



**Roland W. Burris**

Comptroller  
State of Illinois

201 State House  
Springfield, Illinois 62706  
217/782-6000

ACCOUNTING BULLETIN NO. 49

November 7, 1985

TO: Agency Heads and Chief Fiscal  
Officers of All State Agencies

SUBJECT: Changes in the State Finance Act

Senate Bill 733 (P.A. 84-428) effective July 1, 1986 makes important changes to the statutory definitions of several of the standard line items contained in the State Finance Act. These changes could substantially affect your FY1987 budget for Contractual Services, Equipment, and Commodities. A copy of SB733 is attached for your information. An explanation of the changes follows.

I. Repair and Maintenance of Real or Personal Property:

While the present definition of Contractual Services includes expenditures for "repair or maintenance of property or equipment" costs incurred in connection with such repair and maintenance are also presently included in the definitions of Commodities (i.e. repair parts and materials) and Equipment (i.e. replacement of personal property). This overlap has caused confusion in the budgeting and spending of monies for repair and maintenance. With the addition by SB 733 of the phrase "including related supplies, equipment, materials, services, replacement fixtures and repair parts" to the present definition of Contractual Services, all costs associated with repair or maintenance must be budgeted and paid from an appropriation for Contractual Services. In addition, the definitions of Commodities, Equipment and Permanent Improvements have been amended to specifically exclude expenditures in connection with the repair and maintenance of property and equipment.

Effective with Fiscal Year 1987, all costs for supplies, equipment, materials, replacement fixtures, and repair parts are chargeable to Contractual Services regardless of whether such items are to be furnished by an outside contractor (along with labor) as part of a repair or maintenance job or purchased for use by an agency's employees. Additionally, supplies, equipment, materials, replacement fixtures, and repair parts that are to be used for repair and maintenance are chargeable to Contractual Services regardless of whether they are purchased for a specific job or stored for later use on an as needed basis.

ALL EXPENDITURES FOR THE REPAIR OR MAINTENANCE OF REAL OR PERSONAL PROPERTY MUST BE BUDGETED AND EXPENDED FROM AN APPROPRIATION FOR CONTRACTUAL SERVICES UNLESS AN AGENCY RECEIVES A SPECIAL APPROPRIATION FOR REPAIR OR MAINTENANCE.

To assist you in your budgeting for FY1987 all repair or maintenance expenditures presently chargeable to Commodities will be switched to Contractual Services as follows:

Detail Object 1309 - Electrical Supplies:

All charges for electrical supplies such as light bulbs, fuses, starters, and batteries used for R & M will be charged to:

<u>Detail Object</u>	<u>For R &amp; M to:</u>
1221	Furniture and Office Equipment
1222	Aircraft and Boats
1223	Real Property, including fixtures

Detail Object 1310 - Mechanical Supplies:

Charges for abrasives, alcohol, acids, soda ash and other chemicals for mechanical use and gases for welding will remain in Commodities. Only repair and maintenance items such as lock nuts and screws will be switched to:

<u>Detail Object</u>	<u>For R &amp; M to:</u>
1221	Furniture and Office Equipment
1222	Aircraft and Boats
1223	Real Property, including fixtures

Detail Object 1321 - Parts and Fittings, Furniture and Office Equipment:

Charges for minor accessories for equipment items (1510) will be chargeable to Commodities, detail object 1394 if the unit value does not exceed \$100 and Equipment, detail object 1510 if the unit value exceeds \$100. All charges for the acquisition of repair parts and fittings for the repair and maintenance of furniture and office equipment will be chargeable to Contractual Services, detail object 1221.

Detail Object 1329 - Equipment Parts and Fittings, Not Elsewhere Classified:

Charges for minor accessories for equipment items (1530, 1540, 1550, 1565 or 1599) will be chargeable to Commodities, detail object 1396, 1397, or 1398 if the unit value does not exceed \$100 and Equipment if the unit value exceeds \$100. All charges for the acquisition of repair parts and fittings for this equipment will be chargeable to Contractual Services as follows:

Detail Object

For R & M to:

1221	Household, furniture, Office Equipment
1224	Machinery and Mechanical Equipment
1229	Equipment, Not Elsewhere Classified

Detail Object 1331 - Structural and Maintenance Materials and Repair Parts:

All charges for the acquisition of supplies, equipment, materials, services (if outside contractors are utilized), replacement fixtures and repair parts utilized for the repair and maintenance of real property will be properly and exclusively charged to:

Detail Object

1223	Repair and Maintenance, Real Property
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Detail Object 1345 - Gasoline Oil and Maintenance Replacement Parts for Off-Road Equipment:

Charges for such items as gas, motor fuel, oil, and anti-freeze will remain in commodities.

All repair and routine maintenance such as batteries, fan belts, hoses, tires, and spark plugs used in the operation of state-owned off-road motor vehicles and machinery will be transferred to:

Detail Object

1224	Repair and Maintenance, Machinery and Mechanical Equipment
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II. Improvements to Real Property.

New construction, remodeling and improvement projects, including new fixtures, labor (if an outside contractor is utilized), equipment, materials, and supplies purchased for use in connections with the project must be charged to Permanent Improvements.

Permanent Improvement projects not exceeding \$5000 in total for the entire project may continue to be paid from Contractual Services.

III. Equipment.

Items of tangible personal property (excluding fixtures, repair parts, or any other item used in connection with the repair, maintenance, or improvement of real property) having a unit value not exceeding \$100 must be charged to an appropriation for Commodities as follows:

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<u>Detail Object</u>	<u>For</u>
1394	Office and Library Equipment
1395	Tools
1396	Medical, Scientific, and Laboratory Equipment
1397	Household, Laundry, and Cleaning Equipment
1398	Not Elsewhere Classified

Items of tangible personal property (excluding fixtures, repair parts, or any other items used in connection with the repair, maintenance, or improvement of real property) having a unit value exceeding \$100 must be charged to an appropriation for Equipment.

#### IV. Fixtures.

A fixture is statutorily defined for this purpose as any item of tangible personal property which is acquired with the intention of attaching it to real estate so that it becomes a part thereof.

Examples of fixtures are:

- Fixed lighting
- Toilets, and other major plumbing components
- Furnaces
- Boilers
- Air Conditioners
- Water Heaters
- Fuse Boxes, Circuit Breakers
- Major Electrical Components
- Draperies and Drapery Rods
- Carpeting (attached)

New fixtures to be used in connection with a permanent improvement project must be charged to an appropriation for Permanent Improvements (Contractual Services if the total project does not exceed \$5,000).

Replacement fixtures, repair parts, and other equipment to be used in connection with a repair and maintenance project must be charged to an appropriation for Contractual Services regardless of whether they are purchased for a specific R & M job or stored for later use on an as needed basis.

#### V. Procurement Rules.

The Procurement Services Division, Bureau of Support Services, Department of Central Management Services, will be issuing a Procurement Services Division Memorandum that will assist you in knowing how to acquire your tangible needs

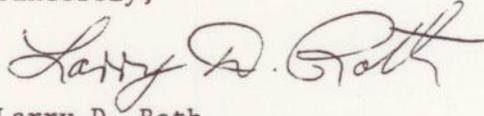
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based on these new requirements.

The provisions of SB733 do not apply to FY1986 lapse period transactions.

Questions concerning this bulletin should be addressed to Joe DiRocco who may be reached at 217/782-3608.

Sincerely,

A handwritten signature in cursive script that reads "Larry D. Roth". The signature is written in dark ink and is positioned above the typed name.

Larry D. Roth  
Director, State Accounting

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Job #13438

1 AN ACT to amend Sections 15a, 15b, 20, 21 and 24.2 of and 47  
 2 to add Section 24.3 to "An Act in relation to State finance", 48  
 3 approved June 10, 1919, as amended. 49

4 Be it enacted by the People of the State of Illinois, 53  
 5 represented in the General Assembly:

6 Section 1. Sections 15a, 15b, 20, 21 and 24.2 of "An Act 55  
 7 in relation to State finance", approved June 10, 1919, as 56  
 8 amended, are amended and Section 24.3 is added thereto, the 57  
 9 amended and added Sections to read as follows:

(Ch. 127, par. 151a) 59

10 Sec. 15a. The item "contractual services", when used in 61  
 11 an appropriation act, means and includes: 62

12 (a) Expenditures incident to the current conduct and 64  
 13 operation of an office, department, board, commission, 65  
 14 institution or agency for postage and postal charges, surety 66  
 15 bond premiums, publications, subscriptions, office 67  
 16 conveniences and services, exclusive of commodities as herein  
 17 defined;

18 (b) ~~Expenditures of \$5,000 or less for improvements to~~ 69  
 19 ~~real property and~~ Expenditures for rental of property or 70  
 20 equipment, repair or maintenance of property or equipment 71  
 21 including related supplies, equipment, materials, services, 72  
 22 replacement fixtures and repair parts, utility services, 73  
 23 professional or technical services, moving expenses incident 74  
 24 to a new State employment, and transportation charges 75  
 25 exclusive of "travel" as herein defined;

26 (c) Expenditures for the rental of lodgings in 77  
 27 Springfield, Illinois and for the payment of utilities used 78  
 28 in connection with such lodgings for all elected State 79  
 29 officials, who are required by Section 1, Article V of the 80  
 30 Constitution of the State of Illinois to reside at the seat  
 31 of government during their term of office; 81

32 (d) Expenditures pursuant to multi-year lease, 83

Originated in the Senate *Ronald Wright* Secretary of the Senate  
 PUBLIC ACT 84-428  
*mgm*

1 lease-purchase or installment purchase contracts for 94  
 2 duplicating equipment authorized by Section 5.1 of "The 85  
 3 Illinois Purchasing Act", approved July 11, 1957, as now or  
 4 hereafter amended; 86

5 (e) Expenditures of \$5,000 or less per project for 88  
 6 improvements to real property which, except for the operation 99  
 7 of this Section, would be classified as "permanent 90  
 8 improvements" as defined in Section 21.

9 The item "contractual services" does not, however, 92  
 10 include any expenditures included in "operation of automotive 93  
 11 equipment" as defined in Section 24.2. 94

12 (Ch. 127, par. 151b) 96

13 Sec. 15b. The item "commodities" when used in an 98  
 14 appropriation Act, means and includes expenditures in 99  
 15 connection with current operation and maintenance for the 100  
 16 purchase of articles of a consumable nature which show a 101  
 17 material change or appreciable depreciation with first usage; 102  
 18 ~~repair-parts-and-including-tools~~ and equipment having a unit 102  
 19 value not in any instance exceeding \$100 \$50, but does not 103  
 20 include any expenditure for library books, any expenditure 104  
 21 for replacement fixtures or repair parts in connection with 105  
 22 the repair and maintenance of property or equipment or 106  
 23 expenditures included in "permanent improvements" as defined 107  
 24 in Section 21, "operation of automotive equipment" as defined 108  
 25 in Section 24.2, and "telecommunications services" as defined 109

26 (Ch. 127, par. 156) 111

27 Sec. 20. The item "equipment," when used in an 113  
 28 appropriation act, shall mean and include all expenditures 114  
 29 for library books, and expenditures, having a unit value 115  
 30 exceeding \$100 \$50, for the acquisition, replacement or 116  
 31 increase of visible tangible personal property of a 117  
 32 non-consumable nature, including livestock, whether by 118  
 33 purchase, lease-purchase or installment purchase contract.  
In addition, the "option price" under a bona fide lease with 119

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1 option to purchase is properly payable from the item 120  
 2 "equipment".

3 The item "equipment" does not include expenditures 122  
 4 pursuant to multi-year lease, lease-purchase or installment 123  
 5 purchase contracts for duplicating equipment authorized by 124  
 6 Section 5.1 of "The Illinois Purchasing Act", approved July 125  
 7 11, 1957, as now or hereafter amended, and does not include  
 8 any expenditure in connection with the repair, maintenance or 126  
 9 improvement of real property. 127

(Ch. 127, par. 157) 129

10 Sec. 21. The item "permanent improvements" when used in 131  
 11 an appropriation act, shall mean and include expenditures for 132  
 12 the acquisition, enlargement or improvement of existing 133  
 13 buildings and structures (other than repairs), the erection 134  
 14 or construction on land of any structure or work which 135  
 15 constitutes a substantial addition to real estate, including  
 16 the total cost thereof in labor, material, and supplies, 136  
 17 fixtures and any other costs or charges necessary or incident 138  
 18 to the completion of the building or structure but not 139  
 19 including equipment as herein defined or any expenditure for  
 20 replacement fixtures or repair parts in connection with the 140  
 21 repair and maintenance of property or equipment. 143

(Ch. 127, par. 160.2) 145

22 Sec. 24.2. The item "operation of automotive equipment", 147  
 23 when used in an appropriation act, means and includes all 148  
 24 expenditures incurred in the operation, maintenance and 149  
 25 repair of automotive equipment, including expenditures for 150  
 26 motor fuel, tires, oil, repair parts and other articles 151  
 27 which, except for the operation of this section, would be  
 28 classified as "commodities" or "contractual services", but 152  
 29 not including expenditures for the purchase or rental of 153  
 30 equipment. 154

(Ch. 127, new par. 160.8) 156

31 Sec. 24.8. For the purposes of Sections 15a through 21, 158  
 32 the term "fixtures" shall mean any item of tangible personal 159

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1	<u>property which is acquired with the intention of attaching it</u>	160
2	<u>to real estate so that it becomes a part thereof.</u>	161
3	Section 2. This Act takes effect July 1, 1986.	163

*Philip J. Rank*  
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 President of the Senate

*Michael J. Mahoney*  
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 Speaker, House of Representatives

APPROVED

this 16<sup>th</sup> day of September, 1985 A.D.

*James A. Thompson*  
 \_\_\_\_\_  
 GOVERNOR