

**START UP EXPENSE WORKSHEETS AND CAPITAL PURCHASING  
CONTRACTING GUIDELINES  
FY 2026**

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## **START UP AND CAPITAL EXPENSE WORKSHEETS**

Qualified providers opening an Adult Long Term Residential (ALTR) home or a Community Based Day Supports (CBDS) site may request funding for Start Up and Capital costs. Providers should refer to the Start Up Expense Worksheet posted on the DDS/POS web site for instructions and allowable/disallowable costs for each service type. The Worksheets include the fiscal year funding limit the Department has set for new ALTR homes and CBDS sites.

### **Start-Up Contracts**

Start-Up contracts are available for: 1) Residential Programs that will incur costs for a new site before individuals have moved into the site, or 2) Community Based Day Programs opening a new site before the site opens.

Start-Up contracts are issued by the Regional Contracts Office and are three months in length. These contracts can be extended up to six months, without an increase in funding, with written Regional Director approval if a provider experiences a delay in opening the site. Any extensions beyond six months require the approval of the Department's Central Office Contracts Unit.

Prior to approving a start-up contract, providers are to submit to the Area Office and Regional Contracts Office either an Adult Long Term Residential Start-up Expense Proposal Worksheet or a Community Based Day Supports Start-up Expense Proposal Worksheet

If the Area and Regional Contracts Office approves, in whole or part the description of items and cost estimates, the Provider will be required to sign a Standard Contract Form and complete Attachment 1 and Attachment 3 in order to execute a start-up contract. The DOC ID will be unique and will end in a "C" to designate that a maximum obligation/cost contract.

The Department cannot reimburse a provider for any costs incurred *prior* to receipt of an initial start-up request *and* finalization of a fully executed start-up contract.

### **Start-Up Purchasing Process**

1. Provider submits a complete and submit the appropriate Start Up Expense Proposal Worksheet to the Area and Regional Contracts staff. The Start Up Expense Proposal Worksheets posted on the DDS/POS web site includes the Worksheet, Instructions, and an Allowable/Disallowable chart.
2. DDS Area and Regional Office review the request to ensure the items are appropriate for a new site start-up contract. The Department will reply in writing to the provider as to whether the request is accepted in whole or in part.
3. Provider prepares and submits start-up contract documents and submits them to the Regional Office for signature.
4. Once the contract is fully executed, signed by provider and DDS, the provider may incur staffing expenses and purchase items in a manner consistent with the approved budget. If the start-up includes a capital contract, all capital assets must be purchased in accordance with the capital asset purchasing process detailed below
5. Provider submits invoice(s) and associated proof of payment to the Region for payment. Costs incurred in the start-up contract must be delivered within the fiscal year of the contract and before the first person moves in (ALTR) or the site opens (CBDS).

## **CAPITAL BUDGET**

The purchase of capital items requires execution of a maximum obligation Standard Contract Form supported by a capital budget (POS Attachment 6). Capital contracts are only issued in support of another existing service contract. Capital contracts must be created as a separate unique contract with its own DDS contract ID number and a reference placed in the description of service that shows the contract to which the capital budget is related. Capital contracts are coded under the 3191 activity code (includes CBDS and ALTR). No expenditures for capital items can be made by a provider until the Standard Contract Form is co-signed and fully executed by the Department.

## **CAPITAL ASSETS**

The following information is intended to provide expanded guidance to DDS staff and provider organizations regarding the proper methods of acquiring and reimbursing providers for capital items. This document is based on [OSD's Purchase of Service \(POS\) Capital Items Procurement Policy](#).

OSD policy "recognizes that the Commonwealth typically should not own capital items and then lend them to human and social service contractors, but rather, when necessary, these contractors should receive funding from the Commonwealth to procure necessary capital items of furnishings and equipment to serve the Commonwealth's clients."

OSD's policy presents the relevant regulatory provisions and contract forms, followed by the three options available to departments when procuring capital items. All DDS and provider staff should become familiar with OSD capital assets policy and related forms and guidance materials. Questions regarding how this policy should be applied may be directed to the DDS Central Office Contracts Unit.

### **Definition of Capital Asset**

OSD regulation, 808 CMR 1.00, was updated in November 2016. One of the key revisions was a change in the definition of capital item to align with federal requirements:

- A capital item is:
  - (a) an asset or group of assets of nonexpendable personal property having a useful life of more than one year, or
  - (b) a repair, betterment or improvement, or a group of repairs, betterments or improvement of non-moveable assets which adds to the permanent value of an asset and prolongs its useful life for more than one year, and which costs the lesser of:
    1. the capitalization level established and certified by the contractor in accordance with generally accepted accounting principles for financial statement purposes, or
    - 2) the dollar amount authorized by the federal office of management and budget in OMB Circular A-122.

The current capitalization threshold authorized by the federal government is \$5,000. A provider's Board of Directors can establish a capitalization level that is less than or equal to \$5,000, but not more than \$5,000.

## **KEY ELEMENTS OF CAPITAL ASSET DEFINITION**

### **Asset or Group of Assets**

The regulatory definition includes not just single-item capital assets but also is intended to govern situations in which a group of like or related assets are being purchased. A simple example to use for a group of like or related assets is the case of a dining room set (i.e., a table and a matching set of chairs). In this case, each item of the set is not considered separately for purposes of determining whether the purchase is a capital purchase. The items are taken together as a group of related assets for this purpose. Likewise, a living room set that includes a matching sofa and chairs or a program area that includes laptops and printers, would be considered a group of assets and not as separate items. Providers that are unsure how to classify purposes as a single or group of assets should contact the Central Office Contracts Unit for clarification.

### **Useful Life of More than One Year**

Capital items are intended by definition to have a useful life of more than one year. These assets are not “expendable” items, like supplies and certain items of equipment.

### **Provider Capitalization Level**

Each provider must have a formally approved “capitalization level,” which is the dollar amount equal to or above which items with a useful life of over one year are considered to be capital assets. Providers are required to include this capitalization level on all Capital Budget forms.

As noted above, the upper limit for a provider’s capitalization levels is \$5,000. This amount ties to the Federal amount contained in OMB Circular A-122.

### **Moveable Assets**

The Capital Budget form and related process may only be used in cases where moveable capital assets are needed to support a provider’s program operations. The Capital Budget agreement should describe the asset in sufficient detail to identify the key characteristics of the item to be purchased. As in the case of “like items,” there may be situations that present a less-clear case for whether an asset should be considered to be a “moveable” item. In these cases, guidance should be sought from the DDS Central Office Contracts Unit.

### **Non-Moveable Assets**

These assets, which include large fixtures or mechanical units with a useful life of one year or greater and a value over the provider’s capitalization level, as well as major improvements and building renovations that exceed a provider’s capitalization level, may only be acquired directly by the provider agency. A cost allowance for depreciation and interest related to the financing of such assets is included in regulated rates set by the Executive Office of Health and Human Services.

## **REQUIREMENT FOR CAPITAL ASSET ACQUISITIONS**

### **Prior Approval from Regional Office**

For capital items purchased by a provider through a capital budget to be paid for by the Department, it must have been previously authorized by the Area and Regional Contracts Office and a Capital Budget contract fully executed. Any purchases made before a Capital Budget contract is finalized will not be reimbursed by the Department.

### **Open and Free Procurement**

OSD regulations state that capital assets must be acquired through the solicitation of bids and proposals consistent with generally accepted accounting practices. Generally, this involves requesting three bids for a particular item. Competition should be, as much as is practicable, open and free, and providers should maintain a written record of the solicitation. DDS staff involved in authorizing the purchase of capital items may request a copy, a summary, or a provider certification regarding the solicitation details for internal DDS records.

### **Inventory Requirement**

All capital purchases must, under OSD regulations, be labeled and included in the provider's written inventory system. Inventory records must contain, at a minimum, the number and description of the capital assets, the source of funding, the acquisition cost, and the detailed location of each item.

### **Disposition Requirements**

In cases in which the provider contractor holds title to a capital asset under OSD policy, there are two relevant provisions regarding the disposition of capital items. First, if the item is fully depreciated under the OSD schedule of useful lives, the contractor may retain the property. In cases where the item is not fully depreciated, the item and its title may be returned to DDS, transferred to an alternate provider, or retained by the provider and sold with the remaining undepreciated value or proceeds from the sale paid back to the Commonwealth or applied toward programs or purchases directly benefiting DDS clients.

### **Capital Budget Requirement**

All capital assets must be authorized via the completion by the provider of an Attachment 6: Capital Budget. This document sets forth the proposed asset to be purchased, the need for the item(s), the limitations, conditions, inventory and reporting requirements relating to the use and disposition of the assets and specifies the provider's capitalization level. It must be signed by an authorized signatory of the provider organization.

## **CAPITAL ASSET PURCHASING PROCESS**

Following is the Department's process to employ when purchasing capital assets.

1. Provider submits Start Up Expense Worksheet request to DDS Area and Regional Contract Office

2. DDS Area Office reviews request to make sure that: requested items are necessary for operation of program; they are correctly characterized as an allowable Capital purchase (i.e., moveable items); and cost of the items (or combined cost of related group of assets) is in excess of provider's stated capitalization level.
  - a. Non-moveable assets (such as a bathroom renovation) cannot be purchased through a capital budget.
  - b. Eligible items costing less than a provider's capitalization level may be added to a start-up expense worksheet for new CBDS or ALTR sites.
3. Department authorizes spending commitment by signing a Standard Contract Form with the Capital Budget Form as supporting documentation. The Capital Budget form will include the provider's applicable capitalization level.
  - a. All capital contracts (ALTR and CBDS) will be coded under activity code 3191
  - b. Open Orders are not allowed.
  - c. Contract must be executed prior to purchase of approved items.
4. It is recommended that a provider seek three bids on each item to be purchased. The Department may review bid information to ensure that more than one bid was sought, and that best value is being provided.
5. Provider purchases asset in a manner consistent with the Capital Budget.
6. Provider submits invoice for payment.
  - a. Goods must be delivered within fiscal year of contract duration.
  - b. Invoices should document items purchased per OSD Capital Asset Purchasing policy
7. Documentation of capital purchase must be maintained with the contract that supported the request.
8. Any provider in possession of capital items is required to label, maintain, and keep on file a written inventory of the property in accordance with generally accepted accounting principles. Upon termination of the Contractor's contracts with the Department, capital items acquired with Commonwealth funds under a capital budget shall be subject to the following disposition standards:
  - a. If the item has been fully depreciated, it shall be retained by the Contractor, or;
  - b. If the Contractor holds title and the item has not been fully depreciated, the item and its title shall be returned to the Department, or transferred to another Contractor, or the item may be retained or sold by the Contractor after paying the Commonwealth for the remaining value of the item not fully depreciated or the proceeds of the sale, as determined by the Department.

## **REPLACEMENT COSTS**

Once a site is operational, any replacement costs, even if greater than a provider's capitalization level, are not appropriate for a Capital Budget. Ongoing replacement costs are either included in the group home occupancy rate or the CBDS rate.

In limited cases, the Area and Regional Office may determine it is in the best interests of the Commonwealth to cover the cost of a specialized piece of equipment through a Capital Budget for a new resident in a group home. The item must be moveable and exceed a provider's capitalization limit.