



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary-designee  
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To: State Agency Heads  
From: Secretary-designee Kathy Blumenfeld  
Date: May 27, 2022  
Subject: 2023-25 Capital Budget Guidance

Each capital budget brings with it a new set of opportunities to build a better and brighter future for Wisconsin.

- Opportunities to invest in and connect the communities across our State.
- Opportunities to improve access to State services for residents and visitors.
- Opportunities to reduce the environmental impacts of State operations and buildings so future generations have access to resilient and sustainable infrastructure.

The 2023-25 Capital Budget is no different. In this biennium, we have the opportunity to continue investing in communities across Wisconsin and the Governor has set the following priorities for projects:

- Make meaningful reductions to the backlog of maintenance projects at State facilities ensuring these facilities are safe, sustainable, are code compliant, and built to last;
- Include sustainable design, energy efficiency, and renewable energy, as set forth in the Governor's Clean Energy Plan;
- Have had proper planning/pre-design with fully defined program and budgets.
- Make meaningful investments in workers and small businesses;
- Increase access to State services for residents no matter where they live in the State; and
- Modernize State space to maximize customer service, productivity, collaboration, and engagement, as highlighted in the DOA's Vision 2030 plan. Support flexible State office spaces allowing employees to Work Anywhere in Wisconsin.

These opportunities do not come without their challenges. We are in the midst of an ever-changing landscape when it comes to the impact inflation is having on many costs, including state project budgets. Based on building cost index prepared by the Engineering News-Record, building construction costs grew by 10 percent in 2021 compared to 2.3 percent in 2020. Current trends indicate the growth in 2022 could exceed what we saw in 2021.

This level of inflation is not sustainable for Wisconsin residents, businesses, or state operations. Governor Evers is working diligently with partners at all levels to reverse this trend; but while we navigate through these times, we must be flexible in how we approach the planning process. That is why DOA is facilitating a two-step budget process for capital budget submissions (described in greater detail below).

Based on these priorities, DOA is putting forth the following guidance for 2023-25 capital requests.

Inflation	<ul style="list-style-type: none"> <li>Enumerated projects should assume inflation will increase by <b>8% every six months</b> through 2023 and then 4% every six months starting in 2024.</li> <li>DOA will update inflation guidance in the fall to reflect any changes in this trend. Agencies will reflect this updated guidance in their final submissions due at the end of November.</li> <li>Inflation should be calculated using the DOA Inflation Estimate tool.</li> <li>Inflation will be broken out as a separate line item in project budgets. DOA is continuing to monitor trend data to determine if the inflationary assumption will be further adjusted prior to the release of the Governor’s Capital Budget recommendations.</li> </ul>
Project Contingencies	<ul style="list-style-type: none"> <li>All projects should include a 15% project contingency separate from the inflationary increase.</li> <li>Project budgets with contingencies less than 15% need to be clearly explained within the budget submission materials.</li> </ul>
Long-Range Planning	<ul style="list-style-type: none"> <li>A complete budget submission includes a six-year plan outlining future projects. The 2023-25 submission should reference projects planned in the 2021-23 six-year plan.</li> </ul>
Deferred Maintenance	<ul style="list-style-type: none"> <li>Enumeration and all agency requests should prioritize reducing deferred maintenance within the State Building Program. Projects addressing critical maintenance issues will be given priority of construction of new space.</li> </ul>
Use of Sustainability Guidelines	<ul style="list-style-type: none"> <li>Enumeration requests should speak to how the DFD Sustainability Guidelines were applied to project pre-design.</li> </ul>
Requests for Project Planning	<ul style="list-style-type: none"> <li>As part of its Capital Budget submission, an agency may request that projects be approved for planning rather than enumeration. This is often an appropriate course of action when the program requirements and requested budget amounts are not yet fully defined. Projects are more likely to be approved for planning if the requesting agency can contribute funding. Agency funds can be reimbursed after the State Building Commission approves the project for authority to construct and actual construction has commenced.</li> </ul>

DOA is working to streamline the capital budget planning process by introducing a series of process changes. These changes are intended to reduce clerical time spent on compiling submission materials while providing more robust reporting tools to support the decision-making process. These changes include:

- **Submission Forms:** All components of agency capital requests will be submitted via electronic forms. Agency users can access these forms from the Capital Budget SharePoint page. Word document templates and/or submissions will not be accepted.
- **Two-Step Submission:** Initial requests from agencies are due September 16<sup>th</sup>. Systems will be reopened in November for agencies to make updates to project requests. When systems reopen for the final submission, agencies will receive comments from DFD for consideration in the final submission. Requests submitted in November will be treated as the final submission.

The Capital Budget Instructions will be presented to your State Building Commission contacts on Monday June 6<sup>th</sup> during Capital Budget Kickoff. During the kickoff DFD will outline all the details, requirements, and deadlines for agencies to prepare capital budget requests. The DOA team looks forward to supporting agencies in this first step of building Wisconsin’s 2023-25 Capital Budget. The Department’s Division of Facilities Development (DFD) is available to assist in the preparation of your Capital Budget requests and will be working with your State Building Commission contact directly. Thank you for your assistance with this important undertaking.