

**DISTINCTION BETWEEN CAPITAL OUTLAY AND STATE OPERATIONS**

<b><u>DESCRIPTION OF PROJECT</u></b> <sup>1/</sup>	<b>STATE OPERATIONS</b>	<b>CAPITAL OUTLAY</b>	
	<b><u>OPERATING EXPENSES AND EQUIPMENT</u></b>	<b><u>PROJECT LEVEL MINOR PROJECTS</u></b>	<b><u>PROJECT LEVEL MAJOR PROJECTS</u></b>
<b>Construction projects:</b> New construction, alteration <sup>2/</sup> , extension or betterment of existing structure. (Construction projects include necessary Group I fixed equipment.)		If \$250,000 or less and scheduled as minor projects in Budget Act <sup>3/</sup>	In excess of \$250,000 <sup>3/</sup>
<b>Repair and maintenance projects:</b> Repair and maintenance projects that continue the usability of a facility at its designed level of services	Irrespective of amount		
<b>Equipment (Group II, movable) projects</b> (Section 6855): <ul style="list-style-type: none"> <li>• If related to a specific construction project.</li> <li>• New equipment to meet program needs and not related to a construction project; replacement of existing equipment even though the new equipment is to be used in a new facility.</li> </ul>	Irrespective of amount		Irrespective of amount or time of purchase
<b>Purchase of land and/or facility/structure:</b> Including related costs such as condemnation and court costs, legal fees, and title reports etc.			Irrespective of amount
<b>Capitalized leases of real property:</b> All leases which build equity as payments are made. (Section 6818): <ul style="list-style-type: none"> <li>• Lease-purchase</li> <li>• A lease with purchase option agreement or amend an existing lease to add a purchase option</li> <li>• Any other capitalized lease per Section 6818</li> </ul>	The lease payments are budgeted in support appropriation. Use a support BCP to request a budget increase. However, a coordinated capital outlay review is also required.		Transaction is reviewed for infrastructure cost/benefits because the property is acquired—or may be acquired—as a result of the lease. <i>Submit a COBCP when requesting authority through the Budget Act, per Section 6818.</i>
<b>Operating leases of real property:</b> Pure leases that do not build up equity as payments are made (Section 6876).	Irrespective of amount		
<b>Exercise of purchase option</b> for currently rented or leased space (Section 6820).			Irrespective of amount
<b>Relocation and moving costs</b> <ul style="list-style-type: none"> <li>• Unrelated to a specific construction project.</li> <li>• Related to a specific construction project.</li> </ul>	Irrespective of amount Irrespective of amount <sup>4/</sup>		
<b>Technical assistance/consultants</b> This may include studies, master planning, feasibility studies, program management, and budget packages.	Depends on timing and nature/scope of activities.		Budget packages are generally capital outlay; other studies and assistance depend on timing and nature/scope of activities.

1/ State-funded but locally-owned infrastructure is classified as local assistance.

2/ Control Section 6.00 allows the use of limited support appropriations for the alterations of state-owned facility.

3/ See Public Contract Code Section 10108.5 for exceptions.

4/ DOF may authorize exceptions to this rule.