

# Capital Improvement Planning at the State of Illinois

## Overview

A standard practice for most states is development of a multi-year Capital Improvement Plan (CIP). [Forty-two states and the District of Columbia have a multiyear CIP](#), and Illinois is not one of them. Now that Restore Illinois has dedicated funding for multiple years, it is time to develop a multiyear, transparent spending plan with performance and equity-based project selection criteria.

## State Capital Planning and COVID-19

Service needs and infrastructure investment need to meet the present and future needs of residents. In the wake of the COVID-19 pandemic, governments need to focus on essential services, specifically health and safety, and should use the investment opportunity to assist in economic recovery for the state. Capital projects should be aligned to these objectives. For example, as transportation needs change, retrofitting mass transit networks with biological safety improvements and mobility considerations may become a priority instead of expanding transit capacity. Broadband internet access may become critical as remote learning may be needed during future health management challenges. Some COVID-19 specific considerations:

- **Prioritize projects for health and public safety.** Any investments made in the short term should enhance the state's ability to address the health and safety challenges of COVID-19.
- **Strategic recovery-based investment.** After essential health and safety needs are met, long-term financial recovery should inform project selection. A CIP will allow local governments to maximize their investments by coordinating funding sources for future projects with the knowledge of supportive future revenue.

## Local government project selection considerations

The State allocated \$25,000,000 for Fast Track Public Infrastructure (FTPI) projects. Identifying local, shovel ready projects is a smart way to stimulate the local economy. However, lower income and capacity constrained communities will have difficulty applying for these funds. These communities often face financial stress and would benefit greatly from State funds. Creating a needs-based project selection process will direct funding to where it is needed most. A few considerations:

- **Geographic prioritization.** Instead of seeking applications for local governments, State and County governments are in a better position to evaluate need across different regions. Selecting target communities similar to the Restore, Reinvest and Renew (R3) program will allow projects to have maximum performance impact.
- **Select priority communities based on equity informed criteria.** The state should choose equity-based criteria of need, such as effective property tax rate burden, community income capacity, health risk indices, environmental hazards and others, to select projects that have maximum public benefit.
- **Assist high-need communities with project identification and development.** Regional government entities and the State should select communities for project funding based on need.

## Capital Improvement Plan Development

There are stages to develop a capital improvement plan. Below are NASBO's recommendations for capital budgeting? GFOA identifies [Capital Asset Management](#) activities needed for assessing infrastructure needs.

### NASBO Recommendations for Good Capital Budgeting Practices

CATEGORY	RECOMMENDATIONS
Identification of capital and maintenance expenditures	<ul style="list-style-type: none"> <li>Clearly define capital expenditures.</li> <li>Distinguish capital projects that are included in the capital budget from those that are not.</li> <li>Define maintenance expenditures and develop maintenance funding mechanisms (by formula or statute).</li> <li>Develop a formal system to rate and track major maintenance projects.</li> </ul>
Capital planning and budgeting	<ul style="list-style-type: none"> <li>Identify institutional responsibilities and develop capital budget systems that target informational needs.</li> <li>Maintain centralized oversight of capital projects or mechanisms to ensure consistency.</li> <li>Ensure effective legislative involvement in the capital budget process.</li> <li>Identify budgetary impacts on operating budget over a multiyear period.</li> </ul>
Capital financing and debt management	<ul style="list-style-type: none"> <li>Analyze characteristics of capital projects to determine a suitable financing method.</li> <li>Limit the number and types of state entities that can issue debt.</li> <li>Develop clear debt policies.</li> <li>Use alternative financing mechanisms.</li> <li>Analyze term leases.</li> </ul>
Capital budget development and execution	<ul style="list-style-type: none"> <li>Verify that the capital project helps achieve programmatic objectives.</li> <li>Compile and analyze capital spending requests on a statewide basis.</li> <li>Establish a reliable tracking system (project on schedule and within the budget).</li> <li>Assess the probability of cost overruns and how they would be handled.</li> </ul>
Capital asset management and evaluation	<ul style="list-style-type: none"> <li>Maintain an inventory of capital assets, and upgrade and audit it regularly.</li> <li>Maintain a centralized database for state capital assets.</li> </ul>

- Standardize assessment of infrastructure needs.** Illinois now has separate processes to identify capital projects, with the Capital Development Board, ISBE, IDOT and other agencies conducting their own assessments. A standard process allows the State to evaluate projects across Departments.
- Define the time period for the CIP.** Capital Plans are usually done for a minimum of five years into the future and can be completed annually. Each year adjustments are made as financial forecasts and priorities change over time.
- Utilize technology in the CIP process.** In addition to pursuing Capital Asset Management Software, capital budgeting software will allow for capturing more project details, history of projects actions, approvals and conversion to depreciable assets in the financial system.
- Measure performance impacts.** [Environmentally responsible practices](#) need to be considered, including economic and non-economic impacts. GFOA provides guidance on [best practices](#) for developing performance metrics.