

Capital Item Purchase Flowchart Project

EDUC 6500 School Finance

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Context:

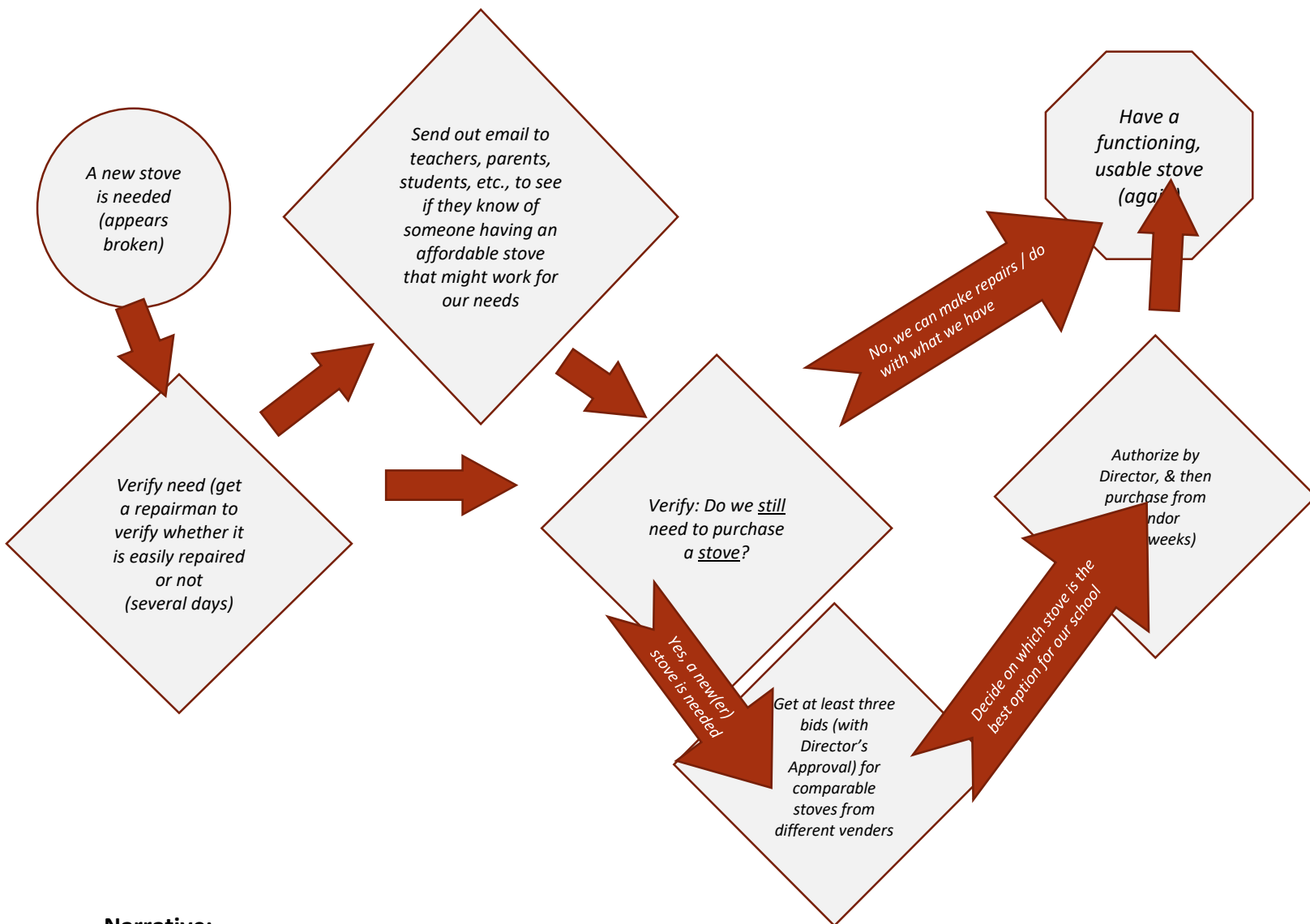
Capital items, sometimes referred to as capital outlay, are those items that are defined in school district policy as being over a certain dollar amount in value with a useful life expectancy of a defined length of time. Capital items are usually recorded in the inventory for tracking and insurance purposes. In general, consumable items such as printer ink, even though expensive, are not considered to be capital items because it will soon be gone! Many times, a capital item will also be a fixed asset, such as land and buildings. When it becomes necessary to purchase a capital item, sometimes a bidding process is required by policy. The definition of a capital item will vary from district to district.

For example, a campus needs a new copy/print/scan/fax machine. These generally cost anywhere from \$15,000 to \$30,000 or more for a high volume, commercial grade machine. It is also expected that the machine would last for several years and be included on the inventory. This would be capital outlay, and could require that an RFP (request for proposal, or bid) be publicized and a sealed bid process be used.

Instructions:

Locate and study your school district policy relating to the purchase of capital items and the bidding process. Create a flowchart demonstrating the process for purchasing a capital item. If the following questions are not evident in your flowchart, please write a narrative responding to any that have not been answered.

1. Which policy defines capital purchasing requirements and procedures (provide the district, policy number and name)?
2. In your flowchart, include the following:
 - a. How is a capital item defined in policy?
 - i. What is the minimum value of a capital item?
 - ii. What is the life expectancy of a capital item?
 - iii. At what point is a bidding process required?
 - b. How many approval points were there all the way up the line?
 - c. Who (which positions) had to approve the purchase?
 - d. How long would it take to get the item [worst scenario]?
3. Is the process in your district an 'after the fact' approval process, or is approval required before the purchase is made?
4. Describe the forms used in the process and compare them to the forms used for non-capital items. Are they submitted electronically, hard copy, or both?
5. What was most interesting information you found?



Narrative:

In this case, we actually had this situation recently arise, so I'll share what we did or would do in a similar situation. The policy that we follow for **capital purchasing requirements** is based off of the Utah state requirements, and we base our policy pretty much strictly off of that. For that info, see: <https://rules.utah.gov/publicat/code/r277/r277-122.htm>.

We define a capital expense as anything that serves a long-term purpose at the school, at a cost of \$3,000 or more. As for how long each item will last, we make sure that our item will serve a long and dutiful life just as long as whatever the industry standard is for a similar product. Also, we require that for all capital expenses, that at least 3 bids are reviewed and utilized in the process. So in this case, once we learned that we would be needing at least some repairs done, we sent out for a certified

repairperson who could verify whether we actually needed a brand new stove, or whether a cheaper alternative or repair might serve the same purpose. In our case, we needed the stove replaced, and so we asked our parents, teacher, stakeholders, etc., to see if they might have any connections or know of anyone with such a stove that might be willing to give us a discount (you've got to spend money wisely, yes? Especially when you're a charter school). In the past, I know that we got such a stove for a very steep discount from a restaurant that had recently gone belly-up, so I believe this step is a valid one.

Director Meeks approved the beginning of the bid process, and several different bids were placed. After reviewing the options, the director made the final choice, and gave approval for the one bid that was accepted. A few weeks later, we had our stove installed. After chatting with our business specialist, she suggested that such a process might take as little as a month, to several months, depending on a repairperson's schedule (these devices require some pretty specialized technicians) as well as the availability of such a specialized item.

This process would obviously require pre-approval (it ended up costing about \$17,000 or so for the stove), and that is money that a small charter like us can't just throw around willy-nilly. Also, the forms are pretty much the same, whether the charge is \$15, or \$15,000. I thought that was interesting. I do believe that we probably ought to create our own policy independent of the state minimum law, and I would start with other local school districts, and use theirs as references. Making that and more of our expenditures easier to access for the public will be good for PR and help faculty, staff, parents and students understand what and where we are spending our money, and the process involved.