

# Capital Expenditures & ESSER Compliance

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# Topics



## Capital Expenditures

Defined  
Approvals



## Equipment & Real Property

Reporting  
Uses  
Disposition



## Construction

Guidance  
Key Reminders

# Capital Expenditures

## *Capital expenditures*

- Expenditures to
  - acquire capital assets or
  - expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

## *Capital assets*

- Tangible or intangible assets used in operations having a **useful life of more than one year** which are capitalized. Including:
- (i) Land, buildings (facilities), equipment, ..., construction, manufacture, exchange, or through a lease accounted for as financed purchase under Government Accounting Standards Board (GASB) standards...; and
- (ii) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that **materially increase their value or useful life** (not ordinary repairs and maintenance).

# Capital Expenditures

Prior written  
approval  
needed for  
capital  
expenditures

Present proposal in the application remitted to Federal Programs for approval

Ensure application is presented in adequate detail to substantiate approval received

Not just a requirement for ESSER or COVID related funds

# Capital Expenditures - Equipment

- Inventory 200.313
  - Add equipment to your fixed asset list based on your policy (very specific information required to be maintained)
  - Equipment requires a physical inventory...and the results reconciled with the property records at least once every two years.
- **Use.**
  - (1) Equipment must be used by the non-Federal entity in the program or project for which it was acquired as long as needed, ..... When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency...
  - (2) During the time that equipment is used on the project or program for which it was acquired, the non-Federal entity must also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. ....

# Capital Expenditures - Equipment

**Disposition.** When original or replacement equipment acquired under a Federal award is no longer needed for the original project ...entity must request disposition instructions from the Federal awarding ...disposition instructions:

- (1) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further responsibility to the Federal awarding agency.
- (2) Greater than \$5,000...The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation less \$500 or 10% for costs...
- (3) The non-Federal entity may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the non-Federal entity must be entitled to compensation for its attributable percentage of the current fair market value of the property.

# Capital Expenditures – Real Property

- COMING SOON: Real Property Annual Reporting Requirements
  - [§ 200.330 Reporting on real property.](#)

The Federal awarding agency or pass-through entity must require a non-Federal entity to submit reports at least annually on the status of real property in which the Federal Government retains an interest...
- **Use.** ....real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber its title or other interests.

# Capital Expenditures – Real Property

***Disposition.*** When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from NC DPI ....

- (1) Retain title after compensating the Federal awarding agency. (based on % of federal participation)
- (2) Sell the property and compensate the Federal awarding agency. (based on federal participation)
- (3) Transfer title to the Federal awarding agency or to a third party designated/approved by the Federal awarding agency. The non-Federal entity is entitled to be paid an amount calculated by applying the non-Federal entity's percentage of participation...



# Capital Expenditures – Construction Guidance

## Construction Guidance:

### [NC DPI Financial and Business Services Webpage:](#)

- Federal Guidance on Federally Funded Construction Activity: A Construction Journey (Presentation)
- Federal Requirements for Construction (Guidelines)
  - Uniform Guidance 2 CFR 200
  - Education Department General Administrative Regulations (EDGAR)
- Synopsis of Federal Requirements: Construction (Summary Document)

### [NC DPI School Planning Webpage:](#)

- NC Public Schools Facility Guidelines
  - Types of Projects Reviewed
  - Certificate of Review



# Construction Highlights

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The information included in this presentation includes highlights of requirements that may be less frequently used and does not reflect all of the compliance requirements. Please review the Uniform Guidance, EDGAR, and references that can be found on the NC DPI website.

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# Construction Highlights:

## Is it Construction, Maintenance or Remodeling?

1. Are you erecting, building, acquiring, or extending school facilities?

•If yes, treat as construction.

2. Are you altering or remodeling, beyond the confines of the previously completed building?

•If yes, treat as construction.

3. Does the project include structural alteration to the building?

•If yes, treat as construction.

4. Is the project permanent building construction?

•If yes, treat as construction.

5. Answers to question 1-4 are no. Are you altering or remodeling, within the confines of the previously completed building for the purposes of coronavirus?

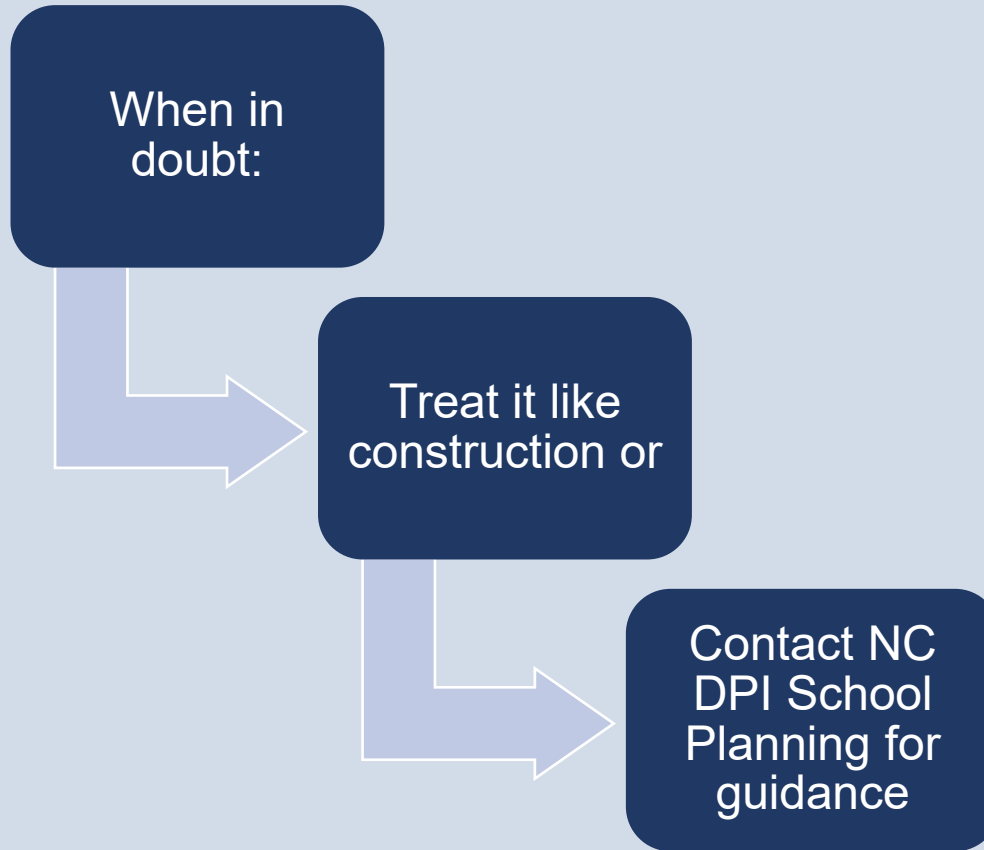
•If yes, minor remodeling, not construction.

6. Answers to question 1-5 are no. Are you repairing or performing necessary maintenance or upkeep that doesn't add to the value of the property or doesn't significantly prolong the life?

•If yes, treat as maintenance and repairs, not construction.

# Construction Highlights:

## Is it Construction, Maintenance or Remodeling?



# Construction Highlights:

## Is it Construction, Maintenance or Remodeling?

### Windows and Doors

- Replacing Windows and Doors is generally construction
- Minor repairs of individual windows and doors is not construction

### Roofing

- Replacing a roof is construction
- Minor repairs to a roof is not construction

### HVAC

- Replacing a HVAC system or HVAC Control System is construction
- Replacing HVAC filters or a thermostat is not construction

### Modular Units

- Purchasing and adding modular buildings to property is construction
- However, leasing, delivery and service set up fees for a modular building may not be construction

### Plumbing

- Installation of upgraded or additionally featured plumbing fixtures is construction.
- Minor repair of existing fixtures and replacement with in-kind fixtures is not construction

### Parking Lots

- New or expanded parking is construction
- Repair of potholes is not construction

### Electrical System

- Adding or replacing major components to an electrical system is construction
- Repair or installation of singular outlet is not construction

NOTE: If a building permit is required, the project is likely construction

# Construction Highlights:

## Planning & Approvals

A grantee must have or obtain a **full title** or **other interest** in the site, including:

- right of access, that is sufficient to insure the grantee's undisturbed use, and
- possession of the facilities for **50 years** or **the useful life of the facilities**, whichever is longer

# Construction Highlights:

## Planning & Approvals

### Construction Management At-Risk (CMAR)

- NCGS prohibits price as a factor in selection. This method will not comply with Uniform Guidance.

### Design Build

- The adopted Budget Technical Corrections (page 6 in [section 1.6 Part 5](#) of S.L. 2021-180) amended the procurement standards related to design-build services for certain federal funds in a way that allows for compliance with the G.S. and Uniform Guidance. Expires on December 31, 2025.

# Construction Highlights:

## Procurement Steps

General Procurement Requirements in 2 CFR 200-318 to 200.326:

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Must avoid  
unnecessary  
or  
duplicative  
items.

Lease vs. Purchase  
analysis, when  
applicable

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Consolidate or break  
out purchases, for  
economy



# Construction Highlights: Procurement Steps

## Consider Domestic Preference for Procurement

Must include in contracts,  
purchase orders

Consider:

- Board Policy, Policy & Procedures, Strategic Advertising, RFP, Certification, Required Response, Factor in vendor selection, Update Website

## Perform a Contract Cost or Price Analysis if >\$250,000

Minimum independent cost estimate  
before bid or RFP

Is the Price Fair and Reasonable?

What should the cost be based on a  
reasonable approach?



# Construction Highlights:

## Procurement Steps

LEA must have a written method for:

conducting technical evaluations

making selections

Request for Proposals (RFP) must:

Be publicized,

Identify all evaluation factors and their relative importance;

Solicited from an adequate number of qualified offerors;

Awarded to responsible offeror, includes price and other factors

Sealed Bid (Preferred for Construction)

Award to lowest responsible bidder

Two or more responsible bidders are willing and able to compete effectively for the business (over \$500k follower NCGS – 3 responsive bidders)

Solicited from an adequate number of qualified sources

Public opening

May reject a bid for sound documented reason

# Construction Highlights:

## Procurement Steps

### MWBE Uniform Guidance Requirements:

- Must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible (regardless of cost).

### Uniform Guidance requirements meet NCGS under \$300k:

- “public entities shall solicit minority participation in contracts for the erection, construction, alteration or repair of any building”

### MWBE/HUB NCGS for Construction Over \$300k (Additional Requirements)

# Construction Highlights:

## Procurement Steps

Procurement Requirements More specific to Construction:

Encouraged to use Value Engineering Clause

Cooperative Agreements and Consortiums should not be used for Construction

No Time and Material type contract unless NO alternative

- Must use a ceiling price that the contractor exceeds at its own risk.
- Expect a high degree of oversight

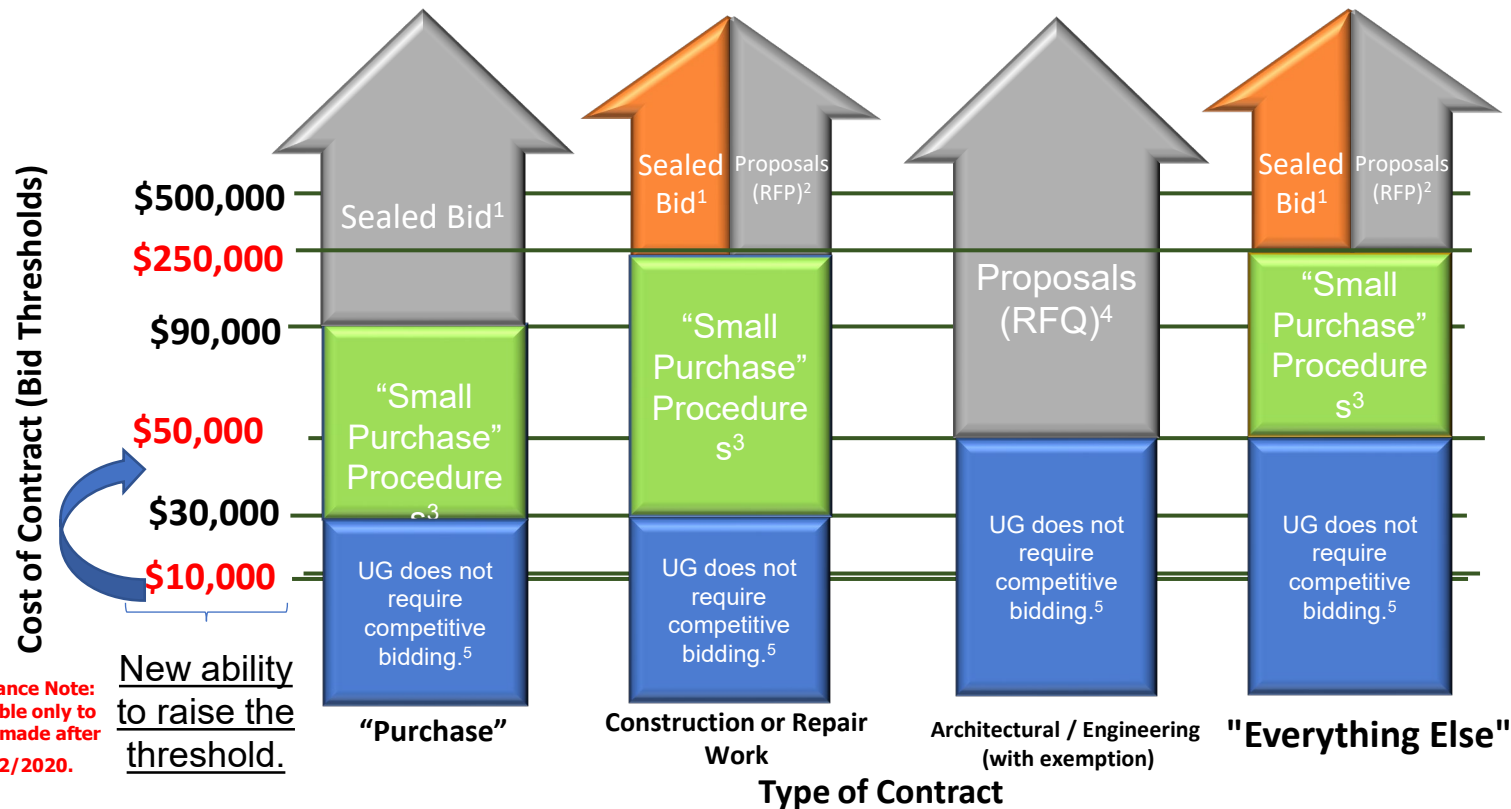
Bonding is Required when project price > \$250,000

- Bid Bond 5% of the project price
- Performance Bond equal to 100% of the project price
- Payment Bond equal to 100% of the project price
- Should consider for all projects

# Construction Highlights:

## Procurement Steps

UG Procurement Rules with State Law Overlay –  
Only If Unit Adopts Highest Bidding Thresholds “Consistent  
With State Law”



Slide Courtesy of UNC School of Government: Connor Crews

# Construction Highlights:

## Contracting

Contracts must contain the applicable provisions described in [appendix II](#) to 2 CFR 200

Construction related examples:

- Davis Bacon (prime construction contracts over \$2k)
- Equal Opportunity Clause (all construction contracts)



# Construction Highlights: Design Phase

School Planning Review is required per G.S. 115C-521(c)

DPI Capital Project Submittal Procedures:

<https://www.dpi.nc.gov/districts-schools/district-operations/school-planning/design-review>

DPI Facility Design Guidelines:

<https://files.nc.gov/dpi/documents/schoolplanning/facility-design-guidelines.pdf>

## DPI School Planning

- School Planning professionals conduct design reviews for new schools, additions, and renovations
- Design reviews encompass code compliance, life safety, longevity, durability, economy, and efficiency of building construction systems
- Design review conferences are available at each design phase
- Plan for a 4-6 week turnaround time
- After design phase review DPI will issue a Certificate of Review



# Construction Highlights: Design Phase

# Projects Needing DPI Design Review

Types of Projects Reviewed	Types of Projects Not Reviewed
All New Construction, Renovations, Additions	
New athletic fields, grandstands, press box, field houses, concession stands, dugouts, etc.	
New and Relocated Modular classroom units, ramps, steps, walkways, etc. including foundations	
Repair or replacement of structural systems	
New dropped (lay-in) ceiling in existing schools	
Replacing Windows and/or Doors	
Hazardous material abatement in existing buildings where building systems are affected	
Upgrade or replacement of fire alarm system	
Demolition of existing school building	<i>Demolition of buildings other than school buildings</i>
Reroofing, over-roofing	<i>Roof patching or maintenance.</i>
Relocating partitions; adding or deleting doors	<i>Any repair or maintenance, such as replacing flooring, patching walls, repainting, etc.</i>
New Parking or Drives	<i>Repairing asphalt, potholes, etc. or resurfacing existing</i>
Improvements required by ADA	<i>Additions of simple ramps, etc. or signage</i>
Change-out of plumbing fixtures or change in type of fixtures	<i>Plumbing replacements in-kind; replace faucets or other minor components</i>
New domestic water heating system, or upgrade	<i>Water heater replacement with same type and size.</i>
New HVAC systems; new boilers; new chillers; changes in type of system; demo and replacement of air distribution system, etc.	<i>HVAC equipment replacement in-kind; small air handling or condensing units (5 ton or less); air diffusers and grills; fan, heaters, etc.</i>
Upgrade or redesign HVAC control system	<i>Replacement of HVAC control components</i>
New energy conservation system	<i>Repair of existing insulation</i>
Complete replacement of exist HVAC or plumbing piping systems; extension of existing system	<i>Repair of existing piping</i>
Major components of Power Distribution System	<i>Adding electrical outlets to existing systems</i>
New lighting systems (interior or exterior)	<i>Replacing or adding lighting fixtures to existing systems</i>
New Installations or Major changes to Technology systems, security systems, CCTV, etc. including complete replacement of systems or in cases where life systems are affected.	<i>Minor Renovations to technology systems (tel/data, intercom, security, CATV etc.)</i>
New system affecting health, or welfare of students or personnel such as fire suppression, emergency power generation, etc.	<i>Replacement of isolated safety components with new elements meeting code and similar to those currently in service.</i>



# Construction Highlights:



## Design Phase

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North Carolina  
Specific  
Requirements

A Registered Architect and/or Registered Engineer shall prepare drawings and specifications per G.S. 133-1 through 133-4.1

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Certain School Projects may require NC DOI Code Review per G.S. 58-31-40 (fire code)

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More information on NC Requirements:  
[Legislative References | NC DPI](#)

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## 6. Build/Construction Phase



Period of Performance

ESSER I 09/30/22

ESSER II 09/30/23

ESSER III 09/30/24



Must ensure construction  
can be completed in a  
reasonable time



# 7. Post Construction

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Please review  
post  
construction  
requirements.

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Examples:      Interest expenses are not allowed

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Adequate Maintenance Plan

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Real property must be insured in same manner as other property

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# Thank you!

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