Division of Capital Construction Policy

Capital Renewal for BEST New School, Major Renovation & Addition Projects

**BEST Capital Renewal Statute**

Pursuant to 22-43.7-109(4)(d)(I)CRS: If the capital construction project involves the construction of a new public school facility or a major renovation of an existing public school facility, a demonstration of the ability and willingness of the applicant to maintain the project over time, that includes, at a minimum, the establishment of a capital renewal budget and a commitment to make annual contributions to a capital renewal reserve within a school district's capital reserve fund or any functionally similar reserve fund separately maintained by an applicant that is not a school district.

 (II) As used in this paragraph (d), "capital renewal reserve" means moneys set aside by an applicant for the specific purpose of replacing major public school facility systems with projected life cycles such as roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems.

By virtue of the signed grant application it is expected that the agreed to amounts are in fact being saved for capital renewal and spent appropriately. Any deviation from that could have a negative effect on future grant applications.

**Determining the Annual Contribution**

At a minimum, it is recommended that each qualifying grantee contribute the equivalent of 1.5% of each year's per-pupil base funding for purposes of creating their annual capital renewal reserve fund. October 1 FTE pupil counts, from the facilities that were impacted by the BEST Grant, can be used to calculate the annual contribution. The budgeted amount will be transferred into the grantee’s capital renewal fund by the end of each fiscal year.

**Appropriate Uses of Capital Renewal Reserves**

In general, replacement of capitalized fixed assets are qualifying capital renewal expenditures. Within a public school facility system these items typically include roofs, interior finishes, electrical systems, fire alarms, heating, ventilating, and air conditioning systems.

**Inappropriate Uses of Capital Renewal Reserves**

Routine maintenance and operations (O&M) is not capital renewal. O&M is work necessary to realize the originally anticipated life of a fixed asset, including buildings, fixed equipment, and infrastructure, to minimize downtime, and maximize the facility investment. Examples are: custodial, replacement of HVAC filters, oiling motors, mowing grass, patching roofs, replacing light fixture ballasts, etc.

New capital improvements to the facility do not fall under the definition of capital renewal.

When in doubt, remember maintenance is to maintain and repair facility systems and capital renewal is to replace facility systems at the end of their life-cycle.