment] are building hardware, building service units such as heating systems, exhaust and air conditioning systems, and elevators.

Group 2 & 3 Equipment

(Groups 2 and 3). Movable Equipment is divided into the following subclassifications: General-Use Building Furniture and Furnishings, Generally Assignable Classroom Furniture, Generally Assignable Office Furniture, Specialized Equipment, and Expendable Equipment. These classifications shall be used in the preparation of the capital outlay and support budget requests to the state of California. This does not preclude use of a different classification system when required by the rules and definitions of non-state agencies, corporations, and foundations which provide funds for equipment acquisition or use.

- Specialized Equipment is defined as Movable Equipment with an expected useful life of a year or more. It has been grouped for University purposes into two categories: (1) office equipment, and (2) laboratory and other equipment. Classification of equipment into one of these categories is determined by the principal use of the equipment. For example, calculating machines, which are normally office equipment, could be classified as laboratory equipment if they are to be used in a statistical laboratory for students in the social sciences.
- Expendable Equipment is defined as noninventorial equipment, supplies, and materials. The need for Expendable Equipment should be anticipated in department support budgets. Such equipment should not be included in requests for capital outlay funds unless required during the fiscal year of building occupancy for laboratories which are new to the department at the time the building is occupied, or which represent substantial expansion or change in equipment required for teaching and research activities.

State Administrative Manual (<http://sam.dgs.ca.gov/TOC/6000/6855.htm>)

6855 EQUIPMENT (Revised 5/98)

Group 1 and 2 equipment: Capital outlay equipment is categorized either as *Group 1* or *Group 2* equipment:

1. Group 1 equipment is installed equipment such as heating and air conditioning units and is budgeted as part of the construction phase.
2. Group 2 equipment is movable equipment, such as tables and chairs (but not replacement equipment) and is budgeted as its own project phase, typically following construction.

Not all equipment is classified as capital outlay: See Section 6806 (<http://sam.dgs.ca.gov/TOC/6000/6806.htm>) for the difference between equipment budgeted through the support appropriation versus capital outlay equipment.

- SAM sections 6855 and 6806.
- State projects use the definition of equipment in SAM. Group 1, fixed equipment, is incorporated into or attached to the facility and therefore is included in the construction phase of a project. Group 2, movable equipment, is budgeted as a separate phase. Definitions of Group 1 and Group 2 equipment are provided in SAM Section 6855. Movable equipment that does not meet the definition of capital outlay per SAM Section 6806 is not a capital outlay expenditure. These costs are proposed and funded in the state operations appropriation.

Stanford

Project Delivery Process (<http://cpm.stanford.edu/pdp.html>), under budgeting, makes a simple statement regarding equipment:

1. Under basic construction as equipment in contract or
2. Fixture, Furniture, and Equipment (FF&E) – not in contract

Buck Institute

Citation: Extramural Research Facilities Improvement Program-RFA-RR-03-011

Released 08/11/2003

Funds authorized from the National Center for Research Resources (NCRR)

Allowable Cost for Construction under this RFA:

“The acquisition and installation of fixed equipment such as casework, fume hoods, large autoclaves, or biological safety cabinets are allowed. Support for instrumentation or equipment that usually would be requested as part of a research project grant will not be provided.”

Caltech

Capital Construction Policy

(http://finance.caltech.edu/policies/policy_capital_construction.pdf) budgeted into two areas (on page 2):

Equipment (“built-in” only, i.e. identify separate funding for “free-standing” equipment).